

LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2019-20 BUDGET ESTIMATES HEARINGS – QUESTION ASKED PRIOR TO HEARING

Department of Treasury

The Committee asked:

1. We refer to Budget Paper No.2, pages 20-21, Appropriation Bill No.1 – Capital Purposes, and ask for a policy or decision-level summary of variations of those estimates compared to the equivalent estimates presented in the 2018-19 Budget?

Answer: Details of major capital spending changes since the 2018-19 Budget are presented in pages 148 to 174 of Chapter 6 of the 2019-20 Budget Paper No.3: Economic and Fiscal Outlook and pages 104 to 133 of Appendix 3 of the 2018-19 Government Mid-year Financial Projections Statement. Further details on individual capital projects, including their spending profile across the forward estimates, are contained in the respective years' Budget Paper No.2: Budget Statements.

2. We refer to Budget Paper No.2, pages 20-21, Appropriation Bill No.1 – Recurrent Services, and ask for a policy or decision-level summary of variations of those estimates compared to the equivalent estimates presented in the 2018-19 Budget?

Answer: Details of major recurrent spending changes since the 2018-19 Budget are presented in pages 96 to 137 of Chapter 5 of the 2019-20 Budget Paper No.3: Economic and Fiscal Outlook and pages 104 to 133 of Appendix 3 of the 2018-19 Government Mid-year Financial Projections Statement. Recurrent spending changes are also detailed in Budget Paper No.2: Budget Statements, and are broken down into new or ongoing initiatives.

Further information or clarification of any adjustments should be sought from the relevant agency.

3. We refer to Budget Paper No.2, p 154, Statement of Cashflows, and ask for a project-level breakdown of Royalties for Regions funded projects for each Fund?

Answer: Funding from the Royalties for Regions (Regional and State-wide Initiatives) Fund is provided to Treasury to support the governance and administration of the Royalties for Regions program.

4. On non-operational special purpose accounts:

- a. How many has your agency established under sections 16(1)(b) to (d) of the *Financial Management Act 2006*;

Answer: None.

- b. In a table include:

- i. the name of each account;
- ii. when it was established;
- iii. each account's purpose;



- iv. balance as at 9 May 2019; and
- v. the last 12 months of activity;

Answer: Not applicable.

- c. Describe the (1) governance mechanisms and (2) safeguards that are in place to meeting the demands of section 16(2) of the *Financial Management Act 2006*;

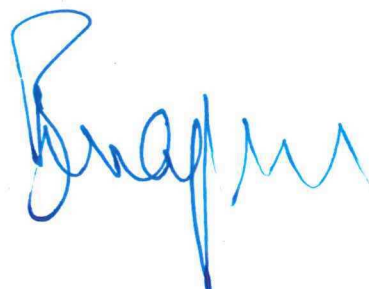
Answer: Treasury does not have any agency special purpose accounts.

- d. When was your agency last audited by the Office of the Auditor General primarily about special purpose accounts:

Answer: The last focus audit performed by the Office of the Auditor General (OAG) relating to Specific Purpose Accounts was in 2013 and Treasury was not included in the sample selected for audit. Treasury has just been selected by the OAG for a focus audit covering the control of funds held for specific purposes, due to commence soon.

- i. If applicable, what were the findings of that audit?

Answer: Not applicable.

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Department of Treasury

Hon Tim Clifford MLC asked:

1. According to Budget Paper 3, page 278, the impact of changes in government tariffs, fees and charges ... on the 'representative' household shows an 'increase of \$127.77 (or 2%) on 2018-19. According to a recent Anglicare Australia 'Rental Affordability Snapshot', single people on welfare payments are not able to afford rent in Perth, let alone be able to pay utilities. What strategies will the Government put in place to soften the impact on people on low incomes?

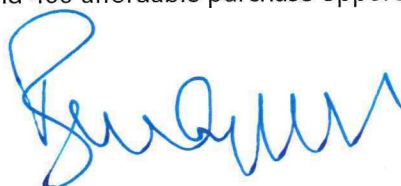
Answer: The 2% increase in household tariffs, fees and charges in the 2019-20 Budget was the lowest rise in 13 years, with the McGowan Government ensuring that households were the first to benefit from the improvement in the State's financial position. The State Government will spend \$2.4 billion in 2019-20 to continue to support households and seniors in need, through the provision of social concessions and subsidies. These include:

- the Western Australian Government Energy Assistance Payment (\$305 in 2019-20), which is paid to all households with a means-tested concession card;
- the Dependent Child Rebate (\$320.51 for first child, \$83.44 for subsequent children), which is paid to households with dependent children and a means-tested concession card;
- water consumption and service charge concessions for eligible concession card holders;
- the Country Water Pricing Subsidy to all regional Western Australian's serviced by the Water Corporation; and
- the Hardship Utility Grant Scheme (HUGS) which provides financial assistance to Western Australians who are struggling through financial hardship and are unable to pay their utility bills. Over the forward estimates, \$40 million will be spent to provide financial assistance grants, and a further \$14 million will be invested in financial counselling services for HUGS applicants.

