

## 5.3 2005-06 EXPENSES AND FORWARD ESTIMATES

This chapter provides the 2004-05 estimated outcome and 2005-06 budget and forward estimates for expense items. A discussion of the main expenditure items is also included.

### Overview

General Government Sector expenses in 2005-06 are expected to be \$2.807 billion. This represents an increase of \$139.624m or 5.2% from the 2004-05 estimated outcome.

Across the forward estimates, the increase in total expenses is generally in line with, the estimated increase in the consumer price index (CPI).

As shown in figure 5.3.1, employee expenses are the most significant component of general government expenditure, accounting for 35% of total expenses in 2005-06. This increases to 47% with the inclusion of superannuation expenses. The remainder comprises supplies and services expenses, grants and purchased services followed by depreciation and other expenses.

**Figure 5.3.1**  
**Components of General Government Expenditure 2005-06**

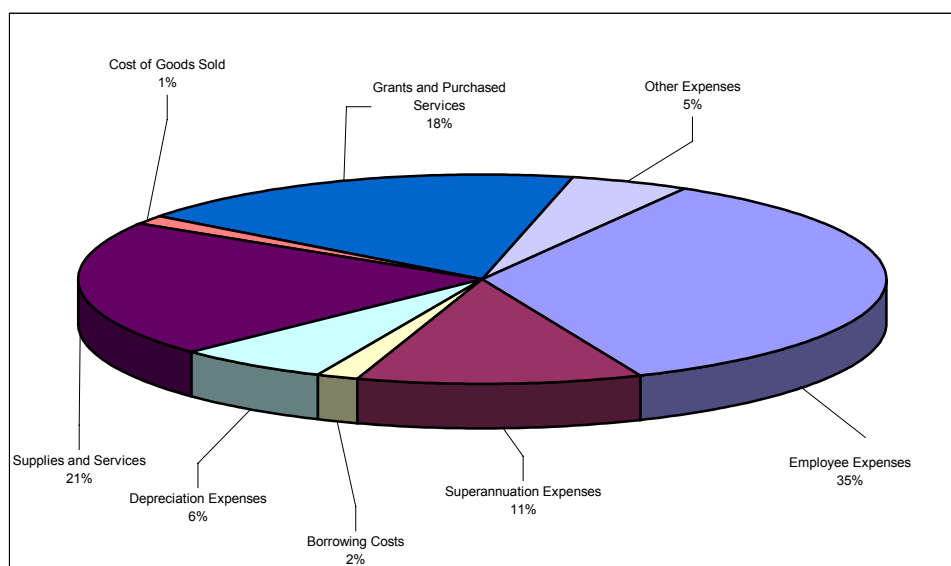


Table 5.3.1 provides a summary of the estimated outcome for 2004-05, and forecasts for the 2005-06 budget and forward years for general government expenditure.

**Table 5.3.1  
General Government Expenditure**

	2004-05	2005-06		2006-07	2007-08	2008-09
	Est.Outcome	Budget	Var	Estimate	Estimate	Estimate
	\$'000	\$'000	%	\$'000	\$'000	\$'000
<b>Expenditure</b>						
Employee Expenses	935 516	988 618	6	992 658	1 006 547	1 029 077
Superannuation Expenses	286 067	319 568	12	327 957	341 906	359 274
Supplies and Services Expenses	578 358	590 187	2	603 570	652 226	696 395
Depreciation Expenses	164 007	172 488	5	179 966	187 122	190 573
Borrowing Costs	46 820	49 401	6	49 418	52 105	53 623
Cost of Goods Sold	27 518	40 423	47	30 556	30 870	28 552
Grants and Purchased Services	486 907	516 077	6	524 503	540 031	562 178
Other Expenses	112 187	98 078	-13	111 951	118 654	122 712
Transfer Expenses	30 375	32 611	7	29 942	30 246	30 538
<b>Total Expenses</b>	<b>2 667 755</b>	<b>2 807 451</b>	<b>5</b>	<b>2 850 521</b>	<b>2 959 707</b>	<b>3 072 922</b>
<b>Expenses of Associates and Joint Ventures</b>	<b>72</b>	<b>0</b>	<b>-100</b>	<b>0</b>	<b>0</b>	<b>0</b>

*Note: Totals may not add due to rounding*

## Factors Affecting Expenditure Levels

### *Employee Expenses*

Employee expenses will grow by 6% or \$53.102m in 2005-06 from the 2004-05 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 finalisation of a number of Enterprise Bargaining Agreements, which were funded through the *2004-05 Appropriation Act No. 2*, and the impact of natural salary advancement.

