

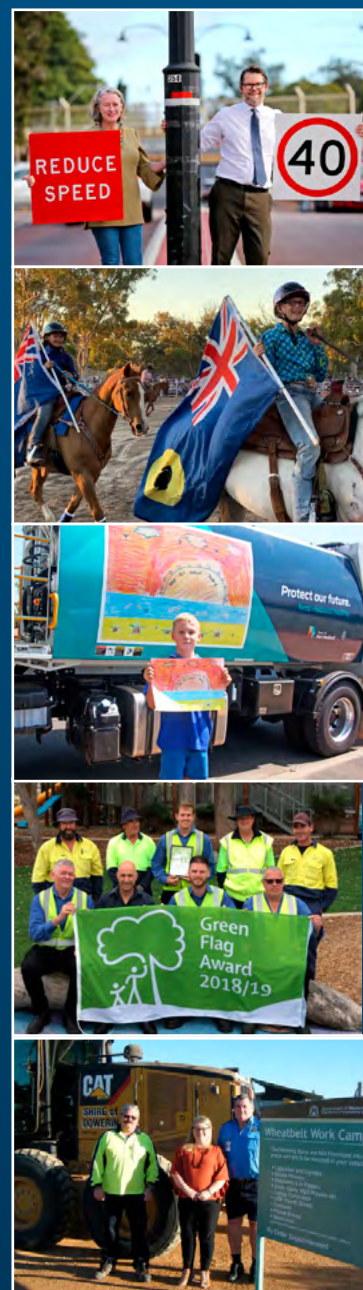


WALGA

WORKING FOR LOCAL GOVERNMENT

WA STATE BUDGET 2019

IMPLICATIONS FOR LOCAL GOVERNMENT



For further information, contact WALGA Policy Manager, Economics Dana Mason

dmason@walga.asn.au | 9213 2096

Friday, 10 May 2019

walga.asn.au

AT A GLANCE

- Net operating balance returns to surplus (\$553 million) ahead of schedule in 2018-19 and expected to increase to more than \$2 billion across the forward estimates.
- Recurrent spending priorities include health, education, protecting the environment and diversifying the economy.
- \$22.8 billion asset investment program, with a continued focus on METRONET.
- WA economy expected to grow by 3.5% in 2019-20, and 3% thereafter.
- 23,500 new jobs to be created in 2019-20.

WALGA COMMENT

Local Governments and their communities will benefit from the State Government fulfilling its Budget promises, while at the same time maintaining its focus on fiscal recovery.

The State Budget handed down today was considered to provide a balance between the need for fiscal restraint and spending on important community priorities.

The return to surplus is welcome news, as it will allow the Government to begin the difficult task of paying down the state's record debt. This is an important priority as it will free up funds that are currently being used for interest payments, which can then be directed into critical services and infrastructure in future years.

In a fiscally constrained environment, it is recognised that there are only limited funds available for new

spending initiatives. It is pleasing that the Government is continuing to deliver on its election commitments and has progressed a number of important priorities identified by Local Governments including the container deposit scheme.

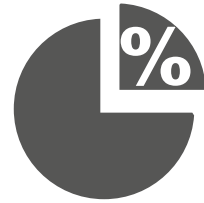
The Budget also contains funding for a number of other priority initiatives including additional funding through the Local Government Grants scheme for insurance payments for volunteer bushfire fighters; and the implementation of the Sustainable Health Review recommendations.

However the 2019-20 Budget missed the opportunity to progress initiatives that could have greatly assisted the sector and local communities, such as funding for the implementation of the State Public Library Strategy, or a review of Local Government Fees and Charges.



