

Introduction

Background

Budget Paper No. 4 details the Territory's Infrastructure Program for 2005-06.

The Infrastructure Program covers the development and maintenance of the Territory's infrastructure. The Program comprises capital projects, both capital works and capital grants, repairs and maintenance and infrastructure-related expenses across Territory Government sectors. Capital projects may span more than one budget year, whereas repairs and maintenance and infrastructure-related expenses are for the budget year.

Total Infrastructure Expenditure

Infrastructure expenditure for the total Northern Territory Public Sector includes capital works expenditure on projects for budget sector agencies, capital grants provided by those agencies, and capital expenditure of the Power and Water Corporation, which is a government owned corporation. In addition, infrastructure spending also includes repairs and maintenance expenditure and infrastructure-related expenditure, which are classified as recurrent expenses.

Total infrastructure expenditure is lower than the Infrastructure Program as the program is undertaken over a period longer than the budget year, whereas infrastructure expenditure reflects the amount estimated to be spent in the budget year.

Expenditure for the total Infrastructure Program in 2005-06 is estimated to be \$476 million, with some 63 per cent (\$298 million) assigned to capital projects and the remaining \$178 million funding repairs and maintenance and infrastructure-related activities.

Table 1: Total Infrastructure Program and Expenditure

	2004-05		2005-06	
	Program	Cash	Program	Cash
	\$M	\$M	\$M	\$M
CAPITAL				
Budget Sector				
Capital Works	332	201	295	192
Capital Grants		46		43
Government Owned Corporations				
Power and Water Corporation		62		63
TOTAL CAPITAL EXPENDITURE		309		298
REPAIRS AND MAINTENANCE				
Budget Sector				
Repairs and Maintenance Expense		113		121
Repairs and Maintenance Grants		10		10
Government Owned Corporations				
Power and Water Corporation		39		39
TOTAL REPAIRS AND MAINTENANCE EXPENDITURE		162		170
INFRASTRUCTURE-RELATED				
Budget Sector				
Urban Enhancement Program		3		3
Asset Planning and Delivery		5		5
TOTAL INFRASTRUCTURE-RELATED EXPENDITURE		8		8
TOTAL INFRASTRUCTURE EXPENDITURE		479		476

Total infrastructure expenditure continues at consistent and high levels in both 2004-05 and 2005-06 and demonstrates the Government's commitment to continue developing and maintaining economic and Government infrastructure critical to supporting business development and the delivery of core Government services across the Territory.

Additional repairs and maintenance funds have been provided across the budget sector in recognition of the ongoing need and higher costs to adequately maintain the Territory's infrastructure assets. Overall, when compared to 2004-05, 2005-06 will see a marginal shift in infrastructure expenditure in favour of repairs and maintenance. This reflects a commitment to supporting infrastructure and ensuring assets can continue to be used for their intended purposes.

Capital Works for Budget Sector

The 2005-06 capital works program for budget sector agencies (excluding Power and Water Corporation) is \$295 million with a cash allocation of \$192 million, a cash to program ratio of 65 per cent. The total estimated program for 2005-06 is \$37 million lower than the 2004-05 program, due to a lower level of new major projects in 2005-06, offset by an increase of \$8 million in minor new works. However, the cash allocation between the two years is comparable, reflecting the cash requirements of revoted projects.

In relation to minor new works, the threshold for recording projects as 'minor', which had been unchanged for many years, was reviewed and lifted to \$300 000. This increase was to recognise general consumer price index rises and the increases in construction industry prices over the past year, due to price increases for major commodities such as steel and copper, and labour cost rises resulting from the shortage of skilled labour.

To support this higher threshold and ensure sufficient projects for smaller local businesses in the construction industry, the Government also increased the 2005-06 minor new works program to \$28.6 million, an \$8 million or 40 per cent increase on the 2004-05 program. This will facilitate the prompt progression of a range of upgrade projects for key asset categories, such as schools and roads, across the Territory.

The Government's focus for the 2005-06 capital works program continues to be initiating and progressing the development of key projects that will facilitate a longer term economic stimulus for the Territory. Examples of such projects include the subsequent stages of the Mereenie and Litchfield Loop road projects which will improve access to important tourist attractions thereby assisting the tourism industry, and the development of the Desert Knowledge Precinct in Alice Springs to encourage research and innovation focused on improving life in a desert environment.

Important service delivery assets have been incorporated into the 2005-06 capital works program, including:

- a new school at Minjilang following the devastation caused by Cyclone Ingrid in March this year;
- substantial school upgrade projects in Wadeye, Gunbalanya, Mapurru and Darwin;
- community-based mental health facilities in Darwin and Alice Springs;
- further renal facilities upgrades in Alice Springs and remote communities;
- a new fire station at Marrara;
- aerodrome upgrades at Bulman, Alpururalum and Pigeon Hole;
- the Darwin Soccer Stadium;
- development works at the Litchfield and West MaDonnell National Parks; and
- major upgrade works and bridges on the Victoria Highway.

The Department of Infrastructure, Planning and Environment has primary responsibility for delivering the Territory Government's capital works program. The total program managed by this agency will be \$256 million in 2005-06.

Capital Grants

Capital grants are provided to fund the construction or upgrade of significant assets that are owned by entities outside the budget sector (grant recipients). Capital grants are generally provided in one of two main ways:

- projects managed by grant recipients – funds provided directly to the grant recipient which manages the construction project and acquits the grant; or
- projects managed by the Government for grant recipients – the Department of Infrastructure, Planning and Environment manages the construction project on behalf of the grant recipient, and the asset is handed over to the recipient on completion.

