



2015-16 Annual Report on StateFinances



September 2016



2015-16

**Annual Report on
State Finances**

SEPTEMBER 2016

2015-16 Annual Report on State Finances
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Foreword

This *Annual Report on State Finances* (ARSF) provides detail on the State's public sector financial results for 2015-16. It includes disclosure of material differences between these outcomes and the forecasts contained in the recent 2016-17 State Budget and the original 2015-16 Budget.

The *Government Financial Responsibility Act 2000* requires the release of audited whole-of-government financial results consistent with external reporting requirements 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 on the Western Australian whole-of-government (and its sub-sectors) for:

- the actual outturn for 2015-16, which is the focus of this report;
- the 2015-16 State Budget estimates, presented to the Legislative Assembly on 14 May 2015;
- the 2015-16 estimated outturn (EOT) contained in the 2016-17 State Budget, and presented to the Legislative Assembly on 12 May 2016;
- quarterly results for June 2016, completing the State's 2015-16 quarterly reporting series;
- material Special Purpose Accounts; and
- the Public Ledger, 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 the 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 2016, and the public sector's financial position at 30 June 2016; 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 BARNES
UNDER TREASURER



MAGDA WITTEK
MANAGER
FINANCIAL REPORTING

16 September 2016

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 2016 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 2016 for the General Government Sector and Total Public Sector (Appendix 4), and the Public Ledger (Appendix 6).

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 2016 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.

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.

2015-16 Annual Report on State Finances

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 2016 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.


COLIN MURPHY
AUDITOR GENERAL
16 September 2016

Financial Results

HIGHLIGHTS

- Consistent with expectations at the time of the 2016-17 Budget, the general government sector recorded an operating deficit of \$2 billion in 2015-16.
- This result was underpinned by ongoing weakness in the State's major revenue sources, with general government revenue declining in 2015-16 by a record \$915 million (or 3.3%) relative to 2014-15 – the second consecutive year of declining revenue.
- The impact of declining revenue on the operating deficit was mitigated by very low growth in recurrent expenditure, with general government expenses growing by just 2.4% in 2015-16 (following growth of 2.2% in 2014-15).
 - Reflecting the impact of successive Government savings measures, salaries expenditure grew by its lowest rate in 17 years in 2015-16 (2.6%).
- Total public sector net debt at 30 June 2016 was \$27.3 billion, \$513 million lower than expected at the time of the 2016-17 Budget. Net debt nevertheless increased by \$4 billion over the 2015-16 year, reflecting the increased borrowings required to fund the operating deficit and the Government's Asset Investment Program, which totalled \$5.2 billion.

Introduction¹

Western Australia experienced the second year of a substantial revenue ‘shock’ in 2015-16. In total, general government revenue declined by 3.3% or \$915 million in 2015-16, the largest year-on-year reduction since accrual accounting and financial reporting were introduced in 1993-94. This follows a 2% contraction in general government revenue in 2014-15.

The major contributions to the decline in revenue in 2015-16 were royalty income, GST grants and North West Shelf grants, which together declined by \$1.1 billion (or 14.4%) relative to 2014-15.

- Royalty income declined by \$477 million (or 10.4%) in 2015-16, mainly driven by lower iron ore royalties (down \$423 million). The iron ore price continued to weaken in 2015-16, falling from an average of \$US71.1 per tonne in 2014-15 to \$US50.9 per tonne in 2015-16.
- GST grants declined by \$377 million (or 16.7%) in 2015-16, with the State’s GST ‘relativity’ falling from 37.6% in 2014-15 to just 30% in 2015-16.
 - The Commonwealth Government again acknowledged Western Australia’s low share of GST revenue, providing an additional \$490 million in funding for the Forrestfield-Airport Link project in 2015-16. This grant was equivalent to the additional funding Western Australia would have received if the State’s 2016-17 GST relativity had been maintained at its 2014-15 level.
- North West Shelf grants declined by \$249 million (or 28.7%) in 2015-16, due largely to a lower oil price, which averaged \$US43.4 per barrel in 2015-16, down from an average of \$US73.5 per barrel in 2014-15.

Taxation revenue grew by a modest 2.1% in 2015-16 (an increase of \$187 million), largely due to increased land tax collections (up \$204 million, reflecting an increase in land tax rates announced in the 2015-16 Budget), and a significant increase in landholder duty (up \$318 million), due to a number of unusually large commercial property transactions.

- These increases were partly offset by a decline in payroll tax collections (down \$100 million or 2.8%), the first decline in payroll tax collections in over two decades. Transfer duty receipts were also lower (down \$261 million or 16.3%), driven by continued softness in the residential housing market.

¹ This chapter mainly focuses on variations in outcomes between the estimated outturn published in the State’s 2016-17 Budget and the final outcomes for 2015-16, and where important, comparisons to the previous financial year (2014-15). Comparisons to the original 2015-16 Budget projections (presented to the Legislative Assembly on 14 May 2015) are available in Appendix 4: *Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2016*.

General government expenses grew by just 2.4% (or \$675 million) in 2015-16. This is well below the 7.7% average of the previous decade and is 0.1 percentage points lower than the estimated outturn included in the 2016-17 Budget (of 2.5%). Of note, recurrent expenditure by WA Health increased by 4.6% in 2015-16, a significant reduction on the 8.4% growth recorded in 2014-15 and the lowest outcome in over a decade.

Growth in salaries costs was limited to 2.6% in 2015-16 (down from 3.8% in 2014-15), the lowest growth in 17 years. This reflects the impact of measures implemented during the year to improve the efficiency of the public sector workforce, including the recruitment freeze announced in the 2015-16 Mid-year Review and voluntary separation programs in a number of agencies (including WA Health), as well as the impact of previous measures, including the workforce renewal policy.

Despite the limited growth in spending, the severity of the downturn in the State's revenue resulted in an operating deficit in 2015-16. The general government sector recorded a deficit of \$2 billion for the year, in line with the estimated outturn in the May 2016 Budget but \$688 million lower than the original 2015-16 Budget projection. This follows a general government operating deficit of \$431 million in 2014-15.

At \$5.2 billion, the Asset Investment Program (AIP) in 2015-16 was consistent with the estimated outturn in the 2016-17 Budget, with 80% of the State Government's infrastructure spending in 2015-16 going to transport (30%), energy and water (29%), health (8%), education (6%) and housing (6%).

Total public sector net debt stood at \$27.3 billion at 30 June 2016, an increase of \$4 billion since 30 June 2015, but \$513 million lower than the estimated outturn (of \$27.9 billion) in the 2016-17 Budget.

The following table summarises the key financial outcomes for 2015-16.

Table 1

KEY BUDGET AGGREGATES
Western Australia

	2014-15	2015-16			Actual
	Actual	Budget Estimate	MYR Revision	Estimated Outturn	
GENERAL GOVERNMENT SECTOR					
Net Operating Balance (\$m)	-431	-2,708	-3,146	-2,037	-2,021
Revenue (\$m)	27,400	26,325	25,617	26,492	26,485
Revenue Growth (%)	-2.0	-2.7	-6.5	-3.3	-3.3
Expenses (\$m)	27,831	29,033	28,764	28,529	28,506
Expense Growth (%)	2.2	2.5	3.4	2.5	2.4
TOTAL PUBLIC SECTOR					
Net Debt at 30 June (\$m)	23,374	30,996	29,552	27,860	27,347
Asset Investment Program (\$m)	5,777	6,284	5,929	5,212	5,237
Cash Position (\$m)	-2,500	-5,090	-5,653	-4,301	-4,731
Gross Borrowings at 30 June (\$m)	44,252	46,930	47,284	49,821	51,852
KEY FINANCIAL RATIOS ^(a)					
Cash operating surplus as a share of receipts (%)	5.1	-0.6	-1.9	-0.5	-
Net debt to revenue (%)	61.4	80.5	78.6	77.5	69.8

(a) For the total non-financial public sector.

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

Key economic parameters for 2015-16 are summarised in the following table.

Table 2

KEY ECONOMIC PARAMETERS
Western Australia, Annual Growth (%)

	2014-15	2015-16			Actual
	Actual	Budget Estimate	MYR Revision	Estimated Outturn	
Demand and Output ^(a)					
Household Consumption	1.3	2.75	1.5	1.75	1.5
Dwelling Investment	3.9	2.0	2.25	3.75	1.0
Business Investment	-12.6	-12.0	-12.5	-17.5	-18.7
Government Consumption	2.4	3.75	4.0	2.5	2.8
Government Investment	-11.6	2.0	5.25	-8.0	-3.3
State Final Demand	-3.5	-1.25	-2.25	-4.25	-4.6
Merchandise Exports	8.6	4.75	4.25	5.5	5.9
Merchandise Imports	0.5	-3.75	-5.0	-6.75	n.a.
Net Exports ^(b)	13.2	8.5	8.75	11.5	n.a.
Gross State Product	3.5	2.0	1.5	1.0	n.a.
Labour Market					
Population	1.4	2.0	1.5	1.2	n.a.
Employment	1.5	1.75	1.25	0.25	0.2
Unemployment Rate ^(c)	5.4	6.25	6.5	6.25	6.0
Participation Rate ^(c)	68.6	69.2	69.1	68.2	68.3
Prices					
Consumer Price Index	1.8	2.25	1.5	1.25	1.0
Wage Price Index	2.2	2.75	2.0	1.75	1.9
Median House Price ^(d)	1.8	1.4	-3.5	-3.5	-3.4
Other Key Parameters ^(e)					
Exchange Rate \$US/\$A (cents)	83.6	75.9	71.8	73.3	72.8
Iron Ore Price (\$US/t) CFR	71.1	47.5	46.0	50.9	50.9
Iron Ore Volumes (million dry tonnes)	715	748	759	765	757
Crude Oil Price (\$US/barrel)	73.5	64.2	46.7	41.1	43.4
Interest Rate Assumptions ^(e)					
Public Bank Account Earnings	2.8	2.1	2.1	2.3	2.4
Consolidated Account Borrowings	3.9	3.4	3.4	3.5	3.5

(a) Based on 2014-15 annual State Accounts, updated with State Final Demand data published for the June quarter 2016. Actual data for 2015-16 for Gross State Product, merchandise imports, and net exports is not available until 18 November 2016.

(b) Net exports refer to international trade in both goods and services.

(c) Data expressed as annual average during the financial year.

(d) Based on preliminary data from the REIWA Market Update June Quarter 2016.

(e) Average rate over the year.

Results Compared to Estimated Outturn

General Government Sector

Operating Statement

The general government sector recorded an operating deficit of \$2,021 million for the year ending 30 June 2016. This result is \$17 million lower than the \$2,037 million estimated deficit included in the recent 2016-17 Budget, reflecting the net impact of marginally lower than expected revenue (down \$6 million) and lower expenses (down \$23 million).

The following table summarises general government sector operating revenue and expenses for 2015-16.

Table 3

GENERAL GOVERNMENT
Operating Statement

	2014-15	2015-16			Actual \$m (4)	Variation on EOT \$m (5)=(4)-(3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
REVENUE						
Taxation	8,882	9,754	9,112	9,045	9,069	25
Current grants and subsidies	8,051	7,738	7,321	7,304	7,407	104
Capital grants	1,263	651	703	1,033	895	-138
Sales of goods and services	2,105	2,342	2,168	2,141	2,155	14
Interest income	185	174	171	178	192	14
Revenue from public corporations						
Dividends	1,187	945	1,299	1,422	1,415	-7
Tax equivalent income	592	527	546	576	631	55
Royalty income	4,603	3,670	3,788	4,177	4,126	-51
Other	532	523	509	617	594	-22
<i>Total</i>	<i>27,400</i>	<i>26,325</i>	<i>25,617</i>	<i>26,492</i>	<i>26,485</i>	<i>-6</i>
EXPENSES						
Salaries	11,089	11,498	11,413	11,420	11,383	-37
Superannuation						
Concurrent costs	1,107	1,129	1,134	1,135	1,167	32
Superannuation interest cost	266	224	225	183	218	35
Other employee costs	430	449	414	394	370	-24
Depreciation and amortisation	1,235	1,434	1,425	1,386	1,359	-27
Services and contracts	2,057	2,341	2,333	2,270	2,195	-75
Other gross operating expenses	5,131	5,435	5,376	5,451	5,518	67
Other interest	543	616	659	686	664	-22
Current transfers	5,465	5,353	5,216	5,108	5,164	56
Capital transfers	507	555	567	497	469	-28
<i>Total</i>	<i>27,831</i>	<i>29,033</i>	<i>28,764</i>	<i>28,529</i>	<i>28,506</i>	<i>-23</i>
NET OPERATING BALANCE	-431	-2,708	-3,146	-2,037	-2,021	17

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

The following table summarises key changes to the general government sector operating deficit for 2015-16 relative to the estimated outturn published in the 2016-17 Budget (detail of key movements between the original 2015-16 Budget and the final outcome is available in Appendix 4 of this report).

Table 4

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2016-17 BUDGET ESTIMATED OUTTURN**

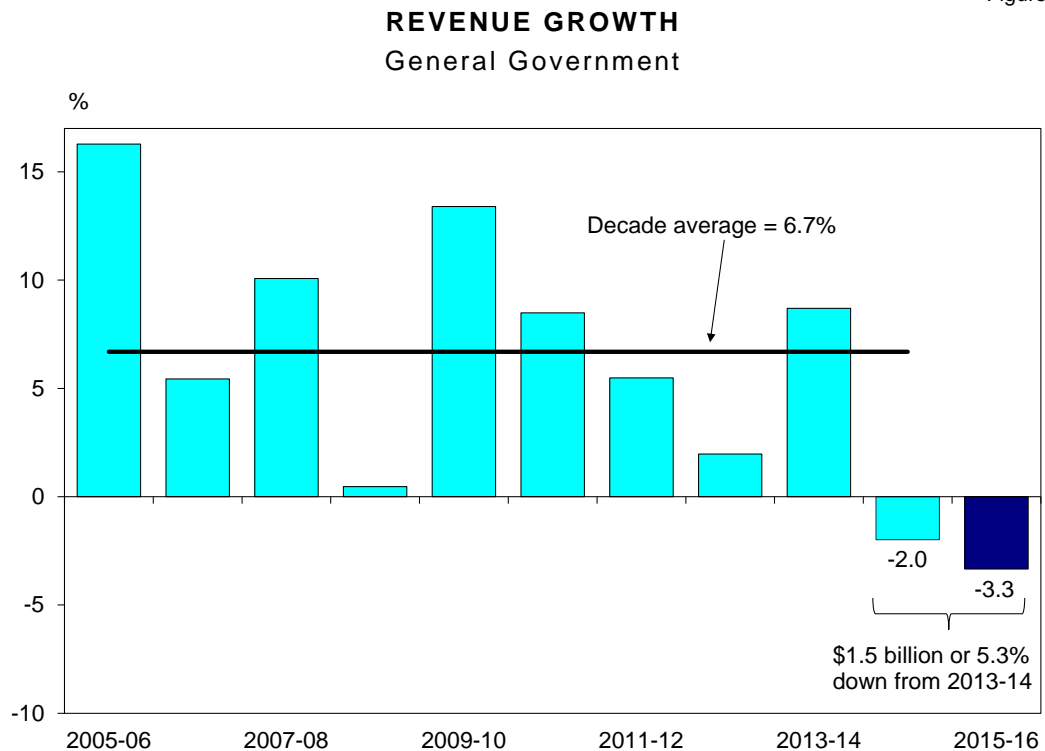
	\$m
NET OPERATING BALANCE - ESTIMATED OUTTURN (2016-17 BUDGET)	-2,037
Revenue	
Taxation, comprising:	
- Total duty on transfers	62.5
- Payroll tax	-28.0
- All other taxes	-9.7
<i>Sub-Total</i>	<i>24.8</i>
Royalty Income, comprising:	
- Iron ore	-40.9
- All other royalties	-10.0
<i>Sub-Total</i>	<i>-50.9</i>
Commonwealth grants, comprising:	
- North West Shelf grants	24.6
- Transport grants	-82.8
- Health grants	66.0
- Education grants	-20.9
- Housing grants	-16.2
- All other grants	-4.9
<i>Sub-Total</i>	<i>-34.2</i>
Agency goods and services	
WA Health	71.6
Other agency goods and services movements	-57.7
<i>Sub-Total</i>	<i>13.9</i>
Revenue from public corporations	48.4
All other revenue	-8.4
TOTAL REVENUE	-6.3
Expenses	
WA Health	217.9
Education	-37.7
Home Indemnity Insurance	-65.1
Disability Services Commission	-30.6
Agriculture and Food	-26.2
Corrective Services	21.4
On-passed housing grants	-16.2
Water Corporation operating subsidy	-15.6
Superannuation interest	34.8
Tax refunds	-41.2
All other expenses	-64.7
TOTAL EXPENSES	-23.2
TOTAL VARIANCE	16.9
NET OPERATING BALANCE - 2015-16 ANNUAL REPORT ON STATE FINANCES	-2,021

Note: Column may not add due to rounding.

Revenue

General government revenue totalled \$26.5 billion in 2015-16, just \$6 million lower than the estimated outturn in the 2016-17 Budget. This mainly reflects the net impact of lower than expected royalty income (down \$51 million) and Commonwealth grants (down \$34 million), which more than offset higher revenue from public corporations (up \$48 million) and taxation revenue (up \$25 million).

Figure 1



Changes to general government revenue since the release of the 2016-17 Budget include:

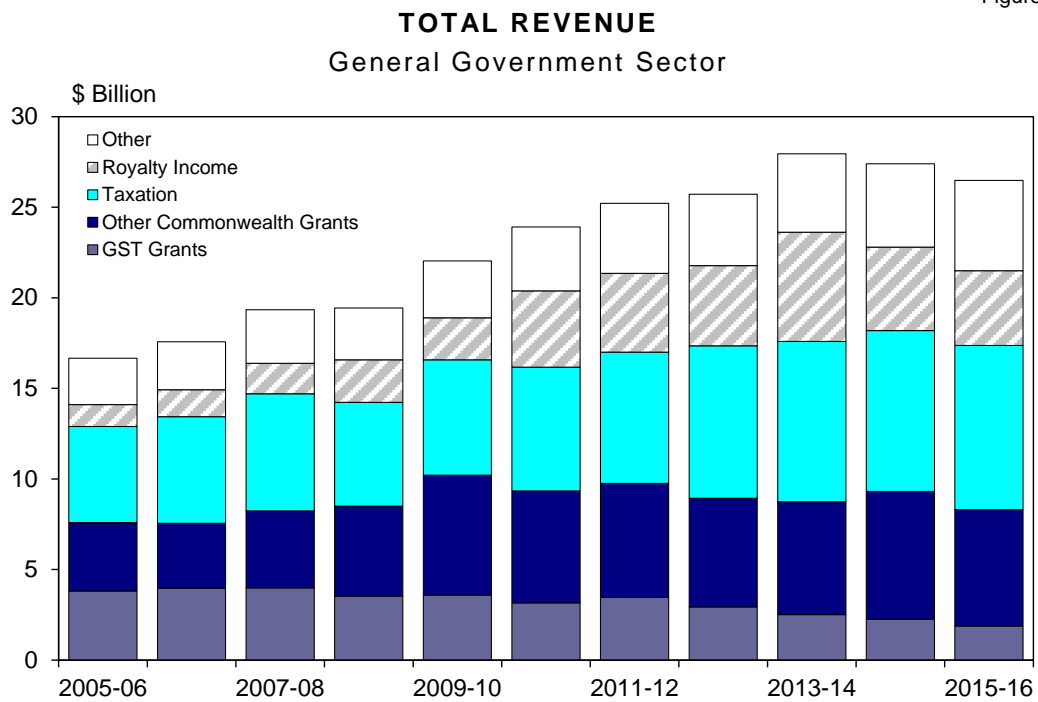
- lower than forecast royalty income (down \$51 million or 1.2%), mainly attributable to iron ore royalty revenue, down \$41 million mostly as a result of slightly lower than expected iron ore volumes. Royalties for nickel and other minerals were also lower, but this was offset to some extent by higher gold royalties;
- higher revenue from public corporations (up \$48 million), primarily reflecting the net impact of:
 - higher tax equivalent revenue from the Water Corporation (up \$27 million), mainly due to higher developer contributions and the deferment of taxation benefits arising out of intangible asset write-downs;
 - higher payments from Synergy (up \$27 million), reflecting higher dividend revenue (up \$10 million) due to the inclusion of profit associated with Vinalco's² operations for dividend purposes, and higher tax equivalent revenue (up \$18 million) reflecting the accounting treatment of asset write-offs in prior years and revaluations, and other year-end accounting adjustments; and

² Vinalco is a wholly owned subsidiary of Synergy and its principal activity is the operation of the Muja AB generation facility.

- lower dividend revenue from the Western Australian Land Authority (down \$26 million), due to the deferral to 2016-17 of a special dividend payment relating to Western Australian Planning Commission land transactions and the cessation of the Mungari Industrial Estate, and lower net proceeds received for land transactions;
- lower recurrent and capital grants from the Commonwealth (down \$34 million), largely due to the net impact of:
 - lower grants for road infrastructure (down \$83 million), primarily due to timing changes in construction and payment schedules for a range of projects including Great Northern Highway – Muchea to Wubin and NorthLink WA, and project savings for Gateway WA;
 - higher total funding for health services (up \$66 million), reflecting higher than expected National Health Reform funding (up \$31 million) primarily as a result of additional activity delivered by WA Health in 2015-16, higher than expected grants for services delivered on behalf of the Department of Veterans Affairs, and higher levels of vaccines received free of charge from the Commonwealth;
 - higher North West Shelf grants, including Commonwealth compensation for crude oil excise arrangements (up \$25 million), reflecting higher than forecast oil and gas prices and a slightly lower \$US/\$A exchange rate, partly offset by lower production volumes;
 - lower grants for education (down \$21 million), mainly due to lower than expected building costs for Trade Training Centres (down \$7.3 million), and lower Students First income (down \$9.2 million) with student enrolments lower than the original Commonwealth estimates; and
 - lower grants for housing (down \$16 million), largely due to the revised 2014-16 Implementation Plan for the National Partnership Agreement on Remote Indigenous Housing;
- higher than expected taxation revenue (up \$25 million), primarily reflecting the net impact of:
 - higher total duty on transfers (up \$62 million), due mainly to a small number of very high value corporate landholder transactions assessed after the Budget cut-off date of 19 April 2016; and
 - lower than anticipated payroll tax collections (down \$28 million), reflecting continued softness in the State's labour market, particularly full-time employment; and
- higher revenue from the sale of goods and services by WA Health (up \$72 million), primarily due to increases in Pharmaceutical Benefits Scheme (PBS) recoveries as a result of Fiona Stanley Hospital being fully operational, and the approval of a new Hepatitis C drug added to the PBS list from April 2016.

Taxation, royalty and other own-source revenue accounted for 69% of the State's operating revenue in 2015-16, up from 66% in 2014-15. The remaining 31% in 2015-16 was received as GST and tied grants from the Commonwealth. The State's GST grant continued to decline from 8.2% of total revenue in 2014-15, to just 7.1% in 2015-16.

Figure 2

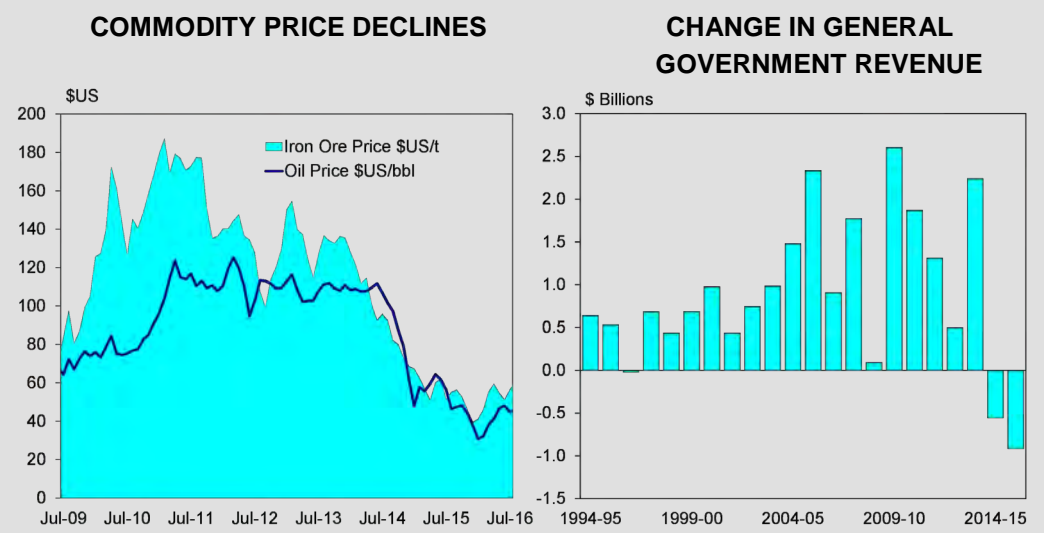


Unprecedented Downturn in Revenue

General government revenue in 2015-16 (\$26.5 billion) was \$1.5 billion or 5.3% lower than it was two years ago in 2013-14 (\$28 billion). This reflects a sharp decline in royalty income and North West Shelf grants due to sharply lower iron ore and oil prices, as well as the impact of a declining domestic economy on taxation revenue, exacerbated by a 25% fall in the State's GST grants due to the lagged Commonwealth Grants Commission process.

This has resulted in an 'income shock' for the general government sector over the last two financial years which is far larger than any experienced since the comparable data has been published (data collected on an accrual basis is available back to 1993-94).

Figure 3



The income shock primarily reflects a decline in commodity prices impacting directly on royalty revenue and indirectly on taxes through the impact of cost cutting by companies (through lower wages, hiring and hours worked) in response to tighter revenue. Between 2013-14 and 2015-16:

- commodity prices declined substantially, with both iron ore and the oil price (which directly influences the LNG price) down by around 50% in Australian dollar terms over the period;
- full-time employment fell from 948,138 persons in 2013-14 to 932,445 in 2015-16;
- population growth slowed markedly from 2.9% in 2013 to 1.3% in 2015; and
- wage growth moderated from 2.8% at June 2014 to 1.9% at June 2016, the lowest rate of growth on record.

These factors impacting the State's own-source revenue were compounded by a 25% reduction in the State's GST grants from \$2.5 billion in 2013-14 to \$1.9 billion in 2015-16. This reflects the lagged nature of the Commonwealth Grants Commission process, with Western Australia's GST grants in 2015-16 reflecting circumstances that existed over the period 2011-12 to 2013-14.

Overall, revenue declined by a record 3.3% in 2015-16, following a decline of 2% in 2014-15. This compares to average growth over the last 22 years (1993-94 to 2015-16) of 6.4% per annum. Prior to this, only one other year of revenue contraction had been experienced (down 0.3% in 1996-97). Even at the peak of the Global Financial Crisis, revenue grew by 0.5% in 2008-09.

No other State or Territory has experienced two years in a row of revenue declines since the publication of comparable data from the late 1990s.

If the impact of revenue policy changes that took effect in the 2015-16 year were excluded from calculations, then the decline in general government revenue in 2015-16 would have been 5.5% rather than 3.3%.

Growth in taxation revenue has been very moderate over the past two years, increasing by just 0.4% in 2014-15 and 2.1% in 2015-16. This is well below long-run average growth of 6.8% per annum. Excluding the amendments to the land tax scale in recent Budgets, and the revised payroll tax scale in the 2015-16 Budget, taxation revenue would have fallen by 1.5% in 2015-16. Even with the revised payroll tax scale, payroll tax – by far the State’s largest source of taxation revenue – fell by \$100 million or 2.8% in 2015-16, the first decline in payroll tax revenue in over two decades.

The contraction in the State’s revenue base over the last two years is unprecedented. But it would have been far worse had the State Government not implemented various revenue measures and had it not been successful in arguing for compensation from the Commonwealth Government totalling nearly \$1 billion in 2014-15 and 2015-16 in recognition of the State’s record low GST share.

Expenses

At a total of \$28.5 billion, general government expenses are \$23 million (or 0.1%) lower than the 2016-17 Budget estimated outturn. This is due to the net impact of:

- higher spending by WA Health (up \$218 million), reflecting a higher than expected level of hospital activity and expensed medical equipment costs, building alterations and additions, as well as increased spending on computer services and software consumables;
- lower expenditure on education (down \$38 million), reflecting conservative budget management by schools following the devolution of financial management, including the introduction of one-line budgets, during the 2015 calendar year³;

³ In 2015-16, the Department of Education reviewed the valuation process for buildings and adopted Landgate building valuations. In previous years, valuations were performed internally, based on information provided by a quantity surveyor. This review resulted in the removal of some building costs which are inherent in other values and an increase in useful life of buildings from 50 to 80 years. This aligns with Landgate’s established practice of 80 years for school buildings, and is similar to the treatment in other Australian jurisdictions. For the Department of Education’s annual report, the revised valuations take effect 1 July 2015. However, to maintain a consistent valuation policy for whole-of-government reporting (in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors*), the revised valuation methodology is adopted at 30 June 2016, resulting in a higher whole-of-government depreciation expense than that recorded by the Department.