### *Superannuation*

Superannuation expenses will increase by \$33.501m or 12% in 2005-06 from the 2004-05 estimated outcome. The increase is due to the estimated growth in superannuation liabilities as a result of the latest actuarial estimates.

### *Supplies and Services Expenses*

Supplies and services expenses increased by \$11.829m or 2% in 2005-06 from the 2004-05 estimated outcome. This marginal variance generally relates to the inclusion of the provision for Treasurer's Advance, the impact of CPI increases, and the impact of new expenditure associated with budget initiatives.

### *Depreciation and Amortisation*

Depreciation and amortisation is estimated to increase by \$8.481m or 5% in 2005-06 from the 2004-05 estimated outcome. This is mainly due to the increase in the level and value of the asset base.

### *Borrowing Costs*

Borrowings costs are expected to increase by \$2.581m or 6% in 2005-06 from the 2004-05 estimated outcome. The increase reflects an increase in finance lease charges associated with increased fleet management activities.

### *Cost of Goods Sold*

The cost of goods sold is expected to increase by \$12.905m or 47% in 2005-06 from the 2004-05 estimated outcome. This increase is due to expected increases in land development activities and an expected growth in fleet management activities.

### *Grants and Purchased Services*

The forecast increase in grants and purchased services of \$29.170m or 6% in 2005-06 from the 2004-05 estimated outcome represents the new expenditure associated with the Budget initiatives, an increase in capital grants to Calvary Hospital in 2005-06 by ACT Health, and increased funding for non government schools from both the Commonwealth and ACT Governments.

### *Other Expenses*

Other Expenses are estimated to decrease by \$14.109m or 13% in 2005-06 from the 2004-05 estimated outcome. The variation is largely associated with higher levels of expenditure in 2004-05 due to the recognition of one-off adjustments for insurance provisions arising from increases in medical malpractice and public liability claims.

## *Transfer Expenses*

Transfer expenses relate to appropriation payments to the PTE Sector.

The forecast increase in transfer expenses of \$2.236m in 2005-06 from the 2004-05 estimated outcome mainly reflects payments to Housing ACT for energy and water efficiency measures and supplementation for an increase in rates.

## **Community Service Obligations**

Community Service Obligations (CSOs) primarily relate to Public Trading Enterprises. 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.

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.

Table 5.3.2 lists Community Service Obligations funded in the 2005-06 Budget.

**Table 5.3.2  
CSOs Funded in 2005-06 Budget**

<b>Policy/Purchasing Department</b>	<b>CSO Provided by</b>	<b>2005-06 Price \$'000</b>	<b>Description</b>
<b>Department of Treasury</b>			
	Exhibition Park in Canberra	313	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	145	Free plant issue scheme.
	ACT Forests	2 138	Provision and upkeep of public use areas within ACT Forests.
	ACTION	52 994	Funding provided to ACTION to operate network services.
<b>Department of Disability, Housing and Community Services</b>			
	ACTEW	1 000	Half cost of water use for schools and churches.
	ACTEW	1 741	Half cost of sewerage services to churches and hospitals.
	ACTEW	31	Compensation for water and sewerage rates for lease granted under the (repealed) <i>Church Land Act 1924</i> .
	ACTEW	5 781	Rebates on electricity bills to pensioners.
	ACTEW	3 092	Rebates on water and sewerage charges to pensioners.
	ACTEW	119	Administration cost for rebates.
	Community Health	760	Part subsidy to taxi fares for eligible persons with disability.
<b>Department of Justice and Community Safety</b>			
	Office of Public Trustee	438	Financial management under Guardianship Management and Property Tribunal's determinations and under power of attorney, welfare funerals.
<b>Total</b>		<b>68 552</b>	

