



2013-14

Annual Report on State Finances

September 2014



2013-14

**Annual Report on
State Finances**

SEPTEMBER 2014

2013-14 Annual Report on State Finances
© Government of Western Australia 2014

Enquiries related to this report should be directed by email to info@treasury.wa.gov.au

An electronic copy of this report may be obtained at <http://www.treasury.wa.gov.au>
ISSN 1834-1101 (print)
ISSN 1834-111X (on-line)

2013-14
Annual Report on State Finances

Table of Contents

FOREWORD	i
Statement of Responsibility	ii
Opinion of the Auditor General	iii
CHAPTER 1: FINANCIAL RESULTS	1
Introduction	1
Results Compared to Estimated Outturn	4
General Government Sector	4
<i>Feature Box: Iron Ore Price</i>	11
Total Public Sector	20
Net Debt and Gross Borrowing	28
<i>Feature Box: Managing Gross Borrowings</i>	31
CHAPTER 2: FINANCIAL TARGETS	33
Introduction	33
Performance Against Financial Targets	35
APPENDIX 1: FINANCIAL STATEMENTS	43
APPENDIX 2: OPERATING REVENUE	179
APPENDIX 3: OTHER UNIFORM PRESENTATION FRAMEWORK INFORMATION	185
APPENDIX 4: COMPARISON OF FINAL OUTCOMES TO ORIGINAL BUDGET FOR THE YEAR ENDING 30 JUNE 2014	191
APPENDIX 5: SPECIAL PURPOSE ACCOUNTS	213
APPENDIX 6: QUARTERLY FINANCIAL RESULTS – JUNE 2014	219
APPENDIX 7: PUBLIC LEDGER	231
APPENDIX 8: GENERAL GOVERNMENT SECTOR SALARIES	253

Foreword

This *Annual Report on State Finances* (ARSF) provides detail on the State's public sector financial results for 2013-14. It includes disclosure of material differences between these outcomes and the forecasts contained in the 2014-15 State Budget (presented to Parliament on 8 May 2014) and the original 2013-14 Budget (presented on 8 August 2013).

The *Government Financial Responsibility Act 2000* requires the release of audited whole-of-government financial results consistent with external reporting standards within 90 days of year-end.

For the purpose of this ARSF, 'external reporting requirements' are embodied in Australian Accounting Standards Board (AASB) 1049: *Whole of Government and General Government Sector Financial Reporting*.

All Australian State, Territory and Commonwealth governments publish financial disclosures consistent with AASB 1049, and with the requirements of the Uniform Presentation Framework (UPF). The UPF ensures consistent minimum levels of detail in whole-of-government disclosures. Western Australia's disclosures in this ARSF are consistent with the requirements of AASB 1049, other applicable accounting standards, Government Finance Statistics concepts, sources and methods, and exceed the minimum requirements specified in the UPF.

This ARSF contains information for:

- the actual outturn for 2013-14, which is the focus of this report;
- the 2013-14 State Budget estimates;
- the 2013-14 Mid-year Review (released on 18 December 2013);
- the 2013-14 estimated outturn as published in the 2014-15 State Budget, delivered on 8 May 2014;
- quarterly results for June 2014, completing the State's 2013-14 quarterly reporting series;
- information on a number of Special Purpose Accounts which have a high profile in relation to the delivery of public sector services; and

- Public Ledger summary information, which includes the Consolidated Account, the Treasurer's Advance Account, and the Treasurer's Special Purpose Accounts.

Statement of Responsibility


This ARSF is a statutory requirement of the *Government Financial Responsibility Act 2000*. It contains whole-of-government financial information in the same format as the State's budget presentations, reflecting applicable Australian Accounting Standards and Australian Bureau of Statistics' (ABS') accrual Government Finance Statistics standards.

The consolidated financial statements included in this report have been prepared by the Department of Treasury from information provided by State public sector agencies.

In our opinion, the financial information presented in this report:

- fairly represents the operating results and cash flows of the Government of Western Australia for the year ended 30 June 2014, and the public sector's financial position at 30 June 2014; and
- has been prepared in accordance with Australian Accounting Standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, other applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and complies with statistical standards promulgated by the ABS.

At the date of signing, we are not aware of any circumstances which would cause any information included in the financial disclosures in this report to be misleading or inaccurate.



MICHAEL COURT
ACTING UNDER TREASURER



MAGDA WITTEK
A/ASSISTANT DIRECTOR
FINANCIAL REPORTING

17 September 2014

Opinion of the Auditor General



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

ANNUAL REPORT ON STATE FINANCES – GOVERNMENT OF WESTERN AUSTRALIA

I have audited the financial statements of the Government of Western Australia for the year ended 30 June 2014 which comprise an Operating Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement for General Government, Public Non-Financial Corporations, Total Non-Financial Public Sector, Public Financial Corporations and Total Public Sector, and Notes comprising a summary of significant accounting policies and other explanatory information (Appendix 1), the Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2014 for the General Government Sector and Total Public Sector (Appendix 4), and the Public Ledger (Appendix 7).

Under Treasurer's Responsibility for the Financial Statements

The Under Treasurer is responsible for the preparation and fair presentation of the Annual Report on State Finances that includes the preparation of the financial statements in accordance with Australian Accounting Standard AASB 1049 "Whole of Government and General Government Sector Financial Reporting", other applicable Australian Accounting Standards and the Government Financial Responsibility Act 2000, and for such internal control as the Under Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Government Financial Responsibility Act 2000, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Under Treasurer, as well as evaluating the overall presentation of the financial statements. In addition, all the financial and non-financial information in the Annual Report on State Finances is read to identify material inconsistencies with the audited financial statements. If any apparent material misstatements or inconsistencies are identified, the implications for my audit opinion are considered.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements

This auditor's report relates to the financial statements of the Government of Western Australia for the year ended 30 June 2014 included on the Department of Treasury's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Opinion

In my opinion, the financial statements

- (i) have been properly drawn up so as to present fairly, in all material respects, the operating results and cash flows of the Government of Western Australia for the year ended 30 June 2014 and the financial position at the end of that year; and
- (ii) have been prepared in accordance with Australian Accounting Standard AASB 1049 "Whole of Government and General Government Sector Financial Reporting", other applicable Australian Accounting Standards and the Government Financial Responsibility Act 2000.



COLIN MURPHY
AUDITOR GENERAL
19 September 2014

Financial Results

HIGHLIGHTS

- The general government sector recorded an operating surplus of \$719 million in 2013-14, \$536 million higher than the 2014-15 Budget estimate of \$183 million.
- The higher than expected operating surplus is the result of lower than expected general government expenditure, down \$550 million relative to the recent Budget.
- Expense growth for the year was 6.9%, below the 8.7% growth in revenue. At just 5.2%, growth in general government sector salaries expenditure was the lowest rate of growth since 2000-01.
- The State's Asset Investment Program (AIP) for 2013-14 totalled \$6.8 billion, \$281 million lower than estimated in the 2014-15 Budget.
- Primarily as a result of the higher than expected general government sector operating surplus and the lower than expected AIP, total public sector net debt at 30 June 2014 (\$20.8 billion) was \$1.3 billion less than the recent Budget estimate.
- At 55.2%, the net debt to revenue ratio for 2013-14 is the second lowest of the mainland States (behind New South Wales), and is significantly lower than the triple-A rated Victoria.

Introduction

This chapter focuses on changes in outcomes between the estimated outturn published in the 8 May 2014 State Budget and the final outcomes for 2013-14. Comparisons to the original 2013-14 Budget projections (released on 8 August 2013) are available in *Appendix 4: Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2014*.

General government revenue increased by 8.7% in 2013-14, to total \$28 billion. This rate of growth is a significant increase on the 2.0% revenue growth achieved in 2012-13, and primarily reflects the impact of Government policy decisions, such as an increase in the royalty rate for iron ore 'fines' from 6.5% to 7.5% on 1 July 2013, and strong growth in iron ore production volumes. Abstracting from these revenue policy changes, revenue increased by 5% in 2013-14.

Taxation revenue increased (by 5.2%, or \$436 million) in 2013-14, although increases in key taxation items were weaker relative to 2012-13, reflecting more moderate growth in Western Australia's domestic economy.

- Transfer duty collections increased by 7.4% in 2013-14, compared to 31% in 2012-13. While the increase in 2012-13 was supported by a significant rise in the number of high value commercial transactions, growth in 2013-14 was mainly due to higher house prices and transaction volumes, and the one-off additional duty from interim assessments following the implementation of the Tax Administration Package announced in the 2013-14 Budget.
- Payroll tax collections increased by just 2.6% in 2013-14, moderating significantly from a 12.3% rise in 2012-13, reflecting a marked slowdown in both employment and wage growth, particularly in the State's mining and related industries.

Increases in royalty and taxation revenue were partly offset by a \$192 million (or 2.1%) reduction in Commonwealth funding in 2013-14, largely in line with forecast expectations. This was mainly due to a \$428 million reduction in GST grants as a result of the Commonwealth's fiscal equalisation process, partially offset by increased tied grants (particularly for health, education and housing).

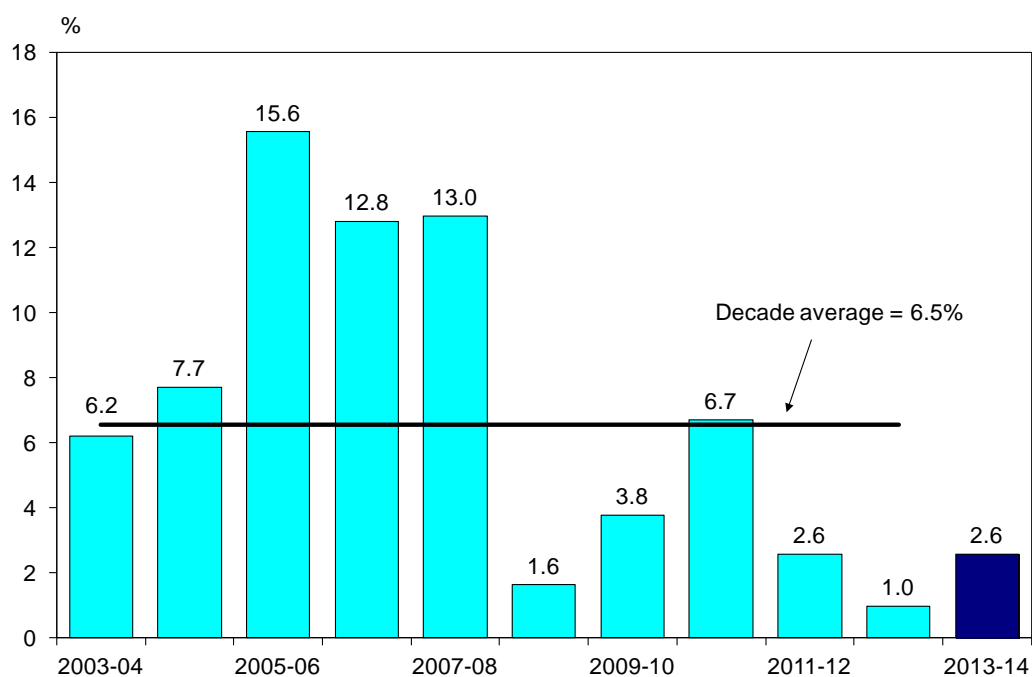
General government sector expenses grew by 6.9% to \$27.2 billion, \$550 million lower than the estimated outturn included in the 2014-15 Budget. This outcome reflects lower than expected spending by a number of agencies, particularly WA Health (\$138 million), and the Department of Education (\$75 million), and lower than expected costs for the Government's Enhanced Voluntary Separation Scheme (VSS, down \$60 million) and nominal superannuation interest costs (down \$46 million).

At 39% of general government sector operating expenses in 2013-14, salaries expenditure remains the single largest component of general government recurrent spending. In 2013-14, growth in salaries costs was 5.2%. This outcome is well below the decade average of 8.5% growth, and is the lowest rate of growth since 2000-01.

The general government sector recorded an operating surplus of \$719 million in 2013-14, an increase of \$536 million on the estimated outturn of \$183 million included in the 2014-15 Budget. The higher operating surplus outcome represents just 2.6% of revenue, well down on the 6.5% average recorded over the last decade, as shown in the following chart.

Figure 1

NET OPERATING BALANCE AS A SHARE OF REVENUE
General Government Sector



Other key financial outcomes for 2013-14 include:

- a \$6.8 billion Asset Investment Program (AIP), \$281 million lower than the recent Budget estimate and \$541 million lower than 2012-13;
- total public sector net debt of \$20.8 billion at 30 June 2014, \$1.3 billion lower than estimated in the recent Budget, but up \$2.6 billion from a year earlier (in line with the borrowing requirements for the Government's AIP); and
- a net debt to revenue ratio for the total non-financial public sector of 55.2% in 2013-14, which is the second lowest of the mainland States (behind New South Wales), and is significantly lower than the triple-A rated Victoria.

The following table summarises the key financial outcomes for 2013-14.

KEY BUDGET AGGREGATES					Table 1
Western Australia					
	2012-13	2013-14			Actual
	Actual	Budget Estimate	MYR Revision	Estimated Outturn	
GENERAL GOVERNMENT SECTOR					
Net Operating Balance (\$m)	249	386	437	183	719
Revenue (\$m)	25,718	27,978	28,267	27,970	27,956
Revenue Growth (%)	2.0	8.9	9.9	8.8	8.7
Expenses (\$m)	25,468	27,592	27,830	27,787	27,236
Expense Growth (%)	3.7	8.4	9.3	9.1	6.9
TOTAL PUBLIC SECTOR					
Net Debt at 30 June (\$m)	18,188	21,909	21,880	22,042	20,754
Asset Investment Program (\$m)	7,355	7,451	7,326	7,095	6,814
Cash Position (\$m)	-3,888	-2,801	-3,353	-3,512	-2,465
Gross Borrowings at 30 June (\$m)	39,740	41,998	41,975	42,570	41,216
KEY FINANCIAL RATIOS ^(a)					
Cash operating surplus as a share of receipts (%)	5.9	6.3	5.5	5.1	7.5
Net debt to revenue (%)	50.6	53.3	53.8	56.8	55.2

(a) For the total non-financial public sector.
Note: Columns may not add due to rounding.

Results Compared to Estimated Outturn

General Government Sector

Operating Statement

The general government sector recorded an operating surplus of \$719 million in 2013-14. This result is \$536 million higher than the estimated outturn included in the 2014-15 Budget (\$183 million), reflecting the net impact of marginally lower revenue (down \$14 million, or 0.1%) and lower than expected expenses (down \$550 million, or 2%).

Relative to the estimated outturn, the marginally lower revenue outcome is mainly attributable to the net impact of:

- higher royalty revenue (up \$114 million), driven primarily by iron ore volumes exceeding forecasts, which more than offset a lower than anticipated iron ore price;
- lower than expected taxation revenue (down \$113 million), mainly due to lower payroll tax collections (down \$50 million) and lower transfer duty collections (down \$63 million);

- increased revenue from public corporations (up \$129 million), due to higher than expected profit outcomes for some agencies (including the Water Corporation and Port Hedland Port Authority) and timing of tax deductions for Synergy, partially offset by a lower than expected outcome for the Insurance Commission of Western Australia and the Western Australian Land Authority;
- lower than expected revenue from the sale of goods and services (down \$69 million), mainly reflecting a decrease in WA Health revenue; and
- lower than expected (non-cash) revenue from the transfer of roads from the private sector to the general government sector (down \$60 million).

The lower than expected expense outcome reflects movements across a large number of agencies, including WA Health (down \$138 million) and Education (down \$75 million). Relative to 2012-13, expenses grew by 6.9% over 2013-14, 2.2 percentage points lower than the 2014-15 Budget estimate of 9.1%. Of note, salaries growth of 5.2% in 2013-14 was the lowest rate of growth since 2000-01, and substantially below the average 8.5% growth over the past decade.

These variances are discussed in more detail below.

Table 2

GENERAL GOVERNMENT
Operating Statement

	2012-13		2013-14			Variation on EOT \$m (5)=(4)-(3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
REVENUE						
Taxation	8,412	9,258	9,106	8,962	8,849	-113
Current grants and subsidies	8,316	8,015	8,062	8,133	8,199	66
Capital grants	622	709	724	615	547	-69
Sales of goods and services	2,011	2,054	2,060	2,146	2,078	-69
Interest income	255	201	221	212	194	-18
Revenue from public corporations						
Dividends	796	832	857	850	901	51
Tax equivalent income	381	502	546	524	602	78
Royalty income	4,425	5,824	6,089	5,911	6,025	114
Other	499	583	601	616	561	-55
<i>Total</i>	<i>25,718</i>	<i>27,978</i>	<i>28,267</i>	<i>27,970</i>	<i>27,956</i>	<i>-14</i>
EXPENSES						
Salaries	10,154	10,804	10,960	11,038	10,682	-357
Superannuation						
Concurrent costs	965	1,044	1,058	1,065	1,030	-35
Superannuation interest cost	369	352	350	344	297	-46
Other employee costs	446	446	470	473	432	-41
Depreciation and amortisation	1,108	1,225	1,289	1,248	1,197	-52
Services and contracts	1,902	2,113	2,193	2,227	2,041	-186
Other gross operating expenses	4,725	4,893	4,832	4,820	4,943	123
Other interest	442	506	504	508	492	-16
Current transfers	4,895	5,382	5,379	5,259	5,357	97
Capital transfers	462	826	795	804	765	-39
<i>Total</i>	<i>25,468</i>	<i>27,592</i>	<i>27,830</i>	<i>27,787</i>	<i>27,236</i>	<i>-550</i>
NET OPERATING BALANCE	249	386	437	183	719	536

Note: Columns may not add due to rounding.

The \$719 million surplus outcome for 2013-14 is \$470 million higher than the \$249 million surplus recorded in 2012-13. This largely reflects the impact of higher royalty revenue (which was \$1.6 billion higher in 2013-14 than in 2012-13) and higher taxation revenue, partly offset by increases in recurrent spending.

The following table summarises key changes to the general government sector operating surplus since release of the 2014-15 Budget on 8 May 2014.

Table 3	
SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE VARIATIONS SINCE THE 2014-15 BUDGET ESTIMATED OUTTURN	
	\$m
2014-15 BUDGET - NET OPERATING BALANCE	183
Revenue	
Taxation	
- Payroll tax	-50.4
- Transfer duty	-62.6
- All other taxes	-0.2
<i>Sub Total</i>	-113.2
Royalty Income	
- Iron Ore	113.0
- All other royalties	1.1
<i>Sub Total</i>	114.1
Commonwealth grants	
- GST grants	34.2
- North West Shelf grants	-31.1
- Health grants	80.2
- Transport grants	-82.8
- All other grants	-2.8
<i>Sub Total</i>	-2.3
Revenue from Public Corporations	129.0
Agency Goods and Services	-68.7
Roads transferred from the private sector	-60.1
Other	-13.0
TOTAL REVENUE	-14.3
Note: Columns may not add due to rounding.	

Table 4

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2014-15 BUDGET ESTIMATED OUTTURN**

	\$m
Expenses	
WA Health	
- Salaries	-199.4
- Depreciation	-38.3
- All other	99.2
<i>Sub Total</i>	-138.4
Education	
- Salaries	-38.9
- Depreciation	35.1
- All other	-70.7
<i>Sub Total</i>	-74.5
Enhanced Voluntary Separation Scheme	-59.6
Salaries - other agencies	-64.3
Depreciation - other agencies	-48.3
Nominal superannuation interest	-46.1
Main Roads services and contracts	-82.9
Payroll tax rebate	-17.4
Tax refunds	-17.5
Magnetite royalty refunds	-15.9
All other expenses	14.7
TOTAL EXPENSES	-550.3
TOTAL VARIANCE	536.0
2013-14 ANNUAL REPORT ON STATE FINANCES - NET OPERATING BALANCE	719

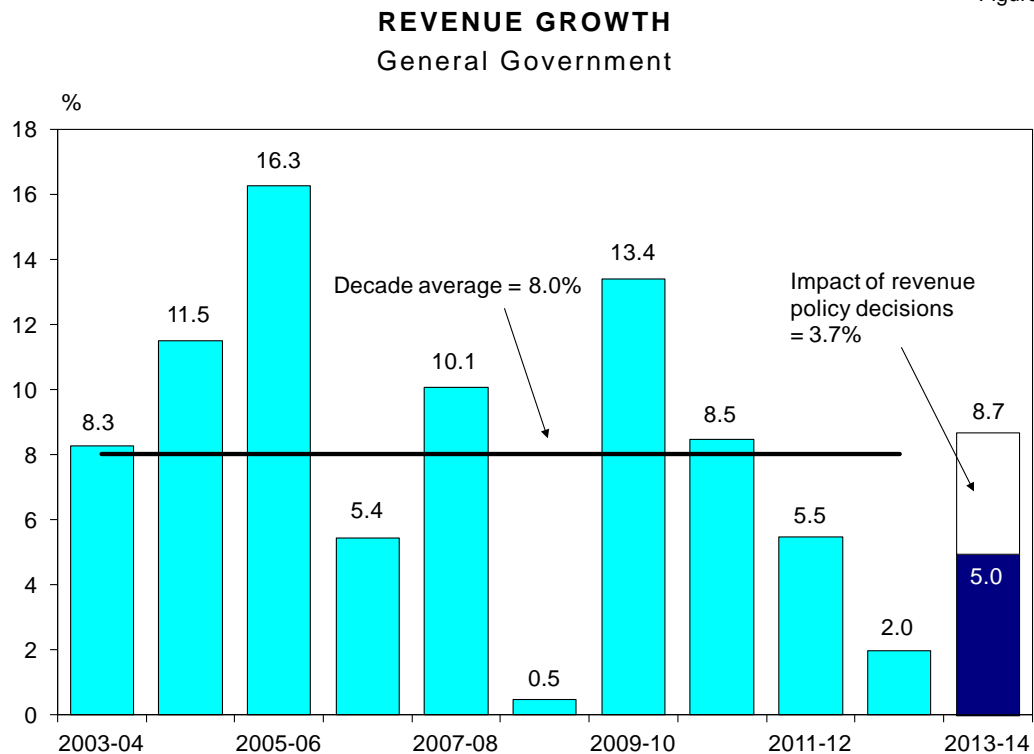
Note: Columns may not add due to rounding.

Revenue

General government revenue totalled \$28 billion in 2013-14, \$14 million (or 0.1%) lower than the estimated outturn in the 2014-15 Budget. This mainly reflects lower than expected taxation revenue, sale of goods and services and roads transferred from the private sector, offset by higher royalty income and revenue from public corporations.

Revenue growth of 8.7% was recorded in 2013-14, up from the 2% outcome for 2012-13 and consistent with the 2014-15 Budget estimate of 8.8%. Stronger growth in 2013-14 mainly reflects the impact on royalty revenue of the final step of the phased increase in the royalty rate on iron ore 'fines' (increasing from 6.5% to 7.5% on 1 July 2013), the depreciation of the Australian dollar relative to the US dollar in 2013-14 (from an average of 102.7 US cents in 2012-13 to an average of 91.8 US cents in 2013-14) and a higher volume of iron ore sales (up 119 million tonnes or 23.3% relative to 2012-13).

Figure 2



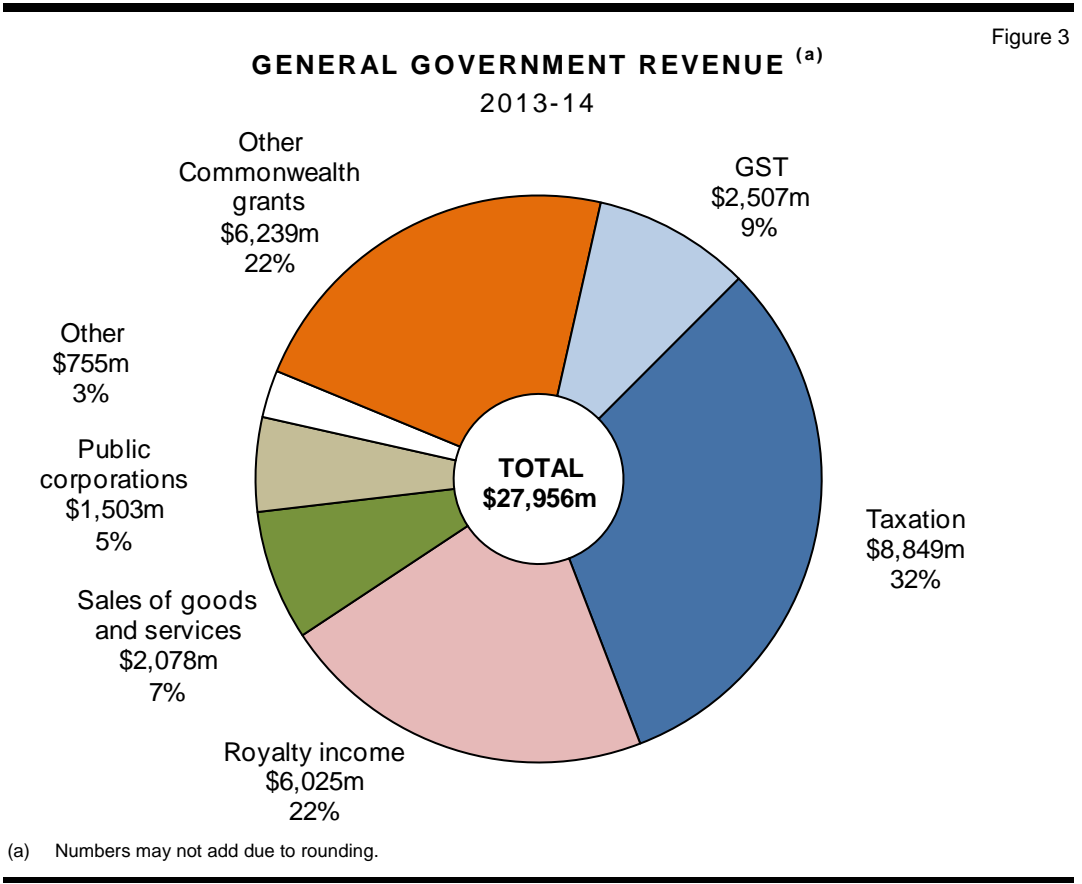
Changes to general government revenue since the release of the 2014-15 Budget include:

- higher royalty income (up \$114 million), driven primarily by iron ore volumes exceeding forecasts by 5.7% (34 million tonnes), which more than offset a lower than anticipated average iron ore price of \$US122.8 per tonne (relative to the forecast price of \$US125.2 per tonne);
- lower than expected taxation revenue (down \$113 million), mainly reflecting:
 - lower payroll tax collections (down \$50 million) due to a combination of lower than expected growth in wages across the economy (the Wage Price Index increased by 2.8% in 2013-14, compared to a 3.25% estimate in the 2014-15 Budget) and compositional shifts within the labour market (such as movement of labour away from the high paying resource sector towards lower paying industries); and
 - lower transfer duty collections (down \$63 million), mainly due to lower than expected revenue from large transactions (where duty is greater than \$1 million). These transactions usually reflect large commercial transactions, are few in volume, and can often be quite volatile;

- largely unchanged Commonwealth funding, reflecting the net impact of:
 - lower grants for transport (down \$83 million), mainly due to slower than expected work on two jointly funded road widening projects (Great Eastern Highway – Walgoolan to Coolgardie and Kwinana Freeway – Roe Highway to Armadale Road), with Commonwealth funds now expected to be received in 2014-15;
 - higher than expected grants to WA Health (up \$80 million), mainly for services to veterans (\$61 million);
 - higher GST grants (up \$34 million, or 1.4%), due to an upward revision of national GST collections in the Commonwealth Budget; and
 - lower North West Shelf grants (down \$31 million, or 2.7%), largely due to lower than expected Liquefied Natural Gas volumes and prices, and a slightly higher than anticipated \$US/\$A exchange rate;
- increased revenue from public corporations (up \$129 million or 9.4%), mainly reflecting the net impact of:
 - Water Corporation dividends (up \$46 million) and income tax equivalent revenue (up \$34 million), reflecting higher than forecast revenue from developer contributions, increased water sales, and the impact of the transition to two monthly billing in 2013-14 (resulting in more accurate timing in revenue recognition relative to the 2014-15 Budget estimate);
 - Synergy income tax (up \$39 million), primarily due to the timing of tax deductions relating to the Corporation's operating costs;
 - Port Hedland Port Authority income tax (up \$22 million), due to higher than expected revenue from strong iron ore trade performance and port throughput, and lower than expected expenditure on port operations and development activities;
 - Insurance Commission of Western Australia income tax (down \$13 million), due to the impact of a significant increase in outstanding claims provisions following the Commission's annual actuarial evaluation; and
 - Western Australian Land Authority income tax (down \$12 million), reflecting slower than expected regional and industrial property market activity, particularly in the Pilbara and Kimberley regions;
- lower revenue from the sale of goods and services across the sector (down \$69 million, or 3.2%), with most of this outcome attributable to WA Health (down \$85 million) as a result of lower than expected revenue for services recovered from patient fees, and costs recovered from the Commonwealth; and

- lower than expected (non-cash) revenue from road transfers, mainly for roads transferred from private ownership to the State (down \$60 million), including:
 - Ashburton North Strategic Industrial Area access road (\$30 million) not transferred due to project delays;
 - a lower final valuation of North West Coastal Highway assets (\$10 million less than originally estimated); and
 - Stage 1 of Marble Bar Road transferred to the State, with Stage 2 to follow as a result of the transfer now being completed in two stages rather than one (\$20 million less than expected).

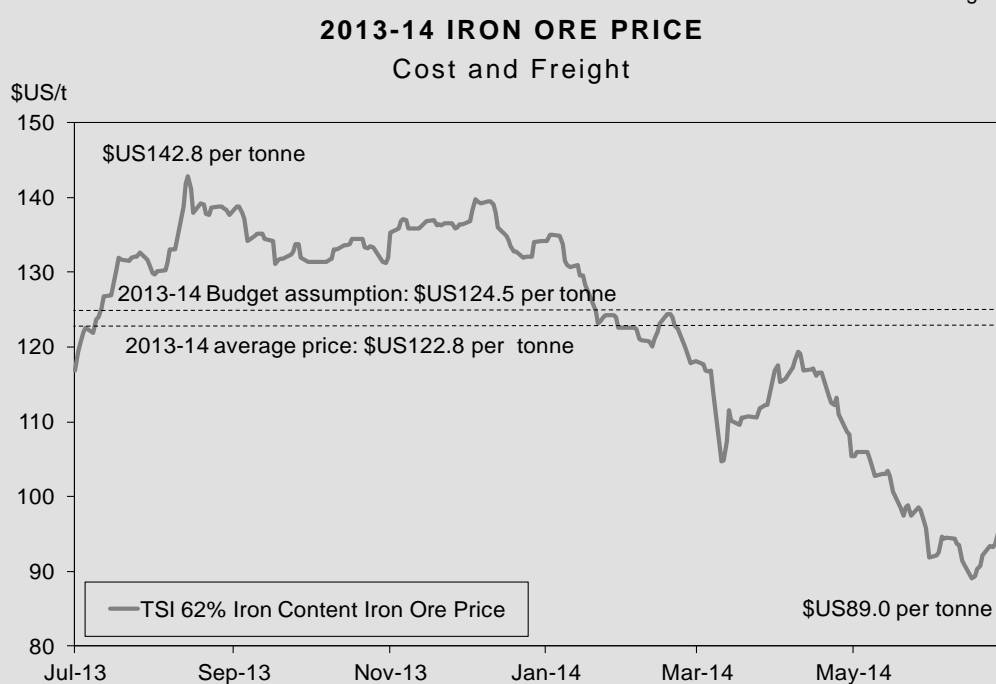
As the following chart shows, 53% of the State’s general government sector revenue was sourced from taxation and royalties in 2013-14, with royalties accounting for 22% of total revenue. In contrast, GST revenue accounted for just 9% of total revenue in 2013-14.



Iron Ore Price

The headline iron ore price (cost and freight) averaged \$US122.8 per tonne during 2013-14, compared with the original 2013-14 Budget forecast of \$US124.5 per tonne¹, a variation of just 1.3%. This was despite a high degree of volatility in the iron ore price, which traded between a low of \$US89.0 per tonne in mid-June 2014, and a high of \$US142.8 per tonne in mid-August 2013, a range of \$US53.8 per tonne.

Figure 4

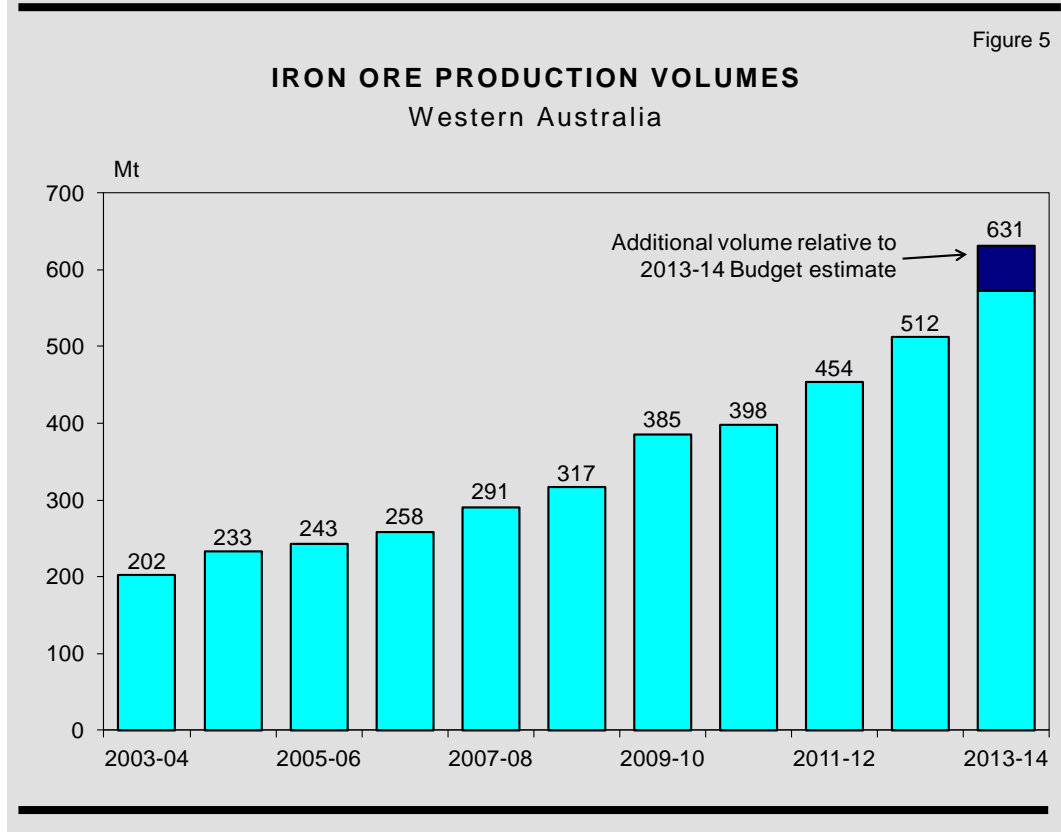


Since the cut-off date for the more recent 2014-15 Budget (14 April 2014), the iron ore price fell from \$US117 per tonne to a low of \$US89 per tonne in mid-June, a fall of about 24%.

The lower iron ore price has been attributable to a large increase in iron ore supply, particularly from Australian producers. In 2013-14, Australia's three largest producers increased production by more than 100 million wet tonnes (or around 20%). This exceeded growth in demand from China – Australia's key export market for iron ore – where crude steel output grew by 7.2% in 2013-14. Iron ore supply is likely to continue to outpace growth in demand in 2014-15. However, lower cost production from Australia and Brazil is expected to gradually displace higher cost output from China and other countries over time.

¹ Benchmark prices are quoted in terms of The Steel Index (TSI). In the 2013-14 Budget, price assumptions were based on the SteelHome index, from which a headline price (inclusive of cost and freight from Australia to China) of \$US126.6 per tonne was assumed for 2013-14 (or \$US116.7 per tonne free on board) compared to the actual price of \$US123.8 per tonne, a 2.2% difference. The benchmark was changed from SteelHome to the TSI as the latter is the benchmark used to settle Singapore Exchange derivative contracts (which inform price assumptions), and the TSI is more closely correlated with the most commonly used industry benchmark, the Platts IOEX.

The faster than scheduled ramp-up in expansions from the three large Australian producers, as well as upward revisions to targeted capacities relative to the 2014-15 Budget forecast, has significantly moderated the outlook for the iron ore price. However, this is projected to be partially offset by higher volumes of iron ore sales than assumed at budget-time.



Expenses

General government expenses totalled \$27.2 billion in 2013-14, \$550 million (or 2%) lower than estimated at the time of the 2014-15 Budget. This variance reflects the net impact of:

- lower expenses for WA Health (down \$138 million, or 1.8%), mainly reflecting the net impact of:
 - lower than budgeted salaries expenses (down \$199 million), largely due to underspending in Commonwealth and State funded specific purpose programs such as the Perth Children’s Hospital and Busselton Hospital Information and Technology programs, and the Treating More Public Dental Patients National Partnership Agreement (with lower salaries outcomes reflecting recruitment delays and timing of cashflows), an increased focus on staff leave management², and lower than expected full-time equivalent staff numbers;

² Reductions in annual and long service leave accrued during previous years reduced salaries costs in 2013-14, reflecting the earlier expensing of these costs. The Government directed agencies to seek to contain accrued leave costs as part of the 2012-13 Mid-year Review by encouraging staff to clear excessive leave balances.

- lower than expected depreciation costs (down \$38 million), mainly due to a revision in the useful life of WA Health’s human resources system and revised depreciation for Swan Kalamunda Health Service and Joondalup Health Campus (reflecting infrastructure developments at the respective sites);
- higher than budgeted ‘other’ expenses (up \$99 million), mainly relating to repair and maintenance costs for buildings and medical equipment (due to additional expenditure on works previously expected to be capitalised being reclassified to recurrent expenditure), health services provided through non-government agencies for specific programs such as the Home and Community Care Program, Patient Transport Services, Mental Health Services, Aged Care Services and Health Promotion (due to increases in growth and indexation parameters associated with these programs), lower than expected numbers of public patients in private health services (resulting in lower private sector contract expenditure), and a range of movements across the health sector’s other day-to-day costs;
- lower spending by the Department of Education (down \$75 million, or 1.7%), mainly attributable to schools not fully expending budget allocations by 30 June 2014, lower than forecast student enrolment growth, delays to spending on Commonwealth programs, lower leave liability accruals, and lower Central Office staffing levels. These reductions were partly offset by higher than estimated depreciation costs, mainly due to a revaluation of the Department’s buildings;
- lower than expected costs for the 2013 Enhanced Voluntary Separation Scheme (down \$60 million), due to a lower take-up of offers (1,112 full-time equivalent staff chose to leave the sector, compared to the 1,200 allowed for in the 2014-15 Budget) and the payout of accrued leave (which does not impact expenses)³;
- lower salaries costs (down \$64 million, or 1.6% across the sector, excluding WA Health and the Department of Education), reflecting lower leave accrual expenses (including the take up of voluntary separations noted above and leave liability management strategies, and the impact of end-of-year actuarial valuations of employee entitlements);
- lower depreciation costs (down \$48 million, or 6.4% across the sector, excluding WA Health and Department of Education), mainly reflecting lower valuations of property, plant and equipment and the delay in capitalisation of some road projects (including Mitchell Freeway - Hepburn Avenue to Hodges Drive, Great Eastern Highway – Kooyong Road to Tonkin Highway and Perth Bunbury Highway – Bunbury Port Access Road);

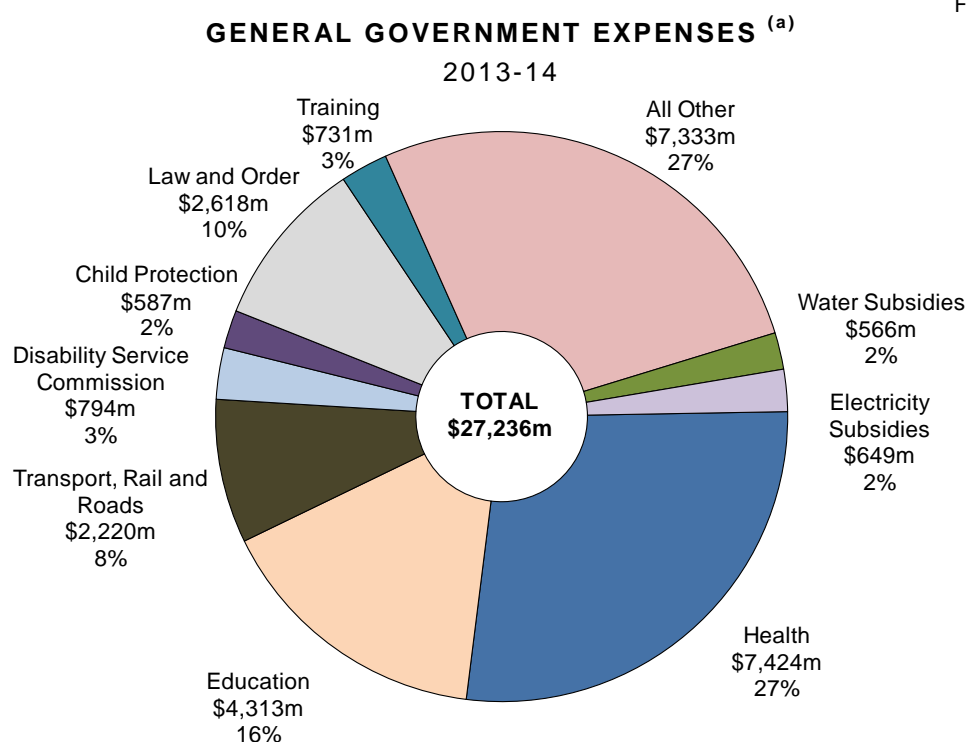
³ The 2013-14 Budget included \$100 million for the estimated cost of 1,000 voluntary separations as part of the Fiscal Action Plan. Reflecting the higher cost of these separations, this amount was increased to \$132 million at the time of the Mid-year Review. The Government approved a further \$26 million to bring the total separations to 1,200 as part of the 2014-15 Budget. The final outturn was \$99 million with 1,112 full-time equivalent staff leaving the sector.

- lower nominal superannuation interest costs (down \$46 million, or 13.4%), due mainly to the actuarial valuation of unfunded scheme liabilities and associated scheme costs. A key determinant of the actuarial valuation is the discount rate⁴ used by the actuary, which was 3.5% at year-end compared to the 4.3% rate used for the 2014-15 Budget;
- lower spending on services and contracts by Main Roads (down \$83 million), reflecting timing changes to a range of road spending (including Great Eastern Highway - Kooyong Road to Tonkin Highway Stage 1, Mitchell Freeway - Hepburn Avenue to Hodges Drive, Great Eastern Highway - Roe Highway Interchange and Reid Highway - Duffy Road to Erindale Road dual carriageway), which will be capitalised in subsequent years;
- lower payroll tax rebates (down \$17 million), reflecting lower than expected numbers of taxpayers receiving a partial rebate (i.e. those with payrolls between \$1.5 million and \$3 million);
- lower tax refunds (down \$17 million), with lower than expected values of refunds and lower numbers of objections and appeals received and approved during 2013-14; and
- lower than budgeted refunds of mining-related revenue (down \$16 million), due to magnetite producers not applying in 2013-14 for a rebate of 50% of royalties paid offered as part of the Government's scheme, with these rebates expected to commence in 2014-15.

Expense growth for the general government sector was 6.9% in 2013-14, lower than the 2014-15 Budget estimate of 9.1% (due to the underspending that emerged at year-end, discussed above).

⁴ Long term government bond rates are used by the actuary in year-end valuations of unfunded superannuation liabilities. Bond rates have increased during the 2013-14 financial year. An increase in bond rate means that unfunded liabilities decrease in value (and vice versa).

Figure 6

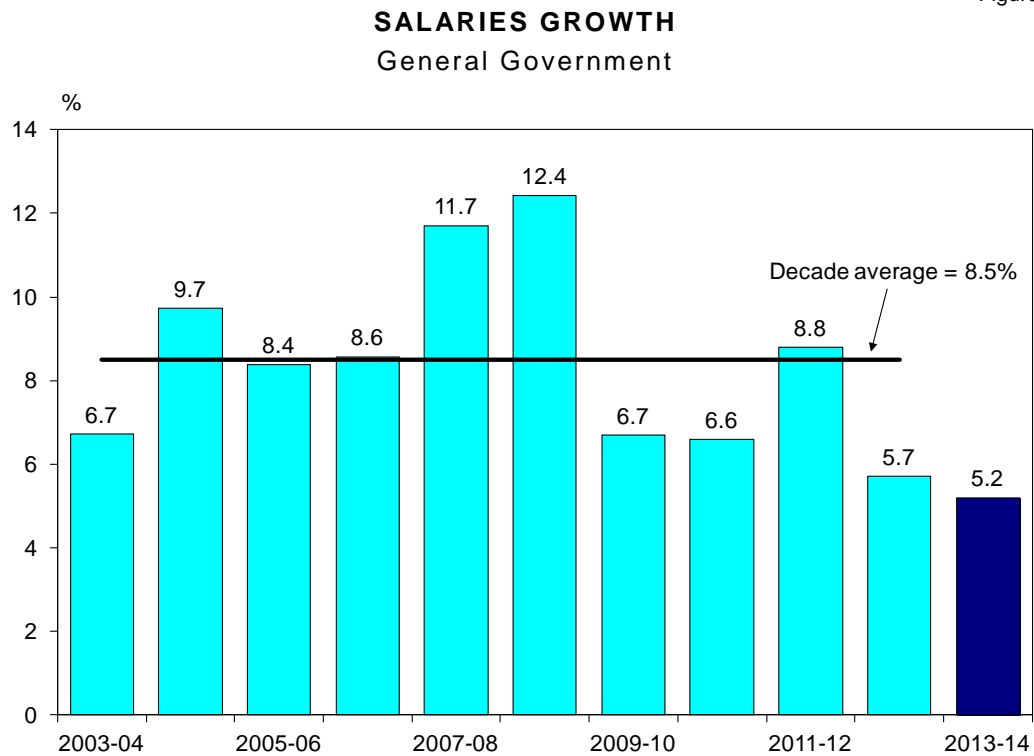


(a) Numbers may not add due to rounding.

Salaries expenditure remains the single largest component of general government recurrent spending, accounting for 39% of total operating expenses for the sector. In 2013-14, growth in salaries costs was 5.2% (or 4.2% when the one-off cost associated with the VSS is excluded). This outcome is well below the decade-average of 8.5% growth, and is the lowest rate of growth since 2000-01.

This outcome reflects the success of recent measures implemented by the Government to contain the rate of growth in salaries expenditure, including the new public sector wages policy which took effect from November 2013, the associated Consumer Price Index (CPI) cap on agencies' salaries budgets, the impact of the VSS, enhanced leave liability management, and the temporary recruitment freeze implemented in April 2014.

Figure 7



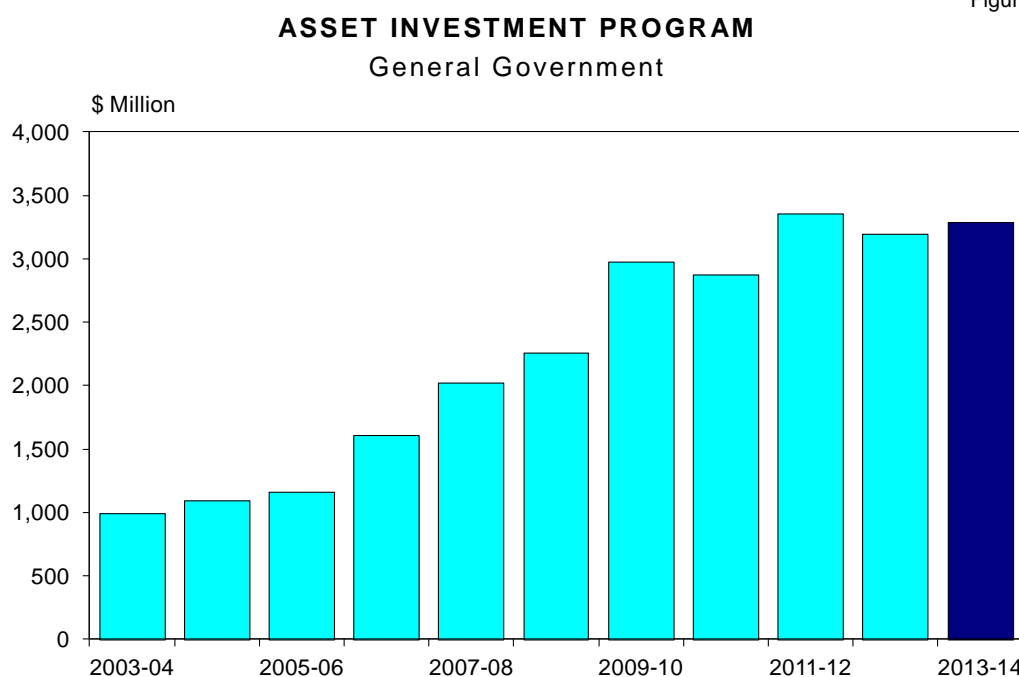
A summary of general government sector salary outcomes, relative to forecasts, is shown in Appendix 8 of this report.

Asset Investment⁵

The general government sector spent \$3.3 billion on infrastructure in 2013-14. This follows a \$3.2 billion spend in 2012-13 and an average general government sector AIP of around \$3.1 billion over the last four years. Almost three quarters of the 2013-14 AIP was spent on road infrastructure (\$983 million), health facilities (\$905 million) and schools (\$546 million).

⁵ Asset investment by the public non-financial corporations sector is discussed later in this chapter.

Figure 8



Infrastructure spending for the general government sector in 2013-14 was \$120 million (or 3.8%) higher than estimated in the 2014-15 Budget. The estimated outturn included \$532 million in provisions for yet-to-be identified slippage across the sector's program⁶, of which \$412 million materialised in agencies in the 2013-14 outcome. The largest agency contributions to this outcome included:

- WA Health (down \$144 million), reflecting issues such as the timing of invoices; delays with some project design and planning approval; the timing of construction, tendering and procurement; and availability of suitably qualified and experienced project staff. Projects affected by one or more of these factors included the Perth Children's Hospital Development, Perth Children's Hospital ICT project, Kalgoorlie Regional Resource Centre, works at the Joondalup, Midland, Karratha and Esperance Health Campuses, and the Southern Inland Health Initiative. In addition, as part of year-end financial reporting outcomes, around \$15 million of works previously expected to be capitalised was reclassified to recurrent spending;
- Finance (down \$56 million), due mainly to lower than forecast State Fleet vehicle acquisitions related to the extension of the standard vehicle lease terms and the Government Vehicle Reduction Program, and delays in public works projects (including fit-out works at Dumas House);

⁶ Including a \$157 million provision for slippage in the Royalties for Regions program.

- Training and Workforce Development (down \$31 million), mainly reflecting unforeseen site issues, including:
 - more stringent clearing permit requirements resulting from legislative change that delayed the development of a new heavy automotive training centre on the Bunbury training campus;
 - relocation of a privately owned high pressure gas main before tendering could occur for the construction of the trade training centre on the Rockingham campus; and
 - additional planning required to deliver a number of Royalties for Regions Skills Training Initiative Package projects;
- Attorney General (down \$25 million), following project timeline changes for the Carnarvon Police and Justice Complex, Kununurra Courthouse and the upgrade of financial systems. Project timeline changes were required to address several factors including inclement weather conditions, replacement of a sub-contractor, complex remediation of a building site and structure design reviews;
- Sport and Recreation (down \$22 million), due to lower than expected works activity and longer than expected time for invoicing the Department for a number of projects including the Perth Rectangular Stadium, the Western Australian Institute of Sport High Performance Service Centre, the State Netball Centre and the new Perth Stadium; and
- Fire and Emergency Services (down \$18 million), reflecting delays on the construction of new and replacement fire stations (due to difficulties in identifying and securing suitable land, together with changes in station design following extensive consultations with stakeholders), and delays in the acquisition of emergency equipment following stakeholder consultation and tender evaluations.

Balance Sheet

The net worth of the general government sector (i.e. the difference between total assets and total liabilities) increased by \$3.9 billion between 30 June 2013 and 30 June 2014, to be \$116.8 billion at the end of 2013-14.

This was \$704 million higher than anticipated at the time of the 2014-15 Budget, with higher than anticipated asset holdings (up \$952 million) more than offsetting higher liabilities (up \$249 million).

The higher than expected asset holdings reflect:

- higher than anticipated holdings of liquid financial assets (up \$599 million), due largely to the better than expected general government sector operating outcome discussed earlier in this chapter;

- A downward revision in non-financial assets (down \$137 million), reflecting:
 - a \$680 million increase in land holdings. This increase is largely due to a \$1.4 billion increase in land under roads, including the reallocation of Main Road assets from road infrastructure assets in the 2014-15 Budget to land under roads in the 2013-14 outcome. Abstracting from this change, land holdings for the sector are down by \$767 million relative to the estimate outcome, with the Valuer General's assessment of land assets increasing by an average 3.8% in the year to 30 June 2014⁷;
 - lower holdings of property, plant and equipment (down \$969 million), including the Main Roads allocation issue noted above (\$1.4 billion), partly offset by higher than anticipated holdings of buildings by the Department of Education as a result of end-of-year valuations; and
 - a \$152 million increase in all other non-financial asset holdings (mainly land inventories held for sale (up \$27 million) and intangible assets (up \$70 million), including assets such as software); and
- a stronger net asset position for the public non-financial corporations sector (up \$571 million) driven by lower than forecast borrowings for the sector reflecting the lower than anticipated infrastructure outcome, discussed below.

Higher than expected liabilities were primarily driven by an increase in unfunded superannuation liabilities (up \$207 million relative to the estimated outcome in the 2014-15 Budget), mainly reflecting a lower than anticipated discount rate used by the actuary to value these obligations.

Further information on the general government sector balance sheet position can be found in Appendix 4: *Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2014*.

Cash Flow Statement

The general government sector recorded a cash deficit of \$1.3 billion in 2013-14. This included a cash surplus of \$1.7 billion on day-to-day operating activities⁸, while a shortfall of \$3.1 billion was recorded for net infrastructure spending by the sector.

⁷ A land valuation assumption of 5% is used in the Budget forecasts. This assumption is based on valuation trends over the last decade (which increased by an average annual rate of 10.7% over the decade to 30 June 2013), discounted to a conservative annual valuation factor for forecasting purposes.

⁸ That is, the cash equivalent of the operating surplus discussed earlier. The operating surplus recognises cash and non-cash costs and benefits at the time they are accrued by the general government sector (e.g. a tax revenue is recorded when a tax assessment is issued). The cash result recognises cash transactions only (e.g. when a tax assessment is actually paid).

The \$1.3 billion cash deficit is \$406 million lower than the \$1.7 billion deficit estimated in the 2014-15 Budget, mainly due to stronger cash operating outcomes (up \$503 million), reflecting the cash impact of the better than expected operating surplus discussed earlier in this chapter, partially offset by higher infrastructure spending (up \$120 million, noted in the Asset Investment discussion earlier).

In recent years, general government sector cash deficits have included a combination of lower operating results and high levels of capital investment in key social and economic infrastructure, particularly for hospital replacement projects. Over the past six years, the AIP for the sector has averaged almost \$3 billion, while at the same time, cash operating surpluses have averaged \$1.8 billion.

Accordingly, cash deficit outcomes have resulted in growth in net debt for the sector. Net debt is discussed later in this chapter.

Total Public Sector⁹

Summary

The total public sector recorded a \$225 million operating surplus for 2013-14, a significant improvement on the \$603 million operating deficit estimated in the 2014-15 Budget. This improvement reflects stronger than expected results for the general government sector (up \$536 million) and the public non-financial corporations (PNC) sector (up \$609 million) more than offsetting a weaker result for the public financial corporations (PFC) sector (down \$245 million).

Reflecting the stronger than anticipated operating result, and lower than expected AIP spending, net debt at 30 June 2014 was \$20.8 billion, \$1.3 billion lower than the estimated outturn, but \$2.6 billion higher than a year earlier.

These outcomes are discussed in the following sections of this chapter.

⁹ The total public sector consolidates the general government, public non-financial corporations and public financial corporations sectors. The total public sector is also known as the 'whole-of-government'. Detailed financial disclosures for each of these sectors are contained in Appendix 1: *Financial Statements*.

Table 5

TOTAL PUBLIC SECTOR
Summary Financial Aggregates

	2012-13		2013-14		Actual \$m (4)	Variation on EOT \$m (5)=(4)-(3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
OPERATING STATEMENT						
Revenue	40,794	45,054	45,497	43,370	42,630	-740
Expenses	41,003	45,111	45,667	43,973	42,406	-1,568
Net Operating Balance	-208	-57	-170	-603	225	828
BALANCE SHEET						
Assets	174,904	185,550	180,643	181,526	180,857	-669
Liabilities	61,977	65,938	63,919	65,402	64,029	-1,372
Net Worth	112,927	119,612	116,725	116,124	116,828	704
CASH FLOW STATEMENT						
Change in net cash held	-771	-829	-2,292	-2,708	-2,827	-119
Cash Surplus/-deficit	-3,888	-2,801	-3,353	-3,512	-2,465	1,047
Memorandum Item: Net Debt	18,188	21,909	21,880	22,042	20,754	-1,288

Note: Columns may not add due to rounding.

Net Operating Balance

A \$225 million operating surplus was recorded by the total public sector in 2013-14, a \$828 million turnaround from the estimated deficit outcome contained in the 2014-15 Budget.

Table 6

TOTAL PUBLIC SECTOR OPERATING BALANCE
By Sector

	2012-13		2013-14		Actual \$m (4)	Variation on EOT \$m (5)=(4)-(3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
Net Operating Balance						
General government sector	249	386	437	183	719	536
Public non-financial corporations sector	304	230	132	-37	571	609
Public financial corporations sector	91	204	176	159	-86	-245
<i>less</i>						
General government dividend revenue	796	832	857	850	901	51
Public non-financial corporations dividend revenue ^(a)	56	45	58	58	78	20
Total public sector net operating balance	-208	-57	-170	-603	225	828

(a) Dividends received from Keystart (a PFC) by the Housing Authority (a PNC).

Note: Columns/rows may not add due to rounding.

Public Non-Financial Corporations

An operating surplus of \$571 million was recorded in the PNC sector in 2013-14, a \$609 million turnaround from the \$37 million deficit estimated in the 2014-15 Budget.

Revenue was \$481 million (or 2.5%) lower than expected while expenses were \$1.1 billion (or 5.6%) lower. A reduction in both revenue and expenditure for the Gold Corporation of around \$800 million was a large component of these changes, and was mainly due to lower than expected gold prices (which were around 12% lower than expected by the Corporation). The lower gold price together with increased investment in equity markets resulted in subsequently weaker global demand for precious metals.

Other significant movements in operating results relative to the estimated outturn in the 2014-15 Budget include:

- lower revenue (down \$115 million) and expenses (down \$363 million) for the Housing Authority¹⁰ due to:
 - lower turnover for the Affordable Housing Program resulting from lower than anticipated construction caused by delays in acquiring suitable vacant land for the Program;
 - a delay in scoping, identification, planning and construction phases for the Public Housing Redevelopment Program with sales (and associated spending) to now take place in 2014-15;
 - a delay in the planned transfer of around \$131 million of assets to Community Housing Organisations, with the majority of transfers to now take place in 2014-15, due mainly to the tax implications of the transfers for these organisations; and
 - lower spending on the Aboriginal Housing Program due to lower than anticipated construction and refurbishment works due to delays in approval processes by the Commonwealth Government;
- higher revenue for the Water Corporation (up \$126 million), mainly due to:
 - an increase in developer contributions from higher than forecast lot development activity, in particular, increased subdivisions and asset ‘handovers’ (for reticulation assets in new developments that are constructed by developers and handed over to the Corporation) in Perth and the North-West regions; and
 - higher than anticipated water sales over the summer period (which was un-seasonally long, hot and dry), and the transition to two-monthly billing in 2013-14 resulting in more accurate timing in revenue recognition by the Corporation;

¹⁰ A portion of construction work undertaken by the Authority is for housing stock built for on-selling. These works are treated as inventories and are recorded as recurrent transactions (rather than as infrastructure) in accordance with accounting standards.