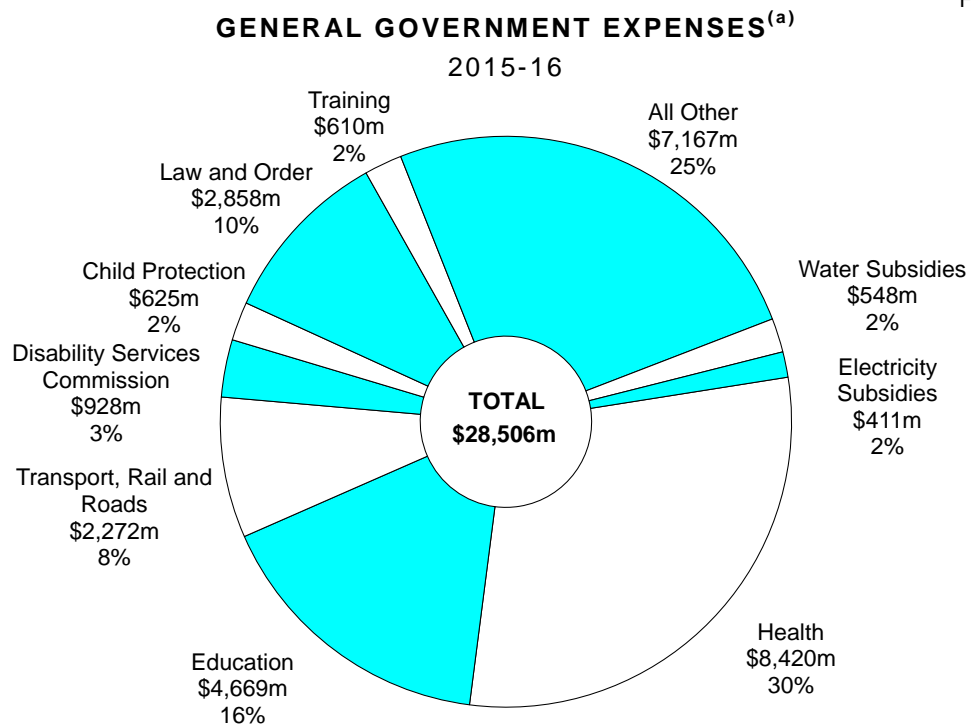
- lower Home Indemnity Insurance premium administration and claims expenses by the Department of Commerce (down \$65 million), due to the recognition of prior year claims liabilities (recently reviewed and valued by the Department's actuary) as an adjustment to accumulated retained earnings⁴;
- lower than forecast tax refunds (down \$41 million), due to lower average refunds (the number and average value of refund claims is volatile from year to year, making accurate forecasts difficult);
- higher than expected non-cash superannuation interest costs (up \$35 million), mainly due to the timing of movements in unfunded liabilities during the year, partly offset by a decrease in the discount rate used by the actuary⁵;
- lower spending by the Disability Services Commission (down \$31 million), mainly reflecting a lower than expected number of participants in the National Disability Insurance Scheme (NDIS) trial operated by the Commission, partly offset by additional costs for clients who did not transition to the NDIS trial operated by the Commonwealth's National Disability Insurance Agency as planned;
- lower spending by the Department of Agriculture and Food (down \$26 million), mainly reflecting lower salaries expenses due to the public sector recruitment freeze (which ran during the second half of 2015-16), and delays in obtaining approvals and awarding tenders for various projects;
- higher spending by the Department of Corrective Services (up \$21 million), reflecting higher prison costs due to an increased prisoner population, and higher depreciation and amortisation expenses related to changes in asset recognition on the Department's balance sheet;
- lower than expected on-passed grants for housing (down \$16 million), reflecting the impact of the revised 2014-16 Implementation Plan for the National Partnership Agreement on Remote Indigenous Housing; and
- lower operating subsidies paid to the Water Corporation (down \$16 million), largely due to higher regional developer contributions and a reduction in the annual cost of service (as a result of lower spending on regulated regional assets), partially offset by higher concessions paid to customers.

The 2015-16 expense outcome represents annual growth of just 2.4%, up slightly on the 2.2% growth rate achieved in 2014-15, which was the lowest rate of expense growth since 1994-95.

⁴ Recognition of these claims in this manner reflects the prior year timing of the liabilities.

⁵ Long term government bond rates are used by the actuary in year-end valuations of unfunded superannuation liabilities. Bond rates remained at low levels during the 2015-16 financial year. An increase in the bond rate means that the future value of unfunded liabilities decreases in value (and vice versa). However, a higher (lower) discount rate also increases (decreases) superannuation interest costs. The discount rate was 2% applying for the 2015-16 valuation, compared with a May 2016 Budget estimate of 2.4%.

Figure 4



(a) Segments may not add due to rounding.

Salaries expenditure remains the single largest component of general government recurrent spending, accounting for 40% of total operating expenses for the sector. Growth in salaries costs was just 2.6% in 2015-16, well down on the decade average of 7.8%, and the lowest rate of growth since 1998-99.

Expenditure Management

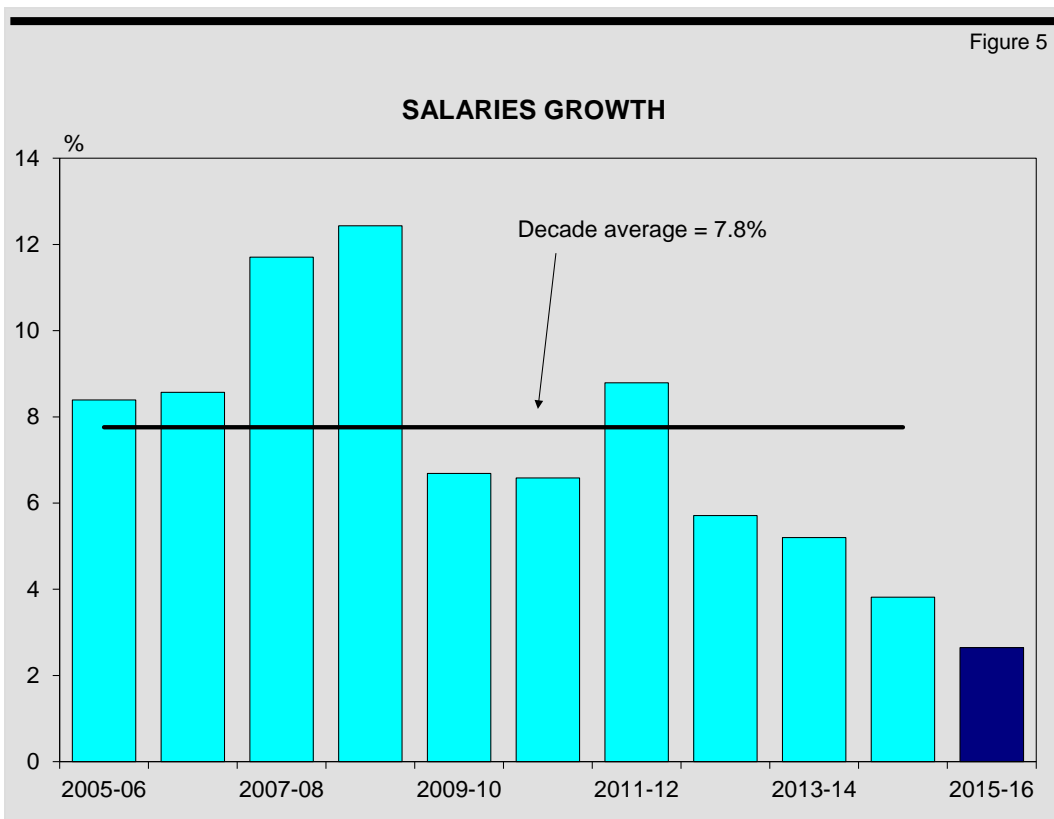
In response to the unprecedented downturn in the State's major revenue sources, the State Government has continued to implement measures aimed at limiting growth in general government expenditure and improving the efficiency of the public sector. Key measures have included:

- the introduction of a new Public Sector Workforce Renewal Policy from 1 July 2015. Where possible, under this arrangement, public sector employees leaving through resignation or retirement are to be replaced with lower cost alternatives;
- the 2014 Public Sector Wages Policy, which capped wage and conditions increases to projected growth in the Perth Consumer Price Index;
- the revised Public Sector Wages Policy announced in February 2016, which applies to agreements expiring on or after 1 June 2016 and caps wage and conditions increases at 1.5% per annum;
- successive rounds of voluntary separations, including a separate scheme for the health sector during 2015-16;
- the freeze on recruitment processes from 21 December 2015 to 12 May 2016; and
- enhanced leave liability management.

These reforms contributed to the 2.6% salaries growth outcome in 2015-16, the lowest for 17 years. This historically low rate of salaries growth has been delivered through both a reduction in full-time equivalent (FTE) employee numbers and continued moderation in negotiated wage outcomes.

- At 31 March 2016, the latest date for which FTE data is currently available, the public sector was 1,822 FTEs (or 1.6%) below its 30 June 2013 peak.
- In 2015-16, most public sector employees received 2.5% wage rises (nurses and doctors received higher increases under the last pay rises from their 2013 agreements). Salaries growth is expected to moderate further in 2016-17 as the new 1.5% Public Sector Wages Policy takes effect.

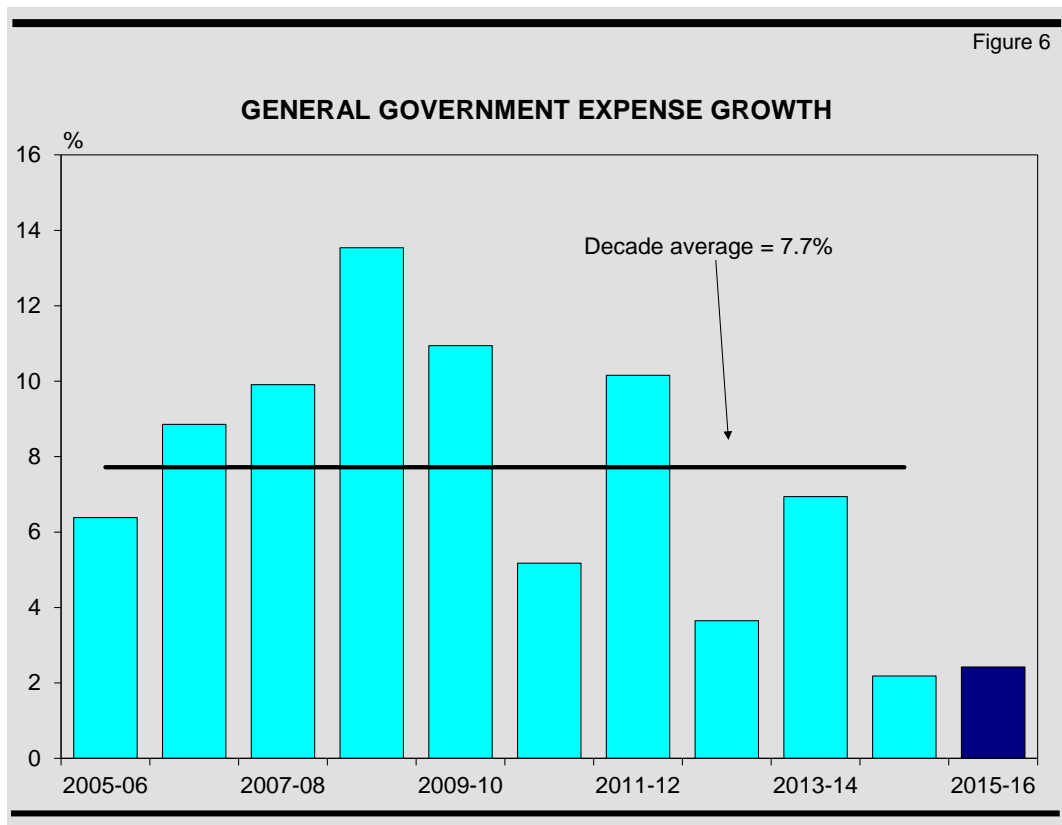
Figure 5



Other savings measures introduced since the 2014-15 Budget include:

- a 15% reduction in non-essential procurement expenditure from 2015-16 onwards;
- a reduction in the rate of indexation for non-salaries expenditure to 1% per annum; and
- the implementation of Agency Expenditure Reviews (AERs) for most general government agencies. The AER process, first announced for eight agencies as part of the 2014-15 Mid-year Review, is a two stage process of rolling reviews that enable agencies to self-identify program-level savings up to predetermined targets. The AER program was expanded in the 2015-16 Mid-year Review, and again in the 2016-17 Budget.

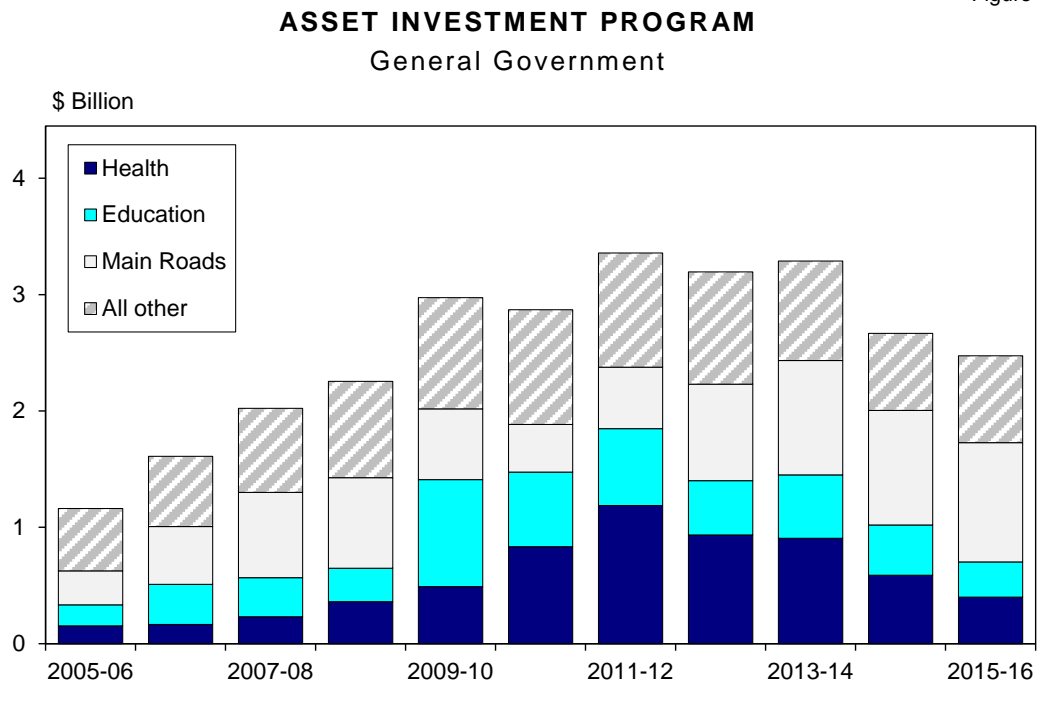
Reflecting the impact of the savings measures discussed above, along with limited new spending initiatives in recent Budgets, general government expenses increased by 2.4% in 2015-16, following growth of just 2.2% in 2014-15. These rates of expense growth are substantially below decade-average growth of 7.7% and peak expense growth of 13.5% in 2008-09.



Asset Investment

The general government sector spent \$2.5 billion on infrastructure in 2015-16 (47% of the total public sector AIP), with key areas of spending including road infrastructure (\$1,024 million), health facilities (\$399 million) and schools (\$303 million), which together comprised just over two thirds of general government investment in 2015-16.

Figure 7



Infrastructure spending for the general government sector in 2015-16 was \$200 million higher than estimated in the 2016-17 Budget. The estimated outcome included a \$400 million provision for yet to be identified slippage across the sector's program⁶, of which \$251 million materialised in the 2015-16 outcome (with higher than expected underspending emerging in the public corporations sector, discussed later in this chapter). The largest agency contributions to this outcome included:

- WA Health (down \$161 million), mainly reflecting issues such as the timing of construction, tendering and procurement. Major projects affected by these issues included:
 - the Perth Children's Hospital Development (\$74 million);
 - the Perth Children's Hospital ICT project (\$35 million);
 - Royal Perth Hospital Redevelopment (\$8 million); and
 - Renal Dialysis and Support Services (\$7 million);
- Main Roads (up \$36 million), mainly due to the capitalisation of some spending previously expected to be expensed; and

⁶ A further provision of \$51 million for yet to be identified underspending was included for Royalties for Regions program estimates.

- Education (down \$29 million), primarily due to delays in delivering the Commonwealth-funded Universal Access for Early Childhood Education Program, and lower than expected construction costs for Trade Training Centres (combined underspend of \$21 million). Minor variances also emerged due to the timing of invoicing for a number of projects.

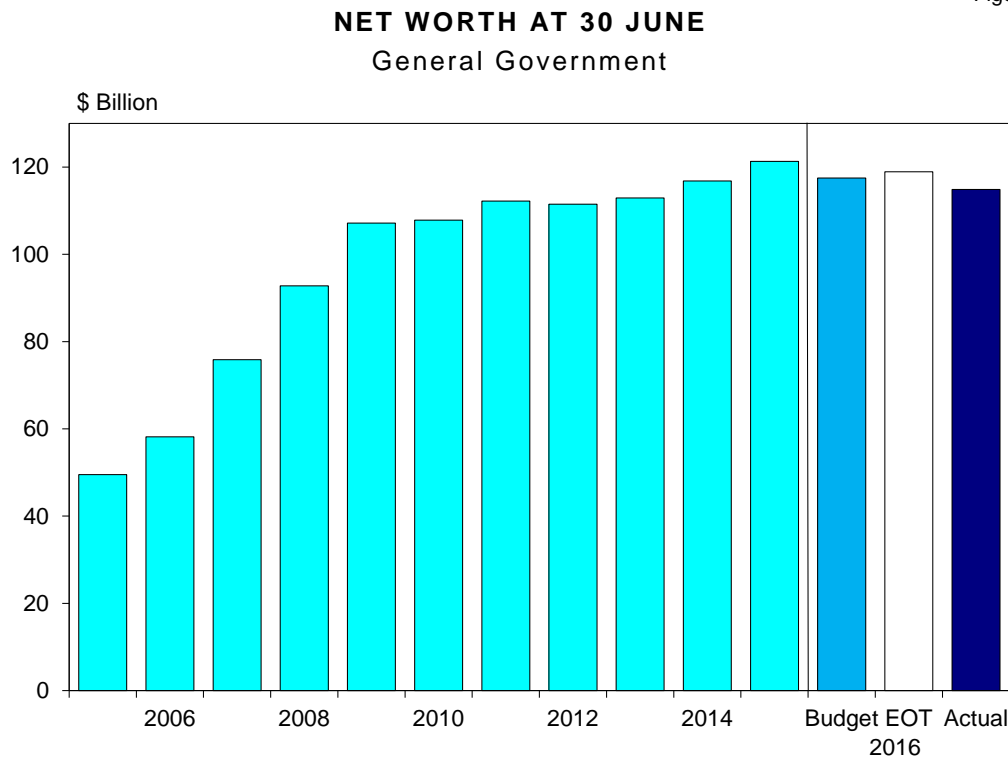
Balance Sheet

The net worth of the general government sector (i.e. the extent to which total assets exceed total liabilities) decreased by \$6.4 billion between 30 June 2015 and 30 June 2016, to be \$114.9 billion at the end of 2015-16.

This was \$4.1 billion lower than anticipated at the time of the 2016-17 Budget, and mainly reflects the net impact of:

- lower holdings of property, plant and equipment (down \$3 billion), mainly due to a reduction in school building valuations (down \$2.6 billion) following a change to the Department of Education's building valuation methodology (see footnote earlier in this chapter);
- a \$487 million reduction in the value of land holdings, mainly Crown land located in the Pilbara region (down \$430 million);
- a weaker net asset position for the general government sector's ownership interest in the public non-financial corporations sector (down \$1.3 billion), mainly driven by lower valuations for property, plant and equipment (down \$551 million) and land (down \$566 million) holdings across the sector; and
- higher investments, loans and placements (up \$553 million) and higher receivables (up \$223 million).

Figure 8

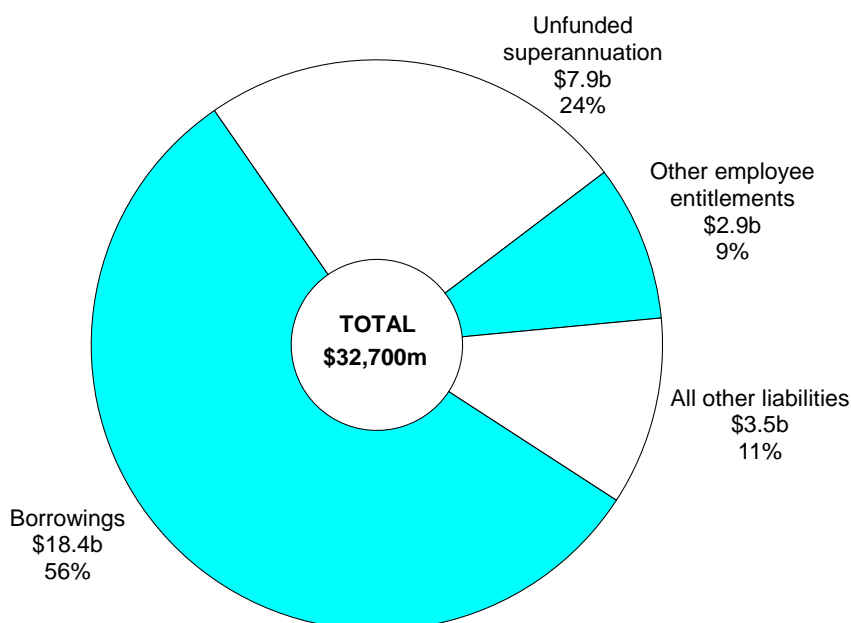


In aggregate, general government sector liabilities remained largely unchanged relative to the 2016-17 Budget estimates (up \$69 million), with lower than expected borrowings (down \$116 million) and employee entitlements⁷ (down \$64 million) offset by higher (non-debt) payables and other liabilities (up \$209 million).

⁷ Mainly annual and long service leave entitlements.

Figure 9

LIABILITIES AT 30 JUNE 2016
General Government Sector



Note: Segments may not add due to rounding.

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 2016*.

Cash Flow Statement

The general government sector recorded a cash deficit of \$3.7 billion in 2015-16, \$404 million larger than the \$3.3 billion cash deficit estimated in the 2016-17 Budget. This outcome primarily reflects higher infrastructure investment (up \$200 million) and lower sales of non-financial assets (down \$177 million).

The cash deficit outcome reflects the combined impact of a \$1.3 billion cash deficit in operating activities for 2015-16 (the first such outcome reported under the current reporting framework, highlighting the significant impact of the revenue downturn discussed earlier in this chapter) and spending on the sector's \$2.5 billion infrastructure program.

Total Public Sector⁸

Summary

Dominated by the general government outcome, the total public sector recorded a \$2.6 billion operating deficit for 2015-16. This is a \$274 million lower deficit outcome than the \$2.8 billion deficit forecast at the time of the 2016-17 Budget. This better than expected outcome incorporates the net impact of:

- the marginally better than expected result for the general government sector (up \$17 million) discussed earlier;
- a higher than anticipated operating surplus for the public non-financial corporations (PNC) sector (up \$395 million); and
- a lower than expected operating surplus for the public financial corporations (PFC) sector (down \$126 million).

Total public sector net debt at 30 June 2016 was \$27.3 billion, \$513 million lower than the estimated outcome in the 2016-17 Budget.

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

Table 5

	2014-15		2015-16		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	43,292	42,740	42,235	40,892	44,316	3,424
Expenses	43,756	45,822	46,233	43,725	46,875	3,150
Net Operating Balance	-464	-3,082	-3,998	-2,833	-2,559	274
BALANCE SHEET						
Assets	187,989	187,669	190,441	191,763	190,366	-1,397
Liabilities	66,690	70,159	69,723	72,840	75,499	2,659
Net Worth	121,299	117,510	120,718	118,922	114,866	-4,056
CASH FLOW STATEMENT						
Change in net cash held	857	-432	1	1,280	2,706	1,427
Cash Surplus/-deficit	-2,500	-5,090	-5,653	-4,301	-4,731	-430
Memorandum Item: Net Debt	23,374	30,996	29,552	27,860	27,347	-513

Note: Columns may not add due to rounding.

⁸ 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*.

Net Operating Balance

A \$2.6 billion operating deficit was recorded by the total public sector in 2015-16, \$274 million lower than the deficit outcome estimated in the 2016-17 Budget. While the \$2 billion general government sector operating deficit is the major driver of the overall outcome for 2015-16, the lower than expected deficit result is mainly attributable to a stronger outcome for the PNC sector.

TOTAL PUBLIC SECTOR OPERATING BALANCE						
By Sector						
	2014-15	2015-16				Variation on EOT \$m (5)=(4)-(3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
Net Operating Balance						
General government sector	-431	-2,708	-3,146	-2,037	-2,021	17
Public non-financial corporations sector	1,049	437	345	497	892	395
Public financial corporations sector	176	203	172	198	72	-126
<i>less</i>						
General government dividend revenue	1,187	945	1,299	1,422	1,415	-7
Public non-financial corporations dividend revenue ^(a)	72	68	69	69	87	18
Total public sector net operating balance	-464	-3,082	-3,998	-2,833	-2,559	274

(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 \$892 million was recorded in the PNC sector in 2015-16, a \$395 million increase on the \$497 million surplus estimated in the 2016-17 Budget.

Relative to the estimated outturn in the 2016-17 Budget, PNC revenue and expenses were both higher, by \$3.5 billion (or 18.2%) and \$3.1 billion (16.6%) respectively. These significant increases are largely driven by upward movements in Gold Corporation's revenue and expenses (by \$3.6 billion each), mainly reflecting higher than expected precious metal prices, refining volumes, and the accounting treatment for precious metal transactions⁹.

⁹ Current accounting standards differentiate between exchanges/swaps of similar goods and all other forms of settlement. When a metals transaction is settled in metal ounces (i.e. a similar good), only the net amount (margin) is recognised as a net revenue whereas cash settlements are recorded as gross revenue and expense outcomes. The settlement method is at the customer's discretion and can result in very large variations when compared to forecasts.

Other significant movements in PNC operating results relative to the estimated outcome in the 2016-17 Budget include:

- lower revenue (down \$70 million) and expenses (down \$227 million) for the Housing Authority, mainly due to:
 - lower inventory sales (down \$82 million) and cost of sales (down \$45 million) from the Affordable Housing and Public Housing Stock Redevelopment programs, as a result of soft property market conditions and protracted settlement time frames;
 - lower asset transfers (down \$74 million), mainly due to longer than expected process times and the completion of due diligence work for assets being transferred to the Community Housing sector; and
 - lower services and contracts expenses (down \$61 million), mainly due to delays in spending under the National Partnership Agreement for Remote Indigenous Housing;
- lower revenue (\$114 million) and expenses (\$112 million) for Racing and Wagering WA, mainly reflecting lower betting turnover, partially offset by a higher than estimated margin on revenue before costs, reduced betting dividend payouts and lower other direct costs of sales;
- higher revenue for the Water Corporation (up \$66 million), largely due to developer contributions from higher than forecast residential building activity and asset handovers in the metropolitan area; and
- lower than anticipated expenses for Western Power (down \$56 million) mainly due to:
 - lower than forecast operating costs as a result of ongoing business process improvements and efficiencies, including revised maintenance programs and renegotiated contracts;
 - lower cost of sales for materials sold to third parties, due to a slowdown in the land development market and customers purchasing materials directly from suppliers; and
 - lower borrowing costs due to more favourable interest rates and lower debt in line with reduced operational and capital activities.

Public Financial Corporations

An operating surplus of \$72 million was recorded for the PFC sector in 2015-16, \$126 million weaker than the \$198 million surplus estimated in the 2016-17 Budget. The weaker outcome mainly reflects lower than projected outcomes for both interest revenue (down \$172 million) and interest expenses (down \$78 million). Lower interest transactions are mainly the result of the timing of borrowings for agencies within the sector.

