



Public Accounts Committee

Budget Briefing 2013-14

**Report No. 2
October 2013**

Legislative Assembly
Parliament of Western Australia

Committee Members

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Public Accounts Committee

Budget Briefing 2013-14

Report No. 2

Presented by

Mr D.C. Nalder, MLA

Laid on the Table of the Legislative Assembly on 31 October 2013

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Chapter 1

Budget Briefing 2013-2014

Background

- 1.1 It is customary for the incumbent Public Accounts Committee (the Committee) to host a briefing on the state's Annual Budget, delivered by members of the Department of Treasury (Treasury) to all interested members of the Western Australian Parliament.
- 1.2 The Budget Briefing is usually conducted in the week immediately following the Treasurer's presentation of the Appropriation Bills in the Legislative Assembly and the delivery of his Budget speech. The briefing provides an ideal opportunity for all members to acquire detailed knowledge, and to question senior Treasury officials, on the economic forecasts for the year ahead and the impact of income and expenditure proposals on the state's bottom line.
- 1.3 While the Budget is usually delivered in May, the 2013-2014 Budget was delayed until Thursday, 8 August 2013 after the state election was held in March. As a result, the Committee hosted the Budget Briefing later than usual on Tuesday, 13 August 2013.
- 1.4 The briefing was presented by Mr Tim Marney, the Under Treasurer. Mr Marney was accompanied by Mr Michael Barnes, Deputy Under Treasurer, and Mr Michael Court, Executive Director, Economic.
- 1.5 During the briefing, the Under Treasurer used a Powerpoint presentation to set out the details of the Budget, and answered questions from the members of Parliament in attendance.
- 1.6 At its meeting of 25 September 2013, the Committee discussed the value of availing the information that was provided by the Treasury officials to a broader audience beyond the confines of the Parliament. The Committee consequently resolved to table this short report, which includes the Powerpoint presentation used by the Under Treasurer at Appendix One.
- 1.7 The Under Treasurer also took three questions on notice from the floor relating to the Independent Public Schools program administered by the Department of Education. The Committee further resolved to report to Parliament the information Mr Marney provided in response to these questions. This has been included at Appendix Two.

Chapter 1

- 1.8 It is the intention of the Committee to continue this practice with the remaining Budget Briefings it hosts during the rest of this term of Parliament.
- 1.9 The Committee would like to express its thanks to Mr Marney for his cooperation in this process and for the presentation. Similarly, the Committee would like to acknowledge the input of Mr Barnes and Mr Court to questions from the floor during the briefing.

MR D.C. NALDER, MLA
CHAIRMAN

Appendix One

Treasury's Budget Briefing: 2013-14 Budget Western Australia



2013-14

BUDGET

Western Australia

8 August 2013

Securing our economic future
Efficient delivery of quality services
Protecting our community
Investing in infrastructure to support our growing State

Economic Forecasts

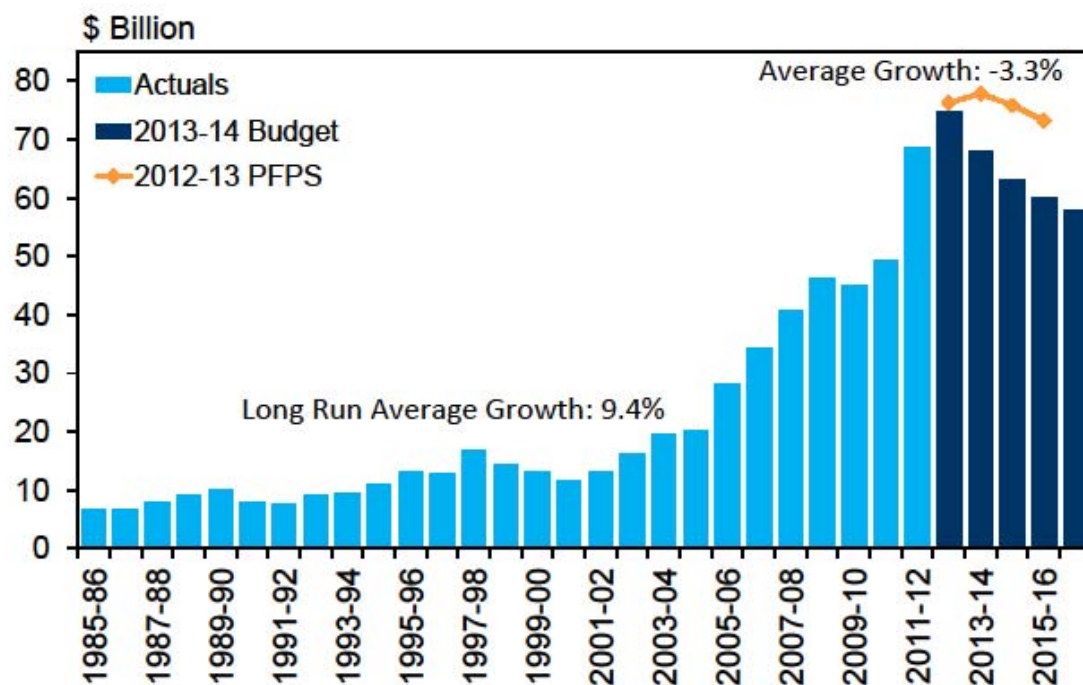
Annual Growth (%)

