Public Accounts Committee

Report 2
BUDGET BRIEFING 2021–2022

Presented by
Mrs L.M. O'Malley, MLA
October 2021
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Budget Briefing 2021–2022

Background

Since 2001, the Public Accounts Committee (the Committee) has hosted a briefing on the Western Australian State Budget for all interested members of Parliament. As is customary, the annual briefing is held on the Tuesday immediately following the Treasurer’s presentation of the Appropriation Bills in the Legislative Assembly and the delivery of his budget speech.

The 2021–2022 Budget briefing was presented on Tuesday 14 September by the following officials from the Department of Treasury:

- Michael Court, Deputy Under Treasurer
- Richard Watson, Executive Director – Infrastructure and Finance
- Alistair Jones, Executive Director – Economic
- Anita Zuvela, Director – Strategic Policy and Evaluation
- Chris Wright, Director – State Finances

The briefing outlines key elements of the State Budget and provides an opportunity for all members to acquire detailed knowledge of the economic forecasts for the year ahead and the impact of the Government’s income and expenditure proposals on the State’s overall financial position. It also presents an opportunity for members to question the Treasury officials about the Budget’s underlying assumptions.

There was strong interest in the briefing, particularly among newer members, with seventeen members in attendance. For those who could not attend, and in keeping with tradition, the Committee has resolved to publish the PowerPoint slides that accompanied the Deputy Under Treasurer’s presentation.

On behalf of all members in attendance, the Committee would like to thank Mr Court and the team from Treasury for the informative presentation and their continued cooperation with this valuable process.

MRS L.M. O’MALLEY, MLA
CHAIR
Appendix One

Treasury’s Budget Briefing: Presentation

2021-22 Budget
Presentation to the Public Accounts Committee

14 September 2021

Michael Court, Deputy Under Treasurer
Summary

- Economic recovery stronger and quicker than expected
  - GSP forecast to grow 3.5% in 2021-22 (following growth of 3.25% in 2020-21)
- Stronger economy has boosted the State’s fiscal capacity
  - Operating surplus of $5.6 billion in 2020-21 and $2.8 billion in 2021-22
- Improved fiscal capacity used to fund Budget initiatives:
  - $1.9b in additional health and mental health spending
  - $750m Social Housing Investment Fund
  - $750m Climate Action Fund
  - $500m Digital Capability Fund
  - $400m Westport Project Fund
- Record $30.7b infrastructure investment
Economic Outlook
Global Economy

WA economy recovered well from the initial economic shock caused by COVID-19 restrictions in 2020, and has performed the strongest of the States.
COVID-19 Impact on WA Economy

WA’s domestic economy grew by 4.3% in 2020-21, the best result in 8 years, and is forecast to grow 5% in 2021-22.
Economic Outlook

Gross State Product revised up in 2020-21 and 2021-22

- Gross State Product is estimated to have grown by 3.25% in 2020-21
- Growth is expected to pick up further in 2021-22 to 3.5% – strongest since 2013-14

![GSP Forecast Chart]
Business and Consumer Confidence

Business and consumer confidence around decade highs and leading the nation

**NAB BUSINESS CONFIDENCE**
By State, July 2021, Trend

**CONSUMER SENTIMENT**
WMI Index, August 2021
Retail Trade and Household Spending

Confidence has flowed through to strong growth in retail spending which has rebounded quickly following lockdowns.
International Services Trade

Border restrictions are impacting services exports (tourism and international education) and imports (Australians travelling overseas)
Business Investment and Exports

Business investment is experiencing a ‘mini’ boom
Western Australia producing 56.2% of the nations exports
Housing Investment

Dwelling investment is expected to spike in 2021-22 and then return to lower levels.
Employment

Employment recovered rapidly from its pre-COVID-19 trough and is now well above pre-COVID levels.
Population Growth

Natural increase is expected to be the largest driver of population growth until 2023-24, when the rate of net overseas migration is expected to recover.
Royalty Income

Stronger iron ore prices resulted in higher royalty collections in 2020-21. However, prices have been exceptionally volatile since peaking in May.
Payroll Tax

Payroll tax growth underpinned by robustness of resources sector during the pandemic and recovery in other industries
Transfer Duty

Total transfer duty increased by an estimated 57.9% in 2020-21, due to strong lift in residential property transactions and moderate house price growth.
GST Grants

Without GST reforms, WA’s GST share would fall as low as 10% of our population share. GST reforms have no impact on GST revenue in other States.
Fiscal Outlook
Fiscal Outlook

Stronger economy and revenues underpin a record operating surplus of $5.6b in 2020-21, with surpluses projected over the Budget period. Cash surpluses also now expected in 2020-21 and 2021-22.
Infrastructure Investment

$30.7b investment in infrastructure over four years
42% of program allocated to road, rail and public transport projects
Net Debt

Three years of successive declines in net debt. Net debt to grow modestly from $32.1b at 30 June 2022 to $36b at 30 June 2025 in support of infrastructure program.
Interjurisdictional Comparison

WA a clear fiscal ‘outlier’ compared to other States

GENERAL GOVERNMENT OPERATING BALANCE
2020-21 to 2024-25

NET DEBT PROJECTIONS AT 30 JUNE
2020 to 2025
Budget Initiatives
COVID-19 Response

- Nearly $9b in response to COVID-19
- More than $4.4b already spent to 30 June 2021
- More than $2.6b to support businesses and households
- Additional $1b funding approved the Budget
  - $605m for frontline services and community health and safety initiatives
- $800m set aside for unforeseen costs, particularly COVID-19, with $240m for WA Health
Health and Mental Health

- $1.9b spend on health and mental health
- $960m to WA Health and $495m to Mental Health Commission
  - provides an extra 332 beds
  - 100 new doctors and 500 new nurses
  - Emergency Department Support Package
- $3.1b infrastructure investment
  - $1.3b for hospital expansions and redevelopments, adding another 314 beds
  - $1.8b set aside for Women and Babies Hospital
Social Housing Investment Fund

- $875m investment in social housing
  - $750m Social Housing Investment Fund
  - $40m for spot purchasing
  - $20m Regional Renewal program
  - $26m to convert affordable housing
  - $38.5m for Common Ground

- Total commitment of $2.1b for social housing over the next four years, to fund 3,300 new homes
Climate Action Fund

$750m Climate Action Fund
- $350m for expansion of the softwood plantation estate to store carbon and support jobs
- $206m for various renewable energy initiatives including standalone power systems
- $118m to invest in future climate-related initiatives and resilience
- $50m for renewable hydrogen initiatives
- $26m for Carbon Innovation Grants and Coastal Erosion Hotspots

Additional $232m in response to natural disasters, particularly Cyclone Seroja
Appendix One

Other Budget Initiatives

- $1.4b towards the State’s next desalination plant
- $587m ICWA and WATC dividend payments applied to debt repayment
- $500m Digital Capability Fund
- $496m additional investment in road infrastructure
- $400m Westport Project Fund
- $120m Regulatory Approvals Package
- $105m film studio and screen production facility
- $100m over 2021-22 to 2024-25 to establish an Investment Attraction and New Industries Fund
- $50m Industrial Land Development Fund
- Wages Policy Review
Questions?
Appendix Two

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.