Other material downward movements in revenue and expenses for the sector were largely driven by:

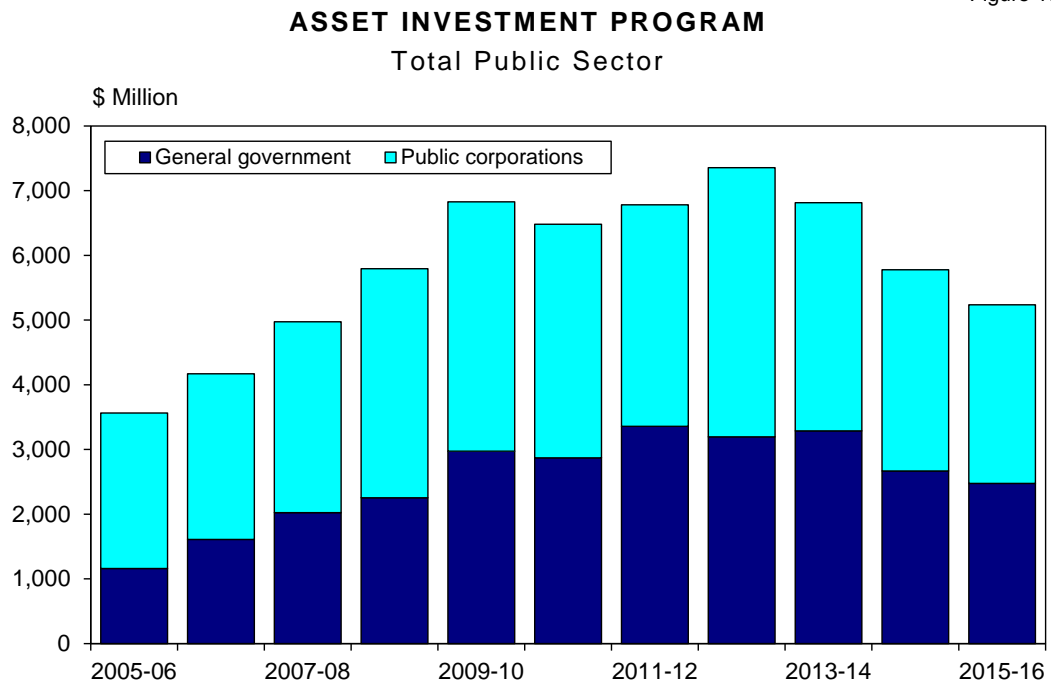
- lower claims expenses for RiskCover (down \$65 million), mainly reflecting fewer than anticipated new insurance claims and a downward revision to the actuary's assessment of future claims liabilities. This was partially offset by lower premium revenue (down \$43 million), reflecting revised premium rates and changes to insurance needs of client agencies during the second half of 2015-16; and
- higher claims expenses for the Insurance Commission of Western Australia (up \$44 million) mainly reflecting the impact on the annual actuarial valuation of a lower discount rate at 30 June 2016.

Asset Investment

Consistent with the 2016-17 Budget estimate, the total public sector spent \$5.2 billion on infrastructure in 2015-16. This outcome is \$540 million lower than the whole of government infrastructure spend in 2014-15 and continues the downward trend of recent years, which reflects:

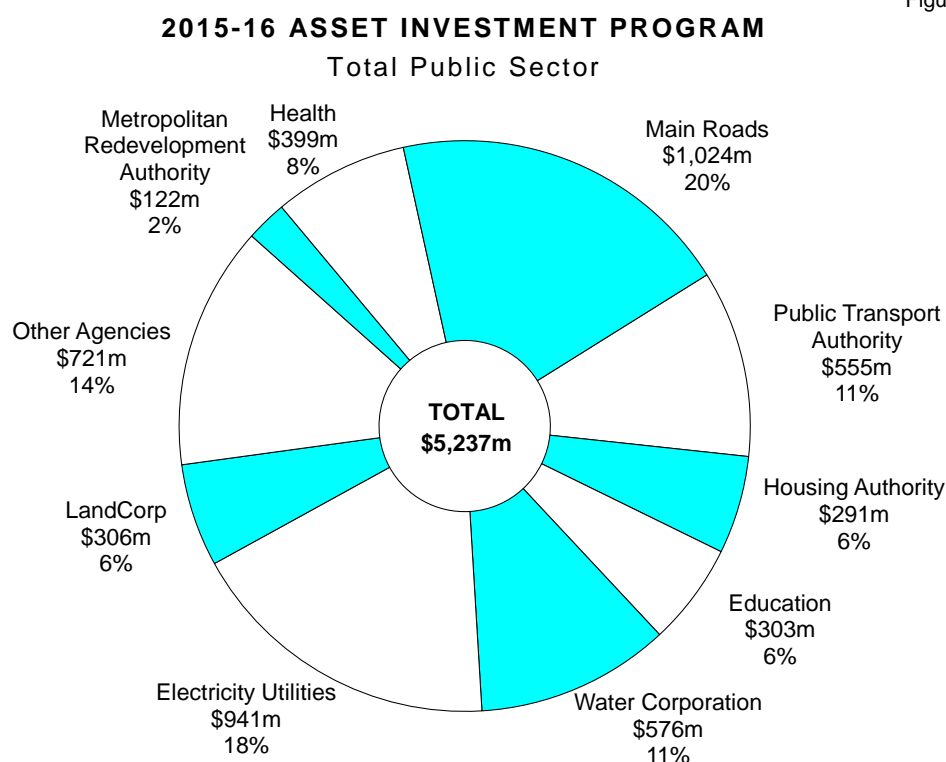
- the completion, or near completion, of a number of major projects including public hospitals;
- a shift in focus from the Water Corporation from expansion to asset operation and maintenance;
- very competitive conditions in the construction industry leading to favourable contract prices; and
- the impact of previous rounds of AIP efficiency measures for selected agencies.

Figure 10



The general government sector infrastructure program accounted for \$2.5 billion (or 47%) of the total AIP, with substantial investment in hospitals, roads and school infrastructure during 2015-16 (see earlier discussion). Infrastructure spending by the State's public corporations totalled \$2.8 billion in 2015-16, with significant levels of investment in electricity, water and transport.

Figure 11



Note: Segments may not add due to rounding.

AIP spending by the public corporations was \$175 million lower than the estimated outturn in the 2016-17 Budget, mainly due to the net impact of:

- the Housing Authority (down \$137 million), largely due to:
 - lower investment (down \$27 million) in joint venture land developments due to lower sales in the Butler project, and a reduced requirement for investment in Sienna Wood;
 - lower land development expenditure (down \$25 million) stemming from delays in commencing work in Karloo as a result of a dust moratorium, civil engineering work requirements at Kwinana which were less extensive than expected, and a deferral of land development activity in Jindowie due to softening market conditions;
 - lower land acquisition expenditure (\$12 million) as a result of delays in identifying suitable broad hectare land with settlement of alternative land acquisitions to occur in 2016-17;
 - lower Affordable Housing and Public Housing Stock Redevelopment Shared Equity Program expenditure (down \$12 million) as a result of the general softening of the Perth market;

- lower expenditure on the Social Housing Investment Package (down \$11 million), mainly due to delays in identifying suitable land and as a result of later than expected commencement of the majority of the project;
- lower development expenditure for the Estate Improvement Land Redevelopment (down \$8 million) as a result of easing market conditions; and
- lower spending on the Royalties for Regions Housing for Workers Program (down \$7 million), as a result of an easing in market conditions and a review of priority areas for intervention under the Non-Government Organisation Strategic Intervention project;
- the Water Corporation (down \$102 million), primarily attributable to favourable contract prices for a number of projects compared with initial estimates and the rescheduling of projects in response to changing economic conditions, and construction delays;
- the Public Transport Authority (up \$70 million), mainly due to bringing forward of 2017-18 and 2018-19 expenditure on the Forrestfield-Airport Link, which was approved after the 2016-17 Budget cut-off date;
- Western Power (down \$65 million), largely due to projects on hold and de-scoped as part of its business transformation program, favourable unit rates in the key asset replacement programs of wood poles and conductors, and delays in the finalisation of contract claims relating to the Mid-West Energy Project. Spending on network growth-related projects was also lower than anticipated due to construction delays, lower contractor costs and changes in scheduled expenditure;
- the Metropolitan Redevelopment Authority (down \$56 million), primarily due to rescheduling of activities on a number of projects, including:
 - Elizabeth Quay (\$28 million), due to delays in the finalisation of works;
 - Riverside (\$12 million), due to delays to the commencement of the infrastructure and public domain works package at Waterbank; and
 - Midland (\$8 million), particularly due to the Railway Square works program being restructured in stages over the next two financial years to align with adjacent private development timeframes; and
- the port authorities (down \$34 million), mainly due to the combined effect of lower spending by the:
 - Pilbara Ports Authority (down \$16 million), reflecting timing delays associated with the first gas export from the Chevron Wheatstone project (\$6 million), various minor works projects (\$5 million), and Port Improvement Rate projects (\$4 million); and
 - Mid West Ports Authority (down \$7 million), due to delays in awarding the contract for the CV03 and CV04 Conveyor Gallery Replacement.

The following table summarises the material agency movements in infrastructure investment for 2015-16 across the total public sector.

Table 7

	2014-15		2015-16		Actual \$m (4)	Variation on EOT \$m (5)=(4)-(3)
	Actual \$m (1)	Budget Estimate \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
<i>General Government</i>						
Health	588	475	664	560	399	-161
Commissioner of Main Roads	985	1,089	1,108	988	1,024	36
Education	432	295	320	332	303	-29
Provision for underspending	-	-	-417	-400	-	400
Royalties for Regions underspending provision	-	-54	-49	-51	-	51
All Other	662	798	859	844	748	-97
Total General Government	2,667	2,603	2,484	2,275	2,475	200
<i>Public Corporations</i>						
Housing Authority	323	439	430	427	291	-137
Water Corporation	670	713	714	678	576	-102
Port Authorities	45	188	112	83	50	-34
Public Transport Authority	378	475	568	485	555	70
Metropolitan Redevelopment Authority	185	220	222	178	122	-56
Horizon Power ^(a)	89	151	158	146	138	-9
Western Power ^(a)	969	1,016	956	795	730	-65
Provision for underspending	-	-	-97	-250	-	250
All other	451	479	385	395	303	-92
Total Public Corporations	3,110	3,681	3,445	2,938	2,763	-175
TOTAL PUBLIC SECTOR	5,777	6,284	5,929	5,212	5,237	25

(a) The entries for Western Power and Horizon Power at the time of the original Budget, Mid-year Review and estimated outturn include provisions for spending which is to be incurred following the approval of business cases.

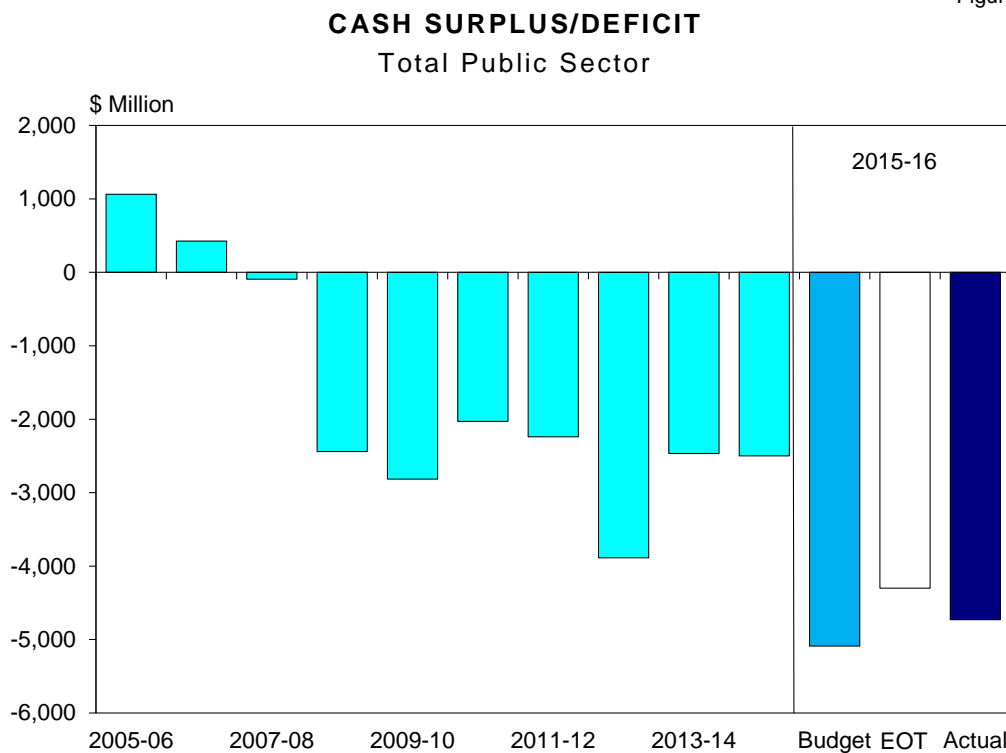
Balance Sheet

The 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 \$4.7 billion was recorded for the total public sector in 2015-16. This is a substantial increase on the \$2.5 billion cash deficit recorded in 2014-15, and primarily reflects a \$2.1 billion increase in the total public sector operating deficit from 2014-15 to 2015-16. This in turn largely reflects the decline in general government revenue discussed earlier in this chapter.

Figure 12



The cash deficit outcome is \$430 million weaker than the estimated outturn contained in the 2016-17 Budget, mainly reflecting a \$365 million shortfall in proceeds from the sale of land and used assets (mainly housing stock on the back of weaker property market conditions).

The \$4.7 billion cash deficit outcome is the key driver of increasing net debt levels, discussed in the following section.

Net Debt¹⁰

Total public sector net debt at 30 June 2016 totalled \$27.3 billion, an increase of \$4 billion since 30 June 2015. This outcome was dominated by the general government sector, where net debt increased by \$4.4 billion throughout the year, to reach \$13.7 billion at 30 June 2016.

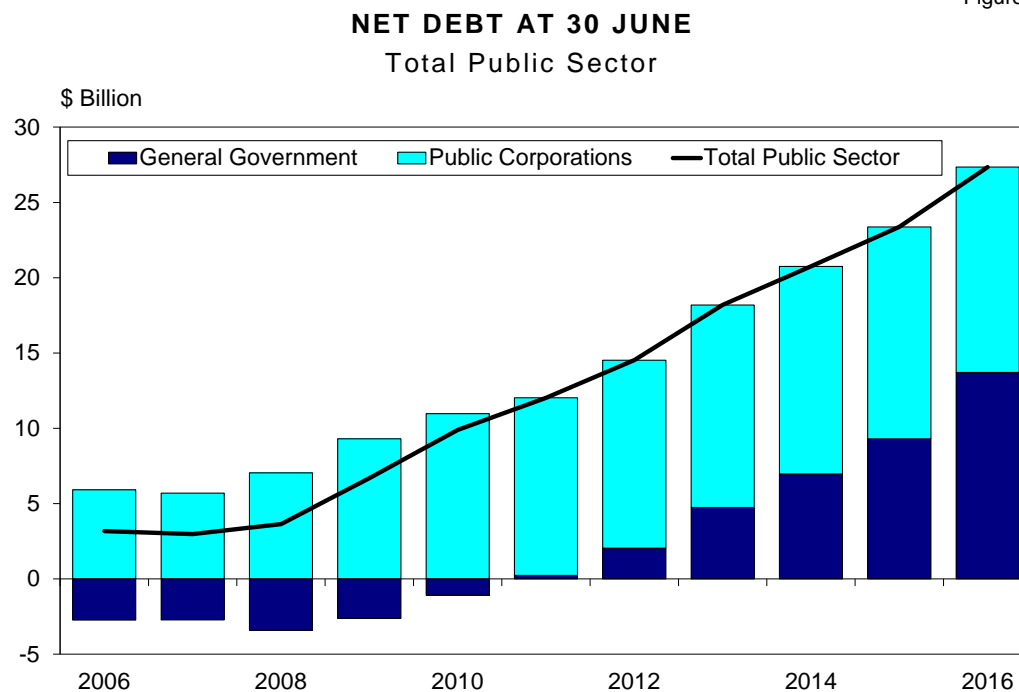
Notwithstanding the larger cash deficit outcome noted above, net debt was \$513 million lower than estimated in the 2016-17 Budget. This mainly reflects the impact of:

- the deferred recognition of the finance lease associated with the Eastern Goldfields Regional Prison, reflecting the delay in handover of the facility to beyond 30 June 2016;

¹⁰ 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.).

- an increase in the value of liquid financial assets, mainly for the Western Australian Treasury Corporation and the Insurance Commission of Western Australia; and
- corrections to the cash/non-cash split of balances in the Consolidated Account.

Figure 13



The general government sector's share of total public sector net debt increased from 40% in 2014-15 to 50% in 2015-16. The rising share for the general government sector reflects the impact of the two years of significant revenue contractions that have resulted in operating deficits in 2014-15 and 2015-16, and ongoing high levels of investment in centrally-funded infrastructure.

Consolidated Account borrowings are the largest component of total public sector net debt. Western Power and the Water Corporation also contribute significantly to net debt (\$7.4 billion and \$5.7 billion respectively at 30 June 2016), as shown in the following table.

Table 8

TOTAL PUBLIC SECTOR NET DEBT

At 30 June

	2015	2016
	\$m	\$m
Consolidated Account borrowings	12,139	17,239
Other Public Bank Account net assets ^(a)	-2,684	-3,352
Western Power	7,172	7,376
Water Corporation	5,599	5,685
Public Transport Authority	1,724	1,956
Horizon Power	1,085	1,080
Housing Authority	936	752
Public financial corporations	-2,714	-3,139
All other	117	-250
Total Public Sector Net Debt at 30 June	23,374	27,347

(a) Consists mainly of Special Purpose Accounts (such as the Royalties for Regions Fund and the Western Australian Future Fund) and other cash investments.

The table below reconciles movements in net debt since the 2016-17 Budget was finalised on 19 April 2016.

Table 9	
SUMMARY OF TOTAL PUBLIC SECTOR NET DEBT VARIATIONS SINCE THE 2016-17 BUDGET	
	\$m
NET DEBT AT 30 JUNE 2016 - 2016-17 BUDGET	27,860
<i>Less</i> change in net cash flows from operating activities and dividends paid	
- General government	-27.3
- Public non-financial corporations	221.3
- Public financial corporations	-233.8
<i>Total Public Sector</i>	-39.7
<i>Plus</i> purchases of non-financial assets	
Health	-161.1
Housing Authority	-136.5
Water Corporation	-102.5
Western Power	-65.1
Metropolitan Redevelopment Authority	-56.1
Port authorities	-33.6
Education	-29.2
Public Transport Authority	69.5
Provision for Underspending	650.0
All Other	-110.5
<i>Total purchases of non-financial assets</i>	24.9
<i>Less</i> proceeds from sale of non-financial assets	-365.0
<i>Plus</i> all other financing	
Delayed Eastern Goldfields Regional Prison (finance lease) ^(a)	-221.4
Restated Consolidated Account cash/non-cash balances ^(b)	-327.7
Reduction in overdrafts ^(c)	-303.5
All other ^(d)	-90.4
<i>Cumulative impact on net debt at 30 June</i>	-513.5
Of which:	
Gross borrowing and other net debt-related liabilities	2,002.0
Movements in liquid financial assets	2,515.5
NET DEBT AT 30 JUNE 2016 - 2015-16 ANNUAL REPORT ON STATE FINANCES	27,347
(a) Completion of the Eastern Goldfields Regional Prison to beyond 30 June 2016 defers the recognition of a finance lease for this Public Private Partnership.	
(b) The cash/non-cash balances shown in the 30 June 2015 outcome in the 2014-15 <i>Annual Report on State Finances</i> (ARSF) incorrectly allocated \$327 million in non-cash appropriations to the closing cash balance (leaving an equivalent discrepancy between the balance of Agency Holding Accounts shown in Table 7.3 (Appendix 7) of last year's ARSF and the non-cash closing balance for the Consolidated Account in Table 7.2 (also in Appendix 7)). These balances have been corrected and restated in the equivalent tables in the 2015-16 ARSF and result in a lower net debt outcome for 30 June 2016 relative to the estimated outturn in the recent 2016-17 Budget.	
(c) In past Annual Reports on State Finances, imbalances between agency balances and the Public Bank Account gave rise to an 'overdraft' in the general government sector balance sheet. Better matching of data has eliminated this imbalance for the year ending 30 June 2016.	
(d) Includes market and other valuation changes to applicable assets and liabilities, particularly for the Insurance Commission of Western Australia and the Western Australian Treasury Corporation.	
Note: Column may not add due to rounding.	

Financial Targets

HIGHLIGHTS

- As expected at the time of the 2016-17 Budget, the deterioration in the State's revenue base has resulted in only one of the Government's financial targets (tax competitiveness) being met in 2015-16.
- The Government's target for expense growth to not exceed revenue growth was not met in 2015-16 due to the second consecutive year of contraction in the State's revenue base (with revenue declining by 3.3%). Despite this, initiatives to rein in expenditure growth have been successful, with general government expense growth of just 2.4% in 2015-16. This follows expense growth of 2.2% in 2014-15, the lowest in 20 years.
- Performance against the net debt target was better than expected in the recent 2016-17 Budget, with a total non-financial public sector net debt to revenue ratio of 69.8% for 2015-16, compared to an estimated outturn of 77.5% in the 2016-17 Budget.

Introduction

The *Government Financial Responsibility Act 2000* requires that the Government report on performance against its medium-term financial targets each year 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 2015-16 Budget¹.

The targets applied in 2015-16 remain unchanged from those initially outlined in the Government's 2013-14 Budget, which are to:

- ensure that annual general government sector expense growth does not exceed revenue growth;

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 2016*. Comparisons to the expected outturn in the May 2016 Budget are discussed in Chapter 1.

- 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 (TNPS) net debt to revenue ratio at or below 55%;
- maintain a cash operating surplus for the TNPS of at least 5% of operating cash receipts; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

Reflecting the very challenging fiscal environment, particularly the substantial decline in general government revenue, only one of these targets (tax competitiveness) was met in 2015-16.

Nevertheless, compared to the estimated outturn in the 2016-17 Budget, higher than expected TNPS revenue and cash receipts have resulted in an improvement in performance against both the net debt to revenue and TNPS cash operating surplus targets:

- the net debt to revenue ratio was 7.7 percentage points lower than expected, at 69.8%; and
- net cash flows from operations as a share of operating receipts improved by 0.5 percentage points, to just below balance (up from -0.5%).

Although the general government sector expense growth target was not able to be met in 2015-16, the very low level of expenditure growth achieved in both 2014-15 and 2015-16 demonstrates the success of savings measures introduced in recent years.

Table 1

2015-16 FINANCIAL TARGETS
Compliance

	Budget	Estimated Outturn	Actual
Ensure expense growth does not exceed revenue growth			
- Current estimate (revenue growth minus expense growth)	-5.1	-5.8	-5.8
- Compliance	No	No	No
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend			
- Current estimate	-63.3	-55.6	-52.2
- Compliance	No	No	No
Maintain TNPS net debt at or below 55% of revenue			
- Current estimate	80.5	77.5	69.8
- Compliance	No	No	No
Maintain a TNPS cash operating surplus of at least 5% of receipts			
- Current estimate	-0.6	-0.5	-
- Compliance	No	No	No
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 Growth²

This target was not met in 2015-16 as a result of the decline in general government revenue over the year.

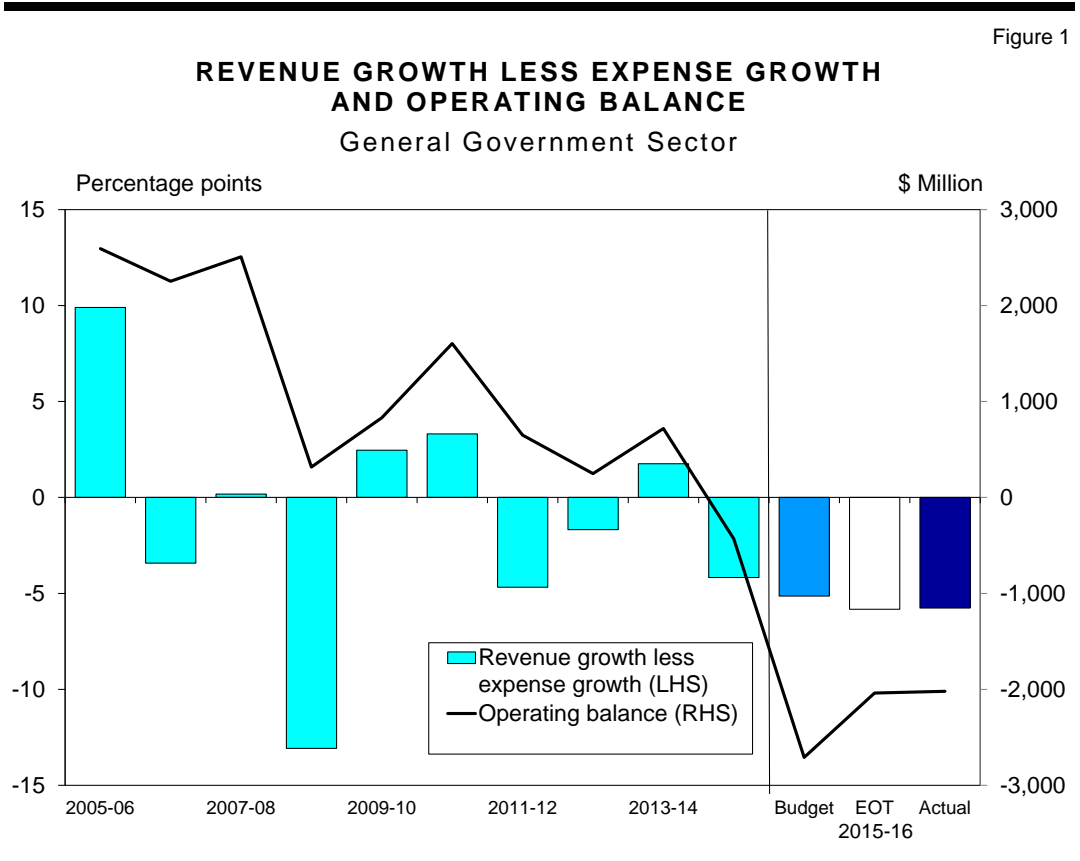
General government revenue contracted by 3.3% in 2015-16, with total revenue falling by \$915 million relative to 2014-15, the second consecutive year of decline. At a total of \$26.5 billion, the State's revenue was \$1.5 billion lower in 2015-16 than in 2013-14. This largely reflects the impact of lower commodity prices (particularly for iron ore and crude oil) on royalty income, and further reductions to an already low share of GST revenue.

In the current financial environment, restraining growth in general government sector spending is critical. In 2015-16, total expenses for the sector grew by just 2.4%, following an increase of 2.2% in 2014-15 (the lowest such growth in 20 years). This outcome is 0.1 percentage points lower than projected in both the 2015-16 Budget and the estimated outturn (both 2.5%).

² 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).

The implementation of a range of savings measures and limited approval of new spending initiatives in recent years has dramatically reduced growth in general government sector expenses (see feature box in Chapter 1 for more information). To put this in context, had expenses grown in 2015-16 by the decade-average of 7.7% rather than the 2.4% growth actually achieved, then the general government operating deficit for 2015-16 would have been around \$3.5 billion (rather than the \$2 billion actual deficit).

Figure 1



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 Year³

This target was not met in 2015-16 as the general government sector recorded a cash deficit on operating activities over the financial year.

At \$1.3 billion, the cash operating deficit was lower than expected at the time of the 2015-16 Budget (which forecast a deficit of \$1.6 billion), and consistent with the \$1.3 billion estimated outturn published in the 2016-17 Budget. The deficit largely reflects the operating outcome for the general government sector, with cash receipts (the cash equivalent of accrual revenue) declining by \$1.3 billion relative to 2014-15.

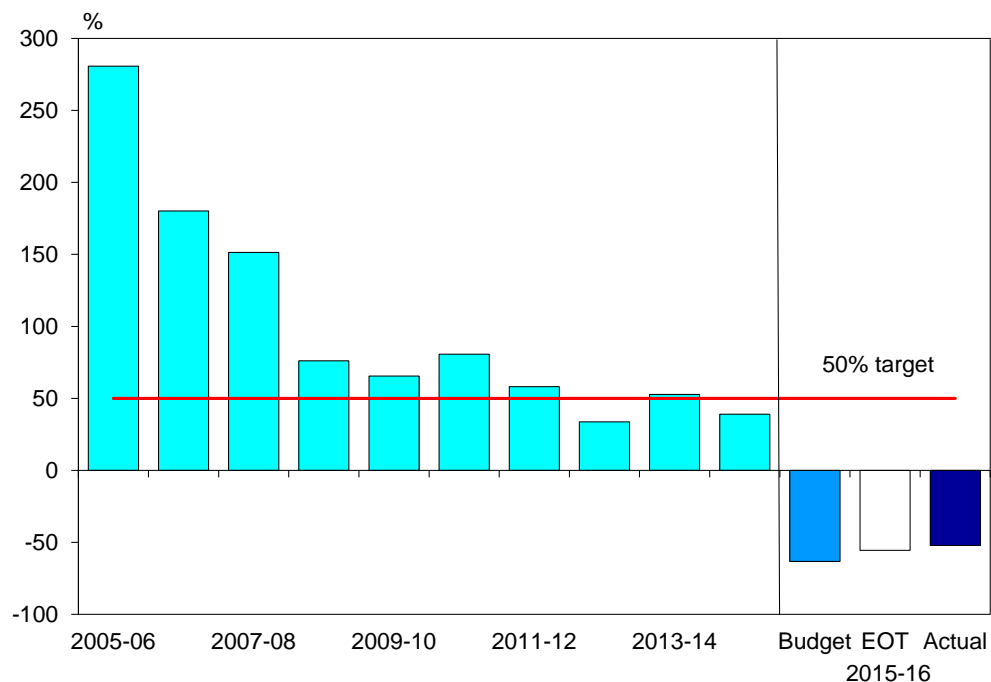
³ Achieving a cash surplus from operating activities indicates that non-debt funds are available to meet infrastructure investment.