	2011-12 Actual %	2012-13 Estimated Actual %	2013-14 Budget Estimate %	2014-15 Forward Estimate %	2015-16 Forward Estimate %	2016-17 Forward Estimate %
Real gross State product (GSP)	6.7	5.75	3.25	2.5	3.75	3.75
Real State final demand	14.2	6.0	-0.25	0.5	1.0	1.25
Net exports	-3.4	9.75	12.0	7.25	9.25	8.5
Employment	3.9	3.6	1.25	1.75	1.5	1.5
Unemployment rate	4.0	4.4	5.5	5.75	5.5	5.25
Wage Price Index (WPI)	4.3	4.0	3.75	3.75	3.5	3.5
Perth Consumer Price Index (CPI)	2.2	2.3	2.5	2.5	2.5	2.5

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Business Investment

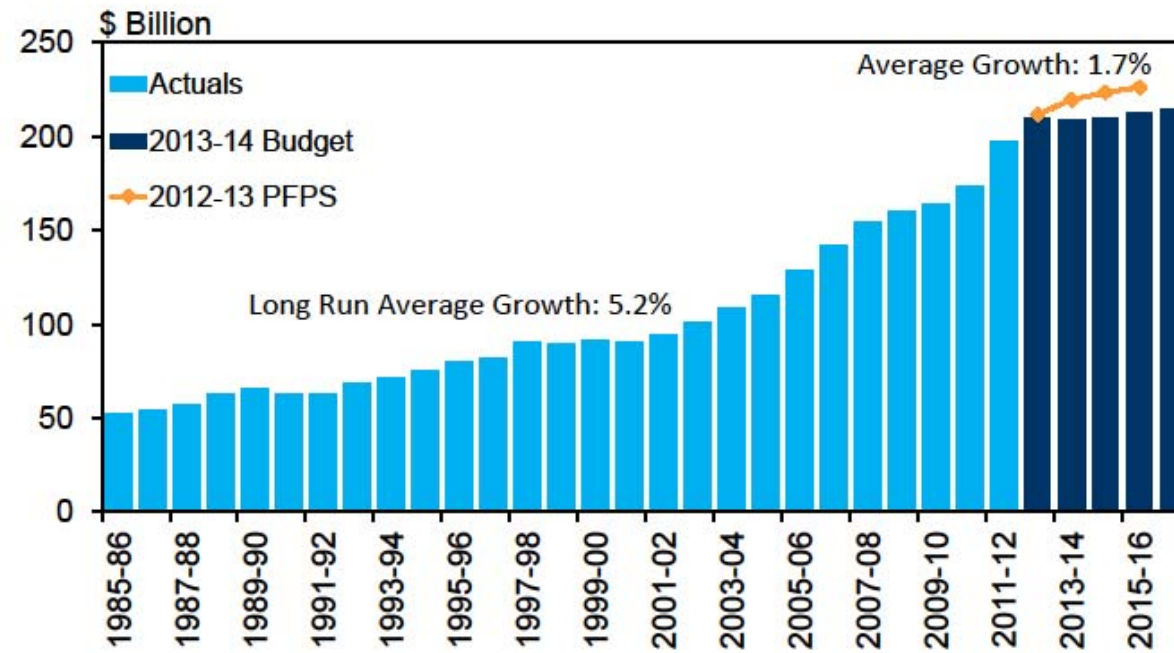


Note: Data adjusted for 1997-98 sale of Dampier to Bunbury Natural Gas Pipeline from the public sector to the private sector.

