



Hon Ben Wyatt MLA
Treasurer; Minister for Finance; Energy; Aboriginal Affairs

Our ref: 69-04430 / 69-04431

Tracey Sharpe
Committee Clerk
Estimates and Financial Operations Committee
Parliament House
PERTH WA 6000
Icefoc@parliament.wa.gov.au

Dear Ms Sharpe

2017-18 BUDGET ESTIMATES HEARINGS – QUESTIONS PRIOR TO HEARINGS

Please find attached the following answers to the questions prior to hearings requested by the Estimates and Financial Operations Committee:

- Department of Treasury – asked by the Hon Martin Aldridge MLC
- Department of Treasury – asked by the Hon Diane Evers MLC
- Electricity Networks Corporation (Western Power) – asked by the Hon Tim Clifford MLC

I trust this information is of assistance.



BEN WYATT MLA
TREASURER; MINISTER FOR FINANCE;
ENERGY; ABORIGINAL AFFAIRS

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ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
2017-18 BUDGET ESTIMATES HEARINGS – QUESTIONS PRIOR TO HEARINGS

Department of Treasury

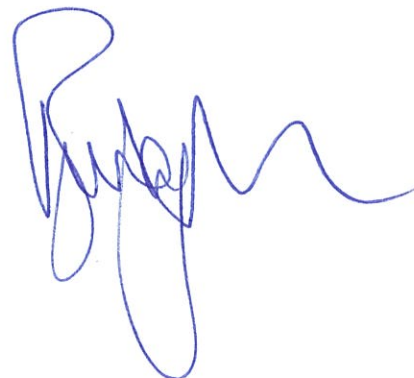
Page Number 1

Hon Martin Aldridge MLC asked:

- 1) I refer to Budget Paper 1, Page 10 and references to the '.....\$861 million of regional programs, which were previously centrally funded, now being supported through Royalties for Regions', and I ask:
- a) For 2017-18 and each year of the forward estimates please detail the programs and funding amounts which form the \$861 million mentioned?

Answer: The following table provides the specific initiatives and budgeted expenditure previously funded by the Consolidated Account and funded from the Royalties for Regions Fund as part of the 2017-18 Budget.

Initiative	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m
Regional High Schools					
- Geraldton Senior High School	4.0	-	-	-	4.0
- John Wilcock Community College	10.4	8.2	-	-	18.6
- Carnarvon Community College	6.0	-	-	-	6.0
- Cape Naturaliste Community College	2.0	20.0	4.1	-	26.1
- Margaret River Senior High School	6.5	20.0	3.0	-	29.5
Remote and Essential Services	-	-	56.0	56.0	112.0
Patient Assisted Travel Scheme	-	34.2	33.6	33.9	101.7
TAFE Regional Subsidies	-	-	43.6	44.2	87.8
Country Water, Sewerage and Drainage Operations	-	-	191.5	284.1	475.6
Total	28.9	82.4	331.8	418.2	861.3



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Page Number 2

Hon Diane Evers MLC asked:

- 1) With regard to the Asset Investment Program p293 Budget Paper No.3: How is the figure for Provision for Underspend of \$750 million derived?

Answer: The underspending provision of \$750 million for 2017-18 included in Asset Investment Program (AIP) forecasts in the 2017-18 Budget is based on experience with public sector agencies achieving lower than expected infrastructure spending outcomes.