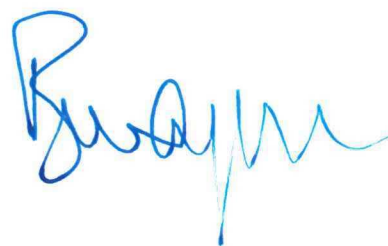
In addition, utility service providers offer a range of bill payment strategies, such as providing customers additional time to pay their bills, for eligible customers experiencing payment difficulties.

The State Government is also continuing to invest to support the availability of social and affordable housing in Western Australia. Significant initiatives include:

- the temporary relaxation of Keystart's loan eligibility criteria to support lower-income households to transition through the housing continuum by lowering the barriers to home ownership;
- the \$394 million METRONET Social and Affordable Housing and Jobs Package (announced in the 2018-19 State Budget) which will deliver an additional 1,390 new transit-aligned homes, including 320 social housing dwellings and 400 affordable purchase opportunities;



- the State's continued participation in the Commonwealth Government's National Rental Affordability Scheme (NRAS), at a forecast cost of \$48 million over the forward estimates period. The NRAS stimulates the supply of new private rentals, which are available to rent, by eligible persons, at least 20 per cent below market rates;
- an increase in affordable housing options in the north of the State, through the North West Aboriginal Housing Fund-supported Hedland and East Kimberley Transitional Housing Projects; and
- \$152 million capital investment in social housing between 2019-20 and 2022-23.

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2019-20 BUDGET ESTIMATES HEARINGS – QUESTION ASKED PRIOR TO HEARING

Department of Treasury

Hon Colin de Grussa MLC asked:

1. I refer to Budget Paper 3, page 273 line item 'Government Support Package – Koolyanobbing Iron Ore'. The 2019-20 Budget Estimate has increased by \$12.2 million from the 2018-19 Estimated Actual.

- a. Please provide a detailed breakdown of the support package components.

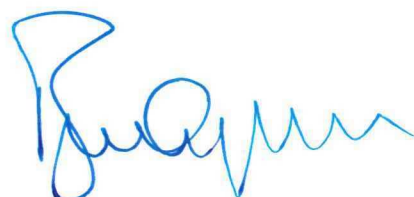
Answer: The table below provides a breakdown of the Government Support Package Koolyanobbing Iron Ore subsidy reported on page 273 of the Budget Paper 3:

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 Sm
Transition costs	9	–	–	–	–
Operating subsidy reflecting the value of discounted Port fees	2.4	9.8	9.8	9.8	9.8
Termination payment	4	17.8	20.3	8.1	–
	15.4	27.6	30.1	17.9	9.8

- b. To whom exactly will the funds be paid?

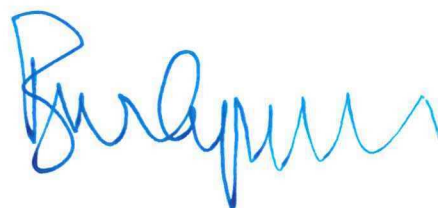
Answer: The funds will be paid to the Southern Ports Authority (SPA) to cover:

- transition costs – to ensure the SPA continues to employ sufficient stevedoring and other employees to service the expected Mineral Resources Limited (MRL) iron ore export business for a transition period (initially six months);
 - operating subsidy – reflecting the value of discounted port fees for up to five years to a maximum of 30 million tonnes; and
 - termination payment – paid to SPA in lieu of negotiating contract termination payments with Cliffs (this subsidy will be returned to the Consolidated Account in the form of tax and dividend payments).
2. I refer to Budget Paper 3, page 265. 'Public Corporations'. Revenue from Public Corporations in 2019-20 is expected to be \$107 million (or 5.5%) lower than in 2018-19. This is primarily the result of the dividend forecasts for the electricity corporations, Western Australian Land Authority, Insurance Commission of Western Australia and the Pilbara Ports Authority being collectively \$121 million lower than in 2018-19. Why are the dividends expected to decrease by \$20.8 million?