Infrastructure spending by the sector totalled \$2.5 billion in 2015-16, \$200 million higher than the estimated outturn. Although performance against this target is slightly better than anticipated in the original 2015-16 Budget and the estimated outturn, failure to meet the target demonstrates the significant infrastructure funding challenges that exist in the highly constrained revenue environment currently facing the State.

Figure 2

CASH OPERATING SURPLUS AS A SHARE OF INFRASTRUCTURE SPENDING

General Government Sector



Net Debt Affordability: Maintain The Total Non-Financial Public Sector⁴ Net Debt To Revenue Ratio At Or Below 55%

This target was not met in 2015-16.

TNPS net debt represented 69.8% of revenue in 2015-16, exceeding the 55% target limit but substantially below the original Budget projection of 80.5% and the estimated outturn of 77.5%. This improvement reflects positive movements for both the net debt and revenue components of the ratio.

⁴

The total non-financial public sector includes general government sector agencies which are largely funded by central revenue collections such as taxation and royalty receipts, and public non-financial corporations such as the electricity and water utilities and port authorities (which are largely funded by user charges). This excludes the commercial operations of public financial corporations such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia which deal in financial instruments and can distort the assessment of overall net debt levels. For this reason, the TNPS sector is the main focus of credit rating analysis.

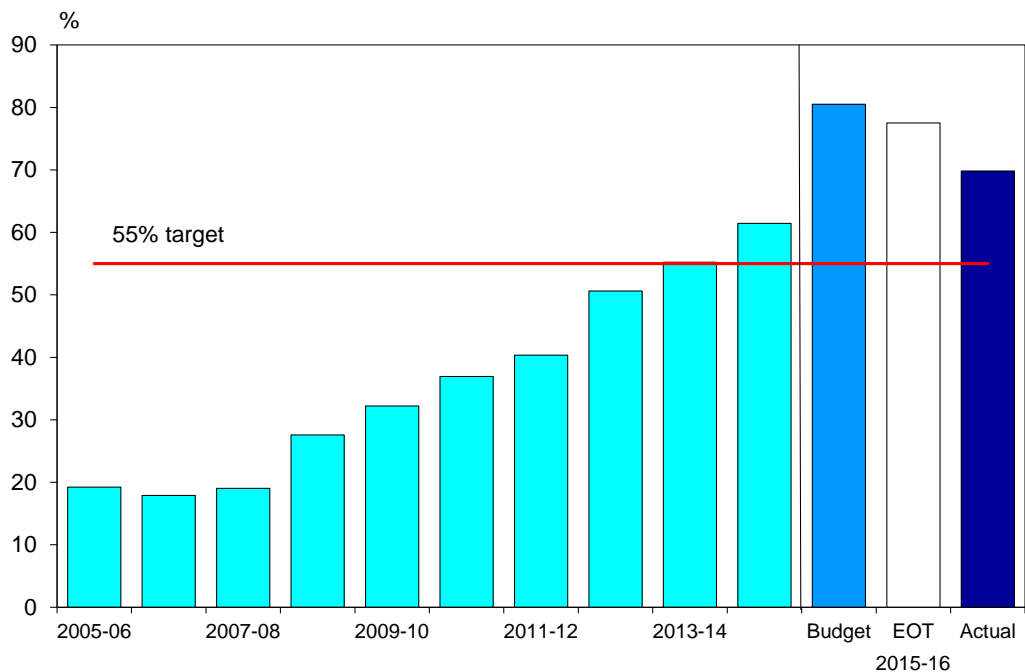
- At \$30.5 billion, TNPS net debt at 30 June 2016 was \$659 million lower than estimated in the 2016-17 Budget, reflecting the net impact of a better than expected cash surplus for the public non-financial corporations sector, lower than expected proceeds from the sale of land and other surplus assets, deferred recognition of the finance lease associated with the Eastern Goldfields Regional Prison, and other movements in net debt outlined in Chapter 1.
- TNPS revenue totalled \$43.7 billion in 2015-16, a substantial \$3.5 billion (8.7%) higher than the estimated outturn (\$40.2 billion), largely driven by a significantly higher than expected revenue outcome for Gold Corporation (details are discussed in Chapter 1).

The Government’s asset sales program remains an important element of its debt management strategy.

- The program achieved its first sale in 2015-16, with the Market City transaction completed on 31 March 2016. This generated cash proceeds of \$125.5 million for the State (with a further \$10 million to be paid in 2025-26), which have been utilised to retire almost \$40 million of debt held by the Perth Market Authority with the remainder to be used to repay centrally-held borrowings.
- In addition, the Government’s Land Asset Sales Program achieved \$146 million in sales in 2015-16 (surpassing its target of \$141 million), and \$139 million in cash receipts (just below target receipts of \$141 million).

Figure 3

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



Maintain A Cash Operating Surplus For The Total Non-Financial Public Sector Of At Least 5% Of Operating Cash Receipts⁵

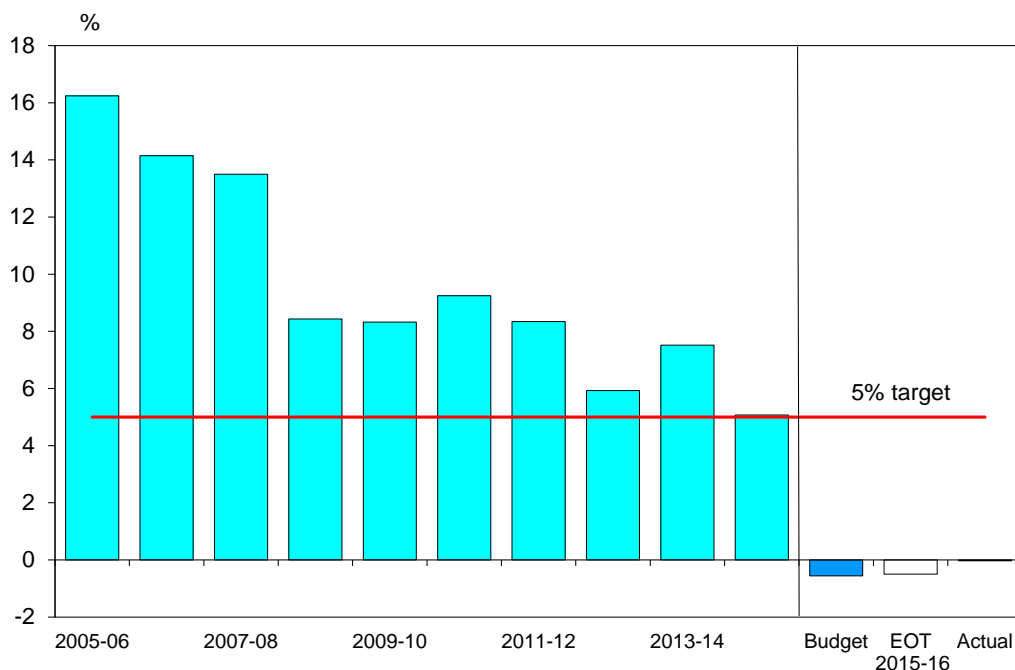
This target was not met in 2015-16, as the TNPS recorded a cash deficit from operations of \$14 million in 2015-16 (driven largely by the deficit outcome for the general government sector).

The cash deficit from operations is \$194 million better than the 2016-17 Budget estimated outturn (\$208 million), largely reflecting the cash impact of a stronger surplus outcome for the public non-financial corporations sector (up \$395 million), outlined in Chapter 1.

The cash operating deficit outcome means that the sector was unable to significantly self-finance the \$5.2 billion infrastructure investment made during 2015-16.

Figure 4

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

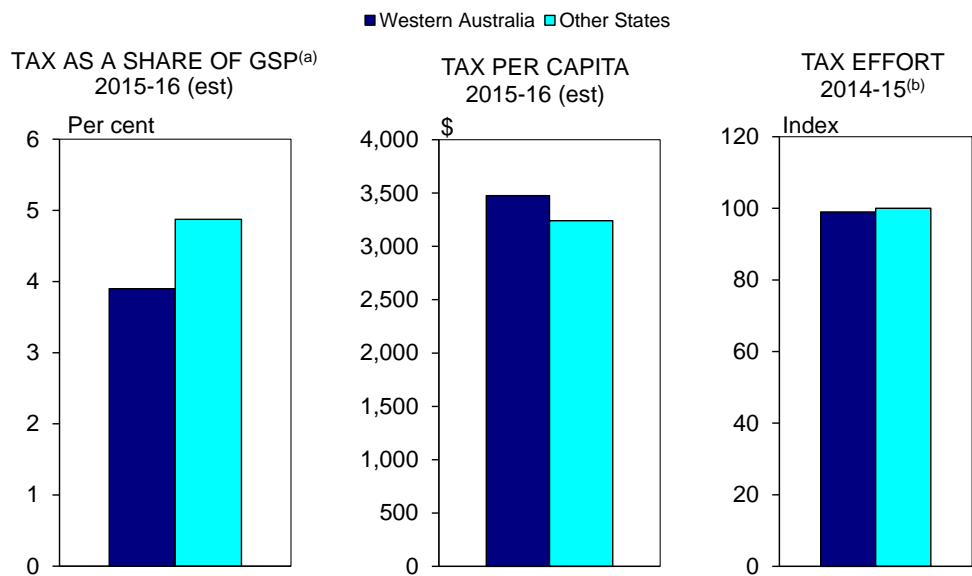
As expected in the 2016-17 Budget (and on the available data), this target was met in 2015-16, with Western Australia continuing to be more competitive than other States on two of the three available measures (tax as a share of Gross State Product (GSP) and tax 'effort' based on Commonwealth Grants Commission data).

⁵ This target reflects the extent to which the total non-financial public sector can finance its day-to-day operating and service delivery costs from operating receipts. A high cash operating balance indicates that the public sector has self-financing capacity to fund infrastructure investment.

In 2015-16, Western Australia’s tax revenue as a share of GSP is estimated at 3.9%, which is substantially lower than the 4.9% average for other States. Based on Commonwealth Grants Commission data, Western Australia’s tax ‘effort’ (i.e. average tax rate) was 1% lower than the national average in 2014-15⁶.

Figure 5

TAX COMPETITIVENESS
Various Measures



(a) Taxation revenue and GSP estimates for other jurisdictions are based on 2015-16 estimated outturns published in 2016-17 Budget Papers. Actual GSP figures for all States will not be available from the Australian Bureau of Statistics until November 2016.

(b) Latest available information.

In contrast, Western Australia’s tax per capita ranking exceeds the average of the other Australian States. This in part reflects Western Australia’s stronger per capita economic performance compared to other States.

⁶ 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 2014-15 is the latest available from the Grants Commission.

Financial Statements

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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 2015-16 Budget Papers presented to the Legislative Assembly on 14 May 2015, 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 total non-financial public sector, representing the consolidation of the general government sector and the public non-financial corporations 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.

Table 1.1

GENERAL GOVERNMENT^(a)
Operating Statement

	Notes	2014-15	2015-16			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		8,882	9,754	9,112	9,045	9,069	25
Current grants and subsidies		8,051	7,738	7,321	7,304	7,407	104
Capital grants		1,263	651	703	1,033	895	-138
Sales of goods and services		2,105	2,342	2,168	2,141	2,155	14
Interest income		185	174	171	178	192	14
Revenue from public corporations							
Dividends from other sectors		1,187	945	1,299	1,422	1,415	-7
Tax equivalent income		592	527	546	576	631	55
Royalty income		4,603	3,670	3,788	4,177	4,126	-51
Other		532	523	509	617	594	-22
Total	5	27,400	26,325	25,617	26,492	26,485	-6
EXPENSES							
Salaries		11,089	11,498	11,413	11,420	11,383	-37
Superannuation							
Concurrent costs		1,107	1,129	1,134	1,135	1,167	32
Superannuation interest cost		266	224	225	183	218	35
Other employee costs		430	449	414	394	370	-24
Depreciation and amortisation	6	1,235	1,434	1,425	1,386	1,359	-27
Services and contracts		2,057	2,341	2,333	2,270	2,195	-75
Other gross operating expenses	7	5,131	5,435	5,376	5,451	5,518	67
Other interest	8	543	616	659	686	664	-22
Current transfers	9	5,465	5,353	5,216	5,108	5,164	56
Capital transfers	9	507	555	567	497	469	-28
Total		27,831	29,033	28,764	28,529	28,506	-23
NET OPERATING BALANCE^(b)	10	-431	-2,708	-3,146	-2,037	-2,021	17
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-21	32	34	-53	-148	-94
Net actuarial gains/-loss - superannuation		98	-48	-241	-684	-589	95
Provision for doubtful debts		-36	-4	-4	-4	-54	-49
Changes in accounting policy/adjustment of prior periods		-504	-	-	-	110	110
Total other economic flows		-463	-21	-211	-741	-679	62
OPERATING RESULT		-894	-2,729	-3,357	-2,779	-2,700	79
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		2,229	2,045	2,023	73	-2,549	-2,622
Gains recognised directly in equity		-4	-1	-	131	8	-123
Change in net worth of the public corporations sectors		3,140	789	754	198	-1,192	-1,389
All other		-	-	-	-	-	-
Total all other movements in equity		5,365	2,833	2,776	402	-3,733	-4,135
TOTAL CHANGE IN NET WORTH^(c)	10	4,472	104	-581	-2,377	-6,433	-4,056
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE		-431	-2,708	-3,146	-2,037	-2,021	17
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,667	2,603	2,484	2,275	2,475	200
Changes in inventories		-9	-	14	14	15	1
Other movement in non-financial assets		90	-42	159	261	15	-246
<i>less:</i>							
Sales of non-financial assets		134	207	217	279	102	-177
Depreciation		1,235	1,434	1,425	1,386	1,359	-27
Total net acquisition of non-financial assets		1,378	919	1,015	884	1,043	159
NET LENDING/-BORROWING	10	-1,809	-3,628	-4,161	-2,921	-3,064	-142

(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.

GENERAL GOVERNMENT^(a)
Balance Sheet at 30 June

Table 1.2

	Notes	2015		2016		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		785	579	721	805	820	14
Advances paid		678	708	725	730	711	-19
Investments, loans and placements		3,571	2,085	2,969	3,488	4,042	553
Receivables	11	2,660	2,494	2,282	2,698	2,921	223
Shares and other equity							
Investments in other public sector entities - equity method		48,846	46,997	49,600	49,044	47,654	-1,389
Investments in other public sector entities - direct injections		7,455	8,479	7,984	8,054	8,180	126
Investments in other entities		44	43	39	41	48	8
Other financial assets		-	-	-	-	8	8
Total financial assets		64,038	61,386	64,320	64,861	64,384	-477
<i>Non-financial assets</i>							
Land	12	38,837	38,745	39,330	39,038	38,551	-487
Property, plant and equipment	13,14	45,003	48,566	47,410	46,289	43,256	-3,033
Biological assets	16	2	1	-	-	4	4
Inventories	17						
Land inventories		106	68	91	102	113	11
Other inventories		69	77	83	83	84	1
Intangibles	18	609	635	625	613	650	37
Assets classified as held for sale	19	27	13	31	29	32	3
Investment property	20	9	-	-	-	8	8
Other		249	748	1,037	538	484	-54
Total non-financial assets		84,911	88,853	88,607	86,692	83,182	-3,510
TOTAL ASSETS		148,949	150,238	152,927	151,553	147,566	-3,987
LIABILITIES							
Deposits held		417	711	475	484	518	34
Advances received		407	392	392	392	392	-
Borrowings	21	13,603	18,068	18,476	18,495	18,379	-116
Superannuation	22	7,573	8,367	7,523	7,933	7,939	6
Other employee benefits	23	3,292	2,644	2,999	2,957	2,892	-64
Payables		1,071	1,027	1,080	1,079	1,228	149
Other liabilities	24	1,287	1,520	1,265	1,291	1,352	60
TOTAL LIABILITIES		27,649	32,729	32,209	32,631	32,700	69
NET ASSETS		121,299	117,510	120,718	118,922	114,866	-4,056
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		11,012	6,134	11,618	11,529	8,460	-3,068
Other reserves		110,287	111,375	109,100	107,393	106,406	-987
NET WORTH	10	121,299	117,510	120,718	118,922	114,866	-4,056
MEMORANDUM ITEMS							
<i>Net financial worth</i>		36,389	28,657	32,111	32,230	31,684	-546
<i>Net financial liabilities</i>		19,912	26,819	25,473	24,867	24,150	-717
<i>Net debt</i>							
Gross debt liabilities		14,427	19,171	19,343	19,371	19,289	-82
less: liquid financial assets		5,034	3,372	4,415	5,024	5,572	548
less: convergence differences impacting net debt		88	-	-	-	-	-
Net debt		9,306	15,799	14,927	14,347	13,717	-630

(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
<i>Balance at 1 July 2014</i>	59,205	45,706	11,917	116,828
Operating result	-	-	-894	-894
Other movements in equity	2,229	3,140	-4	5,365
All other	8	-1	-7	-
<i>Total change in net worth</i>	2,237	3,140	-905	4,471
Balance at 30 June 2015	61,441	48,846	11,012	121,299
<i>Balance at 1 July 2015</i>	61,441	48,846	11,012	121,299
Operating result	-	-	-2,700	-2,700
Other movements in equity	-2,549	-1,192	8	-3,733
All other	-140	-	140	-
<i>Total change in net worth</i>	-2,689	-1,192	-2,552	-6,433
Balance at 30 June 2016	58,752	47,654	8,460	114,866

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

GENERAL GOVERNMENT^(a)
Cash Flow Statement

Table 1.4

	Notes	2014-15	2015-16			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		8,846	9,774	9,131	9,057	9,130	72
Grants and subsidies received		9,394	8,355	8,030	8,356	8,310	-47
Receipts from sales of goods and services		2,129	2,358	2,195	2,176	2,294	118
Interest receipts		180	164	163	170	187	17
Dividends and tax equivalents		1,865	1,527	1,937	2,031	2,087	55
Other		6,799	5,376	5,698	5,876	5,922	47
<i>Total cash received</i>		29,213	27,554	27,153	27,667	27,929	263
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-12,546	-13,385	-13,362	-13,400	-13,374	26
Payments for goods and services		-7,761	-8,102	-8,010	-7,970	-8,083	-114
Interest paid		-537	-582	-582	-634	-631	3
Grants and subsidies paid		-5,767	-5,712	-5,549	-5,499	-5,485	14
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,562	-1,420	-1,438	-1,429	-1,648	-219
<i>Total cash paid</i>		-28,173	-29,201	-28,973	-28,931	-29,221	-290
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	1,040	-1,647	-1,820	-1,264	-1,291	-27
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,667	-2,603	-2,484	-2,275	-2,475	-200
Sales of non-financial assets		134	207	217	279	102	-177
<i>Total cash flows from investments in non-financial assets</i>		-2,533	-2,395	-2,267	-1,996	-2,373	-377
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		18	-	10	136	140	4
For liquidity purposes		5	20	28	43	101	57
<i>Cash paid</i>							
For policy purposes		-566	-666	-752	-787	-798	-12
For liquidity purposes		-22	-19	-53	-58	-136	-78
<i>Total cash flows from investments in financial assets</i>		-565	-665	-767	-666	-694	-28
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,098	-3,060	-3,034	-2,662	-3,067	-405
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		16	16	16	16	16	-
Borrowings		2,065	4,493	5,040	5,074	5,194	119
Deposits received		-	-	-	-	-	-
Other financing receipts		448	37	35	55	41	-14
<i>Total cash receipts from financing activities</i>		2,529	4,546	5,091	5,145	5,250	106
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-16	-
Borrowings repaid		-79	-86	-90	-93	-97	-5
Deposits paid		-	-	-	-	-	-
Other financing payments		-424	-432	-466	-532	-447	84
<i>Total payments for financing activities</i>		-519	-534	-571	-640	-560	80
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,010	4,012	4,519	4,505	4,691	186
Net increase in cash and cash equivalents		-48	-695	-335	579	333	-247
Cash and cash equivalents at the beginning of the year		4,488	3,135	4,440	4,440	4,440	-
Cash and cash equivalents at the end of the year	26	4,440	2,440	4,105	5,019	4,773	-247
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,040	-1,647	-1,820	-1,264	-1,291	-27
Net cash flows from investing in non-financial assets		-2,533	-2,395	-2,267	-1,996	-2,373	-377
Cash surplus/-deficit	10	-1,493	-4,042	-4,087	-3,260	-3,664	-404

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

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

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Notes	2014-15	2015-16			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		2,307	2,279	2,260	2,256	2,212	-44
Capital grants		113	158	220	220	200	-20
Sales of goods and services		16,778	17,220	17,786	15,780	19,170	3,391
Interest Income		163	189	153	143	159	15
Other		846	576	502	542	651	109
<i>Total</i>		<i>20,208</i>	<i>20,422</i>	<i>20,922</i>	<i>18,941</i>	<i>22,392</i>	<i>3,451</i>
EXPENSES							
Salaries		1,173	1,215	1,224	1,225	1,191	-34
Superannuation							
Concurrent costs		118	119	122	122	123	2
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		80	42	45	49	51	2
Depreciation and amortisation		1,979	2,123	2,065	2,077	1,988	-89
Services and contracts		937	874	862	874	981	107
Other gross operating expenses		12,379	12,980	13,663	11,505	14,689	3,184
Other interest		845	1,009	944	918	807	-111
Tax equivalents		546	497	462	472	527	55
Current transfers		1,054	1,081	1,056	1,067	1,072	5
Capital transfers		47	46	134	135	70	-65
<i>Total</i>		<i>19,158</i>	<i>19,986</i>	<i>20,577</i>	<i>18,444</i>	<i>21,500</i>	<i>3,056</i>
NET OPERATING BALANCE ^(a)	10	1,049	437	345	497	892	395
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		95	154	96	99	21	-78
Net actuarial gains/-loss - superannuation		-40	-	-	-	-23	-23
Provision for doubtful debts		-6	-18	-18	-17	-16	2
Changes in accounting policy/adjustment of prior periods		-24	-	-	-	-686	-686
<i>Total other economic flows</i>		<i>25</i>	<i>136</i>	<i>78</i>	<i>81</i>	<i>-704</i>	<i>-785</i>
OPERATING RESULT		1,074	573	423	579	189	-390
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		2,583	1,081	1,517	993	-1,520	-2,513
Gains recognised directly in equity		405	-54	-54	-123	1,655	1,778
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>2,988</i>	<i>1,027</i>	<i>1,463</i>	<i>870</i>	<i>135</i>	<i>-735</i>
<i>Movements in owner equity</i>							
Dividends		-1,142	-901	-1,158	-1,279	-1,273	6
Capital injections		721	726	529	599	712	113
<i>Total movements in owner equity</i>		<i>-421</i>	<i>-175</i>	<i>-629</i>	<i>-680</i>	<i>-561</i>	<i>119</i>
TOTAL CHANGE IN NET WORTH ^(b)	10	3,640	1,425	1,256	768	-237	-1,006
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE		1,049	437	345	497	892	395
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,125	3,672	3,506	2,999	2,877	-122
Changes in inventories		183	819	104	614	1,009	394
Other movement in non-financial assets		328	153	20	10	156	146
<i>less:</i>							
Sales of non-financial assets		804	1,030	856	857	718	-139
Depreciation		1,979	2,123	2,065	2,077	1,988	-89
<i>Total net acquisition of non-financial assets</i>		<i>853</i>	<i>1,491</i>	<i>709</i>	<i>689</i>	<i>1,335</i>	<i>646</i>
NET LENDING/-BORROWING	10	196	-1,055	-364	-192	-442	-251

(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	2015		2016		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		1,157	1,112	1,131	1,254	1,267	13
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,713	5,081	5,102	5,228	5,072	-156
Receivables		1,079	1,098	1,111	1,003	1,137	134
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		33	42	37	42	24	-18
Other financial assets		910	849	849	849	849	-
Total financial assets		7,893	8,181	8,230	8,376	8,349	-27
<i>Non-financial assets</i>							
Land		15,248	15,929	15,781	15,248	14,682	-566
Property, plant and equipment		53,627	53,275	55,226	54,615	54,064	-551
Biological assets		314	313	310	316	330	14
<i>Inventories</i>							
Land inventories		2,175	2,254	2,105	2,059	2,059	1
Other inventories		3,408	3,518	3,512	4,022	4,417	394
Intangibles		512	401	494	448	439	-9
Assets classified as held for sale		44	5	36	36	28	-8
Investment property		51	25	51	51	65	15
Other		203	166	130	156	144	-12
Total non-financial assets		75,581	75,884	77,646	76,951	76,229	-722
TOTAL ASSETS		83,474	84,066	85,876	85,327	84,579	-749
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		407	392	392	392	392	-
Borrowings		22,245	23,655	23,476	22,889	22,716	-172
Superannuation		129	56	93	79	120	41
Other employee benefits		461	439	443	437	442	6
Payables		4,680	4,532	4,624	5,079	5,197	119
Other liabilities		1,260	1,547	1,302	1,393	1,657	264
TOTAL LIABILITIES		29,183	30,620	30,329	30,268	30,525	257
NET ASSETS		54,291	53,445	55,547	55,060	54,054	-1,006
<i>Of which:</i>							
Contributed equity		7,452	8,483	7,981	8,051	8,164	113
Accumulated surplus		18,732	16,261	18,597	19,328	19,344	16
Other reserves		28,107	28,701	28,970	27,680	26,546	-1,135
NET WORTH	10	54,291	53,445	55,547	55,060	54,054	-1,006
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-75,581	-75,884	-77,646	-76,951	-76,229	722
<i>Net debt</i>							
Gross debt liabilities		22,652	24,047	23,868	23,281	23,108	-172
less: liquid financial assets		5,870	6,193	6,233	6,482	6,339	-143
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		16,783	17,854	17,635	16,799	16,769	-29

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
<i>Balance at 1 July 2014</i>	6,731	25,542	18,378	50,651
Operating result	-	-	1,074	1,074
Other movements in equity	-	2,583	405	2,988
All other	-	-17	17	-
<i>Total change in net worth</i>	-	2,566	1,496	4,062
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	721	-	-	721
Dividends	-	-	-1,142	-1,142
<i>Total</i>	721	-	-1,142	-421
Balance at 30 June 2015	7,452	28,107	18,732	54,291
<i>Balance at 1 July 2015</i>	7,452	28,107	18,732	54,291
Operating result	-	-	189	189
Other movements in equity	-	-1,520	1,655	135
All other	-	-42	42	-
<i>Total change in net worth</i>	-	-1,562	1,885	324
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	712	-	-	712
Dividends	-	-	-1,273	-1,273
<i>Total</i>	712	-	-1,273	-561
Balance at 30 June 2016	8,164	26,546	19,344	54,054

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

Table 1.8

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	2014-15		2015-16			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		2,476	2,451	2,483	2,564	2,498	-66
Receipts from sales of goods and services		17,457	17,379	17,965	16,091	19,335	3,243
Interest receipts		168	189	153	143	148	4
Dividends and tax equivalents		68	68	69	69	69	-
Other		1,439	882	922	966	1,416	450
<i>Total cash received</i>		21,608	20,969	21,592	19,834	23,465	3,632
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,316	-1,434	-1,445	-1,463	-1,402	61
Payments for goods and services		-12,648	-11,946	-12,805	-11,104	-14,316	-3,212
Interest paid		-784	-949	-879	-856	-836	20
Grants and subsidies paid		-774	-782	-772	-775	-761	14
Tax equivalents		-660	-552	-587	-560	-609	-49
Other payments		-3,029	-3,001	-2,956	-2,753	-2,991	-238
<i>Total cash paid</i>		-19,211	-18,664	-19,445	-17,511	-20,915	-3,404
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,397	2,305	2,147	2,322	2,550	228
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,125	-3,672	-3,506	-2,999	-2,877	122
Sales of non-financial assets		804	1,030	856	857	718	-139
<i>Total cash flows from investments in non-financial assets</i>		-2,321	-2,643	-2,650	-2,142	-2,159	-17
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		197	25	81	81	332	251
<i>Cash paid</i>							
For policy purposes		-13	-	-	-3	-3	-
For liquidity purposes		-154	-27	-72	-71	-359	-289
<i>Total cash flows from investments in financial assets</i>		30	-3	8	7	-31	-38
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,292	-2,645	-2,642	-2,135	-2,190	-55
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		17,993	12,608	21,682	19,495	12,583	-6,912
Deposits received		-	-	-	-	-	-
Other financing receipts		604	721	798	872	894	22
<i>Total cash received</i>		18,597	13,329	22,480	20,367	13,477	-6,889
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-16	-
Borrowings repaid		-17,754	-11,774	-20,656	-18,946	-12,283	6,663
Deposits paid		-	-	-	-	-	-
Other financing payments		-32	-30	-30	-32	-45	-13
Dividends paid		-1,142	-900	-1,147	-1,266	-1,273	-7
<i>Total cash paid</i>		-18,945	-12,721	-21,848	-20,260	-13,617	6,643
NET CASH FLOWS FROM FINANCING ACTIVITIES		-348	608	632	106	-140	-246
Net increase in cash and cash equivalents		-243	268	137	294	221	-73
Cash and cash equivalents at the beginning of the year		1,803	1,273	1,560	1,560	1,560	-
Cash and cash equivalents at the end of the year		1,560	1,540	1,697	1,854	1,781	-73
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,397	2,305	2,147	2,322	2,550	228
Net cash flows from investing in non-financial assets		-2,321	-2,643	-2,650	-2,142	-2,159	-17
Dividends paid		-1,142	-900	-1,147	-1,266	-1,273	-7
Cash surplus/-deficit	10	-1,066	-1,238	-1,650	-1,086	-882	204