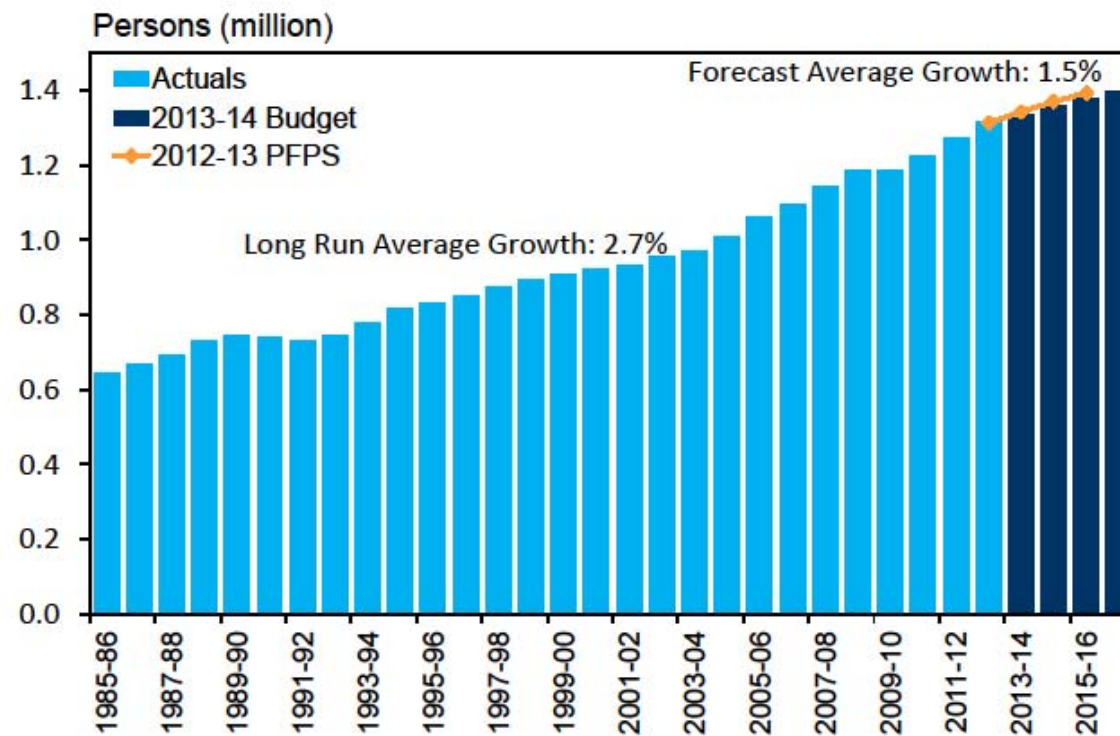
2013-14

BUDGET Western Australia

State Final Demand



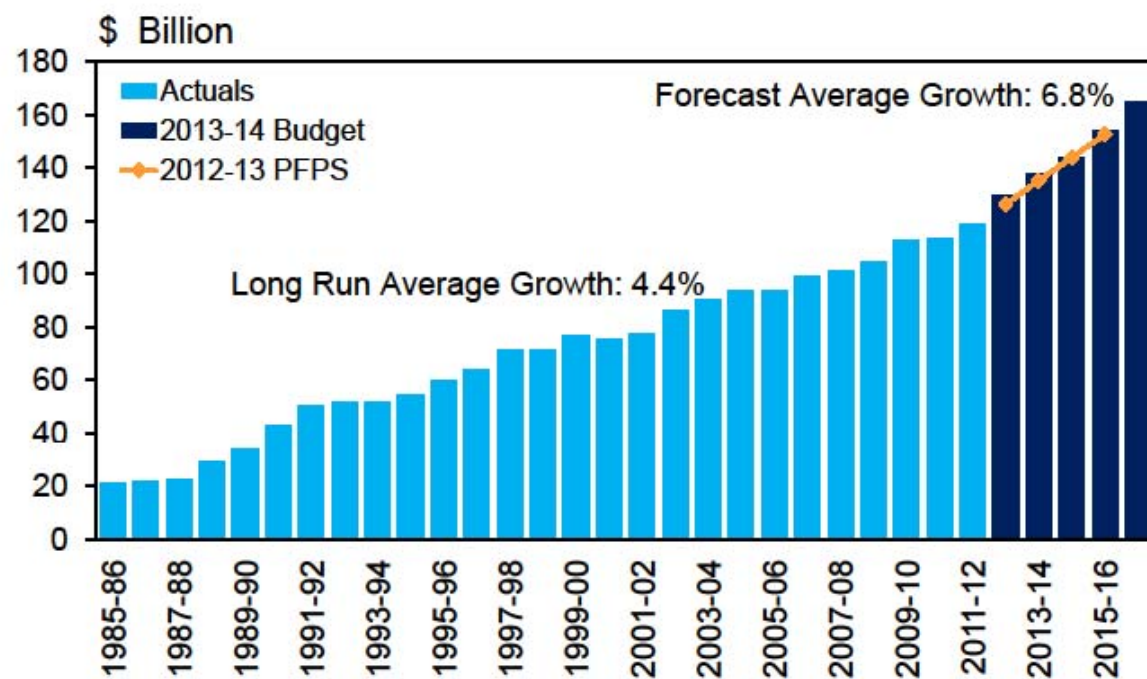
Employment



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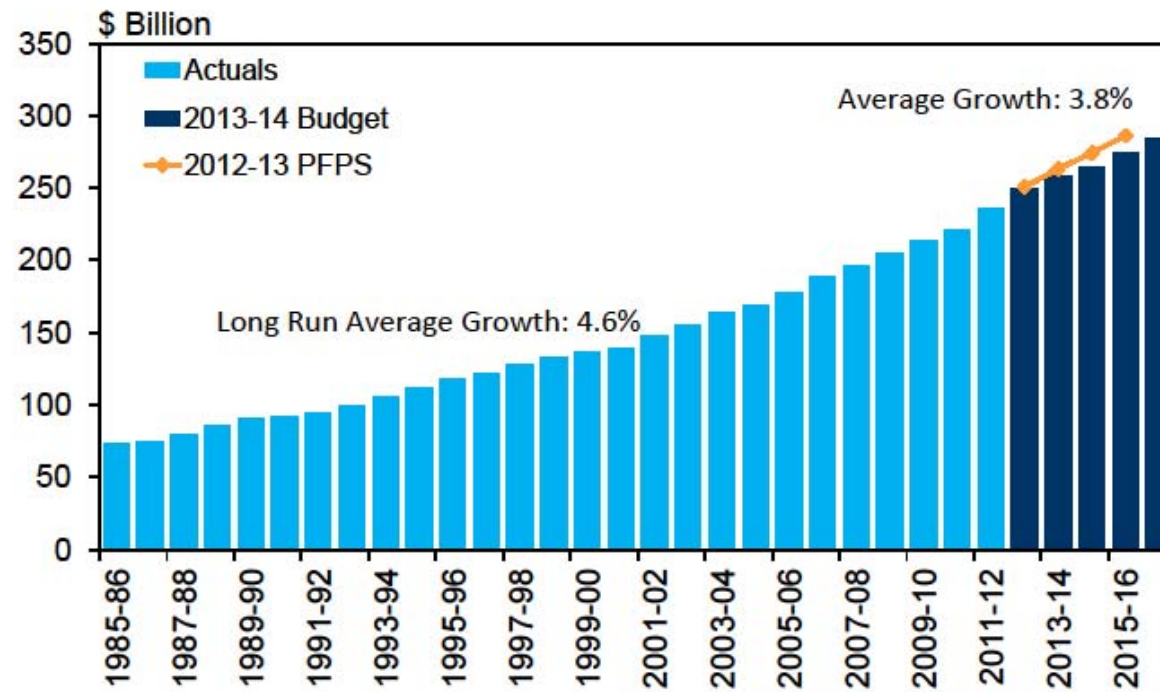
Merchandise Exports