“ The Government is continuing to deliver on its election commitments, and has progressed a number of important priorities identified by Local Governments. ”

WA ECONOMIC AND FISCAL OUTLOOK



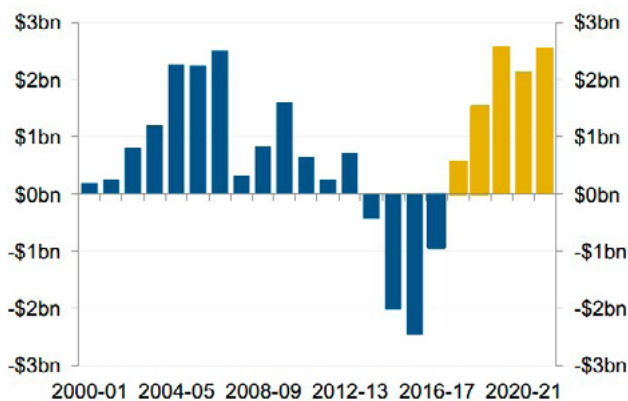
“ The return to an operating surplus means that the Government will commence paying down debt, however this will not occur until the State's cash position returns to surplus in 2020-21. ”

The State's financial position is expected to improve across the forward estimates, and predicted to return to surplus in 2018-19 for the first time since 2013-14.

A surplus of \$553 million is expected in 2018-19 – which is a significant turnaround from the Mid-Year Review where a \$674 million deficit was forecast. A surplus of \$1.5 billion is expected in 2019-20, with the Budget expected to remain in the black (with surpluses in excess of \$2 billion) across the remaining three years of the forward estimates.

The improvements in the Budget position reflect the State's commitment to its fiscal repair strategy, which aims to bring expenditure under control and address the structural imbalance in the Budget. Reflecting the efforts to reprioritise spending and other Budget repair measures that have been announced in previous years, expenditure growth is expected to remain contained at just 1.3% on average across the forward estimates, well below the decade average of 5.9%.

Chart 1 – WA Net Operating Balance



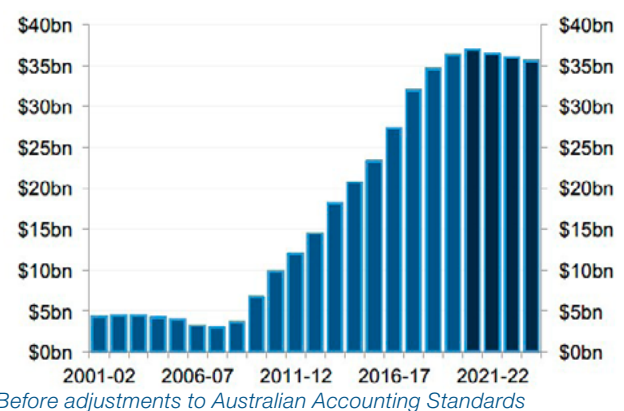
The return to surplus will also be supported by an improvement in the State's revenue outlook, which has improved by \$1.6 billion over the period between 2019-20 and 2020-21 since the Mid-Year Review estimates. Revenues have been boosted by a number of factors including higher royalty income as a result of the increase in iron ore prices resulting from the Vale Dam tragedy in Brazil, as well as increased GST revenue and other Commonwealth grants.

The expected return to an operating surplus means that the Government will commence the process of paying down debt, however this will not occur until the State's cash position returns to surplus (of \$954 million) in 2020-21. Total public sector net debt is expected to decline across the forward estimates, after peaking at \$39.5 billion at June 2020.

It should be noted that the State's debt position has been revised higher across the Budget period as a result of changes to the Accounting

Standards, which have meant that the State has had to bring additional debt to book.

Chart 2 – WA Total Public Sector Net Debt *



* Before adjustments to Australian Accounting Standards

The improvement in the Budget is welcome news, and it will be important that the Government remains firm on its commitments to keep spending under control to ensure that the State's financial position continues to improve. Lowering debt is an important objective that will reduce the State's interest bill and free up funds for important investment in community services and infrastructure in coming years.