- higher than expected profitability for Western Power (up \$102 million), largely attributable to higher revenue from other public sector agencies and higher than expected sales of electricity infrastructure materials associated with land releases and developments. Operating costs were also lower than forecast, largely reflecting ongoing work to improve efficiency and implement process improvements throughout Western Power. Favourable interest rate outcomes relative to the Corporation's budget-time assumptions also reduced interest costs for the year; and
- higher than anticipated profitability for the Port Hedland Port Authority (up \$70 million), due to higher than anticipated revenue from strong iron ore trade performance and port through-put and lower than anticipated expenditure on port operations and development activities.

Public Financial Corporations

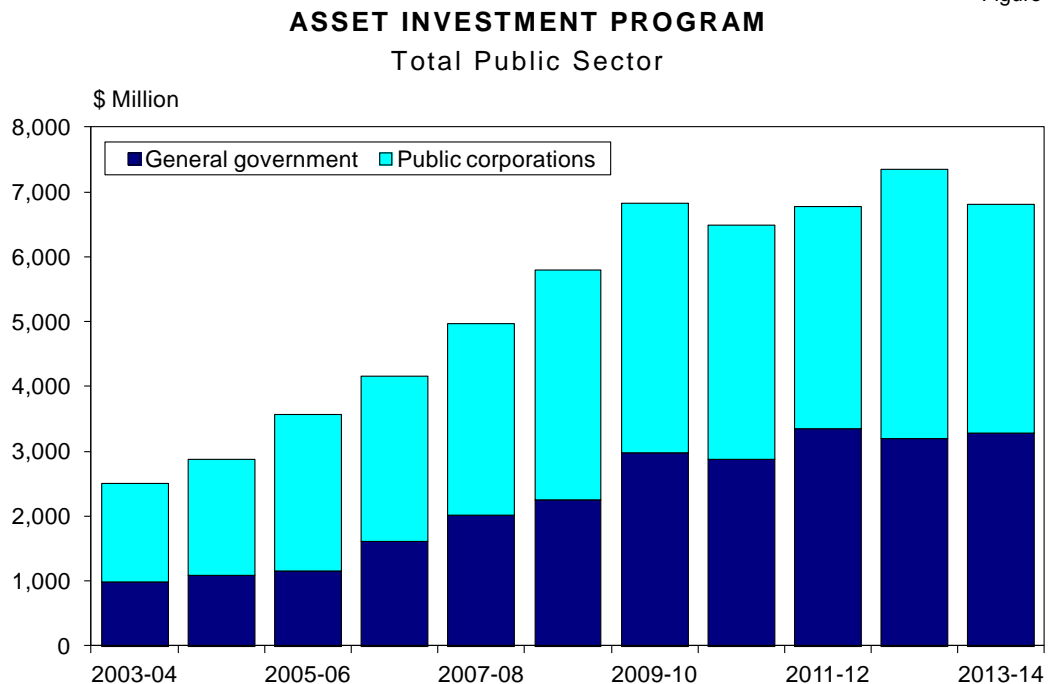
An operating deficit of \$86 million was recorded for the PFC sector in 2013-14. This is a \$245 million weaker result relative to the \$159 million surplus estimated in the 2014-15 Budget. The turnaround is largely due to higher than anticipated claims expenses for the Insurance Commission of Western Australia (up \$178 million), reflecting the Commission's annual actuarial evaluation of claims, and the finalisation of a record number of catastrophic claims during the year.

Other material movements for the sector include downward revisions to both interest revenue (\$133 million) and interest expenses (\$101 million), largely reflecting lower than anticipated holdings of financial assets and gross borrowings by the Western Australian Treasury Corporation and Keystart.

Asset Investment

The total public sector spent \$6.8 billion on infrastructure in 2013-14, \$281 million lower than the \$7.1 billion estimated in the 2014-15 Budget. This outcome is \$541 million lower than the record \$7.4 billion program in 2012-13.

Figure 9



The general government sector infrastructure program accounted for \$3.3 billion (or 48%) of the total AIP, with substantial hospital, roads and school infrastructure delivered during 2013-14 (see earlier discussion).

Infrastructure spending by the State's PNCs totalled \$3.5 billion in 2013-14. Like the general government sector, the 2014-15 Budget included a \$375 million provision for underspending by PNCs that was expected to arise as a result of unidentified slippage in end-of-year spending. Notwithstanding this provision, infrastructure spending by PNCs was a further \$436 million lower than the estimated outturn. This total \$811 million lower spending outcome was mainly due to:

- the Housing Authority (down \$187 million), due to lower than anticipated spending for a number of projects including:
 - Land Joint Ventures and Land Development Programs in Yanchep (with spending delayed while a plan was finalised over the entire Yanchep land holdings), and in Kwinana (pending resolution of Commonwealth environmental clearances prior to commencement of works on the site);
 - subdivision costs for Pedlar (in South Hedland) which were lower than originally forecast;
 - the Trumpet subdivision in South Hedland not commencing whilst awaiting a development lease from the Department of Lands; and
 - the Social Housing Boost program, with the commencement target being met in 2013-14 while contract costs are expected to now be met in 2014-15;

- Water Corporation (down \$181 million), primarily due to the budget treatment of procuring the Mundaring Water Treatment Plant as traditional infrastructure spending by the agency. This project has been acquired through a Public Private Partnership, with the associated assets subject to a finance lease arrangement (which is net debt neutral, but reduces AIP spending);
- Western Power (down \$176 million), mainly due to timing issues with a \$91 million payment for the Mid-West Energy Project (which was subsequently made in August 2014) and lower than expected investment in non-safety projects (e.g. service, growth and security) which reduced spending by a further \$74 million (primarily from the delay or cancellation of customer-driven projects, operating model efficiencies and process improvements);
- the Western Australian Land Authority (down \$67 million), reflecting lower than expected expenditure on projects in Karratha, Port Hedland and Broome;
- Synergy/Verve Energy¹¹ (down \$46 million), largely reflecting the completion of MUJA AB a month ahead of schedule (and \$27 million lower than the budgeted cost), the cancellation of projects associated with the retirement of the Kwinana Power station, and reduced spending on information technology projects following the 1 January 2014 merger of Synergy (retail) and the Verve Energy generation business;
- the Public Transport Authority (down \$44 million), primarily reflecting slower than expected works, revised project scheduling and timing of payments across a range of projects, as well as the transfer of roads and bridges to local government as part of the Butler extension project (resulting in the reclassification of this expenditure from capital to recurrent);
- the Metropolitan Redevelopment Authority (down \$21 million), primarily relating to delays in negotiating the purchase of land in Forrestdale Business Park West, together with slower than expected work on the Riverside project; and
- Port Hedland Port Authority (down \$21 million), due mainly to lower than expected expenditure on projects funded by the Port Improvement Rate (PIR). Projects funded by the PIR require approval on a case-by-case basis before they are implemented. The only PIR-funded project to take place in 2013-14 was the Channel Marker Replacement Program (\$4.7 million), with \$15 million in other PIR-funded projects now expected to commence in 2014-15 as business cases are firmed up and approved.

The following table summarises the material agency movements in infrastructure investment for 2013-14 across the whole-of-government.

¹¹ From 1 January 2014, the Electricity Retail Corporation (Synergy) and Electricity Generation Corporation (Verve Energy) were merged into a single entity known as the Electricity Retail and Generation Corporation (Synergy).

Table 7

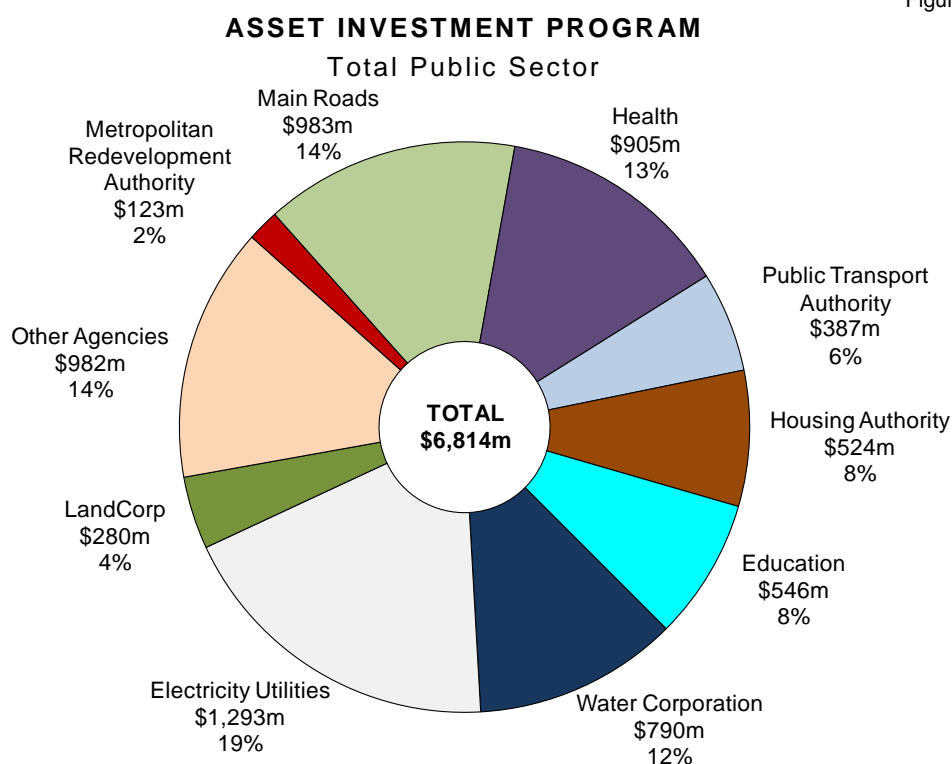
INFRASTRUCTURE INVESTMENT

	2012-13		2013-14			Variation on EOT \$m (5)=(4)-(3)
	Actual \$m	Budget	MYR	Estimated	Actual \$m (4)	
		Estimate \$m (1)	Revision \$m (2)	Outturn \$m (3)		
<i>General Government</i>						
Health	934	1,119	1,106	1,049	905	-144
Finance	152	158	148	155	99	-56
Training and Workforce Development	33	77	91	91	60	-31
Attorney General	35	81	84	75	50	-25
Sport and Recreation	88	83	102	104	82	-22
Fire and Emergency Services	21	27	34	34	16	-18
Education	475	582	579	546	546	-
Main Roads	829	1,086	1,106	998	983	-15
Police	80	95	90	64	50	-14
Transport	39	82	72	60	54	-6
Provision for underspending	-	-625	-625	-375	-	375
Royalties for Regions underspending provision	-	-65	-15	-157	-	157
All Other	509	497	542	525	443	-81
Total General Government	3,195	3,196	3,313	3,168	3,289	120
<i>Public Corporations</i>						
Housing Authority	735	904	704	711	524	-187
Water Corporation	930	1,000	983	972	790	-181
Western Power ^(a)	1,027	1,240	1,240	1,191	1,014	-176
Western Australian Land Authority	429	422	404	347	280	-67
Synergy/Verve Energy ^(b)	84	123	148	148	102	-46
Public Transport Authority	519	543	558	431	387	-44
Metropolitan Redevelopment Authority	115	237	177	144	123	-21
Port Hedland Port Authority	9	16	39	35	15	-21
Provision for underspending	-	-625	-625	-375	-	375
All other	312	395	385	323	289	-34
Total Public Corporations	4,160	4,255	4,013	3,926	3,525	-401
TOTAL PUBLIC SECTOR	7,355	7,451	7,326	7,095	6,814	-281

(a) The entries for Western Power at the time of the original Budget, Mid-year Review and estimated outturn include provisions held which are released upon approval of business cases.

(b) From 1 January 2014, the Electricity Retail Corporation (Synergy) and Electricity Generation Corporation (Verve Energy) were merged into a single entity known as the Electricity Retail and Generation Corporation (Synergy). Comparative figures represent the combined figures for the two individual former corporations.

Figure 10



Balance Sheet

Net worth of the total public sector is identical to that of the general government sector (discussed earlier). This is because the net worth of public corporations is recorded as an asset on the general government sector balance sheet.

Cash Flow Statement

A cash deficit of \$2.5 billion was recorded for the total public sector in 2013-14. This represents a \$1.0 billion stronger than anticipated outcome relative to the \$3.5 billion cash deficit estimated in the 2014-15 Budget.

At \$3.2 billion, net cash flows from operating activities were \$862 million higher than forecast in the expected outcome. This reflects stronger than expected operating outcomes for the general government and PNC sectors, which were partly offset by a weaker PFC sector outcome. These results reflect the cash flow impact of accrual operating outcomes discussed earlier in this chapter.

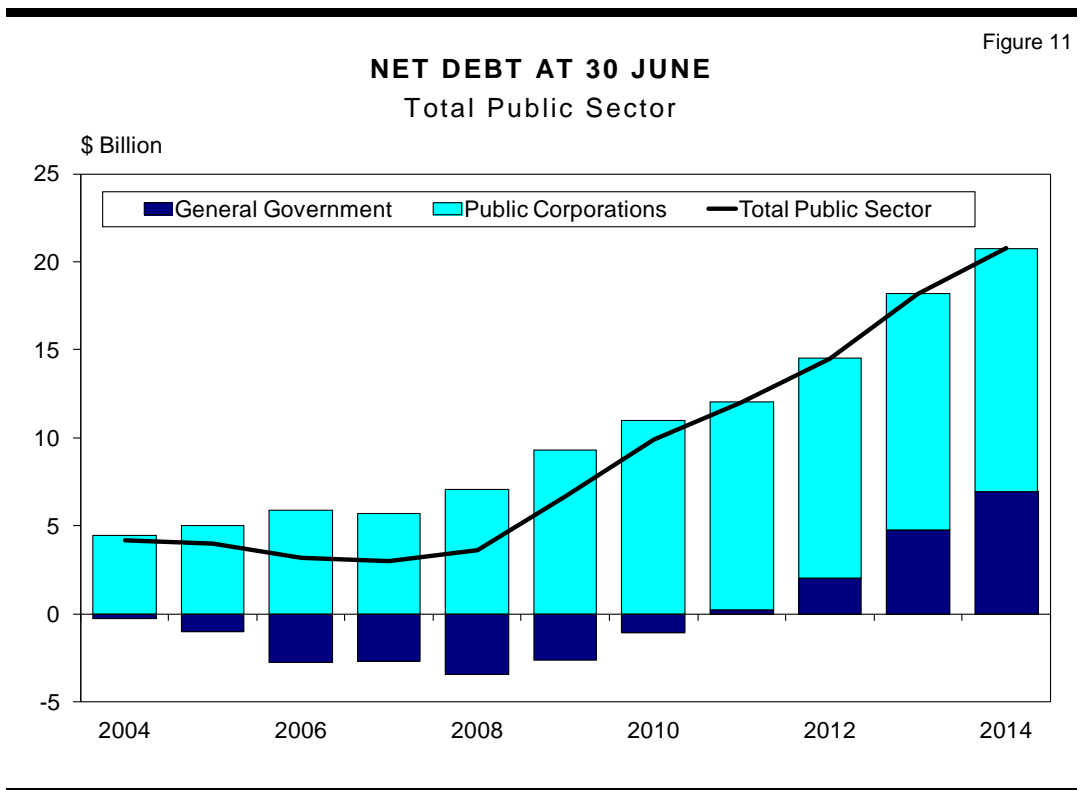
Net cash flows from infrastructure spending were \$5.7 billion, \$185 million lower than anticipated. This reflects the net impact of:

- \$281 million in lower than expected AIP spending (discussed earlier); and
- lower than expected receipts from asset sales (down \$96 million), mainly due to lower than expected sales activity for the Housing Authority and the Western Australian Land Authority.

The \$2.5 billion cash deficit translates to a broadly equivalent increase in the State’s net debt (discussed below).

Net Debt¹² and Gross Borrowing

Net debt increased by \$2.6 billion over the year to 30 June 2014, rising to \$20.8 billion at year-end. Around one-third of the State’s net debt is held by the general government sector, with the remainder held by public corporations.



Largely reflecting the lower than expected cash deficit outcome discussed earlier, net debt was \$1.3 billion lower than the estimated outcome in the 2014-15 Budget. This outcome also included lower than expected finance lease acquisitions (down \$160 million).

The Consolidated Account and the State’s large electricity and water utilities hold most of the State’s net debt (see following table). Consolidated Account borrowings are an important source of funding for the public sector AIP, which in recent years has included substantial investment in new hospitals, education facilities, and road and transport infrastructure.

¹² Net debt consists of the State’s gross debt liabilities (including deposits held, borrowings, finance leases, etc.), net of cash and other liquid assets (cash holdings and investments, loans and advances by government, etc.).

Table 8

TOTAL PUBLIC SECTOR NET DEBT
At 30 June 2014

	\$m
Consolidated Account Borrowings	10,139
Other Public Bank Account net assets ^(a)	-3,004
Western Power	6,838
Water Corporation	5,422
Public Transport Authority	1,623
Horizon Power	1,024
Housing Authority	891
Public Financial Corporations	-2,384
All Other	207
Total Public Sector Net Debt	20,754

(a) Consists mainly of Special Purpose Accounts and other cash investments.

The following table reconciles movements in net debt since the 2014-15 Budget.

Table 9

**SUMMARY OF TOTAL PUBLIC SECTOR NET DEBT VARIATIONS
SINCE THE 2014-15 BUDGET**

	\$m
2014-15 BUDGET - NET DEBT AT 30 JUNE 2014	22,042
<i>Less change in net cash flows from operating activities and dividends paid</i>	
- General government	502.7
- Public non-financial corporations	579.0
- Public financial corporations	-219.5
<i>Total Public Sector</i>	<i>862.3</i>
<i>Plus purchases of non-financial assets</i>	
- Housing Authority	-187.1
- Water Corporation	-181.5
- Western Power	-176.4
- Health	-143.6
- Western Australian Land Authority	-66.5
- Finance	-55.9
- Royalties for Regions Underspending	156.8
- Budget-time underspend provision	750.0
- All other	-376.8
<i>Total purchases of non-financial assets</i>	<i>-280.9</i>
<i>Less proceeds from sale of non-financial assets</i>	<i>-96.0</i>
<i>Plus all other financing</i>	
Net acquisition under finance leases and similar arrangements ^(a)	-160.1
All other ^(b)	-80.6
<i>Cumulative impact on net debt at 30 June</i>	<i>-1,287.9</i>
2013-14 ANNUAL REPORT ON STATE FINANCES - NET DEBT AT 30 JUNE 2014	20,754

(a) Assets acquired under finance leases increase net debt but have no associated cash flow reflected in other items in this table.

(b) Includes revaluations of investment assets, restatement of agency net debt assets/liabilities, and net acquisitions of financial assets for liquidity purposes, etc. These transactions have no associated cash flow reflected in other items in this table.

Note: Columns may not add due to rounding.

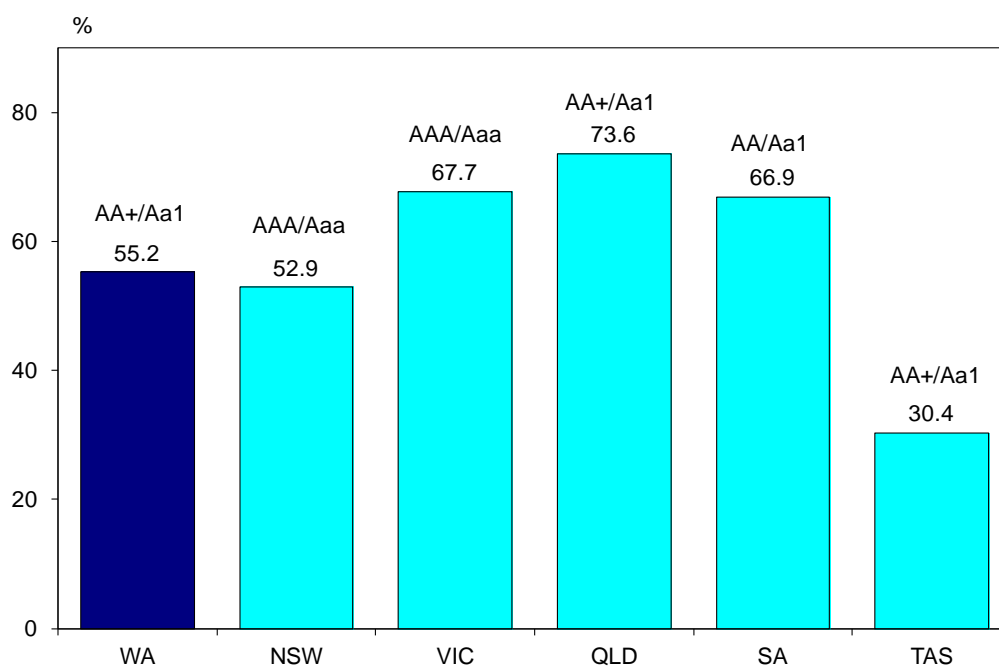
Increases in net debt in recent years reflect significant levels of infrastructure spending. Since 30 June 2008, net debt has increased by \$17.1 billion, with the State investing \$40.1 billion in infrastructure over the same period. That is, the increase in net debt has funded around 43% of total AIP spending over the last six years.

In terms of key affordability measures:

- net debt as a share of revenue for the total non-financial public sector was 55.2% in 2013-14, marginally higher than the State's 55% target limit but the second lowest of the mainland States (behind New South Wales), and is significantly lower than the triple-A rated Victoria; and
- total public sector borrowing costs also remain at sustainable levels, with net interest costs representing 2.2% of revenue in 2013-14.

**STATES' CREDIT RATING STATUS^(a) AND
NET DEBT AS A SHARE OF REVENUE – 2013-14^(b)**
Total Non-Financial Public Sector

Figure 12



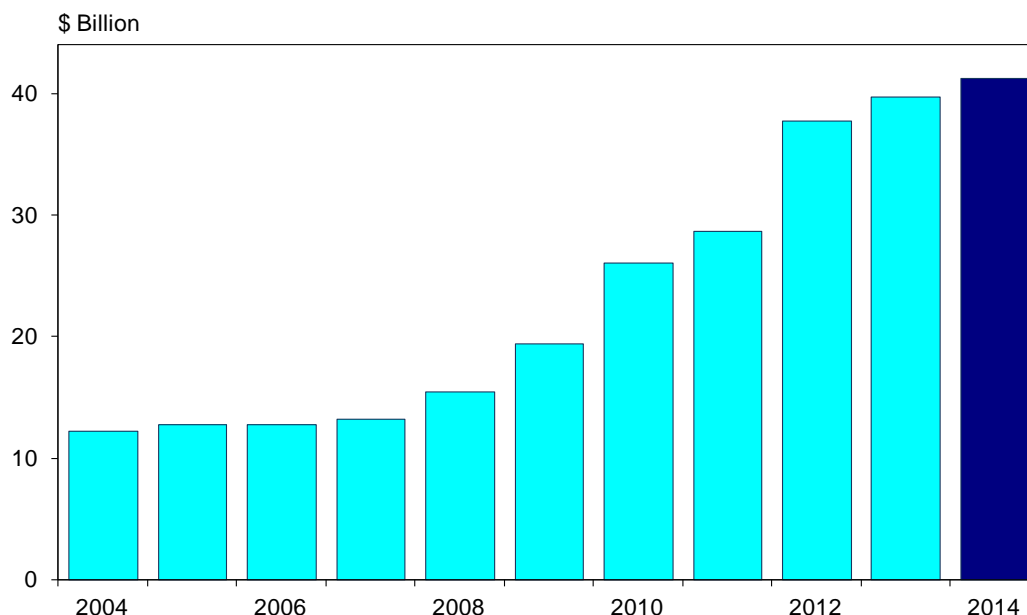
(a) Standard & Poor's rating / Moody's rating (e.g. Western Australia AA+/Aa1).

(b) Based on 2013-14 final outcomes for Western Australia. All other jurisdictions' ratios are derived from 2014-15 Budget data, except Tasmania (2013-14 *Revised Estimates Report*).

Relative to 30 June 2013, gross borrowings (which account for 98.5% of gross debt liabilities) increased by \$1.5 billion to be \$41.2 billion at 30 June 2014. In line with the lower than anticipated outcome for net debt, this outcome is \$1.4 billion lower than anticipated at the time of the 2014-15 Budget.

Figure 13

GROSS BORROWINGS AT 30 JUNE Total Public Sector



Managing Gross Borrowings

On 18 September 2013, Standard & Poor's announced that it was adjusting Western Australia's headline credit rating down by one notch, from AAA (negative outlook) to AA+ (stable outlook). Moody's subsequently followed suit, announcing an adjustment to the State's rating from Aaa (negative outlook) to AA1 (stable outlook) on 25 August 2014.

A key concern of Standard & Poor's at the time of the downgrade assessment was the rate of growth in public sector gross borrowings. The Government has responded to concerns about this growth through a number of initiatives that have slowed growth in gross borrowings, including:

- a change in Consolidated Account borrowing practices, lowering the State's annual borrowing requirement in 2013-14;
- plans to transfer excess agency cash (beyond working capital and cash held for restricted purposes) to the Consolidated Account. This measure will be implemented during 2014-15, with agency cash holdings at 30 June 2014 forming the basis of cash returns to the Consolidated Account, which will in turn be used to pay down borrowings; and
- a \$1 billion cap on annual spending by the Royalties for Regions program and implementation of the statutory \$1 billion cap on the balance of the Royalties for Regions Fund, to take effect from 2014-15.

The Consolidated Account borrowing measure was implemented in 2013-14. Previous management of the Consolidated Account has included annual borrowings to meet any shortfall on the account's cash balance at 30 June each year. As part of a review of this arrangement, the State Solicitor advised that this level of borrowing is not legally required.

Accordingly, borrowings in 2013-14 were revised down to a level that is still appropriate to meet the costs of the Public Bank Account (of which the Consolidated Account is one part) while reducing the State's exposure to unnecessary levels of gross debt. This decision meant that the Consolidated Account undertook no additional borrowings throughout 2013-14.

The Consolidated Account outturn is discussed in Appendix 7: *Public Ledger*.

Financial Targets

HIGHLIGHTS

- Performance against the Government's financial targets in 2013-14 has improved relative to the estimates contained in the 2014-15 Budget.
- Four out of five of the Government's financial targets have been met, including delivery of a general government operating surplus and containing expense growth below the growth in revenue.
- At 55.2%, the total non-financial public sector net debt to revenue ratio marginally exceeded the Government's 55% target limit, but is an improvement on the 56.8% estimated outturn in the 2014-15 Budget.

Introduction

The *Government Financial Responsibility Act 2000* requires that the Government specify a number of financial targets as part of an annual Financial Strategy Statement, and that a report on performance against these targets appears in the *Annual Report on State Finances*. This chapter assesses the financial results outlined in Chapter 1 of this report against the financial targets set out in the 2013-14 Budget¹. The 2013-14 Budget targets were to:

- ensure that annual general government sector expense growth does not exceed revenue growth;
- maintain a cash surplus from operating activities for the general government sector of at least 50% of general government sector infrastructure spend per year;
- maintain the total non-financial public sector net debt to revenue ratio at or below 55%;

¹ Movements in underlying financial aggregates relative to the original Budget are discussed in more detail in Appendix 4: *Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2014*. Comparisons to the expected outturn in the May 2014 Budget are discussed in Chapter 1.

- maintain a cash operating surplus for the total non-financial public sector of at least 5% of operating cash receipts; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

Performance against the State's financial targets in 2013-14 relative to the estimates contained in the 2014-15 Budget strengthened by 30 June 2014. This is mainly the result of an improved operating outcome for the general government and public non-financial corporations sectors, combined with slightly lower than anticipated infrastructure spending.

2013-14 FINANCIAL TARGETS			
Compliance			
	2013-14		
	Budget	Estimated Outturn	Actual
Ensure expense growth does not exceed revenue growth			
- Current estimate (revenue growth minus expense growth)	0.5	-0.3	1.8
- Compliance	Yes	No	Yes
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend			
- Current estimate	44.4	38.8	52.7
- Compliance	No	No	Yes
Maintain TNPS net debt at or below 55% of revenue			
- Current estimate	53.3	56.8	55.2
- Compliance	Yes	No	No
Maintain a TNPS cash operating surplus of at least 5% of receipts			
- Current estimate	6.3	5.1	7.5
- Compliance	Yes	Yes	Yes
Maintain the State's tax competitiveness			
- Compliance	Yes	Yes	Yes

Performance Against Financial Targets

Ensure That Annual General Government Sector Expense Growth Does Not Exceed Revenue Growth

This target was met in 2013-14.

Maintaining revenue growth in excess of expense growth indicates that, in the long run, the public sector is operating on a sustainable basis with its spending capacity limited by the revenue it receives (i.e. the State is living within its means).

Revenue growth in 2013-14 was 8.7%, broadly in line with recent Budget expectations of 8.8% growth.

General government expense growth was 6.9% in 2013-14, significantly lower than the 2014-15 Budget estimate of 9.1%. As detailed in Chapter 1, lower spending by agencies such as WA Health and the Department of Education, and lower than expected costs for the Government's Enhanced Voluntary Separation Scheme, contributed to this reduction in expense growth relative to Budget.

These expense outcomes are particularly evident in general government sector spending on salaries, which grew by 5.2% in 2013-14, the lowest rate of growth since 2000-01. This reflects substantial measures to rein in salary spending, including:

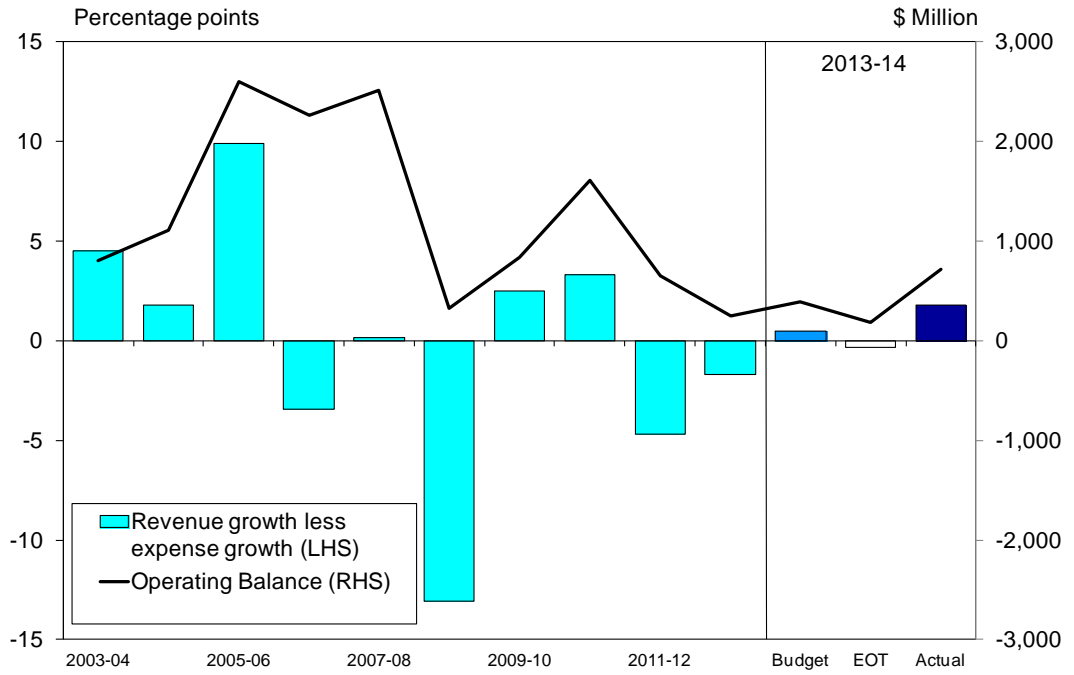
- a Consumer Price Index (CPI) cap on agencies' salaries budgets, unless specific approvals to exceed this cap were granted by the Government as part of the 2013-14 Mid-year Review and/or 2014-15 Budget;
- implementation of the Government's new Wages Policy, limiting wage increases to the CPI for all enterprise agreements negotiated since November 2013;
- continuation of the Government's policy to contain growth in annual and long service leave liabilities across agencies;
- reductions in employee numbers through the 2013 Enhanced Voluntary Separation Scheme (and lower staffing numbers from three previous programs, which resulted in a total of 1,138 employees leaving the public sector between 2009 and 2011); and
- the temporary recruitment freeze implemented in April 2014 through to 30 June 2014.

The lower than expected expense outcome results in this target being met in 2013-14, a turnaround from the expected non-compliance in the 2014-15 Budget.

Figure 1

REVENUE GROWTH LESS EXPENSE GROWTH AND OPERATING BALANCE

General Government Sector



Operating Result: Maintain A Cash Surplus From Operating Activities For The General Government Sector Of At Least 50% of General Government Sector Infrastructure Spend Per Year

This target was met in 2013-14.

Achieving a cash surplus from operating activities demonstrates that the sector’s cash receipts are in excess of cash payments and that funds are available to meet infrastructure investment. A cash surplus of a minimum 50% of the infrastructure spend indicates that the Government is funding a substantial portion of infrastructure investment from operating activities, which in turn limits the reliance on general government borrowings.

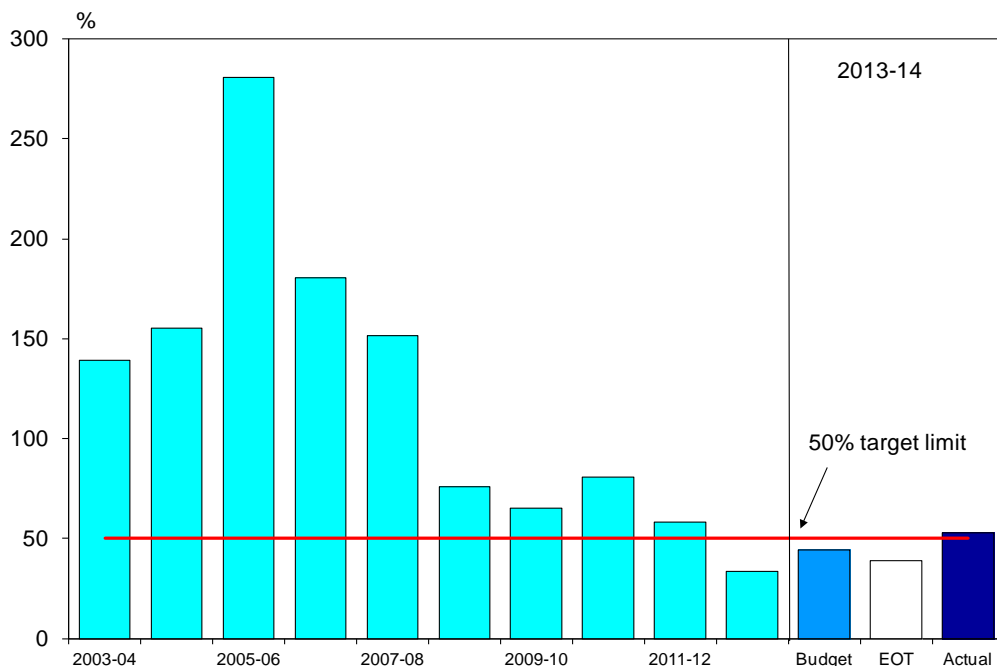
A \$1.7 billion cash operating surplus was recorded for the general government sector in 2013-14, \$503 million higher than estimated, largely reflecting the stronger than expected operating surplus outcome detailed in Chapter 1. General government infrastructure spending totalled \$3.3 billion in 2013-14, \$120 million lower than the 2014-15 Budget estimate.

General government sector infrastructure spending has been at elevated levels in recent years, reflecting the investment of significant funds in the hospital replacement program, schools, roads and other key infrastructure.

Figure 2

CASH OPERATING SURPLUS AS A SHARE OF INFRASTRUCTURE SPENDING

General Government Sector



Net Debt Affordability: Maintain The Total Non-Financial Public Sector² Net Debt To Revenue Ratio At Or Below 55%

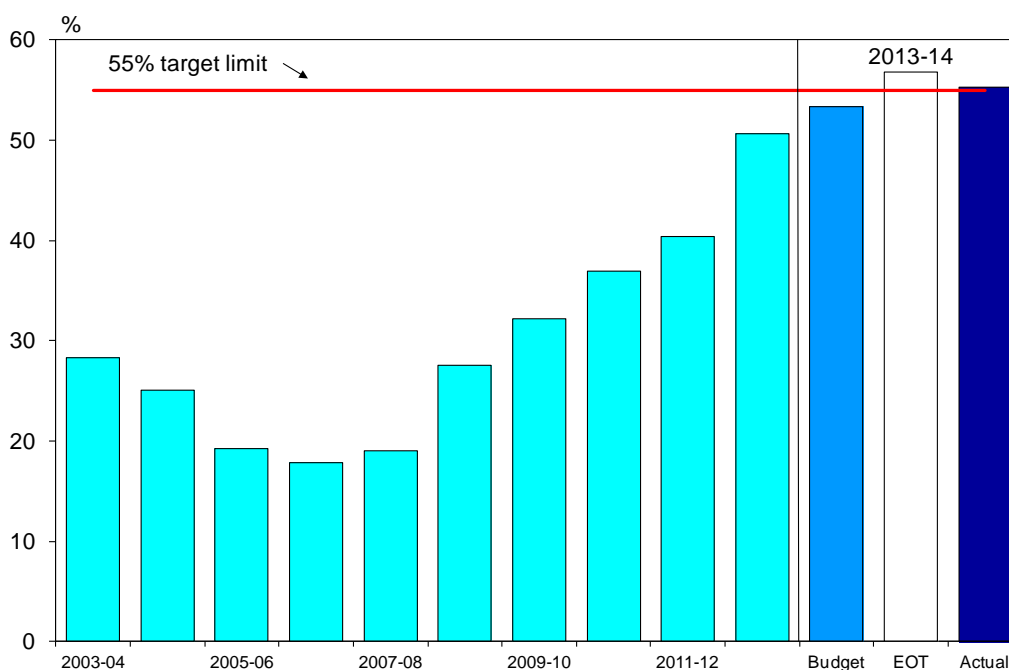
This target was not met in 2013-14, but only by a very small margin.

Maintaining the overall affordability and growth in net debt remains a key focus for the Government. The 18 September 2013 announcement by Standard & Poor’s to revise the State’s credit rating from AAA (negative outlook) to AA+ (stable outlook) and subsequent similar credit rating action by Moody’s on 25 August 2014 (discussed in Chapter 1), highlights the importance of this objective.

The ratio of total non-financial public sector net debt to revenue was 55.2% in 2013-14, an improvement on the estimated outturn of 56.8%, but marginally in excess of the 55% target limit. The improvement in the ratio was due to a \$1.0 billion reduction in net debt relative to the 2014-15 Budget estimate, in turn reflecting improved operating outcomes for the general government and public non-financial corporations sectors and lower than expected infrastructure investment.

Figure 3

NET DEBT AS A SHARE OF REVENUE Total Non-Financial Public Sector

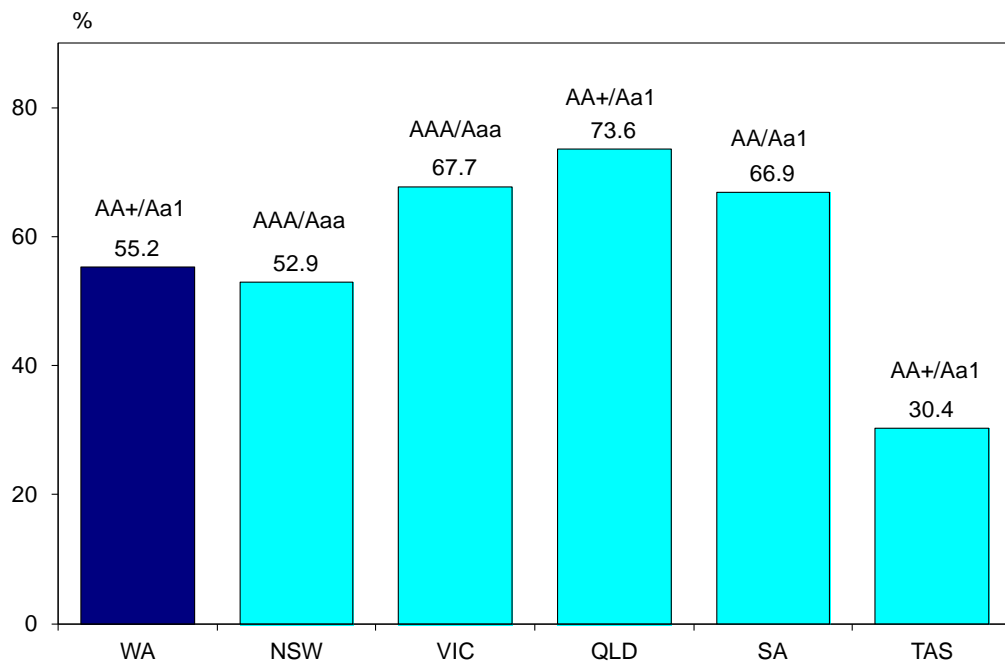


² The total non-financial public sector includes general government sector agencies such as the Departments of Education and Health (which are largely funded by central revenue collections such as taxation and royalty receipts) and public non-financial corporations such as the electricity utilities and port authorities (which are largely funded by user charges). The total non-financial public sector raises net debt to support infrastructure spending.

Although the target ratio was marginally exceeded in 2013-14, Western Australia's net debt burden as a share of revenue is the second lowest of the mainland States (behind New South Wales), and is significantly lower than the triple-A rated Victoria (see following chart).

Figure 4

**STATES' CREDIT RATING STATUS^(a) AND
NET DEBT AS A SHARE OF REVENUE – 2013-14^(b)**
Total Non-Financial Public Sector



(a) Standard & Poor's rating / Moody's rating (e.g. Western Australia AA+/Aa1).

(b) Based on 2013-14 final outcomes for Western Australia. All other jurisdictions' ratios are derived from 2014-15 Budget data, except Tasmania (2013-14 *Revised Estimates Report*).

Maintain A Cash Operating Surplus For The Total Non-Financial Public Sector Of At Least 5% Of Operating Cash Receipts

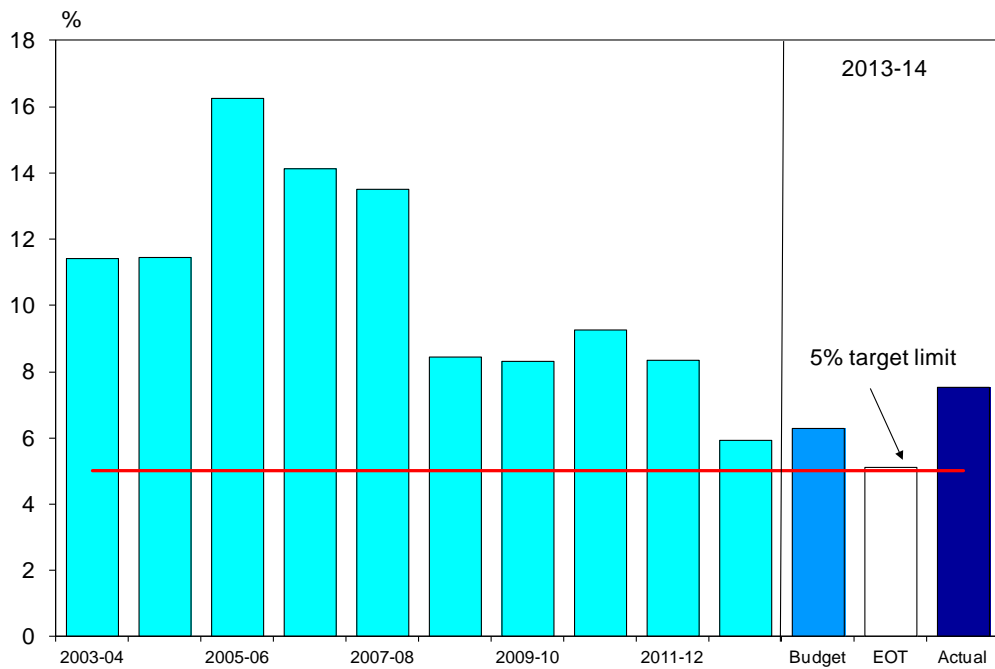
This target was met in 2013-14.

The target reflects the extent to which the total non-financial public sector can finance its operating costs and service delivery from recurrent receipts. A high cash operating balance indicates that the public sector has self-financing capacity to fund infrastructure investment.

The total non-financial public sector cash surplus as a share of cash receipts was 7.5% in 2013-14, an increase of 2.4 percentage points on the 2014-15 Budget estimate. The increase in the ratio relative to Budget mainly reflects improved cash operating surpluses for both the general government and public non-financial corporations sectors (see Chapter 1 for further detail).

Figure 5

CASH OPERATING SURPLUS AS A SHARE OF OPERATING RECEIPTS Total Non-Financial Public Sector

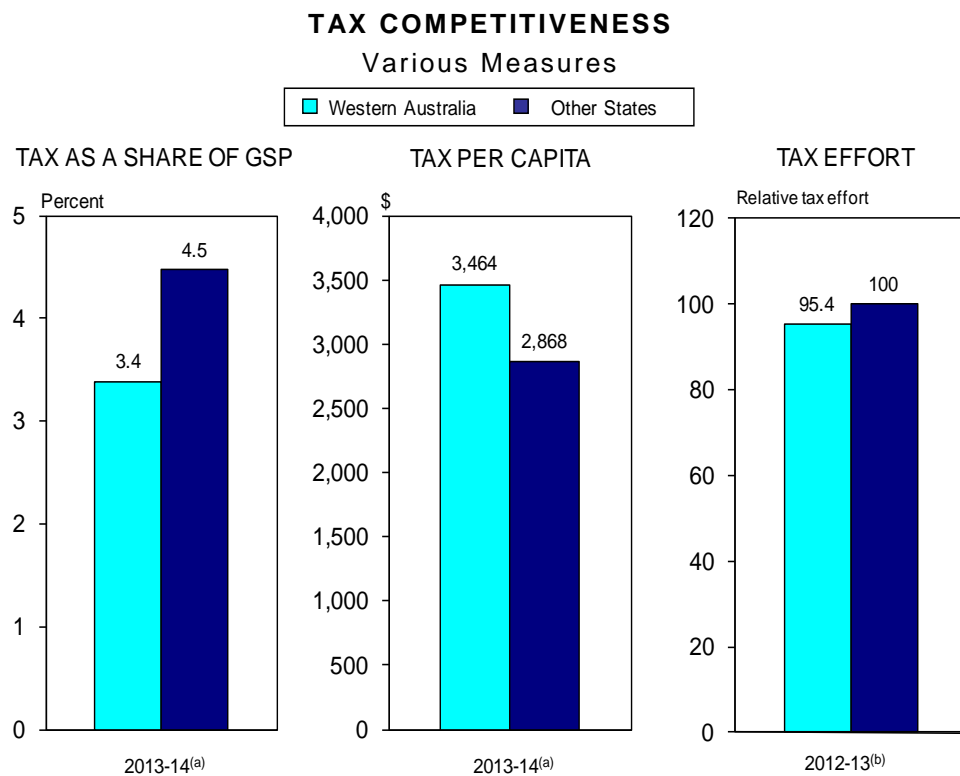


Tax Competitiveness: Provide a Fair and Efficient Tax System That is Competitive with Other States

This target was met in 2013-14, with Western Australia continuing to be more competitive than other States on two of the three available measures (tax as a share of Gross State Product (GSP) and tax 'effort' based on Commonwealth Grants Commission data).

In 2013-14, Western Australia's tax revenue as a share of GSP was 3.4%, which is the lowest of all the States, and substantially below the 4.5% average across other State jurisdictions. Based on data from the Commonwealth Grants Commission, Western Australia's tax 'effort' (i.e. average tax rate) was 4.6% lower than the national average in 2012-13³. This primarily reflects Western Australia's lower land tax and gambling tax effort relative to other jurisdictions.

Figure 6



(a) Taxation revenue and GSP estimates for other jurisdictions are based on 2013-14 estimated outturns published in 2014-15 Budget Papers. Actual GSP figures for all States will not be available from the Australian Bureau of Statistics until November 2014.

(b) Latest available information.

³ Tax effort refers to the level of tax actually raised in a State, divided by a State's 'standardised' tax revenue (i.e. the level of tax revenue that the Grants Commission estimates the State would have raised had it applied national average State tax rates). Data for 2012-13 is the latest available from the Grants Commission.

In contrast, Western Australia's tax per capita ranking exceeds the average of the other Australian States. This mainly reflects Western Australia's stronger per capita economic performance compared to other States, rather than higher tax rates. Under the Commonwealth Grants Commission process, this relative economic advantage is redistributed to other States through a reduction in Western Australia's share of national GST revenue.

Financial Statements

Contents	Page
Introduction	45
General Government	
Table 1.1: Operating Statement	46
Table 1.2: Balance Sheet at 30 June	47
Table 1.3: Statement of Changes in Equity	48
Table 1.4: Cash Flow Statement	49
Public Non-Financial Corporations	
Table 1.5: Operating Statement	50
Table 1.6: Balance Sheet at 30 June	51
Table 1.7: Statement of Changes in Equity	52
Table 1.8: Cash Flow Statement	53
Total Non-Financial Public Sector	
Table 1.9: Operating Statement	54
Table 1.10: Balance Sheet at 30 June.....	55
Table 1.11: Statement of Changes in Equity	56
Table 1.12: Cash Flow Statement	57
Public Financial Corporations	
Table 1.13: Operating Statement	58
Table 1.14: Balance Sheet at 30 June	59
Table 1.15: Statement of Changes in Equity	60
Table 1.16: Cash Flow Statement	61
Total Public Sector	
Table 1.17: Operating Statement	62
Table 1.18: Balance Sheet at 30 June	63
Table 1.19: Statement of Changes in Equity	64
Table 1.20: Cash Flow Statement	65

Contents - continued		Page
Notes to the Consolidated Financial Statements:		
1	Mission Statement – The Government of Western Australia	66
2	Statement of compliance	67
3	Summary of significant accounting policies	67
4	Convergence differences	91
5	Government Purpose Classification	96
6	Operating revenue	97
7	Transfer expenses	97
8	Other interest	99
9	Depreciation and amortisation expense	99
10	Other gross operating expenses	100
11	Inventories	101
12	Receivables	102
13	Biological assets	103
14	Assets classified as held for sale	105
15	Investment properties	107
16	Land	107
17	Other property, plant and equipment	108
18	Reconciliation of land and other property, plant and equipment	109
19	Fair Value Measurements	111
20	Intangible assets	126
21	Borrowings	128
22	Superannuation	130
23	Other employee benefits	134
24	Other liabilities	135
25	Reconciliation of net cash flows from operating activities to surplus for period	137
26	Closing cash balances	138
27	Restricted financial assets	138
28	Moneys held in trust	138
29	Expenditure commitments	139
30	Contingent assets and liabilities	141
31	Financial instruments	147
32	Other disaggregated information	157
33	Events occurring after the reporting period	165
34	Composition of sectors	166
35	Budgetary information – comparison of final outcomes to original budget	169
36	Key technical terms used in the financial report	169

Introduction

Financial information presented in this appendix has been prepared in accordance with Australian Accounting Standards and pronouncements, in particular AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, and requirements under section 14A(3) of the *Government Financial Responsibility Act 2000*. The formats used in this report are the same as those used in 2013-14 State Budget Papers released on 8 August 2013, facilitating comparisons between estimates and outturns.

These financial statements (Operating Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement) also comply with Uniform Presentation Framework (UPF) disclosure requirements by reporting the finances of all sub-sectors of government. These sub-sectors are:

- the general government sector,
- the public non-financial corporations sector,
- the consolidation of the general government sector and the public non-financial corporations sector known as the total non-financial public sector;
- the public financial corporations sector; and
- the total public sector (or whole-of-government).

Other UPF disclosure requirements are included in the notes to the financial statements, and in Appendices 2 and 3 of this report.

GENERAL GOVERNMENT^(a)
Operating Statement

	Notes	2012-13	2013-14			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m (1)	Budget Estimate \$m (2)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
RESULTS FROM TRANSACTIONS							
REVENUE							
Taxation		8,412	9,258	9,106	8,962	8,849	-113
Current grants and subsidies		8,316	8,015	8,062	8,133	8,199	66
Capital grants		622	709	724	615	547	-69
Sales of goods and services		2,011	2,054	2,060	2,146	2,078	-69
Interest Income		255	201	221	212	194	-18
Revenue from public corporations							
Dividends from other sectors		796	832	857	850	901	51
Tax equivalent income		381	502	546	524	602	78
Royalty income		4,425	5,824	6,089	5,911	6,025	114
Other		499	583	601	616	561	-55
Total	6	25,718	27,978	28,267	27,970	27,956	-14
EXPENSES							
Salaries		10,154	10,804	10,960	11,038	10,682	-357
Superannuation							
Concurrent costs		965	1,044	1,058	1,065	1,030	-35
Superannuation interest cost		369	352	350	344	297	-46
Other employee costs		446	446	470	473	432	-41
Depreciation and amortisation	9	1,108	1,225	1,289	1,248	1,197	-52
Services and contracts		1,902	2,113	2,193	2,227	2,041	-186
Other gross operating expenses	10	4,725	4,893	4,832	4,820	4,943	123
Other interest	8	442	506	504	508	492	-16
Current transfers	7	4,895	5,382	5,379	5,259	5,357	97
Capital transfers	7	462	826	795	804	765	-39
Total		25,468	27,592	27,830	27,787	27,236	-550
NET OPERATING BALANCE^(b)	4	249	386	437	183	719	536
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-63	6	-6	-51	-34	17
Net actuarial gains/-loss - superannuation		895	44	249	183	-114	-297
Provision for doubtful debts		-28	-4	-4	-4	-37	-33
Changes in accounting policy/correction of prior period errors		-72	-	-	-	16	16
Total other economic flows		732	46	239	128	-169	-297
OPERATING RESULT		982	433	676	311	550	239
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-424	2,045	1,725	1,696	1,934	237
Gains recognised directly in equity		-4	-1	-1	-1	-1	-1
Change in net worth of the public corporations sectors		898	1,241	1,398	1,190	1,419	228
All other		-	-	-	-	-	-
Total all other movements in equity		470	3,286	3,122	2,886	3,351	465
TOTAL CHANGE IN NET WORTH^(c)	4	1,452	3,719	3,798	3,197	3,901	704
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE		249	386	437	183	719	536
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,195	3,196	3,313	3,168	3,289	120
Changes in inventories		14	-4	-5	-5	1	6
Other movement in non-financial assets		167	303	208	196	-22	-218
<i>Less:</i>							
Sales of non-financial assets		166	239	219	200	224	23
Depreciation		1,108	1,225	1,289	1,248	1,197	-52
Total net acquisition of non-financial assets		2,102	2,030	2,008	1,910	1,847	-63
NET LENDING/-BORROWING	4	-1,852	-1,644	-1,572	-1,727	-1,127	599

(a) The accompanying notes form part of these financial statements.

(b) Also known as the 'Net Result From Transactions'.

(c) Also known as the 'Comprehensive Result'.

Note: Columns/rows may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT^(a)
Balance Sheet at 30 June

	Notes	2013	2014			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
ASSETS							
<i>Financial assets</i>							
Cash and deposits		688	553	594	611	692	82
Advances paid		665	665	663	681	664	-18
Investments, loans and placements		5,722	5,051	3,734	3,370	3,904	535
Receivables	12	2,870	2,845	3,218	3,093	3,054	-39
Shares and other equity							
Investments in other public sector entities - equity method		44,287	47,148	45,685	45,477	45,706	228
Investments in other public sector entities - direct injections		6,156	6,672	6,544	6,430	6,731	301
Investments in other entities		8	10	11	11	11	-1
Other financial assets		-	-	-	-	-	-
Total financial assets		60,396	62,943	60,449	59,673	60,762	1,089
<i>Non-financial assets</i>							
Land	16	36,222	38,936	36,926	36,926	37,606	680
Property, plant and equipment	17,18	40,850	44,638	44,284	44,131	43,162	-969
Biological assets	13	2	2	2	2	1	-
Inventories							
Land inventories	11	84	79	70	70	96	27
Other inventories	11	77	62	72	72	79	6
Intangibles	20	554	428	528	504	574	70
Assets classified as held for sale	14	39	32	2	14	16	2
Investment property	15	8	8	8	8	8	-
Other		208	137	198	200	247	47
Total non-financial assets		78,044	84,322	82,090	81,925	81,789	-137
TOTAL ASSETS		138,440	147,264	142,538	141,598	142,551	952
LIABILITIES							
Deposits held		362	369	303	388	522	134
Advances received		439	424	424	449	438	-11
Borrowings	21	11,104	12,877	11,829	11,339	11,362	23
Superannuation	22	8,000	8,484	7,625	7,683	7,890	207
Other employee benefits	23	3,043	2,990	3,172	3,184	3,140	-44
Payables		1,196	1,179	1,172	1,151	1,048	-102
Other liabilities	24	1,370	1,331	1,288	1,281	1,323	42
TOTAL LIABILITIES		25,513	27,653	25,813	25,474	25,723	249
NET ASSETS		112,927	119,612	116,725	116,124	116,828	704
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		10,579	12,552	11,822	11,061	11,122	60
Other reserves		102,348	107,060	104,902	105,063	105,706	643
NET WORTH	4	112,927	119,612	116,725	116,124	116,828	704
MEMORANDUM ITEMS							
<i>Net financial worth</i>		34,890	35,298	34,643	34,206	35,039	833
<i>Net financial liabilities</i>		15,552	18,522	17,586	17,701	17,398	-303
<i>Net debt</i>							
Gross debt liabilities		11,905	13,670	12,556	12,176	12,322	146
less: liquid financial assets		7,075	6,268	4,991	4,662	5,260	599
less: convergence differences impacting net debt		88	88	88	88	88	-
Net debt		4,742	7,314	7,478	7,426	6,973	-453

(a) The accompanying notes form part of these financial statements.

Note: Columns/rows may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated net gain on equity investments in other sector entities \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
Balance at 1 July 2012	58,538	43,390	9,532	111,460
Changes in accounting policy or correction of prior period errors	-	-	16	16
Restated balance at 1 July 2012	58,538	43,390	9,548	111,476
Operating result			982	982
Other movements in equity	-477	897	50	470
<i>Total change in net worth</i>	<i>-477</i>	<i>897</i>	<i>1,032</i>	<i>1,452</i>
Balance at 30 June 2013	58,061	44,287	10,580	112,927
Balance at 1 July 2013	58,061	44,287	10,580	112,927
Operating result			550	550
Other movements in equity	1,934	1,419	-1	3,351
All other	6	-	-7	-1
<i>Total change in net worth</i>	<i>1,940</i>	<i>1,419</i>	<i>542</i>	<i>3,901</i>
Balance at 30 June 2014	60,000	45,706	11,122	116,828

Note: Columns/rows may not add due to rounding.

