



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: B475

Date Referred: 17/03/2019

Date Published: 18/03/2019

Proposal Title: Demountable replacement program

Cluster: Education

General Government Sector Impacts

| | 2018-19 \$'000 | 2019-20 \$'000 | 2020-21 \$'000 | 2021-22 \$'000 | 4 year Total \$'000 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| Expenses (ex. depreciation) | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Less: Offsets | - | - | - | - | - |
| Revenue | - | - | - | - | - |
| Net Operating Balance: | - | - | - | - | - |

| | | | | | |
|---------------------------------|---|---------------|----------------|----------------|----------------|
| Capital Expenditure | - | 75,000 | 150,000 | 100,000 | 325,000 |
| Capital Offsets | - | - | - | - | - |
| Net Capital Expenditure: | - | 75,000 | 150,000 | 100,000 | 325,000 |

| | | | | | |
|---------------------------------|---|-----------------|------------------|------------------|------------------|
| Net Lending/(Borrowing): | - | (75,000) | (150,000) | (100,000) | (325,000) |
|---------------------------------|---|-----------------|------------------|------------------|------------------|

Total State Sector Impacts

| | | | | | |
|---------------------------------|---|-----------------|------------------|------------------|------------------|
| Net Lending/(Borrowing): | - | (75,000) | (150,000) | (100,000) | (325,000) |
|---------------------------------|---|-----------------|------------------|------------------|------------------|

Notes and costing assumptions

The policy is to allocate an additional \$500 million from July 2019 to March 2023 to replace demountables with classrooms, in addition to the Department of Education's existing capital works program. The policy specifies the following funding allocation over this period as (\$000s):

| \$000s | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|------------------------|---------|---------|---------|---------|
| Replacing demountables | 75,000 | 150,000 | 100,000 | 175,000 |

The PBO estimates that the total cost of the policy is \$325 million over the forward estimates and \$500 million by 2022-23.

The PBO estimates the additional \$325 million over the forward estimates can fund approximately 228 additional demountable replacements. This is based on information from the Department of Education that the average total cost of replacing a demountable with a classroom is \$1.43 million in 2018-19.

The PBO has not included depreciation impacts over the forward estimates. After March 2023, the PBO estimates that depreciation expenses totalling 2% of the capital value of the classrooms would be incurred. This is based on information from the Department about:

- the likely timeframe for replacing demountables, seeking planning approvals, and tendering and constructing new classrooms, under the current planning framework
- the average useful life and depreciation for classrooms (50 years, or 2% per year based on a straight line approach).