The WA economy is expected to grow in coming years, despite the deterioration in the global and national outlook. Growth in Gross State Product is expected to pick up to 3.5% in 2019-20 and 3% thereafter, with continued improvements in exports and the domestic economy expected to become the major driver of growth. The labour market is also expected to strengthen, with 23,500 jobs expected to be created in 2019-20.

Table 1. Economic Forecasts

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %	2022-23 %
Gross State Product	1.9	2.0	3.5	3.0	3.0	3.0
Household Consumption	1.6	0.75	1.75	2.75	3.25	3.5
Business Investment	0.2	-10.0	6.0	7.0	6.0	4.0
Dwelling Investment	-2.5	-1.75	-2.75	6.25	7.5	4.0
Exports	4.9	4.25	4.0	2.0	1.75	1.75
Imports	-4.8	-4.0	2.5	3.0	3.0	2.5
Unemployment Rate	6.1	6.25	6.0	5.75	5.5	5.25
Consumer Price Index	0.9	1.25	1.75	2.25	2.5	2.5
Wage Price Index	1.5	1.75	2.25	2.75	3.0	3.25

KEY ISSUES FOR LOCAL GOVERNMENT - INFRASTRUCTURE



Infrastructure remains a focus of the Budget as the Government looks to deliver on its election commitments.

The Government is investing an estimated \$22.8 billion over the next four years on new and upgraded infrastructure across the State. This includes \$5.6 billion in 2019-20, with almost three quarters of this on roads, public transport, water and electricity infrastructure.

A significant proportion of infrastructure funding (particularly in relation to roads) has been supported by Commonwealth funding.

ROADS

The Budget notes that Main Roads has put in place a new five-year agreement with Local Government for road funding, and reinforces the strong working relationship between Local Governments and the State. Funding to the agreement is slightly higher than the indicative values in the Agreement and last year's Budget. This has already been factored into the 2019/20 Local Government Roads Program.

The Budget papers note that there is a recognised need for cooperation and coordination between agencies with an interest in roads to ensure that the most efficient and effective use can be made of the funds available for roads and that the best possible outcomes achieved.

The State Budget provides a contribution to projects on Local Government roads that have received a commitment through the Federal Budget including the Wheatbelt Secondary Freight routes program and projects in the cities of Swan, Wanneroo and Kalamunda. In each of these cases it is anticipated that a Local Government contribution will be negotiated through the State.

As well as the regional road projects (outlined on page 10), the specific projects include:

- Additional **\$314.7 million** over the forward estimates period on upgrades to the Tonkin Highway Corridor to improve freight capacity and reduce urban congestion.
- **\$78 million** to be spent over the Budget period on the construction of a new Swan River Crossing (Fremantle Road and Rail Bridge).

METRONET

As the Government's key election commitment, the focus of infrastructure spending in the Budget was progressing METRONET. Some of the key areas of funding included in the 2019-20 Budget are as follows:

- An additional **\$207.5 million** will be spent over the four years to 2022-23 (with a further **\$207.5 million** beyond 2022-23) to remove level crossings on the Armadale rail line at Mint Street, Oats Street and Welshpool Road. This project is jointly funded by the State and Commonwealth on a 50:50 basis.
- Additional investment of **\$29.5 million** over 2018-19 to 2020-21 for planning costs for METRONET projects under development to create robust business cases and project definition plans to meet desired timeframes and inform future investment decisions.
- An additional **\$11.4 million** over 2019-20 and 2020-21 for procurement planning for future delivery of an Automatic Train Control system to replace the existing rail network signalling system, and allow for increased service frequencies to meet future rail demand.
- An additional **\$2.2 million** will be spent over 2018-19 and 2019-20 for METRONET Office costs associated with whole-of-program oversight, coordination and stakeholder management.

KEY ISSUES FOR LOCAL GOVERNMENT - INFRASTRUCTURE (CONTINUED)



Other infrastructure funding of interest to Local Government is as follows.