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

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Notes	2014-15	2015-16			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		8,404	9,240	8,623	8,552	8,564	12
Current grants and subsidies		8,051	7,738	7,321	7,304	7,407	104
Capital grants		1,263	651	703	1,033	895	-138
Sales of goods and services		18,404	19,015	19,485	17,447	20,900	3,453
Interest Income		319	338	296	296	325	30
Royalty income		4,603	3,670	3,788	4,177	4,126	-51
Dividends and tax equivalents		162	142	294	316	334	18
Other		1,258	998	909	1,057	1,111	54
Total		42,463	41,791	41,418	40,181	43,662	3,482
EXPENSES							
Salaries		12,262	12,713	12,637	12,645	12,574	-71
Superannuation							
Concurrent costs		1,225	1,248	1,256	1,257	1,291	34
Superannuation interest cost		266	224	225	183	218	35
Other employee costs		296	257	268	259	255	-4
Depreciation and amortisation		3,214	3,557	3,490	3,463	3,348	-116
Services and contracts		2,983	3,217	3,199	3,147	3,169	22
Other gross operating expenses		17,059	17,886	18,546	16,452	19,744	3,291
Other interest		1,359	1,599	1,574	1,578	1,446	-132
Other property expenses		-	-	-	-	-	-
Current transfers		3,885	3,819	3,701	3,605	3,683	78
Capital transfers		439	443	481	411	338	-73
Total		42,987	44,964	45,378	43,000	46,064	3,063
NET OPERATING BALANCE ^(a)	10	-524	-3,173	-3,960	-2,819	-2,401	418
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		74	186	130	45	-127	-172
Net actuarial gains/-loss - superannuation		58	-48	-241	-684	-612	72
Provision for doubtful debts		-42	-22	-22	-22	-69	-48
Changes in accounting policy/adjustment of prior periods		-534	-	-	-	-602	-602
Total other economic flows		-443	115	-133	-660	-1,410	-750
OPERATING RESULT		-967	-3,057	-4,093	-3,479	-3,811	-332
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		4,812	3,126	3,539	1,066	-4,069	-5,135
Gains recognised directly in equity		401	-55	-55	8	1,663	1,655
Change in net worth of the public corporations sectors		226	90	27	28	-216	-244
All other		-	-	-	-	-	-
Total all other movements in equity		5,439	3,161	3,512	1,102	-2,622	-3,724
TOTAL CHANGE IN NET WORTH ^(b)	10	4,472	104	-581	-2,377	-6,433	-4,056
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE		-524	-3,173	-3,960	-2,819	-2,401	418
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,767	6,274	5,920	5,204	5,232	29
Changes in inventories		173	819	118	628	1,024	395
Other movement in non-financial assets		418	111	179	270	171	-99
<i>less:</i>							
Sales of non-financial assets		913	1,236	1,003	1,066	701	-365
Depreciation		3,214	3,557	3,490	3,463	3,348	-116
Total net acquisition of non-financial assets		2,231	2,411	1,724	1,573	2,378	805
NET LENDING/-BORROWING	10	-2,755	-5,583	-5,684	-4,392	-4,779	-387

(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

	Notes	2015		2016		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		1,579	1,171	1,436	1,634	1,599	-35
Advances paid		270	316	333	338	319	-19
Investments, loans and placements		8,282	7,162	8,069	8,714	9,111	397
Receivables		3,645	3,429	3,463	3,593	3,934	341
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		2,010	2,031	2,037	2,038	1,780	-257
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		77	85	76	83	73	-10
Other financial assets		-	-	-	-	8	8
Total financial assets		15,863	14,194	15,414	16,400	16,823	423
<i>Non-financial assets</i>							
Land		54,084	54,675	55,111	54,285	53,233	-1,053
Property, plant and equipment		98,630	101,841	102,636	100,905	97,320	-3,584
Biological assets		316	314	311	317	334	18
<i>Inventories</i>							
Land inventories		2,281	2,321	2,196	2,161	2,172	11
Other inventories		3,477	3,595	3,595	4,106	4,501	395
Intangibles		1,121	1,036	1,119	1,061	1,090	29
Assets classified as held for sale		71	17	67	65	60	-5
Investment property		59	25	51	51	73	23
Other		452	914	1,167	694	629	-65
Total non-financial assets		160,492	164,737	166,253	163,644	159,412	-4,232
TOTAL ASSETS		176,355	178,931	181,667	180,044	176,235	-3,809
LIABILITIES							
Deposits held		53	187	57	57	28	-29
Advances received		407	392	392	392	392	-
Borrowings		35,848	41,723	41,951	41,383	41,095	-288
Superannuation		7,702	8,423	7,616	8,012	8,059	47
Other employee benefits		3,752	3,083	3,442	3,393	3,335	-58
Payables		5,661	5,398	5,777	6,053	6,303	250
Other liabilities		1,633	2,216	1,714	1,831	2,157	325
TOTAL LIABILITIES		55,055	61,422	60,948	61,122	61,369	247
NET ASSETS		121,299	117,510	120,718	118,922	114,866	-4,056
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,751	22,403	30,222	30,864	27,811	-3,053
Other reserves		91,548	95,107	90,496	88,058	87,055	-1,003
NET WORTH	10	121,299	117,510	120,718	118,922	114,866	-4,056
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-39,192	-47,228	-45,535	-44,721	-44,546	176
<i>Net financial liabilities</i>		41,279	49,343	47,647	46,842	46,399	-444
<i>Net debt</i>							
Gross debt liabilities		36,308	42,302	42,401	41,832	41,515	-316
less: liquid financial assets		10,131	8,649	9,838	10,687	11,029	343
less: convergence differences impacting net debt		88	-	-	-	-	-
Net debt		26,088	33,653	32,562	31,145	30,486	-659

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
<i>Balance at 1 July 2014</i>	84,740	1,786	30,302	116,828
Operating result	-	-	-967	-967
Other movements in equity	4,812	226	401	5,439
All other	-13	-2	15	-
<i>Total change in net worth</i>	4,799	224	-551	4,471
Balance at 30 June 2015	89,539	2,010	29,751	121,299
<i>Balance at 1 July 2015</i>	89,539	2,010	29,751	121,299
Operating result	-	-	-3,811	-3,811
Other movements in equity	-4,069	-216	1,663	-2,622
All other	-195	-13	208	-
<i>Total change in net worth</i>	-4,264	-229	-1,940	-6,433
Balance at 30 June 2016	85,275	1,780	27,811	114,866

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

Table 1.12

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	2014-15		2015-16		Actual \$m (4)	Variation on EOT \$m (4) - (3)	
	Notes	Actual \$m (1)	Budget Estimate \$m (2)	MYR Revision \$m (3)			Estimated Outturn \$m (3)
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,366	9,254	8,631	8,555	8,621	66
Grants and subsidies received		9,394	8,362	8,030	8,356	8,310	-47
Receipts from sales of goods and services		19,113	19,195	19,695	17,797	21,204	3,407
Interest receipts		319	327	288	288	309	21
Dividends and tax equivalents		131	143	271	274	274	-
Other		7,927	5,947	6,308	6,531	7,015	484
<i>Total cash received</i>		45,250	43,227	43,222	41,801	45,733	3,932
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-13,861	-14,819	-14,807	-14,863	-14,776	87
Payments for goods and services		-19,665	-19,222	-20,067	-18,321	-21,693	-3,371
Interest paid		-1,293	-1,506	-1,465	-1,463	-1,440	23
Grants and subsidies paid		-4,029	-4,023	-3,812	-3,684	-3,711	-26
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,108	-3,899	-3,892	-3,677	-4,127	-451
<i>Total cash paid</i>		-42,956	-43,469	-44,042	-42,009	-45,747	-3,738
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,295	-242	-820	-208	-14	194
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,767	-6,274	-5,920	-5,204	-5,232	-29
Sales of non-financial assets		913	1,236	1,003	1,066	701	-365
<i>Total cash flows from investments in non-financial assets</i>		-4,854	-5,038	-4,917	-4,138	-4,532	-394
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		18	-	10	136	140	4
For liquidity purposes		202	44	108	124	433	309
<i>Cash paid</i>							
For policy purposes		-17	-	-10	-10	-16	-6
For liquidity purposes		-176	-46	-125	-129	-496	-367
<i>Total cash flows from investments in financial assets</i>		27	-2	-17	120	61	-59
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,828	-5,040	-4,934	-4,017	-4,471	-453
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		20,058	17,100	26,722	24,569	17,777	-6,792
Deposits received		-	-	-	-	-	-
Other financing receipts		454	37	35	44	49	4
<i>Total cash received</i>		20,512	17,137	26,757	24,613	17,825	-6,788
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-16	-
Borrowings repaid		-17,833	-11,860	-20,745	-19,039	-12,380	6,658
Deposits paid		-	-	-	-	-	-
Other financing payments		-421	-406	-440	-461	-391	69
<i>Total cash paid</i>		-18,270	-12,283	-21,201	-19,515	-12,787	6,728
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,242	4,855	5,556	5,098	5,038	-60
Net increase in cash and cash equivalents		-291	-428	-198	873	553	-320
Cash and cash equivalents at the beginning of the year		6,290	4,407	5,999	5,999	5,999	-
Cash and cash equivalents at the end of the year		5,999	3,979	5,801	6,872	6,552	-320
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,295	-242	-820	-208	-14	194
Net cash flows from investing in non-financial assets		-4,854	-5,038	-4,917	-4,138	-4,532	-394
Cash surplus/-deficit	10	-2,560	-5,280	-5,737	-4,346	-4,546	-200

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

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Notes	2014-15	2015-16			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		980	1,111	1,111	1,021	982	-39
Interest Income		1,702	2,025	1,960	1,948	1,776	-172
Other		3	1	1	1	-	-1
Total		2,685	3,137	3,072	2,970	2,758	-212
EXPENSES							
Salaries		52	55	55	53	53	-
Superannuation							
Concurrent costs		5	5	5	5	5	-
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	-
Depreciation and amortisation		13	14	14	6	6	-
Services and contracts		8	10	10	10	11	-
Other gross operating expenses		858	966	970	844	835	-10
Other interest		1,520	1,845	1,754	1,741	1,663	-78
Tax equivalents		46	30	84	104	104	-
Current transfers		5	4	4	4	5	1
Capital transfers		1	2	1	1	2	1
Total		2,509	2,934	2,900	2,772	2,686	-86
NET OPERATING BALANCE^(a)	10	176	203	172	198	72	-126
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		253	-	85	54	-4	-59
Net actuarial gains/-loss - superannuation		2	-	-	-	1	1
Provision for doubtful debts		-3	-	-	-	2	2
Changes in accounting policy/adjustment of prior periods		-159	-	-	-	-168	-168
Total other economic flows		92	-	85	54	-169	-223
OPERATING RESULT		268	203	257	253	-97	-350
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-88	-	-20	-13	-107	-94
Gains recognised directly in equity		156	-	-	-	191	191
All other		-	-	-	-	-	-
Total other non-owner movements in equity		69	-	-20	-13	84	97
<i>Movements in owner equity</i>							
Dividends		-116	-112	-210	-212	-230	-18
Capital injections		3	-	-	-	13	13
Total movements in owner equity		-114	-112	-210	-212	-216	-4
TOTAL CHANGE IN NET WORTH^(b)	10	223	90	27	28	-229	-257
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE		176	203	172	198	72	-126
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		11	10	9	9	5	-4
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		13	14	14	6	6	-
Total net acquisition of non-financial assets		-2	-4	-5	2	-2	-4
NET LENDING/-BORROWING	10	178	207	177	196	74	-123

(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	2015		2016		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		52	27	22	17	275	257
Advances paid		4,162	4,393	4,392	4,387	4,413	26
Investments, loans and placements		44,788	47,628	48,517	51,418	52,977	1,559
Receivables		555	582	548	454	873	418
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,593	1,660	1,735	1,708	1,471	-237
Other financial assets		7	17	7	7	11	4
Total financial assets		51,156	54,306	55,221	57,992	60,020	2,027
<i>Non-financial assets</i>							
Land		-	119	38	-	-	-
Property, plant and equipment		5	197	187	5	4	-1
Biological assets		-	-	-	-	-	-
<i>Inventories</i>							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		8	11	10	10	8	-2
Assets classified as held for sale		808	-	-	-	87	87
Investment property		-	641	386	380	224	-156
Other		2	47	2	2	5	3
Total non-financial assets		824	1,016	623	397	328	-69
TOTAL ASSETS		51,980	55,322	55,844	58,390	60,347	1,958
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	2	3	3	3	-
Borrowings		46,285	49,389	49,917	52,535	54,523	1,987
Superannuation		9	12	10	10	8	-1
Other employee benefits		10	10	10	10	10	-
Payables		182	190	230	247	284	38
Other liabilities		3,481	3,689	3,636	3,547	3,739	192
TOTAL LIABILITIES		49,971	53,292	53,807	56,352	58,567	2,215
NET ASSETS		2,010	2,031	2,037	2,038	1,780	-257
<i>Of which:</i>							
Contributed equity		3	-4	3	3	16	13
Accumulated surplus		1,879	1,803	1,754	1,771	1,743	-28
Other reserves		128	232	280	263	21	-243
NET WORTH	10	2,010	2,031	2,037	2,038	1,780	-257
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-824	-1,016	-623	-397	-328	69
<i>Net debt</i>							
Gross debt liabilities		46,288	49,391	49,920	52,538	54,526	1,987
less: liquid financial assets		49,002	52,047	52,931	55,823	57,665	1,842
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-2,714	-2,657	-3,010	-3,285	-3,139	146

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

Table 1.15

PUBLIC FINANCIAL CORPORATIONS
Statement of Changes in Equity

	Contributed Equity \$m	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2014</i>	-	215	1,571	1,786
Operating result	-	-	268	268
Other movements in equity	-	-88	156	69
<i>Total change in net worth</i>	-	-88	425	337
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	3	-	-	3
Dividends	-	-	-116	-116
<i>Total</i>	3	-	-116	-114
Balance at 30 June 2015	3	128	1,879	2,010
<i>Balance at 1 July 2015</i>	3	128	1,879	2,010
Operating result	-	-	-97	-97
Other movements in equity	-	-107	191	84
<i>Total change in net worth</i>	-	-107	94	-13
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	13	-	-	13
Dividends	-	-	-230	-230
<i>Total</i>	13	-	-230	-216
Balance at 30 June 2016	16	21	1,743	1,780

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

Table 1.16

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	Notes	2014-15		2015-16		Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m (1)	Budget Estimate \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		29	5	5	-	-	-
Receipts from sales of goods and services		1,085	1,117	1,122	1,032	1,114	81
Interest receipts		1,677	2,025	1,960	1,948	1,724	-224
Dividends and tax equivalents		-	-	-	-	-	-
Other		143	142	135	132	145	13
<i>Total cash received</i>		2,933	3,289	3,222	3,112	2,982	-130
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-56	-59	-59	-57	-58	-1
Payments for goods and services		-822	-839	-842	-794	-757	36
Interest paid		-1,654	-1,845	-1,754	-1,741	-1,866	-125
Grants and subsidies paid		-	-	-	-	-	-
Tax equivalents		-19	-30	-61	-62	-63	-1
Other payments		-201	-204	-203	-193	-207	-14
<i>Total cash paid</i>		-2,752	-2,977	-2,919	-2,847	-2,952	-104
NET CASH FLOWS FROM OPERATING ACTIVITIES		182	312	303	265	31	-234
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-11	-10	-9	-9	-5	4
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>		-10	-9	-9	-8	-4	4
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		6,855	6,852	7,082	7,179	4,417	-2,762
<i>Cash paid</i>							
For policy purposes		-	-	-1	-1	-	1
For liquidity purposes		-6,556	-7,161	-7,182	-7,028	-3,962	3,066
<i>Total cash flows from investments in financial assets</i>		299	-309	-101	151	455	305
NET CASH FLOWS FROM INVESTING ACTIVITIES		288	-318	-110	143	451	309
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		34,072	45,267	39,835	47,971	30,883	-17,088
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<i>Total cash received</i>		34,072	45,267	39,835	47,971	30,883	-17,088
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-33,282	-45,153	-39,620	-47,759	-29,000	18,760
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-112	-112	-210	-212	-211	1
<i>Total cash paid</i>		-33,395	-45,265	-39,830	-47,971	-29,211	18,760
NET CASH FLOWS FROM FINANCING ACTIVITIES		677	2	6	-1	1,671	1,672
Net increase in cash and cash equivalents		1,148	-4	199	407	2,153	1,746
Cash and cash equivalents at the beginning of the year		2,094	2,155	3,242	3,242	3,242	-
Cash and cash equivalents at the end of the year		3,242	2,151	3,441	3,648	5,395	1,746
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		182	312	303	265	31	-234
Net cash flows from investing in non-financial assets		-10	-9	-9	-8	-4	4
Dividends paid		-112	-112	-210	-212	-211	1
Cash surplus/-deficit	10	59	190	84	45	-185	-230

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

Table 1.17

TOTAL PUBLIC SECTOR^(a)
Operating Statement

	Notes	2014-15	2015-16			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		8,400	9,236	8,619	8,549	8,560	12
Current grants and subsidies		8,051	7,738	7,321	7,304	7,407	104
Capital grants		1,263	651	703	1,033	895	-138
Sales of goods and services		19,071	19,789	20,258	18,134	21,583	3,448
Interest income		648	658	637	640	635	-5
Royalty income		4,603	3,670	3,788	4,177	4,126	-51
Other		1,256	997	909	1,056	1,110	54
Total	5	43,292	42,740	42,235	40,892	44,316	3,424
EXPENSES							
Salaries		12,314	12,768	12,692	12,698	12,627	-71
Superannuation							
Concurrent costs		1,230	1,254	1,262	1,262	1,296	34
Superannuation interest cost		266	224	225	183	218	35
Other employee costs		298	259	270	261	257	-5
Depreciation and amortisation	6	3,226	3,571	3,504	3,470	3,354	-116
Services and contracts		2,991	3,217	3,199	3,147	3,179	33
Other gross operating expenses	7	17,600	18,526	19,188	16,972	20,279	3,307
Other interest	8	1,506	1,739	1,709	1,715	1,643	-72
Other property expenses		-	-	-	-	-	-
Current transfers	9	3,886	3,819	3,702	3,606	3,683	78
Capital transfers	9	440	445	482	412	340	-72
Total		43,756	45,822	46,233	43,725	46,875	3,150
NET OPERATING BALANCE^(b)	10	-464	-3,082	-3,998	-2,833	-2,559	274
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		327	186	215	100	-131	-231
Net actuarial gains/-loss - superannuation		60	-48	-241	-684	-610	73
Provision for doubtful debts		-45	-22	-22	-22	-68	-46
Changes in accounting policy/adjustment of prior periods		-688	-	-	-	-743	-743
Total other economic flows		-345	115	-48	-606	-1,552	-946
OPERATING RESULT		-810	-2,967	-4,046	-3,439	-4,111	-673
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		4,724	3,125	3,520	1,054	-4,176	-5,230
Gains recognised directly in equity		557	-55	-55	8	1,854	1,846
All other		-	-	-	-	-	-
Total all other movements in equity		5,281	3,071	3,465	1,062	-2,322	-3,383
TOTAL CHANGE IN NET WORTH^(c)	10	4,472	104	-581	-2,377	-6,433	-4,056
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE		-464	-3,082	-3,998	-2,833	-2,559	274
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,777	6,284	5,929	5,212	5,237	25
Changes in inventories		173	819	118	628	1,024	395
Other movement in non-financial assets		418	111	179	270	171	-99
<i>less:</i>							
Sales of non-financial assets		913	1,236	1,003	1,066	701	-365
Depreciation		3,226	3,571	3,504	3,470	3,354	-116
Total net acquisition of non-financial assets		2,229	2,406	1,719	1,575	2,376	801
NET LENDING/-BORROWING	10	-2,693	-5,489	-5,717	-4,408	-4,935	-527

(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	2015	2016			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		1,631	1,197	1,456	1,650	1,873	222
Advances paid		4,429	4,707	4,723	4,723	4,729	6
Investments, loans and placements		15,190	10,608	12,001	16,035	18,322	2,287
Receivables	11	3,747	3,641	3,567	3,516	4,140	624
Equity - Investments in other entities		1,670	1,745	1,811	1,791	1,544	-247
Other financial assets		7	17	7	7	18	11
<i>Total financial assets</i>		26,674	21,916	23,565	27,722	30,626	2,904
<i>Non-financial assets</i>							
Land	12	54,084	54,794	55,149	54,285	53,233	-1,053
Property, plant and equipment	13,14	98,636	102,038	102,823	100,910	97,324	-3,585
Biological assets	16	316	314	311	317	334	18
Inventories	17						
Land inventories		2,281	2,321	2,196	2,161	2,172	11
Other inventories		3,477	3,595	3,595	4,106	4,501	395
Intangibles	18	1,129	1,048	1,128	1,071	1,097	26
Assets classified as held for sale	19	879	17	67	65	147	82
Investment property	20	59	666	437	431	297	-134
Other		454	961	1,170	696	634	-62
<i>Total non-financial assets</i>		161,315	165,753	166,876	164,041	159,740	-4,301
TOTAL ASSETS		187,989	187,669	190,441	191,763	190,366	-1,397
LIABILITIES							
Deposits held		52	187	56	56	27	-29
Advances received		407	392	392	392	392	-
Borrowings	21	44,252	46,930	47,284	49,821	51,852	2,031
Superannuation	22	7,710	8,435	7,626	8,022	8,068	46
Other employee benefits	23	3,763	3,092	3,452	3,404	3,345	-59
Payables		5,705	5,500	5,835	6,115	6,370	255
Other liabilities	24	4,800	5,623	5,078	5,032	5,446	415
<i>TOTAL LIABILITIES</i>		<i>66,690</i>	<i>70,159</i>	<i>69,723</i>	<i>72,840</i>	<i>75,499</i>	<i>2,659</i>
NET ASSETS		121,299	117,510	120,718	118,922	114,866	-4,056
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		31,630	24,206	31,976	32,636	29,555	-3,081
Other reserves		89,669	93,304	88,742	86,287	85,312	-975
NET WORTH	10	121,299	117,510	120,718	118,922	114,866	-4,056
MEMORANDUM ITEMS							
<i>Net financial worth</i>		<i>-40,016</i>	<i>-48,244</i>	<i>-46,158</i>	<i>-45,119</i>	<i>-44,873</i>	<i>245</i>
<i>Net financial liabilities</i>		<i>41,686</i>	<i>49,989</i>	<i>47,969</i>	<i>46,910</i>	<i>46,417</i>	<i>-493</i>
<i>Net debt</i>							
Gross debt liabilities		44,712	47,509	47,732	50,269	52,271	2,002
less: liquid financial assets		21,250	16,512	18,180	22,408	24,924	2,516
less: convergence differences impacting net debt		88	-	-	-	-	-
<i>Net debt</i>		<i>23,374</i>	<i>30,996</i>	<i>29,552</i>	<i>27,860</i>	<i>27,347</i>	<i>-513</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
<i>Balance at 1 July 2014</i>	84,955	31,873	116,828
Operating result	-	-810	-810
Other movements in equity	4,724	557	5,281
All other	-10	10	-
<i>Total change in net worth</i>	4,715	-243	4,472
Balance at 30 June 2015	89,669	31,630	121,299
<i>Balance at 1 July 2015</i>	89,669	31,630	121,299
Operating result	-	-4,111	-4,111
Other movements in equity	-4,176	1,854	-2,322
All other	-182	182	-
<i>Total change in net worth</i>	-4,358	-2,075	-6,433
Balance at 30 June 2016	85,312	29,555	114,866

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

Table 1.20

TOTAL PUBLIC SECTOR^(a)
Cash Flow Statement

	Notes	2014-15		2015-16			Variation on EOT \$m (4) - (3)
		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		8,305	9,186	8,557	8,489	8,556	68
Grants and subsidies received		9,394	8,362	8,030	8,356	8,310	-47
Receipts from sales of goods and services		19,836	19,973	20,476	18,488	21,979	3,491
Interest receipts		748	710	705	710	667	-43
Dividends and tax equivalents		-	-	-	-	-	-
Other		8,065	6,083	6,438	6,658	7,156	498
<i>Total cash received</i>		46,347	44,313	44,205	42,701	46,668	3,967
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-13,917	-14,878	-14,866	-14,920	-14,834	87
Payments for goods and services		-20,123	-19,722	-20,569	-18,774	-22,112	-3,338
Interest paid		-1,699	-1,708	-1,676	-1,678	-1,940	-262
Grants and subsidies paid		-4,001	-4,019	-3,807	-3,685	-3,711	-26
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,244	-4,029	-4,016	-3,799	-4,266	-467
<i>Total cash paid</i>		-43,983	-44,356	-44,933	-42,856	-46,863	-4,006
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	2,364	-43	-727	-155	-195	-40
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,777	-6,284	-5,929	-5,212	-5,237	-25
Sales of non-financial assets		913	1,236	1,003	1,066	701	-365
<i>Total cash flows from investments in non-financial assets</i>		-4,864	-5,047	-4,926	-4,146	-4,536	-390
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		18	-	10	136	140	4
For liquidity purposes		7,056	6,896	7,191	7,303	4,850	-2,454
<i>Cash paid</i>							
For policy purposes		-17	-	-10	-10	-16	-6
For liquidity purposes		-6,732	-7,207	-7,307	-7,157	-4,457	2,699
<i>Total cash flows from investments in financial assets</i>		325	-311	-116	272	516	244
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,539	-5,358	-5,042	-3,874	-4,020	-146
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		16,256	33,329	19,043	28,923	18,612	-10,312
Deposits received		-	-	-	-	-	-
Other financing receipts		454	37	34	44	49	5
<i>Total cash received</i>		16,711	33,366	19,077	28,967	18,660	-10,307
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-16	-
Borrowings repaid		-13,242	-27,974	-12,851	-23,182	-11,333	11,849
Deposits paid		-	-	-	-	-	-
Other financing payments		-421	-406	-440	-461	-391	69
<i>Total cash paid</i>		-13,679	-28,397	-13,307	-23,658	-11,740	11,919
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,032	4,969	5,771	5,309	6,921	1,612
Net increase in cash and cash equivalents		857	-432	1	1,280	2,706	1,427
Cash and cash equivalents at the beginning of the period		8,383	6,560	9,239	9,239	9,239	-
Cash and cash equivalents at the end of the period	26	9,239	6,128	9,240	10,519	11,946	1,427
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,364	-43	-727	-155	-195	-40
Net cash flows from investing in non-financial assets		-4,864	-5,047	-4,926	-4,146	-4,536	-390
Cash surplus/-deficit	10	-2,500	-5,090	-5,653	-4,301	-4,731	-430

(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 Government’.

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

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

- contribute to securing Western Australia’s economic future;
- provides efficient delivery of high quality public 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 2015-16 Government Financial Strategy Statement in Budget Paper No. 3: *Economic and Fiscal Outlook*, page 65.

“The Government seeks to provide efficient, high quality public services to meet the needs of a growing State. Through delivery of strategic infrastructure projects, the Government also seeks to support the continued growth of the Western Australian economy and to increase its productive capacity. At the same time, the Government also manages public sector finances to achieve sustainable long-term outcomes by seeking to manage within the constraints of the financial targets...”¹

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

¹ Performance against the 2015-16 Budget financial targets is discussed in Chapter 2 of this report.

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 2016 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 (also referred to as the total public sector and/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 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 Government is taken to exist where the:

- agency is accountable to the Government;
- the Government, through the public sector, has a residual financial interest in the net assets of that agency; and
- the 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 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 15: *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* 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 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 the Government's 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 Western Australian 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'.

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 2016 is based on the current depreciated replacement cost determined at 30 June 2016 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 – 80 years
<i>Infrastructure – Road network</i>	
Seals	12 – 19 years
Pavements and drainage	15 – 50 years
Road furniture	25 – 40 years
Bridges	60 – 100 years
Earthworks	Up to 173 years
<i>Infrastructure – Water, storage and distribution</i>	
Pipelines and fittings	30 – 110 years
Drains and channels	20 – 150 years
Dams and reservoirs	50 – 120 years
<i>Infrastructure – Electricity generation and transmission</i>	2 – 50 years
<i>Infrastructure – Other</i>	
Public transport	5 – 75 years
Harbour and ports	10 – 100 years
<i>Plant, equipment and other</i>	3 – 100 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, 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, 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.