Table 1.4

GENERAL GOVERNMENT^(a)
Cash Flow Statement

	Notes	2012-13		2013-14		Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,234	9,264	9,113	8,979	8,712	-267
Grants and subsidies received		8,934	8,718	8,761	8,723	8,614	-109
Receipts from sales of goods and services		2,042	2,065	2,090	2,180	2,135	-45
Interest receipts		249	192	212	202	219	17
Dividends and tax equivalents		1,215	1,306	1,289	1,289	1,497	208
Other		6,068	6,955	7,466	7,407	7,829	423
<i>Total cash received</i>		26,742	28,501	28,929	28,779	29,006	227
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-11,304	-12,258	-12,372	-12,490	-12,157	332
Payments for goods and services		-7,336	-7,334	-7,604	-7,623	-7,526	96
Interest paid		-439	-506	-509	-517	-485	31
Grants and subsidies paid		-5,144	-5,775	-5,798	-5,671	-5,567	104
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,441	-1,209	-1,236	-1,249	-1,538	-289
<i>Total cash paid</i>		-25,664	-27,082	-27,520	-27,549	-27,273	275
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	1,077	1,419	1,410	1,230	1,733	503
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,195	-3,196	-3,313	-3,168	-3,289	-120
Sales of non-financial assets		166	239	219	200	224	23
<i>Total cash flows from investments in non-financial assets</i>		-3,029	-2,957	-3,094	-2,968	-3,065	-97
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		7	-	-	-	22	22
For liquidity purposes		1	-	-	-	1	1
<i>Cash paid</i>							
For policy purposes		-619	-721	-664	-548	-551	-3
For liquidity purposes		-18	-	-	-	-1	-1
<i>Total cash flows from investments in financial assets</i>		-629	-721	-663	-548	-529	19
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,657	-3,678	-3,757	-3,516	-3,594	-78
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		15	15	15	40	30	-10
Borrowings		2,425	1,868	560	146	545	399
Deposits received		-	-	-	-	-	-
Other financing receipts		35	46	46	37	36	-1
<i>Total cash receipts from financing activities</i>		2,475	1,929	621	223	611	388
<i>Cash paid</i>							
Advances paid		-15	-15	-15	-15	-16	-1
Borrowings repaid		-322	-129	-121	-179	-368	-189
Deposits paid		-	-	-	-	-	-
Other financing payments		-91	-173	-118	-163	-140	23
<i>Total payments for financing activities</i>		-428	-317	-255	-357	-524	-168
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,047	1,612	366	-134	86	220
Net increase in cash and cash equivalents		-533	-647	-1,981	-2,420	-1,775	645
Cash and cash equivalents at the beginning of the year		6,796	6,198	6,263	6,263	6,263	-
Cash and cash equivalents at the end of the year	26	6,263	5,551	4,282	3,843	4,488	645
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,077	1,419	1,410	1,230	1,733	503
Net cash flows from investing in non-financial assets		-3,029	-2,957	-3,094	-2,968	-3,065	-97
Cash surplus/-deficit	4	-1,952	-1,538	-1,684	-1,738	-1,333	406

(a) The accompanying notes form part of these financial statements.

Note: Columns/rows may not add due to rounding.

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Notes	2012-13		2013-14			Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
RESULTS FROM TRANSACTIONS							
REVENUE							
Current grants and subsidies		1,934	2,333	2,443	2,378	2,368	-9
Capital grants		116	222	229	227	231	4
Sales of goods and services		15,727	17,652	17,903	16,156	15,536	-621
Interest Income		191	241	165	163	175	12
Other		490	503	535	526	659	133
Total		18,459	20,950	21,274	19,450	18,969	-481
EXPENSES							
Salaries		1,110	1,153	1,144	1,177	1,209	31
Superannuation							
Concurrent costs		102	111	110	114	115	2
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		61	49	44	44	60	16
Depreciation and amortisation		1,899	1,929	2,005	2,011	2,005	-5
Services and contracts		875	866	837	847	972	125
Other gross operating expenses		11,791	13,871	14,312	12,616	11,392	-1,223
Other interest		914	1,088	994	993	955	-38
Tax equivalents		374	496	525	505	595	91
Current transfers		948	963	980	992	1,011	19
Capital transfers		82	193	192	189	83	-107
Total		18,156	20,720	21,142	19,487	18,398	-1,090
NET OPERATING BALANCE ^(a)	4	304	230	132	-37	571	609
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-118	161	162	183	90	-93
Net actuarial gains/-loss - superannuation		-16	-	-	-	-28	-28
Provision for doubtful debts		-18	-17	-18	-20	-13	7
Changes in accounting policy/correction of prior period errors		-31	-	-	-	-715	-715
Total other economic flows		-183	144	143	163	-666	-829
OPERATING RESULT		121	374	275	126	-95	-220
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		571	1,583	1,852	1,814	1,839	25
Gains recognised directly in equity		528	-50	-47	-53	462	515
All other		-	-	-	-	-	-
Total other non-owner movements in equity		1,099	1,533	1,805	1,761	2,301	540
<i>Movements in owner equity</i>							
Dividends		-785	-761	-781	-775	-825	-50
Capital injections		612	752	388	274	575	301
Total movements in owner equity		-173	-9	-393	-501	-250	251
TOTAL CHANGE IN NET WORTH ^(b)	4	1,047	1,898	1,687	1,386	1,956	571
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE		304	230	132	-37	571	609
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4,171	4,298	4,056	3,970	3,534	-436
Changes in inventories		-668	128	102	792	514	-278
Other movement in non-financial assets		48	110	109	112	339	227
<i>less:</i>							
Sales of non-financial assets		751	1,481	1,180	1,096	940	-155
Depreciation		1,899	1,929	2,005	2,011	2,005	-5
Total net acquisition of non-financial assets		901	1,126	1,082	1,768	1,441	-327
NET LENDING/-BORROWING	4	-597	-896	-950	-1,806	-870	935

(a) Also known as the 'Net Result From Transactions'.

(b) Also known as the 'Comprehensive Result'.

Note: Columns/rows may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Notes	2013	2014			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,100	934	784	792	1,199	406
Advances paid		-	-	-	-	-	-
Investments, loans and placements		3,871	5,503	4,993	4,999	4,526	-473
Receivables		1,272	1,120	1,224	1,319	1,198	-121
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		37	-	32	-	33	33
Other financial assets		1,003	948	942	946	946	-
Total financial assets		7,282	8,506	7,976	8,056	7,902	-154
<i>Non-financial assets</i>							
Land		14,313	17,354	15,029	15,029	14,799	-230
Property, plant and equipment		48,006	48,916	49,822	49,888	50,421	533
Biological assets		322	326	320	319	333	15
Inventories							
Land inventories		1,944	2,126	2,041	2,022	1,905	-117
Other inventories		2,711	3,968	2,814	3,503	3,225	-278
Intangibles		551	350	561	486	507	21
Assets classified as held for sale		31	244	31	31	13	-18
Investment property		26	27	21	23	24	1
Other		298	203	265	239	137	-101
Total non-financial assets		68,203	73,514	70,903	71,539	71,365	-174
TOTAL ASSETS		75,485	82,020	78,879	79,595	79,267	-329
LIABILITIES							
Deposits held		1	3	-	-	-	-
Advances received		439	424	424	424	424	-
Borrowings		20,037	22,235	21,844	22,081	21,467	-615
Superannuation		133	77	90	102	127	25
Other employee benefits		414	414	424	441	425	-16
Payables		3,924	4,834	3,893	4,755	4,810	56
Other liabilities		1,843	1,914	1,824	1,713	1,364	-349
TOTAL LIABILITIES		26,791	29,900	28,498	29,515	28,616	-899
NET ASSETS		48,694	52,121	50,381	50,080	50,651	571
<i>Of which:</i>							
Contributed equity		6,156	6,672	6,544	6,430	6,731	301
Accumulated surplus		18,757	17,839	18,165	18,660	18,232	-429
Other reserves		23,782	27,610	25,673	24,990	25,688	698
NET WORTH	4	48,694	52,121	50,381	50,080	50,651	571
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-68,177	-73,488	-70,882	-71,516	-71,365	151
<i>Net debt</i>							
Gross debt liabilities		20,477	22,661	22,268	22,505	21,890	-615
less: liquid financial assets		4,971	6,438	5,777	5,791	5,725	-66
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		15,507	16,223	16,491	16,714	16,166	-548

Note: Columns/rows may not add due to rounding.

Table 1.7

PUBLIC NON-FINANCIAL CORPORATIONS
Statement of Changes in Equity

	Contributed Equity \$m	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
Balance at 1 July 2012	5,544	23,142	19,676	48,362
Changes in accounting policy or correction of prior period errors	-	-	-715	-715
Restated balance at 1 July 2012	5,544	23,142	18,961	47,647
Operating result			121	121
Other movements in equity	-	571	528	1,099
All other	-	69	-67	2
<i>Total change in net worth</i>	-	640	582	1,222
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	612	-	-	612
Dividends	-	-	-785	-785
<i>Total</i>	612	-	-785	-173
Balance at 30 June 2013	6,156	23,782	18,757	48,694
Balance at 1 July 2013	6,156	23,782	18,757	48,694
Operating result			-95	-95
Other movements in equity	-	1,839	462	2,301
All other	-	67	-67	-
<i>Total change in net worth</i>	-	1,906	300	2,206
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	575	-	-	575
Dividends	-	-	-825	-825
<i>Total</i>	575	-	-825	-250
Balance at 30 June 2014	6,731	25,688	18,232	50,651

Note: Columns/rows may not add due to rounding.

Table 1.8

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	2012-13		2013-14			Variation on EOT \$m (4) - (3)	
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		Actual \$m (4)
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		2,049	2,559	2,678	2,610	2,597	-13
Receipts from sales of goods and services		15,885	17,523	17,785	16,227	15,932	-295
Interest receipts		206	240	165	163	166	2
Dividends and tax equivalents		56	45	58	58	78	20
Other		1,741	1,201	1,449	1,303	1,706	402
Total cash received		19,937	21,568	22,135	20,362	20,479	117
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,187	-1,324	-1,315	-1,326	-1,325	-
Payments for goods and services		-11,350	-12,686	-13,315	-11,660	-10,653	1,007
Interest paid		-884	-1,019	-930	-904	-968	-64
Grants and subsidies paid		-702	-720	-737	-730	-738	-8
Tax equivalents		-416	-468	-426	-432	-573	-141
Other payments		-3,190	-3,173	-3,533	-3,535	-3,817	-282
Total cash paid		-17,728	-19,390	-20,255	-18,587	-18,076	512
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,209	2,178	1,879	1,774	2,403	629
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-4,171	-4,298	-4,056	-3,970	-3,534	436
Sales of non-financial assets		751	1,481	1,180	1,096	940	-155
Total cash flows from investments in non-financial assets		-3,420	-2,817	-2,876	-2,874	-2,594	281
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		416	51	26	80	422	342
<i>Cash paid</i>							
For policy purposes		-5	-4	-4	-	-	-
For liquidity purposes		-528	-54	-16	-56	-386	-330
Total cash flows from investments in financial assets		-117	-7	6	24	36	12
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,537	-2,824	-2,870	-2,850	-2,557	293
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		23,157	17,118	17,370	17,468	23,781	6,313
Deposits received		-	-	-	-	-	-
Other financing receipts		622	1,040	991	873	590	-282
Total cash received		23,780	18,158	18,361	18,341	24,372	6,031
<i>Cash paid</i>							
Advances paid		-15	-15	-15	-15	-15	-
Borrowings repaid		-21,647	-16,871	-16,902	-16,755	-23,071	-6,316
Deposits paid		-	-	-	-	-	-
Other financing payments		-7	-23	-26	-55	-23	32
Dividends paid		-788	-761	-781	-775	-825	-50
Total cash paid		-22,457	-17,670	-17,725	-17,601	-23,934	-6,334
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,323	488	636	740	438	-303
Net increase in cash and cash equivalents		-4	-158	-354	-335	284	619
Cash and cash equivalents at the beginning of the year		1,523	1,462	1,519	1,519	1,519	-
Cash and cash equivalents at the end of the year		1,519	1,303	1,165	1,184	1,803	619
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,209	2,178	1,879	1,774	2,403	629
Net cash flows from investing in non-financial assets		-3,420	-2,817	-2,876	-2,874	-2,594	281
Dividends paid		-788	-761	-781	-775	-825	-50
Cash surplus/-deficit	4	-1,998	-1,400	-1,778	-1,875	-1,015	860

Note: Columns/rows may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	2012-13	2013-14			Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
RESULTS FROM TRANSACTIONS						
REVENUE						
Taxation	7,974	8,819	8,668	8,505	8,387	-117
Current grants and subsidies	8,316	8,015	8,062	8,133	8,199	66
Capital grants	622	709	724	615	547	-69
Sales of goods and services	17,283	19,248	19,462	17,797	17,133	-665
Interest income	413	409	358	348	342	-6
Royalty income	4,425	5,824	6,089	5,911	6,025	114
Dividends and tax equivalents	74	122	155	152	161	8
Other	896	1,012	1,047	1,048	1,094	46
<i>Total</i>	<i>40,004</i>	<i>44,158</i>	<i>44,564</i>	<i>42,509</i>	<i>41,887</i>	<i>-622</i>
EXPENSES						
Salaries	11,264	11,957	12,104	12,215	11,890	-325
Superannuation						
Concurrent costs	1,068	1,156	1,168	1,179	1,146	-33
Superannuation interest cost	369	352	350	344	297	-46
Other employee costs	313	276	269	272	287	15
Depreciation and amortisation	3,007	3,155	3,294	3,259	3,202	-57
Services and contracts	2,770	2,986	3,033	3,078	3,008	-70
Other gross operating expenses	16,064	18,325	18,690	16,971	15,866	-1,105
Other interest	1,322	1,563	1,470	1,473	1,420	-53
Other property expenses	-	-	-	-	-	-
Current transfers	3,630	3,740	3,644	3,580	3,694	114
Capital transfers	428	794	755	766	611	-155
<i>Total</i>	<i>40,235</i>	<i>44,302</i>	<i>44,777</i>	<i>43,138</i>	<i>41,421</i>	<i>-1,717</i>
NET OPERATING BALANCE ^(a)	-232	-144	-213	-629	465	1,095
<i>Other economic flows - included in the operating result</i>						
Net gains on assets/liabilities	-181	167	155	132	56	-76
Net actuarial gains/-loss - superannuation	879	44	249	183	-142	-324
Provision for doubtful debts	-45	-21	-22	-24	-50	-27
Changes in accounting policy/correction of prior period errors	-103	-	-	-	-699	-699
<i>Total other economic flows</i>	<i>550</i>	<i>191</i>	<i>382</i>	<i>291</i>	<i>-835</i>	<i>-1,126</i>
OPERATING RESULT	318	46	169	-338	-370	-32
<i>All other movements in equity</i>						
<i>Items that will not be reclassified to operating result</i>						
Revaluations	147	3,628	3,577	3,510	3,772	262
Gains recognised directly in equity	524	-51	-48	-54	461	514
Change in net worth of the public corporations sectors	462	95	99	79	38	-41
All other	-	-	-	-	-	-
<i>Total all other movements in equity</i>	<i>1,134</i>	<i>3,672</i>	<i>3,628</i>	<i>3,535</i>	<i>4,271</i>	<i>735</i>
TOTAL CHANGE IN NET WORTH ^(b)	1,452	3,719	3,798	3,197	3,901	704
KEY FISCAL AGGREGATES						
NET OPERATING BALANCE	-232	-144	-213	-629	465	1,095
<i>Less Net acquisition of non-financial assets</i>						
Purchase of non-financial assets	7,350	7,444	7,319	7,089	6,809	-280
Changes in inventories	-654	124	97	787	515	-271
Other movement in non-financial assets	215	413	318	308	317	9
<i>less:</i>						
Sales of non-financial assets	901	1,670	1,350	1,246	1,150	-96
Depreciation	3,007	3,155	3,294	3,259	3,202	-57
<i>Total net acquisition of non-financial assets</i>	<i>3,003</i>	<i>3,156</i>	<i>3,091</i>	<i>3,678</i>	<i>3,288</i>	<i>-390</i>
NET LENDING/-BORROWING	-3,234	-3,300	-3,303	-4,308	-2,823	1,485

(a) Also known as the 'Net Result From Transactions'.

(b) Also known as the 'Comprehensive Result'.

Note: Columns/rows may not add due to rounding.

Table 1.10

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	2013		2014		Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
ASSETS						
<i>Financial assets</i>						
Cash and deposits	1,570	1,306	1,253	1,199	1,560	361
Advances paid	226	241	239	258	240	-18
Investments, loans and placements	9,592	10,554	8,724	8,366	8,427	61
Receivables	4,019	3,811	4,209	4,186	4,077	-109
Shares and other equity						
Investments in other public sector entities - equity method	1,748	1,699	1,847	1,827	1,786	-41
Investments in other public sector entities - direct injections	-	-	-	-	-	-
Investments in other entities	45	10	44	11	44	32
Other financial assets	-	-	-	-	-	-
Total financial assets	17,201	17,621	16,316	15,847	16,134	286
<i>Non-financial assets</i>						
Land	50,536	56,290	51,955	51,955	52,405	450
Property, plant and equipment	88,857	93,554	94,106	94,019	93,583	-436
Biological assets	324	328	321	320	335	15
Inventories						
Land inventories	2,028	2,205	2,111	2,091	2,002	-90
Other inventories	2,789	4,030	2,886	3,575	3,304	-271
Intangibles	1,105	778	1,088	990	1,081	91
Assets classified as held for sale	70	276	33	44	28	-16
Investment property	33	35	29	31	32	2
Other	506	340	463	439	384	-55
Total non-financial assets	146,247	157,836	152,993	153,464	153,153	-311
TOTAL ASSETS	163,448	175,457	169,309	169,312	169,287	-24
LIABILITIES						
Deposits held	145	191	176	181	187	6
Advances received	439	424	424	449	438	-11
Borrowings	31,141	35,111	33,673	33,420	32,829	-591
Superannuation	8,133	8,561	7,712	7,783	8,017	234
Other employee benefits	3,456	3,403	3,596	3,624	3,564	-60
Payables	4,999	5,862	4,836	5,684	5,715	31
Other liabilities	2,208	2,293	2,167	2,046	1,709	-336
TOTAL LIABILITIES	50,521	55,845	52,584	53,188	52,459	-728
NET ASSETS	112,927	119,612	116,725	116,124	116,828	704
<i>Of which:</i>						
Contributed equity	-	-	-	-	-	-
Accumulated surplus	29,343	30,458	29,994	29,729	29,360	-368
Other reserves	83,584	89,154	86,731	86,395	87,467	1,072
NET WORTH	112,927	119,612	116,725	116,124	116,828	704
MEMORANDUM ITEMS						
<i>Net financial worth</i>	-33,287	-38,189	-36,239	-37,310	-36,326	984
<i>Net financial liabilities</i>	35,080	39,899	38,130	39,148	38,156	-993
<i>Net debt</i>						
Gross debt liabilities	31,725	35,726	34,273	34,050	33,454	-597
less: liquid financial assets	11,389	12,101	10,216	9,822	10,227	405
less: convergence differences impacting net debt	88	88	88	88	88	-
Net debt	20,248	23,537	23,969	24,140	23,139	-1,001

Note: Columns/rows may not add due to rounding.

Table 1.11

TOTAL NON-FINANCIAL PUBLIC SECTOR
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated net gain on equity investments in other sector entities \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
Balance at 1 July 2012	81,613	1,286	29,274	112,174
Changes in accounting policy or correction of prior period errors	-	-	-699	-699
Restated balance at 1 July 2012	81,613	1,286	28,575	111,475
Operating result			318	318
Other movements in equity	147	462	524	1,134
All other	76		-74	2
<i>Total change in net worth</i>	<i>223</i>	<i>462</i>	<i>768</i>	<i>1,454</i>
Balance at 30 June 2013	81,836	1,748	29,343	112,927
Balance at 1 July 2013	81,836	1,748	29,343	112,927
Operating result			-370	-370
Other movements in equity	3,772	38	461	4,271
All other	73		-74	-1
<i>Total change in net worth</i>	<i>3,845</i>	<i>38</i>	<i>17</i>	<i>3,900</i>
Balance at 30 June 2014	85,682	1,786	29,360	116,828

Note: Columns/rows may not add due to rounding.

Table 1.12

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	2012-13	2013-14			Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash received</i>						
Taxes received	7,810	8,821	8,671	8,513	8,244	-269
Grants and subsidies received	8,934	8,718	8,761	8,723	8,614	-109
Receipts from sales of goods and services	17,484	19,133	19,378	17,907	17,587	-320
Interest receipts	422	401	349	338	357	19
Dividends and tax equivalents	67	122	139	139	177	37
Other	7,468	8,134	8,475	8,262	9,073	811
<i>Total cash received</i>	<i>42,184</i>	<i>45,328</i>	<i>45,773</i>	<i>43,881</i>	<i>44,051</i>	<i>169</i>
<i>Cash paid</i>						
Wages, salaries and supplements, and superannuation	-12,490	-13,581	-13,687	-13,815	-13,482	333
Payments for goods and services	-17,934	-19,565	-20,005	-18,359	-17,276	1,083
Interest paid	-1,289	-1,493	-1,411	-1,393	-1,426	-33
Grants and subsidies paid	-3,770	-3,915	-3,837	-3,768	-3,674	95
Dividends and tax equivalents	-	-	-	-	-	-
Other payments	-4,203	-3,938	-4,325	-4,316	-4,882	-566
<i>Total cash paid</i>	<i>-39,686</i>	<i>-42,493</i>	<i>-43,266</i>	<i>-41,653</i>	<i>-40,740</i>	<i>912</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,499	2,835	2,508	2,229	3,311	1,082
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash flows from investments in non-financial assets</i>						
Purchase of non-financial assets	-7,350	-7,444	-7,319	-7,089	-6,809	280
Sales of non-financial assets	901	1,670	1,350	1,246	1,150	-96
<i>Total cash flows from investments in non-financial assets</i>	<i>-6,448</i>	<i>-5,774</i>	<i>-5,970</i>	<i>-5,842</i>	<i>-5,659</i>	<i>184</i>
<i>Cash flows from investments in financial assets</i>						
<i>Cash received</i>						
For policy purposes	12	-	-	-	22	22
For liquidity purposes	417	51	26	80	423	343
<i>Cash paid</i>						
For policy purposes	-12	-	-	-	-23	-23
For liquidity purposes	-546	-54	-16	-56	-387	-331
<i>Total cash flows from investments in financial assets</i>	<i>-129</i>	<i>-3</i>	<i>10</i>	<i>24</i>	<i>35</i>	<i>11</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-6,577	-5,777	-5,960	-5,818	-5,624	195
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash received</i>						
Advances received	-	-	-	25	15	-10
Borrowings	25,583	18,986	17,930	17,614	24,326	6,712
Deposits received	-	-	-	-	-	-
Other financing receipts	30	306	307	304	41	-263
<i>Total cash received</i>	<i>25,613</i>	<i>19,292</i>	<i>18,237</i>	<i>17,944</i>	<i>24,383</i>	<i>6,439</i>
<i>Cash paid</i>						
Advances paid	-15	-15	-15	-15	-16	-1
Borrowings repaid	-21,969	-16,999	-17,024	-16,934	-23,440	-6,505
Deposits paid	-	-	-	-	-	-
Other financing payments	-87	-142	-82	-161	-105	55
<i>Total cash paid</i>	<i>-22,071</i>	<i>-17,156</i>	<i>-17,120</i>	<i>-17,110</i>	<i>-23,561</i>	<i>-6,451</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	3,541	2,136	1,117	834	821	-12
Net increase in cash and cash equivalents	-537	-806	-2,336	-2,756	-1,491	1,264
Cash and cash equivalents at the beginning of the year	8,319	7,659	7,781	7,781	7,781	-
Cash and cash equivalents at the end of the year	7,781	6,854	5,446	5,026	6,290	1,264
KEY FISCAL AGGREGATES						
Net cash flows from operating activities	2,499	2,835	2,508	2,229	3,311	1,082
Net cash flows from investing in non-financial assets	-6,448	-5,774	-5,970	-5,842	-5,659	184
Cash surplus/-deficit	-3,950	-2,938	-3,462	-3,613	-2,348	1,265

Note: Columns/rows may not add due to rounding.

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Notes	2012-13		2013-14		Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
RESULTS FROM TRANSACTIONS							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		871	1,007	1,007	1,013	915	-98
Interest Income		1,648	2,053	1,940	1,845	1,712	-133
Other		-	1	1	1	7	6
Total		2,519	3,061	2,948	2,859	2,634	-225
EXPENSES							
Salaries		44	50	49	49	47	-2
Superannuation							
Concurrent costs		4	5	5	5	5	-
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	-1
Depreciation and amortisation		17	20	20	19	18	-2
Services and contracts		11	15	11	11	9	-2
Other gross operating expenses		700	896	894	921	1,065	144
Other interest		1,641	1,856	1,760	1,664	1,563	-101
Tax equivalents		7	6	21	19	6	-13
Current transfers		4	4	4	5	4	-
Capital transfers		-	4	6	6	2	-4
Total		2,428	2,857	2,772	2,700	2,720	20
NET OPERATING BALANCE ^(a)	4	91	204	176	159	-86	-245
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		496	-	-	-	311	311
Net actuarial gains/-loss - superannuation		1	-	-	-	2	2
Provision for doubtful debts		-61	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-32	-	-	-	-147	-147
Total other economic flows		405	-	-	-	166	166
OPERATING RESULT		495	204	176	159	80	-79
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		2	7	56	53	-23	-76
Gains recognised directly in equity		32	-	-	-	135	135
All other		-	-	-	-	-	-
Total other non-owner movements in equity		34	7	56	53	112	59
<i>Movements in owner equity</i>							
Dividends		-67	-116	-134	-133	-154	-21
Capital injections		-	-	-	-	-	-
Total movements in owner equity		-67	-116	-134	-133	-154	-21
TOTAL CHANGE IN NET WORTH ^(b)	4	462	95	99	79	38	-41
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE		91	204	176	159	-86	-245
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5	6	7	6	5	-1
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		17	20	20	19	18	-2
Total net acquisition of non-financial assets		-12	-14	-13	-14	-13	-
NET LENDING/-BORROWING	4	103	217	189	173	-73	-246

(a) Also known as the 'Net Result From Transactions'.

(b) Also known as the 'Comprehensive Result'.

Note: Columns/rows may not add due to rounding.

Table 1.14

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Notes	2013	2014			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
ASSETS							
<i>Financial assets</i>							
Cash and deposits		28	21	25	18	51	33
Advances paid		3,330	5,047	4,408	4,408	3,731	-677
Investments, loans and placements		40,450	43,659	43,547	43,284	41,700	-1,584
Receivables		646	1,038	638	638	596	-42
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,341	1,474	1,436	1,426	1,414	-12
Other financial assets		24	39	24	24	17	-7
Total financial assets		45,820	51,280	50,078	49,799	47,509	-2,290
<i>Non-financial assets</i>							
Land		118	118	118	118	119	1
Property, plant and equipment		243	266	251	248	197	-50
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		13	13	12	11	10	-1
Assets classified as held for sale		-	-	-	-	-	-
Investment property		538	618	574	573	549	-24
Other		3	66	62	62	2	-60
Total non-financial assets		914	1,080	1,017	1,011	878	-134
TOTAL ASSETS		46,734	52,360	51,095	50,811	48,387	-2,424
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	3	2	2	3	1
Borrowings		41,745	47,097	45,890	45,612	43,095	-2,517
Superannuation		11	12	11	11	10	-1
Other employee benefits		9	9	9	9	10	1
Payables		17	138	39	48	97	49
Other liabilities		3,201	3,402	3,297	3,302	3,387	84
TOTAL LIABILITIES		44,985	50,661	49,248	48,983	46,601	-2,382
NET ASSETS		1,748	1,699	1,847	1,827	1,786	-41
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,511	1,311	1,588	1,580	1,571	-9
Other reserves		237	389	259	248	215	-32
NET WORTH	4	1,748	1,699	1,847	1,827	1,786	-41
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-376	-462	-442	-438	-878	-440
<i>Net debt</i>							
Gross debt liabilities		41,748	47,100	45,892	45,614	43,098	-2,515
less: liquid financial assets		43,808	48,728	47,980	47,711	45,483	-2,229
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-2,060	-1,628	-2,089	-2,098	-2,384	-287

Note: Columns/rows may not add due to rounding.

Table 1.15

PUBLIC FINANCIAL CORPORATIONS
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
Balance at 1 July 2012	233	1,200	1,433
Changes in accounting policy or correction of prior period errors	-	-147	-147
Restated balance at 1 July 2012	233	1,053	1,286
Operating result		495	495
Other movements in equity	2	32	34
All other	2	-2	-
<i>Total change in net worth</i>	<i>4</i>	<i>525</i>	<i>529</i>
<i>Transactions with owners in their capacity as owners</i>			
Contributed Capital	-	-	-
Dividends	-	-67	-67
<i>Total</i>	<i>-</i>	<i>-67</i>	<i>-67</i>
Balance at 30 June 2013	237	1,511	1,748
Balance at 1 July 2013	237	1,511	1,748
Operating result		80	80
Other movements in equity	-23	135	112
All other	1	-1	-
<i>Total change in net worth</i>	<i>-22</i>	<i>214</i>	<i>192</i>
<i>Transactions with owners in their capacity as owners</i>			
Contributed Capital	-	-	-
Dividends	-	-154	-154
<i>Total</i>	<i>-</i>	<i>-154</i>	<i>-154</i>
Balance at 30 June 2014	215	1,571	1,786

Note: Columns/rows may not add due to rounding.

Table 1.16

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	2012-13		2013-14			Variation on EOT \$m (4) - (3)	
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		Actual \$m (4)
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		-	5	7	7	-	-7
Receipts from sales of goods and services		977	1,002	1,014	1,012	1,043	32
Interest receipts		1,665	2,058	1,945	1,845	1,699	-146
Dividends and tax equivalents		-	-	-	-	-	-
Other		130	106	102	103	138	35
Total cash received		2,772	3,170	3,069	2,968	2,881	-87
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-48	-54	-54	-53	-50	3
Payments for goods and services		-739	-841	-844	-843	-883	-39
Interest paid		-1,672	-1,856	-1,761	-1,664	-1,689	-25
Grants and subsidies paid		-	-	-	-	-	-
Tax equivalents		-	-6	-6	-6	-22	-16
Other payments		-180	-153	-156	-161	-194	-34
Total cash paid		-2,639	-2,910	-2,820	-2,728	-2,839	-111
NET CASH FLOWS FROM OPERATING ACTIVITIES		134	260	249	240	42	-198
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5	-6	-7	-6	-5	1
Sales of non-financial assets		-	-	-	-	-	-
Total cash flows from investments in non-financial assets		-5	-6	-7	-6	-4	1
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		6,819	1,306	1,346	1,506	6,689	5,183
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-5,855	-1,473	-2,563	-2,711	-7,019	-4,307
Total cash flows from investments in financial assets		964	-167	-1,217	-1,205	-330	875
NET CASH FLOWS FROM INVESTING ACTIVITIES		959	-173	-1,223	-1,211	-334	876
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		53,398	43,475	43,870	45,874	48,837	2,963
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
Total cash received		53,398	43,475	43,870	45,874	48,837	2,963
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-54,658	-43,469	-42,718	-44,723	-49,726	-5,003
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-67	-116	-134	-133	-154	-21
Total cash paid		-54,725	-43,586	-42,852	-44,856	-49,880	-5,024
NET CASH FLOWS FROM FINANCING ACTIVITIES		-1,327	-110	1,018	1,019	-1,043	-2,061
Net increase in cash and cash equivalents		-234	-24	43	48	-1,336	-1,383
Cash and cash equivalents at the beginning of the year		3,664	1,444	3,430	3,430	3,430	-
Cash and cash equivalents at the end of the year		3,430	1,421	3,473	3,477	2,094	-1,383
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		134	260	249	240	42	-198
Net cash flows from investing in non-financial assets		-5	-6	-7	-6	-4	1
Dividends paid		-67	-116	-134	-133	-154	-21
Cash surplus/-deficit	4	62	137	109	101	-117	-218

Note: Columns/rows may not add due to rounding.

Table 1.17

TOTAL PUBLIC SECTOR^(a)
Operating Statement

	Notes	2012-13		2013-14			Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
RESULTS FROM TRANSACTIONS							
REVENUE							
Taxation		7,972	8,815	8,665	8,501	8,384	-117
Current grants and subsidies		8,316	8,015	8,062	8,133	8,199	66
Capital grants		622	709	724	615	547	-69
Sales of goods and services		17,878	19,937	20,150	18,493	17,773	-720
Interest income		687	743	761	670	614	-56
Royalty income		4,425	5,824	6,089	5,911	6,025	114
Other		896	1,011	1,046	1,047	1,088	42
Total	6	40,794	45,054	45,497	43,370	42,630	-740
EXPENSES							
Salaries		11,307	12,006	12,154	12,264	11,937	-327
Superannuation							
Concurrent costs		1,071	1,161	1,173	1,184	1,150	-34
Superannuation interest cost		369	352	350	344	297	-46
Other employee costs		315	278	271	274	288	14
Depreciation and amortisation	9	3,024	3,174	3,313	3,278	3,220	-58
Services and contracts		2,782	2,986	3,033	3,078	3,017	-61
Other gross operating expenses	10	16,487	18,916	19,276	17,584	16,645	-939
Other interest	8	1,588	1,699	1,693	1,614	1,543	-72
Other property expenses		-	-	-	-	-	-
Current transfers	7	3,631	3,740	3,644	3,581	3,695	114
Capital transfers	7	428	798	761	772	613	-159
Total		41,003	45,111	45,667	43,973	42,406	-1,568
NET OPERATING BALANCE^(b)	4	-208	-57	-170	-603	225	828
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		315	167	155	132	368	236
Net actuarial gains/-loss - superannuation		881	44	249	183	-140	-323
Provision for doubtful debts		-106	-21	-22	-24	-50	-27
Changes in accounting policy/correction of prior period errors		-135	-	-	-	-846	-846
Total other economic flows		954	191	382	291	-669	-960
OPERATING RESULT		746	134	212	-312	-444	-132
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		149	3,636	3,634	3,563	3,750	187
Gains recognised directly in equity		556	-51	-48	-54	595	649
All other		-	-	-	-	-	-
Total all other movements in equity		706	3,585	3,586	3,509	4,345	836
TOTAL CHANGE IN NET WORTH^(c)	4	1,452	3,719	3,798	3,197	3,901	704
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE		-208	-57	-170	-603	225	828
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		7,355	7,451	7,326	7,095	6,814	-281
Changes in inventories		-654	124	97	787	515	-271
Other movement in non-financial assets		215	413	318	308	317	9
<i>less:</i>							
Sales of non-financial assets		902	1,671	1,350	1,247	1,151	-96
Depreciation		3,024	3,174	3,313	3,278	3,220	-58
Total net acquisition of non-financial assets		2,991	3,143	3,078	3,664	3,275	-390
NET LENDING/-BORROWING	4	-3,199	-3,200	-3,248	-4,268	-3,050	1,218

(a) The accompanying notes form part of these financial statements.

(b) Also known as the 'Net Result From Transactions'.

(c) Also known as the 'Comprehensive Result'.

Note: Columns/rows may not add due to rounding.

TOTAL PUBLIC SECTOR^(a)
Balance Sheet at 30 June

Table 1.18

	Notes	2013	2014			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,598	1,326	1,277	1,217	1,610	393
Advances paid		3,552	5,285	4,646	4,664	3,968	-696
Investments, loans and placements		16,896	14,004	14,683	15,188	15,419	231
Receivables	12	4,286	4,496	4,525	4,520	4,355	-165
Equity - Investments in other entities		1,386	1,484	1,479	1,437	1,457	20
Other financial assets		24	39	24	24	17	-7
<i>Total financial assets</i>		27,743	26,635	26,635	27,051	26,826	-225
<i>Non-financial assets</i>							
Land	16	50,653	56,408	52,073	52,073	52,524	451
Property, plant and equipment	17,18	89,100	93,820	94,357	94,267	93,780	-486
Biological assets	13	324	328	321	320	335	15
Inventories	11						
Land inventories		2,028	2,205	2,111	2,091	2,002	-90
Other inventories		2,789	4,030	2,886	3,575	3,304	-271
Intangibles	20	1,118	791	1,100	1,001	1,091	90
Assets classified as held for sale	14	70	276	33	44	28	-16
Investment property	15	571	653	603	604	581	-22
Other		509	405	525	500	386	-114
<i>Total non-financial assets</i>		147,161	158,915	154,009	154,475	154,031	-444
TOTAL ASSETS		174,904	185,550	180,643	181,526	180,857	-669
LIABILITIES							
Deposits held		144	190	175	181	186	6
Advances received		439	424	424	449	438	-11
Borrowings	21	39,740	41,998	41,975	42,570	41,216	-1,355
Superannuation	22	8,143	8,573	7,723	7,794	8,027	233
Other employee benefits	23	3,465	3,413	3,605	3,633	3,574	-60
Payables		4,954	5,919	4,808	5,668	5,757	90
Other liabilities	24	5,092	5,421	5,208	5,107	4,832	-275
<i>TOTAL LIABILITIES</i>		<i>61,977</i>	<i>65,938</i>	<i>63,919</i>	<i>65,402</i>	<i>64,029</i>	<i>-1,372</i>
NET ASSETS		112,927	119,612	116,725	116,124	116,828	704
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		30,855	31,768	31,582	31,308	30,931	-377
Other reserves		82,072	87,844	85,143	84,816	85,897	1,081
NET WORTH	4	112,927	119,612	116,725	116,124	116,828	704
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-33,663	-38,650	-36,681	-37,747	-37,204	544
<i>Net financial liabilities</i>		35,049	40,134	38,160	39,184	38,661	-524
<i>Net debt</i>							
Gross debt liabilities		40,323	42,612	42,574	43,200	41,840	-1,360
less: liquid financial assets		22,046	20,615	20,606	21,070	20,997	-72
less: convergence differences impacting net debt		88	88	88	88	88	-
<i>Net debt</i>		<i>18,188</i>	<i>21,909</i>	<i>21,880</i>	<i>22,042</i>	<i>20,754</i>	<i>-1,288</i>

(a) The accompanying notes form part of these financial statements.

Note: Columns/rows may not add due to rounding.

Table 1.19

TOTAL PUBLIC SECTOR
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
Balance at 1 July 2012	81,846	30,475	112,321
Changes in accounting policy or correction of prior period errors	-	-846	-846
Restated balance at 1 July 2012	81,846	29,629	111,475
Operating result		746	746
Other movements in equity	149	556	706
All other	77	-76	1
<i>Total change in net worth</i>	<i>226</i>	<i>1,226</i>	<i>1,453</i>
Balance at 30 June 2013	82,072	30,855	112,928
Balance at 1 July 2013	82,072	30,855	112,928
Operating result		-444	-444
Other movements in equity	3,750	595	4,345
All other	75	-75	-
Total change in net worth	3,825	76	3,901
Balance at 30 June 2014	85,897	30,931	116,828

Note: Columns/rows may not add due to rounding.

Table 1.20

TOTAL PUBLIC SECTOR^(a)
Cash Flow Statement

	2012-13		2013-14			Variation on EOT \$m (4) - (3)	
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		Actual \$m (4)
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		7,756	8,767	8,614	8,452	8,186	-265
Grants and subsidies received		8,934	8,718	8,761	8,723	8,614	-109
Receipts from sales of goods and services		18,128	19,810	20,068	18,595	18,291	-304
Interest receipts		811	784	790	689	692	3
Dividends and tax equivalents		-	-	-	-	-	-
Other		7,594	8,234	8,573	8,360	9,204	843
<i>Total cash received</i>		43,223	46,313	46,806	44,819	44,987	169
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-12,538	-13,635	-13,741	-13,868	-13,533	335
Payments for goods and services		-18,339	-20,081	-20,524	-18,879	-17,815	1,063
Interest paid		-1,687	-1,676	-1,668	-1,564	-1,751	-187
Grants and subsidies paid		-3,770	-3,911	-3,830	-3,761	-3,674	87
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,324	-4,031	-4,420	-4,411	-5,016	-605
<i>Total cash paid</i>		-40,658	-43,334	-44,183	-42,483	-41,789	694
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	2,565	2,979	2,623	2,336	3,198	862
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-7,355	-7,451	-7,326	-7,095	-6,814	281
Sales of non-financial assets		902	1,671	1,350	1,247	1,151	-96
<i>Total cash flows from investments in non-financial assets</i>		-6,453	-5,780	-5,976	-5,848	-5,663	185
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		12	-	-	-	22	22
For liquidity purposes		7,236	1,357	1,372	1,586	7,112	5,525
<i>Cash paid</i>							
For policy purposes		-12	-	-	-	-23	-23
For liquidity purposes		-6,401	-1,527	-2,579	-2,768	-7,406	-4,638
<i>Total cash flows from investments in financial assets</i>		835	-170	-1,207	-1,181	-295	886
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,618	-5,950	-7,183	-7,029	-5,958	1,071
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	25	15	-10
Borrowings		31,930	25,204	25,595	28,556	26,192	-2,364
Deposits received		-	-	-	-	-	-
Other financing receipts		30	306	307	304	41	-263
<i>Total cash received</i>		31,960	25,511	25,902	28,886	26,249	-2,637
<i>Cash paid</i>							
Advances paid		-15	-15	-15	-15	-16	-1
Borrowings repaid		-29,576	-23,212	-23,537	-26,725	-26,194	531
Deposits paid		-	-	-	-	-	-
Other financing payments		-87	-142	-82	-161	-105	55
<i>Total cash paid</i>		-29,678	-23,369	-23,633	-26,900	-26,316	585
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,282	2,142	2,268	1,985	-67	-2,052
Net increase in cash and cash equivalents		-771	-829	-2,292	-2,708	-2,827	-119
Cash and cash equivalents at the beginning of the period		11,981	9,103	11,210	11,210	11,210	-
Cash and cash equivalents at the end of the period	26	11,210	8,274	8,917	8,502	8,383	-119
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,565	2,979	2,623	2,336	3,198	862
Net cash flows from investing in non-financial assets		-6,453	-5,780	-5,976	-5,848	-5,663	185
Cash surplus/deficit	4	-3,888	-2,801	-3,353	-3,512	-2,465	1,047

(a) The accompanying notes form part of these financial statements.

Note: Columns/rows may not add due to rounding.

Notes to the Financial Statements

NOTE 1: MISSION STATEMENT THE GOVERNMENT OF WESTERN AUSTRALIA

The Government of Western Australia (the reporting entity hereafter referred to as ‘the public sector’) is created by the Western Australian *Constitution Act 1889*.

The Executive Council is the governing body responsible for the control and management of the operations, affairs, concerns and property of the public sector. The Executive Council consists of the Governor, the Premier, and Ministers of the Crown, and is hereafter referred to as ‘the State Government’.

The principal office of the State Government is situated at Parliament House, Harvest Terrace, West Perth, Western Australia.

The State Government’s mission is to achieve four key objectives:

- contribute to securing Western Australia’s economic future;
- provides efficient delivery of high quality health, education and other services;
- supports and protect the community to improve the lives of Western Australians now and into the future; and
- invests in infrastructure that is critical to build the State and to deliver the Government’s vision

This was summarised in the 2013-14 Government Financial Strategy Statement in Budget Paper Number 3: *Economic and Fiscal Outlook*:

“The Government is committed to further increasing prosperity, including investing in infrastructure to support the State’s growing population and economy, while maintain the efficient delivery of quality services.”

Consistent with the requirements of the *Government Financial Responsibility Act 2000*, the Financial Strategy Statement also includes reference to whole-of-government financial targets which are discussed in Chapter 2 of this report.

The public sector is a not-for-profit entity funded primarily through Commonwealth grants, State taxation, territorial (mining) revenue and user charges.

NOTE 2: STATEMENT OF COMPLIANCE

Compliance Framework

The financial statements of the general government sector and the total public sector for the year ended 30 June 2014 have been prepared in accordance with applicable Australian Accounting Standards (AAS) and Interpretations, in particular AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

The Standard under which the general government sector financial statements are prepared does not require full application of AASB 127: *Consolidated and Separate Financial Statements* and AASB 139: *Financial Instruments: Recognition and Measurement*. Assets, liabilities, income, expenses and cash flows of government controlled entities that are in the public non-financial corporations sector and the public financial corporations sector are not separately recognised in the general government sector financial statements. Instead, the general government sector financial statements recognise an asset, being the controlling equity investment in those entities, and recognise a gain or loss relating to changes in the carrying amount of that asset, measured in accordance with AASB 1049.

In compliance with AASB 1049, where consistent with accounting standards, Government Financial Statistics (GFS) concepts, sources and methods are used. In Australia, GFS standards are promulgated by the Australian Bureau of Statistics (ABS).

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Statement

The whole-of-government financial statements of the Government of Western Australia constitute general purpose financial statements.

The financial statements presented in this *Annual Report on State Finances* are required under section 14A(3) of the *Government Financial Responsibility Act 2000* (GFRA) and the regulations of that Act.

(b) Reporting Entity

The reporting entities are the Government of Western Australia (the total public sector or whole-of-government) and the general government sector, and include entities under their control.

The general government sector is not a separate entity, but represents a component of the Government of Western Australia reporting entity. The purpose of the general government sector financial statements is to provide users with information about the stewardship of central government by the State Government and accountability for the resources entrusted to it. It also provides information about the financial position, changes in net assets/liabilities, performance and cash flows of the general government sector.

The statistical framework also classifies sub-sectors in accordance with the principles and rules contained in the ABS' *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* (ABS GFS Manual). The entities forming part of each sector are referred to as agencies in these financial statements and Note 34: *Composition of sectors* contains a full list of agencies forming each of the sectors listed below.

General government sector

The general government sector comprises public sector agencies that are engaged mainly in the provision of services outside the normal market mechanism, or that provide for the transfer of income for public policy purposes. Costs are financed predominantly from centrally collected revenue such as taxes, Commonwealth grants and mining royalties.

Public non-financial corporation sector

The public non-financial corporation sector comprises those non-financial public sector agencies engaged mainly in the production of goods and services for sale in the market and whose objective is to recover at least a significant proportion of operating costs through charges for their goods and services.

Public financial corporation sector

The public financial corporation sector comprises those public sector agencies engaged primarily in financial activities, such as providing central borrowing authority and public sector insurance services.

Control

The control of an agency by the State Government is taken to exist where the:

- agency is accountable to the State Government;
- the State Government, through the public sector, has a residual financial interest in the net assets of that agency; and
- the State Government has the power to control the financial and operating policies of an agency so as to obtain benefits from its activities.

Where control of an agency is obtained during a financial year, results are included in the Operating Statement from the date on which control commenced. Where control of an agency ceased during a financial year, results are included for that part of the year for which control existed.

Specific details of agencies controlled by the State Government and consolidated in the public sector are shown in Note 34: *Composition of sectors*. A detailed list of other entities nominally referred to as public sector agencies that are not included in the consolidated financial statements, is also shown in Note 34. Exclusion of these agencies is based on the criteria of control noted above.

Most agencies have 30 June reporting dates. Where agencies have reporting dates other than 30 June, the data incorporated in this appendix are based on either:

- management accounts to 30 June; or
- the latest financial statements.

The use of management financial data or the latest financial statements in these cases does not have a material effect on these consolidated financial statements.

(c) Basis of Preparation

The financial statements of the total public sector and the general government sector have been prepared in accordance with AASB 1049, the Framework and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The ABS GFS Manual provides the basis upon which GFS information that is contained in the financial statements is prepared. In particular, notes disclosing key fiscal aggregates of net worth, total change in net worth, net operating balance, net lending/-borrowing and cash surplus/-deficit determined using the principles and rules in the ABS GFS Manual are included in the financial statements, together with a reconciliation of those key fiscal aggregates to the corresponding key fiscal aggregates recognised in the financial statements.

The Balance Sheet and Operating Statement have been prepared on an accrual basis of accounting and assets and liabilities are shown at fair value unless otherwise stated.

The accounting policies applied in the preparation of the financial statements have been consistently applied throughout all periods presented.

Assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to or from the reporting entity and the amounts of the assets or liabilities can be reliably measured.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability. The judgements made in the process of applying accounting policies consistent with AASs that had the most significant effect on the amounts recognised in the financial statements are disclosed, where applicable, in the relevant notes to the financial statements.

(d) Accounting Judgements, Estimates and Assumptions

In the preparation of the consolidated financial statements, public sector entities are required to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at reporting date and the reported revenue and expenses during the reporting period.

On an ongoing basis, the public sector and its controlled entities evaluate estimates and judgements in relation to assets, liabilities, contingent assets and liabilities, revenue and expenses, based on historical experience and various other factors (such as discount rates used in estimating provisions and estimating the useful life of key assets) that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements about the carrying values of assets and liabilities. Actual results may differ from these estimates.

Contingent assets and liabilities are not recognised in the Balance Sheet but are discussed in a note to the consolidated financial statements. They may arise through uncertainty as to the existence, settlement or measurement of an asset or liability and are recognised once this uncertainty is removed.

Judgements, estimates and assumptions that have significant effects on the financial statements are disclosed in the notes to the financial statements. These judgements and assumptions relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 19: *Fair value measurements*);
- superannuation expense and liability (refer to Note 22: *Superannuation*);
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 23: *Other employee benefits*); and
- provisions for outstanding insurance claims (refer Note 24: *Other liabilities*).

(e) Presentation and Rounding of Amounts

The consolidated financial statements are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m). As a consequence, columns and rows may not always add due to rounding.

(f) Foreign Currency

Transactions in currencies other than Australian dollars are recorded at the rates of exchange prevailing on the settlement date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

In order to hedge its exposure to certain foreign exchange risks, the public sector enters into forward contracts and options (see Note 31: *Financial Instruments – Derivatives* for details of the public sector accounting policies in respect of such derivative financial instruments).

(g) Basis of Consolidation

The consolidated financial statements of the reporting entity include the assets and the liabilities of the public sector and its controlled agencies at the end of the financial year and the revenue and expenses of the public sector and its controlled agencies for the year.

The consolidated financial statements include the information and results of each controlled agency from the date on which the State Government obtained control and until such time as the State Government ceased to control the agency.

For the purposes of reporting the public sector as a single economic entity, all material transactions and balances and unrealised gains between agencies under State Government control are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, the accounting policies and reporting periods of controlled agencies have been aligned with those adopted by the public sector as a whole, to achieve consistency. This approach has not materially affected the revenue and expenses or the assets and liabilities at the reporting date.

(h) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable net of the amount of goods and services tax payable and net of discounts, rebates, concessions and allowances.

The policies adopted for the recognition of significant categories of revenue are as follows.

Taxation revenue

Revenue is recognised at the time when tax payments are due and payable, according to taxation law or upon issue of an assessment. The basis of recognition for each major type of taxation revenue, is shown in the following table.

Major Type of Taxation Revenue	Basis of Revenue Recognition
Stamp duty	On receipt of cash (self-assessment method), plus on the issue of an assessment.
Payroll tax and betting taxes	On receipt of cash (self-assessment method), plus on the issue of an assessment to amend self-assessed liability.
Land tax	On issue of assessment.
Motor vehicle and drivers licences	On receipt of cash.

Grants and subsidies revenue

With the exception of North West Shelf royalty grants and Commonwealth Condensate Compensation grants (which are subject to lags between production, assessment and cash payments), revenue from the Commonwealth and other grant contributions, whether for recurrent operational or for capital purposes, are recognised as revenue in the period in which the public sector gains control over the assets, which is usually when cash is received.

Sale of goods and services

Revenue from the sale of goods, including regulatory fees, is recognised (net of returns, discounts, rebates, concessions and allowances) when control of the goods and the significant risks and benefits incidental to ownership have passed to the buyer.

Revenue from rendering of services is recognised on a stage of completion basis. The stage of completion is determined according to the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

Interest income

Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and taking into account the effective yield on the financial asset.

Revenue from public corporations

Dividends, income tax equivalent revenue and local government rate equivalent revenue for the general government sector represents income from the other sectors of government. Dividends are recognised as revenue when the right to receive payment is established, while tax and rate equivalent revenue is recognised in the period it is earned.

Royalty income

Mineral and petroleum royalties from companies operating under government legislation are recognised on an accrual basis in accordance with the substance of the relative agreements considering the base on which the royalty is calculated. Under current systems, the base can be production, royalty value, net cash flows or profit.

(i) Expense Recognition

Expenses are recognised when incurred and are reported in the financial year to which they relate. The policies adopted for the recognition of significant categories of expenses are as follows.

Salaries

Salaries include wages and salaries, leave entitlements, redundancy payments and district allowances.

Superannuation

The superannuation expense (concurrent cost) of the defined benefit plans relates to current service cost which is the cost of employer financed benefits that are expected to accrue for defined benefit members during the reporting period.

The superannuation expense (concurrent cost) of the defined contribution plans is recognised as and when the contributions fall due.

Actuarial gains or losses relating to remeasurement adjustments and changes in actuarial assumptions of the defined benefit plans are reported separately as 'other economic flows' associated superannuation.

Superannuation interest cost

The carrying cost of superannuation liabilities is recognised as an interest cost. This cost is estimated based on the discount rate used to value the gross superannuation liability, less the expected return on plan assets.

Depreciation and amortisation

Depreciation of non-financial physical assets (excluding inventories) is generally provided on a straight line basis at rates based on the expected useful lives of those assets. The expected useful life for each class of depreciable asset is provided at Note 3(k).

Amortisation is provided on leasehold improvements, intangible assets and on assets held under finance leases and is calculated on a straight line basis, generally over the expected useful lives of the underlying assets.

Other interest

Interest costs include interest charges, finance lease charges and borrowing costs. Interest costs are expensed in the period in which they are incurred. Interest expense is recognised as it accrues and includes items of a similar nature realised in managing portfolios. Any realised gains or losses on financial liabilities are also recognised as interest.

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings.

Current and capital transfers

Current and capital transfers include grants and subsidies and other payments made to other sectors of government and to non-government organisations for the delivery of services. They are recognised as an expense to the extent when the grantee meets conditions such as grant eligibility criteria, or has provided the service or facilities required under the grant agreement.

(j) Other Economic Flows

Other economic flows are changes in volume or value of an asset or liability that do not result from transactions.

Net gains on assets/liabilities***Realised gains (or losses) on disposal of non-financial assets***

Net gains (or losses) arising on the disposal or retirement of a non-current asset are recognised when control of the asset and the significant risks and benefits incidental to ownership have passed to the buyer.

Impairment – non-financial assets

Impairment losses are recognised as a non-transaction cost when an asset's carrying amount exceeds its recoverable amount.

Net actuarial gains (or losses)

Actuarial gains (or losses) on superannuation defined benefit plans are recognised in the period in which they occur.

(k) Land, and other Property, Plant and Equipment***Initial recognition and measurement***

All items of land and other property, plant and equipment are initially recognised at cost.

Subsequent recognition and measurement

After initial recognition, the public sector has adopted the following measurement models.

Class of Asset	Subsequent Measurement
Land (including land under roads)	Fair value
Buildings	Fair value less accumulated depreciation and accumulated impairment losses
Infrastructure – road network	Fair value less accumulated depreciation and accumulated impairment losses
Infrastructure – water storage and distribution	Fair value less accumulated depreciation and accumulated impairment losses
– electricity generation and transmission	
– other	
Plant, equipment and other	Fair value less accumulated depreciation and accumulated impairment losses

Revaluations

Non-financial physical assets are revalued with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from its fair value at the end of the reporting period.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation movements are recognised in 'all other movements in equity' and accumulated in equity under the asset revaluation surplus.

Land

The fair value attributed to the land component of government owned non-current real estate assets (excluding land under roads) for financial reporting purposes is determined on the basis of highest and best use taking into consideration the legal, physical and economic restrictions affecting the sites ability to realise that potential.

Fair value is defined in AASB 116: *Property, Plant and Equipment* as the amount for which an asset could be exchanged, between knowledgeable parties in an ‘arm’s length’ transaction. There is a going concern presumption and it is assumed that an asset is exchanged after an adequate period of marketing.

The fair value of land under roads (i.e. land within road reserves) is based on the market value of the land adjoining the road reserve. The land values are provided by geographic location on an annual basis by the Western Australian Land Information Authority (Valuation Services) as follows:

- Metropolitan area - median value for single residential land for each Local Government Area. Land parcels up to 899 square metres are assumed to have a single residential zoning;
- South West region - nominal unimproved valuation rates covering the south west of the State from Geraldton to Esperance; and
- Balance of State – nominal unimproved valuation rates based on leasehold rates for Crown land.

Buildings

The fair value of buildings is based on current market values determined by reference to recent market transactions. Where market evidence is not available, the fair value of buildings is determined on the basis of existing use where buildings are specialised. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. the depreciated replacement cost).

Building valuations are provided by the Western Australian Land Information Authority (Valuation Services), or by other independent professional valuers, with sufficient regularity, such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Buildings in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the asset is ready for their intended use.

Infrastructure

The fair value of Infrastructure - Road Network, has been determined by reference to the current depreciated replacement cost (existing use basis) as the assets are specialised and no market evidence of value is available. The replacement cost is determined by Main Roads every three years by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost Index) to ensure asset values do not materially differ from fair value. The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2014 is based on the current depreciated replacement cost determined at 30 June 2013 by Main Roads and the ABS Road and Bridge Construction Cost Index has been applied to ensure asset values do not materially differ from fair value. When Infrastructure – Road Network is revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Infrastructure in the course of construction is carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the asset is ready for their intended use.

Plant, equipment and other assets

Plant, equipment and other assets are stated at fair value which approximates carrying value (cost less accumulated depreciation and accumulated impairment losses).

Art collections and artefacts classified as heritage assets are stated at fair value. The revaluation of art works and artefacts is an independent valuation, provided by independent professional valuers, by reference to the current replacement cost as the assets are specialised and no market evidence of value is available.

Depreciation

All property, plant and equipment assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is generally calculated using the straight-line method (as adjusted for any impairment), over the estimated useful lives of the assets. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

The following table summarises the expected useful lives for each class of depreciable asset in both the current and prior years used in compiling these financial statements.

CLASS OF ASSET	DEPRECIATION YEARS
<i>Buildings</i>	20 – 50 years
<i>Infrastructure – Road network</i>	
Roads	40 – 50 years
Bridges	60 – 100 years
Earthworks	Up to 173 years
<i>Infrastructure – Water, storage and distribution</i>	
Pipelines and fittings	30 – 110 years
Dams and reservoirs	30 – 120 years
Drains and channels	20 – 150 years
<i>Infrastructure – Electricity generation and transmission</i>	
Electricity generation and transmission	20 – 45 years
<i>Infrastructure - Other</i>	
Harbour and ports	40 – 100 years
Forestry	20 years
<i>Plant, equipment and other</i>	4 – 15 years

Assets held under finance leases are depreciated over the shorter of the lease term and their expected useful lives on the same basis as owned assets.

Disposal

The gain or loss arising on disposal or retirement of an asset (calculated as the difference between the carrying amount of the asset at the time of disposal and the net disposal proceeds), is included in the Operating Statement in the period the item is disposed.

Where an asset that has been previously revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is retained in the asset revaluation surplus.

(I) Private Sector Financed Infrastructure Assets (Service Concession Arrangements)

Certain private sector financed infrastructure arrangements provide for a private sector entity to design, construct, operate and maintain certain infrastructure assets for a specified concession period, after which the infrastructure is transferred back to the public sector.

There is currently no accounting standard or Interpretation applicable to the public sector that specifically addresses the accounting for private sector financed infrastructure assets.