- **\$12.8 million** will be spent over 2018-19 to 2022-23 on ICT systems upgrades required to operationalise the Government's strata reform policy (with \$5.3 million of this funded from reprioritisation of Landgate's existing Asset Investment Program).
- An amount of **\$28 million** has been allocated for the relocation and accelerated decommissioning of electrical and gas infrastructure at the East Perth Power Station site, including the undergrounding of Western Power's nearby high voltage transmission lines which have been an impediment to development of the site.
- Additional investment totalling **\$61.5 million** over 2018-19 to 2021-22 has been approved for Western Power's Advanced Metering Infrastructure (AMI) project, which will install advanced communications-capable meters on the Western Power network.
- The Essential and Municipal Services Upgrade Program is an initiative involving the Department of Communities and the Water Corporation to upgrade water and wastewater services in three remote Aboriginal communities in the Kimberley. The Water Corporation will spend **\$22.2 million** over 2018-19 to 2022-23 to upgrade water and wastewater services in Mowanjum, Bayulu and Bidyadanga to meet industry standards.
- A further **\$20 million** has been allocated in 2022-23 to continue the Principal Shared Path program.
- An additional **\$12.2 million** will be spent over 2018-19 to 2021-22 to continue the Westport Strategy, including potential investment options for an Outer Harbour at Kwinana, and to develop business cases and undertake corridor planning. Funding of **\$10 million** will be provided by the Commonwealth.
- An additional **\$16.2 million** will be spent over the four years to 2022-23 to upgrade jetties on Rottnest Island, including the Main Jetty, Fuel Jetty and the construction of a new barge ramp with cargo handling facilities.
- Horizon Power will spend **\$11.6 million** in 2019-20 to install modular centralised solar powered electricity generation in Aboriginal and Remote Communities Power Supply Project communities.
- **\$9.5 million** from the Industry Attraction and Development Fund will be spent over the next four years to develop mountain bike and walk trails and establish a Trail Centre in Collie.
- An additional **\$4 million** will be spent over 2018-19 and 2019-20 on additional roadworks, contractor costs and completion of visitor infrastructure at the Kalbarri Skywalk site, including a kiosk, toilets, shade shelters and landscape works.
- In response to recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse, **\$114,000** will be spent in 2019-20 to modify the Working with Children Check application and assessment system to allow it to interface with a National Reference System.
- A total of **\$240,000** will be invested over 2019-20 and 2020-21 to develop a new web-based platform that will allow all road users (including cyclists) to report cycling incidents.



KEY ISSUES FOR LOCAL GOVERNMENT - COMMUNITIES

- **\$174.1 million** is provided in 2019-20 to reflect the on-payment of Commonwealth grant funding to the National Disability Insurance Agency to facilitate transition to the National Disability Insurance Scheme. Additional expenditure of \$7 million, funded from Commonwealth package support contributions, will be spent on the Western Australian administered NDIS in 2018-19.
- **\$52 million** over 2020-21 to 2022-23 has been provisioned to create the Future Health Research and Innovation Fund, pending passage of the legislation.
- An amount of **\$26.4 million** will be spent over 2019-20 to 2021-22 on implementation of the Sustainable Health Review recommendations which includes **\$7.5 million** to create the Implementation Support Unit and **\$18.9 million** to deliver initiatives across four pilot projects.
- **\$36 million** in recurrent expenditure over 2018-19 to 2022-23 is allocated to end-of-life choices and palliative care services package.
- The Methamphetamine Action Plan Taskforce has attracted a total of **\$42.5 million** over 2019-20 and 2022-23.
- An additional **\$40 million** will be spent over the period 2018-19 to 2022-23 on additional support and facilities reflecting an increase in the proportion of students diagnosed with a disability in public schools.
- **\$30.9 million** will be spent over 2018-19 to 2021-22 on pastoral care services, reflecting a four-year extension to Commonwealth funding under the National School Chaplaincy Program.
- **\$19.9 million** has been committed over 2019-20 to 2022-23 to deliver a range of programs and strategic initiatives for Aboriginal Arts and community participation.
- The State Solicitor's Office has been provided an additional **\$2.9 million** over 2018-19 to 2020-21 to respond to the Government's reform to remove statutory limitation periods for historical child sexual abuse.
- The Western Australia Police Force will spend **\$5.5 million** over four years to establish the Family and Domestic Violence Monitoring Unit in partnership with the Department of Justice and an additional **\$2.1 million** for specialist training and development of a Code of Practice.