In accordance with legislative requirements, the Government Employees Superannuation Board (GESB) 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 Scheme which commenced on 16 April 2007.

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*.

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 payments.

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 payments.

(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 2015.

- AASB 2013-9: *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*. Part C of this Standard defers the application AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The full impact of AASB 9 is still being assessed.
- AASB 2014-8: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*. This Standard makes amendments to AASB 9: *Financial Instruments* (December 2009) and AASB 9: *Financial Instruments* (December 2010), arising from the issuance of AASB 9: *Financial Instruments* in December 2014. There is no financial impact from the application of this Standard.
- AASB 2015-1: *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]*. This Standard provides clarification regarding disclosure requirements. There is no financial impact from the application of this Standard.
- AASB 2015-3: *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031: Materiality*. This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact resulting from 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 2018. The full impact of this Standard is still being assessed.
- *AASB 15: Revenue from Contracts with Customers*. This Standard establishes the principles that shall be applied to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer to become effective for reporting periods beginning on or after 1 January 2018. The full impact of this Standard is still being assessed.
- *AASB 16: Leases*. This Standard becomes effective for reporting periods beginning on or after 1 January 2019 and introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The full impact of this Standard is still being assessed.
- *AASB 1057: Application of Australian Accounting Standards*. This Standard lists the application paragraphs for each other Standard and Interpretation, grouped where they are the same and becomes effective for reporting periods beginning on or after 1 January 2016. There is no financial impact 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 2018 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 2014-1: Amendments to Australian Accounting Standards*. This Standard makes amendments to AASB 9 and consequential amendments to other Standards and becomes effective for reporting periods beginning on or after 1 January 2018. The full impact of this Standard is still being assessed.

- AASB 2014-3: Amendments to Australian Accounting Standards Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]. This standard amends AASB 11 to provide guidance on accounting for acquisition of interests in joint operations in which the activity constitutes a business, as defined in AASB 3. If so the principles in AASB 3 will apply unless they conflict with guidance in AASB 11. This Standard becomes effective for reporting periods beginning on or after 1 January 2016. The adoption of this Standard has no financial impact as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.
- AASB 2014-4: *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]*. This Standard becomes effective for reporting periods beginning on or after 1 January 2016 and establishes the basis of depreciation and amortisation including clarifying the use of revenue-based methods. There is no financial impact from the application of this Standard.
- AASB 2014-5: *Amendments to Australian Accounting Standards arising From AASB 15*. This Standard becomes effective for reporting periods beginning on or after 1 January 2018 and makes consequential amendments to Australian Accounting Standards and Interpretations as a result of issuing AASB 15. The full impact of this Standard is still being assessed.
- AASB 2014-7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*. This Standard gives effect to the consequential amendments to Australian Accounting Standards (including interpretations) arising from the issuance of AASB 9 (December 2014). This Standard becomes effective for reporting periods beginning on or after 1 January 2018. The full impact of this Standard is still being assessed.
- AASB 2014–9: *Amendments to Australian Accounting Standards- Equity Method in Separate Financial Statements*. This Standard amends AASB 127, and consequently amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. This Standard becomes effective for reporting periods beginning on or after 1 January 2016. The full impact of this Standard is still being assessed.
- AASB 2014–10: *Amendments to Australia Accounting Standards- Sale of Contribution of Assets between investor and its Associate or Joint Venture*. This Standard becomes effective for reporting periods beginning on or after 1 January 2016 and amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The full impact of this Standard is still being assessed.

- AASB 2015–1: *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]*. This Standard becomes effective for reporting periods beginning on or after 1 January 2016. These amendments arise from the issuance of International Financial Reporting Standard *Annual Improvements to IFRSs 2012–2014 Cycle* in September 2014, and editorial corrections. The full impact of this Standard is still being assessed.
- AASB 2015-2: *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]*. This Standard provides amendments to AASB 101 to provide clarification to disclosure and presentation requirements. This Standard becomes effective for reporting periods on or after 1 January 2016. There is no financial impact resulting from this standard.
- AASB 2015–6: *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]*. This Standard provides guidance to assist in the application of the Standard by not-for-profit public sector entities and becomes effective for reporting periods on or after 1 July 2016. The full impact of this Standard is still being assessed.
- AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*. This Standard becomes effective on or after 1 January 2018 and makes amendments to the effective date of AASB 15: *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. The full impact of this Standard is still being assessed.
- AASB 2015–10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 & 128*. This Standard becomes defers the mandatory effective date (application date) of amendments to AASB 10 & 128 that were originally made in AASB 2014–10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. The full impact of AASB 2014–10 is still being assessed.
- AASB 2016–2: *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*. This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. There is no financial impact from the application of this Standard.
- AASB 2016–3: *Amendments to Australian Accounting Standards – Clarifications to AASB 15*. This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. This Standard becomes effective for reporting periods beginning on or after 1 January 2018 and the full impact of is still being assessed.

- AASB 2016–4: *Amendments to Australian Accounting Standards – Recoverable Amount of Non–Cash–Generating Specialised Assets of Not–for–Profit Entities*. This Standard becomes effective for reporting periods beginning on or after 1 January 2017 and clarifies that not-for-profit public sector entities carrying non-cash generating specialised assets at fair value (current replacement cost) in accordance with AASB 13: *Fair Value Measurement*. The full impact of this Standard is still being assessed.

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: 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		
	2016	2015
	\$m	\$m
EXPENSES		
General public services	206	286
Public order and safety	3,372	3,203
Education	7,017	6,690
Health	8,306	7,942
Social security and welfare	2,114	2,072
Housing and community amenities	2,043	1,833
Recreation and culture	789	908
Fuel and energy	464	609
Agriculture, forestry, fishing and hunting	386	343
Mining and mineral resources other than fuels; manufacturing and construction	216	221
Transport and communications	2,003	2,003
Other economic affairs	620	650
Other purposes	968	1,071
TOTAL EXPENSES	28,506	27,831
ASSETS AT 30 JUNE		
General public services	6,469	5,772
Public order and safety	3,904	3,927
Education	13,857	16,075
Health	8,366	8,371
Social security and welfare	290	311
Housing and community amenities	5,045	5,697
Recreation and culture	6,014	5,659
Fuel and energy	12	27
Agriculture, forestry, fishing and hunting	394	389
Mining and mineral resources other than fuels; manufacturing and construction	1,371	1,253
Transport and communications	45,721	44,889
Other economic affairs	290	278
<i>plus</i> Investments in other public sector entities	55,834	56,301
TOTAL ASSETS	147,566	148,949

Note: Columns may not add due to rounding.

GOVERNMENT PURPOSE CLASSIFICATION

Total Public Sector		
	2016	2015
	\$m	\$m
EXPENSES		
General public services	1	25
Public order and safety	3,293	3,113
Education	6,850	6,500
Health	8,243	7,882
Social security and welfare	2,090	1,975
Housing and community amenities	3,613	3,497
Recreation and culture	3,611	3,676
Fuel and energy	3,210	3,355
Agriculture, forestry, fishing and hunting	476	431
Mining and mineral resources other than fuels; manufacturing and construction	215	219
Transport and communications	2,923	2,926
Other economic affairs	10,403	8,123
Other purposes	1,947	2,034
TOTAL EXPENSES	46,875	43,756
ASSETS AT 30 JUNE		
General public services	5,756	5,156
Public order and safety	3,914	3,937
Education	13,857	16,075
Health	8,366	8,371
Social security and welfare	289	310
Housing and community amenities	50,004	51,279
Recreation and culture	6,785	6,401
Fuel and energy	22,962	23,255
Agriculture, forestry, fishing and hunting	769	751
Mining and mineral resources other than fuels; manufacturing and construction	1,371	1,253
Transport and communications	55,871	54,058
Other economic affairs	20,421	17,144
TOTAL ASSETS	190,366	187,989

Note: Columns may not add due to rounding.

NOTE 5: 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 6: DEPRECIATION AND AMORTISATION EXPENSE

General Government		
	2016	2015
	\$m	\$m
<i>Depreciation</i>		
Buildings	564	545
Infrastructure	358	270
Plant, equipment and other	339	337
<i>Total</i>	1,262	1,152
<i>Amortisation</i>		
Intangible assets	98	84
<i>Total</i>	98	84
Total depreciation and amortisation expenses	1,359	1,235
Total Public Sector		
	2016	2015
	\$m	\$m
<i>Depreciation</i>		
Buildings	755	752
Infrastructure	1,616	1,544
Plant, equipment and other	779	751
<i>Total</i>	3,150	3,048
<i>Amortisation</i>		
Intangible assets	204	179
<i>Total</i>	204	179
Total depreciation and amortisation expenses	3,354	3,226

Note: Columns may not add due to rounding.

NOTE 7: OTHER GROSS OPERATING EXPENSES

General Government		
	2016	2015
	\$m	\$m
Health sector specific expenses	1,267	1,156
Education sector specific expenses	827	660
Services purchased from non-government agencies	1,859	1,803
Operating leases	563	521
Other	1,001	991
Total	5,518	5,131
Total Public Sector		
	2016	2015
	\$m	\$m
Betting dividends payouts	1,774	1,775
Health sector specific expenses	1,267	1,156
Education sector specific expenses	827	660
Insurance claims expenses	716	741
Gold corporation inventories	9,802	7,395
Operating leases	580	541
Other	5,312	5,333
Total	20,279	17,600

Note: Columns may not add due to rounding.

NOTE 8: OTHER INTEREST

General Government		
	2016	2015
	\$m	\$m
Interest on borrowings	644	522
Finance charges on finance leases	20	21
Total	664	543
Less: Capitalised interest on borrowings	-	-
Total other interest	664	543
Total Public Sector		
	2016	2015
	\$m	\$m
Interest on borrowings	1,566	1,420
Finance charges on finance leases	108	119
Total	1,674	1,539
Less: Capitalised interest on borrowings	31	33
Total other interest	1,643	1,506

Note: Columns may not add due to rounding.

NOTE 9: TRANSFER EXPENSES

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

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		
	2016	2015
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	413	380
Local government on-passing	85	262
Private and not-for-profit sector	1,319	1,435
Private and not-for-profit sector on-passing	1,110	1,064
Other sectors of government	2,237	2,325
Total Current Transfers	5,164	5,465
<i>CAPITAL TRANSFERS</i>		
Local government	88	87
Local government on-passing	54	162
Private and not-for-profit sector	111	129
Private and not-for-profit sector on-passing	15	16
Other sectors of government	200	113
Total Capital Transfers	469	507
Total Public Sector		
	2016	2015
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	419	380
Local government on-passing	85	262
Private and not-for-profit sector	2,044	2,162
Private and not-for-profit sector on-passing	1,110	1,064
Other sectors of government	25	18
Total Current Transfers	3,683	3,886
<i>CAPITAL TRANSFERS</i>		
Local government	89	88
Local government on-passing	54	162
Private and not-for-profit sector	182	174
Private and not-for-profit sector on-passing	15	16
Total Capital Transfers	340	440

(a) Includes grants, subsidies and other transfer expenses.

Note: Columns may not add due to rounding.

NOTE 10: 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 2016 results.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Operating Balance ^(a)

	2016	2015
	\$m	\$m
<i><u>General government</u></i>		
AASB 1049 net operating balance	-2,021	-431
Plus GFS revenue adjustments	-	-
Less GFS expense adjustments		-
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-
Total GFS expense adjustments	88	-
Total GFS adjustments to AASB 1049 net operating balance	-88	-
GFS net operating balance	-2,109	-431
<i><u>Public non-financial sector</u></i>		
AASB 1049 net operating balance	892	1,049
Plus GFS revenue adjustments	-	-
Less GFS expense adjustments		
Capitalised interest	31	33
Dividends	1,273	1,142
Total GFS expense adjustments	1,304	1,175
Total GFS adjustments to AASB 1049 net operating balance	-1,304	-1,175
GFS net operating balance	-411	-125
<i><u>Total non-financial public sector</u></i>		
AASB 1049 net operating balance	-2,401	-524
Plus GFS revenue adjustments	-	-
Less GFS expense adjustments		
Capitalised interest	31	33
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-
Total GFS expense adjustments	119	33
Total GFS adjustments to AASB 1049 net operating balance	-119	-33
GFS net operating balance	-2,520	-556

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
 Net Operating Balance ^(a) (cont.)

	2016	2015
	\$m	\$m
<i><u>Public financial sector</u></i>		
AASB 1049 net operating balance	72	176
Plus GFS revenue adjustments	-	-
Less GFS expense adjustments		
Dividends	230	116
Total GFS expense adjustments	230	116
Total GFS adjustments to AASB 1049 net operating balance	-230	-116
GFS net operating balance	-158	60
<i><u>Total public sector</u></i>		
AASB 1049 net operating balance	-2,559	-464
Plus GFS revenue adjustments	-	-
Less GFS expense adjustments		
Capitalised interest	31	33
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-
Total GFS expense adjustments	119	33
Total GFS adjustments to AASB 1049 net operating balance	-119	-33
GFS net operating balance	-2,678	-497

(a) The 2014–15 *Annual Report on State Finances* included an amount of \$499 million relating to prepaid road grants, based on the then advice from the Australian Bureau of Statistics (ABS) for Government Finance Statistics (GFS) purposes. This prepayment was included as a GFS – AASB 1049 convergence difference, with the prepayment unwinding as the grant was spent on specific projects. However, on revised advice received in January this year from the ABS, the prepaid grant is no longer required to be accrued for GFS purposes, as where possible the ABS would prefer to align (conceptually) the GFS treatment with the AASB 1049 treatment. All comparative GFS data in this note has been revised for this change in treatment.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Net Lending/-Borrowing ^(a)

	2016	2015
	\$m	\$m
<i>General government</i>		
AASB 1049 net lending/-borrowing	-3,064	-1,809
Plus Net operating balance convergence differences (noted above)	-88	-
GFS net lending/-borrowing	-3,152	-1,809
<i>Public non-financial corporations</i>		
AASB 1049 net lending/-borrowing	-442	196
Plus Net operating balance convergence differences (noted above)	-1,304	-1,175
GFS net lending/-borrowing	-1,746	-979
<i>Total non-financial public sector</i>		
AASB 1049 net lending/-borrowing	-4,779	-2,755
Plus Net operating balance convergence differences (noted above)	-119	-33
GFS net lending/-borrowing	-4,898	-2,788
<i>Total public sector</i>		
AASB 1049 net lending/-borrowing	74	178
Plus Net operating balance convergence differences (noted above)	-230	-116
GFS net lending/-borrowing	-156	62
<i>Total public sector</i>		
AASB 1049 net lending/-borrowing	-4,935	-2,693
Plus Net operating balance convergence differences (noted above)	-119	-33
GFS net lending/-borrowing	-5,054	-2,726

(a) See footnote to operating balance convergence difference earlier in this note.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES		
Net Worth ^(a)		
	2016	2015
	\$m	\$m
<u>General government</u>		
AASB 1049 net worth	114,866	121,299
Plus		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	88
Provision for doubtful debts		
General government sector	263	236
Impact on public corporations net worth	31	25
<i>Total GFS net worth adjustments</i>	293	349
GFS net worth	115,160	121,648
<u>Public non-financial corporations</u>		
AASB 1049 net worth	54,054	54,291
Plus		
Impact of general government equity injections	-7,674	-6,891
Provision for doubtful debts	31	25
<i>Total GFS net worth adjustments</i>	-7,643	-6,866
GFS net worth	46,411	47,425
<u>Total non-financial public sector</u>		
AASB 1049 net worth	114,866	121,299
Plus		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	88
Provision for doubtful debts		
Total non-financial public sector	293	261
<i>Total GFS net worth adjustments</i>	293	349
GFS net worth	115,160	121,648
<u>Public financial corporations</u>		
AASB 1049 net worth	1,780	2,010
<i>Total GFS net worth adjustments</i>	-	-
GFS net worth	1,780	2,010
<u>Total public sector</u>		
AASB 1049 net worth	114,866	121,299
Plus		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	88
Provision for doubtful debts	293	261
<i>Total GFS net worth adjustments</i>	293	349
GFS net worth	115,160	121,648

(a) See footnote to operating balance convergence difference.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Change in Net Worth ^(a)

	2016	2015
	\$m	\$m
<u>General government</u>		
AASB 1049 change in net worth	-6,433	4,472
Plus change in:		
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-
Provision for doubtful debts		
General government sector	27	20
Impact on public corporations net worth	6	-17
Total GFS change in net worth adjustments	-55	3
GFS change in net worth	-6,488	4,475
<u>Public non-financial corporations</u>		
AASB 1049 change in net worth	-237	3,640
Plus change in:		
Impact of general government equity injections	-782	-518
Provision for doubtful debts	6	-8
Total GFS change in net worth adjustments	-776	-526
GFS change in net worth	-1,014	3,114
<u>Total non-financial public sector</u>		
AASB 1049 change in net worth	-6,433	4,472
Plus change in:		
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-
Provision for doubtful debts		
Total non-financial public sector	33	11
Impact of public corporations net worth	-	-9
Total GFS change in net worth adjustments	-55	2
GFS change in net worth	-6,488	4,474
<u>Public financial corporations</u>		
AASB 1049 change in net worth	-229	223
Plus change in:		
Provision for doubtful debts	-	-9
Total GFS change in net worth adjustments	-	-9
GFS change in net worth	-229	214
<u>Total public sector</u>		
AASB 1049 change in net worth	-6,433	4,472
Plus change in:		
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-
Provision for doubtful debts	33	2
Total GFS change in net worth adjustments	-55	2
GFS change in net worth	-6,488	4,474

(a) See footnote to operating balance convergence difference earlier in this note.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES		
Cash Surplus/-Deficit		
	2016	2015
	\$m	\$m
<i>General government</i>		
AASB 1049 cash surplus/-deficit	-3,664	-1,493
Less Acquisitions under finance leases and similar arrangements	-	80
GFS cash surplus/-deficit	-3,664	-1,573
<i>Public non-financial corporations</i>		
AASB 1049 cash surplus/-deficit	-882	-1,066
Less Acquisitions under finance leases and similar arrangements	-	-
GFS cash surplus/-deficit	-882	-1,066
<i>Total non-financial public sector</i>		
AASB 1049 cash surplus/-deficit	-4,546	-2,560
Less Acquisitions under finance leases and similar arrangements	-	80
GFS cash surplus/-deficit	-4,546	-2,639
<i>Public financial corporations</i>		
AASB 1049 cash surplus/-deficit	-185	59
Less Acquisitions under finance leases and similar arrangements	-	-
GFS cash surplus/-deficit	-185	59
<i>Total public sector</i>		
AASB 1049 cash surplus/-deficit	-4,731	-2,500
Less Acquisitions under finance leases and similar arrangements	-	80
GFS cash surplus/-deficit	-4,731	-2,580

NOTE 11: RECEIVABLES

General Government		
	2016	2015
	\$m	\$m
Receivables	3,184	2,896
Provision for impairment of receivables	-263	-236
Total receivables	2,921	2,660
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	236	216
Doubtful debts expense recognised in the income statement	62	39
Amounts written off during the year	-34	-19
Amounts recovered during the year	-1	-
Balance at the end of year	263	236
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	1,279	1,377
More than 3 Months but less than 6 months	157	109
More than 6 months but less than 1 year	248	162
More than 1 year	344	393
Total	2,027	2,041
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	93	74
Impairment loss	-2	-5
Carrying amount at the end of year	91	68
Total Public Sector		
	2016	2015
	\$m	\$m
Receivables	4,433	4,007
Provision for impairment of receivables	-293	-260
Total receivables	4,140	3,747
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	261	259
Doubtful debts expense recognised in the income statement	88	53
Amounts written off during the year	-53	-51
Amounts recovered during the year	-2	-1
Balance at the end of year	293	260
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	1,507	1,624
More than 3 Months but less than 6 months	205	158
More than 6 months but less than 1 year	291	196
More than 1 year	351	412
Total	2,355	2,389
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	239	175
Impairment loss	-27	-20
Carrying amount at the end of year	212	155
Note: Columns may not add due to rounding.		

NOTE 12: LAND

General Government		
	2016	2015
	\$m	\$m
Land, at fair value ^(a)	14,168	14,626
Land under roads, at fair value ^(b)	24,382	24,211
Total	38,551	38,837
Total Public Sector		
	2016	2015
	\$m	\$m
Land, at fair value ^(a)	28,850	29,873
Land under roads, at fair value ^(b)	24,382	24,211
Total	53,233	54,084

(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 2015. Land vested in local authorities of \$2,071 million (2015: \$2,186 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 2015.

Note Columns may not add due to rounding.

NOTE 13: OTHER PROPERTY, PLANT AND EQUIPMENT

General Government		
	2016	2015
	\$m	\$m
Buildings, at fair value ^(a)	18,659	20,993
Accumulated Depreciation and impairment losses	-449	-390
<i>Total</i>	<i>18,210</i>	<i>20,603</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)	29,780	28,321
Accumulated Depreciation	-10,529	-10,329
<i>Total</i>	<i>19,251</i>	<i>17,992</i>
Other infrastructure, at fair value	845	823
Accumulated Depreciation	-290	-275
<i>Total</i>	<i>555</i>	<i>548</i>
Plant, equipment and other, at fair value	4,178	3,961
Accumulated Depreciation and impairment losses	-1,680	-1,591
<i>Total</i>	<i>2,499</i>	<i>2,370</i>
Fixed Assets under construction	2,741	3,490
Total Property, Plant and Equipment	43,256	45,003
Total Public Sector		
	2016	2015
	\$m	\$m
Buildings, at fair value ^(a)	26,154	29,460
Accumulated Depreciation and impairment losses	-1,165	-1,010
<i>Total</i>	<i>24,988</i>	<i>28,450</i>
Electricity generation and transmission, at fair value ^(b)	19,701	18,812
Accumulated Depreciation	-4,406	-4,046
<i>Total</i>	<i>15,295</i>	<i>14,766</i>
Road networks, at fair value ^(c)	29,780	28,321
Accumulated Depreciation	-10,529	-10,329
<i>Total</i>	<i>19,251</i>	<i>17,992</i>
Water storage and distribution, at fair value ^(d)	29,296	29,061
Accumulated Depreciation	-10,983	-10,707
<i>Total</i>	<i>18,313</i>	<i>18,354</i>
Other infrastructure, at fair value	15,835	13,966
Accumulated Depreciation	-9,020	-7,584
<i>Total</i>	<i>6,815</i>	<i>6,381</i>
Plant, equipment and other, at fair value	13,495	12,349
Accumulated Depreciation and impairment losses	-5,852	-5,241
<i>Total</i>	<i>7,643</i>	<i>7,108</i>
Fixed Assets under construction	5,019	5,585
Total Property, Plant and Equipment	97,324	98,636

- (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 2016.
- (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: Columns may not add due to rounding.

NOTE 14: RECONCILIATION OF LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT (a)

General Government

	Land	Land under Roads	Buildings	Electricity generation and transmission	Road networks	Other Infra-structure	Plant, equip & other	Fixed Assets under Construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
30 June 2016									
<i>Carrying amount at beginning of year</i>	14,626	24,211	20,603	1	17,992	548	2,370	3,490	83,840
Assets classified as held for sale	-14	-	-1	-	-	-	-	-	-15
Additions	115	17	101	-	-	1	331	1,790	2,354
Disposals	-104	-	-4	-	-98	-	-55	-4	-265
Transfers in/-out	5	18	801	-	1,538	25	105	-2,515	-23
Revaluation increments/-decrements	-335	136	-2,707	-	160	-	91	-	-2,655
Depreciation	-	-	-564	-	-340	-18	-339	-	-1,262
Impairment losses	-	-	-2	-	-	-	-1	-	-3
Other	-124	-	-17	-	-	-1	-4	-20	-165
Carrying amount at end of year	14,168	24,382	18,210	1	19,251	555	2,499	2,741	81,807
30 June 2015									
<i>Carrying amount at beginning of year</i>	15,264	22,342	18,035	1	17,740	346	2,210	4,831	80,768
Assets classified as held for sale	-33	-	-7	-	-	-	-	-	-41
Additions	58	17	76	-	583	48	283	1,737	2,802
Disposals	-66	-	-40	-	-18	-1	-107	-2	-234
Transfers in/-out	12	-3	2,575	-	-58	170	268	-3,068	-105
Revaluation increments/-decrements	-613	1,855	526	-	-	3	53	-	1,824
Depreciation	-	-	-545	-	-254	-16	-337	-	-1,152
Impairment losses	-	-	-	-	-	-	-	-	-
Other	3	-	-16	-	-	-2	1	-7	-23
Carrying amount at end of year	14,626	24,211	20,603	1	17,992	548	2,370	3,490	83,840

NOTE 14: RECONCILIATION OF LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT (a)
(CONT.)

Total Public Sector										
	Land	Land under Roads	Buildings	Electricity generation and transmission	Road networks	Water storage and distribution	Other Infra-structure	Plant, equip & other	Fixed Assets under Construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
30 June 2016										
<i>Carrying amount at beginning of year</i>	29,873	24,211	28,450	14,766	17,992	18,354	6,381	7,108	5,585	152,720
Assets classified as held for sale	-14	-	-33	-	-	-	-	-	-	-48
Additions	147	17	186	94	-	247	11	434	3,970	5,107
Disposals	-287	-	-179	-23	-98	-3	-1	-86	-4	-681
Transfers in/-out	5	18	911	876	1,538	199	127	768	-4,512	-70
Revaluation increments/-decrements	-751	136	-3,575	162	160	-96	608	192	-	-3,164
Depreciation	-	-	-755	-577	-340	-388	-312	-779	-	-3,150
Impairment losses	-	-	-2	-	-	-	-	-1	-	-3
Other	-124	-	-15	-3	-	-	-1	8	-20	-154
Carrying amount at end of year	28,850	24,382	24,988	15,295	19,251	18,313	6,815	7,643	5,019	150,557
30 June 2015										
<i>Carrying amount at beginning of year</i>	30,182	22,342	26,062	11,879	17,740	17,929	5,471	6,851	7,848	146,304
Assets classified as held for sale	-76	-	-239	-	-	-	-	-	-	-315
Additions	160	17	154	-	583	101	58	403	4,077	5,554
Disposals	-134	-	-147	-52	-18	-8	-4	-210	-15	-588
Transfers in/-out	38	-3	2,826	1,694	-58	662	483	673	-6,304	10
Revaluation increments/-decrements	-303	1,855	561	1,886	-	72	635	140	-	4,846
Depreciation	-	-	-752	-631	-254	-402	-256	-751	-	-3,048
Impairment losses	-	-	-	-	-	-	-1	-	-12	-14
Other	5	-	-15	-8	-	-	-4	2	-9	-29
Carrying amount at end of year	29,873	24,211	28,450	14,766	17,992	18,354	6,381	7,108	5,585	152,720

(a) Information on fair value measurements is provided in Note 15.

Note: Columns may not add due to rounding.

NOTE 15: FAIR VALUE MEASUREMENTS

General Government

Assets measured at fair value

	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	Fair value at end of period
	\$m	\$m	\$m	\$m
30 June 2016				
Assets classified as held for sale (Note 19)	-	20	12	32
Land (Note 12,14)	111	4,637	9,421	14,168
Land under roads (Note 12,14)	-	-	24,382	24,382
Buildings (Note 13,14)	33	448	17,728	18,210
Electricity generation and transmission (Note 13,14)	-	-	1	1
Road networks (Note 13,14)	-	-	19,251	19,251
Other infrastructure (Note 13,14)	-	94	461	555
Plant, equipment and other (Note 13,14)	4	361	2,134	2,499
Biological assets (Note 16)	-	4	-	4
Investment property (Note 20)	-	8	-	8
Total	148	5,571	73,390	79,110

	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	Fair value at end of period
	\$m	\$m	\$m	\$m
30 June 2015				
Assets classified as held for sale (Note 19)	-	14	13	27
Land (Note 12,14)	9	5,308	9,309	14,626
Land under roads (Note 12,14)	-	-	24,211	24,211
Buildings (Note 13,14)	34	521	20,047	20,603
Electricity generation and transmission (Note 13,14)	-	-	1	1
Road networks (Note 13,14)	-	-	17,992	17,992
Other infrastructure (Note 13,14)	-	79	469	548
Plant, equipment and other (Note 13,14)	1	62	2,307	2,370
Biological assets (Note 16)	-	1	-	2
Investment property (Note 20)	-	9	-	9
Total	44	5,994	74,349	80,388

(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.

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

Measurement of fair values

Transfers between Level 1, 2 and 3

The following transfers between fair value hierarchy levels have been identified for agencies with significant asset values within the general government sector for the period ending 30 June 2016.