Pending the development of an accounting model applicable to the public sector for assets used to provide public services under service concession arrangements, the interest of the public sector in such arrangements is recognised as an asset, being the emerging interest in the remaining service potential to be transferred. The emerging interest is recognised from the date of completion of construction and valued by reference to the written down value of the right to receive the asset at the date of transfer.

(m) Biological Assets

Biological assets in the form of standing trees in native and plantation forests are stated at fair value less estimated point-of-sale costs and costs necessary to get the assets to market. Standing trees are physically attached to land located within forest plantations which are measured separately from land.

The fair value of the biological asset is based on its present location and condition and is measured as the present value of expected net cash flows of the harvest based on the productive forestland, discounted at a current market-determined pre-tax rate.

Gains or losses arising from changes in the fair value of standing trees, are taken to account as gains or losses in the Operating Statement.

(n) Investment Properties

Initial recognition and measurement

Investment properties are held for rental yield and capital appreciation and are initially recognised at cost.

Subsequent recognition and measurement

After initial recognition, the public sector has adopted the fair value model. Investment properties are carried at fair value and no depreciation is provided in respect of buildings.

The fair value of investment properties is determined by reference to market based evidence, having regard to current economic and market conditions at reporting date. Valuations are performed annually by an independent professional valuer.

Gains and losses arising from changes in the fair value of investment properties are included in the Operating Statement in the year in which they arise.

(o) Intangible Assets

Acquired and internally developed intangible assets are initially measured at cost. The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Amortisation is calculated for the period of the expected benefit (estimated useful life) on a straight-line basis using rates which are reviewed annually. All intangible assets controlled by the public sector have a finite useful life and zero residual value.

Expected useful lives for all classes of intangible asset are assumed to be 3 to 5 years.

(p) Assets Held for Sale

Assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell and are presented separately from other assets in the Balance Sheet. These assets are not depreciated or amortised while they are classified as held for sale.

(q) Impairment of Assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the public sector is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of asset is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

Intangible assets not yet available for use or with an indefinite useful life are tested for impairment each reporting period irrespective of whether there is any indication of impairment. Tests are undertaken by agencies at each reporting period.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(r) Leases

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities at amounts equal to the fair value of the leased item or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The assets are disclosed as holdings, infrastructure and/or property, plant and equipment (as applicable), and depreciated over the estimated useful life of the assets.

Minimum lease payments are apportioned between finance charges and reduction of the outstanding lease liability according to the interest rate implicit in the lease. Finance charges are taken to account as a finance cost expense in the Operating Statement.

(s) Inventories

Inventories, other than inventories held for distribution, are measured at the lower of cost and net realisable value. Costs are assigned using the weighted average cost or the 'first in first out' method.

Inventories consisting of land held for development and resale are valued at the lower of cost and net realisable value. Costs include the cost of acquisition and development.

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.

(t) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents also comprise restricted cash and cash equivalents (which includes cash held for specific purposes). These include cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(u) Financial Instruments

Financial assets and liabilities are recognised on the Balance Sheet when the public sector becomes a party to the contractual provisions of the financial instrument. The public sector has the following categories of financial instruments:

- cash and cash equivalents;
- loans and receivables;
- held-for-trading financial assets;
- available-for-sale financial assets with quoted market price in an active market;
- available-for-sale without quoted market price in an active market;
- trading financial liabilities;
- non-trading financial liabilities; and
- derivatives.

Fair value of financial instruments

The fair value of financial instruments is determined based on quoted market prices, where available, or on estimates using present values or other valuation techniques. These techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments. The principal methods and assumptions used in estimating the fair value of the following financial instruments are outlined below.

Receivables

Receivables are recognised and carried at original invoice amount less any allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amount (doubtful debts) is based on objective evidence of impairment. The carrying amount is equivalent to fair value, as it is due for settlement within 30 days. Receivables generally do not carry any interest.

Investments

Investments in controlled agencies are recorded at the government's proportional share of the carrying amount of net assets of public corporations sector entities before consolidation eliminations.

Investments are classified as an available-for-sale investment if that asset can be revalued to fair value where an active market exists. For available-for-sale investments at fair value, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Operating Statement for the period.

Other investments are also classified as an available-for-sale investment but are stated at cost where an active market does not exist or when fair value cannot otherwise be determined. For available-for-sale investments at cost, the gains and losses are recognised directly in the Operating Statement on disposal or if determined to be impaired.

Dividend revenue is recognised in the Operating Statement when the right to receive payment is established.

Loans and advances

Loans and advances are recognised at the original loan and advance amount at cost less principal repayments and any appropriate allowances and provision for uncollectible amounts (impairment).

Interest revenue is accrued on a time basis, by reference to the principal outstanding and using the effective interest rate yield method.

Payables

Payables are recognised when the public sector becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are settled within 30 days. Accounts payable are not interest bearing.

Borrowings

Borrowings are predominantly conducted by the Western Australian Treasury Corporation (WATC), which operates within the capital markets as the central borrowing authority of the public sector.

All borrowings are initially recognised at the fair value of the net proceeds received.

Subsequent fair value measurements are calculated using current lending rates for similar borrowings with remaining maturities consistent with the debt being valued. Unrealised gains or losses arising from changes in fair value are recognised in the Operating Statement.

Derivatives

The public sector does not speculate on trading of derivatives, but uses appropriate hedging strategies to limit any material currency risk and interest rate risk. Derivatives are used exclusively to hedge interest rate and foreign currency exposures.

All derivative financial instruments are recognised in the Balance Sheet and measured at fair value. The fair values for derivative financial instruments are obtained from quoted market prices. Application of hedge accounting will only be available where specific designation and effectiveness criteria are satisfied. Where hedge accounting cannot be achieved for on-going risk mitigation activity, the changes in the fair value of derivative financial instruments are recognised in the Operating Statement as they arise.

(v) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Superannuation

The public sector provides superannuation benefits under two types of schemes: defined benefit plans and defined contribution plans.

The Government Employees Superannuation Board (GESB) in accordance with legislative requirements administers the following State public sector plans:

- Defined Benefit Plans:
 - Pension Scheme, which was closed to new members on 15 August 1986;
 - Judges Pension Scheme; which is open to members of the judiciary;
 - Parliamentary Pension Scheme, which was closed to new members on 10 October 2000; and
 - Gold State Superannuation (GSS) Scheme, which was closed to new members on 29 December 1995;

- Defined Contribution Plans:
 - West State Superannuation (WSS) Scheme which was closed to new members on 16 April 2007; and
 - GESB Super (GESB) Scheme which commenced on 16 April 2007 for all new Western Australian public sector employees.

From 30 March 2012 existing members of the WSS, GESBs and new employees have been able to choose their preferred superannuation fund provider. Agencies make contributions to GESB or other fund providers on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish agency liabilities for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The defined benefit plans are superannuation plans that define the benefit amount that an employee will be entitled to receive upon retirement taking into account expected future salary increases and other actuarial assumptions such as mortality and retirement rates. Defined benefit plan contributions are calculated based upon regulatory requirements and/or plan terms. The defined benefit obligations and the related services costs are determined separately for each plan at each reporting date by a qualified actuary, using the Projected Unit Credit method.

The expected future payments are discounted to present value using market yields at the reporting date on Commonwealth government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses of the defined benefits superannuation plans are immediately recognised in the Operating Statement. The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

The amounts recognised in the Balance Sheet represent the present value of the defined benefit obligations, reduced by the fair value of the associated plan assets. The assets of these plans are held separately from the public sector's general assets.

The defined contribution plans are superannuation plans in which the employer pays a defined contribution amount into a separate fund. Contributions to defined contribution plans are charged to the Operating Statement as incurred. The public sector has no further obligation to the plans as scheme members assume the investment risk. The unfunded portion of the WSS scheme, left over after full-funding arrangements were put in place in 2001, is being amortised over the period to 2021.

See also Note 3(i): *Expense Recognition – Superannuation*.

Other employee benefits

Annual Leave and Long Service Leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match as closely as possible the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the public sector does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other compensated absences

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the Operating Statement for this leave as it is taken.

Other provisions

Employment On-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the salaries expense and the related on-cost liability is recognised separately from the employee benefit provision.

Decommissioning, Restoration and Rehabilitation

A provision is recognised where the public sector has a legal or constructive obligation in respect of plant decommissioning, restoration and site rehabilitation works. Estimates are based on the present value of expected future cash outflows.

(w) Initial Application of Australian Accounting Standards

The public sector and general government sector have applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2013.

- *AASB 13: Fair Value Measurement.* This Standard sets out definitions, measurement and disclosures relating to fair value measurement. There is no financial impact resulting from the application of this Standard.
- *AASB 119: Employee Benefits.* This Standard supersedes AASB 119 (October 2010), the standard makes changes to the recognition, presentation and disclosure requirements. The effect of discounting annual leave liabilities that were previously measured at undiscounted amounts have no material financial impact.
- *AASB 1048: Interpretation of Standards.* This Standard supersedes AASB 1048 (June 2012) and provides references to interpretations in all other Standards. There is no financial impact.
- *AASB 1053: Application of Tiers of Australian Accounting Standards.* This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact resulting from the application of this standard.
- *AASB 2010-2: Amendments to Australian Accounting Standards Arising From Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 134 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052].* This Standard makes amendments to many Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities.
- *AASB 2011-2: Amendments to Australian Accounting Standards Arising From the Trans-Tasman Convergence Project – Reduced Disclosure Requirements (AASB 101 & AASB 1054).* This Amending Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting.
- *AASB 2011-6: Amendments to Australian Accounting Standards - Extending Relief From Consolidation, the Equity Method and Proportionate Consolidation-Reduced Disclosure Requirements [AASB 127, 128 & 131].* This Standard removes the requirement for the consolidated financial statements to be prepared in compliance with International Financial Reporting Standard (IFRS), provided that Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements are complied with.

- AASB 2011-8: *Amendments to Australian Accounting Standards Arising From AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]*. This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations. There is no financial impact.
- AASB 2011-10: *Amendments to Australian Accounting Arising From AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]*. This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119: *Employee Benefits* in September 2011. There is limited financial impact resulting from the application of this Standard.
- AASB 2011-11: *Amendments to AASB 119 (September 2011) Arising From Reduced Disclosure Requirements*. This Standard aims to give effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact resulting from the application of this Standard.
- AASB 2012-1: *Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, 7, 13, 140 & 141]*. This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and consequential amendments implemented through AASB 2011-8. There is no financial impact resulting from the application of this Standard.
- AASB 2012-2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]*. This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity’s financial statements to evaluate the effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. There is no financial impact resulting from the application of this Standard.
- AASB 2012-5: *Amendments to Australian Accounting Standards Arising From Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]*. This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact resulting from the application of this Standard.
- AASB 2012-6: *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]*. This Standard makes amendments to the mandatory effective date of AASB 9: *Financial Instruments* to 1 January 2015. Amendments were also made to consequential amendments arising from AASB 9 that will now apply from 1 January 2015 and to consequential amendments arising out of the Standards that will still apply from 1 January 2013. There is no financial impact resulting from the application of this Standard.

- AASB 2012-7: *Amendments to Australian Accounting Standards Arising From Reduced Disclosure Requirements [AASB 7, 12, 101 & 127]*. This Standard adds or amends the Australian Accounting Standards to provide further information regarding the differential reporting framework and the two tiers of reporting requirement for preparing general financial statements. There is no financial impact resulting from the application of this Standard
- AASB 2012-9: *Amendments to Australian Accounting Standards Arising from the Withdrawal of Australian Int 1039*. This Standard outlines the measurement of tax assets and liabilities in accordance to AASB 112.46-47.
- AASB 2012-10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049, & 2011-7 and Int 12]*. This Standard makes amendments to various editorial alterations and amends the mandatory application date of Standards for not for profit entities accounting for interests in other entities. There is no financial impact resulting from the application of this Standard.
- AASB 2012-11: *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, 2, 8, 10, 107, 128, 133, 134 & 2011-4]*. This Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2) and extends the relief from consolidation and the equity method (in the new Consolidation and Joint Arrangements Standards) to entities complying with Australian Accounting Standards) to entities complying with Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact resulting from the application of this Standard.
- AASB 2013-9: *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial instruments*. Part A of this Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for period ending on or after 20 December 2013. The remaining parts of this Standard become operative in the future. There is no financial impact for Part A resulting from the application of this Standard.

(x) Future Impact of Australian Accounting Standards Not Yet Operative

The public sector and general government sector have not applied the following Australian Accounting Standards that have been issued but are not yet effective. These will be applied from their application date:

- AASB 9: *Financial Instruments*. This Standard supersedes AASB 139: *Financial Instruments: Recognition and Measurement* and amends the mandatory application date of this Standard to become effective for reporting periods beginning on or after 1 January 2017. The full impact of these Standards is still being assessed.

- *AASB 10: Consolidated Financial Statements.* This Standard supersedes *AASB 127: Consolidated and Separate Financial Statements* and *Int 112 Consolidation – Special Purpose Entities*. The Standard becomes effective for reporting periods beginning on or after 1 January 2014 and introduces a number of changes to accounting treatments. Mandatory application of this Standard was deferred for not-for-profit entities by *AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and other Amendments*. There is expected to be no financial impact resulting from the application of this Standard.
- *AASB 11: Joint Arrangements.* This Standard supersedes *AASB 131: Interests in Joint Ventures* and introduces new principles for determining the type of joint arrangement that exists, which are more aligned to the actual rights and obligations of the parties to the arrangement. The Standard becomes effective for reporting periods beginning on or after 1 January 2014. There is expected to be no financial impact resulting from the application of this Standard.
- *AASB 12: Disclosure of Interest in Other Entities.* This Standard becomes effective for reporting periods beginning on or after 1 January 2014, replacing disclosure requirements under *AASB 127: Consolidated and Separate Financial Statements* and *AASB 131: Interests in Joint Ventures*. *AASB 2012-10* defers the mandatory application date of the Standard for not-for-profit entities. There is expected to be no financial impact resulting from the application of this Standard.
- *AASB 127: Separate Financial Statements.* This Standard becomes effective for reporting periods beginning on or after 1 January 2014, replacing *AASB 127: Consolidated and Separate Financial Statements*, and introduces a number of changes to accounting treatments. *AASB 2012-10* amends the mandatory application date of the Standard to 1 January 2015 for not-for-profit entities. There is expected to be no financial impact resulting from the application of this Standard.
- *AASB 128: Investments in Associates and Joint Ventures.* This Standard becomes effective for reporting periods beginning on or after 1 January 2014, replacing *AASB 128: Investments in Associates*, introducing a number of changes to accounting treatments. *AASB 2012-10* amends the mandatory application date of the Standard to 1 January 2015 for not-for-profit entities. There is expected to be no financial impact resulting from the application of this Standard.
- *AASB 1031: Materiality.* This Standard becomes effective for reporting periods beginning on or after 1 January 2014 and supersedes *AASB 1031 (February 2010)*, removing Australian guidance on materiality not available under IFRS and makes references to other Australian pronouncements that contain guidance on materiality. There is expected to be no financial impact resulting from the application of this Standard.
- *AASB 1055: Budgetary Reporting.* This standard becomes effective for reporting periods beginning on or after 1 July 2014 and specifies budgetary disclosure requirements for the general government sector. There is expected to be no financial impact resulting from the application of this Standard.

- AASB 2010-7: *Amendments to Australian Accounting Standards Arising From AASB 9 (December 2010)* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]. This Standard becomes effective for reporting periods beginning on or after 1 January 2015 and makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The full impact of this Standard is still being assessed.
- AASB 2011-7: *Amendments to Australian Accounting Standards Arising From the Consolidation and Joint Arrangements Standard* [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]. This Standard becomes effective for reporting periods beginning on or after 1 January 2014, and gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127: *Separate Financial Statements* and AASB 128: *Investments in Associates and Joint Ventures*. Application of this Standard was deferred by AASB 2012-10 for not-for-profit entities. There is expected to be no financial impact resulting from the application of this Standard.
- AASB 2012-3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* [AASB 132]. This Standard becomes effective for reporting periods beginning on or after 1 January 2014 and adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria. There is expected to be no financial impact resulting from the application of this Standard.
- AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*. This Standard becomes effective for reporting periods on or after 1 January 2014 and introduces editorial and disclosure changes. There is expected to be no financial impact resulting from the application of this Standard.
- AASB 2013-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* [AASB 139]. This Standard becomes effective for reporting periods on or after 1 January 2014 and permits the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. There is expected to be no financial impact resulting from the application of this Standard.
- AASB 2013-8: *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities* [AASB 10, 12 & 1049]. This Standard becomes effective for reporting periods on or after 1 January 2014 and provides guidance in determining whether a not-for-profit entity controls another entity when financial returns are not a key attribute of the investor's relationship. The full impact of this amendment is still being assessed.

- AASB 2013-9: *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*. This Standard becomes effective for reporting periods on or after 1 January 2014. Part B of this Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 and Part C defers the application of AASB 9 to become effective on 1 January 2017. The full impact of this Standard is still being assessed.
- Interpretation 21: *Levies*. This Interpretation outlines the circumstances under which a liability to pay a government levy imposed shall be recognised. There is expected to be no financial impact resulting from this Interpretation.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable or have no material impact on the total public sector or the general government sector.

(y) Comparative Figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

NOTE 4: CONVERGENCE DIFFERENCES

Where possible, AASB 1049 harmonises GFS and accounting concepts into a single presentation. Where harmonisation cannot be achieved (e.g. the recognition of a doubtful debts provision is excluded from GFS net worth), a convergence difference arises.

The following tables detail convergence differences reflected in the 30 June 2014 results.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Operating Balance

	2014	2013
	\$m	\$m
<i><u>General government</u></i>		
AASB 1049 net operating balance	719	249
Plus GFS revenue adjustments	-	-
Less GFS expense adjustments	-	-
Total GFS adjustments to AASB 1049 net operating balance	-	-
GFS net operating balance	719	249
<i><u>Public non-financial sector</u></i>		
AASB 1049 net operating balance	571	304
Plus GFS revenue adjustments	-	-
Less GFS expense adjustments		
Capitalised interest	42	27
Dividends	825	785
Total GFS expense adjustments	867	811
Total GFS adjustments to AASB 1049 net operating balance	-867	-811
GFS net operating balance	-296	-507
<i><u>Public financial sector</u></i>		
AASB 1049 net operating balance	-86	91
Plus GFS revenue adjustments	-	-
Less GFS expense adjustments		
Dividends	154	67
Total GFS expense adjustments	154	67
Total GFS adjustments to AASB 1049 net operating balance	-154	-67
GFS net operating balance	-241	23
<i><u>Total public sector</u></i>		
AASB 1049 net operating balance	225	-208
Plus GFS revenue adjustments	-	-
Less GFS expense adjustments		
Capitalised interest	42	27
Total GFS expense adjustments	42	27
Total GFS adjustments to AASB 1049 net operating balance	-42	-27
GFS net operating balance	183	-235

AASB 1049 TO GFS CONVERGENCE DIFFERENCES		
Net Lending/-Borrowing		
	2014	2013
	\$m	\$m
<i><u>General government</u></i>		
AASB 1049 net lending/-borrowing	-1,127	-1,852
Plus Net operating balance convergence differences (noted above)	-	-
GFS net lending/-borrowing	-1,127	-1,852
<i><u>Public non-financial corporations</u></i>		
AASB 1049 net lending/-borrowing	-870	-597
Plus Net operating balance convergence differences (noted above)	-867	-811
GFS net lending/-borrowing	-1,737	-1,408
<i><u>Public financial corporations</u></i>		
AASB 1049 net lending/-borrowing	-73	103
Plus Net operating balance convergence differences (noted above)	-154	-67
GFS net lending/-borrowing	-227	35
<i><u>Total public sector</u></i>		
AASB 1049 net lending/-borrowing	-3,050	-3,199
Plus Net operating balance convergence differences (noted above)	-42	-27
GFS net lending/-borrowing	-3,092	-3,226

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Net Worth

	2014	2013
	\$m	\$m
<i><u>General government</u></i>		
AASB 1049 net worth	116,828	112,927
<i>Plus</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88
Provision for doubtful debts		
General government sector	216	208
Impact on public corporations net worth	42	97
<i>Total GFS net worth adjustments</i>	347	393
GFS net worth	117,174	113,320
<i><u>Public non-financial corporations</u></i>		
AASB 1049 net worth	50,651	48,694
<i>Plus</i>		
Impact of general government equity injections	-6,374	-5,846
Provision for doubtful debts	33	29
<i>Total GFS net worth adjustments</i>	-6,340	-5,817
GFS net worth	44,310	42,878
<i><u>Public financial corporations</u></i>		
AASB 1049 net worth	1,786	1,748
<i>Plus</i>		
Impact of general government equity injections		
Provision for doubtful debts	9	68
All other		
<i>Total GFS net worth adjustments</i>	9	68
GFS net worth	1,795	1,816
<i><u>Total public sector</u></i>		
AASB 1049 net worth	116,828	112,927
<i>Plus</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88
Provision for doubtful debts	259	305
<i>Total GFS net worth adjustments</i>	347	393
GFS net worth	117,174	113,320

AASB 1049 TO GFS CONVERGENCE DIFFERENCES		
Change in Net Worth		
	2014	2013
	\$m	\$m
<i><u>General government</u></i>		
AASB 1049 change in net worth	3,901	1,452
Plus change in:		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-
Provision for doubtful debts	-	-
General government sector	8	6
Impact on public corporations net worth	-55	75
All other	-	-
Total GFS change in net worth adjustments	-46	82
GFS change in net worth	3,854	1,533
<i><u>Public non-financial corporations</u></i>		
AASB 1049 change in net worth	1,956	1,047
Plus change in:		
Impact of general government equity injections	-528	-607
Provision for doubtful debts	4	7
All other	-	-
Total GFS change in net worth adjustments	-524	-600
GFS change in net worth	1,433	448
<i><u>Total non-financial public sector</u></i>		
AASB 1049 change in net worth	3,901	1,452
Plus change in:		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-
Provision for doubtful debts	-	-
Total non-financial public sector	12	14
Impact on public corporations net worth	-59	68
All other	-	-
Total GFS change in net worth adjustments	-46	82
GFS change in net worth	3,854	1,533

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Change in Net Worth (Cont.)

	2014	2013
	\$m	\$m
<i><u>Public financial corporations</u></i>		
AASB 1049 change in net worth	38	462
Plus change in:		
Impact of general government equity injections	-	-
Provision for doubtful debts	-59	68
All other	-	-
Total GFS change in net worth adjustments	-59	68
GFS change in net worth	-21	530
<i><u>Total public sector</u></i>		
AASB 1049 change in net worth	3,901	1,452
Plus change in:		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-
Provision for doubtful debts	-46	82
All other	-	-
Total GFS change in net worth adjustments	-46	82
GFS change in net worth	3,854	1,533

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Cash Surplus/-Deficit

	2014	2013
	\$m	\$m
<i><u>General government</u></i>		
AASB 1049 cash surplus/-deficit	-1,333	-1,952
Less Acquisitions under finance leases and similar arrangements	109	104
GFS cash surplus/-deficit	-1,441	-2,056
<i><u>Public non-financial corporations</u></i>		
AASB 1049 cash surplus/-deficit	-1,015	-1,998
Less Acquisitions under finance leases and similar arrangements	264	-
GFS cash surplus/-deficit	-1,279	-1,998
<i><u>Public financial corporations</u></i>		
AASB 1049 cash surplus/-deficit	-117	62
Less Acquisitions under finance leases and similar arrangements	-	-
GFS cash surplus/-deficit	-117	62
<i><u>Total public sector</u></i>		
AASB 1049 cash surplus/-deficit	-2,465	-3,888
Less Acquisitions under finance leases and similar arrangements	372	104
GFS cash surplus/-deficit	-2,837	-3,992

NOTE 5: GOVERNMENT PURPOSE CLASSIFICATION

The following allocation of expenses and assets is consistent with the ABS' Government Purpose Classification. A more detailed dissection of general government expenses, consistent with the Uniform Presentation Framework requirements, is contained in Appendix 3: *Other Uniform Presentation Framework Information*.

GOVERNMENT PURPOSE CLASSIFICATION

	General Government	
	2014	2013
	\$m	\$m
EXPENSES		
General public services	514	569
Public order and safety	3,088	2,940
Education	6,455	6,154
Health	7,336	6,903
Social security and welfare	1,931	1,787
Housing and community amenities	1,870	1,534
Recreation and culture	906	851
Fuel and energy	708	543
Agriculture, forestry, fishing and hunting	348	376
Mining and mineral resources other than fuels; manufacturing and construction	220	194
Transport and communications	2,118	1,929
Other economic affairs	785	719
Other purposes	958	969
TOTAL EXPENSES	27,236	25,468
ASSETS AT 30 JUNE		
General public services	5,814	8,224
Public order and safety	3,621	3,476
Education	15,048	13,943
Health	7,986	7,063
Social security and welfare	311	298
Housing and community amenities	6,375	6,191
Recreation and culture	6,166	6,285
Fuel and energy	42	31
Agriculture, forestry, fishing and hunting	363	373
Mining and mineral resources other than fuels; manufacturing and construction	1,597	1,433
Transport and communications	42,308	40,163
Other economic affairs	484	519
<i>plus</i> Investments in other public sector entities	52,437	50,443
TOTAL ASSETS	142,551	138,440

Note: Columns may not add due to rounding.

GOVERNMENT PURPOSE CLASSIFICATION

Total Public Sector	2014	2013
	\$m	\$m
EXPENSES		
General public services	266	328
Public order and safety	2,990	2,834
Education	6,263	5,973
Health	7,269	6,840
Social security and welfare	1,897	1,764
Housing and community amenities	3,346	3,160
Recreation and culture	3,679	3,538
Fuel and energy	4,035	3,763
Agriculture, forestry, fishing and hunting	436	462
Mining and mineral resources other than fuels; manufacturing and construction	218	192
Transport and communications	2,951	2,744
Other economic affairs	7,047	7,290
Other purposes	2,008	2,116
TOTAL EXPENSES	42,406	41,003
ASSETS AT 30 JUNE		
General public services	5,206	7,670
Public order and safety	3,630	3,485
Education	15,048	13,943
Health	7,986	7,063
Social security and welfare	311	297
Housing and community amenities	50,513	48,453
Recreation and culture	6,934	7,061
Fuel and energy	21,421	20,585
Agriculture, forestry, fishing and hunting	741	744
Mining and mineral resources other than fuels; manufacturing and construction	1,597	1,433
Transport and communications	50,725	48,027
Other economic affairs	16,747	16,144
TOTAL ASSETS	180,857	174,904

Note: Columns may not add due to rounding.

NOTE 6: OPERATING REVENUE

A detailed disclosure of general government and total public sector operating revenue (which includes Uniform Presentation Framework requirements) is included in Appendix 2: *Operating Revenue*.

NOTE 7: TRANSFER EXPENSES

Transfer expenses are defined as the provision of something of value for no specific return or consideration and include grants, subsidies, donations, transfers of assets free of charge, etc.

The following tables provide detail of current and capital transfer expenses of the general government sector and the total public sector, in line with Uniform Presentation Framework disclosure requirements.

TRANSFER EXPENSES^(a)		
General Government		
	2014	2013
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	316	322
Local government on-passing	168	158
Private and not-for-profit sector	1,537	1,590
Private and not-for-profit sector on-passing	951	873
Other sectors of government	2,384	1,952
Total Current Transfers	5,357	4,895
<i>CAPITAL TRANSFERS</i>		
Local government	274	65
Local government on-passing	107	101
Private and not-for-profit sector	130	155
Private and not-for-profit sector on-passing	22	25
Other sectors of government	232	116
Total Capital Transfers	765	462
Total Public Sector		
	2014	2013
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	317	322
Local government on-passing	168	158
Private and not-for-profit sector	2,243	2,260
Private and not-for-profit sector on-passing	951	873
Other sectors of government	16	17
Total Current Transfers	3,695	3,631
<i>CAPITAL TRANSFERS</i>		
Local government	274	65
Local government on-passing	107	101
Private and not-for-profit sector	210	237
Private and not-for-profit sector on-passing	22	25
Total Capital Transfers	613	428
(a) Includes grants, subsidies and other transfer expenses.		

NOTE 8: OTHER INTEREST

General Government		
	2014	2013
	\$m	\$m
Interest on borrowings	477	433
Finance charges on finance leases	15	9
Total	492	442
Less: Capitalised interest on borrowings	-	-
Total other interest	492	442
Total Public Sector		
	2014	2013
	\$m	\$m
Interest on borrowings	1,480	1,530
Finance charges on finance leases	105	85
Total	1,584	1,615
Less: Capitalised interest on borrowings	42	27
Total other interest	1,543	1,588

NOTE 9: DEPRECIATION AND AMORTISATION EXPENSE

General Government		
	2014	2013
	\$m	\$m
<i>Depreciation</i>		
Buildings	500	431
Infrastructure	264	258
Plant, equipment and other	306	303
<i>Total</i>	<i>1,070</i>	<i>992</i>
<i>Amortisation</i>		
Intangible assets	127	117
<i>Total</i>	<i>127</i>	<i>117</i>
Total depreciation and amortisation expenses	1,197	1,108
Total Public Sector		
	2014	2013
	\$m	\$m
<i>Depreciation</i>		
Buildings	707	618
Infrastructure	1,595	1,539
Plant, equipment and other	702	679
<i>Total</i>	<i>3,005</i>	<i>2,836</i>
<i>Amortisation</i>		
Intangible assets	215	187
<i>Total</i>	<i>215</i>	<i>187</i>
Total depreciation and amortisation expenses	3,220	3,024

NOTE 10: OTHER GROSS OPERATING EXPENSES

General Government		
	2014	2013
	\$m	\$m
Health sector specific expenses	1,094	1,080
Education sector specific expenses	296	268
Other	3,553	3,377
Total	4,943	4,725
Total Public Sector		
	2014	2013
	\$m	\$m
Betting dividends payouts	1,804	1,726
Health sector specific expenses	1,094	1,080
Education sector specific expenses	296	268
Insurance claims expenses	949	584
Other	12,502	12,830
Total	16,645	16,487

NOTE 11: INVENTORIES

General Government		
	2014	2013
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development - at cost	-	-
Land acquisition and development - at net realisable value	96	84
<i>Total Land inventories</i>	96	84
<i>Other Inventories</i>		
Other materials and stores - at cost	38	34
Other materials and stores - at net replacement cost	1	1
Other - at cost	38	42
Other - at net realisable value	1	1
<i>Total Other inventories</i>	79	77
Total Inventories	175	162
Total Public Sector		
	2014	2013
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development - at cost	1,881	1,915
Land acquisition and development - at net realisable value	120	112
<i>Total Land inventories</i>	2,002	2,028
<i>Other Inventories</i>		
Precious metals - at net realisable value	2,833	2,360
Power station fuel stocks - at cost	30	75
Other materials and stores - at cost	42	36
Other materials and stores - at net replacement cost	10	29
Other - at cost	389	287
Other - at net realisable value	1	1
<i>Total Other inventories</i>	3,304	2,789
Total Inventories	5,305	4,817

NOTE 12: RECEIVABLES

General Government		
	2014	2013
	\$m	\$m
Receivables	3,270	3,078
Provision for impairment of receivables	-216	-208
Total receivables	3,054	2,870
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	208	202
Doubtful debts expense recognised in the income statement	38	28
Amounts written off during the year	-29	-21
Amounts recovered during the year	-1	-1
Balance at the end of year	216	208
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	2,076	1,788
More than 3 Months but less than 6 months	68	50
More than 6 months but less than 1 year	58	39
More than 1 year	159	174
Total	2,361	2,052
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	72	63
Impairment loss	-7	-1
Carrying amount at the end of year	65	62
Total Public Sector		
	2014	2013
	\$m	\$m
Receivables	4,613	4,591
Provision for impairment of receivables	-259	-305
Total receivables	4,355	4,286
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	305	223
Doubtful debts expense recognised in the income statement	50	106
Amounts written off during the year	-94	-22
Amounts recovered during the year	-2	-2
Balance at the end of year	259	305
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	2,912	2,113
More than 3 Months but less than 6 months	157	87
More than 6 months but less than 1 year	166	69
More than 1 year	179	193
Total	3,414	2,461
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	197	353
Impairment loss	-17	-69
Carrying amount at the end of year	180	284

NOTE 13: BIOLOGICAL ASSETS

 General Government

	2014	2013
	\$m	\$m
Native and plantation standing trees	-	-
Livestock and other	1	2
Total Biological Assets	1	2

Reconciliation of Biological Assets

Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year are set out below .

30 June 2014	Standing Trees \$m	Livestock and Other \$m	Total \$m
Carrying amount at beginning of year	-	2	2
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	-1	-1
Carrying amount at end of year	-	1	1

30 June 2013	Standing Trees \$m	Livestock and Other \$m	Total \$m
Carrying amount at beginning of year	-	2	2
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	-	-
Carrying amount at end of year	-	2	2

NOTE 13: BIOLOGICAL ASSETS (CONT.)

Total Public Sector

	2014	2013
	\$m	\$m
Native and plantation standing trees ^(a)	333	322
Livestock and other	1	2
Total Biological Assets	335	324

(a) Biological assets (non-current) consist of mature and maturing standing trees stated at fair value less estimated selling costs, determined by valuations provided by Forest Products Commission each year, based on discounted cash flow models using a pre-tax weighted average cost of capital, supported by market evidence.

Reconciliation of Biological Assets

Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year are set out below .

30 June 2014	Standing Trees \$m	Livestock and Other \$m	Total \$m
Carrying amount at beginning of year	322	2	324
Gain/-loss from changes in fair value	10	-	10
Other	1	-1	1
Carrying amount at end of year	333	1	335

30 June 2013	Standing Trees \$m	Livestock and Other \$m	Total \$m
Carrying amount at beginning of year	333	2	335
Gain/-loss from changes in fair value	-14	-	-14
Other	3	-	3
Carrying amount at end of year	322	2	324

NOTE 14: ASSETS CLASSIFIED AS HELD FOR SALE

General Government

	2014	2013
	\$m	\$m
Land	11	25
Other	5	14
Total	16	39

Assets held for sale primarily relates to: the Department of Agriculture and Food (\$4 million as land held for distribution to owners), the Commissioner of Main Roads (\$10 million land sold during the year), Department of Transport (\$2 million as land held for sale), Department of Education (\$24 million land transferred to West Coast Institute of Training), Department of Education Services (\$2 million as buildings held for sale) offset by a reclassification of land by the Department of Fire and Emergency Services (\$12 million impairment loss realised as at 30 June 2014, relating to the write down of FESA House).

Reconciliation of Assets classified as held for sale

Reconciliation of changes in the carrying amount of assets classified as held for sale at the beginning and the end of the year are set out below .

30 June 2014	Land	Other	Total
	\$m	\$m	\$m
Carrying amount at beginning of year	25	14	39
Assets reclassified as held for sale	20	6	26
Assets sold	-10	-2	-12
Revaluation increment/-decrement	-	-1	-1
Impairment losses	-	-12	-12
Transfers out/other	-24	-	-24
Carrying amount at end of year	11	5	16
30 June 2013	Land	Other	Total
	\$m	\$m	\$m
Carrying amount at beginning of year	66	25	91
Assets reclassified as held for sale	16	2	18
Assets sold	-62	-1	-63
Revaluation increment/-decrement	-	-	-1
Impairment losses	-	-10	-10
Transfers out/other	5	-1	3
Carrying amount at end of year	25	14	39

NOTE 14: ASSETS CLASSIFIED AS HELD FOR SALE (CONT.)

Total Public Sector		
	2014	2013
	\$m	\$m
Land	23	35
Other	6	34
Total	28	70

Assets held for sale primarily relates to: The Public Transport Authority (\$10 million as land held for sale), the Housing Authority (\$30 million rental properties sold during the year), the Water Corporation (\$16 million system assets sold during the year), the Department of Agriculture and Food (\$4 million as land held for distribution to owners), the Commissioner of Main Roads (\$10 million land sold during the year), Department of Transport (\$2 million as land held for sale), Department of Education (\$24 million land transferred to West Coast Institute of Training), Department of Education Services (\$2 million as buildings held for sale), offset by a reclassification of land by the Department of Fire and Emergency Services (\$12 million impairment loss realised as at 30 June 2014, relating to the write down of FESA House).

Reconciliation of Assets classified as held for sale

Reconciliation of changes in the carrying amount of assets classified as held for sale at the beginning and the end of the year are set out below .

30 June 2014	Land	Other	Total
	\$m	\$m	\$m
Carrying amount at beginning of year	35	34	70
Assets reclassified as held for sale	22	32	53
Assets sold	-10	-47	-57
Revaluation increment/-decrement	-	-1	-1
Impairment losses	-	-12	-12
Transfers out/other	-24	-1	-25
Carrying amount at end of year	23	6	28

30 June 2013	Land	Other	Total
	\$m	\$m	\$m
Carrying amount at beginning of year	78	32	110
Assets reclassified as held for sale	16	77	93
Assets sold	-62	-51	-113
Revaluation increment/-decrement	-2	-	-2
Impairment losses	-	-10	-10
Transfers out/other	5	-13	-8
Carrying amount at end of year	35	34	70

NOTE 15: INVESTMENT PROPERTIES

General Government		
	2014	2013
	\$m	\$m
Carrying amount at beginning of year	8	8
Additions	-	-
Revaluation increments/-decrements	-	-
Transfers from property, plant and equipment	-	-
Carrying amount at end of year	8	8
Total Public Sector		
	2014	2013
	\$m	\$m
Carrying amount at beginning of year	571	545
Additions	-	1
Revaluation increments/-decrements	10	26
Transfers from property, plant and equipment	-	-
Carrying amount at end of year	581	571

NOTE 16: LAND

General Government		
	2014	2013
	\$m	\$m
Land, at fair value ^(a)	15,264	15,276
Land under roads, at fair value ^(b)	22,342	20,946
Total	37,606	36,222
Total Public Sector		
	2014	2013
	\$m	\$m
Land, at fair value ^(a)	30,182	29,707
Land under roads, at fair value ^(b)	22,342	20,946
Total	52,524	50,653

(a) Land valuations are provided by the Western Australian Land Information Authority (Valuation Services Branch) each financial year with an effective date of 1 July. The valuation is based on information on the stock of land at 30 June 2013. Land vested in local authorities of \$2,137 million (2013: \$2,065 million) is not recognised in the consolidated Balance Sheet, as it is not under State public sector control.

(b) Land under roads valuations are provided by the Western Australian Land Information Authority (Valuation Services Branch) each financial year with an effective date of 1 July. The valuation is based on information on the stock of land at 30 June 2013.

NOTE 17: OTHER PROPERTY, PLANT AND EQUIPMENT

General Government		
	2014	2013
	\$m	\$m
Buildings, at fair value ^(a)	18,412	16,787
Accumulated Depreciation and impairment losses	-377	-188
<i>Total</i>	<i>18,035</i>	<i>16,599</i>
Electricity generation and transmission, at fair value ^(b)	1	1
Accumulated Depreciation	-	-
<i>Total</i>	<i>1</i>	<i>1</i>
Road networks, at fair value ^(c)	27,847	27,144
Accumulated Depreciation	-10,107	-9,639
<i>Total</i>	<i>17,740</i>	<i>17,505</i>
Other infrastructure, at fair value	605	536
Accumulated Depreciation	-259	-246
<i>Total</i>	<i>346</i>	<i>289</i>
Plant, equipment and other, at fair value	3,561	3,886
Accumulated Depreciation and impairment losses	-1,351	-1,236
<i>Total</i>	<i>2,210</i>	<i>2,650</i>
Fixed Assets under construction	4,831	3,805
Total Property, Plant and Equipment	43,162	40,850
Total Public Sector		
	2014	2013
	\$m	\$m
Buildings, at fair value ^(a)	27,071	24,908
Accumulated Depreciation and impairment losses	-1,009	-556
<i>Total</i>	<i>26,062</i>	<i>24,353</i>
Electricity generation and transmission, at fair value ^(b)	15,462	13,903
Accumulated Depreciation	-3,584	-3,170
<i>Total</i>	<i>11,879</i>	<i>10,733</i>
Road networks, at fair value ^(c)	27,847	27,144
Accumulated Depreciation	-10,107	-9,639
<i>Total</i>	<i>17,740</i>	<i>17,505</i>
Water storage and distribution, at fair value ^(d)	28,223	27,136
Accumulated Depreciation	-10,294	-9,861
<i>Total</i>	<i>17,929</i>	<i>17,275</i>
Other infrastructure, at fair value	11,069	10,411
Accumulated Depreciation	-5,598	-5,528
<i>Total</i>	<i>5,471</i>	<i>4,883</i>
Plant, equipment and other, at fair value	11,532	11,131
Accumulated Depreciation and impairment losses	-4,681	-4,255
<i>Total</i>	<i>6,851</i>	<i>6,876</i>
Fixed Assets under construction	7,848	7,474
Total Property, Plant and Equipment	93,780	89,100

(a) Building valuations are provided by Western Australian Land Information Authority (Valuation Services Branch) and by other independent professional valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from fair value at reporting date.

(b) Electricity generation and transmission includes the cost of decommissioning of property, plant and equipment including the cost of dismantling and removing the asset and restoring the site on which it is located, to the extent that these costs are also recognised as a provision.

(c) Road infrastructure comprising roads, bridges and road furniture was valued at fair value by the Commissioner of Main Roads' Engineer at 30 June 2014.

(d) Water storage and distribution, comprising pipelines, outfalls and fittings, dams, reservoirs, bores and tanks, ocean outfalls, pump stations and treatment plants, drains and channels and other structures, are reported at deemed cost being a revalued amount prior to transition that approximates the fair value as at date of valuation.

NOTE 18: RECONCILIATION OF LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT

General Government

	Land	Land under Roads	Buildings	Electricity generation and transmission	Road networks	Other infrastructure	Plant, equip & other	Fixed Assets under Construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
30 June 2014									
Carrying amount at beginning of year	15,276	20,946	16,599	1	17,505	289	2,650	3,805	77,074
Assets classified as held for sale	-4	-	-20	-	-	-	-	-	-24
Additions	83	14	58	-	567	11	337	2,180	3,249
Disposals	-73	-	-21	-	-19	-2	-109	-15	-238
Transfers in/-out	-14	-9	1,089	-	-63	57	-131	-1,134	-204
Revaluation increments/-decrements	-23	1,392	535	-	1	1	-345	-	1,561
Depreciation	-	-	-500	-	-252	-12	-306	-	-1,070
Impairment losses	-	-	-	-	-	-	-2	-	-2
Accumulated depreciation written back	-	-	288	-	-	2	113	-	403
Other	21	-	5	-	-	-	2	-6	21
Carrying amount at end of year	15,264	22,342	18,035	1	17,740	346	2,210	4,831	80,768
30 June 2013									
Carrying amount at beginning of year	15,851	21,749	14,802	1	16,420	239	2,438	3,950	75,449
Assets classified as held for sale	-17	-	-1	-	-	-1	-	-	-18
Additions	80	-	146	-	64	11	442	2,608	3,350
Disposals	-95	-	-13	-	-38	-17	-170	-31	-364
Transfers in/-out	35	96	1,683	-	721	66	119	-2,719	1
Revaluation increments/-decrements	-593	-899	109	-	586	-	-46	-	-842
Depreciation	-	-	-431	-	-247	-11	-303	-	-992
Impairment losses	-	-	-14	-	-	-	-	-	-15
Accumulated depreciation written back	-	-	333	-	-	2	170	-	506
Other	15	-	-15	-	-	-	-	-2	-2
Carrying amount at end of year	15,276	20,946	16,599	1	17,505	289	2,650	3,805	77,073

NOTE 18: RECONCILIATION OF LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT.)

Total Public Sector										
	Land	Land	Buildings	Electricity	Road	Water	Other	Plant,	Fixed	Total
	\$m	under		generation	netw orks	storage	Infra-	equip &	Assets	\$m
		Roads		and		and	structure	other	under	
				transmission		distribution		Construction		
30 June 2014										
Carrying amount at beginning of year	29,707	20,946	24,353	10,733	17,505	17,275	4,883	6,876	7,474	139,754
Assets classified as held for sale	-11	-	-41	-	-	-	-	-	-	-51
Additions	158	14	397	233	567	-	25	439	4,998	6,829
Disposals	-215	-	-99	-8	-19	-6	-112	-170	-27	-656
Transfers in/-out	-60	-9	1,252	1,014	-63	962	703	533	-4,588	-256
Revaluation increments/-decrements	583	1,392	723	312	1	130	27	-315	-1	2,852
Depreciation	-	-	-707	-692	-252	-411	-240	-702	-	-3,005
Impairment losses	-	-	-	-	-	-	-	-2	-	-2
Accumulated depreciation w ritten back	-	-	182	286	-	-22	203	193	-	842
Other	19	-	3	2	-	-	-18	-	-7	-2
Carrying amount at end of year	30,182	22,342	26,062	11,879	17,740	17,929	5,471	6,851	7,848	146,304
30 June 2014										
Carrying amount at beginning of year	30,120	21,749	22,426	9,944	16,420	16,493	5,011	6,616	7,015	135,796
Assets classified as held for sale	-27	-	-39	-	-	-6	-1	-20	-	-93
Additions	299	-	225	24	64	432	23	684	5,016	6,767
Disposals	-166	-	-107	-59	-38	-13	-24	-240	-72	-718
Transfers in/-out	52	96	1,989	1,387	721	-	108	211	-4,482	82
Revaluation increments/-decrements	-586	-899	-4	-173	586	88	-28	-2	-	-1,019
Depreciation	-	-	-618	-663	-247	-397	-232	-679	-	-2,836
Impairment losses	-	-	-14	-	-	-	-	-	-	-15
Accumulated depreciation w ritten back	-	-	510	273	-	678	35	296	-	1,792
Other	15	-	-15	-	-	2	-10	9	-3	-1
Carrying amount at end of year	29,707	20,946	24,353	10,733	17,505	17,275	4,883	6,876	7,474	139,753

NOTE 19: FAIR VALUE MEASUREMENTS

General Government

Assets measured at fair value

	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	Total Fair value at end of period
	\$m	\$m	\$m	\$m
30 June 2014				
Assets classified as held for sale (Note 14)	-	12	4	16
Land (Note 16,18)	-	2,390	12,875	15,264
Land under roads (Note 16,18)	-	-	22,342	22,342
Buildings (Note 17,18)	-	702	17,333	18,035
Electricity generation and transmission (Note 17,18)	-	-	1	1
Road networks (Note 17,18)	-	-	17,740	17,740
Other infrastructure (Note 17,18)	-	77	269	346
Plant, equipment and other (Note 17,18)	2	64	2,144	2,210
Biological assets (Note 13)	-	-	1	1
Investment property (Note 15)	-	8	-	8
Total	2	3,252	72,709	75,963

(a) Assets valued using quoted prices (unadjusted) in active markets for identical assets.

(b) Assets valued using inputs based on observable market data (either directly or indirectly).

(c) Assets valued using inputs not based on observable market data.

Measurement of fair values

Transfers between Level 1, 2 and 3

There were no significant transfers between Levels 1, 2 and 3.

Valuation techniques to derive Level 2 fair values

The following valuation techniques to derive Level 2 fair values have been identified for agencies with significant asset values within the general government sector.

The general government sector derives the fair values for Level 2 assets classified as held for sale, land, buildings, other infrastructure, plant, equipment and other, and investment property using the market approach. The fair values of these assets have been derived using sale prices of comparable assets to determine the price per square metre for land and buildings, with adjustments made for differences in key attributes.

Assets classified as held for sale have been written down to fair value less cost to sell. Fair value has been determined by reference to market evidence of sales process of comparable assets.

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

General Government

Fair value measurements using significant unobservable inputs (Level 3)^{(a) (b)}

	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
30 June 2014										
Fair value at start of period	3	12,636	20,946	16,353	1	17,505	235	2,480	2	-
Additions	4	171	14	965	-	656	43	301	-	-
Revaluation increments/-decrements recognised in All other movements in equity	-	221	1,392	829	-	1	3	-233	-	-
Transfers from/-to Level 2	-	1	-	-	-	-	-	-	-	-
Disposals	-3	-153	-10	-347	-	-170	-2	-109	-	-
Depreciation	-	-	-	-467	-	-252	-9	-293	-	-
Impairment loss	-	-	-	-	-	-	-	-2	-	-
Fair value at end of period	4	12,875	22,342	17,333	1	17,740	269	2,144	1	-

(a) There were no gains or losses for the period included in Operating Result for assets held at the end of the reporting period, under 'Net gains on assets/liabilities'.

(b) There was no change in unrealised gains or loss for the period included in the Operating Result for assets held at the end of the reporting period.

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

General Government

Valuation processes

There were no significant changes in valuation techniques during the period.

Valuation techniques to derive Level 3 fair values

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as assets held for sale.

The following valuation processes have been identified for agencies with significant Level 3 asset values within the general government sector.

Fair value for restricted-use land is based on market value, by either using market evidence of sales of comparable land that is unrestricted less restoration costs to return the site to a vacant and marketable condition (low restricted-use land), or, comparison with market evidence for land with low level utility (high restricted-use land).

Fair value for existing use specialised buildings, other infrastructure, road networks, and plant, equipment and other is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

The Level 3 inputs used are derived and evaluated as follows.

Selection of land with similar approximate utility

Fair value for restricted-use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).

Difference between hypothetical alternate land use value and current use land value

For current use land assets, fair value is measured firstly by establishing the opportunity cost of public purpose land, which is termed the hypothetical alternate land use value.

Selection of land adjoining road reserve

The fair value of road infrastructure comprising of land under roads is determined by comparison with the unimproved land values for land tax purposes maintained by the Western Australian Land Information Authority (Valuation Services).

Consumed economic benefit/obsolescence of assets

This is estimated by the Western Australian Land Information Authority (Valuation Services). This unobservable input has been used for the majority of the asset classes.

Effective age

The effective age is determined by the Quantity Surveyor after taking into account factors such as planned routine maintenance, building improvements and upgrades.

Percentage rate of add-on cost

The costs relating to contingencies, headworks, demolitions costs, professional and project fees determined by the Quantity Surveyor.

Residual value of 25% of current replacement cost

The straight line method of depreciation is applied to derive the depreciated replacement cost, assuming a uniform pattern of consumption over the initial 37 years of asset life (up to 75% of current replacement costs). All specialised buildings are assumed to have a residual value of 25% of their current replacement costs.

Historical cost per cubic metre – Road networks

The fair value of road infrastructure comprising of earthworks, pavements (including drainage and seals), bridges and road furniture is calculated using construction unit rates determined by a professional quantity surveying firm and multiplying these by the units that form the infrastructure asset.

The fair value of road infrastructure comprising of principal shared paths and certain road furniture are extracted from financial records of the Commissioner of Main Roads and indexed by movements in the ABS Road and Bridge Construction cost index.

Application of a cost construction index to historical cost

The application of a construction index for some buildings and infrastructure is applied to the construction cost to derive fair value.

Recollection Costs

The cost approach is based on the principle that the price that a buyer in the market would pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase, by construction or by fieldwork. The costs of the fieldworks for collecting collections are extracted from financial records of the Western Australian Museum.

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

General Government

Information about significant unobservable inputs (Level 3) in fair value measurements

The below table shows the valuation techniques used in measuring Level 3 fair values, for significant asset classes, including the significant unobservable inputs used.

Fair Value as at 30 June 2014 \$m	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value measurement
Land				
12,875	Market Approach	Selection of land with similar approximate utility	\$0 - \$554.61 per m ²	Higher value of similar land increases estimated fair value
	Value in Use	Difference between hypothetical alternate land use value and current use land value	0% - 99.4% of hypothetical alternate land use value	The higher the difference, the lower the fair value
Land under roads				
22,342	Market Approach	Selection of land with adjoining road reserve	\$0.75 - \$2,780.00 per m ²	Higher value of similar land increases estimated fair value
Buildings				
17,333	Depreciated Replacement Cost	Effective Age	16.25% to 26.25%	Lower effective age reduces consumption of economic benefits thereby increasing fair value
		Percentage add-on cost	30% to 40%	Higher add-on costs increase fair value
		Residual value of 25% of current replacement cost	\$69,600 - \$102,690,000 per facility	A change of residual value percentage by +/- 5% (i.e. 20% or 30%) results in a change in fair value of \$125,642,000
		Consumed economic benefit/ obsolescence for asset	1.12% - 10.27% per annum	Greater consumption of economic benefit or increased obsolescence
Road networks				
17,740	Depreciated Replacement Cost	Historical cost per cubic metre (m ³)	Earthworks: \$20 - \$49 per m ³ Pavements including drainage and seals: \$52 - \$401 per m ³ Structures: \$3,660 - \$8,452 per m ³	Higher historical cost per m ³ increases fair value

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

General Government

Fair Value as at 30 June 2014 \$m	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value measurement
Other infrastructure				
269	Depreciated Replacement Cost	Consumed economic benefit/obsolescence of asset	1.0% - 6.7% per year	Greater consumption of economic benefit or increased obsolescence lowers fair value
		Application of a cost of construction index to historical cost	0.73% - 2.25% per year	Increases in the costs of construction increases the estimated fair value
Plant, equipment and other				
2,144	Existing Use	Selection of artworks with similar characteristics such as historical, contemporary, international, indigenous	0% - 2.50% per year 0% - 2.63% per year	Higher value of similar artwork pieces increases fair value
		Depreciated Replacement Cost	Historical Cost per collection \$0.08 - \$ 2.2 million	Higher historical cost increases fair value

Reconciliations of the opening and closing balances are provided in Note 13,14,15 and 18.

Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on the use and disposal of these assets when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

NOTE 19: FAIR VALUE MEASUREMENTS

Total Public Sector

Assets measured at fair value

	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	Total Fair value at end of period
	\$m	\$m	\$m	\$m
30 June 2014				
Assets classified as held for sale (Note 14)	-	25	4	28
Land (Note 16,18)	-	10,183	19,999	30,182
Land under roads (Note 16,18)	-	-	22,342	22,342
Buildings (Note 17,18)	-	7,689	18,373	26,062
Electricity generation and transmission (Note 17,18)	-	-	11,879	11,879
Road networks (Note 17,18)	-	-	17,740	17,740
Water storage and distribution (Note 17,18)	-	-	17,929	17,929
Other infrastructure (Note 17,18)	-	77	5,394	5,471
Plant, equipment and other (Note 17,18)	2	987	5,862	6,851
Biological assets (Note 13)	-	-	335	335
Investment property (Note 15)	-	32	549	581
Total	2	18,994	120,405	139,400

(a) Assets valued using quoted prices (unadjusted) in active markets for identical assets.

(b) Assets valued using inputs based on observable market data (either directly or indirectly).

(c) Assets valued using inputs not based on observable market data.

Measurement of fair values

Transfers between Level 1, 2 and 3

There were no significant transfers between Levels 1, 2 and 3.

Valuation techniques to derive Level 2 fair values

The following valuation techniques to derive Level 2 fair values have been identified for agencies with significant asset values within the total public sector.

Total public sector Level 2 identified the assets classified as held for sale, land, buildings, other infrastructure, plant, equipment and other and investment property are derived using the market approach. The fair values of these assets have been derived using sale prices of comparable assets to determine the price per square metre for land and buildings, with adjustments made for differences in key attributes.

Assets classified as held for sale have been written down to fair value less cost to sell. Fair value has been determined by reference to market evidence of sales process of comparable assets.

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector

Fair value measurements using significant unobservable inputs (Level 3)^{(a) (b)}

	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Water storage and distribution \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
30 June 2014											
Fair value at start of period	3	19,768	20,946	17,671	10,733	17,505	17,275	4,941	5,811	324	538
Additions	4	193	14	927	1,248	656	962	666	971	2	-
Revaluation increments/-decrements recognised in Operating Result	-	-	-	-	-	-	-	-	-	-	11
Revaluation increments/-decrements recognised in All other movements in equity	-	324	1,392	668	598	1	108	139	-137	10	-
Transfers from/-to Level 2	-	1	-	-	-	-	-	-	-	-	-
Disposals	-3	-287	-10	-354	-8	-170	-6	-115	-158	-	-
Depreciation	-	-	-	-538	-692	-252	-411	-237	-623	-	-
Impairment loss	-	-	-	-	-	-	-	-	-2	-1	-
Fair value at end of period	4	19,999	22,342	18,373	11,879	17,740	17,929	5,394	5,862	335	549

(a) There were no gains or losses for the period included in Operating Result for assets held at the end of the reporting period, under 'Net gains on assets/liabilities'.

(b) There was no change in unrealised gains or loss for the period included in the Operating Result for assets held at the end of the reporting period.

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector

Valuation processes

There were no significant changes in the valuation techniques during the period.

Valuation techniques to derive Level 3 fair values

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as assets held for sale.

The following valuation processes have been identified for agencies with significant Level 3 asset values within the total public sector.

Fair value for restricted-use land is based on market value, by either using market evidence of sales of comparable land that is unrestricted less restoration costs to return the site to a vacant and marketable condition (low restricted-use land), or, comparison with market evidence for land with low level utility (high restricted-use land).

Fair value for existing use specialised buildings, electricity generation and transmission, water storage and distribution, other infrastructure, road networks, and plant, equipment and other is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Fair value for biological assets is determined using the discounted cash flow method to measure fair values of standing timber. The valuation model for standing timber considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for Native forest and Sandalwood of 50 years and for Plantations of 38 years. The expected net cash flows are discounted using a risk adjusted discounted rate.

Fair value for investment property has been derived using the discounted cash flow and capitalisation of net income methods.

The Level 3 inputs disclosed in the general government sector above also applies to the total public sector. In addition below disclosures are specific to the total public sector.

Historical cost of electricity infrastructure per square kilometres

Historical cost of electricity infrastructure per square kilometre is extracted from the financial records of Western Power, then indexed by a combination of observable price indices for electricity related goods and services. That is, electricity infrastructure equates to plant and equipment, communications equipment, lines, sub-stations, transformers and switch yards.

Replacement cost per kilometre of network

The costs of kilometres of rail track are extracted from 2010 valuation reports supplied by independent valuation experts Mitchell Munn Valuations.

Tunnel Replacement cost per metre

The costs of tunnel replacement are extracted from 2012 valuation reports prepared by the Public Transport Authority's Senior Rail Project Engineer.

Replacement cost per square metre floor area

The costs of constructing specialised buildings relating to bus infrastructure with similar utility are extracted from 2014 valuation reports supplied by independent valuation expert Ralph Beattie Bosworth.

Replacement cost per individual item

The costs of significant specialised items for Public Transport Authority's buildings relating to bus infrastructure are extracted from 2014 valuation reports supplied by independent valuation experts Ralph Beattie Bosworth.

Estimated variables associated with biological assets

The unobservable variables are mainly represented by estimated future timber market price per square cubic metre and estimated average volume per annum, discounted at the rate for 2014 provided by an independent valuation company Indufor Asia Pacific.

Risk adjusted target and adjusted terminal yield

The discounted cash flow approach takes into account the ability of the investment property to generate income over a 10 year period based on certain assumptions. Provision is made for leasing up periods upon the expiry of the various leases throughout the 10 year time horizon. Each year's net operating income during the period is discounted to arrive at the present value of expected future cash flows. The property's anticipated sale value at the end of the period (i.e. its terminal or reversionary value) is also discounted to its present value and added to the discounted income stream to arrive at the total present market value of the property.

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector

Adopted capitalisation rates

The income approach is computed by taking the estimated net market income generated by the investment property and dividing it by the capitalisation rate (the investor's rate of return). Below the line adjustments are made to reflect items such as letting up costs for current and pending vacancies, immediate capital expenditure and rental reversionary interests.

Information about significant unobservable inputs (Level 3) in fair value measurements

The below table shows the valuation techniques used in measuring Level 3 fair values, for significant asset classes, including the significant unobservable inputs used.