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BUDGET Western Australia

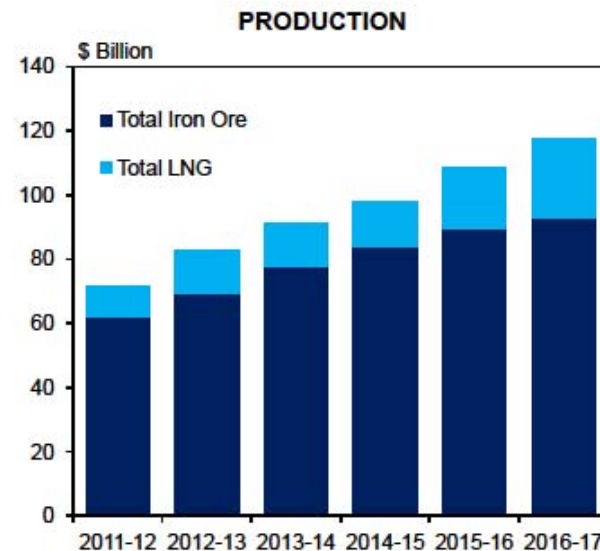
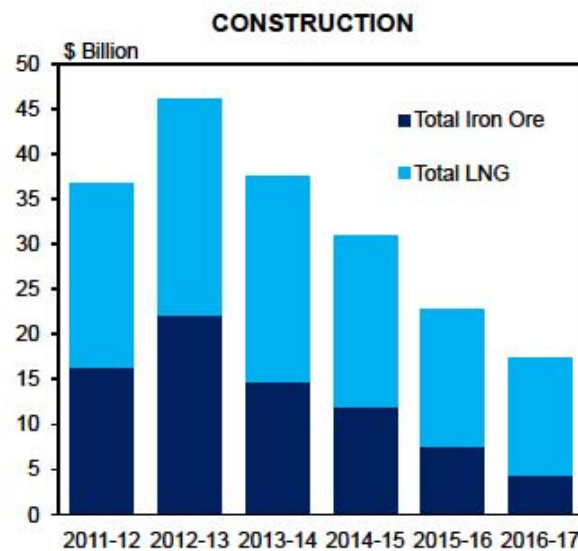
Gross State Product