- The Department of Culture and the Arts transferred \$297 million in works of art from Level 3 to Level 2;

NOTE 15: FAIR VALUE MEASUREMENTS (CONT)

- The Department of Water transferred \$113 million in land assets and \$1 million in buildings from Level 3 to Level 2;
- Western Australia Police transferred \$18 million in buildings from Level 2 to Level 3 in 2015-16 to reflect the correct valuation methodology;
- The Western Australian Planning Commission transferred \$11 million in land assets from Level 2 to Level 3;
- The Department of Health transferred \$2 million in land assets from Level 2 to Level 3; and
- The Department for Child Protection and Family Support transferred property of \$2 million from Level 2 to Level 3.

The following transfers between fair value hierarchy levels have been identified for agencies with significant asset values within the general government sector for the period ending 30 June 2015.

- The Department for Child Protection and Family Support transferred six assets with a total value of \$10 million from Level 2 to Level 3 during the current period due to refurbishments that resulted in the properties not having an active liquid market for fair value measurement.
- The Department of Lands reported \$4,898 million in land assets at Level 3 in 2013-14. The asset classification was reassessed during the year and is now reported at Level 2; and
- The Department of Parks and Wildlife transferred \$581 million in land assets from Level 2 to Level 3 in 2014-15.

Valuation techniques to derive Level 2 fair values

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

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

- Level 2 fair values of assets classified as held for sale, land, buildings, other infrastructure, and plant, equipment and 'other' are derived using the market approach. Market evidence of sales prices of comparable assets is used to determine price per square metre, with adjustments made for differences in key attributes.
- Level 2 fair values of biological assets are derived using the market rates less costs to sell.
- Assets held for sale have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

NOTE 15: 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 2016										
<i>Fair value at start of period</i>	13	9,309	24,211	20,047	1	17,992	469	2,307	-	-
Additions	1	100	35	913	-	1,543	11	432	-	-
Revaluation increments/-decrements recognised in all other movements in equity	-1	197	136	-2,638	-	160	-	92	-	-
Transfers from/-to Level 2	-	-158	-	10	-	-	-	-296	-	-
Transfers between asset classes	-	1	-	4	-	-	-6	-	-	-
Disposals	-1	-30	-	-68	-	-103	-1	-61	-	-
Depreciation	-	-	-	-539	-	-340	-13	-340	-	-
Fair value at end of period	12	9,421	24,382	17,728	1	19,251	461	2,134	-	-
30 June 2015										
<i>Fair value at start of period</i>	4	12,875	22,342	17,333	1	17,740	269	2,144	1	-
Additions	10	92	17	2,761	-	599	213	783	-	-
Revaluation increments/-decrements recognised in all other movements in equity	-	653	1,855	565	-	-1	-	-42	-	-
Transfers from/-to Level 2	-	-4,211	-	88	-	-	-	-45	-1	-
Disposals	-	-99	-	-173	-	-92	-	-199	-	-
Depreciation	-	-	-3	-527	-	-254	-12	-334	-	-
Fair value at end of period	13	9,309	24,211	20,047	1	17,992	469	2,307	-	-

(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: Columns may not add due to rounding.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Valuation processes

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 as the State's Treasurer's instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Valuation techniques to derive Level 3 fair values

The following changes in valuation methodologies have been identified for agencies with significant asset values within the general government sector for the period ending 30 June 2016.

- For the year ending 30 June 2016, the Department of Education has adopted the school building valuations from the Western Australian Land information Authority (Valuation Services). The valuations have been supplemented by valuations from the Department of Education's valuer for building sub-classes (school infrastructure) consisting of analyses data to determine costs attributed to school infrastructure, which is added to the building valuations to present the fair value of buildings (including school infrastructure). Information from the quantity surveyor engaged by the Department of Education, together with previous analysis of school infrastructure and a cross reference to industry cost guide publication, is considered when estimating the building replacement cost for school infrastructure. This compares with the previous year (ending 30 June 2015), where the valuation of buildings was provided by the Department of Education's valuer. In that year, the valuer engaged a quantity surveyor to determine such elements as building areas and to provide appropriate analysis, thereby enabling the Department's valuer to determine such key issues, but not limited to, effective age and replacement costs per square metre, to complete the valuations.
- In addition, the Department of Education, commencing 2015–16, has reassessed the useful life of school buildings from 50 to 80 years. This aligns with Landgate's established practice of 80 years for school buildings, and is similar to the treatment in other Australian jurisdictions.

The following valuation techniques have been identified for agencies with significant Level 3 asset values within the general government sector, reflecting the accounting policy of the agencies with such assets.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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 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 Valuation Services.

Consumed economic benefit/obsolescence of assets

This is estimated by Valuation Services and applies to the majority of the asset classes.

Effective age

The effective age is determined by Valuation Services and a quantity surveyor after taking into account factors such as planned routine maintenance, building improvements and upgrades.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Percentage rate of add-on cost – buildings and building sub-classes

For 2015–16, Valuation Services has determined that the costs relating to headworks, demolition costs, professional and project fees are inherent in the building valuations and therefore should not be added to its valuations. This also applies to the building sub-classes.

For 2014-15, the cost of headworks, demolition, and professional and project fees were included to the building and building sub-class valuations to determine fair value.

Average installation costs – transportable

The cost of transportation and connection of services is determined by a 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.

Historical cost per library and artwork collection

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 or similar characteristics, whether by purchase, by construction or by fieldwork. The costs of works of art and fieldworks for collections is extracted from financial records of the State Library of Western Australia and the Western Australian Museum.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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

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

General Government ^(a)		
Asset Measured at Fair Value	Valuation Technique(s)	Unobservable inputs
Assets classified as held for sale	Depreciated Replacement Cost Market Approach	Consumed economic benefit/obsolescence of asset Selection of land with similar approximate utility
Land	Market Approach Value in Use	Selection of land with similar approximate utility Selection of land with restricted utility Difference between hypothetical alternate land use value and current use land value
Land under roads	Market Approach	Selection of land adjoining road reserve
Buildings	Depreciated Replacement Cost	Effective Age Percentage rate add-on cost Average installation costs Residual value of 25% of current replacement cost Consumed economic benefit/obsolescence for asset
Road networks	Depreciated Replacement Cost	Historical cost per cubic metre
Other infrastructure	Depreciated Replacement Cost	Application of a cost of construction index to historical cost
Plant, equipment and other	Depreciated Replacement Cost	Historical cost per library and artwork collection

(a) Reconciliations of the opening and closing balances are provided in Notes 14, 16, 19 and 20.

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 15: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector

Assets measured at fair value

	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	Fair value at end of period
	\$m	\$m	\$m	\$m
30 June 2016				
Assets classified as held for sale (Note 19)	87	48	12	147
Land (Note 12,14)	111	13,187	15,552	28,850
Land under roads (Note 12,14)	-	-	24,382	24,382
Buildings (Note 13,14)	33	6,024	18,931	24,988
Electricity generation and transmission (Note 13,14)	-	-	15,295	15,295
Road networks (Note 13,14)	-	-	19,251	19,251
Water storage and distribution (Note 13,14)	-	-	18,313	18,313
Other infrastructure (Note 13,14)	-	94	6,721	6,815
Plant, equipment and other (Note 13,14)	4	1,464	6,175	7,643
Biological assets (Note 16)	-	4	330	334
Investment property (Note 20)	-	73	224	297
Total	235	20,894	125,187	146,317

	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	Fair value at end of period
	\$m	\$m	\$m	\$m
30 June 2015				
Assets classified as held for sale (Note 19)	-	58	820	879
Land (Note 12,14)	9	13,799	16,066	29,873
Land under roads (Note 12,14)	-	-	24,211	24,211
Buildings (Note 13,14)	34	7,207	21,209	28,450
Electricity generation and transmission (Note 13,14)	-	-	14,766	14,766
Road networks (Note 13,14)	-	-	17,992	17,992
Water storage and distribution (Note 13,14)	-	-	18,354	18,354
Other infrastructure (Note 13,14)	-	79	6,302	6,381
Plant, equipment and other (Note 13,14)	1	1,063	6,043	7,108
Biological assets (Note 16)	-	1	314	316
Investment property (Note 20)	-	59	-	59
Total	44	22,267	126,078	148,389

(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.

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

Measurement of fair values
Transfers between Level 1, 2 and 3

All significant transfers that apply to the total public sector for the periods ending 30 June 2016 and 30 June 2015 have been disclosed in the general government sector earlier in this note. In addition, the Insurance Commission of Western Australia transferred \$87 million in property assets held for sale from Level 3 to Level 1 in 2015-16.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Valuation techniques to derive Level 2 fair values

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

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 assets classified as held for sale, land, buildings, and other infrastructure 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.
- Investment property fair values have been derived using either the market or income approaches. For market valued assets free of encumbrances the value is measured by market transactions involving comparison and analysis of identical or comparable assets. For assets with encumbrances, the income approach was used which converts future cashflow amounts to a single current discounted amount to arrive at a fair value.
- The fair values of Level 2 biological assets are derived using the market rates less costs to sell.
- 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.
- The fair values of Level 2 plant, equipment and other assets predominately applies to rollingstock and buses, which are owned by the Public Transport Authority. The fair values for the Level 2 assets are derived using the market approach. Market evidence of sales prices of rollingstock and bus contracts held by the Public Transport Authority are used to determine price per railcar and bus respectively. It should be noted that rollingstock is classified as both Level 2 and Level 3 on the fair value hierarchy as market information is available for urban railcars. However, regional rollingstock has been valued by an independent third party as no observable inputs are available.

NOTE 15: 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 2016											
<i>Fair value at start of period</i>	820	16,066	24,211	21,209	14,766	17,992	18,354	6,302	6,043	314	-
Additions	7	126	35	993	957	1,543	447	124	1,042	-	1
Revaluation increments/-decrements recognised in Operating Result	-5	-	-	-	-	-	-	-	-	-	-50
Revaluation increments/-decrements recognised in all other movements in equity	-1	-430	136	-2,599	162	160	-96	608	193	16	-
Transfers from/-to Level 2	-	-156	-	8	-	-	-	-	-296	-	272
Transfers from/-to Level 1	-87	-	-	-	-	-	-	-	-	-	-
Lease incentives paid	9	-	-	-	-	-	-	-	-	-	-
Net proceeds from sale of Assets classified as held for sale	-486	-	-	-	-	-	-	-	-	-	-
Realised gain on sale of Assets classified as held for sale	35	-	-	-	-	-	-	-	-	-	-
Transfers between asset classes	-280	1	-	4	19	-	-	-6	-19	-	-
Disposals	-1	-54	-	-95	-32	-103	-5	-1	-87	-	-
Depreciation	-	-	-	-590	-577	-340	-388	-307	-701	-	-
Fair value at end of period	12	15,552	24,382	18,931	15,295	19,251	18,313	6,721	6,175	330	224
30 June 2015											
<i>Fair value at start of period</i>	4	19,999	22,342	18,373	11,879	17,740	17,929	5,394	5,862	335	549
Additions	10	130	17	2,846	1,704	599	763	539	1,162	6	3
Revaluation increments/-decrements recognised in Operating Result	-	-	-	-	-	-	-	-	-	-	22
Revaluation increments/-decrements recognised in all other movements in equity	-	295	1,855	804	1,848	-1	68	2,404	-38	1	-
Transfers from/-to Level 2	-	-4,214	-	91	-	-	-	-1	-41	-1	-
Transfers between asset classes	808	-38	-	-183	-	-	-	-	-	-	-574
Disposals	-	-106	-3	-127	-33	-92	-4	-5	-224	-26	-
Depreciation	-	-	-	-595	-631	-254	-402	-2,028	-677	-	-
Fair value at end of period	820	16,066	24,211	21,209	14,766	17,992	18,354	6,302	6,043	314	-

(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: Columns may not add due to rounding.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Valuation processes

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 non-current assets held for sale as the State's Treasurer's Instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Valuation techniques to derive Level 3 fair values

All significant changes in valuation techniques during the period have been disclosed in the general government sector earlier in this note. In addition, the following valuation techniques have been identified for public corporations 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.
- Fair value for existing use specialised infrastructure assets is calculated by reference to the historical cost indexed by a combination of the following price indices as published by the ABS:
 - Producer Price Index (PPI) for building construction in Western Australia (approximately 81% weighting).
 - Labour Price Index (LPI) for total hourly rates of pay excluding bonuses using the index covering Australia; private industry; electricity, gas, water and waste supply; and all occupations (approximately 15% weighting).
 - Consumer Price Index (CPI) for all groups in Perth (approximately 4% weighting).

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

- 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, capitalisation of net income and direct comparison methods.
- Fair value for assets classified as held for sale or for distribution to owners has been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

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

Historical cost of electricity infrastructure per square kilometre

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.

Freight, Railway and Bus Infrastructure

Independent valuations were obtained by the Public Transport Authority for the following unobservable inputs.

Unobservable input	Input from independent valuation report obtained in
Replacement cost per kilometre of rail network	2010
Replacement cost per cubic metre of railway ballast	2015
Replacement cost per railway sleeper	2016
Replacement cost per kilometre of overhead railway traction wiring	2016
Railway station replacement cost per square metre floor area	2016
Replacement cost per kilometre of rail line (freight)	2015
Replacement cost per kilometre of rail line (other rail)	2016
Replacement cost per railway signalling system	2016
Railway tunnel replacement cost per metre	2016
Replacement cost per square metre floor area (bus stations)	2014
Replacement cost per individual bus infrastructure items	2014

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 2016 provided by an independent valuation obtained by the Forest Products Commission.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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.

Adopted capitalisation rate

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

Total Public Sector ^(a)		
Asset Measured at Fair Value	Valuation Technique(s)	Unobservable inputs
Assets classified as held for sale	Depreciated Replacement Cost Market Approach	Consumed economic benefit/obsolescence of asset Selection of land with similar approximate utility
Land	Market Approach Value in Use	Selection of land with similar approximate utility Selection of land with restricted utility Difference between hypothetical alternate land use value and current use land value
Land under roads	Market Approach	Selection of land adjoining road reserve
Buildings	Depreciated Replacement Cost	Effective Age Percentage rate add-on cost Average installation costs Residual value of 25% of current replacement cost Application of a cost of construction index to historical cost Consumed economic benefit/obsolescence for asset
Electricity generation and transmission	Depreciated Replacement Cost (current use)	Consumed economic benefit/obsolescence of electricity infrastructure Historical cost of electricity infrastructure per km ²
Road networks	Depreciated Replacement Cost	Historical cost per cubic metre
Water storage and distribution	Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector ^(a)		
Asset Measured at Fair Value	Valuation Technique(s)	Unobservable inputs
Other infrastructure	<i>Freight Network Infrastructure</i> - Depreciated Replacement Cost	Consumed economic benefit/ obsolescence of asset
		Replacement cost per kilometre of network
	<i>Railway Infrastructure</i> - Depreciated Replacement Cost	Replacement cost per kilometre of rail
		Replacement cost per cubic metres of ballast
Plant, equipment and other	<i>Systems Infrastructure</i> - Depreciated Replacement Cost	Replacement cost per sleeper
		Consumed economic benefit/ obsolescence of asset
	<i>Bus Infrastructure</i> - Depreciated Replacement Cost	Replacement cost per individual tunnel
		Replacement cost per station structure
Biological assets	<i>Standing Timber (Native Forests)</i> - Discounted Cash Flow	Replacement cost per kilometre of rail line
		Replacement cost per signal
	<i>Standing Timber (Sandlewood)</i> - Discounted Cash Flow	Replacement cost per sleeper
		Replacement cost per kilometre of overhead traction wiring
Investment Property	Discounted Cash Flow	Replacement cost per individual items
		Consumed economic benefit/ obsolescence of asset
	Capitalisation of Net Income	Replacement cost per square metre floor area
		Replacement cost per individual items
Biological assets	<i>Standing Timber (Plantations)</i> - Discounted Cash Flow	Historical cost per library and artwork collection
		Consumed economic benefit/ obsolescence of asset
	<i>Standing Timber (Plantations)</i> - Discounted Cash Flow	Estimated future timber market prices (gross profit) per cubic metre
		Estimated average volume per annum
Investment Property	Discounted Cash Flow	Estimated management costs per cubic metre to sell the volume
		Estimated future timber market prices based on AUD/USD forward exchange rates over the 50 year horizon provided by Western Australian Treasury Corporation
	Capitalisation of Net Income	Weighted average price for products
		Estimated average volume per annum
Investment Property	Discounted Cash Flow	Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon
		The area stocked
	Capitalisation of Net Income	Estimated future timber market prices per cubic metre
		Future wood flow projections

(a) Reconciliations of the opening and closing balances are provided in Notes 14, 16, 19 and 20.

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 16: BIOLOGICAL ASSETS (a)

General Government

	2016	2015
	\$m	\$m
Native and plantation standing trees	-	-
Livestock and other	4	2
Total Biological Assets	4	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 .

	Standing Trees \$m	Livestock and Other \$m	Total \$m
30 June 2016			
<i>Carrying amount at beginning of year</i>	-	2	2
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	2	2
Carrying amount at end of year	-	4	4

	Standing Trees \$m	Livestock and Other \$m	Total \$m
30 June 2015			
<i>Carrying amount at beginning of year</i>	-	1	1
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	1	1
Carrying amount at end of year	-	2	2

NOTE 16: BIOLOGICAL ASSETS ^(a) (CONT.)

Total Public Sector

	2016	2015
	\$m	\$m
Native and plantation standing trees ^(b)	330	314
Livestock and other	4	2
Total Biological Assets	334	316

(b) Native and plantation standing trees 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 2016	Standing	Livestock	Total
	Trees	and Other	
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	314	2	316
Gain/-loss from changes in fair value	5	-	5
Purchases	6	-	6
Other	5	2	8
Carrying amount at end of year	330	4	334

30 June 2015	Standing	Livestock	Total
	Trees	and Other	
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	333	1	334
Gain/-loss from changes in fair value	-1	-	-1
Purchases	6	-	6
Other	-24	1	-23
Carrying amount at end of year	314	2	316

(a) Information on fair value measurements is provided in Note 15.

Note: Columns may not add due to rounding.

NOTE 17: INVENTORIES

General Government		
	2016	2015
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development - at cost	-	-
Land acquisition and development - at net realisable value	113	106
Total Land inventories	113	106
<i>Other Inventories</i>		
Other materials and stores - at cost	43	43
Other materials and stores - at net replacement cost	1	1
Other - at cost	38	22
Other - at net realisable value	2	3
Total Other inventories	84	69
Total Inventories	197	175
Total Public Sector		
	2016	2015
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development - at cost	2,016	2,144
Land acquisition and development - at net realisable value	156	137
Total Land inventories	2,172	2,281
<i>Other Inventories</i>		
Precious metals - at net realisable value	4,065	3,021
Power station fuel stocks - at cost	48	48
Other materials and stores - at cost	44	31
Other materials and stores - at net replacement cost	18	22
Other - at cost	324	352
Other - at net realisable value	2	3
Total Other inventories	4,501	3,477
Total Inventories	6,673	5,758

Note: Columns may not add due to rounding.

NOTE 18: INTANGIBLE ASSETS

General Government

	2016	2015
	\$m	\$m
Computer software	906	867
Accumulated amortisation	-526	-483
<i>Total</i>	<i>380</i>	<i>385</i>
Software in progress	149	121
Other	334	303
Accumulated amortisation and impairment losses	-212	-199
<i>Total</i>	<i>122</i>	<i>104</i>
Total Intangible Assets	650	609

Reconciliation of Intangibles

	Computer Software	Software in progress	Other	Total
	\$m	\$m	\$m	\$m
30 June 2016				
<i>Carrying amount at beginning of year</i>	<i>385</i>	<i>121</i>	<i>104</i>	<i>609</i>
Additions	36	101	8	145
Disposals	-46	-1	-6	-53
Transfers in/-out	49	-72	30	7
Amortisation	-78	-	-19	-98
Accumulated amortisation written back	35	-	6	41
Other	-1	-	-	-1
Carrying amount at end of year	380	149	122	650

	Computer Software	Software in progress	Other	Total
	\$m	\$m	\$m	\$m
30 June 2015				
<i>Carrying amount at beginning of year</i>	<i>267</i>	<i>217</i>	<i>89</i>	<i>574</i>
Additions	65	85	5	155
Disposals	-1	-	-6	-8
Transfers in/-out	115	-173	30	-28
Revaluation increments/-decrements	-	-2	-2	-4
Amortisation	-62	-	-21	-84
Accumulated amortisation written back	2	-	9	11
Other	-1	-7	-	-8
Carrying amount at end of year	385	121	104	609

NOTE 18: INTANGIBLES ASSETS (CONT.)

Total Public Sector		
	2016	2015
	\$m	\$m
Computer software	1,862	1,801
Accumulated amortisation	-1,176	-1,055
<i>Total</i>	<i>686</i>	<i>746</i>
Software in progress	172	130
Renewable Energy Certificates	43	66
Other	460	424
Accumulated amortisation and impairment losses	-263	-237
<i>Total</i>	<i>196</i>	<i>187</i>
Total Intangible Assets	1,097	1,129

Reconciliation of Intangibles

	Computer Software	Software in progress	Renewable Energy Certificate	Other	Total
	\$m	\$m	\$m	\$m	\$m
30 June 2016					
<i>Carrying amount at beginning of year</i>	<i>746</i>	<i>130</i>	<i>66</i>	<i>187</i>	<i>1,129</i>
Additions	81	105	108	8	301
Disposals	-49	-1	-109	-72	-231
Transfers in/-out	53	-62	-22	87	56
Amortisation	-184	-	-	-20	-204
Accumulated amortisation written back	38	-	-	6	44
Other	2	-	-	-	2
Carrying amount at end of year	686	172	43	196	1,097

	Computer Software	Software in progress	Renewable Energy Certificate	Other	Total
	\$m	\$m	\$m	\$m	\$m
30 June 2015					
<i>Carrying amount at beginning of year</i>	<i>567</i>	<i>236</i>	<i>50</i>	<i>238</i>	<i>1,091</i>
Additions	112	89	81	20	302
Disposals	-10	-	-90	-7	-107
Transfers in/-out	228	-185	25	-48	20
Revaluation increments/-decrements	-	-2	-	-2	-4
Amortisation	-156	-	-	-23	-179
Accumulated amortisation written back	6	-	-	9	15
Other	-1	-8	-	-	-9
Carrying amount at end of year	746	130	66	187	1,129

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

NOTE 19: ASSETS CLASSIFIED AS HELD FOR SALE (a)

General Government		
	2016	2015
	\$m	\$m
Land	29	22
Other	3	5
Total	32	27

Assets held for sale primarily relates to: the Department for Child Protection and Family Support (\$8 million, land and buildings held for sale), the Commissioner for Main Roads (\$7 million, land held for sale, \$5 million, land sold during the year), and the Western Australia Planning Commission (\$7 million, land held for sale).

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 2016	Land	Other	Total
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	22	5	27
Assets reclassified as held for sale	16	1	17
Assets sold	-7	-2	-10
Revaluation increment/-decrement	-1	-	-1
Impairment losses	-	-1	-1
Carrying amount at end of year	29	3	32
30 June 2015	Land	Other	Total
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	11	5	16
Assets reclassified as held for sale	38	3	40
Assets sold	-26	-2	-29
Impairment losses	-	-1	-1
Carrying amount at end of year	22	5	27

**NOTE 19: ASSETS CLASSIFIED AS HELD FOR SALE ^(a)
(CONT.)**

Total Public Sector		
	2016	2015
	\$m	\$m
Land	29	69
Other	118	809
Total	147	879

Assets held for sale primarily relates to: the Insurance Commission of Western Australia (\$87 million, property assets held for sale, \$440 million land and property assets sold during the year and \$280 million property assets reclassified to investment property), the Housing Authority (\$28 million, rental properties that form part of the New Living and Redevelopment programs held for sale – during the year there was \$38 million in sales), the Department for Child Protection and Family Support (\$8 million, land and buildings held for sale), the Commissioner for Main Roads (\$7 million, land held for sale, \$5 million, land sold during the year), and the Western Australia Planning Commission (\$7 million, land held for sale).

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 2016	Land	Other	Total
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	69	809	879
Assets reclassified as held for sale	16	-247	-231
Write Down less cost to sell	-	-1	-1
Additions	-	4	4
Assets sold	-54	-442	-496
Revaluation increment/-decrement	-1	-5	-6
Impairment losses	-	-1	-1
Carrying amount at end of year	29	118	147

30 June 2015	Land	Other	Total
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	23	6	28
Assets reclassified as held for sale	76	828	904
Assets sold	-26	-20	-47
Revaluation increment/-decrement	-3	-	-3
Impairment losses	-	-3	-3
Transfers out/other	-	-1	-1
Carrying amount at end of year	69	809	879

(a) Information on fair value measurements is provided in Note 15.

Note: Columns may not add due to rounding.

NOTE 20: INVESTMENT PROPERTIES (a)

General Government		
	2016	2015
	\$m	\$m
<i>Carrying amount at beginning of year</i>	9	8
Additions	-	-
Revaluation increments/-decrements	-1	1
Carrying amount at end of year	8	9

Total Public Sector		
	2016	2015
	\$m	\$m
<i>Carrying amount at beginning of year</i>	59	581
Additions	1	3
Revaluation increments/-decrements	-54	45
Transfers to property held for sale ^(b)	290	-570
Carrying amount at end of year	297	59

(a) Information on fair value measurements is provided in Note 15.

(b) The Insurance Commission released an Information Memorandum during June 2015 inviting non-binding indicative offers for the purchase of its property portfolio which includes all its investment property holdings. In 2015, all investment properties were reclassified as property assets held for sale. At 30 June 2016, the Westralia Square at 141 St Georges Terrace, was no longer deemed to be classified as a property held for sale and was transferred to investment property.

Note: Columns may not add due to rounding.

NOTE 21: BORROWINGS

General Government		
	2016	2015
	\$m	\$m
Bank Overdrafts	-	304
Finance leases - secured ^(a)	560	594
Domestic and foreign borrowings ^(b)	17,819	12,704
Total^(c)	18,379	13,603
 (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.		
	2016	2015
	\$m	\$m
Minimum lease payments due:		
- not later than one year	107	101
- later than one year and not later than five years	257	278
- later than five years	242	273
Minimum lease payments	606	652
Future finance charges	-46	-57
Total finance lease liabilities	560	594
Amounts expected to be settled:		
- not later than one year	93	85
- later than one year	467	510
Total	560	594
 (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		
	2016	2015
	\$m	\$m
The maturity profile of borrowings, at fair value:		
- not later than one year	3,884	2,094
- later than one year and not later than five years	14,058	6,422
- later than five years	437	5,086
Total	18,379	13,603

NOTE 21: BORROWINGS (CONT.)

Total Public Sector		
	2016	2015
	\$m	\$m
Bank overdrafts	-	304
Finance leases - secured ^(a)	1,414	1,481
Domestic and foreign borrowings ^(b)	50,438	42,467
Total^(c)	51,852	44,252

(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.

	2016	2015
	\$m	\$m
Minimum lease payments due:		
- not later than one year	143	134
- later than one year and not later than five years	421	433
- later than five years	895	971
Minimum lease payments	1,460	1,539
Future finance charges	-46	-57
Total finance lease liabilities	1,414	1,481
Amounts expected to be settled:		
- not later than one year	129	119
- later than one year	1,285	1,363
Total	1,414	1,481

(b) Foreign currency borrowings

At 30 June 2016, a total of \$719 million in currency borrowing was reported at Australian dollar equivalents with the amounts in United States dollars (30 June 2015: \$52 million)

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

	2016	2015
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	15,173	16,267
- later than one year and not later than five years	20,805	15,509
- later than five years	15,873	12,476
Total	51,852	44,252

Note: Columns may not add due to rounding.

NOTE 22: UNFUNDED SUPERANNUATION

General Government		
	2016	2015
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,501	2,350
Gold State Superannuation Scheme	4,384	4,227
Judges' Pension Scheme	536	465
Parliamentary Superannuation Scheme	240	210
<i>Total Defined Benefit superannuation schemes</i>	<i>7,661</i>	<i>7,252</i>
Defined contribution superannuation scheme: West State Superannuation Scheme	278	321
Total	7,939	7,573

The superannuation liability for the general government sector at 30 June 2016 was \$7,939 million (30 June 2015: \$7,573 million). The liability represents 98.4% (30 June 2015: 98.2%) of the whole-of-government total superannuation liability of \$8,068 million at 30 June 2016 (30 June 2015: \$7,710 million).

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

Total Public Sector		
	2016	2015
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,630	2,488
Gold State Superannuation Scheme	4,384	4,226
Judges' Pension Scheme	536	465
Parliamentary Superannuation Scheme	240	210
<i>Total Defined Benefit superannuation schemes</i>	<i>7,790</i>	<i>7,389</i>
Defined contribution superannuation scheme: West State Superannuation Scheme	278	321
Total	8,068	7,710

(i) The Government Employee Superannuation Board (GESB) administers a range of defined benefit superannuation schemes (see Note 3 (Superannuation)) the following superannuation schemes.

The benefits under these schemes 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 an actuary engaged by Treasury, 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.