Fair Value as at 30 June 2014 \$m	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value measurement
Land				
19,999	Market Approach	Selection of land with similar approximate utility	\$0 - \$554.61 per m ²	Higher value of similar land increases estimated fair value
	Value in Use	Difference between hypothetical alternate land use value and current use land value	0% - 99.4% of hypothetical alternate land use value	The higher the difference, the lower the fair value
Land under roads				
22,342	Market Approach	Selection of land with adjoining road reserve	\$0.75 - \$2,780.00 per m ²	Higher value of similar land increases estimated fair value
Buildings				
18,373	Depreciated Replacement Cost	Effective Age	16.25% to 26.25%	Lower effective age reduces consumption of economic benefits thereby increasing fair value
		Percentage add-on cost	30% to 40%	Higher add-on costs increase fair value
		Residual value of 25% of current replacement cost	\$69,600 - \$102,690,000 per facility	A change of residual value percentage by +/- 5% (i.e. 20% or 30%) results in a change in fair value of \$125,642,000
		Consumed economic benefit/ obsolescence for asset	1.12% - 10.27% per annum	Greater consumption of economic benefit or increased obsolescence lowers fair value

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector				
Fair Value as at 30 June 2014 \$m	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value measurement
Electricity generation and transmission				
11,879	Depreciated Replacement Cost (current use)	Consumed economic benefit/obsolescence of electricity infrastructure	0.0% - 50.0% per annum	Increase in input, results in a decrease in the fair value
		Historical cost of electricity infrastructure per km ²	\$0km ² - \$506km ²	Increase in input, results in a decrease in the fair value
Road networks				
17,740	Depreciated Replacement Cost	Historical cost per cubic metre (m ³)	Earthworks: \$20 - \$49 per m ³ Pavements including drainage and seals: \$52 - \$401 per m ³ Structures: \$3,660 - \$8,452 per m ³	Higher historical cost per m ³ increases fair value
Water storage and distribution				
17,929	Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset	0.5% - 50.0% per year	Greater consumption of economic benefit or increased obsolescence lowers fair value
Other infrastructure				
5,394	<i>Freight Network Infrastructure</i> - Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset	1.00% - 10.00% per year	Greater consumption of economic benefit or increased obsolescence lowers fair value
		Replacement cost per kilometre of network	\$921,000 per kilometre	Higher replacement cost per kilometre increases fair value
	<i>Railway Infrastructure</i> - Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset	1.00% - 100.00% per year	Greater consumption of economic benefit or increased obsolescence lowers fair value
		Tunnel Replacement cost per metre	\$10,330 per metre	Higher replacement cost per metre increases fair value
		Station replacement cost per m ² floor area	\$2,078.15 - \$3,023 per m ²	Higher replacement cost per metre increases fair value

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector

Fair Value as at 30 June 2014 \$m	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value measurement
Other infrastructure (cont.)				
		Consumed economic benefit/ obsolescence of asset	1¼% - 2% per year	Greater consumption of economic benefit or increased obsolescence lowers fair value
5,394	<i>Bus Infrastructure</i> - Depreciated Replacement Cost	Replacement cost per square metre floor area (m ²)	\$5 - \$3,080 per m ²	Higher replacement cost per square metre increases fair value
		Replacement cost per individual items	\$5,000 - \$360,000 per item	Higer replacement cost per item increases fair value
Plant, equipment and other				
	Existing Use	Selection of artworks with similar characteristics such as historical, contemporary, international, indigenous	0% - 2.50% per year 0% - 2.63% per year	Higher value of similar artwork pieces increases fair value
5,862	Depreciated Replacement Cost	Historical Cost per collection	\$0 - \$768,900 \$0.08 - \$ 2.2 million	Higher historical cost increases fair value
		Consumed economic benefit/ obsolescence of asset	1.18% - 100.00% per year	Greater consumption of economic benefit or increased obsolescence lowers fair value
Biological assets				
		Estimated future timber market prices (gross profit) per cubic metre	\$19.99 - \$68.03	The estimated fair value would increase (decrease) if:
		Estimated average volume per annum	446,000 cubic metres	The estimated timber gross profit price per cubic metre were higher (lower); or
335	<i>Standing Timber (Native Forests)</i> - Discounted Cash Flow	Estimated management costs per cubic metre to sell the volume	\$20.88	The estimated volume was higher (lower); or The estimated management cost per cubic metre were lower (higher); or The risk-adjusted discount rate were lower (higher)

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector

Fair Value as at 30 June 2014 \$m	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value measurement
Biological assets (cont.)				
335	<i>Standing Timber (Sandlewood)</i> - Discounted Cash Flow	Estimated future timber market prices based on AUS/USD forward exchange rates over the 50 year horizon provided by Western Australian Treasury Corporation. The exchange rate decreases over the period	Decrease in exchange rate from \$0.91 in 2015 to \$0.47 in 2064	Estimated fair value would increase (decrease) if: The estimated timber gross profit price per cubic metre were higher (lower); or
		Weighted average price for products in the domestic market and export market	(\$11,627 per tonne) domestic market (\$13,060 per tonne) export market	The estimated volume was higher (lower); or The estimated cost to harvest, produce and sell per tonne were lower (higher); or
		Estimated average volume per annum to FY16	(1,350 tonnes) 1,013 tonnes in FY27, 600 tonnes to FY42 and 300 tonnes thereafter.	The risk-adjusted discount rate were lower (higher); or
		Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon	\$8,389 per tonne	The estimated AUD/USD forward exchange rates were higher (lower)
		The area stocked as at 30 June 2014 is 75,469 hectares. Beyond the current date, it is not possible to declare the forest area with certainty.		The estimated fair value would increase (decrease) if:
	<i>Standing Timber (Plantations)</i> - Discounted cash flow	Estimated future timber market prices. Such prices are based on past and current evidence and reflect difference paid for the range of grades sold. The future level is a matter for informed conjecture		The estimated timber gross profit price per cubic metre were higher (lower); or
		Future wood flow projections are based on a combination of the forest area, assumed yield tables and a plausible harvest strategy. The estimation of all such inputs involves forward looking processed for which the results are not assured	\$37.47 per m ³ - \$95.35 per m ³	The estimated volume was higher (lower); or The estimated management cost per cubic metre were lower (higher); or The risk-adjusted discount rate were lower (higher)

NOTE 19: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector

Fair Value as at 30 June 2014 \$m	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value measurement
Investment property				
		Risk adjusted target discount rates for cash flow over 10 year investment horizon	8.75% - 9.75%	The estimated fair value (market value) would vary if market transactions indicate a variation in adopted discount rates and terminal yields
	Discounted Cash Flow	Adopted terminal yield applied to adopted market income at year 11 of the cash flow	8.50% - 9.00%	
549				The estimated fair value (market value) would vary if movement in the risk profile of the asset and general market sentiment has potential to alter adopted capitalisation rates
	Capitalisation of Net Income	Adopted capitalisation rates based on comparative evidence	8.25% - 8.75%	

Reconciliations of the opening and closing balances are provided in Note 13,14,15 and 18.

Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on the use and disposal of these assets when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

NOTE 20: INTANGIBLE ASSETS

General Government		
	2014	2013
	\$m	\$m
Computer software	690	637
Accumulated amortisation	-423	-329
<i>Total</i>	<i>267</i>	<i>308</i>
Software in progress	217	159
Other	273	243
Accumulated amortisation and impairment losses	-184	-156
<i>Total</i>	<i>89</i>	<i>88</i>
Total Intangible Assets	574	554

Reconciliation of Intangibles

	Computer Software	Software in progress	Other	Total
	\$m	\$m	\$m	\$m
30 June 2014				
Carrying amount at beginning of year	308	159	88	554
Additions	35	106	9	150
Disposals	-2	-7	-	-9
Transfers in/-out	30	-43	20	8
Amortisation	-98	-	-28	-127
Other	-5	3	-	-2
Carrying amount at end of year	267	217	89	574

	Computer Software	Software in progress	Other	Total
	\$m	\$m	\$m	\$m
30 June 2013				
Carrying amount at beginning of year	244	183	84	511
Additions	38	125	5	169
Disposals	-3	-1	-	-4
Transfers in/-out	131	-148	17	-
Impairment losses	-	-	-1	-1
Amortisation	-99	-	-18	-117
Other	-4	-1	1	-5
Carrying amount at end of year	308	159	88	554

NOTE 20: INTANGIBLES ASSETS (CONT.)

Total Public Sector		
	2014	2013
	\$m	\$m
Computer software	1,466	1,361
Accumulated amortisation	-899	-747
<i>Total</i>	<i>567</i>	<i>614</i>
Software in progress	236	172
Renewable Energy Certificates	50	64
Other	464	440
Accumulated amortisation and impairment losses	-226	-171
<i>Total</i>	<i>238</i>	<i>269</i>
Total Intangible Assets	1,091	1,118

Reconciliation of Intangibles

	Computer Software	Software in progress	Renewable Energy Certificate	Other	Total
30 June 2014	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	614	172	64	269	1,118
Additions	92	110	65	13	280
Disposals	-4	-7	-79	-	-89
Transfers in/-out	45	-42	-	17	20
Impairment losses	-	-	-	-22	-22
Amortisation	-176	-	-	-40	-215
Other	-4	3	-	-	-1
Carrying amount at end of year	567	236	50	238	1,091

	Computer Software	Software in progress	Renewable Energy Certificate	Other	Total
30 June 2013	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	492	192	79	179	943
Additions	91	137	114	33	376
Disposals	-7	-1	-129	-	-137
Transfers in/-out	202	-156	-	79	125
Impairment losses	-	-	-	-1	-1
Amortisation	-166	-	-	-22	-187
Other	1	-1	-	1	-
Carrying amount at end of year	614	172	64	269	1,118

NOTE 21: BORROWINGS

General Government	2014	2013
	\$m	\$m
Bank Overdrafts	171	-
Finance leases - secured ^(a)	524	422
Domestic and foreign borrowings ^(b)	10,667	10,682
Total^(c)	11,362	11,104
 (a) Finance Leases		
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Amounts payable under finance leases are as follows.		
	2014	2013
	\$m	\$m
Minimum lease payments due:		
- not later than one year	76	32
- later than one year and not later than five years	221	163
- later than five years	276	258
Minimum lease payments	573	453
Future finance charges	-49	-30
Total finance lease liabilities	524	422
Amounts expected to be settled:		
- not later than one year	63	29
- later than one year	461	394
Total	524	422
 (b) Foreign currency borrowings		
The general government sector had no foreign currency borrowings at the reporting date or at the same time last year.		
 (c) Borrowings - maturity profile		
	2014	2013
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	438	2,239
- later than one year and not later than five years	7,009	4,828
- later than five years	3,915	4,037
Total	11,362	11,104

NOTE 21: BORROWINGS (CONT.)

Total Public Sector		
	2014	2013
	\$m	\$m
Bank overdrafts	171	3
Finance leases - secured ^(a)	1,441	1,097
Domestic and foreign borrowings ^(b)	39,603	38,639
Total^(c)	41,216	39,740
 (a) Finance Leases		
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Amounts payable under finance leases are as follows.		
	2014	2013
	\$m	\$m
Minimum lease payments due:		
- not later than one year	107	52
- later than one year and not later than five years	367	267
- later than five years	1,016	807
Minimum lease payments	1,490	1,127
Future finance charges	-49	-30
Total finance lease liabilities	1,441	1,097
Amounts expected to be settled:		
- not later than one year	94	50
- later than one year	1,347	1,047
Total	1,441	1,097
 (b) Foreign currency borrowings		
The following foreign currency borrowings are reported at Australian dollar equivalents applicable at the reporting date and the amounts in foreign currency included.		
30 June 2014	Current	Non-current
United States Dollar	756	
Great Britain Pound	-	-
EUR	-	-
	756	-
 30 June 2013	Current	Non-current
United States Dollars	1,985	-
Great Britain Pound	33	-
EUR	-	-
	2,018	-
At the reporting date, all foreign currency borrowings have either been hedged, swapped, covered forward specifically or invested in the foreign currency market. Consequently, any gain or loss on the transaction of the foreign currency borrowing is matched by a corresponding loss or gain made on the foreign currency contract or the foreign currency investment.		
 (c) Borrowings - maturity profile		
	2014	2013
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	16,385	17,396
- later than one year and not later than five years	13,016	12,755
- later than five years	11,814	9,589
Total	41,216	39,740

NOTE 22: SUPERANNUATION

General Government		
	2014	2013
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,351	2,359
Gold State Superannuation Scheme	4,559	4,642
Judges' Pension Scheme	440	424
Parliamentary Superannuation Scheme	176	169
Total Defined Benefit superannuation schemes	7,526	7,594
Defined contribution superannuation scheme: West State Superannuation Scheme	364	404
Total	7,890	7,999

The superannuation liability for the general government sector at 30 June 2014 was \$7.890 million (2013: \$8,000 million). The liability represents 98.3% (2013: 98.2%) of the whole-of-government total superannuation liability of \$8.027 million at 30 June 2014 (2013: \$8,143 million).

The disclosure information included in the total public sector note below also applies to the general government sector.

Total Public Sector		
	2014	2013
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,487	2,502
Gold State Superannuation Scheme	4,559	4,642
Judges' Pension Scheme	440	424
Parliamentary Superannuation Scheme	176	169
Total Defined Benefit superannuation schemes	7,662	7,737
Defined contribution superannuation scheme: West State Superannuation Scheme	364	404
Total	8,027	8,143

(i) The Government Employee Superannuation Board (GESB) administers the following superannuation schemes.

Defined Benefit Superannuation Schemes

The defined benefit schemes are:

- Pension Scheme, a defined benefit pension scheme now closed to new members;
- Gold State Superannuation Scheme, a defined benefit lump sum scheme closed to new members;
- Judges' Pension Scheme, a defined benefit pension scheme which remains open to new members; and
- Parliamentary Superannuation Scheme, a defined benefit pension scheme closed to new members.

These benefits are partially unfunded and the liabilities for future payments are provided for at reporting date. The liabilities under these schemes have been calculated annually by the actuary, PricewaterhouseCoopers Securities Ltd, using the Projected Unit Credit method. The expected future payments are discounted to present value using market yields at the reporting date on Commonwealth government 10 year bonds with terms to maturity that match, as closely as possible the estimated future cash outflows.

Defined Contribution Superannuation Schemes

Employees who do not qualify for membership to the various defined benefit plan schemes become non-contributory members of the defined contribution plan, compliant with the Commonwealth's *Superannuation Guarantee (Administration) Act 1992*. The West State Superannuation Scheme, an accumulation fund is administered by GESB. From 30 March 2012, existing members of the West State Superannuation or GESB Super schemes and new employees have been able to choose their preferred superannuation fund provider.

The public sector has no further obligation to the plan if there are insufficient assets to pay employees the benefits relating to their services rendered in current and prior periods, except for, the unfunded portion of the West State Superannuation scheme for which the unfunded West State Super benefits are being amortised over the period to 2021. The then Government agreed to amortise the unfunded liability over 20 years from 1 July 2001, when GESB introduced Member Investment Choice from the same date. The liability has been determined as the present value of the amortisation payments, discounted at market yields at the reporting date.

NOTE 22: SUPERANNUATION (CONT.)

- (ii) The actuary has applied the following principal assumptions in assessing the defined benefit superannuation liabilities at the reporting date and for following year expense.

	2014	2013
	%	%
Discount rate (gross of tax) ^(a)	3.5	3.8
Salary rate ^(b)	4.5	4.5
Expected return on plan assets	7.5	7.5
Inflation (pensions)	2.5	2.5

- (a) The discount rate is based on the average term of liabilities.
 (b) Assumed rate of salary inflation is 4.1% per annum, plus an additional 0.5% for promotional increases.

- (iii) Major categories of defined benefit plan assets as a percentage of total fund assets ^(c) are as follows.

	2014	2013
	%	%
Equities	68	67
Cash and Investment funds	19	21
Others	13	12
Total	100	100

- (c) Only the Pension Scheme and Gold State Superannuation Scheme have plan assets. The Judges' Pension and Parliamentary Superannuation Schemes are unfunded with no employer/employee contributions.

- (iv) The net liability of defined benefit plans recognised in the balance sheet is as follows.

	2014	2013
	\$m	\$m
Total defined benefit obligations	10,483	10,333
Scheme assets ^(d)	-2,820	-2,594
Net liability	7,663	7,739

- (d) Based on estimated accounts as at 30 June 2014 and audited accounts as at 30 June 2013.

	2014	2013
Not later than one year	22	21
Later than one year	7,641	7,718
Total	7,663	7,739

- (v) Details of the deficit of the defined benefit plans measured in accordance with AAS 25: *Financial Reporting by Superannuation Plans* as determined from the plans' most recent financial report are shown below.

	Pension Scheme	Gold State Super Scheme ^(e)	Judges' Pension Scheme	Parliamentary Super Scheme	Total
	2014	2014	2014	2014	2014
	\$m	\$m	\$m	\$m	\$m
Gross accrued benefits	2,577	7,290	440	176	10,483
Net market value of plan assets	-89	-2,731	-	-	-2,820
Net liability	2,488	4,559	440	176	7,663

	Pension Scheme	Gold State Super Scheme ^(e)	Judges' Pension Scheme	Parliamentary Super Scheme	Total
	2013	2013	2013	2013	2013
	\$m	\$m	\$m	\$m	\$m
Gross accrued benefits	2,585	7,153	424	169	10,333
Net market value of plan assets	-82	-2,511	-	-	-2,594
Net liability	2,503	4,642	424	169	7,739

- (e) The amounts recorded for the Gold State Superannuation Scheme relate to the scheme as a whole (i.e. the pre-transfer benefit component plus the concurrently funded benefit component). The funding policy in respect of the defined benefit plans is directed at ensuring that benefits accruing to members and beneficiaries are fully funded at the time the benefits become payable. As such, the actuary has considered long-term trends in such factors as scheme membership, salary growth and average market value of the schemes' assets when advising on employer and employee contribution rates.

NOTE 22: SUPERANNUATION (CONT.)

(vi)	The amounts recognised in the operating statement in respect of the defined benefit plans are as follows.	2014	2013
		\$m	\$m
	Total employer current service cost	212	237
	Interest cost	376	348
	Expected return on plan assets	-188	-167
	Recognised actuarial -gains/losses	197	-748
	Total	597	-330
(vii)	Reconciliation of the fair value of defined benefit superannuation assets at the beginning and at the end of the year are set out below.	2014	2013
		\$m	\$m
	Fair value plan assets at beginning of year	2,594	2,286
	Employer contributions	694	577
	Actual participant contributions	66	68
	Actual benefit payments	-939	-757
	Expected return on plan assets	190	167
	Expected plan assets at end of year	2,604	2,341
	Actuarial -gain/loss on assets	216	253
	Fair value of plan assets at end of year	2,820	2,594
(viii)	Reconciliation of the fair value of defined benefit superannuation obligations at the beginning and at the end of the year are set out below.	2014	2013
		\$m	\$m
	Defined benefit obligation at beginning of year	10,333	10,928
	Employer service cost plus operating costs	236	237
	Interest cost	376	348
	Actual participant contributions	65	68
	Actual benefit payments	-939	-757
	Expected defined benefit obligations at end of year	10,070	10,825
	Actuarial -gain/loss on liabilities	412	-493
	Defined benefit obligation at end of year	10,483	10,333
(ix)	Reconciliation of actuarial -gain/loss on assets and liabilities are set out below.	2014	2013
		\$m	\$m
	Actuarial -gain/loss on assets	-214	-253
	Actuarial -gain/loss on liabilities	411	-495
	Amount recognised during year in operating statement	197	-748

NOTE 22: SUPERANNUATION (CONT.)

(x)	Superannuation interest costs for defined benefit schemes are as follows.						
			2014		2013		
	Defined benefit obligations at the beginning of the year (\$m)		10,333		10,928		
	Actual benefit payments (\$m)		939		757		
	Weighted for timing (\$m)		470		378		
	Average benefit obligations (\$m)		9,863		10,550		
	Discount rate (%)		3.80		3.30		
	Calculated interest cost (\$m)		376		348		
(xi)	Expected return on assets at the beginning and the end of the year are set out below.						
			2014		2013		
	Fair value plan assets at beginning of year (\$m)		2,594		2,286		
	Actual employer contributions (\$m)		694		577		
	Weighted for timing (\$m)		347		288		
	Actual participant contributions (\$m)		66		68		
	Weighted for timing (\$m)		33		34		
	Actual benefit payments (\$m)		-939		-757		
	Weighted for timing (\$m)		-470		-378		
	Average expected assets (\$m)		2,504		2,230		
	Assumed rate of return (%)		7.50		7.50		
	Calculated expected return on assets (\$m)		188		167		
(xii)	Actuarial gain/-loss.						
			2014		2013		
			\$m		\$m		
	Defined benefit obligations (prior year assumptions)		10,213		10,928		
	Defined benefit obligations (current year assumptions)		10,483		10,333		
	Actuarial -gain/loss due to assumptions		270		-595		
	Actuarial -gain/loss due to experience		142		100		
	Actuarial -gain/loss on assets		-214		-253		
	Total actuarial -gain/loss		197		-748		
(xiii)	History Summary.						
			2014	2013	2012	2011	2010
			\$m	\$m	\$m	\$m	\$m
	Total defined benefit obligations		10,483	10,333	10,928	9,387	9,189
	Actual assets		2,820	2,594	2,286	2,403	2,296
	Deficit/-surplus		7,663	7,739	8,642	6,984	6,893
	Experience adjustment on liabilities		142	100	39	345	217
	Experience adjustment on assets		-214	-253	168	-53	-215

NOTE 23: OTHER EMPLOYEE BENEFITS

 General Government

	2014	2013
	\$m	\$m
Annual leave	998	990
Long service leave	1,702	1,691
Other	440	362
Total	3,140	3,043

Assessments indicate that actual settlement of the annual leave liabilities is expected to occur as follows.

	2014	2013
	\$m	\$m
Within 12 months of reporting date	781	806
More than 12 months after reporting date	217	184
Total	998	990

Assessments indicate that actual settlement of the long service leave liabilities is expected to occur as follows.

	2014	2013
	\$m	\$m
Within 12 months of reporting date	353	388
More than 12 months after reporting date	1,349	1,303
Total	1,702	1,691

 Total Public Sector

	2014	2013
	\$m	\$m
Annual leave	1,152	1,134
Long service leave	1,960	1,918
Other	462	413
Total	3,574	3,465

Assessments indicate that actual settlement of the annual leave liabilities is expected to occur as follows.

	2014	2013
	\$m	\$m
Within 12 months of reporting date	891	934
More than 12 months after reporting date	261	200
Total	1,152	1,134

Assessments indicate that actual settlement of the long service leave liabilities is expected to occur as follows.

	2014	2013
	\$m	\$m
Within 12 months of reporting date	409	454
More than 12 months after reporting date	1,551	1,464
Total	1,960	1,918

NOTE 24: OTHER LIABILITIES

General Government		2014	2013
		\$m	\$m
Current			
Insurance claims		1	-
Interest payable		89	87
Other provisions		27	25
Other liabilities		192	219
Total Current Liabilities		310	331
Non Current			
Insurance claims		9	-
Other provisions		6	7
Other liabilities		998	1,033
Total Non Current Liabilities		1,013	1,039
Total			
Insurance claims		10	-
Interest payable		89	87
Other provisions		34	31
Other liabilities		1,190	1,252
Total Other Liabilities		1,323	1,370

Reconciliation of Other Provisions

30 June 2014

	Employment on-costs	Decommissioning costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	29	-	2	-	31
Additional provisions recognised	5	-	1	-	6
Amounts used	-5	-	-	-	-5
Unused amounts reversed	-	-	-	-	-
Unwinding of the discount	-	-	-	-	-
Other	1	-	-	-	1
Carrying amount at end of year	31	-	3	-	34

30 June 2013

	Employment on-costs	Decommissioning costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	24	-	4	-1	27
Additional provisions recognised	8	-	-	-	8
Amounts used	-3	-	-	-	-3
Unused amounts reversed	-	-	-	-	-
Unwinding of the discount	-	-	-	-	-
Other	-	-	-2	1	-1
Carrying amount at end of year	29	-	2	-	31

NOTE 24: OTHER LIABILITIES (CONT.)

Total Public Sector		2014	2013		
		\$m	\$m		
Current					
Insurance claims ^(a)		713	675		
Interest payable		463	403		
Other provisions		120	100		
Other liabilities		613	917		
Total Current Liabilities		1,909	2,094		
Non Current					
Insurance claims ^(a)		1,997	1,848		
Other provisions		524	716		
Other liabilities		402	434		
Total Non Current Liabilities		2,923	2,998		
Total					
Insurance claims ^(a)		2,710	2,523		
Interest payable		463	403		
Other provisions		644	816		
Other liabilities		1,015	1,351		
Total Other Liabilities		4,832	5,092		
Reconciliation of Other Provisions					
30 June 2014					
	Employment on-costs	Decommissioning costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	38	425	32	321	816
Additional provisions recognised	8	5	28	44	85
Amounts used	-6	-6	-9	-7	-28
Unwinding of the discount	-	15	-	-	15
Other	-	1	-	-245	-244
Carrying amount at end of year	40	440	51	113	644
30 June 2013					
	Employment on-costs	Decommissioning costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	32	458	27	259	776
Additional provisions recognised	11	11	12	101	135
Amounts used	-4	-13	-7	-35	-59
Unused amounts reversed	-	-	2	-	2
Unwinding of the discount	-	-31	-	3	-28
Other	-1	-	-1	-8	-10
Carrying amount at end of year	38	425	32	321	816
				2014	2013
				\$m	\$m
(a) Insurance claims					
The liabilities for outstanding insurance claims comprise:					
Third Party Insurance Fund				1,928	1,735
Government Insurance Fund				37	31
RiskCover				648	678
Other				98	79
<i>Total</i>				2,710	2,523
Liability for outstanding claims (undiscounted)				3,028	2,831
Discount to present value				-318	-308
<i>Total Liability for outstanding claims (undiscounted)</i>				2,710	2,523
				2014	2013
				%	%
Claims expected to be paid:					
Not later than one year					
Inflation rate				3.60	3.30
Discount rate				2.50	2.50
Later than one year					
Inflation rate				4.40	3.70
Discount rate				4.34	4.47

NOTE 25: RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS FOR PERIOD

General Government		
	2014	2013
	\$m	\$m
Surplus for period	719	249
Non-cash movements		
Depreciation	1,197	1,108
Increase/-decrease in accrual in employees benefits	-148	184
-Increase/-decrease in inventories	-2	-14
-Increase/-decrease in receivables	-148	-423
-Increase/-decrease in prepayments and other assets	-39	5
Increase/-decrease in payables	-148	-1
Increase/-decrease in other liabilities and accruals	-47	52
Net GST receipts/-payments	1	133
Other non-cash net asset transfers	216	14
Adjustment for other non-cash items	131	-230
Net cash flows from operating activities as shown in the Cash Flow Statement	1,732	1,077
Total Public Sector		
	2014	2013
	\$m	\$m
Surplus /-deficit for period	225	-208
Non-cash movements		
Depreciation	3,220	3,024
Premium discount amortisation	-155	-43
Increase/-decrease in accrual in employees benefits	-149	209
-Increase/-decrease in inventories	-515	654
-Increase/-decrease in receivables	-22	-231
-Increase/-decrease in prepayments and other assets	130	-103
Increase/-decrease in payables	803	-546
Increase/-decrease in other liabilities and accruals	-260	57
Net cash decrease/-increase in Investment, borrowing and lending	-1,101	-213
Net GST receipts/-payments	22	113
Other non-cash net asset transfers	280	85
Adjustment for other non-cash items	720	-232
Net cash flows from operating activities as shown in the Cash Flow Statement	3,198	2,565

NOTE 26: CLOSING CASH BALANCES

For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank and investments in highly liquid money market instruments, net of outstanding bank overdrafts.

Cash for the purposes of the Cash Flow Statement is defined differently to 'Cash' for the purposes of the consolidated Balance Sheet (which only includes cash holdings at the balance date and not other liquid assets included in the Cash Flow Statement). As a result, the Cash reported on the Cash Flow Statement does not equal 'Cash' in the Balance Sheet.

General Government		
	2014	2013
	\$m	\$m
Cash assets as per the Balance Sheet	692	688
Bank Overdrafts	-171	-
Investments included as cash on the Cash Flow Statement	3,967	5,575
Total closing cash balance	4,488	6,263
Total Public Sector		
	2014	2013
	\$m	\$m
Cash assets as per the Balance Sheet	1,610	1,598
Bank Overdrafts	-171	-3
Investments included as cash on the Cash Flow Statement	6,944	9,616
Total closing cash balance	8,383	11,210

NOTE 27: RESTRICTED FINANCIAL ASSETS

There are restrictions on the uses of specific purpose Commonwealth grants. Funding received and not yet expensed total \$375 million (2013: \$524 million).

NOTE 28: MONEYS HELD IN TRUST

Moneys held in a trustee capacity are not controlled by the State and are excluded from assets and liabilities. An amount of \$428 million was held as at 30 June 2014, compared with \$373 million at 30 June 2013.

NOTE 29: EXPENDITURE COMMITMENTS

General Government

Capital expenditure commitments^(a)

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are expected to require payment as follows.

	2014	2013
	\$m	\$m
Not later than one year	1,712	2,154
Later than one year and not later than five years	1,258	1,387
Later than five years	61	73
Total	3,031	3,614

Operating leases expenditure commitments

In addition to the finance leases for which the liabilities are incorporated in the balance sheet, the government has non-cancellable operating leases of buildings for office accommodation and motor vehicles, under which the following amounts are payable.

	2014	2013
	\$m	\$m
Not later than one year	188	184
Later than one year and not later than five years	371	335
Later than five years	289	212
Total	848	731

Operating lease expenses for the year amounted to \$648 million (2012-13: \$638 million).

Other Commitments

The public sector has commitments with private sector contractors for the provision of various services including health services, rail and bus operations. These commitments are payable as follows.

	2014	2013
	\$m	\$m
Not later than one year	2,584	2,417
Later than one year and not later than five years	4,573	4,552
Later than five years	5,755	6,184
Total	12,913	13,153

(a) The capital commitments include the following material amounts:

- Major health infrastructure totalling \$868 million (2013: \$1,668 million) including spending on the New Children's Hospital (\$267 million), Midland Health Campus (\$109 million) and Fiona Stanley Hospital (\$55 million);
 - School and State Training Provider infrastructure of \$478 million (2013: \$822 million) for the building of new schools, additions and improvements to metropolitan and district high schools, remote community schools, trade training centres and agricultural colleges;
 - Spending on the New State Museum and Global Capital Maintenance Program – \$435 million (2013: \$435 million); and
 - Road infrastructure spending of \$877 million (2013: \$395 million), including the Gateway WA – Perth Airport and Freight Access project (\$617 million), Great Northern Highway upgrade (\$65 million), Lloyd Street southern extension (\$55 million) and Victoria Park Drive modifications (\$29 million).
-

NOTE 29: EXPENDITURE COMMITMENTS (CONT.)

Total Public Sector

Capital expenditure commitments^(b)

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are expected to require payment as follows.

	2014	2013
	\$m	\$m
Not later than one year	2,828	3,873
Later than one year and not later than five years	1,812	1,955
Later than five years	61	128
Total	4,701	5,956

Operating leases expenditure commitments

In addition to the finance leases for which the liabilities are incorporated in the balance sheet, the government has non-cancellable operating leases of buildings for office accommodation and motor vehicles, under which the following amounts are payable.

	2014	2013
	\$m	\$m
Not later than one year	463	438
Later than one year and not later than five years	1,145	1,086
Later than five years	1,863	1,892
Total	3,471	3,417

Operating lease expenses for the year amounted to \$816 million (2012-13: \$812 million).

Other Commitments

The public sector has commitments with private sector contractors for the purchase of electricity and gas, and for the provision of various services including health services and rail and bus operations. These commitments are payable as follows

	2014	2013
	\$m	\$m
Not later than one year	4,675	5,256
Later than one year and not later than five years	11,197	14,418
Later than five years	20,635	24,426
Total	36,507	44,100

(a) In addition to the major commitments for the general government sector disclosed above, the following material commitments are included for the total public sector:

- Rail and bus infrastructure of \$721 million (2013: \$788 million), including the Perth City Link project, works at Victoria Park Drive and Swan River bridge, additional purchase of bus and railcars and miscellaneous projects;
 - Waste and wastewater projects including the East Rockingham Wastewater Treatment Plant and Onslow storage and distribution upgrade – \$215 million (2013: \$515 million);
 - Housing infrastructure of \$215 million (2013: \$343 million), including dwelling construction and upgrades, land development and redevelopment, crisis accommodation program, joint venture land development, new living, local government and community housing programs and affordable housing; and
 - Upgrade of the electricity distribution network and other transmission line upgrades – \$239 million (2013: \$402 million).
-

NOTE 30: CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities and assets represent benefits and costs that could materialise in future under certain conditions. The consolidated financial statements do not contain any provision in respect of the material quantifiable or unquantifiable contingent assets and liabilities noted below.

More information on the contingencies identified in this section can be found in the annual reports of those agencies.

1. Quantifiable Contingent Assets and Liabilities

	2014	2013
	\$m	\$m
<i>Contingent Assets</i>		
General Government ^(a)	37	42
Public Non-Financial Corporations	-	30
Total	37	72
<i>Contingent Liabilities</i>		
Contingent liabilities under guarantees, w warranties, indemnities and sureties ^(b)	291	1,151
Other contingent liabilities ^(c)	500	769
Contingent liabilities in relation to public universities' superannuation liabilities ^(d)	101	102
Total	892	2,023

(a) Contingent assets

Department of Finance

The Department of Finance has contingent assets of \$19.5 million (2012-13: \$21.4 million) attributable to adjudication of disputes under the *Construction Contracts Act 2004*.

Department of Environmental Regulation

The Department of Environmental Regulation has litigation claims to the value of \$11.7 million (2012-13: \$12.2 million).

(b) Contingent liabilities under guarantees, warranties, indemnities and sureties

Public Trustee Common Fund

Guarantees for the Public Trustee's Common Fund of \$284 million (2012-13: \$1,141 million). Deposits in the Common Fund include balances held on behalf of third parties at 30 June each year. In June 2014, monies held pending settlement of the Bell Group litigation (\$825 million) was returned from the Fund to the Bell liquidators.

Department of Treasury

The State Government has provided a guarantee of \$7.4 million (2012-13: \$10 million) to the Australia and New Zealand Banking Group in relation to facilities provided to the Western Australian Football Commission.

(c) Other contingent liabilities

Commissioner of Main Roads

Claims have been lodged by owners of property acquired for road construction purposes. The contingent liability of \$256 million (2012-13: \$270 million) is the difference between the owners' claims and estimated settlement prices determined by Main Roads in accordance with independent valuations. Claims have also been submitted by contractors in relation to services provided under roadwork contracts.

Department of Commerce

As the responsible Minister under the *Industry and Technology Development Act 1998* (the ITD Act), the Minister for Commerce (or his predecessors) is a signatory to six Investment Security Guarantees (ISGs) between the Minister, the General Manager of the Forest Products Commission (FPC) and timber processors. Under the ISGs, the Minister is liable to pay compensation in the event of certain circumstances where the FPC is unable to supply contracted amounts of timber. The total contingent liability for these ISGs at 30 June 2014 was \$31 million (2012-13: \$62 million). This is significantly less than the 2013 contingent liability reflecting the termination of one guarantee and the contingent liability under four other ISGs being reduced to zero since new timber supply contracts were signed between the FPC and timber processors.

Western Australian Planning Commission

Under the operation of the Metropolitan, Peel and Greater Bunbury Region Schemes, reservations exist on properties that may result in compensation being paid to the landholder or the property being acquired for the Western Australian Planning Commission's (WAPC) estate. The Commission, on an annual basis, sets such compensation and acquisition priorities. In some cases, the landholder disputes the compensation offered by the WAPC, either through arbitration or through Court action. Resolving such disputes forms part of the ordinary business of the WAPC and any additional payments that arise are managed within the resources of the Metropolitan Region Improvement Fund and the regional land Acquisition Appropriation. The current estimate of this liability is approximately \$47 million (2012-13: \$161 million).

Department of the Attorney General

The Department of the Attorney General is subject to claims regarding criminal injuries. A number of these are yet to be assessed. The current estimate of this liability is approximately \$28 million (2012-13: \$20 million).

Various agencies

Other quantifiable contingent liabilities include various legal and contractual claims against individual agencies totalling \$138 million (2012-13: \$176 million) as reported in the annual reports of those agencies.

(d) Contingent liabilities in relation to public universities' superannuation liabilities

The *State Superannuation Act 2000* (SSA) repealed the *Government Employees Superannuation Act 1987* and the *Superannuation and Family Benefits Act 1938*. The schemes operating under those Acts are continued under the SSA. The State guarantees the benefits payable under those schemes.

The liabilities of \$101 million have been actuarially assessed as at 30 June 2014 (2012-13: \$102 million).

2. Non-quantifiable Contingent Assets

Bell recovery action

In 1994, the Insurance Commission agreed to fund the costs of the Liquidators of the Bell Group in the Liquidators' action against 20 banks. The Insurance Commission has since advanced a total of over \$199 million to the Liquidators in this action.

This action finally involved an award in favour of the Liquidator of \$2.7 billion by the Court of Appeal of the Western Australian Supreme Court. The banks sought to appeal part of this judgement in the High Court of Australia but a conditional settlement was reached in September 2013.

The conditions of the settlement have now been satisfied. The effect of this settlement is that the banks have relinquished all claims in Bell, leaving a sum of \$1.7 billion with the Liquidators for distribution between the remaining creditors.

The Insurance Commission considers that it has a contingent asset that will eventually materialise from the Bell distribution process. The total amount of the recoveries it will ultimately receive from Bell cannot yet be ascertained.

The Commission has a potential exposure to a range of indemnities associated with funding the Liquidators' action. Due to the uncertainty associated with litigation, it is not practical to estimate the potential financial effect of these indemnities upon the Insurance Commission at the end of the reporting period.

3. Non-quantifiable Contingent Liabilities

Champion Lakes Regatta Centre dispute

The Metropolitan Redevelopment Authority (MRA) was served with a writ of summons on 12 June 2013, which sets out a damages claim arising out of an assertion of trespass to an interest in certain land purportedly created by way of adverse possession prior to 2007.

Ownership of the land, the subject matter of the claim, was transferred from the Authority to VenuesWest in January 2014 and forms part of the Champion Lakes Regatta Centre which was constructed in 2007. The State Solicitor's Office is acting for the MRA and VenuesWest to defend the action.

Contaminated Sites

Under the *Contaminated Sites Act 2003*, agencies are required to report known and suspected contaminated sites to the Department of Parks and Wildlife (DPW), formerly the Department of Environment and Conservation. In accordance with the Act, DPW classifies these sites on the basis of risk to human health, the environment and environmental issues. Where sites are classified as 'contaminated – remediation required', or 'possibly contaminated – investigation required', the agency may have a liability in respect of investigation or remediation expenses. DPW has not yet finalised the classification of sites that have been reported by agencies. As agencies are unable to assess the likely outcome of the classification process, it is not possible to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Agencies are required to have on-going management plans to remediate contaminated sites as they are identified.

Department of State Development

The Department of State Development is currently in a formal arbitration process with a resource project proponent. The timing or likely outcome remains uncertain as is the quantification of any possible financial claim.

Esperance Port Authority bulk loader

Esperance Ports Sea and Land has a contract to load bulk nickel for BHP Billiton Nickel West. Since 8 October 2011, this contract has encountered difficulty as the bulk loader is no longer fit for purpose and deemed to be unviable.

BHP Billiton Nickel West has confirmed a temporary suspension of the current contract with a view to negotiating a new agreement utilising alternative methods. The likelihood of any legal action being taken by BHP Billiton Nickel West for breach of contract is considered to be low and insufficient information is currently available to determine the financial impact.

Grand Palace lease dispute – Elizabeth Quay

The Metropolitan Redevelopment Authority (MRA) is currently in negotiation with the party that formerly occupied the now demolished Florence Hummerston Kiosk. The matter is being dealt with on behalf of the MRA by the Western Australian Planning Commission. In consultation with the State Solicitor's Office, \$5 million was paid by the Commission to the former business owner as an advance payment prior to a formal compensation claim being lodged. Late last year, the former business owner rejected a formal offer of compensation however accepted the amount offered as a second advance payment, being \$2.2 million. This brings the total payments to date to \$7.2 million. The MRA will be required to fund any additional compensation amount as determined from the project budget.

Home Indemnity Insurance

The State, through the Treasurer, has entered into Deeds of Indemnity that provide catastrophe cover for loss under the Home Indemnity Insurance scheme resulting from death, insolvency or disappearance of a builder or building group.

The Heads of Agreements with private insurers covering the existing HII arrangement, where the State reinsured private sector insurers for losses against any builder failure exceeding \$10 million, expired on 30 June 2013. These were subsequently extended until 31 October 2013 to allow the Government to consider long term options. Under a new temporary arrangement commencing from 1 November 2013, the State wholly underwrites the provision of new HII policies to provide cover for financial loss resulting from the death, insolvency or disappearance of a builder or building group. Based on Cabinet's 2013 decision, this arrangement will end on 31 October 2014 and be replaced by a longer term solution to home indemnity insurance.

Under the current arrangement, the State has assumed responsibility for the emerging cost of future claims payments and claims handling costs that may arise from policies issued under the arrangement. The exposure under this arrangement has not yet been quantified but will be actuarially assessed as part of any longer term solution.

James Point Proprietary Limited

James Point Proprietary Limited (JPPL) has initiated legal action in the Supreme Court of Western Australia against the Minister for Transport, the Minister for Lands and the State of Western Australia in relation to a claimed breach of agreement to which JPPL was to construct, own and operate a multi-function port, and provide port services at the James Point port.

Native Title claims

The *Commonwealth Native Title Act 1993*, as amended, creates a liability for the States for any compensation in regards to loss or impairment of native title right and interests that occurred after 31 October 1975.

In addition to the general risks arising from native title claims, a specific contingent liability arises in relation to Perth and South West native title offers. In July 2013, the Government announced a final offer to resolve native title, consisting of a significant cash and land offer to be made to native title claimants in Perth and the South West for descendants of the Noongar people. If accepted, the settlement is to provide security of ownership for home owners, Kings Park, the Swan River and State forests. Negotiations still need to be progressed to finalise the offer, which may include a cash component over a 10 year period, as well as negotiation around large tracts of Crown land.

Petroleum and Geothermal Energy Legislation

On 27 May 2013, Cabinet approved the printing and introduction of *the Petroleum and Geothermal Energy Legislation Amendment Bill 2013* (the Bill) to provide the legislative framework for the onshore transport and geological storage of greenhouse gases (GHG) or geosequestration (predominantly carbon dioxide) in Western Australia. Under the provisions of the Bill, the State accepts long-term liability for stored GHG conditional on the provision of a site closing certificate and the declaration of a closure assurance period for the GHG storage formation and if the GHG titleholder has ceased to exist. Long-term liability refers to risks beyond the operational phase of the project, the risks of harm to health, the environment, or property due to the leakage or migration of injected carbon dioxide.

Other – litigation in progress

A number of government agencies are currently involved with different legal proceedings, all at varying stages. Due to the wide variety and nature of the claims and the uncertainty around the likely outcomes of these cases, it is not possible to reliably quantify the potential impact should the State be found liable.

NOTE 31: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

Exposure to credit risk, liquidity risk, interest rate risk and other financial risks arise in the normal course of public sector activity. Public sector agencies adopt various programs for managing market risk, which include derivative financial instruments. The two main sources of market risk are fluctuations in interest and foreign exchange rates. Derivatives in use include interest rate swaps, interest rate futures, cross-currency swaps and forward foreign exchange contracts. Whenever derivative positions are created, cash or an underlying physical security is held to cover any potential liability.

Credit risk

Credit risk in relation to financial assets is the risk that a third party will not meet its obligation in accordance with agreed terms. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Balance Sheet. Credit risk in relation to cash assets and fixed interest securities is mitigated by investing in counter-parties that have acceptable credit ratings. Credit risk concentration is minimised in relation to financial assets and hedging instruments, and public sector agencies do not have significant exposures to any concentrations of credit risk. Generally, agencies exposures are to a large number of customers or highly rated counter-parties and their credit risks are very low. There is a high degree of geographically-based concentrations of recognised financial assets in Australia. Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 12: *Receivables*.

Liquidity risk

Liquidity management is undertaken by the Western Australian Treasury Corporation (WATC) on behalf of public sector agencies. WATC maintains a minimum prudent level of highly liquid quality assets at all times to ensure that commitments are met. The risk is minimised through the diversification of its funding activity across domestic and offshore markets and across the maturity spectrum.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency exposures are managed through the use of foreign exchange contracts and derivatives.

Market risk

Exposure to market risk for changes in interest rates relates primarily to long-term debt obligations. The risk is managed by WATC through portfolio diversification and maturity spread.

Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The interest rate risk by class of recognised financial asset and financial liability at 30 June 2014 is shown in the table below. The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets or liabilities. For ‘floating’ instruments, the rate is the current market rate. The bands reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

(b) Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities recorded in the consolidated Balance Sheet are not materially different from their fair value.

(c) Derivative Financial Instruments

The public sector limits dealings in derivatives to only those counter-parties that are recognised financial intermediaries and possess a credit rating of ‘A’ or better. The public sector does not have a material exposure to any individual counter-party. The following table provides details of outstanding derivatives used for hedging purposes at 30 June 2014.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follow

	2014	2013
	\$m	\$m
Financial Assets		
Cash and deposits	692	688
Receivables	2,771	2,663
Investments, loans and placements	3,904	5,722
Advances paid	664	665
Shares and other equity	52,447	50,451
Financial Liabilities		
Deposits held	522	362
Advances received	438	439
Borrowings	11,362	11,104
Payables	1,048	1,196
Other financial liabilities	591	350

Financial assets and liabilities exclude GST receivable/payable to the Australian Taxation Office but include other statutory receivables relating to taxation and royalty income.

	Notional face Value 2014 \$m	Net fair Value 2014 \$m	Credit Exposure 2014 \$m
<i>Fair Values</i>			
Interest rate contracts	-	-	-
Forward exchange contracts	-	-	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
Total	-	-	-

	Notional face Value 2013 \$m	Net fair Value 2013 \$m	Credit Exposure 2013 \$m
<i>Fair Values</i>			
Interest rate contracts	-	-	-
Forward exchange contracts	16	9	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
Total	16	9	-

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

Total Public Sector

Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows

	2014	2013
	\$m	\$m
Financial Assets		
Cash and deposits	1,610	1,598
Receivables	4,184	4,121
Investments, loans and placements	15,419	16,896
Advances paid	3,968	3,552
Shares and other equity	1,457	1,386
Other financial assets	-	-
Financial Liabilities		
Deposits held	186	144
Advances received	438	439
Borrowings	41,216	39,740
Payables	5,754	4,954
Guarantees	291	1,151
Other financial liabilities	3,968	4,432

Financial assets and liabilities exclude GST receivable/payable to the Australian Taxation Office but include other statutory receivables relating to taxation and territorial revenue.

	Notional face Value 2014 \$m	Net fair Value 2014 \$m	Credit Exposure 2014 \$m
<i>Fair Values</i>			
Interest rate contracts	10,937	444	681
Forward exchange contracts	5	5	-
Futures contracts		-37	-
Commodity contracts	439	-5	-
Total	11,381	407	681

	Notional face Value 2013 \$m	Net fair Value 2013 \$m	Credit Exposure 2013 \$m
<i>Fair Values</i>			
Interest rate contracts	9,829	242	463
Forward exchange contracts	35	6	-
Futures contracts	12	22	-
Commodity contracts	858	-2	-
Total	10,734	268	463

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

Interest rate risk exposure

The general government sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability are shown below.

30 June 2014

	Fixed Interest Maturing in					Total Fixed interest rate \$m	Non-interest bearing \$m	Total carrying amount \$m	Weighted average effective interest rate %
	Floating interest rate \$m	up to 3 months \$m	3 to 12 months \$m	1 year to 5 years \$m	Over 5 years \$m				
Financial assets									
Cash and deposits	288	170	36	26	-	233	172	692	2.4
Receivables ^(a)	2	2	-	-	-	2	2,768	2,771	4.1
Investments, loans and placements	7	1,658	1,205	747	227	3,837	60	3,904	3.0
Advances paid:									
Non-government schools	-	7	21	98	76	202	-	202	7.1
Other	3	-	-	-	-	-	460	462	3.1
Shares and other equity	-	-	-	-	-	-	52,447	52,447	-
Total financial assets	299	1,837	1,262	871	303	4,274	55,907	60,479	
Financial liabilities									
Deposits held	-	85	213	38	-	336	186	522	2.9
Advances received	-	-	-	-	-	-	438	438	-
Borrowings	65	27	125	7,009	3,915	11,076	222	11,362	4.1
Payables ^(b)	-	-	-	-	-	-	1,048	1,048	-
Other financial liabilities	-	2	-	-	-	2	589	591	7.3
Total financial liabilities	65	115	337	7,047	3,915	11,414	2,483	13,961	

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable) and National Tax Equivalent Regimes.

(b) The amount of payables excludes GST payable to the Australian Taxation Office and National Tax Equivalent arrangements.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

30 June 2013

Fixed Interest Maturing in

	Floating interest rate \$m	up to 3 months \$m	3 to 12 months \$m	1 year to 5 years \$m	Over 5 years \$m	Total Fixed interest rate \$m	Non-interest bearing \$m	Total carrying amount \$m	Weighted average effective interest rate %
Financial assets									
Cash and deposits	287	27	124	-	-	151	250	688	2.8
Receivables ^(a)	2	14	29	85	28	156	2,506	2,663	2.9
Investments, loans and placements	13	4,106	278	1,126	135	5,645	64	5,722	3.6
Advances paid:									
Non-government schools	-	7	21	98	58	184	-	184	7.6
Other	7	-	-	2	1	3	471	481	1.5
Shares and other equity	-	-	-	-	-	-	50,451	50,451	-
Total financial assets	308	4,154	452	1,311	223	6,139	53,742	60,189	
Financial liabilities									
Deposits held	-	170	9	40	-	219	143	362	3.5
Advances received	-	-	-	-	-	-	439	439	-
Borrowings	7	493	1,737	4,828	4,037	11,095	3	11,104	4.2
Payables ^(b)	-	-	-	-	-	-	1,196	1,196	-
Other financial liabilities	-	-	-	-	-	-	350	350	-
Total financial liabilities	7	663	1,745	4,868	4,037	11,314	2,130	13,451	

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

(b) The amount of payables excludes National Tax Equivalent arrangements.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

Total Public Sector

Interest rate risk exposure

The total public sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability are shown below.

30 June 2014

	Fixed Interest Maturing in						Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	Floating interest rate	up to 3 months	3 to 12 months	1 year to 5 years	Over 5 years	Total Fixed interest rate			
	\$m	\$m	\$m	\$m	\$m	\$m			
Financial assets									
Cash and deposits	1,122	241	36	26	-	303	185	1,610	2.8
Receivables ^(a)	1	5	1	-	-	6	4,177	4,184	2.8
Investments, loans and placements	599	5,722	3,113	3,152	1,815	13,802	1,018	15,419	3.5
Advances paid:									
Homebuyers	3,731	-	-	-	-	-	-	3,731	7.1
Non-government schools	-	7	21	98	76	202	-	202	5.1
Other	3	-	-	-	-	-	33	35	3.1
Shares and other equity	-	-	-	-	-	-	1,457	1,457	-
Total financial assets	5,456	5,974	3,172	3,276	1,892	14,313	6,870	26,639	
Financial liabilities									
Deposits held	-	-	-	-	-	-	186	186	-
Advances received	-	-	34	134	256	424	14	438	4.6
Borrowings	-	8,109	4,798	13,016	11,814	37,738	3,478	41,216	4.2
Payables ^(b)	-	344	-	-	-	344	5,410	5,754	-
Guarantees ^(c)	-	-	-	-	-	-	291	291	-
Other financial liabilities	-	3	1	-	-	4	3,964	3,968	-
Total financial liabilities	-	8,456	4,833	13,150	12,070	38,510	13,343	51,853	

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

(b) The amount of payables excludes National Tax Equivalent arrangements.

(c) Includes guarantees issued for the Public Trustee Common Fund and Western Australian Football Commission borrowings. See Note 30: Contingent Assets and Liabilities.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

Total Public Sector

30 June 2013

	Fixed Interest Maturing in					Total Fixed interest rate \$m	Non-interest bearing \$m	Total carrying amount \$m	Weighted average effective interest rate %
	Floating interest rate \$m	up to 3 months \$m	3 to 12 months \$m	1 year to 5 years \$m	Over 5 years \$m				
	Financial assets								
Cash and deposits	643	121	560	4	-	686	270	1,598	3.1
Receivables ^(a)	53	14	35	85	28	162	3,905	4,121	4.1
Investments, loans and placements	813	8,532	1,282	2,554	1,205	13,574	2,510	16,896	3.6
Advances paid:									
Homebuyers	3,330	-	-	-	-	-	-	3,330	5.5
Non-government schools	-	7	21	98	58	184	-	184	7.6
Other	-	-	-	-	-	-	32	39	-
Shares and other equity	-	-	-	-	-	-	1,386	1,386	-
Other financial assets	-	-	-	-	-	-	-	-	-
Total financial assets	4,845	8,675	1,897	2,741	1,292	14,605	8,103	27,553	
Financial liabilities									
Deposits held	-	-	-	-	-	-	144	144	-
Advances received	-	-	15	64	360	439	-	439	4.6
Borrowings	-	9,728	5,594	12,755	9,589	37,666	2,074	39,740	4.7
Payables ^(b)	-	-	-	-	-	-	4,954	4,954	-
Guarantees ^(c)	-	-	-	-	-	-	1,151	1,151	-
Other financial liabilities	-	-	-	-	-	-	4,432	4,432	-
Total financial liabilities	-	9,728	5,610	12,819	9,949	38,106	12,755	50,860	

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

(b) The amount of payables excludes GST payable to the Australian Taxation Office and National Tax Equivalent arrangements.

(c) Includes guarantees issued for the Public Trustee Common Fund and Western Australian Football Commission borrowings. See Note 30: Contingent Assets and Liabilities.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

	30 June 2014					30 June 2013				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets										
Cash and deposits	692	-5	-5	5	5	688	-4	-4	4	4
Receivables	2,771	-	-	-	-	2,663	-2	-2	2	2
Investments, loans and placements	3,904	-38	-38	38	38	5,722	-57	-57	57	57
Advances paid	664	-2	-2	2	2	665	-2	-2	2	2
Financial Liabilities										
Deposits held	522	3	3	-3	-3	362	2	2	-2	-2
Borrowings	11,362	111	111	-111	-111	11,104	111	111	-111	-111
Total Increase/-Decrease		69	69	-69	-69		49	49	-49	-49

Total Public Sector

	30 June 2014					30 June 2013				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets										
Cash and deposits	1,610	-14	-14	14	14	1,598	-13	-13	13	13
Receivables	4,184	-	-	-	-	4,121	-2	-2	2	2
Investments, loans and placements	15,419	-144	-144	144	144	16,896	-144	-144	144	144
Advances paid	3,968	-39	-39	39	39	3,552	-35	-35	35	35
Financial Liabilities										
Advances received	438	4	4	-4	-4	439	4	4	-4	-4
Borrowings	41,216	377	377	-377	-377	39,740	377	377	-377	-377
Total Increase/-Decrease		184	184	-184	-184		187	187	-187	-187

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

	Carrying	Fair value measurement at end of reporting		
	amount as at	period using:		
	30 June	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
2014	\$m	\$m	\$m	\$m
Financial Assets				
Investments, loans and placements	4,157	1,122	2,987	47
Shares and other equity	52,447	-	-	52,447
Financial Liabilities				
Borrowings	2	-	2	-
<hr/>				
	Carrying	Fair value measurement at end of reporting		
	amount as at	period using:		
	30 June	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
2013	\$m	\$m	\$m	\$m
Financial Assets				
Investments, loans and placements	5,967	408	5,517	42
Shares and other equity	50,451	-	-	50,451
Financial Liabilities				
Borrowings	2	-	2	-

Total Public Sector

	Carrying	Fair value measurement at end of reporting		
	amount as at	period using:		
	30 June	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
2014	\$m	\$m	\$m	\$m
Financial Assets				
Investments, loans and placements	9,368	1,392	7,592	384
Shares and other equity	1,378	1,378	-	-
Financial Liabilities				
Borrowings	36,221	27,377	8,839	5
<hr/>				
	Carrying	Fair value measurement at end of reporting		
	amount as at	period using:		
	30 June	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
2013	\$m	\$m	\$m	\$m
Financial Assets				
Investments, loans and placements	12,458	970	11,131	357
Shares and other equity	1,110	1,110	-	-
Financial Liabilities				
Borrowings	36,450	24,868	11,570	12

(a) Assets/liabilities valued using quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Assets/liabilities valued using inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Assets/liabilities valued using inputs not based on observable market data.

NOTE 32: OTHER DISAGGREGATED INFORMATION

(a) Australian Bureau of Statistics Classification of Agencies into Sectors

The total public sector economic entity includes agencies classified into general government, public non-financial corporation and public financial corporation sectors in accordance with the Australian Bureau of Statistics (ABS) coverage for Government Finance Statistics purposes. Details of the classification of State agencies are provided in Note 34: *Composition of Sectors*.

(b) Information by Sectors

Revenue, expenses, assets and liabilities that are reliably attributable to each of the above sectors are set out in the following tables. For the purpose of this disclosure, effects of transactions and balances between sectors have not been eliminated, but those between agencies within each sector have been eliminated.

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Operating Statement for the year ended 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
RESULTS FROM TRANSACTIONS										
REVENUE										
Taxation	8,849	8,335	-	-	-	-	-465	-440	8,384	7,894
Current grants and subsidies	8,199	8,316	2,368	1,934	-	-	-2,368	-1,934	8,199	8,316
Capital grants	547	622	231	116	-	-	-231	-116	547	622
Sales of goods and services	2,078	2,089	15,536	15,727	915	871	-756	-732	17,773	17,955
Interest Income	194	255	175	191	1,712	1,648	-1,467	-1,408	614	687
Revenue from public corporations										
Dividends	901	796	-	-	-	-	-901	-796	-	-
Tax equivalent income	602	381	-	-	-	-	-602	-381	-	-
Royalty income	6,025	4,425	-	-	-	-	-	-	6,025	4,425
Other	561	499	659	490	7	-	-138	-94	1,088	896
<i>Total</i>	<i>27,956</i>	<i>25,718</i>	<i>18,969</i>	<i>18,459</i>	<i>2,634</i>	<i>2,519</i>	<i>-6,928</i>	<i>-5,902</i>	<i>42,630</i>	<i>40,794</i>
EXPENSES										
Salaries	10,682	10,154	1,209	1,110	47	44	-	-	11,937	11,307
Superannuation										
Concurrent costs	1,030	965	115	102	5	4	-	-	1,150	1,071
Superannuation interest cost	297	369	-	-	-	-	-	-	297	369
Other employee costs	432	446	60	61	2	2	-205	-194	288	315
Depreciation and amortisation	1,197	1,108	2,005	1,899	18	17	-	-	3,220	3,024
Services and contracts	2,041	1,902	972	875	9	11	-6	-7	3,017	2,782
Other gross operating expenses	4,943	4,725	11,392	11,791	1,065	700	-755	-728	16,645	16,487
Other interest	492	442	955	914	1,563	1,641	-1,467	-1,408	1,543	1,588
Dividends and tax equivalents	-	-	595	374	6	7	-602	-381	-	-
Current transfers	5,357	4,895	1,011	948	4	4	-2,677	-2,216	3,695	3,631
Capital transfers	765	462	83	82	2	-	-236	-116	613	428
<i>Total</i>	<i>27,236</i>	<i>25,468</i>	<i>18,398</i>	<i>18,156</i>	<i>2,720</i>	<i>2,428</i>	<i>-5,948</i>	<i>-5,050</i>	<i>42,406</i>	<i>41,003</i>
NET OPERATING BALANCE	719	249	571	304	-86	91	-980	-852	225	-208

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Operating Statement for the year ended 30 June (cont.)

