



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: B438

Date Referred: 14/03/2019

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Proposal Title: Police Secure Stations - \$80 Million Fund

Cluster: Justice

## General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation	-	-	1,750	3,500	5,250
Less: Offsets	-	-	-	-	-
Revenue	-	35,000	35,000	10,000	80,000
<b>Net Operating Balance:</b>	-	<b>35,000</b>	<b>33,250</b>	<b>6,500</b>	<b>74,750</b>

Capital Expenditure	-	35,000	35,000	10,000	80,000
Capital Offsets	-	-	-	-	-
<b>Net Capital Expenditure:</b>	-	<b>35,000</b>	<b>35,000</b>	<b>10,000</b>	<b>80,000</b>

<b>Net Lending/(Borrowing):</b>	-	-	-	-	-
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## Total State Sector Impacts

<b>Net Lending/(Borrowing):</b>	-	-	-	-	-
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## Notes and costing assumptions

The policy proposes to spend \$80 million over the forward estimates on capital upgrades to police stations: \$35 million in each of 2019-20 and 2020-21, and \$10 million in 2021-22.

The policy proposes to fund the expenditure from the Confiscated Proceeds Account (CPA) under the *Criminal Assets Recovery Act 1990*. Funds within the CPA are only recognised as revenue when expended. Therefore the capital expenditure and revenue exactly offset each other under the policy producing a nil impact on the budget net lending result.

Advice from NSW Treasury forecasts an operating balance for the CPA of \$91 million (m) at the end of 2021-22. Based on this information there is expected to be a sufficient balance within the CPA to fund the \$80 m capital spend; though the forecasts are subject to a number of caveats discussed below.

The PBO has depreciated the capital expenditure over 20 years using the straight line method, assuming the expenditure is on buildings that are typically depreciated over 40 years and other capital equipment that is typically depreciated over shorter periods of between 3 and 25 years.

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**Notes and costing assumptions continued:**

NSW Treasury has provided the actual opening and forecast closing balance for the CPA for 2018-19, as well as the forecast receipts and payments across each of the financial years to 2022-23. The PBO has forecast the closing balance for the Fund over the forward estimates based on this information in the table below.

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000
<b>Opening balance at 1 July</b>	<b>127,203</b>	<b>79,445</b>	<b>80,945</b>	<b>85,267</b>	<b>91,035</b>
<b>Receipts</b>	20,900	18,953	18,953	18,953	18,953
<b>Payments</b>	68,658	17,453	14,631	13,185	13,185
<b>Net funds available at 30 June</b>	<b>79,445</b>	<b>80,945</b>	<b>85,267</b>	<b>91,035</b>	<b>96,803</b>

The above figures are subject to a number of caveats.

**Receipts to the Fund**

The amounts received in the CPA are highly variable, and depend on the number of proceedings finalised and the value of confiscations made. The above figures represent the best available estimate of future receipts, but these have a wide confidence interval (a range of \$12.8 m to \$31.1 m in the past 10 years).

**Payments from the Fund**

The *Criminal Assets Recovery Act 1990* allows monies in the CPA to be spent "in aid of law enforcement" as directed by the Treasurer in consultation with the Minister responsible for the Act (Section 32 D). Upgrading police stations would be consistent with this purpose.

NSW Treasury has advised that CPA funds have been committed to a number of projects and initiatives across the forward estimates, including via legislation. The figures in the table above represent the best estimate of these commitments.

There is a risk that if the CPA was fully expended there may be insufficient monies from receipts to fund future commitments. However, the government may choose to vary these future commitments, for example, by changing legislation.

In the case that the CPA did not hold sufficient funds for future commitments, the government may choose to fund the gap from the Consolidated Fund; this would, however, have a commensurate budget impact.