

## 5.3 2004-05 EXPENSES AND FORWARD ESTIMATES

This chapter provides the 2003-04 estimated outcome and 2004-05 budget and forward estimates for expense items. A discussion of the main expenditure items is also included.

### Overview

General Government Sector expenses in 2004-05 are expected to be \$2.584 billion. This represents an increase of \$37.539m or 1.5% from the 2003-04 estimated outcome.

Across the forward estimates, the forecast expenses, increase by 3.9% in 2005-06, decreasing back to be generally in line with, or marginally higher, than the estimated increase in the consumer price index (CPI).

As shown in figure 5.3.1, Employee Expenses is the most significant component of general government expenditure, accounting for 34% of total expenses. This increases to 45% with the inclusion of superannuation expenses. The remainder comprises supplies and services expenses, grants and purchased services followed by depreciation related and other expenses.

**Figure 5.3.1**  
**Components of General Government Expenditure 2003-04**

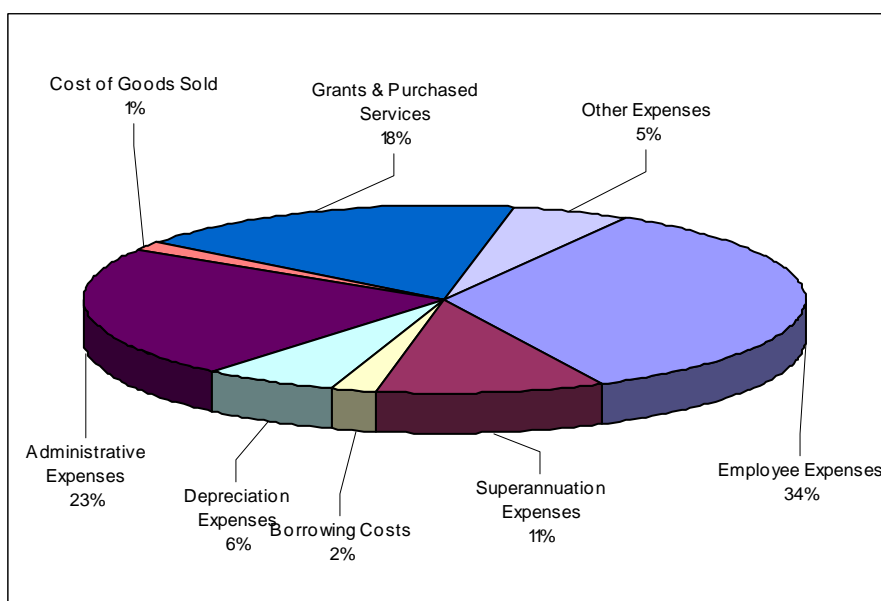


Table 5.3.1 provides a summary of the estimated outcome for 2003-04, forecasts for the 2004-05 budget and forward years for general government expenditure.

**Table 5.3.1  
General Government Expenditure**

	2003-04	2004-05		2005-06	2006-07	2007-08
	Est.Outcome	Budget	Var	Estimate	Estimate	Estimate
	\$'000	\$'000	%	\$'000	\$'000	\$'000
<b>Expenditure</b>						
Employee Expenses	835 222	887 073	6	911 550	933 098	953 494
Superannuation Expenses	285 273	271 529	-5	283 114	298 305	315 510
Supplies and Services Expenses	522 113	582 336	12	614 497	657 264	700 465
Depreciation Expenses	154 167	162 489	5	168 643	171 380	170 470
Borrowing Costs	44 351	45 574	3	44 581	42 945	42 222
Cost of Goods Sold	61 026	38 256	-37	53 184	32 925	32 280
Grants and Purchased Services	443 514	460 001	4	477 746	484 341	499 954
Other Expenses	117 253	95 807	-18	92 763	102 753	105 448
Expenses of Associates and Joint Ventures	467	0	-100	0	0	0
Transfer Expenses	83 072	40 932	-51	38 907	35 607	35 891
<b>Total Expenses</b>	<b>2 546 458</b>	<b>2 583 997</b>	<b>1</b>	<b>2 684 985</b>	<b>2 758 618</b>	<b>2 855 734</b>

Note: Totals may not add due to rounding

## Factors Affecting Expenditure Levels

### *Employee Expenses*

Employee expenses will grow by 6% or \$51.851m in 2004-05 from the 2003-04 estimated outcome. The forward estimates include more modest growth in employee expenses over the forward years.

Contributing to the increase are general wage increases from the current round of wage negotiations, the impact of natural salary advancement and the impact from 2004-05 Budget initiatives of \$16m, 2003-04 supplementary appropriations of \$14.5m and, the inclusion of the restructuring fund.