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BUDGET Western Australia

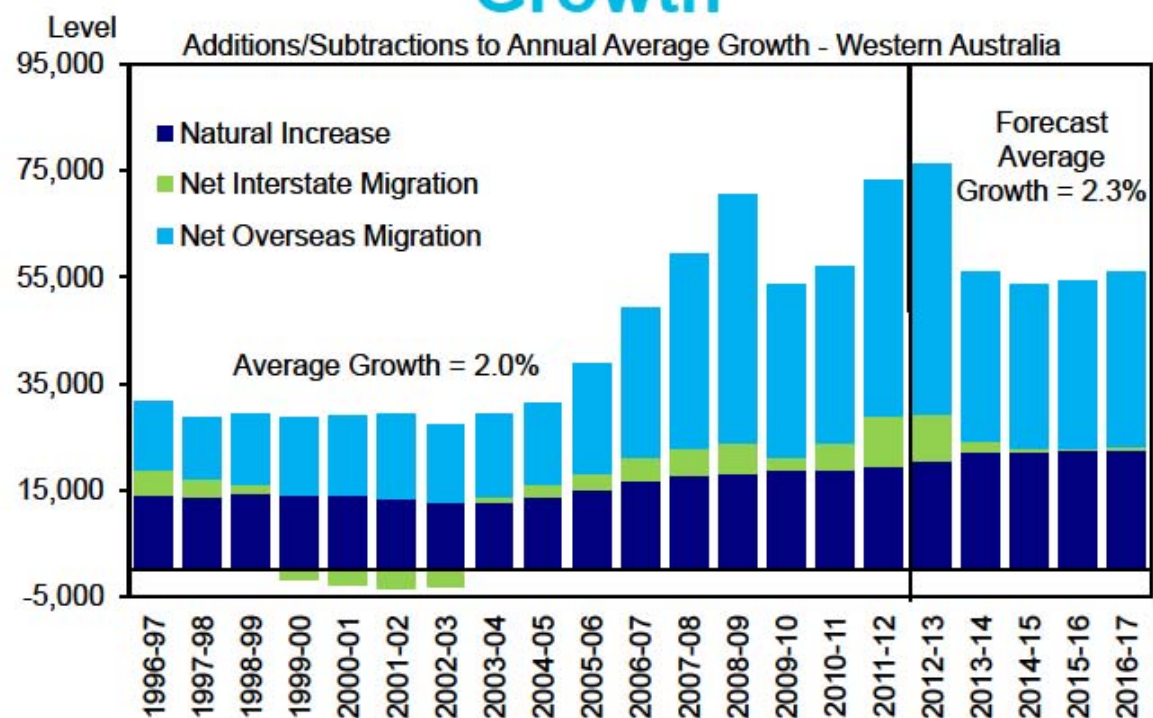
Construction to Production



2015-16

BUDGET Western Australia

Components of Population Growth



2015-16

BUDGET Western Australia

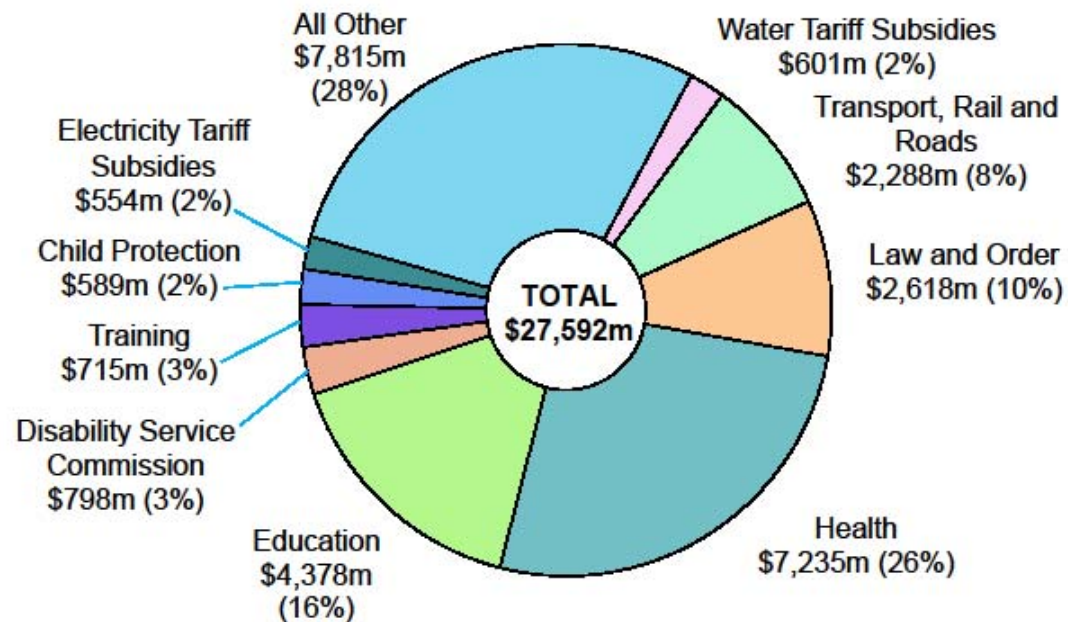
Key Budget Aggregates

	2012-13	2013-14	2014-15	2015-16	2016-17
<i>General Government Sector</i>					
Revenue (\$m)	25,696	27,978	27,917	29,165	30,348
Revenue Growth (%)	1.9	8.9	-0.2	4.5	4.1
Expenses (\$m)	25,457	27,592	28,065	29,036	30,332
Expense Growth (%)	3.6	8.4	1.7	3.5	4.5
Net Operating Balance (\$m)	239	386	-147	128	16
<i>Total Public Sector</i>					
Net Debt at 30 June (\$m)	18,480	21,909	24,295	25,926	28,389
Asset Investment Program (\$m)	7,302	7,451	6,672	5,958	6,827
Cash Surplus/Deficit (\$m)	-3,677	-2,801	-2,215	-1,494	-2,279