Answer: Dividend payments from public corporations to the general government sector are forecast to decline from \$1,288.6 million in 2018-19 to \$1,202.7 million in 2019-20, which is a reduction of \$85.9 million. Key drivers behind the forecast \$85.9 million reduction include:

- a projected increase in claims expenses and a forecast decrease in investment returns reducing the Insurance Commission of Western Australia's net profit (dividend reduction of \$35.2 million);
- a revision to the Western Australian Land Authority's dividend policy with further detail provided in Table 8.3 on page 268 of Budget Paper No.3 Economic and Fiscal Outlook (dividend reduction of \$27.8 million);
- payment in arrears of the 2017-18 dividend wash-up from Western Power, which increased the 2018-19 dividend (dividend reduction of \$20.6 million);
- lower forecast revenue from Synergy's and Horizon Power's customers in 2019-20 (total dividend reduction of \$17.1 million); and
- an expected reduction to Pilbara Ports Authority's revenue, which largely reflects reduced throughput at the Utah Point Facility (dividend reduction of \$20.8 million).

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LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2019-20 BUDGET ESTIMATES HEARINGS – QUESTION ASKED PRIOR TO HEARING

Department of Treasury

Hon Colin Holt MLC asked:

1. I refer to Budget Paper No. 2, Volume 1, p.182, under the heading "details of administered transactions", subheading "income, taxation" and the line item(s) "Racing and Wagering Western Australia Tax" and "Point of Consumption Tax", and I ask:
 - a. The estimated actual of \$52.5 million is \$12 million less than what was budgeted for in 2018-19 Budget (\$64.1 million) – why the discrepancy;

Answer: The 2018-19 State Budget was released prior to the passage of the *Betting Tax Act 2018*, which implemented the point of consumption tax, so continued to provide for the payment of a GST reimbursement and VIP rebate to Racing and Wagering Western Australia (2018-19 State Budget, page 472 of Budget Paper 2).

Netting these expenses off against the estimated Racing and Wagering Western Australia tax revenue (including point of consumption tax revenue) shown in the 2018-19 State Budget results in an amount of revenue that is very similar to the point of consumption tax revenue disclosed in the 2019-20 State Budget.

After allowing for the netting-off of the GST reimbursement and VIP rebate to Racing and Wagering Western Australia, there is a minor variation between the point of consumption tax revenue estimated in the 2018-19 State Budget and that estimated in the 2019-20 State Budget, which is mainly attributable to the updating of Racing and Wagering Western Australia's budget estimates based on its latest performance forecasts.

The presentation of gross revenue and expense components in the 2018-19 Budget reflected the fact that the legislation was not yet passed by the Parliament and including gross administered expenses (and hence administered appropriation funding) for the Department of Local Government, Sport and Cultural Industries was prudent to ensure that Appropriation Act No. 1 correctly included this funding.

- b. In the 2018-19 Budget the predicted revenue from the "Racing and Wagering Western Australia Tax" was \$97.5 million for 2019-20 (2018-19 Budget; Budget Paper No.2, Volume 1, p.167) yet in this year's Budget, albeit under a new line item name "Point of Consumption Tax", projected revenue is \$78.4 million – why has revenue been written down by almost \$20 million? A similar write-down is being shown across all of the forward estimates. Why;

Answer: See answer to question a) above.

After allowing for the netting-off of the GST reimbursement and VIP rebate to Racing and Wagering Western Australia, there is a minor variation between the point of consumption tax revenue estimated in the 2018-19 State Budget and that estimated in the 2019-20 State Budget which is mainly attributable to the updating of Racing and Wagering Western Australia's budget estimates based on its latest performance forecasts.



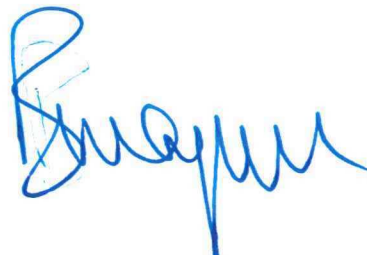
- c. How much of the \$31 million collected via the POC tax in 2018-19 was paid by RWVA and how much was reimbursed; and

Answer: The information underlying the revenue estimates for the point of consumption tax was provided on a strictly commercial-in-confidence basis by all betting operators.

Furthermore, under the confidentiality provisions of the *Taxation Administration Act 2003*, Treasury is unable to disclose taxpayer information that it has obtained from the Office of State Revenue.

- d. Can you point to where in the Budget the reimbursement to RWVA is?

Answer: Page 140 of Budget Paper No. 2, under *Betting Tax Act 2018*, discloses the estimated racing industry funding grants that are based on expected revenue from the point of consumption tax. This is also disclosed on page 274 of Budget Paper No. 3.

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