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>Other economic flows - included in the operating result</i>										
Net gains on assets/liabilities	-34	-63	90	-118	311	496	-	-	368	315
Net actuarial gains - superannuation	-114	895	-28	-16	2	1	-	-	-140	881
Provision for doubtful debts	-37	-28	-13	-18	-	-61	-	-	-50	-106
Changes in accounting policy/correction of prior period errors	16	-72	-715	-31	-147	-32	-	-	-846	-135
<i>Total other economic flows</i>	<i>-169</i>	<i>732</i>	<i>-666</i>	<i>-183</i>	<i>166</i>	<i>405</i>	<i>-</i>	<i>-</i>	<i>-669</i>	<i>954</i>
OPERATING RESULT	550	982	-95	121	80	495	-980	-852	-444	746
<i>All other movements in equity</i>										
<i>Items that will not be reclassified to operating result</i>										
Revaluations	1,934	-424	1,839	571	-23	2	-	-	3,750	149
Gains recognised directly in equity	-1	-4	462	528	135	32	-	-	595	556
Change in net worth of the public corporations sectors	1,419	898	-	-	-	-	-1,419	-898	-	-
All other	-	-	-	-	-	-	-	-	-	-
<i>Total all other movements in equity</i>	<i>3,351</i>	<i>470</i>	<i>2,301</i>	<i>1,099</i>	<i>112</i>	<i>34</i>	<i>-1,419</i>	<i>-898</i>	<i>4,345</i>	<i>706</i>
<i>Movements in owner equity</i>										
Dividends	-	-	-825	-785	-154	-67	980	852	-	-
Capital injections	-	-	575	612	-	-	-575	-612	-	-
<i>Total movements in owner equity</i>	<i>-</i>	<i>-</i>	<i>-250</i>	<i>-173</i>	<i>-154</i>	<i>-67</i>	<i>404</i>	<i>240</i>	<i>-</i>	<i>-</i>
TOTAL CHANGE IN NET WORTH	3,901	1,452	1,956	1,047	38	462	-1,994	-1,509	3,901	1,452
KEY FISCAL AGGREGATES										
NET OPERATING BALANCE	719	249	571	304	-86	91	-980	-852	225	-208
<i>Less Net acquisition of non-financial assets</i>										
Purchase of non-financial assets	3,289	3,195	3,534	4,171	5	5	-14	-15	6,814	7,355
Changes in inventories	1	14	514	-668	-	-	-	-	515	-654
Other movement in non-financial assets	-22	167	339	48	-	-	-	-	317	215
<i>less:</i>										
Sales of non-financial assets	224	166	940	751	-	-	-13	-15	1,151	902
Depreciation	1,197	1,108	2,005	1,899	18	17	-	-	3,220	3,024
<i>Total net acquisition of non-financial assets</i>	<i>1,847</i>	<i>2,102</i>	<i>1,441</i>	<i>901</i>	<i>-13</i>	<i>-12</i>	<i>-</i>	<i>-</i>	<i>3,275</i>	<i>2,991</i>
NET LENDING/-BORROWING	-1,127	-1,852	-870	-597	-73	103	-980	-852	-3,050	-3,199

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Balance Sheet as at 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
ASSETS										
<i>Financial assets</i>										
Cash and deposits	692	688	1,199	1,100	51	28	-332	-219	1,610	1,598
Advances paid	664	665	-	-	3,731	3,330	-427	-442	3,968	3,552
Investments, loans and placements	3,904	5,722	4,526	3,871	41,700	40,450	-34,712	-33,146	15,419	16,896
Receivables	3,054	2,870	1,198	1,272	596	646	-494	-502	4,355	4,286
Shares and other equity										
Investments in other public sector entities - equity method	45,706	44,287	-	-	-	-	-45,706	-44,287	-	-
Investments in other public sector entities - direct injections	6,731	6,156	-	-	-	-	-6,731	-6,156	-	-
Investments in other entities	11	8	33	37	1,414	1,341	-	-	1,457	1,386
Other financial assets	-	-	946	1,003	17	24	-946	-1,003	17	24
<i>Total financial assets</i>	<i>60,762</i>	<i>60,396</i>	<i>7,902</i>	<i>7,282</i>	<i>47,509</i>	<i>45,820</i>	<i>-89,347</i>	<i>-85,755</i>	<i>26,826</i>	<i>27,743</i>
<i>Non-financial assets</i>										
Land	37,606	36,222	14,799	14,313	119	118	-	-	52,524	50,653
Property, plant and equipment	43,162	40,850	50,421	48,006	197	243	-	-	93,780	89,100
Biological assets	1	2	333	322	-	-	-	-	335	324
Inventories										
Land inventories	96	84	1,905	1,944	-	-	-	-	2,002	2,028
Other inventories	79	77	3,225	2,711	-	-	-	-	3,304	2,789
Intangibles	574	554	507	551	10	13	-	-	1,091	1,118
Assets held for sale	16	39	13	31	-	-	-	-	28	70
Investment property	8	8	24	26	549	538	-	-	581	571
Other	247	208	137	298	2	3	-	-	386	509
<i>Total non-financial assets</i>	<i>81,789</i>	<i>78,044</i>	<i>71,365</i>	<i>68,203</i>	<i>878</i>	<i>914</i>	<i>-</i>	<i>-</i>	<i>154,031</i>	<i>147,161</i>
TOTAL ASSETS	142,551	138,440	79,267	75,485	48,387	46,734	-89,347	-85,755	180,857	174,904

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Balance Sheet as at 30 June (cont.)

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
LIABILITIES										
Deposits held	522	362	-	1	-	-	-336	-219	186	144
Advances received	438	439	424	439	3	3	-427	-442	438	439
Borrowings	11,362	11,104	21,467	20,037	43,095	41,745	-34,708	-33,146	41,216	39,740
Superannuation	7,890	8,000	127	133	10	11	-	-	8,027	8,143
Other employee benefits	3,140	3,043	425	414	10	9	-	-	3,574	3,465
Payables	1,048	1,196	4,810	3,924	97	17	-198	-183	5,757	4,954
Other liabilities	1,323	1,370	1,364	1,843	3,387	3,201	-1,241	-1,322	4,832	5,092
TOTAL LIABILITIES	25,723	25,513	28,616	26,791	46,601	44,985	-36,911	-35,312	64,029	61,977
NET ASSETS	116,828	112,927	50,651	48,694	1,786	1,748	-52,437	-50,443	116,828	112,927
<i>Of which:</i>										
Contributed equity	-	-	6,731	6,156	-	-	-6,731	-6,156	-	-
Accumulated surplus	11,122	10,579	18,232	18,757	1,571	1,511	7	7	30,931	30,855
Other reserves	105,706	102,348	25,688	23,782	215	237	-45,713	-44,294	85,897	82,072
NET WORTH	116,828	112,927	50,651	48,694	1,786	1,748	-52,437	-50,443	116,828	112,927

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Statement of Changes in Equity for the year ended 30 June

	Equity at 1 July 2013 \$m	Change in net worth \$m	Contributed capital \$m	Dividends \$m	Other \$m	Equity at 30 June 2014 \$m
General Government Sector						
Accumulated surplus/(deficit)	10,579	550	-	-	-8	11,122
Reserves	58,061	1,934	-	-	6	60,000
Accumulated net gain on equity investments in other sector entities	44,287	1,419	-	-	-	45,706
Total	112,927	3,903	-	-	-2	116,828
Public Non Financial Corporations sector						
Contributed equity	6,156	-	575	-	-	6,731
Accumulated surplus/(deficit)	18,757	-95	-	-825	403	18,232
Reserves	23,782	1,839	-	-	58	25,688
Total	48,694	1,744	575	-825	461	50,651
Public Financial Corporations sector						
Contributed Equity	-	-	-	-	-	-
Accumulated surplus/(deficit)	1,511	80	-	-154	134	1,571
Reserves	237	-23	-	-	1	215
Total	1,748	57	-	-154	135	1,786
Inter-sector eliminations						
Contributed Equity	-6,156	-	-575	-	-	-6,731
Accumulated surplus/(deficit)	7	-1,576	-	980	596	7
Reserves	-44,294	-1,419	-	-	-	-45,713
Total	-50,443	-2,995	-575	980	596	-52,437
Total Public Sector						
Contributed Equity	-	-	-	-	-	-
Accumulated surplus/(deficit)	30,855	-444	-	595	-75	30,931
Reserves	82,072	3,750	-	-	75	85,897
Total	112,927	3,896	-	-	-	116,828

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Cash Flow Statement for the year ended 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>										
<i>Cash received</i>										
Taxes received	8,712	8,156	-	-	-	-	-526	-478	8,186	7,678
Grants and subsidies received	8,614	8,934	2,597	2,049	-	-	-2,597	-2,049	8,614	8,934
Receipts from sales of goods and services	2,135	2,120	15,932	15,885	1,043	977	-819	-777	18,291	18,205
Interest receipts	219	249	166	206	1,699	1,665	-1,391	-1,308	692	811
Dividends and tax equivalents	1,497	1,215	78	56	-	-	-1,575	-1,271	-	-
Other	7,829	6,068	1,706	1,741	138	130	-470	-345	9,204	7,594
<i>Total cash received</i>	<i>29,006</i>	<i>26,742</i>	<i>20,479</i>	<i>19,937</i>	<i>2,881</i>	<i>2,772</i>	<i>-7,378</i>	<i>-6,228</i>	<i>44,987</i>	<i>43,223</i>
<i>Cash Paid</i>										
Wages, salaries and supplements, and superannuation	-12,157	-11,304	-1,325	-1,187	-50	-48	-	-	-13,533	-12,538
Payments for goods and services	-7,526	-7,336	-10,653	-11,350	-883	-739	1,247	1,085	-17,815	-18,339
Interest paid	-485	-439	-968	-884	-1,689	-1,672	1,391	1,308	-1,751	-1,687
Grants and subsidies paid	-5,567	-5,144	-738	-702	-	-	2,631	2,076	-3,674	-3,770
Dividends and tax equivalents	-	-	-573	-416	-22	-	596	416	-	-
Other payments	-1,538	-1,441	-3,817	-3,190	-194	-180	533	487	-5,016	-4,324
<i>Total cash paid</i>	<i>-27,273</i>	<i>-25,664</i>	<i>-18,076</i>	<i>-17,728</i>	<i>-2,839</i>	<i>-2,639</i>	<i>6,399</i>	<i>5,373</i>	<i>-41,789</i>	<i>-40,658</i>
<i>NET CASH FLOWS FROM OPERATING ACTIVITIES</i>	<i>1,733</i>	<i>1,077</i>	<i>2,403</i>	<i>2,209</i>	<i>42</i>	<i>134</i>	<i>-980</i>	<i>-855</i>	<i>3,198</i>	<i>2,565</i>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>										
<i>Cash flows from investments in non-financial assets</i>										
Purchase of non-financial assets	-3,289	-3,195	-3,534	-4,171	-5	-5	14	15	-6,814	-7,355
Sales of non-financial assets	224	166	940	751	-	-	-13	-15	1,151	902
<i>Total cash flows from investments in non-financial assets</i>	<i>-3,065</i>	<i>-3,029</i>	<i>-2,594</i>	<i>-3,420</i>	<i>-4</i>	<i>-5</i>	<i>-</i>	<i>-</i>	<i>-5,663</i>	<i>-6,453</i>
<i>Cash flows from investments in financial assets</i>										
<i>Cash received</i>										
For policy purposes	22	7	-	-	-	-	-	5	22	12
For liquidity purposes	1	1	422	416	6,689	6,819	-	-	7,112	7,236
<i>Cash paid</i>										
For policy purposes	-551	-619	-	-5	-	-	528	612	-23	-12
For liquidity purposes	-1	-18	-386	-528	-7,019	-5,855	-	-	-7,406	-6,401
<i>Total cash flows from investments in financial assets</i>	<i>-529</i>	<i>-629</i>	<i>36</i>	<i>-117</i>	<i>-330</i>	<i>964</i>	<i>528</i>	<i>617</i>	<i>-295</i>	<i>835</i>
<i>NET CASH FLOWS FROM INVESTING ACTIVITIES</i>	<i>-3,594</i>	<i>-3,657</i>	<i>-2,557</i>	<i>-3,537</i>	<i>-334</i>	<i>959</i>	<i>528</i>	<i>617</i>	<i>-5,958</i>	<i>-5,618</i>

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Cash Flow Statement for the year ended 30 June (cont.)

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>										
<i>Cash received</i>										
Advances received	30	15	-	-	-	-	-15	-15	15	-
Borrowings	545	2,425	23,781	23,157	48,837	53,398	-46,971	-47,051	26,192	31,930
Deposits received	-	-	-	-	-	-	-	-	-	-
Other financing receipts	36	35	590	622	-	-	-585	-627	41	30
<i>Total cash receipts from financing activities</i>	<i>611</i>	<i>2,475</i>	<i>24,372</i>	<i>23,780</i>	<i>48,837</i>	<i>53,398</i>	<i>-47,571</i>	<i>-47,693</i>	<i>26,249</i>	<i>31,960</i>
<i>Cash paid</i>										
Advances paid	-16	-15	-15	-15	-	-	15	15	-16	-15
Borrowings repaid	-368	-322	-23,071	-21,647	-49,726	-54,658	46,971	47,051	-26,194	-29,576
Deposits paid	-	-	-	-	-	-	-	-	-	-
Other financing payments	-140	-91	-23	-7	-	-	57	11	-105	-87
Dividends paid	-	-	-825	-788	-154	-67	980	855	-	-
<i>Total payments for financing activities</i>	<i>-524</i>	<i>-428</i>	<i>-23,934</i>	<i>-22,457</i>	<i>-49,880</i>	<i>-54,725</i>	<i>48,023</i>	<i>47,931</i>	<i>-26,316</i>	<i>-29,678</i>
<i>NET CASH FLOWS FROM FINANCING ACTIVITIES</i>	<i>86</i>	<i>2,047</i>	<i>438</i>	<i>1,323</i>	<i>-1,043</i>	<i>-1,327</i>	<i>452</i>	<i>239</i>	<i>-67</i>	<i>2,282</i>
Net increase in cash and cash equivalents	-1,775	-533	284	-4	-1,336	-234	-	-	-2,827	-771
Cash and cash equivalents at the beginning of the year	6,263	6,796	1,519	1,523	3,430	3,664	-2	-2	11,210	11,981
Cash and cash equivalents at the end of the year	4,488	6,263	1,803	1,519	2,094	3,430	-2	-2	8,383	11,210
<hr/>										
Net cash flows from operating activities	1,733	1,077	2,403	2,209	42	134	-980	-855	3,198	2,565
Net cash flows from investing in non-financial assets	-3,065	-3,029	-2,594	-3,420	-4	-5	-	-	-5,663	-6,453
Dividends paid	-	-	-825	-788	-154	-67	980	855	-	-
Cash surplus/-deficit	-1,333	-1,952	-1,015	-1,998	-117	62	-	-	-2,465	-3,888

NOTE 33: EVENTS OCCURRING AFTER THE REPORTING PERIOD

Machinery of Government changes

On 23 October 2013, the Government introduced the *Ports Legislation Amendment Bill 2013* into Parliament. The Bill received Royal Assent on 20 May 2014.

The purpose of this Act is to introduce structural reforms to Western Australia's eight statutory port authorities by merging or renaming port authorities to create four new regional port authorities entities – Mid West, Southern, Kimberley and Pilbara. Work is underway to progress the amalgamation of the Bunbury, Esperance and Albany Port Authorities to establish the Southern Ports Authority in 2014-15 while the following changes took effect from 1 July 2014:

- Geraldton Port Authority was renamed to Mid West Port Authority;
- Broome Port Authority was renamed to Kimberley Port Authority;
- Dampier Port Authority and Port Hedland Port Authority were merged to create the Pilbara Port Authority.

Credit rating

On 25 August 2014, Moody's Investor Services downgraded Western Australia's credit rating from Aaa (negative outlook) to Aa1 (stable outlook). This followed a similar downgrade by Standard & Poor's in September 2013.

This post-balance date announcement by Moody's is not expected to have an appreciable additional impact on the State's borrowing costs as financial markets have already responded to the announcements by credit rating agencies to move the State to negative outlook in 2012, and Standard & Poor's September 2013 announcement to adjust Western Australia's headline credit rating from AAA (negative outlook) to AA+ (stable outlook).

Carbon Tax

The Commonwealth has recently repealed its carbon tax legislation with effect from 1 July 2014. This has only a minimal impact on the operations of State agencies in 2013-14. The implication for 2014-15 and beyond is being considered in the context of the 2014-15 Mid-year Review (to be released by 31 December 2014).

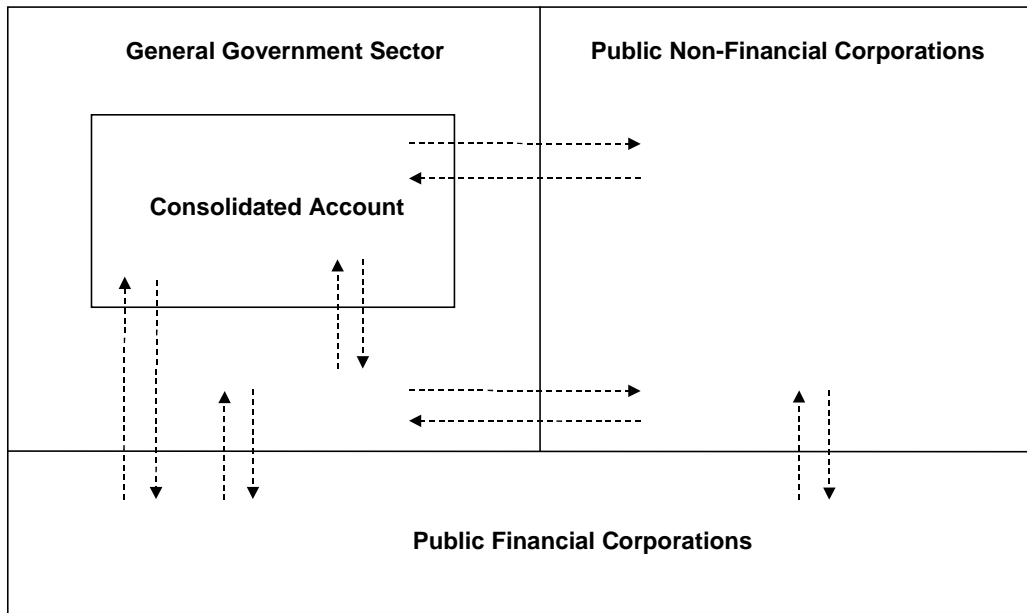
Biological Assets

Included in the biological assets plantation valuation is an estimate of the impact of impairment for extended dry conditions in the Mid-west Estate held by the Forest Products Commission. As this weather event continues, this will further impact the value of the biological asset. The full impact of this is not known at the reporting date.

NOTE 34: COMPOSITION OF SECTORS

The following diagram shows the financial relationship between sectors within which agencies have been classified by the ABS and which are included in the consolidated financial statements.

TOTAL PUBLIC SECTOR



Each agency produces its own annual report. All controlled agencies, regardless of funding source or sector classification, have been included in these consolidated financial statements.

The agencies included within each sector are listed below and are wholly owned or controlled by the Government of Western Australia.

General Government

Agricultural Produce Commission	Gascoyne Development Commission
Botanic Gardens and Parks Authority	Goldfields Esperance Development Commission
Building and Construction Industry Training Board	Governor's Establishment
Central Institute of Technology	Great Southern Development Commission
Challenger Institute of Technology	Great Southern Institute of Technology
Chemistry Centre (WA)	Health and Disability Services Complaints Office
Combat Sports Commission	Heritage Council of Western Australia
Commissioner for Children and Young People	Independent Market Operator
Commissioner for Equal Opportunity	Keep Australia Beautiful Council (W.A.)
Commissioner of Main Roads	Kimberley Training Institute
Corruption and Crime Commission	Kimberley Development Commission
Country High School Hostels Authority	Law Reform Commission of Western Australia
C.Y. O'Connor Institute	Legal Aid Commission of Western Australia
Department of Aboriginal Affairs	Legal Costs Committee
Department of Agriculture and Food	Local Health Authorities Analytical Committee
Department for Child Protection and Family Support	Mental Health Commission
Department of Commerce	Mid West Development Commission
Department of Corrective Services	Minerals Research Institute of Western Australia ^(a)
Department of Culture and the Arts	Office of the Auditor General
Department of Education	Office of the Director of Public Prosecutions
Department of Education Services	Office of the Environmental Protection Authority
Department of Environment Regulation	Office of the Information Commissioner
Department of Finance	Office of the Inspector of Custodial Services
Department of Fire and Emergency Services	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Department of Fisheries	Parliamentary Commissioner for Administrative Investigations
Department of Health (including Public Hospitals)	Parliamentary Services Department
Department of Lands	Peel Development Commission
Department of Local Government and Communities	Perth Theatre Trust
Department of Mines and Petroleum	Pilbara Development Commission
Department of Planning	Pilbara Institute
Department of Parks and Wildlife	Polytechnic West
Department of Racing, Gaming and Liquor	Professional Standards Council
Department of Regional Development	Public Sector Commission
Department of Sport and Recreation	Racing Penalties Appeal Tribunal of Western Australia
Department of State Development	Rural Business Development Corporation
Department of Training and Workforce Development	Salaries and Allowances Tribunal
Department of Transport	School Curriculum and Standards Authority
Department of Treasury	Screen West Inc.
Department of the Attorney General	Small Business Development Corporation
Department of the Legislative Assembly	South West Development Commission
Department of the Legislative Council	South West Institute of Technology
Department of the Premier and Cabinet	State Emergency Management Committee Secretariat
Department of the Registrar, Western Australian Industrial Relations Commission	Swan River Trust
Department of Water	The Aboriginal Affairs Planning Authority
Disability Services Commission	The ANZAC Day Trust
Durack Institute of Technology	The Board of the Art Gallery of Western Australia
Economic Regulation Authority	The Burswood Park Board
Gaming and Wagering Commission of Western Australia	

(a) Agency which has been either created, abolished, amalgamated or renamed since the 8 August 2013 presentation of the 2013-14 Budget.

General Government (cont.)

The Coal Miners' Welfare Board of Western Australia	Western Australian Greyhound Racing Association
The Library Board of Western Australia	Western Australian Health Promotion Foundation
The National Trust of Australia (W.A.)	Western Australian Institute of Sport
The Queen Elizabeth II Medical Centre Trust	Western Australian Land Information Authority
The Western Australia Museum	Western Australian Meat Industry Authority
Trustees of the Public Education Endowment	Western Australian Planning Commission
West Coast Institute of Training	Western Australian Sports Centre Trust
Western Australia Police	Western Australian Tourism Commission
Western Australian Alcohol and Drug Authority	Wheatbelt Development Commission
Western Australian Building Management Authority	WorkCover Western Australia Authority
Western Australian Electoral Commission	Zoological Parks Authority
Western Australian Energy Disputes Arbitrator	

Public Non-Financial Corporations

Albany Port Authority	Geraldton Port Authority
Animal Resources Authority	Gold Corporation and its subsidiaries
Broome Port Authority	Housing Authority
Bunbury Port Authority	Lotteries Commission
Bunbury Water Corporation ^(a)	Metropolitan Cemeteries Board
Busselton Water Corporation ^(a)	Metropolitan Redevelopment Authority
Dampier Port Authority	Perth Market Authority
Electricity Networks Corporation (Western Power)	Port Hedland Port Authority
Electricity Generation and Retail Corporation ^(a) (Synergy)	Potato Marketing Corporation of Western Australia
Esperance Port Authority	Public Transport Authority of Western Australia
Forest Products Commission	Racing and Wagering Western Australia
Fremantle Port Authority	Regional Power Corporation (Horizon Power)
	Rottneest Island Authority
	Water Corporation
	Western Australian Coastal Shipping Commission
	Western Australian Land Authority

Public Financial Corporations

Country Housing Authority
Insurance Commission of Western Australia
Keystart Housing Scheme, comprising
Keystart Bonds Ltd
Keystart Loans Ltd
Keystart Support Pty Ltd
Keystart Support (Subsidiary) Pty Ltd
Keystart Housing Scheme Trust
Keystart Support Trust
RiskCover
Western Australian Treasury Corporation

(a) Agency which has been either created, abolished, amalgamated or renamed since the 8 August 2013 presentation of the 2013-14 Budget.

Agencies Outside the State Public Sector

Some State agencies are not covered by the whole-of-government reporting framework as defined under Australian Accounting Standards and/or the GFS framework. The entities listed below, which administer superannuation and like funds and/or hold private funds in trust or fidelity type funds, are examples of such agencies not included in the definition of the public sector used in the budget. This is because the assets are not available for the benefit of, and/or are not controlled by, the State.

Coal Industry Superannuation Board	Legal Contribution Trust
Construction Industry Long Service Leave Payments Board	Murdoch University and its subsidiaries
Curtin University of Technology and its subsidiaries	Public Trustee
Edith Cowan University	Parliamentary Superannuation Board
Fire and Emergency Services Superannuation Board	The University of Western Australia and its subsidiaries
Government Employees Superannuation Board	

NOTE 35: BUDGETARY INFORMATION – COMPARISON OF FINAL OUTCOMES TO ORIGINAL BUDGET

Explanations of significant variances between actual results for 2013-14 and the original budget (presented in August 2013) for the general government sector and the total public sector are included in Appendix 4 of this publication. For the purposes of these financial statements, and the associated notes to the financial statements, the discussion in Appendix 4 meets the requirements of paragraphs 59(f) and 61 of AASB 1049: *Whole of Government and General Government Financial Reporting*.

Chapter 1 of this report details variations from the estimated actual contained in the recent State Budget, presented to the Parliament on 8 May 2014.

NOTE 36: KEY TECHNICAL TERMS USED IN THE FINANCIAL REPORT

ABS GFS manual

Australian Bureau of Statistics (ABS) publications Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005 (ABS Catalogue No. 5514.0) and Amendments to Australian System of Government Finance Statistics, 2005 (ABS Catalogue No. 5514.0).

Advances Paid

Loans acquired for policy rather than liquidity management purposes. These include long and short term loans, non-marketable debentures and long and short term promissory agreements (bonds and bills) issued to public sector units for achieving government policy objectives.

Biological Assets

Biological assets may comprise of commercial forests and also any living animal, plant or agricultural produce that is the harvested product of biological assets.

Borrowings

Borrowings refer to interest bearing liabilities mainly raised from public borrowings raised through the Western Australian Treasury Corporation and finance leases and other interest bearing arrangements. Borrowings exclude liabilities raised from other government entities (including finance lease arrangements), which are classified as advances received.

Capital grants (transfers)

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset other than inventories, for which no economic benefits of equal value are receivable in return.

Cash surplus/deficit

Reported in the cash flow statement, this aggregate measures the net economic impact of cash flows during the period. It equals net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets, less distributions paid.

Change in net worth

Change in net worth (also known as comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows and measures the variation in a government's accumulated assets and liabilities.

Consolidated financial statements

The aggregate financial statements for the whole-of-government (and its sub-sectors), including the financial outcomes of public sector agencies. Transactions, assets and obligations between agencies are eliminated on consolidation.

Contingent asset

A potential asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability

A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Convergence difference

The difference between the amounts recognised in the financial statements (prepared under Australian Accounting Standards) compared with the amounts determined for Government Finance Statistics purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value and receivable or payable in return.

Derivatives

Held for trading financial instruments valued at fair value as at balance sheet date, in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*.

Employee expenses

These expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, voluntary separation payments, defined benefits superannuation plans and defined contribution superannuation plans.

Finance lease

Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset).

Financial asset

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or

- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial liability

Financial obligations to a third party. Includes deposits held on behalf of third parties, advances (loans) received from the Commonwealth, borrowings (including finance leases), employee entitlements (such as unfunded superannuation liabilities) accounts payable, etc.

Fiscal aggregates

Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. Key fiscal aggregates defined under ABS GFS manual are required to be disclosed under AASB 1049: *Whole of Government and General Government Sector Financial Reporting*. They are opening net worth, net operating balance, net lending/-borrowings, change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth, and cash surplus/-deficit. AASB 1049 also allows additional fiscal aggregates to be included such as net financial worth, net financial liabilities and net debt.

General government sector

Defined in Government Finance Statistics as an entity or group of entities which are mainly engaged in the production of goods and/or services outside the normal market mechanism. Goods and services are generally provided to third parties free of charge or at nominal charges well below costs of production.

Government Finance Statistics

Refers to statistics that measure the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. Government Finance Statistics (GFS) in Australia are developed by the ABS in conjunction with all governments and are mainly based on international statistical standards developed, in consultation with member countries, by the International Monetary Fund.

Government Purpose Classification

The Government Purpose Classification (GPC) classifies expenses and acquisitions of non financial assets of the public sector and general government sector in terms of the purposes for which the transactions are made. As required under AASB 1049, total assets of the State and general government sector are also required to be allocated to purpose classification where possible to do so. The major groups reflect the broad objectives of government and the groups and subgroups details the means by which these broad objectives are met.

Grants and subsidies

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be of a current or capital nature (see current grants and capital grants).

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive benefits directly of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on passing

All grants paid to one institutional sector (e.g. a state based general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

Gross borrowing

Loans and debt obligations liabilities, other than advances, created through direct agreements with lenders, the sale of securities and acquisition of finance leases. Gross borrowing is the largest component of gross debt, used to calculate the State's net debt.

Gross debt

A component of net debt. Gross debt includes borrowings, deposits held on behalf of third parties and advances (loans) from the Commonwealth. Net debt is derived from gross debt less liquid financial assets.

Net acquisition (disposal) of non-financial assets from transactions

Includes purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Purchases exclude non-produced assets and valuables which are included in other movements in non-financial assets.

Net actuarial gains

Includes actuarial gains and losses on defined benefit superannuation entitlements.

Net cash flows from investments in financial assets (liquidity management purposes)

Includes cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net cash flows from investments in financial assets (policy purposes)

Includes cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by Government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.

Net cash flows from operating activities

Cash received from taxes, grants and subsidies, sales of goods and services, interest, dividends and tax equivalents, less the cash paid for day to day activities (wages, salaries and goods and services). Capital sales or acquisitions (infrastructure spending) are not included as operating activities. This is the cash equivalent of the net operating balance on the operating statement.

Net debt

Net debt measures the public sector's net stock of selected gross financial liabilities less financial assets. Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements.

Net financial liabilities

Equals total liabilities less financial assets (other than equity in public corporations and other entities). This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements).

Net financial worth

Measures the public sector's net holdings of financial assets. It is calculated from the Uniform Presentation Framework balance sheet as financial assets less liabilities. Net financial worth is a broader measure than net debt, as it incorporates provisions (such as superannuation, but excludes depreciation and doubtful debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities.

Net gain on equity investments in other sector entities

Neg gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) represents the net gains relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of inter sector balances.

Net lending/borrowing

An operating statement measure that differs from the net operating balance as it includes spending on capital items but excludes depreciation. The net lending/borrowing measure more accurately reflects the cash requirements of the public sector in any given year. A net lending (or fiscal surplus) balance indicates that the public sector is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) position indicates that the public sector's level of investment is greater than its level of savings.

Net operating balance

This is calculated as income from transactions less expenses from transactions. It is a summary measure of the ongoing sustainability of operations and excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions.

Net other economic flows

The net change in the volume or value of assets and liabilities that does not result from transactions.

Net worth

It is an economic measure of wealth and provides a relatively comprehensive picture of the public sector's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. For the general government sector, net worth is assets less liabilities, since shares and contributed capital do not exist in a general government sector context.

Operating result

A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

Other economic flows

The change in the volume or value of assets and liabilities that does not result from operating activities.

Other revenue

Revenue other than from taxes, sales of goods and services, Commonwealth grants, etc.

Public financial corporations (PFC) sector

The sector comprises government controlled entities mainly engaged in financial activities, such as providing banking and insurance services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services).

Public non-financial corporations sector

The public non-financial corporations (PNC) sector comprises those non-financial public sector agencies engaged mainly in the production of goods and services for sale in the market, with an objective to recover at least a significant proportion of operating costs through charges for goods and services.

Public Private Partnerships

A term used to describe a method of procuring public sector infrastructure and associated services. Public Private Partnerships (PPPs) create opportunities with the private sector for increasing investment in social and economic infrastructure.

Sales of goods and services

Refers to revenue from the direct provision of goods and services, and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land.

Securities other than shares

Negotiable financial instruments serving as evidence of the obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. The security normally specifies a schedule for interest payments and principal repayments. Examples include bills, bonds and debentures, commercial paper, and securitised mortgage loans.

Superannuation concurrent cost

Includes all superannuation expenses from transactions except superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.

Superannuation interest cost

Represents the carrying cost of defined benefit superannuation liabilities, net of expected return on plan assets of defined benefit schemes.

Taxation revenue

Taxation revenue represents revenue received from the State's taxpayers and includes payroll tax, land tax, duties levied principally on conveyances and land transfers, gambling taxes levied mainly on private lotteries and racing, insurance duty relating to compulsory third party policies, motor vehicle taxes, including registration fees and duty on registrations and transfers, levies on statutory corporations in other sectors of government and other taxes, including landfill levies, licence and concession fees.

Tax equivalents regime

The mechanism to ensure that public corporations incur similar tax liabilities as privately owned organisations that are exposed to the tax system. Under these arrangements, greater parity exists between the cost structures of public sector trading entities and the private sector, aiding in the achievement of competitive neutrality.

Total change in net worth

The net result of all items of income and expense recognised for the period. This is sometimes also referred to as the 'Comprehensive Result'. It is the aggregate of operating result and other movements in equity, other than transactions with owners as owners.

Total non-financial assets

Assets that are not 'financial assets', predominantly land and other fixed assets.

Total non-financial public sector

The total non-financial public sector (TNFPS) represents the consolidated transactions and assets and liabilities of the general government and PNFC sectors. In compiling statistics for the non-financial public sector, transactions and debtor/creditor relationships between sub-sectors are eliminated.

Transaction

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the Government and tax payers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is in cash. In simple terms, transactions arise from the policy decisions of the Government.

Uniform Presentation Framework

The UPF was first agreed by the Australian Loan Council in 1993. The current Uniform Presentation Framework (UPF) incorporates the use of accounting standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting* and specifies that Commonwealth, State and Territory governments will present a minimum set of budget and financial outcome information on AASB 1049 and Government Finance Statistics bases according to an agreed format specified by Loan Council reporting arrangements.

Whole-of-government financial report

A financial report prepared by a Government that is prepared in accordance with Australian Accounting Standards and thereby separately recognises assets, liabilities, income, expenses and cash flows of all entities under the control of the Government on a line-by-line basis.

Operating Revenue

The tables in this appendix detail operating revenue of the general government and total public sectors. They provide detailed revenue information consistent with the operating statements presented in Appendix 1: *Financial Statements*.

The total public sector consolidates internal transfers between the general government sector and agencies in the public corporations sectors.

Accordingly, some total public sector revenue aggregates may be smaller than the general government equivalent. For example, the general government sector collects payroll tax from some public corporations. These internal collections are not shown in the total public sector taxation revenue data which is thus smaller than the general government taxation revenue aggregate.

Table 2.1

OPERATING REVENUE
General Government

	2012-13	2013-14			Actual \$m (4)	Variation on EA \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Actual \$m (3)		
Taxation						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,476	3,730	3,730	3,617	3,566	-50
Property taxes						
<i>Land tax</i>	568	657	662	662	661	-1
Transfer Duty	1,654	1,866	1,799	1,839	1,776	-63
Landholder Duty	216	309	248	196	193	-3
<i>Total duty on transfers</i>	1,870	2,174	2,047	2,035	1,969	-66
Other stamp duties	5	-	-	-	-	-
Metropolitan Region Improvement Tax	85	87	89	89	88	-1
Perth Parking Levy ^(a)	34	38	38	38	40	2
Emergency Services Levy	237	257	256	256	258	1
Loan guarantee fees	104	120	119	119	119	-
<i>Total other property taxes</i>	465	502	502	502	504	2
Taxes on provision of goods and services						
Lotteries Commission	151	147	147	148	147	-1
Video lottery terminals	-	1	1	1	-	-1
Casino Tax	112	130	118	118	127	9
Betting tax	41	42	42	42	43	-
Other	-	-	-	-	-	-
<i>Total taxes on gambling</i>	304	320	308	309	317	9
Insurance Duty	555	593	593	593	580	-13
Other	22	24	23	23	32	8
<i>Total taxes on insurance</i>	576	617	616	616	611	-5
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	404	436	416	396	385	-11
Permits - Oversize Vehicles and Loads	8	6	8	8	7	-1
Motor Vehicle recording fee	48	49	49	49	53	4
Motor Vehicle registrations	650	725	725	725	728	3
<i>Total motor vehicle taxes</i>	1,109	1,216	1,198	1,178	1,173	-5
<i>Landfill Levy^(a)</i>	44	43	43	43	47	3
Total Taxation	8,412	9,258	9,106	8,962	8,849	-113

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2012-13		2013-14		Actual \$m (4)	Variation on EA \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Actual \$m (3)		
Current Grants and Subsidies						
<i>General Purpose Grants</i>						
GST grants	2,935	2,458	2,489	2,473	2,507	34
North West Shelf grants	1,031	1,067	1,091	1,134	1,103	-31
Compensation for Commonwealth crude oil excise arrangements	63	59	60	62	65	3
<i>Grants through the State</i>						
Schools assistance – non-government schools	873	897	897	940	951	11
Local government financial assistance grants	158	170	170	170	168	-2
Local government roads	101	107	107	107	107	-
First Home Owners' Boost	-	-	-	-	-	-
Other	-	-	-	-	-	-
<i>National Specific Purpose Payment Agreement Grants</i>						
National Schools	406	457	457	469	469	-
National Agreement for Skills and Workforce Development	146	151	151	152	151	-
National Disability Services	127	146	146	146	146	-
National Affordable Housing	135	139	139	139	139	-
<i>National Health Reform</i>	1,398	1,535	1,535	1,535	1,518	-16
<i>National Partnerships/Other Grants</i>						
Health	474	392	407	403	484	80
Housing	6	15	15	15	15	-
Transport	69	76	76	76	52	-25
Other	394	347	323	311	323	12
Total Current Grants and Subsidies	8,316	8,015	8,062	8,133	8,199	66
Capital Grants						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	25	29	29	27	22	-5
<i>National Partnerships/Other Grants</i>						
Housing	93	200	200	200	191	-10
Transport	445	392	408	300	242	-58
Other	59	89	88	88	92	5
Total Capital Grants	622	709	724	615	547	-69

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2012-13	2013-14			Actual \$m (4)	Variation on EA \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Actual \$m (3)		
Sales of Goods and Services^(a)						
WA Health	494	517	517	610	525	-85
Department of Transport	164	169	170	174	167	-7
Department of Education	160	179	162	145	149	4
State Training Providers	120	144	125	139	138	-1
Department of Training and Workforce Development	43	51	51	51	42	-9
Western Australian Land Information Authority	125	134	134	134	139	5
Department of Attorney General	101	107	107	107	109	3
Department of Mines and Petroleum	60	55	53	54	50	-4
Department of Commerce	81	68	86	86	93	6
Department of Parks and Wildlife	59	49	45	44	36	-8
All Other	603	581	610	603	630	27
Total Sales of Goods and Services	2,011	2,054	2,060	2,146	2,078	-69
Interest Income	255	201	221	212	194	-18
Revenue from Public Corporations						
Dividends	796	832	857	850	901	51
Tax Equivalent Regime	381	502	546	524	602	78
Total Revenue from Public Corporations	1,177	1,334	1,403	1,374	1,503	129
Royalty Income	4,425	5,824	6,089	5,911	6,025	114
Other						
Lease Rentals	91	84	84	89	94	5
Fines	157	169	169	169	141	-28
Revenue not elsew here counted	252	330	348	358	326	-32
Total Other	499	583	601	616	561	-55
TOTAL REVENUE	25,718	27,978	28,267	27,970	27,956	-14

(a) The Perth Parking Levy and the Landfill Levy were previously disclosed as general government sector goods and services revenue. However, the Australian Bureau of Statistics has advised that for Government Finance Statistics purposes, these levies should be classified as tax collections. Reflecting the harmonised nature of the whole-of-government accounting standard, Western Australia's AASB 1049 disclosures have been adjusted to reflect this classification change. The reclassification extends back to prior years from when the two levies commenced (1999-2000 for the Perth Parking Levy and 1998-99 for the Landfill Levy). For consistency, this reclassification has been backcast in all comparator periods that appear in this publication (i.e. original 2013-14 Budget, the Mid-year Review, and the estimated outturn for 2013-14).

Note: Columns may not add due to rounding.

Table 2.2

OPERATING REVENUE
Total Public Sector

	2012-13		2013-14		Actual \$m (4)	Variation on EA \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Actual \$m (3)		
Taxation						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,390	3,646	3,647	3,531	3,474	-57
Property taxes						
<i>Land tax</i>	511	609	614	597	596	-2
Transfer Duty	1,654	1,866	1,799	1,839	1,776	-63
Landholder Duty	216	309	248	196	193	-3
<i>Total duty on transfers</i>	1,870	2,174	2,047	2,035	1,969	-66
Other stamp duties	5	-	-	-	-	-
Metropolitan Region Improvement Tax	85	87	89	89	88	-1
Perth Parking Levy ^(a)	34	38	38	38	40	2
Emergency Services Levy	233	252	252	252	253	2
Loan guarantee fees	3	4	4	4	6	3
<i>Total other property taxes</i>	360	380	382	382	387	5
Taxes on provision of goods and services						
Lotteries Commission	-	-	-	-	-	-
Video lottery terminals	-	1	1	1	-	-1
Casino Tax	112	130	118	118	127	9
Betting tax	-	-	-	-	-	-
Other	-	-	-	-	-	-
<i>Total taxes on gambling</i>	112	131	119	119	128	9
Insurance Duty	555	593	593	593	580	-13
Other	22	24	23	23	32	8
<i>Total taxes on insurance</i>	576	617	616	616	611	-5
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	404	436	416	396	385	-11
Permits - Oversize Vehicles and Loads	8	6	8	8	7	-1
Motor Vehicle recording fee	48	49	49	49	53	4
Motor Vehicle registrations	650	725	725	725	728	3
<i>Total motor vehicle taxes</i>	1,109	1,216	1,198	1,178	1,173	-5
<i>Landfill Levy^(a)</i>	44	43	43	43	47	3
Total Taxation	7,972	8,815	8,665	8,501	8,384	-117

Note: Columns may not add due to rounding.

Table 2.2 (cont.)

OPERATING REVENUE
Total Public Sector

	2012-13	2013-14				Variation on EA \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Actual \$m (3)	Actual \$m (4)	
Current Grants and Subsidies						
<i>General Purpose Grants</i>						
GST grants	2,935	2,458	2,489	2,473	2,507	34
North West Shelf grants	1,031	1,067	1,091	1,134	1,103	-31
Compensation for Commonwealth crude oil excise arrangements	63	59	60	62	65	3
<i>Grants through the State</i>						
Schools assistance – non-government schools	873	897	897	940	951	11
Local government financial assistance grants	158	170	170	170	168	-2
Local government roads	101	107	107	107	107	-
First Home Owners' Boost	-	-	-	-	-	-
Other	-	-	-	-	-	-
<i>National Specific Purpose Payment Agreement Grants</i>						
National Schools	406	457	457	469	469	-
National Agreement for Skills and Workforce Development	146	151	151	152	151	-
National Disability Services	127	146	146	146	146	-
National Affordable Housing	135	139	139	139	139	-
<i>National Health Reform</i>	1,398	1,535	1,535	1,535	1,518	-16
<i>National Partnerships/Other Grants</i>						
Health	474	392	407	403	484	80
Housing	6	15	15	15	15	-
Transport	69	76	76	76	52	-25
Other	394	347	323	311	323	12
Total Current Grants and Subsidies	8,316	8,015	8,062	8,133	8,199	66
Capital Grants						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	25	29	29	27	22	-5
<i>National Partnerships/Other Grants</i>						
Housing	93	200	200	200	191	-10
Transport	445	392	408	300	242	-58
Other	59	89	88	88	92	5
Total Capital Grants	622	709	724	615	547	-69
Sales of Goods and Services^(a)	17,878	19,937	20,150	18,493	17,773	-720
Interest Income	687	743	761	670	614	-56
Royalty Income	4,425	5,824	6,089	5,911	6,025	114
Other						
Lease Rentals	91	84	84	89	94	5
Fines	157	169	169	169	141	-28
Revenue not elsew here counted	647	758	793	789	853	65
Total Other	896	1,011	1,046	1,047	1,088	42
TOTAL REVENUE	40,794	45,054	45,497	43,370	42,630	-740

(a) The Perth Parking Levy and the Landfill levy were previously disclosed as general government sector goods and services revenue. However, the Australian Bureau of Statistics has advised that for Government Finance Statistics purposes, these levies should be classified as tax collections. Reflecting the harmonised nature of the whole-of-government accounting standard, Western Australia's AASB 1049 disclosures have been adjusted to reflect this classification change. The reclassification extends back to prior years from when the two levies commenced (1999-2000 for the Perth Parking Levy and 1998-99 for the Landfill Levy). For consistency, this reclassification has been backcast in all comparator periods that appear in this publication (i.e. original 2013-14 Budget, the Mid-year Review, and the estimated outcome for 2013-14).

Note: Columns may not add due to rounding.

Other Uniform Presentation Framework Information

Under an intergovernmental agreement between the States, Territories and the Commonwealth in the early 1990s, all jurisdictions release whole-of-government and other public sector information in a consistent format.

The Uniform Presentation Framework (UPF) assists users by disclosing information in a consistent format. This supports transparency and interjurisdictional comparisons.

Western Australia's whole-of-government financial disclosures, found in its annual Budget Papers, Mid-year Review, *Pre-election Financial Projection Statements* and quarterly and annual outturn reporting, including this *Annual Report on State Finances* (ARSF), are consistent with the UPF disclosure requirements.

In particular, UPF information in this ARSF includes:

- financial statements by sector of government and for the consolidated total public sector (see Appendix 1: *Financial Statements*);
- information on grants and transfer payments are available in the notes to the financial statements (see Notes to the Financial Statements, Appendix 1);
- detailed operating revenue information (disclosed in Appendix 2: *Operating Revenue*); and
- detailed general government expenses and purchases of non-financial assets by function, along with outcome information for the State's Loan Council Allocation (detailed in this appendix).

Table 3.1

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION ^(a)
General Government

	2012-13		2013-14		Actual \$m	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
EXPENSES						
<i>General public services</i>	569	714	706	675	514	-161
Government superannuation benefits	148				50	
Other general public services	421				464	
<i>Public order and safety</i>	2,940	3,052	3,088	3,080	3,088	9
Police and fire protection services	1,375				1,431	
Police services	1,046				1,096	
Fire protection services	329				335	
Law courts and legal services	715				752	
Prisons and corrective services	819				865	
Other public order and safety	32				40	
<i>Education</i>	6,154	6,523	6,515	6,512	6,455	-57
Primary and secondary education	4,955				5,199	
Primary education	2,765				2,931	
Secondary education	2,120				2,247	
Primary and secondary education nec.	69				21	
Tertiary education	635				641	
University education	17				17	
Technical and further education	618				624	
Tertiary education nec.	-				-	
Pre-school education and education not definable by level	450				493	
Pre-school education	200				227	
Special education	249				266	
Other education not definable by level	2				1	
Transportation of students	114				122	
Transportation of non-urban school students	111				118	
Transportation of other students	3				3	
Education nec.	-				-	
<i>Health</i>	6,903	7,278	7,437	7,504	7,336	-168
Acute care institutions	4,650				4,986	
Admitted patient services in acute care institutions	3,503				3,793	
Non-admitted patient services in acute care institutions	1,146				1,193	
Mental health institutions	156				153	
Nursing homes for the aged	121				145	
Community health services	1,035				1,029	
Community mental health services	421				439	
Patient transport	192				202	
Other community health services	422				387	
Public health services	292				281	
Pharmaceuticals, medical aids and appliances	531				542	
Health research	28				32	
Health administration nec.	89				168	

Note: Columns/rows may not add due to rounding.

Table 3.1 (cont.)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION (a)
General Government

	2012-13	2013-14			Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<i>Social security and welfare</i>	1,787	1,955	1,944	1,946	1,931	-15
Social security	-				-	
Welfare services	1,787				1,931	
Family and child welfare services	589				623	
Welfare services for the aged	384				411	
Welfare services for people with a disability	728				804	
Welfare services nec.	86				92	
Social security and welfare nec.	-				-	
<i>Housing and community amenities</i>	1,534	2,036	2,092	1,740	1,870	130
Housing and community development	878				1,068	
Housing	392				515	
Aboriginal community development	8				16	
Other community development	478				537	
Water supply	527				672	
Sanitation and protection of the environment	106				108	
Other community amenities	24				22	
<i>Recreation and culture</i>	851	854	818	904	906	2
Recreation facilities and services	537				570	
National parks and wildlife	252				256	
Recreation facilities and services nec.	285				314	
Cultural facilities and services	212				218	
Broadcasting and film production	15				14	
Recreation and culture nec.	87				104	
<i>Fuel and energy</i>	543	614	722	723	708	-15
Fuel affairs and services	-				-	
Gas	-				-	
Fuel affairs and services nec.	-				-	
Electricity and other energy	520				684	
Electricity	497				666	
Other energy	23				19	
Fuel and energy nec.	23				24	
<i>Agriculture, forestry, fishing and hunting</i>	376	367	338	347	348	1
Agriculture	273				239	
Forestry, fishing and hunting	103				110	
<i>Mining and mineral resources other than fuels; manufacturing; and construction</i>	194	246	250	251	220	-31
Mining and mineral resources other than fuels	165				188	
Manufacturing	-				-	
Construction	29				31	

Note: Columns/rows may not add due to rounding.

Table 3.1 (cont.)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION ^(a)
General Government

	2012-13		2013-14		Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<i>Transport and communications</i>	1,929	2,126	2,090	2,262	2,118	-144
Road transport	1,345				1,482	
Road maintenance	597				725	
Road rehabilitation/Aboriginal community road transport services	140				73	
Road construction	299				330	
Road transport nec.	309				353	
Water transport	24				24	
Urban water transport services	-				-	
Other water transport services	24				24	
Rail transport	45				43	
Urban rail transport services	-				-	
Non-urban rail transport freight services	12				9	
Non-urban rail transport passenger services	33				34	
Air transport	12				11	
Pipelines	-				-	
Other transport	502				558	
Multi-mode urban transport	502				558	
Other transport nec.	-				-	
Communications	-				-	
<i>Other economic affairs</i>	719	783	804	821	785	-36
Storage, saleyards and markets	3				3	
Tourism and area promotion	122				120	
Labour and employment affairs	376				374	
Vocational training	255				257	
Other labour and employment affairs	122				116	
Other economic affairs	218				287	
<i>Other purposes</i>	969	1,043	1,026	1,022	958	-64
Public debt transactions	811				790	
General purpose inter-government transactions	158				168	
Natural disaster relief	-				-	
Other purposes nec.	-				-	
TOTAL EXPENSES	25,468	27,592	27,830	27,787	27,236	-550
PURCHASES OF NON-FINANCIAL ASSETS						
General public services	161	170	161	160	105	-55
Public order and safety	216	309	325	280	218	-62
Education	506	609	628	590	570	-20
Health	901	1,078	1,066	1,012	873	-139
Social security and welfare	53	70	70	61	59	-2
Housing and community amenities	107	119	143	-33	89	122
Recreation and culture	181	145	206	223	199	-24
Fuel and energy	8	5	5	5	4	-1
Agriculture, forestry, fishing and hunting	23	30	31	30	29	-1
Mining and mineral resources other than fuels; manufacturing; and construction	2	1	2	2	1	-1
Transport and communications	852	1,139	1,148	1,058	1,025	-33
Other economic affairs	185	145	153	155	117	-39
Other purposes	-	-625	-625	-375	-	375
TOTAL PURCHASE OF NON-FINANCIAL ASSETS	3,195	3,196	3,313	3,168	3,289	120

(a) The accuracy of spending by Government Purpose Classification (GPC) data is subject to ongoing refinement and improvement. Calculation methods and the allocation of spending to the various GPCs are continually being updated based on data availability and correspondence with the Australian Bureau of Statistics and the Commonwealth Grants Commission.

Note: Columns/rows may not add due to rounding.

Loan Council Allocations

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's total non-financial public sector cash deficit position¹, adjusted for certain memorandum items².

Western Australia recorded an LCA deficit of \$2,449 million in 2013-14, \$698 million lower than the deficit forecast in the 2013-14 Budget.

Material changes in the composition of this outcome since the 2013-14 Budget include:

- a lower than anticipated cash deficit for the total non-financial public sector (down \$590 million), with lower cash deficits for the public non-financial corporations (down \$385 million) and general government (down \$206 million) sectors;
- lower than anticipated acquisitions under finance leases and similar arrangements (down \$310 million), largely reflecting a reduction in the value of finance leases for the Department of Health as a result of the delay in the opening of the Fiona Stanley Hospital and the associated timing delays in the procurement and commissioning of assets procured under the Fiona Stanley Hospital Facilities Management Contract; and
- higher than expected outcomes for memorandum items (up \$203 million), primarily due to levels of home lending by Keystart, partly offset by a decrease in loans to universities and local governments.

Key variations in State financial outcomes relative to the original 2013-14 Budget are detailed in Appendix 4 of this report.

Table 3.2

2013-14 LOAN COUNCIL ALLOCATIONS Western Australia

	Nomination ^(a)	Budget Estimate	Estimated Outturn	Actual	Variation on Budget
	\$m	\$m	\$m	\$m	\$m
		(1)	(2)	(3)	(3)-(1)
General government cash surplus/deficit	2,194	1,538	1,738	1,333	-206
Public non-financial Corporations sector cash surplus/deficit	1,265	1,400	1,875	1,015	-385
Total non-financial public sector cash surplus/deficit	3,459	2,938	3,613	2,348	-590
Acquisitions under finance leases and similar arrangements	682	682	532	372	-310
GFS cash surplus/deficit	4,141	3,621	4,146	2,720	-900
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-	-1	-1
Plus: Memorandum items	-451	-473	498	-271	203
Loan Council Allocation	3,690	3,147	4,644	2,449	-698
<i>Tolerance Limit^(b)</i>	868				

(a) 2013-14 Government Mid-year Financial Projections Statement, released 18 December 2013.

(b) ±2% of total non-financial public sector operating receipts at the time of the original LCA nomination.

Note: Columns/rows may not add due to rounding.

¹ For the purposes of LCAs, deficits are positive and surpluses are negative.

² LCA memorandum items include additional factors that can increase a jurisdiction's demand for cash but which are outside the scope of the general government sector and/or the public non-financial corporations sector (e.g. borrowings by public universities and public sector home lending schemes).

Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2014

This appendix contains explanations for material variations in general government and total public sector financial aggregates compared to the original Budget presented to Parliament on 8 August 2013, in line with the requirements of AASB 1049: *Whole of Government and General Government Sector Reporting requirements*¹.

For the general government operating statement, explanations are provided in this appendix for the three largest revenue sources (taxation, Commonwealth grants and royalties) and the three largest expenses (salaries, transfers and other gross operating expenses). Explanations are also provided for other revenue and expense items where the variance since the 2013-14 Budget is greater or equal to \$10 million and 10%, and for key line items that appear on the face of the operating statement.

In regard to the other financial statements (the general government balance sheet and cash flow statement, and the three financial statements for the total public sector), high level explanations are provided for key line items.

¹ Paragraph 59(f) of this standard indicates that major variances between the original Budget estimates and outcomes need to be explained in the financial statements. Paragraph 61 indicates that the original Budget is the first budget presented to Parliament in respect of the reporting period.

Table 4.1

GENERAL GOVERNMENT
Operating Statement

	Notes	2013-14			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
RESULTS FROM TRANSACTIONS					
REVENUE					
Taxation	a	9,258	8,849	-409	-4.4
Current grants and subsidies	b	8,015	8,199	183	2.3
Capital grants	b	709	547	-162	-22.9
Sales of goods and services		2,054	2,078	24	1.2
Interest Income		201	194	-7	-3.3
Revenue from public corporations					
Dividends from other sectors		832	901	69	8.3
Tax equivalent income	c	502	602	100	19.9
Royalty income	d	5,824	6,025	202	3.5
Other		583	561	-22	-3.8
<i>Total</i>		27,978	27,956	-23	-0.1
EXPENSES					
Salaries	e	10,804	10,682	-123	-1.1
Superannuation					
Concurrent costs		1,044	1,030	-14	-1.3
Superannuation interest cost	f	352	297	-55	-15.5
Other employee costs		446	432	-14	-3.1
Depreciation and amortisation		1,225	1,197	-29	-2.3
Services and contracts		2,113	2,041	-71	-3.4
Other gross operating expenses	g	4,893	4,943	50	1.0
Other interest		506	492	-14	-2.8
Current transfers	h	5,382	5,357	-25	-0.5
Capital transfers	h	826	765	-62	-7.5
<i>Total</i>		27,592	27,236	-355	-1.3
NET OPERATING BALANCE	i	386	719	333	86.1
<i>Other economic flows - included in the operating result</i>					
Net gains on assets/liabilities		6	-34	-40	-662.5
Net actuarial gains - superannuation		44	-114	-158	-357.8
Provision for doubtful debts		-4	-37	-33	867.0
Changes in accounting policy/correction of prior period errors		-	16	16	-
<i>Total other economic flows</i>	j	46	-169	-216	-464.6
OPERATING RESULT		433	550	117	27.0
<i>All other movements in equity</i>					
<i>Items that will not be reclassified to operating result</i>					
Revaluations		2,045	1,934	-111	-5.4
Gains recognised directly in equity		-1	-1	-1	170.8
Change in net worth of the public corporations sectors		1,241	1,419	177	14.3
All other		-	-	-	-
<i>Total all other movements in equity</i>	k	3,286	3,351	65	2.0
TOTAL CHANGE IN NET WORTH	l	3,719	3,901	182	4.9
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE		386	719	333	86.1
<i>Less Net acquisition of non-financial assets</i>					
Purchase of non-financial assets		3,196	3,289	93	2.9
Changes in inventories		-4	1	5	-126.5
Other movement in non-financial assets		303	-22	-325	-107.4
<i>less:</i>					
Sales of non-financial assets		239	224	-15	-6.4
Depreciation		1,225	1,197	-29	-2.3
<i>Total net acquisition of non-financial assets</i>		2,030	1,847	-183	-9.0
NET LENDING/-BORROWING	m	-1,644	-1,127	516	-31.4

General Government Sector Operating Statement

- (a) Taxation revenue was \$409 million (or 4.4%) lower than budgeted, with:
- payroll tax down \$163 million (or 4.4%), reflecting a combination of lower than expected wages growth across the State economy (the Wage Price Index increased by 2.8% in 2013-14, compared to the 3.75% Budget forecast) and compositional shifts within the labour market (such as movement of labour away from the high paying resource sector towards lower paying industries);
 - landholder duty down \$116 million (or 37.6%) and transfer duty down \$89 million (or 4.8%), reflecting lower than expected large value transactions for the year;
 - vehicle licence duty down \$51 million (or 11.8%), reflecting an 8.7% decline in new car sales during the year; and
 - a net increase of \$10 million (or 0.4%) across all other taxes.
- (b) Grants from the Commonwealth (current and capital) were \$21 million (or 0.2%) higher than budgeted, driven by net changes to a range of grants including:
- health-related tied grants up \$92 million (or 23.5%), largely due to reimbursements for services provided to veterans;
 - GST grants up \$48 million (or 2%), primarily due to upward revisions of national GST collections;
 - grants for non-government schools up \$48 million (or 5.2%), reflecting changes in school enrolment numbers and changes in Commonwealth Government funding policy under the *Australian Education Act 2013*. The Budget projections for these grants, which were identical to the Commonwealth's published budget projections, were exclusive of GST. However, the actual payments of the grants by the Commonwealth are inclusive of GST;
 - North West Shelf grants, including Commonwealth compensation for changed crude oil excise arrangements up \$43 million (or 3.8%), reflecting higher than forecast crude oil and Liquefied Natural Gas (LNG) prices and a slightly lower than forecast \$US/\$A exchange rate;
 - transport-related tied grants down \$175 million (or 37.4%), with grants to Main Roads down \$158 million. This is largely due to the deferral of a \$112 million Commonwealth payment for the Gateway WA project, due to a construction update that caused a payment milestone to be met after 30 June 2014; and
 - a net decrease of \$34 million (or 1%) across all other Commonwealth grants.