2013-14

BUDGET Western Australia

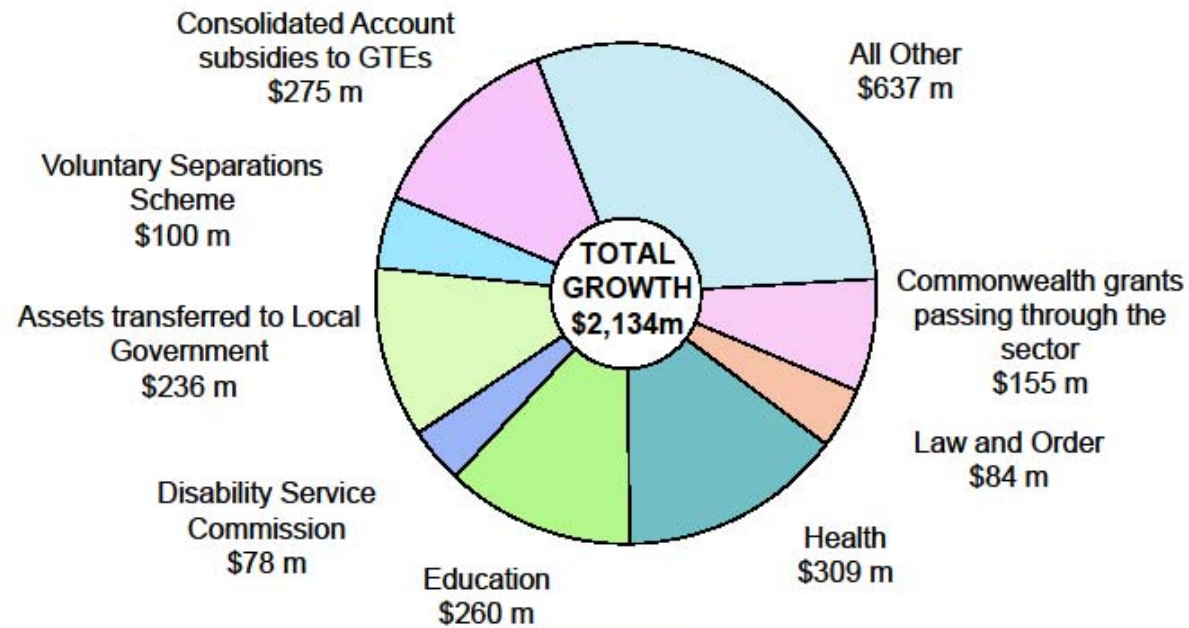
General Government Expenses, 2013-14



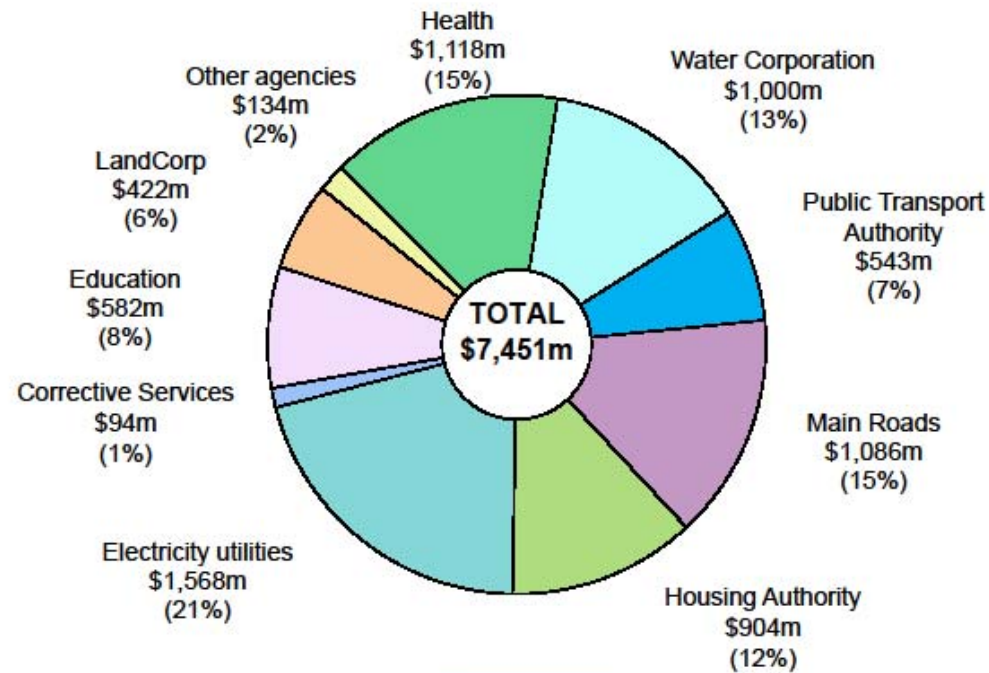
2013-14

BUDGET Western Australia

Increase in General Government Expenses, 2013-14



Asset Investment Program, 2013-14



GST Grants and Relativity

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
GST Grants (\$m)						
WA	3,454	2,935	2,458	1,592	894	500
SA	4,280	4,510	4,585	4,863	5,158	5,740
Tas	1,660	1,729	1,794	1,927	2,125	2,266
NT	2,507	2,793	2,755	2,964	3,122	3,302
WA population share (%)	10.4	10.8	10.9	11.1	11.2	11.3
WA relative per capita share of GST grants ^(a) ^(b)	0.72	0.55	0.45	0.27	0.14	0.07
WA GST share (%) ^(c)	7.5	6.1	4.9	3.0	1.6	0.9

^(a) Western Australia's relative per capita share of GST grants, which is the ratio of Western Australia's GST grant share to Western Australia's population share.

^(b) These relativity projections differ from those published in the Commonwealth Budget Papers, as they incorporate projected changes in the relative revenue raising capacity of the States and Territories, which are not included in the equivalent Commonwealth projections.

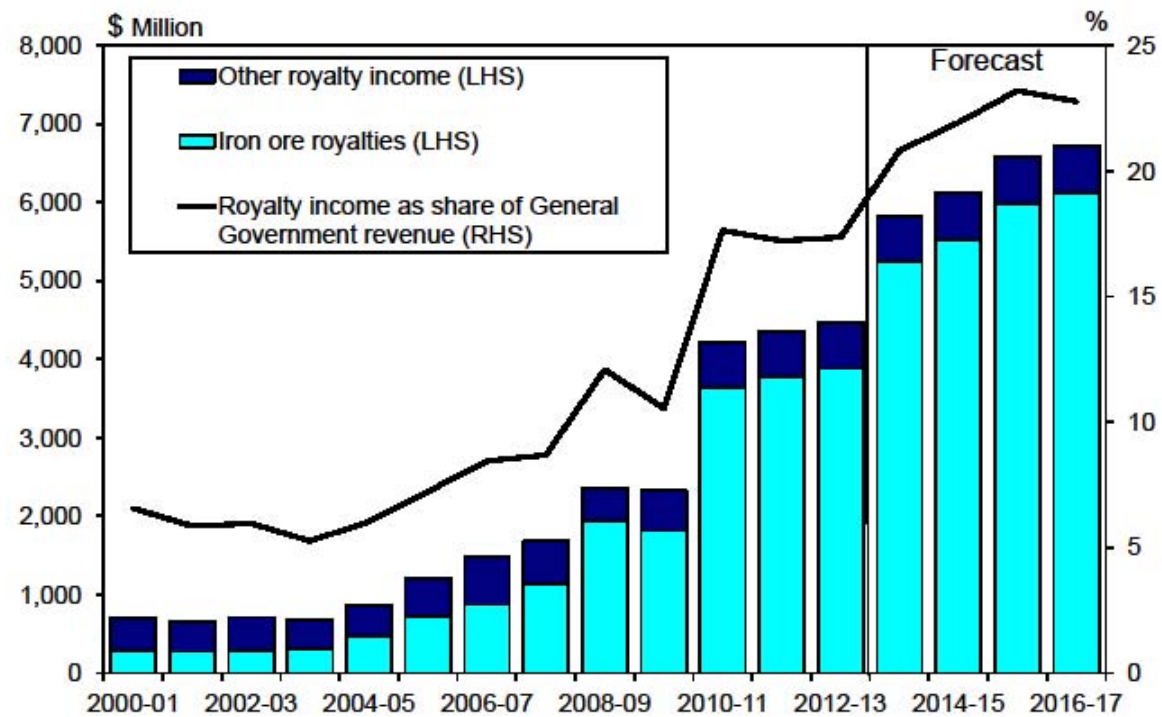
^(c) Western Australia's GST share equals Western Australia's population share multiplied by its relativity.