ASSET INVESTMENT PROGRAM					
Estimates, Underspending/Slippage Provisions and Actual Outturns					
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m	\$m
<i>Original Budget</i>					
Agency AIP estimates	8,701	6,728	6,284	6,462	6,951
Underspending provision	-1,250	-	-	-600	-750
Slippage provision	-	-	-	-	-200
<i>Published Asset Investment Program</i>	<i>7,451</i>	<i>6,728</i>	<i>6,284</i>	<i>5,862</i>	<i>6,001</i>
<i>Mid-year review</i>					
Agency AIP estimates	8,576	7,315	6,444	6,548	
Underspending provision	-1,000	-700	-515	-1,000	
Slippage provision	-250	-	-	-	
<i>Revised Asset Investment Program</i>	<i>7,326</i>	<i>6,615</i>	<i>5,929</i>	<i>5,548</i>	
<i>Estimated outturn next Budget</i>					
Agency AIP estimates	7,845	6,855	5,862	5,681	
Underspending provision	-750	-300	-650	-	
Slippage provision	-	-	-	-500	
<i>Revised Asset Investment Program</i>	<i>7,095</i>	<i>6,555</i>	<i>5,212</i>	<i>5,181</i>	
Final Asset Investment Program outcome	6,814	5,777	5,237	5,137	

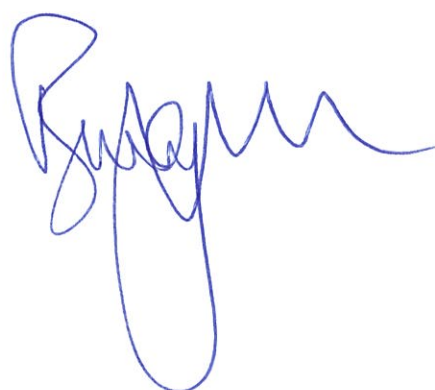
NOTE: Columns may not add due to rounding.

In the absence of the 2017-18 underspending provision (and a \$200 million provision for ‘slippage’ in the same year¹), unadjusted agency forecasts total \$6,951 million (as detailed in Appendix 7 of the 2017-18 Budget Paper No. 3). An agency spending program of nearly \$7 billion is significantly higher than the annual average \$5.4 billion infrastructure spending outcomes for the last three years – accordingly, a provision to capture the high likelihood of underspending was justified for the Budget (annual AIP outcomes in excess of \$6 billion were achieved in each year between 2009-10 and 2013-14, inclusive, reflecting the impact of Commonwealth stimulus-funded projects following the Global Financial Crisis).

Actual underspending varies across agencies and projects throughout the year and cannot be reliably allocated in the Budget. Accordingly, the inclusion of a provision allows for yet to be identified underspending at an aggregate level. The provision may be adjusted upwards in the subsequent Mid-year Review, and in the estimated outturn contained in the following year’s Budget, if the AIP forecasts increase substantially above the original Budget forecast for the year. The provision is adjusted down as agency underspending emerges through the year (typically in the estimate for the expected outturn in the following Budget).

For example, the original AIP detailed in the 2016-17 Budget totalled \$5,862 million. This included a \$600 million provision for underspending (representing around 10% of the planned program for the then Budget year). The underspending provision was subsequently revised to \$1 billion in the 2016-17 Mid-year Review (to accommodate additional spending added to the 2016-17 year following the presentation of the 2016-17 Budget). The final outcome for 2016-17 (detailed in the *Annual Report on State Finances*, released on 22 September 2017) showed that the entire provision was matched by agency underspending by 30 June 2017.

Provisions were not included in the 2014-15 and 2015-16 Budgets as the forecast programs at that time followed outcomes that were significantly higher than more recent experience and subject to higher construction costs that have eased in recent years. In both of the cases, final AIP outcomes were around \$1 billion (or 15%) lower than the original Budget and underspending provisions were included in post-Budget 2014-15 and 2015-16 Mid-year Reviews and the Budgets which followed these updates.



¹ A provision has been included in the 2017-18 Budget which allocates \$400 million of agency infrastructure spending from 2017-18 and 2018-19 into 2020-21 to reflect anticipated movement in the timing of the State’s AIP over the forward estimates period. This provision is separate to the underspending provision which assumes that works to an equivalent value are displaced across the forward estimates period by underspending – in the case of the slippage provision, the associated cash flows are assumed to be ‘caught up’ within the forward estimates period.