- (c) Tax equivalent income from the States public corporations were \$100 million (or 19.9%) higher than budgeted, mainly reflecting increases for Synergy (up \$53 million) and the Water Corporation (up \$30 million). The variance for Synergy is largely due to a higher than forecast profitability associated with increased customer revenue, and a reduction in electricity wholesale costs and overhead cost. The variance for the Water Corporation reflects higher than forecast profits as a result of increased revenue from developers contributions due to higher lot development activity, and increased tariff revenue due to additional water sales and more accurate timing of revenue recognition following the move to two-monthly billing in 2013-14.
- (d) Royalty income was \$202 million (or 3.5%) higher relative to the 2013-14 Budget forecast. This was driven largely by higher than projected iron ore royalties, which exceeded the Budget forecast by \$201 million (or 3.8%). Higher iron ore royalties were due to production volumes exceeding projections by around 59 million tonnes (or 10.3%) and a slightly lower than projected \$US/\$A exchange rate of US91.8 cents relative to the 2013-14 Budget forecast of US92 cents. This more than offset the impact of a lower than anticipated average iron ore price of \$US122.8 per tonne relative to \$US124.5 per tonne².
- (e) Salaries expenses were \$123 million (or 1.1%) lower than budgeted, due mainly to outcomes in the Department of Education (down \$92 million or 3.1%), reflecting lower than forecast student enrolment growth, delays with spending on Commonwealth programs, lower leave liability accruals, and lower Central Office staffing levels. Salaries expenses across the remainder of the sector were \$30 million (or 0.4%) lower than budgeted.
- (f) Nominal superannuation interest costs were \$55 million (or 15.5%) lower than budgeted, due mainly to the actuarial valuation of unfunded scheme liabilities and associated scheme costs. The main factor in this outcome was a lower than expected value for the discount rate used by the actuary to value these liabilities (with an actual discount rate of 3.5% applying for the 2013-14 valuation, compared with a Budget estimate of 4.1%).
- (g) Other gross operating expenses (largely made up of the day-to-day non-salaries operating costs of agencies, including accommodation costs, building and maintenance costs, electricity and water costs, administration costs, etc.) were \$50 million (or 1%) higher than budgeted, which represents a minor forecasting variation across the 100 or so entities that make up the general government sector.

² All iron ore benchmark prices are quoted in terms of The Steel Index (62% iron content). In the 2013-14 Budget, iron ore price assumptions were based on the SteelHome index benchmark, from which a price of \$US126.6 per tonne was assumed for 2013-14. The benchmark was changed to The Steel Index in the 2014-15 Budget. Reflecting this change, the 2013-14 original price of \$US126.6 per tonne converts to \$US124.5 per tonne under the new benchmark series.

(h) Total transfer expenses (mainly current and capital grant payments) were \$87 million (or 1.4%) lower than budgeted, with net changes mainly reflecting:

- higher operating subsidies to Synergy (up \$103 million), largely related to a range of cost and demand pressures that increased the gap between customer payment rates and cost-reflective electricity rates within the South West Interconnected System;
- the flow-through of higher than budgeted Commonwealth grants to non-government schools (up \$48 million), as discussed above under revenue;
- lower than estimated tax refunds (down \$16 million), with the value of refunds processed lower than expected despite a similar number of claims processed. The number of objections and appeals received and approved in 2013-14 was also lower than expected;
- lower than budgeted refunds of mining-related revenue (down \$16 million), due to magnetite producers not applying in 2013-14 for a rebate of 50% of royalties paid offered as part of the Government's scheme, with these rebates expected to commence in 2014-15;
- lower payroll tax rebates (down \$17 million), reflecting lower than expected numbers of taxpayers receiving a partial rebate (i.e. those with payrolls between \$1.5 million and \$3 million);
- lower than budgeted road assets transferred to the local government sector (down \$28 million);
- lower operating subsidies to the Water Corporation (down \$35 million), as a result of lower country water, sewerage and drainage operations, reflecting changes to the value of new and changed projects eligible to receive an operating subsidy, along with minor changes to amounts provided for infill sewerage and pensioner and senior concessions schemes; and
- lower Royalties for Regions grants to the Western Australian Land Authority³ (down \$80 million), primarily due to delays in finalising the business case for 'The Quarter' as part of the Karratha City of the North project, delays in the Karratha City Centre Infrastructure Works project (mainly at the Karratha Health campus), operational delays for the revitalisation of the Newman Town Centre project and delays in approval for the development of Broome Road Industrial Area;

(i) The net operating balance in 2013-14 was \$719 million, up \$333 million (or 86.1%) from the Budget. Revenue was \$23 million (or 0.1%) lower than budgeted while expenses were \$355 million (or 1.3%) lower than forecast, as detailed above.

³ The Western Australian Land Authority, trading as LandCorp, is a public corporation outside of the general government sector.

- (j) Total other economic flows equate to a reduction in net worth of \$169 million, a \$216 million turnaround on expectations at the time of the Budget. This was largely due to lower than budgeted net actuarial gains on superannuation (down \$158 million), reflecting movements in the actuary's valuation of unfunded superannuation liabilities at 30 June 2014. This reflects movements in the value of the discount rate used to estimate the future value of unfunded superannuation entitlements (noted above), and to a lesser extent, changes in retirement and longevity rates, and actual earnings on defined benefit superannuation assets.
- (k) Total all other movements in equity were \$3.4 billion, up \$65 million (or 2%) compared to Budget estimates, with higher changes in the net worth of the public corporations sectors (up \$177 million), largely offsetting lower revaluations (down \$111 million).
- (l) The total change in net worth at 30 June 2014 was \$3.9 billion compared with \$3.7 billion forecast in the Budget. This change is comprised of the changes in the net operating balance, other economic flows and all other movements in equity variances, explained above.
- (m) Net lending/borrowing (which includes the net operating balance, less non-cash depreciation costs plus the net cost of infrastructure investment activities) was in a \$1.1 billion deficit position in 2013-14, compared to the original Budget forecast of a \$1.6 billion deficit. A discussion on changes in general government sector purchases and sales of non-financial assets is contained later in this appendix (under the cash flow statement). Changes in inventories were largely unchanged from budget-time forecasts.

Other movements in non-financial assets (which comprises the value of assets transferred in/out of the sector, and assets acquired under finance leases) were \$325 million lower than expected in the Budget. This outcome largely reflects a reduction in the value of finance leases for WA Health as a result of the delay in the opening of the Fiona Stanley Hospital and the associated timing delays in the procurement and commissioning of assets procured under the Fiona Stanley Hospital Facilities Management Contract.

Table 4.2

GENERAL GOVERNMENT
Balance Sheet

	Notes	2013-14			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
ASSETS					
<i>Financial assets</i>					
Cash and deposits		553	692	140	25.3
Advances paid		665	664	-1	-0.1
Investments, loans and placements		5,051	3,904	-1,146	-22.7
Receivables		2,845	3,054	209	7.3
Shares and other equity					
Investments in other public sector entities - equity method		47,148	45,706	-1,442	-3.1
Investments in other public sector entities - direct injections		6,672	6,731	59	0.9
Investments in other entities		10	11	1	10.7
Other financial assets		-	-	-	-74.5
<i>Total financial assets</i>	a	62,943	60,762	-2,181	-3.5
<i>Non-financial assets</i>					
Land		38,936	37,606	-1,330	-3.4
Property, plant and equipment		44,638	43,162	-1,476	-3.3
Biological assets		2	1	-	-21.6
Inventories					
Land inventories		79	96	17	22.1
Other inventories		62	79	17	27.4
Intangibles		428	574	146	34.1
Non-current assets held for sale		32	16	-17	-51.3
Investment property		8	8	-	-0.3
Other		137	247	110	80.3
<i>Total non-financial assets</i>	b	84,322	81,789	-2,533	-3.0
TOTAL ASSETS	c	147,264	142,551	-4,714	-3.2
LIABILITIES					
Deposits held		369	522	153	41.3
Advances received		424	438	14	3.2
Borrowings		12,877	11,362	-1,514	-11.8
Unfunded superannuation		8,484	7,890	-594	-7.0
Other employee benefits		2,990	3,140	150	5.0
Payables		1,179	1,048	-130	-11.0
Other liabilities		1,331	1,323	-8	-0.6
TOTAL LIABILITIES	d	27,653	25,723	-1,930	-7.0
NET ASSETS		119,612	116,828	-2,784	-2.3
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		12,552	11,122	-1,431	-11.4
Other reserves		107,060	105,706	-1,353	-1.3
NET WORTH	e	119,612	116,828	-2,784	-2.3
MEMORANDUM ITEMS					
<i>Net financial worth</i>		35,298	35,039	-259	-0.7
<i>Net financial liabilities</i>		18,522	17,398	-1,124	-6.1
<i>Net debt</i>					
Gross debt liabilities		13,670	12,322	-1,348	-9.9
less: liquid financial assets		6,268	5,260	-1,007	-16.1
less: convergence differences impacting net debt		88	88	-	-
<i>Net debt</i>	f	7,314	6,973	-341	-4.7

General Government Sector Balance Sheet

- (a) General government sector financial assets totalled \$60.8 billion at 30 June 2014, down \$2.2 billion (3.5%) from the original Budget. This reflected a \$1.4 billion (or 2.6%) decrease in the value of investments in other public sector entities (i.e. public corporations) and lower liquid financial assets (down a net \$1 billion), the majority of which are Public Bank Account (PBA) investments⁴. The latter largely reflects changes in the management of the PBA, including Consolidated Account borrowings) that were implemented in the 2013-14 Mid-year Review (see feature box in Chapter 1).
- (b) Non-financial assets (such as land and infrastructure holdings, etc.) totalled \$81.8 billion at 30 June 2014, down \$2.5 billion (or 3.0%) from the original Budget. This reflected lower than forecast property, plant and equipment (down \$1.5 billion), land holdings (down \$1.3 billion) which were partly offset by higher intangibles (up \$146 million) and all other non-financial assets which includes items such as prepayments (up \$110 million).
- (c) Total assets were \$142.6 billion at 30 June 2014, down \$4.7 billion (or 3.2%) compared to Budget, reflecting movements outlined above.
- (d) Total liabilities were \$25.7 billion at 30 June 2014, down \$1.9 billion (or 7%) from the original Budget. This largely reflected the net movement of:
- lower borrowings (down \$1.5 billion or 11.8% on Budget), largely due to the changes in management of the Consolidated Account noted above which resulted in no new Consolidated Account borrowings during 2013-14. Finance lease obligations, which form part of borrowings, were also lower than Budget (down \$199 million). Net cash flows from operations and investment in physical assets (which also impact the level of borrowings for the sector and are detailed in the cash flow discussion later in this appendix) were in a lower than expected borrowing position (\$206 million); and
 - lower than budgeted unfunded superannuation liabilities (down \$594 million or 7%), due mainly to valuation movements outlined earlier in this appendix;
- (e) Net worth (the difference between total assets and total liabilities) was \$116.8 billion at 30 June 2014. This outcome is \$2.8 billion (or 2.3%) lower than the forecast \$119.6 billion at Budget and reflects the net impact of the outcomes detailed above.
- (f) General government sector net debt was \$7.0 billion at 30 June 2014, \$341 million (or 4.7%) lower than the \$7.3 billion estimated in the original Budget.

⁴ The PBA is the central bank account of the Western Australian public sector. Divisions of the PBA include the Consolidated Account, Agency and Treasurer's Special Purpose Accounts and other centrally managed bank accounts. The PBA is administered by the State Treasury with funds management provided by the Western Australian Treasury Corporation. Key components of the PBA are discussed further in Appendix 7: *Public Ledger*.

Table 4.3

GENERAL GOVERNMENT
Cashflow Statement

	Notes	2013-14			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash received</i>					
Taxes received		9,264	8,712	-552	-6.0
Grants and subsidies received		8,718	8,614	-104	-1.2
Receipts from sales of goods and services		2,065	2,135	70	3.4
Interest receipts		192	219	27	13.8
Dividends and tax equivalents		1,306	1,497	191	14.6
Other		6,955	7,829	874	12.6
<i>Total cash received</i>		28,501	29,006	505	1.8
<i>Cash Paid</i>					
Wages, salaries and supplements, and superannuation		-12,258	-12,157	100	-0.8
Payments for goods and services		-7,334	-7,526	-192	2.6
Interest paid		-506	-485	21	-4.1
Grants and subsidies paid		-5,775	-5,567	208	-3.6
Dividends and tax equivalents		-	-	-	-
Other payments		-1,209	-1,538	-329	27.2
<i>Total cash paid</i>		-27,082	-27,273	-191	0.7
NET CASH FLOWS FROM OPERATING ACTIVITIES	a	1,419	1,733	314	22.1
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash flows from investments in non-financial assets</i>					
Purchase of non-financial assets	b	-3,196	-3,289	-93	2.9
Sales of non-financial assets	c	239	224	-15	-6.4
<i>Total cash flows from investments in non-financial assets</i>	d	-2,957	-3,065	-108	3.7
<i>Cash flows from investments in financial assets</i>					
<i>Cash received</i>					
For policy purposes		-	22	22	-
For liquidity purposes		-	1	1	-
<i>Cash paid</i>					
For policy purposes		-721	-551	170	-23.6
For liquidity purposes		-	-1	-1	-
<i>Total cash flows from investments in financial assets</i>		-721	-529	192	-26.6
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,678	-3,594	84	-2.3
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash received</i>					
Advances received		15	30	15	99.7
Borrowings		1,868	545	-1,323	-70.8
Deposits received		-	-	-	-
Other financing receipts		46	36	-10	-22.7
<i>Total cash receipts from financing activities</i>		1,929	611	-1,318	-68.3
<i>Cash paid</i>					
Advances paid		-15	-16	-1	8.3
Borrowings repaid		-129	-368	-240	186.3
Deposits paid		-	-	-	-
Other financing payments		-173	-140	34	-19.5
<i>Total payments for financing activities</i>		-317	-524	-207	65.3
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,612	86	-1,525	-94.6
Net increase in cash and cash equivalents		-647	-1,775	-1,128	174.3
Cash and cash equivalents at the beginning of the year		6,198	6,263	65	1.0
Cash and cash equivalents at the end of the year		5,551	4,488	-1,063	-19.1
KEY FISCAL AGGREGATES					
Net cash flows from operating activities		1,419	1,733	314	22.1
Net cash flows from investing in non-financial assets		-2,957	-3,065	-108	3.7
Cash surplus/-deficit	e	-1,538	-1,333	206	-13.4

General Government Sector Cash Flow Statement

- (a) Net cash flows from operating activities (i.e. the receipts and payments of day-to-day operating activities of general government agencies) were in a net \$1.7 billion cash surplus position in 2013-14, up \$314 million (or 22.1%) since Budget⁵. Total operating cash received in 2013-14 was \$29.0 billion, \$505 million (or 1.8%) higher than Budget, while total cash paid in 2013-14 was \$27.3 billion, up \$191 million (or 0.7%) since Budget.

The \$314 million improvement in the cash operating surplus largely mirrors the \$333 million improvement for the accrual operating surplus on the operating statement discussed earlier in this appendix, with changes in non-cash transactions such as depreciation and nominal superannuation interest on the operating statement, offset by changes in timing of cash transactions such as taxation, grants, salaries, etc. that appear on both financial statements.

- (b) Purchases of non-financial assets were \$3.3 billion in 2013-14, \$93 million (or 2.9%) higher than Budget. The Budget included a general underspending provision of \$625 million along with a \$65 million Royalties for Regions program underspending provision for shortfalls that typically emerge across the general government sector through the year. By year-end, these shortfalls were largely in line with these provisions, with net changes across key agencies including:
- WA Health (down \$213 million), due to delays with planning, tendering and construction to a range of health projects, including the Perth Children's Hospital Information and Communication Technology (ICT) project, Kalgoorlie Regional Resource Centre, and Karratha Health Campuses, and the Southern Inland Health Initiative. Spending on Joondalup and Midland Health Campuses have been completed on time and within projected costs, however, spending on works at these campuses in 2013-14 was lower than budget reflecting the timing of cash payments. Some of the Department's other works were also recognised as recurrent spending (under applicable accounting standards);
 - Main Roads (down \$103 million), largely due to a delay in the Commonwealth approving the reallocation of \$106 million in funding for two road widening projects (Great Eastern Highway - Walgoolan to Coolgardie and Kwinana Freeway - Roe Highway to Armadale Road);
 - Department of Finance (down \$59 million), due mainly to lower than forecast State Fleet vehicle acquisitions related to the extension of standard vehicle lease terms (\$43 million) and delays in works in relation to accommodation fit-out projects, and activities relating to the Master Planning Strategy (for government office accommodation);

⁵ The net cash flow from operating activities is the cash equivalent of the operating balance on the operating statement discussed earlier and in Chapter 1. The cash flow aggregate is based on cash information only while the accrual operating balance includes non-cash transactions such as depreciation charges, and recognises costs (expenses) and benefits (revenue) as they occur rather than only when cash is paid or received.

- Western Australia Police (down \$45 million), due primarily to delays with:
 - the Community Safety Network - Regional Radio Network Replacement Program (including site acquisition issues, radio licensing process, power supply enablement and procurement process);
 - the ICT Core Business Systems Development Program (complexity of system requirements and the procurement process);
 - ICT Infrastructure and Continuity Program (resource constraints from both vendor and service providers); and
 - the reclassification of works to recurrent spending (under applicable accounting standards);
 - Department of Education (down \$36 million), due to timing changes to a range of projects, and the reclassification of some works to recurrent spending (under applicable accounting standards);
 - Department of the Attorney General (down \$31 million), due to changes in timing and net under-expenditure for projects including the Carnarvon Justice Complex and Kununurra Court;
 - Department of Transport (down \$28 million), due to delays in construction on the Augusta Boat Harbour and Port Geographe Coastal Reconfiguration projects, the Government's decision in the 2013-14 Mid-year Review to defer the MAX Light Rail project for three years (resulting in 2013-14 spending being expensed rather than capitalised), the transfer of the Forrestfield-Airport Link project to the Public Transport Authority, and the expensing of Broome Boating Facility Stage 1; and
 - Department of Regional Development (down \$25 million), mainly due to a number of Royalties for Regions funded projects held by the Department until business cases have been approved and the funding recipient has been identified. This includes the Pilbara Cities and Regional Initiatives Projects. The West Kimberley Strategic Infrastructure funding (\$16 million) has been transferred to the Housing Authority (with expenditure now moved out in the forward estimates).
- (c) Sales of non-financial assets were \$224 million in 2013-14, \$15 million (or 6.4%) lower than Budget. This was mainly due to the anticipated sale of FESA House (worth \$32.1 million) that did not proceed in the form envisaged by the Budget (with a contract of sale now entered into with settlement scheduled for 2017-18), and lower car fleet sales by the Department of Finance (down \$20 million), reflecting strategies such as the Government's vehicle reduction program. These reductions were partly offset by higher than estimated sales of Crown land by the Department of Lands (up \$25 million).

- (d) Net cash flows from investments in non-financial assets totalled \$3.1 billion in 2013-14, \$108 million (or 3.7%) higher than Budget, reflecting the variances in purchases and sales outlined above.
- (e) The general government sector recorded a \$1.3 billion cash deficit in 2013-14, \$206 million (or 13.4%) lower than forecast in the original Budget. This reflects the combination of a higher net cash in-flows from operations (up \$314 million), partly offset by a higher net cash out-flows from investment in non-financial assets (up \$108 million). The cash deficit is the key driver in movements in net debt (discussed above and in Chapter 1).

Table 4.4

TOTAL PUBLIC SECTOR
Operating Statement

	Notes	2013-14			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
RESULTS FROM TRANSACTIONS					
REVENUE					
Taxation		8,815	8,384	-431	-4.9
Current grants and subsidies		8,015	8,199	183	2.3
Capital grants		709	547	-162	-22.9
Sales of goods and services		19,937	17,773	-2,164	-10.9
Interest income		743	614	-128	-17.3
Royalty income		5,824	6,025	202	3.5
Other		1,011	1,088	77	7.7
<i>Total</i>	a	45,054	42,630	-2,423	-5.4
EXPENSES					
Salaries		12,006	11,937	-69	-0.6
Superannuation					
Concurrent costs		1,161	1,150	-11	-0.9
Superannuation interest cost		352	297	-55	-15.5
Other employee costs		278	288	11	3.8
Depreciation and amortisation		3,174	3,220	46	1.4
Services and contracts		2,986	3,017	30	1.0
Other gross operating expenses		18,916	16,645	-2,271	-12.0
Other interest		1,699	1,543	-157	-9.2
Current transfers		3,740	3,695	-45	-1.2
Capital transfers		798	613	-185	-23.1
<i>Total</i>	b	45,111	42,406	-2,705	-6.0
NET OPERATING BALANCE	c	-57	225	282	-493.9
<i>Other economic flows - included in the operating result</i>					
Net gains on assets/liabilities		167	368	200	119.6
Net actuarial gains - superannuation		44	-140	-184	-416.7
Provision for doubtful debts		-21	-50	-29	138.8
Changes in accounting policy/correction of prior period errors		-	-846	-846	-
<i>Total other economic flows</i>	d	191	-669	-859	-450.8
OPERATING RESULT		134	-444	-578	-432.4
<i>All other movements in equity</i>					
<i>Items that will not be reclassified to operating result</i>					
Revaluations		3,636	3,750	114	3.1
Gains recognised directly in equity		-51	595	646	-1,275.9
All other		-	-	-	-
<i>Total all other movements in equity</i>	e	3,585	4,345	760	21.2
TOTAL CHANGE IN NET WORTH	f	3,719	3,901	182	4.9
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE		-57	225	282	-493.9
<i>Less Net acquisition of non-financial assets</i>					
Purchase of non-financial assets		7,451	6,814	-637	-8.5
Changes in inventories		124	515	391	315.7
Other movement in non-financial assets		413	317	-96	-23.3
<i>less:</i>					
Sales of non-financial assets		1,671	1,151	-520	-31.1
Depreciation		3,174	3,220	46	1.4
<i>Total net acquisition of non-financial assets</i>		3,143	3,275	132	4.2
NET LENDING/-BORROWING	g	-3,200	-3,050	149	-4.7

Total Public Sector⁶ Operating Statement

- (a) Operating revenue in 2013-14 was \$42.6 billion, \$2.4 billion (or 5.4%) lower than Budget. This overall decrease includes a significant reduction in revenue for the Gold Corporation (down \$2.5 billion, see detail below). Abstracting from this change, total revenue was \$32 million (or 0.1%) higher than budgeted, with lower taxation and interest income more than offset by higher sales of goods and services, royalties, Commonwealth grants and 'other' income. Movements for taxation, royalties, and Commonwealth grants have been explained earlier in this appendix⁷.

Sales of goods and services were \$2.2 billion (or 10.9%) lower than Budget, with material net movements including:

- lower sales of precious metals by the Gold Corporation (down \$2.5 million), due to a combination of factors including a decline in metal prices, lower world demand for precious metals as investors rebalanced their portfolios away from precious metals into other asset classes, and a higher than budgeted exchange rate; and
- higher sales of goods by the Housing Authority (up \$118 million), due largely to the reclassification of sales from the Affordable Housing Program (which in the Budget were included as sales of non-financial assets but was reclassified to recurrent (inventories) activities in the Authority's 2012-13 annual report).

Interest income was \$128 million (or 17.3%) lower than Budget. This mainly reflects lower interest revenue from Keystart due to interest rates being lower than expected at the time the original Budget was prepared, and lower than expected balances advanced to homebuyers.

'Other' revenue was \$77 million (or 7.7%) higher than Budget, primarily reflecting higher than budgeted developer contributions to the Water Corporation and Horizon Power (up \$65 million and \$33 million respectively), partly offset by lower net assets transferred to Main Roads (such as bridges and roads) from private organisations such as mining companies (down \$43 million).

⁶ The total public sector (also known as the whole-of-government) consolidates the general government sector (discussed above), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State's ports, and the electricity and water utilities), and the public financial corporations sector (which includes agencies mainly engaged in financial activities such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

⁷ Internal transfers between the general government sector and agencies in the public corporations sectors are eliminated in the whole-of-government consolidation process. Accordingly, some total public sector revenue aggregates may be smaller than the general government equivalent. For example, the general government sector collects payroll tax from some public corporations. These internal collections are not shown in the total public sector taxation revenue data which is thus smaller than the general government taxation revenue aggregate.

- (b) Operating expenses in 2013-14 were \$42.4 billion, \$2.7 billion (or 6%) lower than Budget. This movement included significantly lower expenses for the Gold Corporation (down \$2.4 billion, related to the precious metal trading conditions outlined above). Abstracting from this, total expenses were \$261 million (or 0.7%) lower than budgeted, with lower capital transfer expenses, interest costs, and salaries the major drivers of this outcome, partly offset by higher other gross operating expenses (after adjusting for the Gold Corporation affect).

Although headline 'other' gross operating expenses were \$2.3 billion (or 12%) lower than Budget, this included the \$2.4 billion Gold Corporation outcome noted above. Abstracting from this, 'other' gross operating expenses were \$173 million (or 1.5%) higher than Budget, due largely to a \$97 million reclassification of Affordable Housing Program expenses that were expected to be capitalised in the original 2013-14 Budget (see reference to the Housing Authority's 2012-13 annual report earlier in this section).

Capital transfer expenses were \$185 million (or 23.1%) lower than budgeted, due largely to a delay in transfer of housing assets from the Housing Authority to community housing organisations (down \$132 million), with the majority of the transfers to now occur in 2014-15.

Interest expenses were \$157 million (or 9.2%) lower than Budget, due mainly to the impact of lower than expected borrowings following changes in management practices for the Public Bank Account and the Consolidated Account (discussed earlier). Partially offsetting this change, the market factored in slightly higher costs for borrowings following the change to the State's credit rating on 18 September 2013 by Standard & Poor's (revising the credit rating from AAA (negative outlook) to AA+ (stable outlook)).

Salaries were \$69 million (or 0.6%) lower than Budget, mainly due to the \$123 million lower salaries for the general government sector agencies outlined earlier. Higher salaries outcomes in the State's public non-financial corporations (up \$56 million or 4.8%) was largely due to wage costs for Synergy and Western Power, with Synergy's increase mainly attributable to higher than expected redundancy costs and changes to consistently classify labour costs (following the merger of the State generator Verve Energy with Synergy's retail functions), while the Western Power outcome was largely driven by redundancy payments in support of Western Power's new operating model.

- (c) The total public sector net operating balance in 2013-14 was a \$225 million surplus, a \$282 million turnaround compared with the \$57 million deficit projected at the time of the Budget. Revenue was \$2.4 billion (or 5.4%) lower than forecast while expenses were \$2.7 billion (or 6%) lower than Budget. The main drivers of these movements have been explained above.
- (d) Total 'other' economic flows were an aggregate reduction in net worth of \$669 million, an \$859 million turnaround from Budget expectations. This was largely due to changes in accounting policies which are not forecast in the Budget.

- (e) Total all other movements in equity were \$4.3 billion, up \$760 million from Budget. This was mainly due to higher than estimated gains recognised directly in equity (up \$646 million), while revaluations were also higher than budgeted (up \$114 million).
- (f) The total change in net worth at 30 June 2014 was \$3.9 billion compared with \$3.7 billion forecast at budget. This change is comprised of the changes in the net operating balance, other economic flows and all other movements in equity variances, explained above.
- (g) Net lending/borrowing (which includes the net operating balance, less non-cash depreciation costs plus the net cost of infrastructure investment activities) was in a \$3.1 billion deficit position in 2013-14, \$149 million (or 4.7%) lower than the deficit projected in the original Budget. A discussion on changes in total public sector purchases and sales of non-financial assets is contained later in this appendix (under the cash flow statement).

Table 4.5

TOTAL PUBLIC SECTOR
Balance Sheet

	Notes	2013-14			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
ASSETS					
<i>Financial assets</i>					
Cash and deposits		1,326	1,610	284	21.4
Advances paid		5,285	3,968	-1,317	-24.9
Investments, loans and placements		14,004	15,419	1,415	10.1
Receivables		4,496	4,355	-142	-3.2
Equity - Investments in other entities		1,484	1,457	-27	-1.8
Other financial assets		39	17	-22	-57.1
<i>Total financial assets</i>		26,635	26,826	191	0.7
<i>Non-financial assets</i>					
Land		56,408	52,524	-3,884	-6.9
Property, plant and equipment		93,820	93,780	-40	-
Biological assets		328	335	6	2.0
Inventories					
Land inventories		2,205	2,002	-203	-9.2
Other inventories		4,030	3,304	-726	-18.0
Intangibles		791	1,091	300	37.9
Non-current assets held for sale		276	28	-248	-89.8
Investment property		653	581	-71	-10.9
Other		405	386	-19	-4.6
<i>Total non-financial assets</i>		158,915	154,031	-4,883	-3.1
TOTAL ASSETS		185,550	180,857	-4,693	-2.5
LIABILITIES					
Deposits held		190	186	-3	-1.8
Advances received		424	438	14	3.2
Borrowings		41,998	41,216	-783	-1.9
Unfunded superannuation		8,573	8,027	-546	-6.4
Other employee benefits		3,413	3,574	161	4.7
Payables		5,919	5,757	-162	-2.7
Other liabilities		5,421	4,832	-589	-10.9
TOTAL LIABILITIES		65,938	64,029	-1,908	-2.9
NET ASSETS		119,612	116,828	-2,784	-2.3
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		31,768	30,931	-837	-2.6
Other reserves		87,844	85,897	-1,947	-2.2
NET WORTH	a	119,612	116,828	-2,784	-2.3
MEMORANDUM ITEMS					
<i>Net financial worth</i>		-38,650	-37,204	1,447	-3.7
<i>Net financial liabilities</i>		40,134	38,661	-1,474	-3.7
<i>Net debt</i>					
Gross debt liabilities		42,612	41,840	-773	-1.8
less: liquid financial assets		20,615	20,997	382	1.9
less: convergence differences impacting net debt		88	88	-	-
<i>Net debt</i>	b	21,909	20,754	-1,154	-5.3

Total Public Sector Balance Sheet

- (a) Net worth of the total public sector was \$116.8 billion at 30 June 2014, identical to that of the general government sector (discussed earlier). This is because the net worth of the public corporations is recorded as an asset on the general government sector balance sheet. Accordingly, the variance from original Budget (down \$2.8 billion or 2.3%) is also the same as for the general government sector.

However, total public sector assets and liabilities are different to the general government sector disclosure as the assets and liabilities of the public corporations are disclosed in more detail than the net asset holding in public corporations recorded on the general government sector balance sheet.

The lower than Budget asset position was due to lower than forecast holdings of non-financial assets, particularly land (down \$3.9 billion) and land and other inventories (down \$929 million). Financial assets were marginally higher than Budget, up \$191 million (or 0.7%). The lower than Budget liabilities were predominantly due to lower gross debt liabilities (down \$773 million) and lower unfunded superannuation liabilities (down \$546 million). Movements since original Budget for these items largely reflect variances in the final results for the year ending 30 June 2013 compared to the then expected outcome for that year, changes due to operating and investing operations through the year (discussed in cash flow terms below), and movements in the valuation of assets (particularly land and other physical assets).

- (b) Total public sector net debt was \$20.8 billion at 30 June 2014, \$1.2 billion (or 5.3 %) lower than \$21.9 billion estimated in the original Budget. Gross debt liabilities were \$773 million lower while holdings of liquid financial assets were up \$382 million. These variances include a \$292 million lower than expected outcome for the year ending 30 June 2013, with the remaining \$862 million (of lower net debt) including a lower total public sector cash deficit (down \$336 million and detailed in the cash flow discussion later in this appendix), and a \$310 million decrease in assets acquired under finance lease arrangements (largely related to WA Health and discussed earlier in this appendix).

Table 4.6

TOTAL PUBLIC SECTOR
Cashflow Statement

	Notes	2013-14			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash received</i>					
Taxes received		8,767	8,186	-581	-6.6
Grants and subsidies received		8,718	8,614	-104	-1.2
Receipts from sales of goods and services		19,810	18,291	-1,518	-7.7
Interest receipts		784	692	-92	-11.8
Dividends and tax equivalents		-	-	-	-
Other		8,234	9,204	970	11.8
<i>Total cash received</i>		46,313	44,987	-1,326	-2.9
<i>Cash paid</i>					
Wages, salaries and supplements, and superannuation		-13,635	-13,533	102	-0.8
Payments for goods and services		-20,081	-17,815	2,266	-11.3
Interest paid		-1,676	-1,751	-75	4.5
Grants and subsidies paid		-3,911	-3,674	237	-6.1
Dividends and tax equivalents		-	-	-	-
Other payments		-4,031	-5,016	-985	24.4
<i>Total cash paid</i>		-43,334	-41,789	1,545	-3.6
NET CASH FLOWS FROM OPERATING ACTIVITIES	a	2,979	3,198	219	7.4
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash flows from investments in non-financial assets</i>					
Purchase of non-financial assets	b	-7,451	-6,814	637	-8.5
Sales of non-financial assets	c	1,671	1,151	-520	-31.1
<i>Total cash flows from investments in non-financial assets</i>	d	-5,780	-5,663	117	-2.0
<i>Cash flows from investments in financial assets</i>					
<i>Cash received</i>					
For policy purposes		-	22	22	-
For liquidity purposes		1,357	7,112	5,755	424.0
<i>Cash paid</i>					
For policy purposes		-	-23	-23	-
For liquidity purposes		-1,527	-7,406	-5,879	384.9
<i>Total cash flows from investments in financial assets</i>		-170	-295	-125	73.6
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,950	-5,958	-8	0.1
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash received</i>					
Advances received		-	15	15	-
Borrowings		25,204	26,192	988	3.9
Deposits received		-	-	-	-
Other financing receipts		306	41	-265	-86.5
<i>Total cash received</i>		25,511	26,249	738	2.9
<i>Cash paid</i>					
Advances paid		-15	-16	-1	8.3
Borrowings repaid		-23,212	-26,194	-2,982	12.8
Deposits paid		-	-	-	-
Other financing payments		-142	-105	37	-25.8
<i>Total cash paid</i>		-23,369	-26,316	-2,946	12.6
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,142	-67	-2,209	-103.1
Net increase in cash and cash equivalents		-829	-2,827	-1,998	241.0
Cash and cash equivalents at the beginning of the period		9,103	11,210	2,107	23.1
Cash and cash equivalents at the end of the period		8,274	8,383	109	1.3
KEY FISCAL AGGREGATES					
Net cash flows from operating activities		2,979	3,198	219	7.4
Net cash flows from investing in non-financial assets		-5,780	-5,663	117	-2.0
Cash surplus/-deficit	e	-2,801	-2,465	336	-12.0

Total Public Sector Cash Flow Statement

- (a) Net cash flows from operating activities were \$3.2 billion in 2013-14, up \$219 million (or 7.4%) since Budget. Total cash receipts in 2013-14 were \$45.0 billion, \$1.3 billion (or 2.9%) lower than forecast, while total cash payments in 2013-14 were \$41.8 billion, down \$1.5 billion (or 3.6%) since Budget. Movements for key cash aggregates including taxes, Commonwealth grants, wages and salaries mirror equivalent items on the operating statement, discussed earlier in this appendix.
- (b) Purchases of non-financial assets were \$6.8 billion in 2013-14, \$637 million (or 8.5%) lower than forecast. The Budget included an underspend provision of \$1.25 billion for expected shortfalls across the sector, with \$625 million in both the general government and public non-financial corporations sectors. In addition to the general government sector variations noted earlier in this appendix, net changes in infrastructure spending by key public corporations include:
- the Housing Authority (down \$380 million), due largely to the reclassification of the Affordable Housing Program to operating expenses as previously discussed;
 - Western Power (including budget time provisions, down \$214 million), due to timing changes related to contractual issues for the Mid West Energy Project, delays and cancellations of a number of customer driven-projects, and operating model efficiencies and process improvements. These reductions were partly offset by higher spending on wood poles and other timing changes for reliability and asset replacement programs (which saw some previously budgeted expenditure for the outyears occur in 2013-14);
 - Water Corporation (down \$210 million), primarily due to Budget treatment of procuring the Mundaring Water Treatment Plant as traditional infrastructure spending by the agency. This project has been acquired through a Public Private Partnership, with the associated assets subject to a finance lease arrangement (which is net debt neutral, but reduces infrastructure cash spending). There were also reductions due to a variations in inflation outcomes and delays in project delivery;
 - the Public Transport Authority (down \$156 million), primarily due to lower than budgeted expenditure on the Grain Freight Re-sleepering Program, lower revised expenditure on the Perth City Link and Butler extension projects, delays for a range of projects including the new Perth Stadium Transport Package, Aubin Grove station, and the expensing of roads and bridges transferred to local government as part of the Butler extension project;
 - the Western Australian Land Authority (down \$142 million), reflecting slower than expected regional property market activity, particularly in the Pilbara and Kimberley regions;

- the Metropolitan Redevelopment Authority (down \$115 million), primarily relating to the timing of works on the Elizabeth Quay project, including delays related to the finalisation of contracts and design, together with delays with infrastructure works at the Riverside project (at the eastern gateway to Perth city); and
 - the Fremantle Port Authority (down \$66 million), largely due to the removal of projects relating to the Kwinana Bulk Terminal as a result of the planned sale, and deferral of some other works whilst investigations are underway to assess optimum investment options.
- (c) Sales of non-financial assets were \$1.2 billion in 2013-14, \$520 million (or 31.1%) lower than Budget. In addition to lower sales by general government sector agencies discussed earlier (down \$15 million), lower sales were also realised for the:
- Housing Authority (down \$374 million), reflecting the reclassification of the Affordable Housing program to operating (rather than investing) receipts as outlined earlier; along with delays to the sale of key service worker accommodation in Pelago and Hamilton (in the State's Pilbara) that did not occur due to land title issues delaying completion of the construction phase, and a downturn in the market; and
 - Western Australian Land Authority (down \$147 million), predominantly due to slower than expected regional and industrial property market activity, particularly in the Pilbara and Kimberley regions.
- (d) Net cash flows from investments in non-financial assets were \$5.7 billion in 2013-14, \$117 million (or 2%) lower than Budget, with movements in purchases and sales outlined above.
- (e) The total public sector recorded a \$2.5 billion cash deficit in 2013-14, \$336 million (or 12%) lower than forecast in the Budget. This reflects the combination of the higher net cash surplus on operations (up \$219 million) and the lower net cash out-flow in non-financial assets (down \$117 million) discussed above.

Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* (FMA) or by a statute (e.g. the Fiona Stanley Hospital Construction Account and the Royalties for Regions Fund). Accounts established by statute are governed by the relevant provisions of the statute, while accounts that are established administratively are governed by a special purpose statement (operating accounts) or a trust statement (trust accounts) that outline the purpose of the account.

This appendix details the year-to-date position of a number of SPAs established to deliver key Government policy outcomes. This appendix does not seek to provide exhaustive coverage of all SPAs. Rather, it covers the major/material SPAs that provide a funding source for particular initiatives or policy areas and that were in existence at 30 June 2014. The SPA balances, and transactions in and out of these accounts, form part of the overall consolidated projections outlined elsewhere in this report.

It is important to note that each dollar that is spent from these SPA balances will increase net debt (and reduce the operating balance if the spending is for recurrent purposes) by the same amount. In this way, these SPA balances are no different from other funding sources, including new borrowings.

Fiona Stanley Hospital Construction Account

This SPA was established in October 2007 to set aside funds to be used for the construction of the Fiona Stanley Hospital.

Funds from the account have almost been extinguished to pay for construction work, with the new facility achieving practical completion in December 2013. In 2013-14, receipts reflect \$15 million appropriated by Parliament, with interest revenue earned on the account balance accounting for the remaining income. Funds are drawn from the account and paid to WA Health in line with spending on the new facility.

Table 5.1

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT		
	2013-14 \$m	2012-13 \$m
<i>Balance at 1 July</i>	104	309
Receipts	17	134
Payments	112	339
Closing Balance	9	104

Note: Columns may not add due to rounding.

Perth Children's Hospital Account¹

This SPA was established in October 2010 to hold money for the construction and start-up of the Perth Children's Hospital. The hospital is expected to be completed by mid-2015. A total of \$645 million (or 55%) of the estimated construction costs have been funded from one-off royalty revenue and Consolidated Account surplus outcomes recorded over the period 2009-10 to 2011-12.

Receipts of \$182 million in 2013-14 are from Consolidated Account capital contributions that were required to meet spending on the planned construction schedule. A total of \$365 million was drawn from the SPA and paid to WA Health during the year to meet payments for actual construction work.

Table 5.2

PERTH CHILDREN'S HOSPITAL ACCOUNT		
	2013-14 \$m	2012-13 \$m
<i>Balance at 1 July</i>	277	423
Receipts	182	70
Payments	365	216
Closing Balance	94	277

Note: Columns may not add due to rounding.

Perth Parking Licensing Account

This SPA was established in July 1999 to set aside funds to be used to encourage a balanced transport system for gaining access to the Perth city area.

Receipts consist of application fees, licence fees, penalties, money appropriated by Parliament and interest revenue earned on the account balances. Spending in 2013-14 relates to the provision of Central Area Transit and Free Transit Zone public transport services, Central Business District Transport Plan initiatives, a contribution to the Perth Busport project, and for administration of the *Perth Parking Management Act 1999*.

¹ Previously the New Children's Hospital Account. The Account was renamed on 30 January 2014 following the 30 September 2013 announcement by the State Government that Perth Children's Hospital would be the official name for the new hospital.

PERTH PARKING LICENSING ACCOUNT			Table 5.3
	2013-14 \$m	2012-13 \$m	
<i>Balance at 1 July</i>	70	56	
Receipts	40	34	
Payments	54	20	
Closing Balance	55	70	

Note: Columns may not add due to rounding.

Road Trauma Trust Account

This account was established to provide for road safety initiatives. Receipts reflect prescribed penalties paid during the year, other funds collected under the *Road Traffic Act 1974*, and interest revenue earned on the account balance.

Road safety projects funded from the Account are focused on achieving reductions in serious road trauma as part of the Government's *Towards Zero Strategy* for 2008 to 2020. Spending from the account in 2013-14 included initiatives to reduce:

- single vehicle run-off crashes on regional roads by applying treatments such as shoulder sealing and audible edge-lines (\$36 million);
- serious crashes at metropolitan intersections using engineering treatments (\$9 million); and
- impaired driving and speeding crashes through enhanced enforcement (\$17 million).

These high priority crash reduction initiatives were supported by the continued implementation of the Electronic School Zone sign project (\$3 million), road safety community and school education programs (\$3 million), support for community involvement through the local government Roadwise Program (\$1 million) and data collection, analysis and research programs including Neurotrauma Research.

ROAD TRAUMA TRUST ACCOUNT			Table 5.4
	2013-14 \$m	2012-13 \$m	
<i>Balance at 1 July</i>	65	43	
Receipts	89	94	
Payments	81	73	
Closing Balance	72	65	

Note: Columns may not add due to rounding.

Royalties for Regions Fund

The Royalties for Regions Fund was established in December 2008 to set aside 25% of the State's annual royalty income to fund investment in regional Western Australia.

Receipts during 2013-14 reflect moneys appropriated from Parliament (\$1,456 million), interest revenue earned on the account balance (\$23 million) and unused funds from associated projects credited back to the Fund by agencies (\$10 million). Funds were drawn to support infrastructure services, business and economic development and other regional initiatives outlined in the 2013-14 Budget and December 2013 Mid-year Review. A total of \$263 million was transferred to the Western Australian Future Fund under 'seed capital' arrangements for establishing the Future Fund, while \$106 million was transferred to the SPA supporting the Southern Inland Health Initiative (see below).

ROYALTIES FOR REGIONS FUND

Table 5.5

	2013-14 \$m	2012-13 \$m
<i>Balance at 1 July</i>	881	687
Receipts	1,489	1,273
Payments	1,430	1,079
Closing Balance	940	881

Note: Columns may not add due to rounding.

Royalties for Regions Southern Inland Health Initiative

This SPA was established in June 2012 to hold funds for expenditure on the Southern Inland Health Initiative (SIHI), pursuant to section 9(1) of the *Royalties for Regions Act 2009*.

Funds drawn from the SPA in 2013-14 went to District Medical Workforce Investment Program (\$20 million), District Hospital Investment Program (\$11 million), Primary Healthcare Demonstration Program (\$1 million), Small Hospital and Nursing Post Refurbishment Program (\$8 million), Telehealth Investment Program (\$2 million) and Aged and Dementia Care Investment Program (\$0.1 million). Royalties for Regions funding of \$106 million was paid into the account in 2013-14 to provide ongoing payments for these initiatives. This is \$194 million lower than expected at the time of the 2014-15 Budget and reflects delays in submissions of business cases for SIHI projects.

ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE

Table 5.6

	2013-14 \$m	2012-13 \$m
<i>Balance at 1 July</i>	211	226
Receipts	106	-
Payments	44	15
Closing Balance	273	211

Note: Columns may not add due to rounding.

The New Perth Stadium Account

This SPA was established in October 2011 to set aside funds to be used for the construction of the new Perth Stadium and associated transport infrastructure. Construction is expected to be completed by 2018 and utilise all available funds in the SPA as part of the funding to support the construction.

The Account was established with \$100 million from the better than expected operating surplus for the 2010-11 financial year (appropriated to the SPA in the 2012-13 Budget). The Public Transport Authority (PTA) drew down \$18 million in 2013-14, which was not subsequently required and was returned to the SPA by 30 June 2014.

Abstracting from the PTA transactions above, draw downs from the account in 2013-14 totalled \$45 million for design, procurement and works relating to the stadium, surrounding sports precinct and transport infrastructure.

Table 5.7

THE NEW PERTH STADIUM ACCOUNT		
	2013-14 \$m	2012-13 \$m
<i>Balance at 1 July</i>	95	-
Receipts	15	105
Payments	63	10
Closing Balance	47	95

Note: Columns may not add due to rounding.

Waste Avoidance and Resource Recovery Account

The Waste Avoidance and Resource Recovery Account was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* to hold revenue allocated from the landfill levy. The Account is to fund spending on the management, reduction, reuse, recycling, monitoring or measurement of waste, other waste management initiatives applied consistent with the business plan or as approved by the Minister for Environment and the costs of administration and enforcement of the Act.

A total of \$11 million was collected from landfill operators in 2013-14. Draw downs totalling \$14 million were used to fund the Australian Packaging Covenant, Household Hazardous Waste Program, Western Australian Transitional E-Waste Program, Better Bins Kerbside Collection Program, Strategic Partnerships and Funded Programs 2013-2014, Regional Funding Program for Local Government Authorities 2011 – 2016, Attitude and Behaviour Research project, State Waste Communication Strategy, Engagement in Action, Strategic Waste Initiatives Scheme and Community Grants Scheme, the Waste and Recycling Inspection and Compliance Program, and services provided by the Department of Environment Regulation.

Table 5.8

WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT		
	2013-14 \$m	2012-13 \$m
<i>Balance at 1 July</i>	18	18
Receipts	11	11
Payments	14	11
Closing Balance	16	18

Note: Columns may not add due to rounding.

Western Australian Future Fund

The Western Australian Future Fund was established as a Treasurer’s SPA following the passage of the *Western Australian Future Fund Act 2012* in November 2012. The Act provides for an accruing balance over 20 years to 2032, after which the annual interest earnings can be drawn down to fund economic or social infrastructure projects across Western Australia.

Announced as part of the 2012-13 Budget, the Future Fund will receive around \$1.1 billion in ‘seed capital’ from the Royalties for Regions Fund over the period 2012-13 to 2015-16. From 2016-17 onwards, a minimum of 1% of the State’s annual royalty revenue will be paid into the Fund. Receipts for 2013-14 include the Royalties for Regions ‘seed capital’ contribution (\$262.5 million) and interest receipts (\$27.6 million).

WESTERN AUSTRALIAN FUTURE FUND			Table 5.9
	2013-14 \$m	2012-13 \$m	
<i>Balance at 1 July</i>	306	-	
Receipts	290	306	
Payments	-	-	
Closing Balance	596	306	

Note: Columns may not add due to rounding.

Quarterly Financial Results – June 2014

This appendix completes the quarterly data series for the 2013-14 year.

June quarterly data presented in this appendix are subject to year-end finalisation of audited accounts by agencies submitting source data. They may contain final year-end accruals that differ from estimated accruals submitted by agencies through the year, and reclassification of some aggregates in previously reported, unaudited data. Accordingly, quarterly outcomes for June 2014 may include one-off movements in items relative to previous reports, to move them into line with final audited outcomes.

General Government

Three Months to 30 June 2014

The general government sector recorded a \$15 million operating deficit for the three months to 30 June 2014, a turnaround on the \$134 million surplus recorded in same period in 2012-13.

Revenue for the three months to 30 June 2014 totalled \$7,003 million, \$99 million (or 1.4%) higher than the same period in the previous year. This mainly reflects the combined effects of:

- higher revenue from public corporations (up \$243 million), largely attributable to higher profit outcomes for some agencies (including the Water Corporation and Port Hedland Port Authority) and the first time recognition of a dividend by the Insurance Commission of Western Australia, partially offset by the impact of a one-off special dividend for the Western Australian Land Authority in the June 2013 quarter;
- lower sales of goods and services (down \$69 million), due mainly to a decrease in the value of services provided to local governments and other third parties by Main Roads;

- lower taxation (down \$83 million), primarily due to lower transfer and landholder duty collections resulting from a decrease in the number of large value transactions assessed during the last quarter of 2013-14, partially offset by higher motor vehicle licenses resulting from an increase in the number of registered vehicles;
- a slight decline in Commonwealth funding (down \$5 million), primarily due to the net effect of:
 - lower grants for roads (down \$128 million), due to decreased funding for the Nation Building Program and Gateway WA;
 - higher health funding (up \$69 million) under the National Health Reform agreement, for sub acute care, public hospitals access to emergency hospitals and home and community care, partially offset by decreases in funding for essential vaccines and the Long Stay Older Patient Initiative;
 - lower Commonwealth GST grants (down \$58 million) due to Western Australia's shrinking share of the national GST pool in 2013-14 compared to 2012-13;
 - higher funding for the natural disaster mitigation package (up \$53 million), partially offset by a decrease in funding for pensioner and seniors concessions (down \$25 million);
 - higher on-passed grants for housing (up \$40 million), mainly for remote indigenous housing;
 - higher funding received by WA Health for the Health and Hospital fund (up \$29 million);
 - higher North West Shelf petroleum grants (up \$26 million), due to higher sales volumes for LNG, higher prices for domestic gas and condensate and the lower exchange rate, partially offset by lower volumes for condensate, domestic gas and LPG, and lower LNG and LPG prices; and
 - lower funding received by the Department of Education (down \$17 million) for trade training centres in schools and the cessation of funding for the Digital Education Revolution stimulus package; and
- higher royalty income (up \$66 million) mainly due to higher iron ore and gold production volumes and a lower \$US/\$A exchange rate, partially offset by lower prices for iron ore and gold.

Expenses for the three months to 30 June 2014 totalled \$7,018 million, \$248 million (or 3.7%) higher than the \$6,769 million reported in the same quarter last year. This was primarily the result of:

- higher capital transfers (up \$259 million), primarily due the transfer of roads during the last quarter of 2013-14 as part of the Ord Irrigation Project and transfer of a number of roads to local government (\$206 million), higher funding for the Remote Indigenous Housing Program (\$47 million), and higher funding for local government roads (\$31 million);

- lower nominal superannuation interest costs (down \$87 million), due to the actuarial valuation of unfunded scheme liabilities and associated scheme costs;
- higher other gross operating expenses (up \$75 million), primarily reflecting higher services purchased from non-government agencies (down \$45 million) due to growth and indexation in the Commonwealth National Disability Agreement and the sustainable funding and contracting with the not-for-profit sector initiative, increases in patient transport costs and mental health services; and
- higher services and contracts (up \$25 million), primarily due to an increase in public patients in private hospitals and the timing of transactions across the general government sector.

General government sector salary costs increased by just \$2 million (or 0.8%) in the last quarter of 2013-14. This very low outcome reflects the combined impact of

- a Consumer Price Index (CPI) cap on agencies' salaries growth, unless specific approvals to exceed this cap were granted by the Government as part of the 2013-14 Mid-year Review and/or 2014-15 Budget;
- implementation of the Government's new Wages Policy, limiting wage increases to CPI for all enterprise agreements negotiated since November 2013;
- continuation of the Government's policy to contain growth in annual and long service leave liabilities across agencies;
- reductions in employee numbers through the 2013 Enhanced Voluntary Separation Scheme (and lower staffing numbers from voluntary separations programs in previous years); and
- the temporary recruitment freeze implemented in April 2014 through to 30 June 2014.

A cash surplus of \$79 million was recorded for the June 2014 quarter, reflecting a net cash inflow from operating activities of \$929 million and a net cash outflow for capital investment of \$850 million (detail of the sector's Asset Investment Program is available in Chapter 1 and Appendix 4 of this report).

Total Public Sector

Three Months to 30 June 2014

The total public sector recorded a \$913 million operating deficit for the June 2014 quarter, a \$523 million increase on the \$390 million operating deficit recorded for the same quarter in 2012-13. Revenue totalled \$10,239 million, down \$595 million (or 5.5%) on the same period in 2012-13, while expenses were \$11,152 million, down \$72 million (or 0.6%) on the same period in 2012-13.

This outcome reflects the combined impact of:

- the \$15 million operating deficit for the general government sector (discussed above);

- a public non-financial corporations sector operating deficit of \$124 million in the June quarter 2014; and
- a public financial corporations sector operating deficit of \$184 million, due mainly to the quarterly increase in Insurance Commission of Western Australia's claims expenses.

TOTAL PUBLIC SECTOR OPERATING BALANCE

Table 6.1

	2013-14		2012-13	
	Three Months to 30 June \$m	Twelve Months to 30 June \$m	Three Months to 30 June \$m	Twelve Months to 30 June \$m
Net Operating Balance				
General government sector	15	719	134	249
Public non-financial corporations sector	-124	571	-52	304
Public financial corporation sector	26	-86	-210	91
<i>less</i>				
General government dividend revenue	570	901	487	796
Public non-financial corporations dividend revenue ^(a)		78		56
Total Public sector net operating balance	-913	225	-390	-208

(a) Dividends received from Keystart (a PFC) by the Housing Authority (a PNC).

Note: Columns/rows may not add due to rounding.

A cash deficit of \$705 million was recorded for the three months to 30 June 2014, compared to a cash deficit of \$1,225 million recorded for the same period the previous year. This included a net cash inflow from operating activities of \$774 million (\$36 million higher than the June 2013 quarter) and a net cash outflow for capital investment of \$1,480 million (\$483 million lower than June 2013 quarter). Full year infrastructure outcomes are discussed in Chapter 1 and Appendix 4.

Table 6.2

GENERAL GOVERNMENT
Operating Statement

	2013-14		2012-13	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
RESULTS FROM TRANSACTIONS				
REVENUE				
Taxation	1,914	8,849	2,081	8,412
Current grants and subsidies	1,934	8,199	1,854	8,316
Capital grants	169	547	253	622
Sales of goods and services	520	2,078	589	2,011
Interest Income	38	194	62	255
Revenue from public corporations				
Dividends from other sector entities	570	901	487	796
Tax equivalent income	244	602	84	381
Royalty income	1,410	6,025	1,344	4,425
Other	204	561	148	499
<i>Total</i>	<i>7,003</i>	<i>27,956</i>	<i>6,903</i>	<i>25,718</i>
EXPENSES				
Salaries	2,638	10,682	2,623	10,154
Superannuation				
Concurrent costs	254	1,030	252	965
Superannuation interest cost	53	297	140	369
Other employee costs	128	432	126	446
Depreciation and amortisation	329	1,197	365	1,108
Services and contracts	661	2,041	636	1,902
Other gross operating expenses	1,254	4,943	1,179	4,725
Other interest	129	492	120	442
Current transfers	1,213	5,357	1,229	4,895
Capital transfers	358	765	99	462
<i>Total</i>	<i>7,018</i>	<i>27,236</i>	<i>6,769</i>	<i>25,468</i>
NET OPERATING BALANCE	-15	719	134	249
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	-76	-34	-91	-63
Net actuarial gains - superannuation	-430	-114	719	895
Provision for doubtful debts	-45	-37	-26	-28
Changes in accounting policy/correction of prior period errors	-108	16	66	-72
<i>Total other economic flows</i>	<i>-660</i>	<i>-169</i>	<i>669</i>	<i>732</i>
OPERATING RESULT	-675	550	803	982
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	1,362	1,934	-1,031	-424
Gains recognised directly in equity	1	-1	1	-4
Change in net worth of the public corporations sectors	-169	1,419	-260	898
All other	-	-	-	-
<i>Total all other movements in equity</i>	<i>1,194</i>	<i>3,351</i>	<i>-1,289</i>	<i>470</i>
TOTAL CHANGE IN NET WORTH	519	3,901	-486	1,452
KEY FISCAL AGGREGATES				
NET OPERATING BALANCE	-15	719	134	249
Less <i>Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	913	3,289	915	3,195
Changes in inventories	-3	1	4	14
Other movement in non-financial assets	-120	-22	116	167
<i>less:</i>				
Sales of non-financial assets	63	224	61	166
Depreciation	329	1,197	365	1,108
<i>Total net acquisition of non-financial assets</i>	<i>398</i>	<i>1,847</i>	<i>608</i>	<i>2,102</i>
NET LENDING/-BORROWING	-413	-1,127	-474	-1,852

Note: Columns may not add due to rounding.