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BUDGET Western Australia

Royalty Income

Western Australia

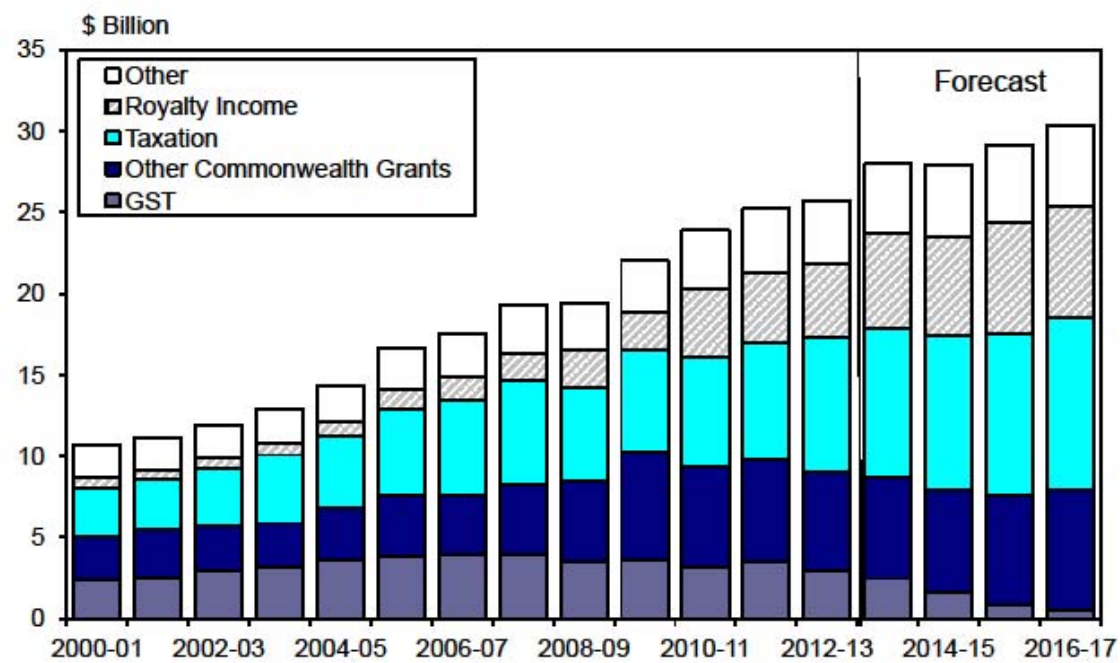


2013-14

BUDGET Western Australia

Total Revenue

General Government Sector



2013-14

BUDGET Western Australia

Investing in Infrastructure

Transformational Transport Projects

- A record \$5.7 billion committed over the next four years
- MAX Light Rail
 - Estimated total cost of \$1.9 billion with \$432 million allocated in the current forward estimates period
 - Anticipated completion 2019
- Airport Rail Link
 - Estimated total cost of \$2 billion with \$174 million allocated in the current forward estimates period
 - Anticipated completion 2019
- Perth-Darwin National Highway (Reid Hwy to Muchea)
 - Estimated total cost of \$845 million with \$325 million over next four years
 - Anticipated completion 2019

Efficient Delivery of Quality Services – Health

- Recurrent expenditure of \$7.2 billion in 2013-14, up \$309 million on 2012-13
- Additional \$2.5 billion in recurrent expenditure over four years, including:
 - \$2.2 billion to meet increased activity in Emergency Departments and Inpatient/Outpatient Services
 - \$237 million to deliver wage increases to nurses/midwives
 - \$38 million to employ 155 additional school health nurses
- Capital expenditure of \$1.1 billion in 2013-14 to continue hospital rebuilding program

Efficient Delivery of Quality Services – Education

- Recurrent spending of \$4.4 billion in 2013-14, up \$260 million on 2012-13
 - Average spend per student of \$15,621 – up \$513 per student
- Additional \$1.2 billion in recurrent expenditure over four years to accommodate record growth in student numbers and other cost pressures
 - Six additional child and parent centres over four years at a cost of \$19 million
 - Extra \$18 million over four years for Independent Public Schools
- Capital expenditure of \$582 million in 2013-14, including commencement of four new primary schools (Golden Bay, Broome North, Lakelands and Baldivis)

Protecting our Community

- **Police Boost**
 - funding of \$282 million over four years for an additional 550 police and auxiliary officers
 - including 50 police officers for a new rapid response unit south of the river by the end of 2013-14

Protecting our Community

- New Emergency Services Helicopter
 - Royalties for Regions funding of \$15.3 million for a new emergency rescue helicopter service in the South-West region
- \$15.4 million for fire crew protection equipment to protect fire fighters
- Additional \$10.3 million for Police and Community Youth Centres (PCYCs)
- \$4.5 million to allow the courts to sit for additional hours on nights and weekends