### *Superannuation*

Superannuation expenses will decrease by \$13.744m or 5% in 2004-05 from the 2003-04 estimated outcome. The decrease is due to the larger initial impact of the triennial review of the Territory's superannuation liabilities as at 30 June 2003 combined with the impact of recognising the estimated superannuation liability of Totalcare. This Totalcare liability had not completely been recognised in the past years. The Territory is in the process of assessing any deficiency in its existing superannuation liability in relation to Totalcare.

### *Supplies and Services Expenses*

Supplies and services expenses increased by \$60.223m or 12% in 2004-05 from the 2003-04 estimated outcome. This variance relates to increases in the provision for Treasurer's Advance of \$23.4m, new expenditure associated with 2004-05 Budget initiatives of \$24m, the full year impact of 2003-04 supplementary appropriations and CPI increases.

### *Depreciation and Amortisation*

Depreciation and amortisation is estimated to increase by \$8.322m or 5% in 2004-05 from the 2003-04 estimated outcome. This is mainly due to the full year impact of 2003-04 supplementary appropriations for capital, increases in the value of infrastructure developed by the Land Development Agency, changes to depreciation applied to Totalcare assets transferred to other agencies, and increased funding in the capital works program for 2004-05. This is offset by reductions in the depreciation of streetlighting.

### *Costs of Goods Sold*

The cost of goods sold decreased by \$22.770m or 37% in 2004-05 from the 2003-04 estimated outcome. This reduction relates to the change in classification of expenditure relating to functions transferred from Totalcare to other agencies, which are now shown separately as wages and salaries, supplies and services and other expense categories.

### *Grants and Purchased Services*

The increase in grants and purchased services of \$16.487m or 4% in 2004-05 from the 2003-04 estimated outcome represents the new expenditure associated with 2003-04 Budget initiatives, including business and community grants, deferred capital grants and various ACT Health capital grants to Calvary Hospital in 2004-05, including the Sub Acute Facility.

### *Other Expenses*

Other Expenses have decreased by \$21.466m or 18% in 2004-05 from the 2003-04 estimated outcome. The variation is largely associated with the establishment of the Agents Board as a Trust in 2003-04, and the associated write-off of the net asset position.

### *Transfer Expenses*

Transfer expenses relate to appropriation payments to the PTE Sector.

The decrease in transfer expenses of \$42.140m in 2004-05 from the 2003-04 estimated outcome mainly reflects the payment to Housing ACT of \$33.2m as part of the Appropriation Bill 2003-2004 (No.3).

## Community Service Obligations

Community Service Obligations (CSOs) primarily relate to Public Trading Enterprises and arise when government specifically requires a public enterprise to carry out activities which it would not elect to do on a normal commercial basis, or which it would only do commercially at higher prices.

The separate identification of CSOs provides transparency on the full costs of services, and the financial implications of government decisions in the provision of services to specific targeted groups in the community.

The definition adopted by the ACT Government is the one proposed by the Steering Committee on National Performance Monitoring of Government Trading Enterprises, established under the aegis of the Special Premiers' Conference in 1991, which states:

*“A Community Service Obligation arises when a government specifically requires a public enterprise to carry out activities relating to outputs or inputs, with identified public benefit objectives, which it would not elect to do on a commercial basis, and which the government does not require other businesses in the public or private sector to undertake, or which it would only do commercially at higher prices.”*

In the ACT, the Government agreed to extend the policy to other business units regardless of whether the unit is formally a Territory Owned Corporation or a Statutory Authority, and irrespective of its organisational structure.

Table 5.3.2 lists Community Service Obligations funded in the 2004-05 Budget.

**Table 5.3.2  
CSOs Funded in 2004-05 Budget**

<b>Policy/Purchasing Department</b>	<b>CSO Provided by</b>	<b>2004-05 Price \$'000</b>	<b>Description</b>
<b>Department of Treasury</b>			
	Exhibition Park in Canberra	304	Compensation for charging below market rates, as a result of Ministerial direction, or in agreements entered into by the ACT Government.
<b>Department of Urban Services</b>			
	Yarralumla Nursery	246	Free plant issue scheme.
	ACT Forests	2 138	Provision and upkeep of public use areas within ACT Forests.
	ACTION	45 785	Funding provided to ACTION to operate network services.
<b>Department of Disability, Housing and Community Services</b>			
	ACTEW	951	Half cost of water use for schools and churches.
	ACTEW	1 433	Half cost of sewerage services to churches and hospitals.
	ACTEW	31	Compensation for water and sewerage rates for lease granted under the (repealed) Church Land Act 1924.
	ACTEW	5 356	Rebates on electricity bills to pensioners.
	ACTEW	3 005	Rebates on water and sewerage charges to pensioners.
	ACTEW	118	Administration cost for rebates.
	Community Health	962	Part subsidy to taxi fares for eligible persons with disability.
<b>Department of Justice and Community Safety</b>			
	Office of Public Trustee	431	Financial management under Guardianship Management and Property Tribunal's determinations and under power of attorney, welfare funerals.
<b>Total</b>		<b>60 760</b>	