Table 6.3

GENERAL GOVERNMENT
Operating Revenue

	2013-14		2012-13	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
Taxation				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	856	3,566	867	3,476
Property taxes				
<i>Land tax</i>	-	661	5	568
Transfer Duty	420	1,776	541	1,654
Landholder Duty	22	193	93	216
<i>Total duty on transfers</i>	441	1,969	634	1,870
Other stamp duties	-	-	-	5
Metropolitan Region Improvement Tax	-	88	-	85
Perth Parking Levy	2	40	1	34
Emergency Services Levy	22	258	20	237
Loan guarantee fees	39	119	35	104
<i>Total other property taxes</i>	63	504	56	465
Taxes on provision of goods and services				
Lotteries Commission	36	147	38	151
Video lottery terminals	-	-	-	-
Casino Tax	25	127	25	112
Betting tax	10	43	10	41
Other	-	-	-	-
<i>Total taxes on gambling</i>	72	317	74	304
Insurance Duty	142	580	141	555
Other	12	32	5	22
<i>Total taxes on insurance</i>	155	611	146	576
Taxes on use of goods and performance of activities				
Vehicle Licence Duty	100	385	103	404
Permits - Oversize Vehicles and Loads	2	7	5	8
Motor Vehicle recording fee	14	53	13	48
Motor Vehicle registrations	199	728	167	650
<i>Total motor vehicle taxes</i>	315	1,173	288	1,109
<i>Landfill Levy</i>	11	47	11	44
Total Taxation	1,914	8,849	2,081	8,412

Note: Columns may not add due to rounding.

Table 6.3 (cont.)

GENERAL GOVERNMENT
Operating Revenue

	2013-14		2012-13	
	Three Months to 30 June	Actual	Three Months to 30 June	Actual
	\$m	\$m	\$m	\$m
Current Grants and Subsidies				
<i>General Purpose Grants</i>				
GST grants	643	2,507	701	2,935
North West Shelf grants	261	1,103	235	1,031
Compensation for Commonwealth crude oil excise arrangements	13	65	15	63
<i>Grants through the State</i>				
Schools assistance – non-government schools	3	951	15	873
Local government financial assistance grants	21	168	19	158
Local government roads	13	107	12	101
First Home Owners' Boost	-	-	-	-
Other	-	-	-	-
<i>National Specific Purpose Payment Agreement Grants</i>				
National Schools	123	469	104	406
National Agreement for Skills and Workforce Development	16	151	37	146
National Disability Services	37	146	32	127
National Affordable Housing	32	139	34	135
<i>National Health Reform</i>	369	1,518	420	1,398
<i>National Partnerships/Other Grants</i>				
Health	218	484	84	474
Housing	15	15	6	6
Transport	10	52	8	69
Other	159	323	133	394
Total Current Grants and Subsidies	1,934	8,199	1,854	8,316
Capital Grants				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	5	22	6	25
<i>National Partnerships/Other Grants</i>				
Housing	39	191	1	93
Transport	72	242	204	445
Other	53	92	41	59
Total Capital Grants	169	547	253	622
Sales of Goods and Services	520	2,078	589	2,011
Interest Income	38	194	62	255
Revenue from Public Corporations				
Dividends	570	901	487	796
Tax Equivalent Regime	244	602	84	381
Total Revenue from Public Corporations	814	1,503	571	1,177
Royalty Income	1,410	6,025	1,344	4,425
Other				
Lease Rentals	20	94	20	91
Fines	36	141	40	157
Revenue not elsewhere counted	148	326	89	252
Total Other	204	561	148	499
TOTAL REVENUE	7,003	27,956	6,903	25,718

Note: Columns may not add due to rounding.

GENERAL GOVERNMENT
Cash Flow Statement

	2013-14		2012-13	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>				
<i>Cash received</i>				
Taxes received	2,197	8,712	2,199	8,234
Grants and subsidies received	2,133	8,614	2,253	8,934
Receipts from sales and goods and services	288	2,135	533	2,042
Interest receipts	78	219	69	249
Dividends and tax equivalents	741	1,497	573	1,215
Other receipts	2,001	7,829	1,626	6,068
<i>Total cash received</i>	<i>7,437</i>	<i>29,006</i>	<i>7,252</i>	<i>26,742</i>
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-2,885	-12,157	-2,749	-11,304
Payments for goods and services	-1,708	-7,526	-1,787	-7,336
Interest paid	-144	-485	-130	-439
Grants and subsidies paid	-1,456	-5,567	-1,473	-5,144
Dividends and tax equivalents	-	-	-	-
Other payments	-316	-1,538	-329	-1,441
<i>Total cash paid</i>	<i>-6,508</i>	<i>-27,273</i>	<i>-6,467</i>	<i>-25,664</i>
<i>NET CASH FLOWS FROM OPERATING ACTIVITIES</i>	<i>929</i>	<i>1,733</i>	<i>784</i>	<i>1,077</i>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-913	-3,289	-915	-3,195
Sales of non-financial assets	63	224	61	166
<i>Total cash flows from investments in financial assets</i>	<i>-850</i>	<i>-3,065</i>	<i>-853</i>	<i>-3,029</i>
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	2	22	-1	7
For liquidity purposes	1	1	1	1
<i>Cash paid</i>				
For policy purposes	-152	-551	-132	-619
For liquidity purposes	-	-1	-7	-18
<i>Total cash flows from investments in financial assets</i>	<i>-149</i>	<i>-529</i>	<i>-138</i>	<i>-629</i>
<i>NET CASH FLOWS FROM INVESTING ACTIVITIES</i>	<i>-999</i>	<i>-3,594</i>	<i>-992</i>	<i>-3,657</i>
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>				
<i>Cash received</i>				
Advances received	30	30	15	15
Borrowings	-54	545	1,422	2,425
Deposit received	-	-	-	-
Other financing receipts	10	36	7	35
<i>Total cash received</i>	<i>-14</i>	<i>611</i>	<i>1,444</i>	<i>2,475</i>
<i>Cash paid</i>				
Advances paid	-16	-16	-15	-15
Borrowings repaid	-20	-368	-41	-322
Deposits paid	-	-	-	-
Other financing payments	-51	-140	-31	-91
<i>Total cash paid</i>	<i>-88</i>	<i>-524</i>	<i>-86</i>	<i>-428</i>
<i>NET CASH FLOWS FROM FINANCING ACTIVITIES</i>	<i>-102</i>	<i>86</i>	<i>1,358</i>	<i>2,047</i>
Net increase in cash and cash equivalents	-172	-1,775	1,151	-533
Cash and cash equivalents at beginning of the period	4,660	6,263	5,112	6,796
Cash and cash equivalents at end of the period	4,488	4,488	6,263	6,263
KEY FISCAL AGGREGATES				
Net cash flows from operating activities	929	1,733	784	1,077
Net cash flows from investing in non-financial assets	-850	-3,065	-853	-3,029
Cash surplus/-deficit	79	-1,333	-69	-1,952

Note: Columns may not add due to rounding.

Table 6.5

TOTAL PUBLIC SECTOR
Operating Statement

	2013-14		2012-13	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
RESULTS FROM TRANSACTIONS				
REVENUE				
Taxation	1,786	8,384	1,953	7,972
Current grants and subsidies	1,934	8,199	1,854	8,316
Capital grants	169	547	253	622
Sales of goods and services	4,449	17,773	4,970	17,878
Interest Income	151	614	181	687
Royalty income	1,410	6,025	1,344	4,425
Other	340	1,088	279	896
<i>Total revenue</i>	<i>10,239</i>	<i>42,630</i>	<i>10,834</i>	<i>40,794</i>
EXPENSES				
Salaries	2,941	11,937	2,893	11,307
Superannuation				
Concurrent costs	227	1,150	275	1,071
Superannuation interest cost	53	297	140	369
Other employee costs	95	288	98	315
Depreciation and amortisation	854	3,220	915	3,024
Services and contracts	942	3,017	891	2,782
Other gross operating expenses	4,564	16,645	4,660	16,487
Other interest	453	1,543	378	1,588
Current transfers	692	3,695	837	3,631
Capital transfers	330	613	137	428
<i>Total expenses</i>	<i>11,152</i>	<i>42,406</i>	<i>11,224</i>	<i>41,003</i>
NET OPERATING BALANCE	-913	225	-390	-208
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	135	368	-100	315
Net actuarial gains - superannuation	-461	-140	703	881
Provision for doubtful debts	-49	-50	-95	-106
Changes in accounting policy/correction of prior period errors	-863	-846	56	-135
<i>Total other economic flows</i>	<i>-1,238</i>	<i>-669</i>	<i>565</i>	<i>954</i>
OPERATING RESULT	-2,152	-444	175	746
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	2,712	3,750	-636	149
Gains recognised directly in equity	-42	595	-26	556
All other	-	-	-	-
<i>Total all other movements in equity</i>	<i>2,671</i>	<i>4,345</i>	<i>-661</i>	<i>706</i>
TOTAL CHANGE IN NET WORTH	519	3,901	-486	1,452
KEY FISCAL AGGREGATES				
NET OPERATING BALANCE	-913	225	-390	-208
<i>Less Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	1,929	6,814	2,295	7,355
Changes in inventories	279	515	-659	-654
Other movement in non-financial assets	-116	317	103	215
<i>less:</i>				
Sales of non-financial assets	449	1,151	331	902
Depreciation	854	3,220	915	3,024
<i>Total net acquisition of non-financial assets</i>	<i>788</i>	<i>3,275</i>	<i>491</i>	<i>2,991</i>
NET LENDING/-BORROWING	-1,702	-3,050	-881	-3,199

Note: Columns may not add due to rounding.

Table 6.6

TOTAL PUBLIC SECTOR
Operating Revenue

	2013-14		2012-13	
	Three Months to 30 June	Actual	Three Months to 30 June	Actual
	\$m	\$m	\$m	\$m
Taxation				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	831	3,474	841	3,390
Property taxes				
<i>Land tax</i>	-22	596	-14	511
Transfer Duty	420	1,776	541	1,654
Landholder Duty	22	193	93	216
<i>Total duty on transfers</i>	441	1,969	634	1,870
Other stamp duties	-	-	-	5
Metropolitan Region Improvement Tax	-	88	-	85
Perth Parking Levy	2	40	1	34
Emergency Services Levy	22	253	20	34
Loan guarantee fees	4	6	1	3
<i>Total other property taxes</i>	28	387	22	360
Taxes on provision of goods and services				
Lotteries Commission	-	-	-	-
Video lottery terminals	-	-	-	-
Casino Tax	25	127	25	112
Betting tax	-	-	-	-
Other	-	-	-	-
<i>Total taxes on gambling</i>	25	128	26	112
Insurance Duty	142	580	141	555
Other	12	32	5	22
<i>Total taxes on insurance</i>	155	611	146	576
Taxes on use of goods and performance of activities				
Vehicle Licence Duty	100	385	103	404
Permits - Oversize Vehicles and Loads	2	7	5	8
Motor Vehicle recording fee	14	53	13	48
Motor Vehicle registrations	199	728	167	650
<i>Total motor vehicle taxes</i>	315	1,173	288	1,109
<i>Landfill Levy</i>	11	47	11	44
Total Taxation	1,786	8,384	1,953	7,972

Note: Columns may not add due to rounding.

TOTAL PUBLIC SECTOR
Operating Revenue

Table 6.6 (cont.)

	2013-14		2012-13	
	Three Months	Actual	Three Months	Actual
	to 30 June		to 30 June	
	\$m	\$m	\$m	\$m
Current Grants and Subsidies				
<i>General Purpose Grants</i>				
GST grants	643	2,507	701	2,935
North West Shelf grants	261	1,103	235	1,031
Compensation for Commonwealth crude oil excise arrangements	13	65	15	63
<i>Grants through the State</i>				
Schools assistance – non-government schools	3	951	15	873
Local government financial assistance grants	21	168	19	158
Local government roads	13	107	12	101
First Home Owners' Boost	-	-	-	-
Other	-	-	-	-
<i>National Specific Purpose Payment Agreement Grants</i>				
National Schools	123	469	104	406
National Agreement for Skills and Workforce Development	16	151	37	146
National Disability Services	37	146	32	127
National Affordable Housing	32	139	34	135
<i>National Health Reform</i>	369	1,518	420	1,398
<i>National Partnerships/Other Grants</i>				
Health	218	484	84	474
Housing	15	15	6	6
Transport	10	52	8	69
Other	159	323	133	394
Total Current Grants and Subsidies	1,934	8,199	1,854	8,316
Capital Grants				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	5	22	6	25
<i>Nation Building and Jobs Plan</i>				
Schools	-	-	-	-
Housing	-	-	-	-
<i>National Partnerships/Other Grants</i>				
Housing	39	191	1	93
Transport	72	242	204	445
Other	53	92	41	59
Total Capital Grants	169	547	253	622
Sales of Goods and Services	4,449	17,773	4,970	17,878
Interest Income	151	614	181	687
Royalty Income	1,410	6,025	1,344	4,425
Other				
Lease Rentals	20	94	20	91
Fines	34	141	37	157
Revenue not elsewhere counted	286	853	223	647
Total Other	340	1,088	279	896
TOTAL REVENUE	10,239	42,630	10,834	40,794

Note: Columns may not add due to rounding.

Table 6.7

TOTAL PUBLIC SECTOR
Cash Flow Statement

	2013-14		2012-13	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Cash received</i>				
Taxes received	1,928	8,186	1,945	7,756
Grants and subsidies received	2,133	8,614	2,253	8,934
Receipts from sales and goods and services	4,734	18,291	5,200	18,128
Interest receipts	172	692	203	811
Dividends and tax equivalents	-	-	-	-
Other receipts	2,286	9,204	2,079	7,594
<i>Total cash received</i>	<i>11,252</i>	<i>44,987</i>	<i>11,680</i>	<i>43,223</i>
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-3,190	-13,533	-2,997	-12,538
Payments for goods and services	-4,472	-17,815	-5,352	-18,339
Interest paid	-531	-1,751	-388	-1,687
Grants and subsidies paid	-736	-3,674	-1,008	-3,770
Dividends and tax equivalents	-	-	-	-
Other payments	-1,549	-5,016	-1,198	-4,324
<i>Total cash paid</i>	<i>-10,478</i>	<i>-41,789</i>	<i>-10,942</i>	<i>-40,658</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	775	3,198	738	2,565
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-1,929	-6,814	-2,295	-7,355
Sales of non-financial assets	449	1,151	331	902
<i>Total cash flows from investments in financial assets</i>	<i>-1,480</i>	<i>-5,663</i>	<i>-1,963</i>	<i>-6,453</i>
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	2	22	3	12
For liquidity purposes	2,459	7,112	1,800	7,236
<i>Cash paid</i>				
For policy purposes	-3	-23	-3	-12
For liquidity purposes	-1,922	-7,406	-2,086	-6,401
<i>Total cash flows from investments in financial assets</i>	<i>537</i>	<i>-295</i>	<i>-285</i>	<i>835</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-943	-5,958	-2,248	-5,618
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash received</i>				
Advances received	15	15	-	-
Borrowings	6,921	26,192	12,436	31,930
Deposit received	-	-	-	-
Other financing receipts	12	41	-13	30
<i>Total cash received</i>	<i>6,947</i>	<i>26,249</i>	<i>12,423</i>	<i>31,960</i>
<i>Cash paid</i>				
Advances paid	-16	-16	-15	-15
Borrowings repaid	-8,891	-26,194	-9,449	-29,576
Deposits paid	-	-	-	-
Other financing payments	-48	-105	-2	-87
<i>Total cash paid</i>	<i>-8,955</i>	<i>-26,316</i>	<i>-9,465</i>	<i>-29,678</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	-2,008	-67	2,958	2,282
Net increase in cash and cash equivalents	-2,176	-2,827	1,447	-771
Cash and cash equivalents at beginning of the period	10,559	11,210	9,762	11,981
Cash and cash equivalents at end of the period	8,383	8,383	11,210	11,210
KEY FISCAL AGGREGATES				
Net cash flows from operating activities	775	3,198	738	2,565
Net cash flows from investing in non-financial assets	-1,480	-5,663	-1,963	-6,453
Cash surplus/-deficit	-705	-2,465	-1,225	-3,888

Note: Columns may not add due to rounding.

Public Ledger

The Public Ledger, established by section 7 of the *Financial Management Act 2006* (FMA), includes those transactions and operations that are conducted through the Consolidated Account, the Treasurer's Advance Account and Treasurer's Special Purpose Accounts (TSPAs).

Table 7.1 shows that the aggregate balance of the Public Ledger at 30 June 2014 was in a \$63 million deficit position at 30 June 2014, a \$2,374 million turnaround on the balance at 30 June 2013. This outcome reflects a change in borrowings management for the Consolidated Account following the September 2013 downgrade of Western Australia's credit rating by Standard & Poor's (discussed later in the Consolidated Account report in this appendix).

PUBLIC LEDGER BALANCES AT 30 JUNE			Table 7.1
	2014 \$m	2013 \$m	
THE PUBLIC LEDGER			
Consolidated Account ^(a)	-10,218	-7,009	
Treasurer's Special Purpose Accounts	10,162	9,327	
Treasurer's Advance Account – Net Advances	-7	-7	
TOTAL PUBLIC LEDGER	-63	2,311	
Agency Special Purpose Account	4,183	3,626	
TOTAL PUBLIC BANK ACCOUNT	4,120	5,937	

(a) The balance of the Consolidated Account at 30 June 2014 includes cash and non-cash balances. Non-cash appropriations of \$7,956 million at 30 June 2014 (30 June 2013: \$7,207 million) represent the balance of the non-cash cost of agency services. These appropriations are credited to agency Holding Accounts that are included in the Treasurer's Special Purpose Accounts balance. In cash terms, the Consolidated Account recorded a deficit of \$2,263 million at 30 June 2014 (30 June 2013 surplus: \$198 million).

Information on individual agencies' Special Purpose Accounts, which form part of the Public Bank Account but are not part of the Public Ledger, can be found in the annual reports of those agencies.

Consolidated Account

The *Constitution Act 1889* requires that all revenue of the Crown that is not permanently appropriated by legislation to another entity, shall be credited to the Consolidated Account. The Act also requires that payments out of the Account must be appropriated by Parliament.

Accordingly, Consolidated Account revenue is not available for use by agencies that collect it, and such receipts must be paid directly to the credit of the Account. Expenditure is authorised by the Parliament, with both the amount and the expressed purpose of the relevant appropriation clearly specified.

The Consolidated Account accrual deficit at 30 June 2014 was \$10,218 million, an increase of \$3,209 million on the accumulated deficit at the end of 2012-13. This included \$7,956 million in agency Holding Account balances, associated with accrual (non-cash) appropriations for depreciation and leave entitlements, with these accrued balances increasing by \$749 million during 2013-14.

In cash terms, the Consolidated Account was overdrawn by \$2,263 million at 30 June 2014. This compares with a \$198 million cash balance at 30 June 2013. The turnaround in the accumulated cash balance of the Account follows a change in the management of borrowings from 2013-14. As part of its 18 September 2013 credit rating assessment, Standard & Poor's noted the increasing level of Western Australia's gross borrowings. Treasury reviewed borrowing arrangements for the Consolidated Account which had previously drawn sufficient funds to leave the Account in balance (or in a small cash surplus position) each year. The State Solicitor advised that this level of borrowing was not mandatory.

However, as the Consolidated Account is a part of the broader Public Bank Account (the PBA, which consists of the Public Ledger and the Special Purpose Accounts of public sector agencies), borrowing may still be required from time to time to ensure that the PBA has sufficient funds to meet payment obligations through the year.

As the PBA maintained sufficient cash balances to meet such obligations throughout 2013-14, no Consolidated Account borrowings were required during the 12 months ending 30 June 2014. Accordingly, the Consolidated Account was in a cash overdraft position at year-end.

CONSOLIDATED ACCOUNT TRANSACTIONS		Table 7.2	
	2014	2013	
	\$m	\$m	
REVENUE			
<i>Operating Activities</i>			
Taxation	7,188	6,826	
Commonwealth Grants	3,784	4,335	
Government Enterprises	1,521	1,226	
Revenue from other agencies	7,314	5,506	
Other	322	299	
<i>Total Operating Activities</i>	20,129	18,192	
<i>Financing Activities</i>			
Repayments of Recoverable Advances	36	26	
Transfers from:			
Public Bank Account Interest Earned Account	80	120	
Bankwest Pension Trust	2	2	
Other Receipts	4	1	
Borrowings	-	2,153	
<i>Total Financing Activities</i>	122	2,302	
TOTAL REVENUE	20,251	20,494	
EXPENDITURE			
<i>Recurrent</i>			
Authorised by Other Statutes	2,223	2,059	
Appropriation Act (No. 1)	18,279	16,597	
Recurrent Expenditure under the Treasurer's Advance	95	330	
<i>Total Recurrent Expenditure</i>	20,597	18,986	
<i>Investing Activities</i>			
Authorised by Other Statutes	136	88	
Appropriation Act (No. 2)	2,657	2,334	
Investing Expenditure under the Treasurer's Advance	68	10	
<i>Total Investing Activities</i>	2,861	2,432	
<i>Financing Activities</i>			
Loan repayments	-	-	
Other financing	4	1	
<i>Total Financing Activities</i>	4	1	
TOTAL EXPENDITURE	23,462	21,419	
NET MOVEMENT (REVENUE LESS EXPENDITURE)	-3,211	-925	
Consolidated Account Balance			
Opening balance at 1 July	-7,009	-6,083	
Closing balance at 30 June	-10,218	-7,009	
Of which:			
Appropriations payable	-7,956	-7,207	
Cash balance at 30 June	-2,263	198	

Note: Columns may not add due to rounding.

Treasurer's Special Purpose Accounts

The Treasurer's Special Purpose Accounts (TSPAs) consist of:

- any account established by the Treasurer as a TSPA for the purposes determined by the Treasurer;
- suspense accounts established for the purposes of section 26 of the FMA;
- any account established to hold money transferred under section 39(5) of the FMA;
- the Public Bank Account Interest Earned Account, established for the purpose of holding money credited to that account under section 38(9) of the FMA pending its allocation and payment as required or permitted under the FMA or another written law;
- any account established under written law and determined by the Treasurer to be a TSPA; and
- any account established to hold other money and determined by the Treasurer to be a TSPA.

Relative to 30 June 2013, an aggregate increase of \$835 million of TSPA balances at 30 June 2014 mainly reflects:

- higher Holding Account balances for accrual appropriations to agencies for depreciation and accrued leave entitlements (up \$749 million);
- an increase in the balance of the Western Australian Future Fund due to 'seed capital' sourced from the Royalties for Regions Fund, and interest earnings on the balance of the Fund for the year (\$290 million);
- a net decrease for the Perth Children's Hospital Account balance (down \$183 million), reflecting the draw down of funds to meet construction costs;
- the draw down of cash reserves set aside for the construction of the Fiona Stanley Hospital (down \$95 million);
- an increase in the balance of the Royalties for Regions Fund (up \$59 million) due to the payments for approved projects, together with Western Australian Future Fund 'seed capital' transfers, being lower than the royalty receipts paid to the account during 2013-14;
- a decrease in the balance of the New Perth Stadium Account (down \$48 million), reflecting receipts of \$15 million, less draw downs from the account of \$63 million for design, procurement and initial works relating to the stadium, sports precinct and transport infrastructure; and
- an increase in the balances of other Treasurer's Special Purpose Accounts (up \$63 million).

A number of the accounts (including the Western Australian Future Fund and the various construction accounts noted above) are discussed in Appendix 5: *Special Purpose Accounts*.

The following table summarises the position of TSPAs at 30 June 2014 and 2013.

TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE		
	2014	2013
	\$m	\$m
Agency Holding Accounts	7,956	7,207
Fiona Stanley Hospital Construction Account	9	104
Royalties for Regions Fund	940	881
Western Australian Future Fund	596	306
Perth Children's Hospital Account	94	277
The New Perth Stadium Account	47	95
Other Special Purpose Accounts	520	457
TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE	10,162	9,327

Note: Columns may not add due to rounding.

Treasurer's Advance

The Treasurer's Advance allows for repayable advances to agencies for working capital purposes (known as 'net recoverable advances') and the provision of supplementary appropriation funding for unforeseen and/or extraordinary events during the year (known as 'excesses and new items').

A total of \$595.7 million was authorised by section 29 of the FMA for the year ended 30 June 2014. Of this, \$373.9 million (or 63%) was drawn down in 2013-14, comprising \$366.9 million for excesses and new items (detailed in Table 7.5), while \$7 million was held in the form of net recoverable advances (refer to Table 7.4).

TREASURER'S ADVANCE AT 30 JUNE			Table 7.4
	2014	2013	
	\$m	\$m	
AUTHORISED LIMIT	595.7	651.5	
<i>Total Drawn Against Treasurer's Advance Account</i>	373.9	346.5	
Comprising:			
Net recoverable advances at 30 June (see below)	7.0	6.8	
Over drawn Special Purpose Account ^(a)	-	0.1	
Excesses and New Items			
- recurrent	299.0	329.7	
- capital	67.9	9.9	
NET RECOVERABLE ADVANCES			
Electoral Boundaries Distribution	-	0.2	
Mining Rehabilitation Fund	2.6	1.0	
Sport and Recreation	1.6	1.8	
Suitors Fund	1.8	1.8	
Sundry Debtors	1.0	-	
Transport	-	2.0	
TOTAL RECOVERABLE TREASURER'S ADVANCES	7.0	6.8	

(a) The Treasurer gave approval to the Department of Mines and Petroleum in 2012-13 to overdraw a Special Purpose Account. Any overdrawn SPA is taken to be an advance to be charged in the relevant financial year to the Treasurer's Advance Account.

Note: Columns may not add due to rounding.

Transfers, Excesses and New Items

Table 7.5 summarises transfers of appropriations between agencies, authorised under section 25 of the FMA (and which have no impact on the Treasurer's Advance), and excesses and/or new items approved by the Treasurer under the authority of section 27 of the FMA.

Table 7.5

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2014

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Parliament</i>						
Item 3: Delivery of Services	15.2	-	-	0.3	15.5	0.3
<i>Premier and Cabinet</i>						
Item 5: Delivery of Services	233.6	-0.4	-	2.9	236.1	-
New Item: Administered Grants, Subsidies and Other Transfer Payments	-	2.6	-	43.5	46.1	43.5
<i>Chemistry Centre (Western Australia)</i>						
Item 11: Delivery of Services	7.7	0.7	-	1.2	9.6	1.2
<i>WA Health</i>						
Item 12: Delivery of Services	4,080.1	48.8	-	-	4,128.9	-
<i>Regional Development</i>						
Item 14: Delivery of Services	4.0	0.1	-	-	4.1	-
<i>Goldfields-Esperance Development Commission</i>						
Item 16: Delivery of Services	- ^(b)	0.2	-	-	0.2	-
<i>Peel Development Commission</i>						
Item 20: Delivery of Services	- ^(b)	0.3	-	-	0.3	-
<i>South West Development Commission</i>						
Item 22: Delivery of Services	- ^(b)	0.2	-	-	0.2	-
<i>Lands</i>						
Item 24: Delivery of Services	19.8	-	-	8.3	28.1	7.4
<i>Western Australian Land Information Authority</i>						
Item 25: Delivery of Services	29.3	-1.3	-	-	28.0	-
<i>Education</i>						
Item 26: Delivery of Services	3,599.2	10.9	-	3.1	3,613.2	3.1
<i>Education Services</i>						
Item 27: Delivery of Services	16.5	-	-	2.2	18.7	2.2
<i>School Curriculum and Standards Authority</i>						
Item 29: Delivery of Services	34.4	0.3	-	0.7	35.4	0.7
<i>Country High Schools Hostels Authority</i>						
Item 30: Delivery of Services	6.0	0.3	-	0.7	7.0	0.7
<i>Aboriginal Affairs</i>						
Item 31: Delivery of Services	34.3	-	-	0.2	34.4	0.2

Table 7.5 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2014

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Treasury</i>						
Item 33: Delivery of Services	37.7	1.7	-	1.3	40.7	1.0
Item 34: Electricity Retail Corporation (Synergy)	489.3	-	-	102.7	592.0	102.7
Item 37: Public Transport Authority	683.8	-	-	28.3	712.1	28.3
Item 39: Western Australian Land Authority	47.4	-	-	0.7	48.1	-
Item 40: Closing the Gap	31.8	-31.8	-	-	-	-
Item 42: Decommissioning of the Office of Shared Services	2.4	-5.4	-	3.0	-	3.0
Item 47: Provision for Voluntary Separations	100.0	-119.8	-	44.9	25.1	19.8
Item 52: Sustainable Funding and Contracting with the Not-for-Profit Sector	9.3	-8.2	-	-	1.1	-
<i>Economic Regulation Authority</i>						
Item 54: Delivery of Services	4.1	-	-	1.2	5.3	1.2
<i>Transport</i>						
Item 56: Delivery of Services	147.8	0.3	-	4.0	152.1	4.0
<i>Fisheries</i>						
Item 59: Delivery of Services	50.0	0.9	-	10.1	61.1	10.1
<i>Planning</i>						
Item 60: Delivery of Services	37.0	1.1	-	0.5	38.5	0.5
<i>Culture and Arts</i>						
Item 62: Delivery of Services	36.9	0.7	-	0.7	38.3	0.7
Item 63: Art Gallery of Western Australia	11.1	0.3	-	3.8	15.2	3.8
Item 64: Library Board of Western Australia	30.101	0.378	-	1.9	32.4	1.9
Item 65: Perth Theatre Trust	14.5	0.2	-	-	14.7	-
Item 66: Western Australian Museum	21.1	0.7	-	8.5	30.2	8.5
<i>Western Australia Police</i>						
Item 67: Delivery of Services	1,177.4	1.7	-	-	1,179.1	-
<i>Small Business Development Corporation</i>						
Item 68: Delivery of Services	11.3	-	-	0.1	11.4	0.1

Table 7.5 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2014

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Training and Workforce Development</i>						
Item 69: Delivery of Services	456.4	14.4	-	0.1	470.9	0.1
<i>Water</i>						
Item 70: Delivery of Services	69.1	5.0	-	4.1	78.2	4.1
<i>Mental Health Commission</i>						
Item 72: Delivery of Services	556.1	1.2	-	8.8	566.1	1.5
<i>Disability Services Commission</i>						
Item 73: Delivery of Services	636.5	5.4	-	-	641.8	-
<i>Child Protection and Family Support</i>						
Item 74: Delivery of Services	526.3	5.5	-	-	531.8	-
<i>Attorney General</i>						
Item 75: Delivery of Services	249.0	-	-	2.4	251.4	1.7
<i>Commissioner for Equal Opportunity</i>						
Item 77: Delivery of Services	3.7	0.6	-	0.5	4.9	0.5
<i>Office of the Director of Public Prosecutions</i>						
Item 79: Delivery of Services	29.9	0.4	-	1.4	31.7	1.4
<i>Office of the Information Commissioner</i>						
Item 81: Delivery of Services	1.8	-	-	0.1	1.9	0.1
<i>Commerce</i>						
Item 83: Delivery of Services	74.1	11.6	-	2.8	88.6	2.8
<i>Registrar, Western Australian Industrial Relations Commission</i>						
Item 85: Delivery of Services	9.0	-	-	0.1	9.1	0.1
<i>Mines and Petroleum</i>						
Item 86: Delivery of Services	76.2	0.2	-	0.6	77.0	-
<i>Housing Authority</i>						
Item 88: Delivery of Services	23.6	1.8	-	-	25.4	-
<i>Sport and Recreation</i>						
Item 89: Delivery of Services	33.0	-	-	3.3	36.3	3.3

Table 7.5 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2014

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Western Australian Sports Centre Trust</i>						
Item 92: Delivery of Services	36.1	0.6	-	1.4	38.1	1.4
<i>Racing, Gaming and Liquor</i>						
Item 93: Delivery of Services	4.8	0.7	-	-	5.5	-
<i>Agriculture and Food</i>						
Item 95: Delivery of Services	135.6	9.7	-	0.1	145.4	-
<i>Finance</i>						
Item 98: Delivery of Services	274.1	9.6	-	0.3	284.0	0.3
<i>Local Government and Communities</i>						
Item 100: Delivery of Services	129.8	3.8	-	-	133.6	-
<i>Parks and Wildlife</i>						
Item 103: Delivery of Services	201.5	5.8	-	5.7	213.0	5.3
<i>Environment Regulation</i>						
Item 104: Delivery of Services	0.4	2.5	-	1.9	4.9	1.9
<i>Botanic Gardens and Parks Authority</i>						
Item 105: Delivery of Services	12.5	0.2	-	1.5	14.3	1.5
<i>Office of the Environmental Protection Authority</i>						
Item 106: Delivery of Services	9.7	-	-	4.8	14.5	4.8
<i>Swan River Trust</i>						
Item 107: Delivery of Services	12.0	0.2	-	-	12.2	-
<i>Zoological Parks Authority</i>						
Item 108: Delivery of Services	10.7	0.2	-	0.1	11.0	0.1
<i>Fire and Emergency Services</i>						
Item 111: Delivery of Services	35.5	7.3	-	7.0	49.7	7.0
Item 112: Administered Grants, Subsidies and Other Transfer Payments	15.0	-2.6	-	-	12.4	-
<i>State Emergency Management Committee Secretariat</i>						
Item 113: Delivery of Services	3.9	0.5	-	0.2	4.6	-

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2014

Table 7.5 (cont.)

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Corrective Services</i>						
Item 114: Delivery of Services	753.6	10.2	-	17.7	781.5	16.4
Total Recurrent		-	-	339.7		299.0
Capital Appropriations						
<i>WA Health</i>						
Item 118: Capital Appropriation	312.6	-	-	16.9	329.4	16.9
<i>Lands</i>						
New Item: Capital Appropriation	-	-	0.5	-	0.5	0.5
<i>Western Australian Land Information Authority</i>						
Item 122: Capital Appropriation	2.7	-0.4	-	-	2.3	-
<i>Treasury</i>						
Item 130: Decommissioning of the Office of Shared Services	8.9	-3.8	-	-	5.1	-
<i>Fisheries</i>						
Item 147: Capital Appropriation	4.0	-	-	8.8	12.8	8.8
<i>Planning</i>						
Item 148: Capital Appropriation	7.4	0.4	-	-	7.8	-
<i>Water</i>						
Item 155: Capital Appropriation	8.4	1.5	-	-	9.9	-
<i>Child Protection and Family Support</i>						
Item 157: Capital Appropriation	10.6	-2.0	-	-	8.6	-
<i>Commissioner for Equal Opportunity</i>						
Item 160: Capital Appropriation	0.1	- ^(b)	-	-	0.1	-
<i>Commerce</i>						
New Item: Capital Appropriation	-	-	3.0	-	3.0	3.0
<i>Housing Authority</i>						
Item 161: Capital Appropriation	111.2	2.0	-	-	113.2	-
<i>Sport and Recreation</i>						
Item 162: Capital Appropriation	39.6	-	-	1.9	41.5	1.9
<i>Western Australian Sports Centre Trust</i>						
Item 163: Capital Appropriation	2.8	-	-	9.6	12.4	9.6

Table 7.5 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2014

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget	Transfers ^(a)	New Items	Approved Excesses	Revised Appropriation	
	\$m	\$m	\$m	\$m	\$m	
Capital Appropriations						
<i>Finance</i>						
Item 166: Capital Appropriation	27.0	2.3	-	-	29.3	-
<i>Parks and Wildlife</i>						
Item 168: Capital Appropriation	2.4	-	-	3.2	5.6	3.2
<i>Fire and Emergency Services</i>						
Item 173: Capital Appropriation	0.9	-	-	24.1	25.0	24.1
Total Capital		-	3.5	64.4		67.9
TOTAL				404.1		366.6

(a) Authorised under section 25 of the FMA.

(b) Amount less than \$50,000.

Note: Columns and rows may not add due to rounding.

Transfer of appropriation funds are for the provision of an approved service which is now delivered by an alternative agency. These transfers are authorised either under section 25 of the FMA or specific enabling legislation and have no impact on the Treasurer's Advance.

In 2013-14, appropriation transfers included:

- \$119.8 million from Treasury to various agencies for the Enhanced Voluntary Separation Scheme (the allocation by agency is shown in the following table)¹;

2013-14 ENHANCED VOLUNTARY SEPARATION SCHEME		Transfer from Appropriation
Item	Agency	\$m
11	Chemistry Centre	0.7
12	WA Health	10.9
14	Regional Development	0.1
16	Goldfields-Esperance Development Commission	0.2
20	Peel Development Commission	0.3
22	South West Development Commission	0.2
26	Education	12.0
29	School Curriculum and Standards Authority	0.3
30	Country High Schools Authority	0.3
33	Treasury	1.6
59	Fisheries	0.9
62	Culture and the Arts	0.7
63	Art Gallery of Western Australia	0.3
64	Library Board of Western Australia	0.4
65	Perth Theatre Trust	0.2
66	Western Australia Museum	0.7
67	Western Australia Police	1.7
69	Training and Workforce Development	14.4
70	Water	5.0
72	Mental Health Commission	0.8
73	Disability Service Commission	5.4
74	Child Protection and Family Support	5.5
77	Commissioner for Equal Opportunity	0.6
83	Commerce	11.6
86	Mines and Petroleum	0.2
92	Western Australian Sports Centre Trust	0.6
95	Agriculture and Food	9.7
98	Finance	6.5
100	Local Government and Communities	2.7
103	Parks and Wildlife	5.8
104	Environmental Regulation	2.5
105	Botanic Garden and Parks Authority	0.2
107	Swan River Trust	0.2
108	Zoological Parks Authority	0.2
111	Fire and Emergency Services	7.3
114	Corrective Services	9.2
Total		119.8

¹ The original \$100 million allocated for this initiative was also increased during 2013-14, and is discussed later in this appendix.

- the transfer of \$31.8 million to WA Health (\$31.4 million) and the Mental Health Commission (\$0.4 million) from Treasury, to continue delivering a range of services that aim to close the gap in life expectancy for the Aboriginal population. This builds on the experiences gained under the Closing the Gap in Aboriginal Health and Indigenous Early Childhood Development programs;
- the transfer from Treasury of \$9.2 million (including both recurrent and capital appropriations) to the Departments of Finance (\$5.6 million), Water (\$1.5 million), Corrective Services (\$1.1 million), Racing, Gaming and Liquor (\$0.7 million), the Office of the Director of Public Prosecutions (\$0.4 million) and the Commissioner for Equal Opportunities (\$11,000) for transition costs and to re-establish corporate service functions relating to the decommissioning of the Office of Shared Services. These costs were provisioned in a central appropriation at the time of the 2013-14 Budget;
- \$6.4 million from Treasury to WA Health for Component Two Funding of the Delivering Community Services in Partnership Policy;
- \$2.6 million in recurrent funding from the Department of Fire and Emergency Services to the Department of the Premier and Cabinet for Western Australia Natural Disaster Relief and Recovery Arrangements;
- \$2.0 million in capital funding to transfer funding for construction of a new domestic violence refuge in the metropolitan area from the Department for Child Protection and Family Support to the Housing Authority;
- \$1.8 million to the Housing Authority from Treasury for Component Two Funding of the Delivering Community Services in Partnership Policy;
- \$1.7 million in recurrent and capital funding from Landgate to the Department of Planning for the Regional and Urban Scenario Planning Initiative as part of the Location Information Strategy Program;
- \$1.1 million from the Department of Education to the Department of Local Government and Communities for the Community Language program;
- the transfer of \$0.5 million from the Department of the Premier and Cabinet to the State Emergency Management Committee Secretariat for office accommodation at Leederville;
- \$0.3 million transfer of parking and travel demand management planning functions from the Department of Planning to the Department of Transport; and
- \$0.2 million from the Department of Finance to Treasury to transfer the corporate communication, strategic information and communication technology (ICT) and human resource recruitment functions.

Excesses and New Items

Funds drawn against the Treasurer's Advance for excesses and new items were for the purposes outlined below. Further detail is available in the annual reports of the listed agencies. Unless otherwise stated, the approved funding was drawn in full by 30 June 2014.

Parliament

Item 3: **Delivery of Services** (\$0.3 million) for the continuation of funding for additional security personnel at Parliament House.

Premier and Cabinet

Item 5: **Delivery of Services** (\$2.9 million) to meet transition payments and implementation costs associated with the South West Native Title Settlement. This funding was not drawn by 30 June 2014 reflecting sufficient surplus agency cash balances to meet the costs in 2013-14.

New Item: **Administered Grants, Subsidies and Other Transfer Payments** (\$43.5 million) for additional claims payments through Western Australia Natural Disaster Relief and Recovery Arrangements.

Chemistry Centre (Western Australia)

Item 11: **Delivery of Services** (\$1.2 million) to meet a funding shortfall as a result of a downturn in revenue from the Centre's commercial services (\$0.7 million), and the impact of partially reinstating the Centre's salary cap relating to staff funded by external revenue (\$0.4 million).

Lands

Item 24: **Delivery of Services** (\$8.3 million) mainly for costs associated with the compensation of the Ngarluma Aboriginal Corporation for the acquisition of land required for the Anketell Port and Strategic Industrial Area Project, the identification and assessment of Crown land suitable for transfer to Native Title holders (in order to resolve Native Title claims in the South West of Western Australia), and various cost pressures associated with the Lands Strategic Reform Program. Of the approved increase, only \$7.4 million was required, reflecting the later than expected registration of the Native Title Agreement and delays with the implementation of the Lands Strategic Reform Program.

New Item: **Capital Appropriation** (\$0.5 million) for a new ICT system as part of the Department's Strategic Reform Program.

Education

Item 26: **Delivery of Services** (\$3.1 million) for additional funding to maintain teacher numbers at approved 2013-14 levels, with a partial offset from a reduction in procurement costs and additional Commonwealth funding received during 2013-14.

Education Services

Item 27: **Delivery of Services** (\$2.2 million) following adjustment of the Department's salary cap for Teacher Registration Board of Western Australia staff, reflecting the cost recovery nature of the Board's operations.

School Curriculum and Standards Authority

Item 29: **Delivery of Services** (\$0.7 million) to meet the costs of expanded Kindergarten to Year 10 functions, implementation of Phases 2 and 3 of the Australian Curriculum, an adjustment to the Authority's salary cap to account for transfer of staff from the Department of Education, and for increased accommodation expenses.

Country High Schools Hostels Authority

Item 30: **Delivery of Services** (\$0.7 million), primarily reflecting a decline in enrolment revenue and adjustment of the Authority's salary cap to account for staff funded from external revenue collections.

Aboriginal Affairs

Item 31: **Delivery of Services** (\$0.2 million) to establish administrative arrangements for land identification and transfer and management processes as part of the South West Native Title Settlement.

Treasury

Item 33: **Delivery of Services** (\$1.3 million) for consultancy services to develop a potential Asset Divestment (asset sales) Program. Of this amount, \$1 million was drawn down, with the residual \$0.3 million not required as a result of lower than expected cost of the consultancy.

Item 34: **Electricity Retail Corporation (Synergy)** (\$102.7 million), reflecting an increase in the subsidy paid to Synergy to meet the gap between rates paid by customers in the South West Interconnected System and the cost of providing the electricity they consume. The increased gap reflected higher costs for renewable energy schemes and generation capacity, and lower customer revenue due to a reduction in demand for energy.

Item 37: **Public Transport Authority** (\$28.3 million), primarily reflecting the impact of lower fare revenue (\$21.3 million), and higher costs for the remediation of contaminated sites (\$5 million).

Item 39: **Western Australian Land Authority** (\$0.7 million) for payments related to the Browse LNG Precinct Project and increased holding costs associated with the Australian Marine Complex Technology Park project. These increases were partially offset by minor movements in the land tax cost for land holdings in Kwinana. In the event, the funds were not drawn down due to lower funding for the Collie Shotts Industrial Park (due to deferral of works until industries entering the park have secured coal supply contracts to enable their projects to proceed) and Kemerton Core Land Acquisition projects (with no acquisitions required to be undertaken during 2013-14).

Item 42: **Decommissioning of the Office of Shared Services** (\$3.0 million) to assist the Office of Shared Services (OSS) client agencies to re-establish corporate service functions following the Government's 2011 decision to decommission the OSS. This increase was offset by an equivalent saving in capital funding for the decommissioning process. All funds were subsequently transferred to agencies (see transfers discussed earlier).

Item 47: **Provisions for Voluntary Separations** (\$44.9 million), reflecting an increase in the original forecast cost of the Enhanced Voluntary Separation Scheme (expected to cost \$100 million for 1,000 separations). The approved amount comprises an increase in the estimated average cost per separation (identified at the time of the 2013-14 Mid-year Review), less self-funded agency payouts, and further funding approved in 2014-15 Budget to provide for an extra 200 staff separations. Of the approved increase, only \$19.8 million was required (mainly due to lower than expected payouts for leave entitlements of employees and lower than expected take-up of the scheme). All funds were transferred to agencies by 30 June 2014 (see transfers discussion earlier in this appendix). A total of \$99 million was expensed on this initiative, with the balance of funds paid for accrued leave and other entitlements expensed in prior years.

Economic Regulation Authority

Item 54: **Delivery of Services** (\$1.2 million) to cover a shortfall in industry funding, following delays with implementing regulations to achieve full cost recovery.

Transport

Item 56: **Delivery of Services** (\$4.0 million), mainly due to costs associated with completing the project definition plan for the MAX Light Rail project, before the project was put on hold.

Fisheries

Item 59: **Delivery of Services** (\$10.1 million), to address structural deficit issues in 2013-14, relating particularly to cost pressures (such as insurance, lease costs and software licenses and upgrades), previous expansion of services (such as additional research and management relating to rock lobster, recreational finfish catch rates and west coast demersal scalefish), and lower than budgeted commercial fishing revenue outcomes. Additional funding was also provided to account for a delay in implementation of cost recovery for biosecurity functions that were undertaken in the 2013-14 financial year.

Item 147: **Capital Appropriation** (\$8.8 million) to replenish cash balances which were drawn down to address unexpected cost pressures in previous years.

Planning

Item 60: **Delivery of Services** (\$0.5 million) to meet higher than expected salaries and accommodation expenses.

Culture and the Arts

Item 62: **Delivery of Services** (\$0.7 million), mainly for higher than expected accrued salary costs in the State Records Office (\$0.7 million), and \$0.2 million to reinstate the Department's payroll and human resource functions following the winding up of Shared Services. These increases were partly offset by a \$0.2 million savings from procurement costs as part of savings measures announced in the 2013-14 Mid-year Review.

Item 63: **Art Gallery of Western Australia** (\$3.8 million), mainly for higher than expected accrued salary costs (\$2.8 million), and a shortfall in forecast revenue from the cancellation of the Museum of Modern Art Exhibition Series. These increases were partly offset by procurement savings (\$0.3 million) and lower than expected depreciation expenses (\$0.2 million).

Item 64: **Library Board of Western Australia** (\$1.9 million), mainly for the reinstatement of salary cap savings (\$2.1 million), partially offset by lower procurement spending (down \$0.2 million) as part of savings measures announced in 2013-14 Mid-year Review.

Item 66: **Western Australia Museum** (\$8.5 million), mainly for higher than expected accrued salary costs and reinstatement of salary cap savings (\$8.9 million), partially offset by \$0.3 million lower procurement spending and lower than expected depreciation expenses (\$0.1 million).

Small Business Development Corporation

Item 68: **Delivery of Services** (\$0.1 million) to meet higher salary costs associated with the wind up of the Office of Shared Services.

Training and Workforce Development

Item 69: **Delivery of Services** (\$0.1 million) for the reinstatement of funding to support training places reflecting own-source revenue received from training fees, and increased funding for cost and demand pressures on Government Regional Officers Housing, and to provide for capping of some Vocational Education and Training student fees. These appropriation increases were offset by procurement savings.

Water

Item 70: **Delivery of Services** (\$4.1 million), primarily to address higher than budgeted salary expenditure following a restructure of the Department, partly offset by procurement savings.

Mental Health Commission

Item 72: **Delivery of Services** (\$8.8 million) for additional mental health inpatient activity resulting from a new classification system for activity-based hospital funding, partially offset by procurement savings. Of this amount, only \$1.5 million was drawn by 30 June 2014, reflecting a change in the Mental Health Commission funding mix for activity-based hospital services, with an additional \$7.3 million allocation of Commonwealth National Health Reform funding received during the year.

Attorney General

Item 75: **Delivery of Services** (\$2.4 million), primarily for costs relating to the Royal Commission into Institutional Responses to Child Sexual Abuse, the South West Native Title Agreement, additional court costs, high cost cases involving the Legal Aid Commission, and payments made on behalf of the State, including one ex-gratia payment. These increases were partially offset by savings from procurement and other savings measures. Of this approved increase, only \$1.7 million was required by the agency, as the preliminary appropriation funding estimate for South West Native Title costs was higher than actually required.

Commissioner for Equal Opportunity

Item 77: **Delivery of Services** (\$0.5 million) to meet higher general operating costs, particularly for electricity and water.

Office of the Director of Public Prosecutions

Item 79: **Delivery of Services** (\$1.4 million) for increased costs for criminal appeals, dangerous sexual offender caseload, and increased appeal costs for prosecutions.

Office of the Information Commissioner

Item 81: **Delivery of Services** (\$0.1 million) to meet increased accommodation expenses related to new agency premises.

Commerce

Item 83: **Delivery of Services** (\$2.8 million) for the State's contribution to the SafeWork Australia operating budget (agreed after the 2013-14 Budget was finalised), and to meet higher than expected accommodation costs. These increases were partially offset by procurement savings and lower than expected salaries costs.

New Item: **Capital Appropriation** (\$3.0 million) for ICT spending in support of the relocation of Departmental functions to the Mason Bird Building in Cannington and Gordon Stephenson House in the Perth central business district.

Registrar, WA Industrial Relations Commission

Item 85: **Salaries and Allowances Tribunal Determination Increments** (\$0.1 million) to meet higher than expected salary costs.

Mines and Petroleum

Item 86: **Delivery of Services** (\$0.6 million) for transition and implementation costs associated with the South West Native Title Settlement. The additional funding was not drawn by 30 June 2014, reflecting sufficient agency surplus cash balances to meet the costs in 2013-14.

Sport and Recreation

Item 89: **Delivery of Services** (\$3.3 million), including a \$3 million grant to the Western Australian Football Commission to partially extinguish, by an equivalent amount, a \$10.4 million loan with the Australia and New Zealand Banking Group Limited, and \$0.3 million to develop a business case for the proposed Ellenbrook Sports Hub.

Item 162: **Capital Appropriation** (\$1.9 million) for a compensation payment to Allia Venue Management Pty Ltd for loss of earnings as a result of the Stage One Redevelopment at the NIB Stadium.

Western Australian Sports Centre Trust

Item 92: **Delivery of Services** (\$1.4 million), mainly for adjusted salary funding, and \$133,500 to support transition of the management of nib Stadium from Allia to VenuesWest. These amounts were partly offset by procurement savings and lower than expected depreciation costs.

Item 163: **Capital Appropriation** (\$9.6 million) for the settlement of outstanding commercial matters relating to the construction contract for Perth Arena.

Agriculture and Food

Item 95: **Delivery of Services** (\$0.1 million) to establish administrative arrangements to deal with the land identification, transfer and management processes under the South West Native Title Settlement. The preliminary appropriation funding estimate for South West Native Title costs was higher than actually required.

Finance

Item 98: **Delivery of Services** (\$0.3 million) for funding relating to the South West Native Title Settlement, including funds for planning and design development of a Noongar Cultural Centre.

Parks and Wildlife

Item 103: **Delivery of Services** (\$5.7 million) to meet costs primarily associated with higher than expected insurance premiums, additional bushfire expenditure and personal protective equipment for fire management, partially offset by procurement savings. Of this approved increase, only \$5.3 million was drawn, as the preliminary appropriation funding estimate for South West Native Title costs was higher than actually required.

Item 168: **Capital Appropriation** (\$3.2 million) to retro-fit additional fire crew protection equipment to 110 heavy duty fire trucks and gang trucks including additional ongoing fleet replacement costs.

Environment Regulation

Item 104: **Delivery of Services** (\$1.9 million) to meet the payroll tax liabilities arising since the Department's establishment in July 2013, following the demerger of the Department of Environment and Conservation into the Department of Parks and Wildlife and Department of Environment Regulation.

Botanic Gardens and Parks Authority

Item 105: **Delivery of Services** (\$1.5 million) relating to a return of savings that were previously to be achieved through the 2013-14 Budget salary cap measure (\$1.7 million). This increase was partially offset by procurement savings (\$0.2 million).

Office of the Environmental Protection Authority

Item 106: **Delivery of Services** (\$4.8 million), primarily relating to funding to meet lower than expected fee revenue and for additional corporate service costs associated with new ICT and finance systems.

Zoological Parks Authority

Item 108: **Delivery of Services** (\$0.1 million) to meet increased salary costs associated with transitioning zoo keeping and veterinary nursing staff to the Public Service and Government Officers General Agreement 2010 and Government Officers Salaries, Allowances and Conditions Award 1989, aligning the work of these employees with public service levels and pay rates.

Fire and Emergency Services

Item 111: **Delivery of Services** (\$7.0 million), mainly for bushfire suppression costs incurred by Fire and Rescue Services and Volunteer Bush Fire Brigades when assisting local government in fire suppression activities, and incidents in areas not serviced by career fire and rescue capabilities.

Item 173: **Capital Appropriation** (\$24.1 million), to provide sufficient working capital to meet debt repayment obligations due to a shortfall in receipts associated with the sale of FESA House.

State Emergency Management Committee Secretariat

Item 113: **Delivery of Services** (\$0.2 million) for reinstatement of salary cap savings due to the implementation of the Keelty Recommendations. This funding was not drawn by 30 June 2014, reflecting the utilisation of available surplus cash balances.

Corrective Services

Item 114: **Delivery of Services** (\$17.7 million), mainly for higher than expected RiskCover insurance premiums, an increase in the growth of the adult prisoner population (from a daily average of 4,972 to 5,030) and increased costs associated with the Court Security and Custodial Services contract as a result of changes in overall demand and increased court security services at Kununurra and Kalgoorlie. These increases were partially offset by procurement savings (\$8.2 million). Of this amount, \$16.4 million was drawn by 30 June 2014 with the lower funding reflecting adjustment of the timing of implementation costs for corporate services.

WA Health

Item 118: **Capital Appropriation** (\$16.9 million), primarily for additional costs of \$12.4 million associated with ICT projects (such as the Intensive Care Clinical Information System and ICT infrastructure at Fiona Stanley Hospital which was approved as part of the 2014-15 Budget). Delays in the commissioning of the new hospital resulted in additional cost impacts of \$3.7 million to the associated Facilities Management contract.

General Government Sector Salaries

Salaries represent the single largest component of general government sector expenses (39% in 2013-14, or 43% if concurrent superannuation costs are also included).

Initiatives implemented to contain the growth in salaries expenditure across the sector in 2013-14 included:

- a Consumer Price Index (CPI) cap on agencies' salaries growth, unless specific approvals to exceed this cap were granted by the Government as part of the 2013-14 Mid-year Review and/or 2014-15 Budget;
- implementation of the Government's new Wages Policy, limiting wage increases to CPI for all enterprise agreements negotiated since November 2013;
- continuation of the Government's policy to contain growth in annual and long service leave liabilities across agencies;
- reductions in employee numbers through the 2013 Enhanced Voluntary Separation Scheme (and lower staffing numbers from voluntary separations programs in previous years); and
- the temporary recruitment freeze implemented in April 2014 through to 30 June 2014.

The following table shows general government sector salaries outcomes, by agency, for 2013-14.

Table 8.1

SALARIES COSTS
General Government Sector

	2012-13		2013-14			Variance \$m
	Actual \$m	Budget \$m	Mid year review \$m	EOT \$m	Actual \$m	
		(1)	(2)	(3)	(4)	(4)-(3)
Health	3,654	3,841	3,984	4,067	3,868	-199
Education	2,718	2,944	2,928	2,891	2,852	-39
WA Police	725	769	765	785	784	-(b)
Corrective Services	387	412	414	413	409	-3
Child Protection and Family Support	204	210	210	213	205	-7
Attorney Generals Dept	194	203	202	203	196	-7
Fire and Emergency Services	140	152	157	157	155	-2
State Emergency Management Committee (previously part of Fire and Emergency Services)	-	2	3	3	3	-(b)
Disability Services Commission	142	141	142	144	145	-(b)
Parks and Wildlife	173	148	149	152	142	-10
Environment Regulation (previously part of Parks and Wildlife)	-	31	31	33	33	-(b)
Finance	130	135	135	141	130	-11
Transport	111	115	117	119	115	-4
Agriculture & Food	105	112	112	119	110	-9
Polytechnic West	93	84	92	94	93	-1
Commerce	86	71	77	89	86	-3
Central Institute of Technology	87	84	84	86	84	-2
Mines & Petroleum	79	81	84	84	81	-3
Premier & Cabinet	72	71	73	73	73	-(b)
Land Information Authority	67	69	71	71	68	-3
Challenger Institute of Technology	58	56	57	58	63	5
Culture & The Arts	60	52	56	58	63	5
Commissioner of Main Roads	52	68	62	61	57	-4
Training & Workforce Development	44	46	47	50	48	-2
Planning	45	42	49	49	47	-2
Fisheries	42	42	44	44	47	2
Water	36	36	41	43	44	1
Mental Health Commission	31	29	29	31	35	3
Department of Local Government and Communities	29	30	32	32	33	1
Legal Aid Commission of WA	27	31	31	31	29	-2
Treasury	28	28	29	33	28	-5
West Coast Institute of Training	26	26	26	27	26	-(b)
Office of the Director of Public Prosecutions	25	24	25	25	26	1
Pilbara Institute	21	19	21	21	22	1
South West Institute of Technology	21	21	21	21	21	-(b)
Legislative Assembly	19	19	19	19	20	-(b)
Durack Institute of Technology	17	17	16	16	19	3
State Development	18	20	20	20	19	-1
Kimberley Training Institute	18	16	18	18	19	1
Corruption & Crime Commission	18	19	19	19	18	-2
Public Sector Commission	16	19	20	18	17	-1
Great Southern Institute of Technology	16	15	16	16	16	-(b)
WA Sports Centre Trust	15	15	16	16	16	-1
Regional Development	26	14	15	15	16	1
Department of Lands (previously part of Regional Development)	-	12	15	16	14	-1
Aboriginal Affairs	16	17	16	16	16	-1
School Curriculum & Standards Authority	14	14	15	15	15	-(b)
Sport & Recreation	15	15	16	16	15	-1
Legislative Council	13	13	13	13	13	-(b)
Office of the Auditor General	12	12	12	13	13	-(b)
WorkCover WA Authority	12	13	13	13	13	-(b)
Zoological Parks Authority	12	11	12	13	12	-(b)

Note: Columns may not add due to rounding.

Table 8.1 (cont.)

SALARIES COSTS
General Government Sector

	2012-13		2013-14			Variance \$(4)-(3)
	Actual \$m	Budget \$m (1)	Mid year review \$m (2)	EOT \$m (3)	Actual \$m (4)	
CY OConnor Institute	11	11	10	11	12	1
Chemistry Centre WA	11	11	11	11	11	-(b)
Office of the Environmental Protection Authority	11	11	11	11	11	-(b)
Education Services	10	9	11	11	11	-(b)
Botanic Gardens & Parks Authority	10	9	11	11	10	-1
WA Tourism Commission	9	9	10	10	10	-(b)
Racing, Gaming & Liquor	9	9	9	9	10	-(b)
All other agencies (with salaries costs below \$10 million)	118	107	108	113	116	2
<i>Provisions</i>						
Royalties for Regions - Regional Workers Incentives	-	-	-	2	-	-2
VET entitlement model	-	27	-	-	-	-
Office of Shared Services - decommissioning provision	-	2	-(b)	-	-	-
Enhanced Voluntary Separations Scheme ^(a)	-	90	107	74	-	-74
Recruitment freeze	-	-	-	-20	-	20
Closing the Gap	-	19	-	-	-	-
Total salaries	10,154	10,804	10,960	11,038	10,682	-357

(a) Direct salaries costs only. Does not include provisions for superannuation contributions.

(b) Amount is less than \$0.5 million.

Note: Columns may not add due to rounding.