KEY ISSUES FOR LOCAL GOVERNMENT - COMMUNITIES (CONTINUED)

- In response to recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse \$627,000 will be spent in 2019-20 to develop a whole-of-government strategy for the independent oversight of institutions providing child-related services.
- The Government approved a total of \$11.7 million over 2020-21 to 2022-23 for One Stop Hubs in Mirrabooka and Kalgoorlie for victims of family and domestic violence.
- \$8.1 million has been committed over 2019-20 and 2020-21 to continue the Suicide Prevention Strategy.
- \$7.7 million will be spent over 2019-20 and 2020-21 for beach and aerial patrols in the Perth metropolitan area and the South West in partnership with Surf Life Saving Western Australia.
- \$1.2 million will be spent over 2019-20 to 2022-23 to stop elder abuse.
- With the anticipated establishment of the Noongar Boodja Trust in the latter half of 2019, the Department will provide \$2.8 million in 2019-20 to the Noongar Land Fund and \$634,000 to meet costs associated with finalisation of the Settlement.
- \$2.8 million in existing funding will be redirected over 2018-19 to 2022-23 to three new programs, including the Dampier Peninsula Project, meeting Indigenous Land Use Agreement costs associated with the Plan for Our Parks program, and the Yawuru Strategic Economic Development project.
- The Kimberley Mobile Dialysis Unit will receive \$1 million over 2019-20 and 2020-21 and the Pilbara Health Initiative will receive an additional \$13.8 million to be spent over 2019-20 to 2022-23.



The Shire of Ashburton supported the White Ribbon march in Tom Price to increase awareness of the campaign against family violence.

KEY ISSUES FOR LOCAL GOVERNMENT

- FEES AND CHARGES

- The Budget delivers an increase to household fees and charges of 2% - the lowest increase in 13 years.

The key changes to household fees and charges are as follows.

- 3% increase in Vehicle Licence Charges
- 1.75% increase in electricity prices – in line with inflation

- 2.5% increase in water, sewerage and drainage
- 2.7% increase in the Emergency Services Levy.
- Street lighting tariffs are expected to rise by 2% in 2019-20 and thereafter.

KEY ISSUES FOR LOCAL GOVERNMENT - REGIONAL WA

The Government has continued funding for Royalties for Regions, with the program totalling \$4.2 billion over 2019-20 to 2022-23. A total of \$5.3 billion will be invested in regional infrastructure over the next four years, including \$2.2 billion on regional roads.

Some of the new areas of funding in regional WA that are set out in the Budget are as follows.

HEALTH

- **\$1.7 billion** per annum is provided for health services for regional Western Australians has been allocated in the Budget, including a range of new initiatives funded as part of this Budget. These include:
 - **\$5 million** for a new residential aged and palliative care facility in Carnarvon as part of a broader \$41 million over 2018-19 to 2022-23 for a State-wide end-of-life choices and palliative care services package.
 - **\$13.8 million** from 2019-20 to 2022-23 to continue support for medical specialists and obstetric services in Karratha and women's health services in Tom Price and Newman.
 - **\$13.1 million** over 2019-20 to 2022-23 to construct a facility at Albany Health Campus to house a linear accelerator which will

enable cancer patients in the Great Southern to receive essential radiotherapy closer to home.