For projects in this latter category, the Government will let tenders and contracts and supervise construction work, observing the same procedures and requirements as for Government's own capital works projects.

The major capital grants in 2005-06 are:

- Indigenous housing – \$24.2 million grant to the Indigenous Housing Authority of the Northern Territory for the construction and upgrade of Indigenous housing across the Territory;
- Indigenous essential services – \$10 million grant to Power and Water Corporation to provide power, water and sewerage infrastructure to remote Territory communities;
- undergrounding powerlines – \$3 million grant to Power and Water Corporation to continue the long-term project to underground electricity lines in Darwin;
- Palmerston Recreation Centre – \$5 million to fund stage 1 of the development of the new multi-purpose sport and recreation centre in Palmerston; and
- Alice Springs drag strip – \$0.8 million to construct a new raceway.

Repairs and Maintenance

As the Territory progresses with the development of infrastructure assets, its repairs and maintenance programs increase in prominence.

The repairs and maintenance program has been escalated at 5 per cent (more than double consumer price index) in recognition of a growing infrastructure asset base and the need to maintain this base in order to preserve the benefits of prior investment decisions.

The significant repairs and maintenance increases are:

- schools maintenance – \$1.5 million;
- health facilities maintenance – \$0.7 million;
- roads maintenance – \$3 million; and
- housing maintenance – \$1.8 million.

In some instances, agencies provide grants to non-government entities specifically to allow these entities to fund the repair and maintenance of their assets. Both repairs and maintenance costs for Government assets and grants are treated as operational expenses.

Infrastructure-Related Expenses

Throughout 2004-05, a series of projects that were infrastructure-related but not capital in nature were segregated from the capital works program, where these costs were previously recorded. This arose through a review of accounting treatments, as well as determining asset ownership and control. These principles have been applied in preparing the 2005-06 budget

and, to retain consistency and comparability of information, the 2004-05 estimates have been revised and presented on the same basis. The projects in this category are:

- urban enhancement – \$3 million to fund landscaping projects including at shopping centres and along major urban traffic routes, with costs mostly for items below the asset classification threshold and including signage, landscaping, painting and fencing costs;
- asset planning studies – \$2 million to fund strategic asset studies and masterplans;
- operational program delivery costs – \$3.1 million for delivery and consultancy costs that are not specific to an asset and thus are required to be expensed.

A further accounting treatment revision was progressed during 2004-05 and reflects in both the 2004-05 and 2005-06 estimates. Funding for the Construction Division to cover its general or whole of government program planning activities, of approximately \$4 million per annum, has previously been met from program delivery funds. This will now more appropriately be recorded as a service payment from the Department of Infrastructure, Planning and Environment to the Construction Division for services provided. Program delivery funds in the capital works program will be kept for specific capital projects.

Government Owned Corporations

Power and Water Corporation, as a government owned corporation, determines its own capital program consistent with its commercially-oriented priorities. Its projected capital expenditure in 2005-06 is consistent with its 2004-05 estimate, with both around \$63 million.

Power and Water Corporation's planned expenditure for repairs and maintenance remains similarly stable across 2004-05 and 2005-06, at around \$39 million.

Information Presented in this Budget Paper

Total Infrastructure Expenditure – the main summary table showing expenditure for the Infrastructure Program across all sectors (budget sector and government owned corporations sector) for the 2004-05 and 2005-06 years. This is the primary infrastructure budget table, with subsequent tables illustrating increasingly disaggregated information that forms part of the overall total.

Capital Projects and Estimated Capital Expenditure – summary tables for budget sector capital works and capital grants for both 2004-05 and 2005-06, categorised into the general government and public non financial corporations sectors, and capital expenditure for the government owned corporations sector (comprising Power and Water Corporation). Details are presented according to the functional classification for the construction activity.

The capital works section of the tables provides information on the following components:

- Revote In – estimated value of capital works not completed in the previous year;
- Minor New Works – projects of a capital nature, with an estimated cost of \$300 000 or less;
- Major New Works – capital projects with an estimated cost greater than \$300 000;
- Program Delivery – the cost of delivering capital projects, including design and project management costs;
- Total Capital Works – totals the above components;
- Estimated Cash Expenditure – the amount of capital works cash allocated to the program; and
- Revote Out – the balance of total capital works not completed at the end of the year. This is the difference between the total capital works and the cash expenditure.

For capital grants and Power and Water Corporation projects, only capital expenditure is shown. Grants are paid during the year and, as such, a revote item is not required.

Information for 2004-05 has been revised since the 2004-05 Budget to reflect updated estimates and treatment changes.

Capital Projects Summary – provides a list of all agencies with capital projects (major and minor), including both capital works and capital grants projects. Information is provided for both 2004-05 and 2005-06. This table presents a different disaggregation for budget sector capital projects to previous tables.

Repairs and Maintenance Summary – provides repairs and maintenance costs for each agency, including both 2004-05 and 2005-06 repairs and maintenance expenses directly recorded by the agency and grants made by the agency to other entities to fund the recipient's repairs and maintenance costs.

Program Details by Agency – provides details of each agency's 2005-06 Infrastructure Program. Each major project is identified, with the total program provided for minor projects. Revoted and new works are separately presented for each agency. Capital grants provided by agencies to other entities are also identified in the agency section, categorised according to whether the Government or the grant recipient undertakes the project management function. Estimated costs within major repairs and maintenance categories are disclosed, where relevant.

Committal Target Dates for Major Capital Projects – details significant major new works of \$1 million or more, and provides an indicative project commencement date. These dates may vary due to changes in circumstances during the year, which can require a rearrangement of priorities.

Explanatory Terms – provides a guide to further explain more technical or specific terminology used in this Budget Paper.