Fiscal Action Plan

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	Total \$m
General government operating impact						
<i>Revenue</i>						
Revenue measures						
Deferred abolition of transfer duty on non-real property	-	125	122	134	147	527
Land tax (12.5% increase in rates)	-	73	80	88	97	338
Halve private vehicle concession	-	21	43	45	46	155
School fees for children of 457 visa holders	-	17	34	34	34	120
Tax administration package	-	235	73	73	73	454
Program-level savings measures	-	4	10	15	15	44
Total revenue impact	-	475	362	389	413	1,639
<i>Expense</i>						
Public sector workforce reform(a)	-	15	-511	-928	-1,445	-2,869
Program evaluation	-	-	-50	-50	-50	-150
Program-level savings measures	-	-52	-106	-142	-122	-422
Public transport cost recovery	-	-	-8	-26	-50	-84
Temporary procurement and advertising freeze	-84	-	-	-	-	-84
Inetereest savings	-	-4	-29	-84	-170	-286
Total expense impact	-84	-41	-705	-1,229	-1,836	-3,895
Total operating impact	84	516	1,067	1,617	2,249	5,534
Other savings impacting net debt at 30 June						
Infrastructure spending audit	-3	-181	-159	-294	-400	-1,037
Program evaluation	-	-	-	-100	-100	-200
Program-level savings measures	-4	-18	-15	-13	-10	-60
Total other net debt impact	-7	-200	-174	-407	-511	-1,297
Total annual impact	-91	-716	-1,241	-2,024	-2,760	-6,831

(a) Includes the cost of voluntary separations in 2013-14 (estimated at \$100m)

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Public Sector Workforce Reform

- Voluntary Severance Scheme targeting 1,000 FTEs across the general government sector in 2013-14
- Enhanced redeployment arrangements, supported by legislative amendments to provide for involuntary redundancy
- Capping the growth in general government agencies' salaries expenditure to projected growth in the CPI
- New public sector wages policy that caps wage and conditions increases to projected growth in the CPI, supported by legislation

Program Evaluation

- Sunset Clauses
 - from January 2014, funding for material (i.e. over \$5m p.a) new programs will be provided for a finite period only
 - continuation of funding beyond this period will depend on outcomes of a rigorous independent evaluation
- Rolling Program Reviews
 - reviews of existing programs/services to be overseen by a Steering Committee of Directors General, with support from a new Program Evaluation Unit in Treasury
 - targeting savings of \$350 million over the forward estimates, through more efficient delivery of programs/services and/or alternative models of service delivery

Securing Our Economic Future

- Housing Supply Package
 - National Rental Affordability Scheme (NRAS)
 - a further 1,000 NRAS incentives at a cost of \$48 million, taking the State Government's total commitment to 7,000 incentives
 - First Home Owner Grant
 - \$10,000 for first home owners who purchase or build a new home and \$3,000 for purchasers of an established home
 - changes intended to take effect from 15 September 2013, subject to passage of legislation
 - Review of residential planning and building approvals processes to streamline supply
- Plus \$134.5 million over the next two years for the Housing Authority to redevelop 200 blocks of land and deliver 500 new homes

Securing our Economic Future

- Royalties for Regions funding of \$297.5 million over five years to help farmers capitalise on the growing Asian demand for fresh produce, including:
 - \$40 million in agriculture science, research and development programs to forge partnerships between innovative growers and researchers
 - \$20 million to establish a biosecurity fund
 - \$20 million to establish WA Open for Business initiative to attract investment
- Increase in payroll tax exemption threshold to \$850,000 by 2016-17, benefiting more than 16,000 employers



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BUDGET

Western Australia

8 August 2013

Securing our economic future
Efficient delivery of quality services
Protecting our community
Investing in infrastructure to support our growing State

Appendix Two

Response to Questions on Notice Taken During the Briefing

Provided by Mr Marney via an email to the Committee dated 14 August 2013.¹

Question 1

How many students are covered by IPS?

Answer

As at Semester One 2013, 132,036 students were enrolled in Independent Public Schools. This represents 47.9% of students in the public school system.

Question 2

How many schools are covered by IPS?

Answer

As at Semester One 2013, 255 schools were Independent Public Schools. This represents 33.16% of schools in the public school system.

Question 3

How many more will the \$18 million allocated in the budget provide for?

Answer

The \$18.2 million that has been allocated over the forward estimates period, assumes that an additional 120 schools will start as Independent Public Schools from 2015. However, it is not possible to calculate the number of students as [sic] the schools that will participate in the development program as they are yet to be identified.

¹ Ms Angela Kyme, Executive Officer, Office of the Under Treasurer, Email, 14 August 2013.

Appendix Three

Committee's Functions and Powers

The Public Accounts Committee inquires into and reports to the Legislative Assembly on any proposal, matter or thing it considers necessary, connected with the receipt and expenditure of public moneys, including moneys allocated under the annual Appropriation bills and Loan Fund. Standing Order 286 of the Legislative Assembly states that:

The Committee may -

- 1 Examine the financial affairs and accounts of government agencies of the State which includes any statutory board, commission, authority, committee, or trust established or appointed pursuant to any rule, regulation, by-law, order, order in Council, proclamation, ministerial direction or any other like means.
- 2 Inquire into and report to the Assembly on any question which -
 - a) it deems necessary to investigate;
 - b) (Deleted V. & P. p. 225, 18 June 2008);
 - c) is referred to it by a Minister; or
 - d) is referred to it by the Auditor General.
- 3 Consider any papers on public expenditure presented to the Assembly and such of the expenditure as it sees fit to examine.
- 4 Consider whether the objectives of public expenditure are being achieved, or may be achieved more economically.
- 5 The Committee will investigate any matter which is referred to it by resolution of the Legislative Assembly.