- **\$11 million** over 2019-20 to 2022-23 to progress planning for the redevelopment of Bunbury Hospital.
- **\$8.6 million** over 2018-19 and 2019-20 to meet the costs of supporting Karlarra house, a Residential Aged Care Facility in Port Hedland.
- Additional **\$6.3 million** over 2019-20 to 2021-22 to purchase and install a Magnetic Resonance Imaging (MRI) scanner at the Kalgoorlie Health Campus



Medical Students from Curtin University & Notre Dame University visiting Shire of Corrigin Councillor Des Hickey's farm.



The Shire of Merredin worked with Merredin Police to facilitate a project with Merredin's youth to create a wall mural promoting an anti-drug message.

KEY ISSUES FOR LOCAL GOVERNMENT - REGIONAL WA (CONTINUED)

EDUCATION

- **\$4.4 million** for the remediation and replacement of damaged roofs, as well as the replacement or upgrade of obsolete security and smoke alarm systems in regional schools in 2019-20.
- An additional **\$2.1 million** to provide transportable classrooms at regional schools for the 2020 school year.
- A further **\$21.9 million** over 2019-20 to 2022-23 will be invested to refurbish and upgrade training facilities and infrastructure at regional TAFE campuses across the State.

COMMUNITIES

- **\$6.5 million** to continue the operations of the Aboriginal Community Connectors program (formerly Aboriginal Community Patrols) in 14 communities across Western Australia.
- **\$6.3 million** over the Budget period to support the implementation, management and evaluation of a Family and Domestic Violence One Stop Hub in Kalgoorlie. The Hub is part of the Government's

Stopping Family and Domestic Violence election commitments.

- An additional **\$4.8 million** over the forward estimates period to continue delivery of the Enhanced Driver Training and Education for Regional and Remote Communities Program.
- Grants totalling **\$4.3 million** between 2019-20 and 2021-22 for Police and Community Youth Centres for upgrades to the Carnarvon and Broome centres and new services in Kununurra.
- **\$2.5 million** to reopen the Gwoonwardu Mia Gascoyne Aboriginal Heritage and Cultural Centre after it was closed in 2015.
- **\$1.3 million** for planning and initial works required to progress development of the Murujuga Living Knowledge Centre and Tourism Precinct, and a further \$650,000 for the Murujuga Rock Art Strategy.
- **\$900,000** over 2019-20 to 2021-22 to deliver the Government's election commitment for the Kimberley Juvenile Justice Strategy which involves the development and implementation of initiatives to improve remand and sentencing options, and to divert youth from the justice system.

KEY ISSUES FOR LOCAL GOVERNMENT - REGIONAL WA (CONTINUED)

ECONOMIC DEVELOPMENT AND TOURISM

- **\$11.8 million** for destination marketing by Tourism WA to boost the number of overseas visitors across Western Australia.
- **\$3.6 million** to the Western Australian Indigenous Tourism Operators Council to deliver initiatives in support of Aboriginal tourism.
- **\$2.5 million** for the renewal of visitor infrastructure and development of world class visitor facilities in the popular and iconic William Bay National Park, including work at the Greens Pool Elephant Rocks precinct.
- **\$243.9 million** to progress the Bunbury Outer Ring Road
- **\$129 million** to construct Albany Ring Road
- **\$89.5 million** on Great Northern Highway-Bindoon bypass
- **\$56.3 million** for the construction of the Karratha-Tom Price road
- **\$51 million** on upgrades to Duncan Road and Gordon Downs Road in the East Kimberley
- **\$32 million** to complete the upgrade of the Coolgardie – Esperance Highway

INFRASTRUCTURE

More than \$2.2 billion will be spent on the State's regional roads between 2019-20 and 2022-23. This Budget contains new spending on regional roads (in conjunction with the Commonwealth Government) including:

- **\$25.1 million** to progress Stage 1 Pinjarra Heavy Haulage
- **\$18 million** to upgrade Great Eastern Highway from Walgoolan to Southern Cross
- **\$16 million** to upgrade Wheatbelt Secondary Freight Routes



Shire of East Pilbara celebrated its unique outback location with the vibrant, diverse multi-cultural community of Newman at the 2018 Outback Fusion Festival.



