



# 2016-17 BUDGET

FACT SHEET



## WHERE THE MONEY COMES FROM AND WHERE IT GOES

The general government sector net operating balance is Western Australia's headline budget measure and is an indicator of the State's ability to provide recurrent services, such as health, education, and law and order, from the revenue it collects, such as taxation and royalties. The net operating balance is forecast to be in deficit in 2016-17, reflecting a projected shortfall between revenue (of \$25.7 billion) and recurrent spending (or expenses, of \$29.6 billion).

General government revenue is expected to decline for the third year in a row in 2016-17, which is unprecedented. Despite the Government's success in reining in expense growth, the broader economic and revenue environment means that operating deficits are unavoidable in the near term.

### Revenue

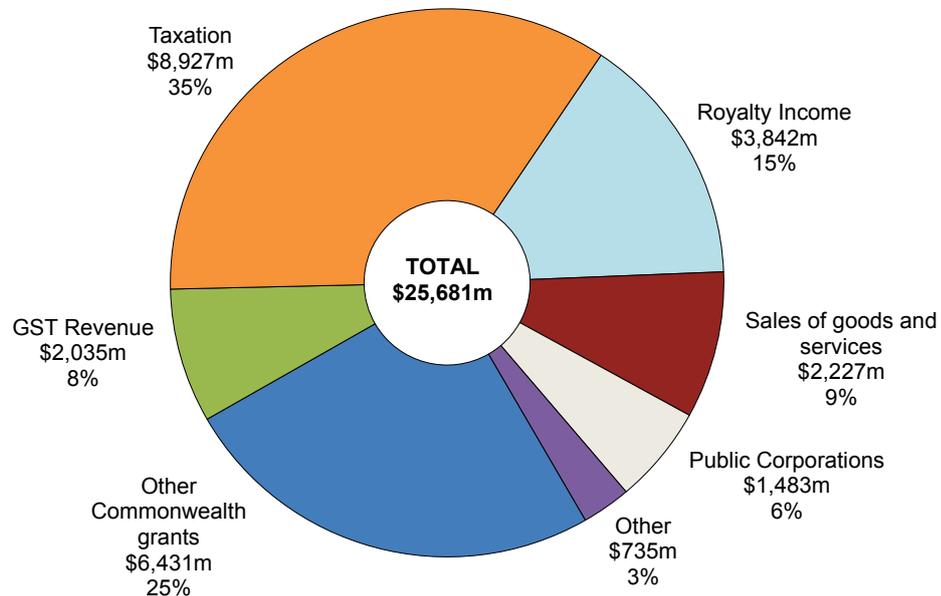
Total general government revenue is expected to decline by 3.1% or \$810 million in 2016-17, to \$25.7 billion.

Taxation revenue, which is the largest component of total revenue (see Chart 1), is forecast to decline by 1.3% in 2016-17, largely reflecting lower transfer duty revenue (from commercial property transactions, as well as a soft residential property market), lower land tax (as a result of lower land values) and growth in payroll tax of 0.2% (due to soft labour market conditions).

Commonwealth grants (including GST) comprise around one third of the State's total revenue, and are forecast to grow by just 1.5% in 2016-17. Western Australia's share of national GST collections is just 30.3% of its population share in 2016-17 – a GST subsidy to the rest of the nation of \$4.7 billion (see separate Fact Sheet).

Royalty income, which is the third largest source of the State's revenue after taxation and Commonwealth grants, is forecast to decline by 8% in 2016-17, due largely to a lower iron ore price and a higher exchange rate in 2016-17 compared to 2015-16.

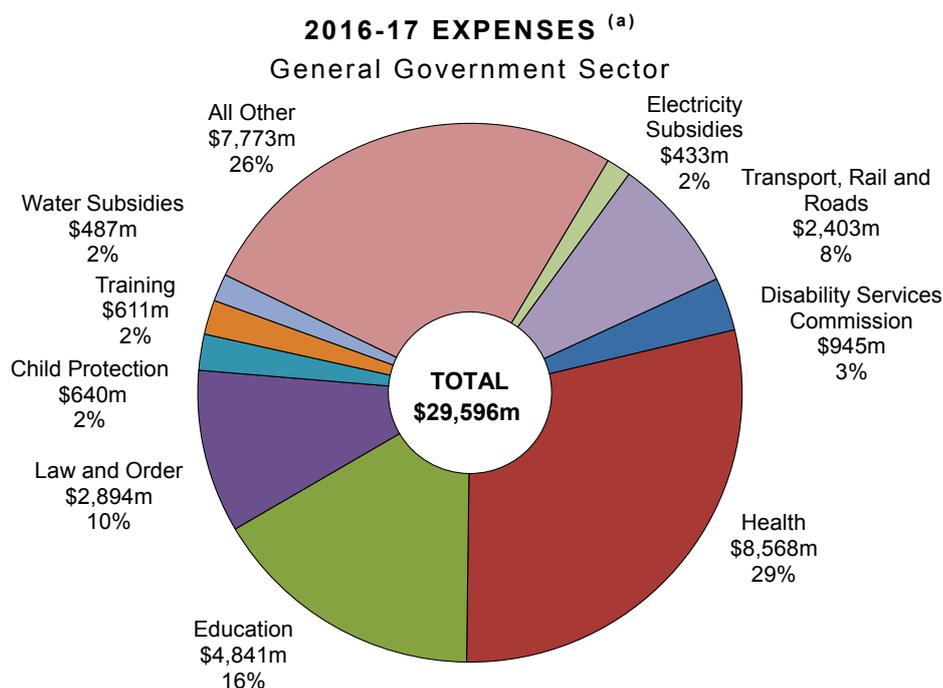
**2016-17 REVENUE <sup>(a)</sup>**  
General Government Sector



(a) Segments may not add due to rounding.  
Source: 2016-17 Budget.

## Expenses

General government expenses are forecast to total \$29.6 billion in 2016-17, an increase of \$1.1 billion or 3.7% relative to the estimated outturn for 2015-16. The following chart shows that the key service delivery areas of health, education, and law and order comprise over half of total expenses (55.1%).



(a) Segments may not add due to rounding.  
Source: 2016-17 Budget.

Given the pressures on the State's Budget, the Government has approved only a limited number of new spending initiatives, which are focused on broadening the State's economy and creating new job opportunities, while also meeting the demand in growth for essential services.

The Budget includes the following increases in key service delivery areas:

- an increase of \$266 million (or 4.8%) in 2016-17 for public hospital services;
- an increase of \$81 million in recurrent Education spending in 2016-17, which provides for a 3.3% increase in spending by schools to continue to provide high quality education services for all students;
- spending on policing to increase by \$67 million (5.1%), with Western Australia Police on track to meet the Government's commitment of 550 additional officers by the end of 2016-17;
- an additional \$147 million from 2015-16 to 2019-20 to meet forecast growth in the State's prisoner population;
- additional funding of \$26 million in 2016-17 for the extension and expansion of National Disability Insurance Scheme (NDIS) trials, and a further \$50 million from 2016-17 to 2019-20 to meet expected growth in demand for existing disability services in areas where NDIS trial sites are not operating;
- an additional \$47 million over the four years to 2019-20 to support the State's tourism industry; and
- \$20 million over four years to support researchers, innovators and start-up businesses.

This Budget continues the Government's focus on containing salaries expenditure, through its revised wages policy (which limits increases in wages and associated conditions to

1.5% per annum), and driving further cost efficiencies across the public sector (through the roll out of Agency Expenditure Reviews to a further 54 agencies). Expense growth is forecast to average 2.4% across the forward estimates period, compared to average growth over the past decade of 7.7%.