Shire of Gingin supported the renowned international wave sport event - Lancelin Ocean Classic.

OTHER KEY ISSUES FOR LOCAL GOVERNMENT

The Budget also contained funding for a number of other programs and initiatives that are of interest to the sector.

- **\$3.1 million** has been approved over 2019-20 to 2022-23 for implementation and oversight of the container deposit scheme. This will be used to deliver and oversee the scheme and provide grants to refund point operators.
- The Economic Regulation Authority has been tasked with monitoring the effect of the Container Deposit Scheme, with **\$1.3 million** to be spent undertaking this work between 2018-19 and 2020-21. Funding will be sourced from the Waste Avoidance and Resource Recovery Account.
- **\$2.7 million** will be spent over 2019-20 to 2022-23 to employ additional staff to address the backlog of water licence and permit applications.
- A further **\$3 million** will be spent in 2019-20 to acquire appropriate vegetated land to offset the environmental impact of clearing land under approved permits.
- **\$1.6 million** will be spent on the Revitalising Geopraphe Waterways project to finalise the strategy, governance and future funding requirements beyond 2019-20.
- The Department of Premier and Cabinet is preparing scoping documents in conjunction with other State
- Government agencies and Local Governments for the Planning Investigation Areas identified in the Perth and Peel@3.5million sub-regional planning and infrastructure frameworks.
- Additional expenditure of **\$22 million** is provided over 2019-20 to 2022-23 for the continuation of the Enhanced Prescribed Burning Program.
- An additional **\$1.9 million** will be spent over 2019-20 to 2022-23 as part of the Emergency Alert System Phase 4 and technical refresh of Phase 3.
- **\$5.3 million** in recurrent spending has been approved for a multipurpose facility in Collie to enhance emergency management capability. An additional \$7.5 million in capital spending has been allocated for the construction of the centre.
- Income limits for eligible Keystart applicants (\$15,000 for singles and couples, \$20,000 for families) will be increased on a temporary basis from 1 July 2019 to 31 December 2019.
- An additional **\$2.7 million** will be spent over 2018-19 to 2020-23 for increased grant payments to Local Government Authorities under the Local Government Grants Scheme, due to increases in insurance premiums payable in respect to volunteer bushfire fighter insurance.



A second new fire truck for Narrogin's Volunteer Bush Fire Brigade and volunteers was tested in readiness for the fire season in 2018.

OTHER KEY ISSUES FOR LOCAL GOVERNMENT (CONTINUED)

- An additional **\$4.6 million** will be spent over 2019-20 to 2022-23 to continue to implement the Local Government Audit Reform program in accordance with the *Local Government Amendment (Auditing) Act 2017*.
- An additional **\$2.1 million** will be spent over 2019-20 to 2022-23 to expand the annual information systems audit program to include the top 30 Local Government entities from 2019-20 onwards.
- An additional **\$12 million** will be spent over 2018-19 and 2019-20 to boost international tourism marketing program, aimed at increasing international visitation to WA by initially focussing on promotion in South East Asian markets.
- **\$10 million** has been committed from 2018-19 to 2022-23 to facilitate an increase in direct international flights to Western Australia and an additional \$12 million will be spent over 2018-19 and 2019-20 to increase international visitation to Western Australia.
- A further **\$1.7 million** will be spent in 2019-20 to finalise the inquiry into the operations and affairs of the City of Perth.



Perth visitors and residents got a taste of winter during the City of Perth's Winter Fest in July last year.

For more information, contact WALGA Policy Manager, Economics Dana Mason
dmason@walga.asn.au | 9213 2096
Friday, 10 May 2019
walga.asn.au