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 untaxed West State Superannuation Scheme and its taxed successor scheme GESB Super, are, accumulation funds that are also 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: Columns may not add due to rounding.

NOTE 22: UNFUNDED 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.

	2016	2015
	%	%
Discount rate (gross of tax) ^(a)	2.0	3.0
Salary rate ^(b)	4.0	4.5
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 2.0% per annum for the first year, 2.5% per annum for the next four years and 4.0% per annum thereafter.

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

	Quoted in active markets (Class 1)	Significant observable inputs (Class 2)	Unobservable inputs (Class 3)	Total
	2016 %	2016 %	2016 %	2016 %
Equities	56	-	-	56
Cash and Investment funds	14	10	5	29
Others	-	15	-	15

	Quoted in active markets (Class 1)	Significant observable inputs (Class 2)	Unobservable inputs (Class 3)	Total
	2015 %	2015 %	2015 %	2015 %
Equities	60	-	-	60
Cash and Investment funds	13	10	5	28
Others	-	12	-	12

(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) Movement in net liability

	2016	2015
	\$m	\$m
<i>Net liability at the beginning of the year</i>	7,389	7,663
Expense recognised in profit and loss	406	465
Employer contributions	-602	-670
Remeasurements	598	-69
Net liability at the end of the year	7,790	7,389

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

	2016	2015
	\$m	\$m
Total defined benefit obligations	10,647	10,324
Scheme assets ^(d)	-2,857	-2,936
Net liability	7,790	7,389

(d) Based on the actuarial valuation, the net liabilities fall due with the following profile.

	2016	2015
	\$m	\$m
Not later than a year	24	22
Later than one year	7,766	7,367
Total	7,790	7,389

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

NOTE 22: UNFUNDED SUPERANNUATION (CONT.)

(vi) 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 ^(a)	Judges' Pension Scheme	Parliamentary Super Scheme	Total
	2016	2016	2016	2016	2016
	\$m	\$m	\$m	\$m	\$m
Gross accrued benefits	2,715	7,156	535	240	10,647
Net market value of plan assets	-85	-2,772	-	-	-2,857
Net liability	2,630	4,384	535	240	7,790

	Pension Scheme	Gold State Super Scheme ^(a)	Judges' Pension Scheme	Parliamentary Super Scheme	Total
	2015	2015	2015	2015	2015
	\$m	\$m	\$m	\$m	\$m
Gross accrued benefits	2,576	7,074	465	210	10,324
Net market value of plan assets	-89	-2,847	-	-	-2,936
Net liability	2,487	4,227	465	210	7,389

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.

(vii) The amounts recognised in the operating statement in respect of the defined benefit plans are as follows.

	2016	2015
	\$m	\$m
Total employer current service cost	194	209
Net interest cost	212	256
Recognised actuarial -gains/losses	598	-69
Total	1,004	396

(viii) Reconciliation of the fair value of defined benefit superannuation assets at the beginning and at the end of the year are set out below.

	2016	2015
	\$m	\$m
<i>Fair value plan assets at beginning of year</i>	2,935	2,819
Employer contributions	602	670
Actual participant contributions	57	60
Actual benefit payments	-804	-922
Interest income	89	94
<i>Expected plan assets at end of year</i>	2,880	2,722
Return in excess of interest income	-23	214
Fair value of plan assets at end of year	2,857	2,936

(ix) Reconciliation of the fair value of defined benefit superannuation obligations at the beginning and at the end of the year are set out below.

	2016	2015
	\$m	\$m
<i>Defined benefit obligation at beginning of year</i>	10,324	10,482
Employer service cost plus operating costs	192	207
Interest cost	299	352
Actual participant contributions	57	60
Actual benefit payments	-804	-922
<i>Expected defined benefit obligations at end of year</i>	10,068	10,180
Actuarial -gain/loss on liabilities	579	145
Defined benefit obligation at end of year	10,647	10,324

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

NOTE 22: UNFUNDED SUPERANNUATION (CONT.)

(x)	Reconciliation of actuarial -gain/loss on assets and liabilities are set out below.					
		2016	2015			
		\$m	\$m			
	Actuarial -gain/loss due to demographic assumptions	-	29			
	Actuarial -gain/loss due to financial assumptions	586	195			
	Actuarial -gain/loss arising from experience	-11	-79			
	Return in excess of interest income	23	-214			
	Amount recognised during year in other Comprehensive Income	598	-69			
(xi)	History Summary.					
		2016	2015	2014	2013	2012
		\$m	\$m	\$m	\$m	\$m
	Total defined benefit obligations	10,647	10,324	10,483	10,333	10,928
	Actual assets	-2,857	-2,936	-2,820	-2,594	-2,286
	Deficit/-surplus	7,790	7,389	7,663	7,739	8,642
(xii)	Sensitivity analysis for the defined benefit obligation is presented on the following scenarios ^(e) .					
	<i>Sensitivity to discount rate</i>					
		+1.0	-1.0			
		percentage	percentage			
		point	point			
		discount rate	discount rate			
	Discount rate (%)	3.0	1.0			
	Defined benefit obligation (\$m)	9,753	11,556			
	Changes in obligation (\$m)	848	954			
	Percentage changes in obligation (percentage points)	-8.0	9.0			
	<i>Sensitivity to future salary increase</i>					
		+1.0 percentage point future	-1.0 percentage point			
		salary increase rate	future salary increase rate			
		3.5% for the first four years	1.5% for the first four			
		and 5% thereafter	years and 3% thereafter			
	Future salary increases					
	Defined benefit obligation (\$m)	11,026	10,071			
	Changes in obligation (\$m)	424	530			
	Percentage changes in obligation (percentage points)	4.0	-5.0			
	<i>Sensitivity to pension indexation rate</i>					
		+1.0 percentage point	-1.0 percentage point			
		pension indexation rate	pension indexation rate			
	Pension increases (%)	3.5	1.5			
	Defined benefit obligation (\$m)	11,026	10,177			
	Changes in obligation (\$m)	424	424			
	Percentage changes in obligation (percentage points)	4.0	-4.0			
	<i>Sensitivity to mortality</i>					
		1 year increase in future life	1 year decrease in future			
		expectancy	life expectancy			
	Defined benefit obligation (\$m)	10,920	10,389			
	Changes in obligation (\$m)	318	212			
	Percentage changes in obligation (percentage points)	3.0	-2.0			
	(e) Sensitivity figures do not include Gold State Superannuation Scheme reserves amounting to \$46 million.					
	Note: Columns may not add due to rounding.					

NOTE 23: OTHER EMPLOYEE BENEFITS

General Government

	2016	2015
	\$m	\$m
Annual leave	835	853
Long service leave	1,688	1,739
Other	369	700
Total	2,892	3,292

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

	2016	2015
	\$m	\$m
Within 12 months of reporting date	677	680
More than 12 months after reporting date	158	173
Total	835	853

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

	2016	2015
	\$m	\$m
Within 12 months of reporting date	354	372
More than 12 months after reporting date	1,334	1,367
Total	1,688	1,739

Total Public Sector

	2016	2015
	\$m	\$m
Annual leave	985	1,009
Long service leave	1,918	1,984
Other	441	769
Total	3,345	3,763

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

	2016	2015
	\$m	\$m
Within 12 months of reporting date	790	787
More than 12 months after reporting date	196	222
Total	985	1,009

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

	2016	2015
	\$m	\$m
Within 12 months of reporting date	424	440
More than 12 months after reporting date	1,494	1,544
Total	1,918	1,984

Note: Columns may not add due to rounding

NOTE 24: OTHER LIABILITIES

General Government

	2016	2015
	\$m	\$m
Insurance claims	14	9
Interest payable	126	96
Other provisions	47	22
Other liabilities	1,164	1,159
Total Other Liabilities	1,352	1,287

Reconciliation of Other Provisions

30 June 2016

	Employment on-costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	18	2	2	22
Additional provisions recognised	7	-	26	32
Amounts used	-5	-	-2	-7
Carrying amount at end of year	19	2	26	47

30 June 2015

	Employment on-costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	31	2	-	34
Additional provisions recognised	5	-	2	7
Amounts used	-5	-	-	-6
Unused amounts reversed	-13	-	-	-13
Carrying amount at end of year	18	2	2	22

Note: Columns/rows may not add due to rounding

NOTE 24: OTHER LIABILITIES (CONT.)

Total Public Sector		
	2016	2015
	\$m	\$m
Insurance claims ^(a)	2,834	2,751
Interest payable	579	481
Other provisions	967	595
Other liabilities	1,066	973
Total Other Liabilities	5,446	4,800

Reconciliation of Other Provisions

30 June 2016

	Employment on-costs	Decommissioning costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	27	443	44	81	595
Additional provisions recognised	9	13	19	122	163
Amounts used	-7	-3	-11	-75	-96
Unused amounts reversed	-	-4	-	-3	-7
Unwinding of the discount	-	14	-	9	23
Other	-	-3	-	292	290
Carrying amount at end of year	29	460	51	427	967

30 June 2015

	Employment on-costs	Decommissioning costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	40	440	51	113	644
Additional provisions recognised	8	34	5	57	104
Amounts used	-7	-4	-11	-60	-82
Unused amounts reversed	-13	-19	-1	-24	-56
Unwinding of the discount	-	-8	-	-	-8
Other	-1	-	-1	-5	-7
Carrying amount at end of year	27	443	44	81	595

	2016	2015
	\$m	\$m
(a) Insurance claims		
The liabilities for outstanding insurance claims comprise:		
Third Party Insurance Fund	2,083	1,976
Government Insurance Fund	36	37
RiskCover	595	634
Other	120	104
Total	2,834	2,751
Liability for outstanding claims (undiscounted)	3,061	3,023
Discount to present value	-227	-272
Total Liability for outstanding claims (undiscounted)	2,834	2,751
	2016	2015
	%	%
Claims expected to be paid:		
Not later than one year		
Inflation rate	2.80	2.50
Discount rate	1.60	2.00
Later than one year		
Inflation rate	2.89	2.66
Discount rate	2.76	2.08

Note: Columns/rows may not add due to rounding

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

General Government		
	2015-16	2014-15
	\$m	\$m
<i>Surplus /-deficit for period</i>	-2,021	-431
Non-cash movements		
Depreciation	1,359	1,235
Increase/-decrease in accrual in employees benefits	-606	-84
-Increase/-decrease in inventories	-15	10
-Increase/-decrease in receivables	-272	371
-Increase/-decrease in prepayments and other assets	-235	-2
Increase/-decrease in payables	157	23
Increase/-decrease in other liabilities and accruals	65	-36
Net GST receipts/-payments	-30	-7
Other non-cash net asset transfers	50	14
Adjustment for other non-cash items	257	-53
Net cash flows from operating activities as shown in the Cash Flow Statement	-1,291	1,040
Total Public Sector		
	2015-16	2014-15
	\$m	\$m
<i>Surplus /-deficit for period</i>	-2,559	-464
Non-cash movements		
Depreciation	3,354	3,226
Premium discount amortisation	-301	-190
Increase/-decrease in accrual in employees benefits	-691	-107
-Increase/-decrease in inventories	-1,024	-173
-Increase/-decrease in receivables	-418	634
-Increase/-decrease in prepayments and other assets	-191	-58
Increase/-decrease in payables	665	-52
Increase/-decrease in other liabilities and accruals	646	-32
Net GST receipts/-payments	-39	-107
Other non-cash net asset transfers	-135	-297
Adjustment for other non-cash items	498	-16
Net cash flows from operating activities as shown in the Cash Flow Statement	-195	2,364

Note: Columns may not add due to rounding.

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		
	2016	2015
	\$m	\$m
Cash assets reported on the Balance Sheet	820	785
Bank Overdrafts	-	-304
Investments included as cash on the Cash Flow Statement	3,953	3,959
Total closing cash balance	4,773	4,440
Total Public Sector		
	2016	2015
	\$m	\$m
Cash assets reported on the Balance Sheet	1,873	1,631
Bank Overdrafts	-	-304
Investments included as cash on the Cash Flow Statement	10,073	7,912
Total closing cash balance	11,946	9,239

Note: Columns may not add due to rounding.

NOTE 27: RESTRICTED FINANCIAL ASSETS

There are restrictions on the uses of specific purpose Commonwealth grants. Funding received and not yet expensed total \$319 million (2014–2015: \$775 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 \$471 million was held as at 30 June 2016, compared with \$448 million at 30 June 2015.

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.

	2016	2015
	\$m	\$m
Not later than one year	1,299	1,233
Later than one year and not later than five years	887	1,032
Later than five years	-	-
Total	2,185	2,265

Operating leases expenditure commitments

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

	2016	2015
	\$m	\$m
Not later than one year	245	176
Later than one year and not later than five years	673	374
Later than five years	674	275
Total	1,592	825

Operating lease expenses for the year amounted to \$693 million (2014–15: \$661 million).

Finance lease expenditure commitments

	2016	2015
	\$m	\$m
Not later than one year	-	-
Later than one year and not later than five years	155	112
Later than five years	731	774
Total	886	886

The Western Australian Sports Centre Trust has been appointed the governance agency for the Perth Stadium. A lease commitment will be recognised effective from January 2018, when the Stadium is forecast to be opened, until the end of the term of the contract with the private sector in December 2043.

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.

	2016	2015
	\$m	\$m
Not later than one year	2,892	2,637
Later than one year and not later than five years	5,178	5,197
Later than five years	8,541	4,737
Total	16,612	12,571

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

- major health infrastructure totalling \$498 million (30 June 2015: \$662 million) including spending for the WA Country Health Service Southern Inland Initiative program and the Perth Children's Hospital;
- school infrastructure of \$525 million (30 June 2015: \$355 million) for the building of new schools, additions and improvements to metropolitan and district high schools, remote community schools;
- road infrastructure spending of \$461 million (30 June 2015: \$707 million), including the Northlink Stage 1 (\$161 million), Mitchell Freeway extension (86 million), Swan River Pedestrian Bridge (\$37 million), Geraldton Southern Transport Corridor Stage 2 (\$35 million), North West Coastal Highway (\$22 million) and the Perth Freight Link Stage 3 (\$19 million); and
- spending on the New State Museum \$392 million (30 June 2015: \$413 million);

Note: Columns may not add due to rounding

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.

	2016	2015
	\$m	\$m
Not later than one year	2,568	2,546
Later than one year and not later than five years	2,071	1,558
Later than five years	2	7
Total	4,641	4,112

Operating leases expenditure commitments

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

	2016	2015
	\$m	\$m
Not later than one year	486	431
Later than one year and not later than five years	1,444	1,144
Later than five years	1,905	1,636
Total	3,835	3,211

Operating lease expenses for the year amounted to \$819 million (2014-15: \$811 million).

Finance lease expenditure commitments

	2016	2015
	\$m	\$m
Later than one year and not later than five years	155	112
Later than five years	731	774
Total	886	886

The Western Australian Sports Centre Trust has been appointed the governance agency for the Perth Stadium. A lease commitment will be recognised effective from January 2018, when the Stadium is forecast to be opened, until the end of the term of the contract with the private sector in December 2043.

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.

	2016	2015
	\$m	\$m
Not later than one year	4,667	4,749
Later than one year and not later than five years	11,354	11,850
Later than five years	16,435	13,682
Total	32,457	30,281

(b) 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 \$1.6 billion (30 June 2015: \$660 million), including the new Forrestfield–Airport Link (\$1.1 billion), additional purchases of buses, coaches and railcars (\$305 million), Perth Stadium transport project (\$110 million) and miscellaneous projects;
- waste and wastewater projects of \$154 million (30 June 2015: \$153 million) including the Subiaco Wastewater Treatment Plant upgrade;
- housing infrastructure of \$216 million (30 June 2015: \$254 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;
- land development projects \$149 million (30 June 2015: \$229 million) including Karratha City Infrastructure (\$44 million), Claremont on the Park (\$37 million), Eglington (\$18 million), Hope Valley (\$12 million), Hamilton Hill Cockburn Coast (\$7 million) and Shenton Park Hospital \$8 million);
- contracts for various projects managed by the Metropolitan Redevelopment Authority \$141 million (30 June 2015: \$202 million), including the Perth City Link and Elizabeth; and
- transmission and distribution capital expenditure associated with asset replacements, regulatory compliance and the state underground power project \$104 million (30 June 2015: \$190 million).

Note: Columns may not add due to rounding

NOTE 30: CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities represent potential 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 the associated agencies.

1. Quantifiable Contingent Assets and Liabilities at 30 June

	2016	2015
	\$m	\$m
Contingent Assets^(a)	25	35
Contingent Liabilities		
Contingent liabilities under guarantees, warranties, indemnities and sureties ^(b)	283	278
Other contingent liabilities ^(c)	579	508
Contingent liabilities in relation to public universities' superannuation liabilities ^(d)	104	100
Total	966	887

(a) Contingent assets

Department of Finance

The Department of Finance has contingent assets of \$21.3 million (30 June 2015: \$18.6 million), mainly attributable to adjudication of disputes under the *Construction Contracts Act 2004*.

Various Agencies

A range of agencies have a number of small quantifiable contingent assets totalling \$3 million (30 June 2015: \$4 million).

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

Public Trustee Common Fund

Deposits in the Public Trustee's Common Fund include balances held on behalf of third parties at 30 June each year. Guarantees for balances held in the Common Fund at 30 June 2016 totalled \$270 million, unchanged from 30 June 2015.

Water Corporation

The Water Corporation issues bank guarantees in the normal course of business to guarantee the performance of the Water Corporation under contracts. At 30 June 2016, the value of these guarantees was \$7 million (30 June 2015: \$6 million).

Department of Treasury

The State Government has provided a guarantee of \$6.2 million (30 June 2015: \$7.5 million) to the Australia and New Zealand Banking Group in relation to loan facilities provided to the Western Australian Football Commission.

(c) Other contingent liabilities

Asbestos Injuries Compensation Fund

On 16 October 2015, the Commonwealth Treasurer and all State and Territory Treasurers agreed on an approach for sharing the default risk of the Asbestos Injuries Compensation Fund (AICF). Each State's and Territory's share of the total default risk will reflect the proportion of claims paid in each jurisdiction since the inception of the Fund (after the Commonwealth takes responsibility for one-third of the default risk as it has agreed to do). According to the latest available information, in 2014-15, 17% of all filed claims were in Western Australia, which equates to an estimated contingent liability of \$36.3 million. The arrangement for sharing the default risk will not have an immediate financial impact and a loan default scenario would only occur if James Hardie Pty Ltd, which is directly responsible for the AICF, went into receivership and was no longer able to contribute funding to the AICF to pay for compensation claims.

Commissioner of Main Roads

Claims have been lodged by owners of property acquired for road construction purposes and services provided under roadwork contracts. A contingent liability of \$201 million at 30 June 2016 (30 June 2015: \$298 million) reflects the difference between the owners' claims and estimated settlement prices determined by Main Roads in accordance with independent valuations, and also includes claims that have 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 Minister for Commerce (or his predecessors) is a signatory to an Investment Security Guarantee (ISG) between the Minister, the General Manager of the Forest Products Commission (FPC) and timber processors. Under the ISG, 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 this ISG at 30 June 2016 was \$12 million (30 June 2015: \$13 million).

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 \$108 million (30 June 2015: \$34 million).

Department of Lands

The Department of Lands is subject to claims for compensation under Part 10 of the *Land Administration Act (1997)* for taking of land under Taking Orders. The claims are for \$88 million and are the subject of statutory processes.

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 \$49 million (30 June 2015: \$37 million).

Department of Mines and Petroleum

Mining companies owing royalties of approximately \$6 million are currently under administration and action is being taken to recover the funds that were due in the quarter they went into administration. The calculated value of outstanding royalty obligations from such companies is currently estimated at approximately \$9 million. In the event that these funds are not collected, a bad debt expense may arise.

Various Agencies

Other quantifiable contingent liabilities include various legal and contractual claims against individual agencies totalling \$70 million (30 June 2015: \$95 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 continue under the SSA. The State guarantees the benefits payable under those schemes. Entitlements for State government employees under this guarantee are recognised as part of unfunded superannuation liabilities on the face of the balance sheet. However, public university employees are not employees of the State for the purposes of this *Annual Report on State Finances* (in recognition of the national control of higher education institutions exercised by the Commonwealth).

The guarantee for public universities' superannuation liabilities is \$104 million based on the actuarially assessed value of these entitlements at 30 June 2016 (30 June 2015: \$100 million).

2. Non-quantifiable Contingent Assets

Bell Recovery Action

In 1995, the Insurance Commission of Western Australia (ICWA) agreed to fund the costs of the Liquidators of the Bell Group in the Liquidators' action against 20 banks. ICWA has since advanced \$198.5 million to the Liquidators in this action.

This action finally involved an award in favour of the Bell Group 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 effect of the settlement was that the banks relinquished all claims in Bell, leaving a sum that now amounts to approximately \$1.8 billion with the Liquidators, for eventual distribution between the remaining creditors.

Since settlement, litigation over the distribution of the settlement funds has commenced and mediation attempts have failed.

ICWA 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 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 Environment Regulation (DER), formerly the Department of Environment and Conservation. In accordance with the Act, DER 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. DER 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 ongoing management plans to remediate contaminated sites as they are identified.

Elizabeth Quay – Grand Palace Lease Dispute

The Metropolitan Redevelopment Authority (MRA) is currently in negotiation with the party that formerly occupied the now reconstructed 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. In late 2013, the former owner rejected a formal offer of compensation but accepted an offer of \$2.2 million as a second advance payment. 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.

Forest Products Commission

The Forest Products Commission has identified a potential shortfall of current pine resources that would be available to meet future contracted supply commitments. For the year ending 30 June 2016, there is a high degree of uncertainty regarding the likelihood, timing and amount of any potential shortfall and the Commission is therefore unable to determine a reliable estimate of the amount of any potential obligation that may arise in the future. The Commission is undertaking further analysis in order to develop and implement mitigation strategies, if necessary, and will continue to monitor the need for further disclosure, or a provision, at future reporting dates.

Home Indemnity Insurance

The State, through the Minister for Commerce, previously entered into Deeds of Indemnity with private insurers QBE and Calliden (now Great Lakes Australia) that provided cover for large losses under the Home Indemnity Insurance (HII) scheme resulting from death, insolvency or disappearance of a builder or building group.

The Heads of Agreements with private insurers covering the previous 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.

Since 1 November 2013, the State has wholly underwritten the provision of new HII policies to provide cover on an emerging cost basis for financial loss resulting from the death, insolvency or disappearance of a builder or building group. This arrangement was extended until 31 October 2016 to provide additional time to develop a longer term market based HII solution. From 1 July 2015, premiums for HII policies have been paid into the Home Indemnity Insurance Reinsurance Account administered by the Department of Commerce, with any claims arising from these policies being met from the Account rather than on an emerging cost basis.

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.

In March 2015, the six Noongar groups represented by the South West Aboriginal Land and Sea Council accepted the Government's final offer and on 8 June 2015 the State Government executed the six South West Native Title Settlement Indigenous Land Use Agreements (ILUAs). The settlement provides security of ownership for home owners, Kings Park, the Swan River and State forests. The ILUAs were lodged for registration with the National Native Title Tribunal (NNTT) and the Native Title Registrar commenced consideration of the valid objections lodged against the registration of the ILUAs. Four High Court applications commenced in December 2015 against the Native Title Registrar and the parties to the ILUAs on the basis that four ILUAs were not ILUAs as defined by the Native Title Act. A contingent liability exists until the six agreements are registered with the NNTT and the final legal proceedings are resolved.

The Settlement, which comprises the full and final resolution of all native title claims in the State's South West, provides Noongar people with \$1.3 billion in assets including a future fund of \$50 million each year for 12 years, and up to 320,000 hectares of Crown land. The cash component has been provided for in the forward estimates. A Trustee company (Perpetual Trustee Company Limited) has been selected as the initial Trustee to manage the Noongar Boodja Trust. However, the Trustee will only be appointed at the 'Trust effective date' which will be after conclusive registration of the ILUAs

The earliest possible commencement of the South West Native Title Settlement is in early 2017 with the establishment of the Noongar Boodja Trust, followed by the appointment of the six Noongar Regional Corporations.

Perth Airport Pty Ltd

In April 2016, the Public Transport Authority granted an indemnity to Perth Airport Pty Ltd for any loss or liability it suffers or incurs due to personal injury, third party property damage and consequential losses arising in connection with the construction of the Forrestfield-Airport Link project on and underneath Perth Airport. The Authority has put in place insurance to reduce the State's exposure to claims under the indemnity.

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.

Southern Ports Authority Bulk Loader

The Southern Ports Authority (which includes the former Esperance Port Authority) has a contract to load bulk nickel for BHP Billiton Nickel West. This contract has encountered difficulty since 8 October 2011 as the bulk loader is no longer fit for purpose and deemed to be unviable.

BHP Billiton Nickel West currently does not export its bulk nickel from Esperance however this situation may change. The bulk loader is currently not operational and will require funding for repairs to render it operational. The status of the Authority's obligations is not determined and insufficient information is currently available to determine the financial impact, if any, in the event of a claim under the contract arrangements.

Synergy (Electricity Generation and Retail Corporation)

Synergy operates a portfolio of thermal power stations that utilised asbestos for its insulation and fire resistant qualities prior to the market becoming aware of the dangers of this material. Synergy has a current asbestos management process in place and addresses these risks on an ongoing basis. However, diseases which emanate from asbestos, such as asbestosis, may take many years to develop. As such, Synergy may have a liability to those workers and other contractors who came in contact with asbestos at one of its power stations in the past. Workers' compensation insurance and public liability insurance does not cover all of this potential liability. Accordingly, a contingent liability arises for undiagnosed illnesses which may emerge from exposure to asbestos at one of Synergy's sites. The quantum of this liability is extremely uncertain and cannot be quantified with any accuracy.

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 11: *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 2016 is shown in the tables 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 2016.

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 follows.

	2016	2015
	\$m	\$m
Financial Assets		
Cash and deposits	820	785
Receivables	2,571	2,383
Investments, loans and placements	4,042	3,571
Advances paid	711	678
Shares and other equity	55,873	56,344
Other financial assets	8	-
Financial Liabilities		
Deposits held	518	413
Advances received	392	407
Borrowings	18,379	13,603
Payables	1,224	1,071
Other employee benefits	494	494
Other financial liabilities	178	146

Financial assets and liabilities exclude GST receivable/payable to the Australian Taxation Office and National Tax Equivalent arrangements.

<i>Fair Values</i>	Notional face	Net fair	Credit
	Value	Value	Exposure
	2016	2016	2016
	\$m	\$m	\$m
Interest rate contracts	-	-	-
Forward exchange contracts	-	-	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
Total	-	-	-

<i>Fair Values</i>	Notional face	Net fair	Credit
	Value	Value	Exposure
	2015	2015	2015
	\$m	\$m	\$m
Interest rate contracts	-	-	-
Forward exchange contracts	-	22	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
Total	-	22	-

Note: Columns may not add due to rounding.

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.

	2016	2015
	\$m	\$m
Financial Assets		
Cash and deposits	1,873	1,631
Receivables	3,942	3,548
Investments, loans and placements	18,322	15,190
Advances paid	4,729	4,429
Shares and other equity	1,510	1,670
Other financial assets	8	7
Financial Liabilities		
Deposits held	27	52
Advances received	392	407
Borrowings	51,852	44,252
Payables	6,367	5,705
Guarantees	283	278
Other employee benefits	92	565
Other financial liabilities	3,449	3,307

Financial assets and liabilities exclude GST receivable/payable to the Australian Taxation Office and National Tax Equivalent arrangements.

<i>Fair Values</i>	Notional face	Net fair	Credit
	Value	Value	Exposure
	2016	2016	2016
	\$m	\$m	\$m
Interest rate contracts	13,532	640	927
Forward exchange contracts	7	8	-
Futures contracts	-	-23	-
Commodity contracts	1,058	18	-
Total	14,596	644	927

<i>Fair Values</i>	Notional face	Net fair	Credit
	Value	Value	Exposure
	2015	2015	2015
	\$m	\$m	\$m
Interest rate contracts	9,566	502	791
Forward exchange contracts	1,658	7	-
Futures contracts	-	-34	-
Commodity contracts	1,550	10	-1
Total	12,774	486	790

Note: Columns may not add due to rounding.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

30 June 2016

Fixed Interest Maturing in

	Floating interest rate	up to 3 months	3 to 12 months	1 year to 5 years	Over 5 years	Total Fixed interest rate	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Financial assets									
Cash and deposits	470	124	8	31	-	163	186	820	1.9
Receivables ^(a)	4	-	1	2	-	3	2,564	2,571	3.7
Investments, loans and placements	8	1,351	403	1,860	370	3,983	50	4,042	2.4
Advances paid:									
Non-government schools	-	7	23	108	115	253	-	253	6.2
Other advances	-	-	6	2	24	31	427	458	3.8
Shares and other equity	-	-	-	-	-	-	55,873	55,873	-
Other financial assets	-	-	-	-	-	-	8	8	-
Total financial assets	482	1,482	440	2,003	509	4,434	59,107	64,023	
Financial liabilities									
Deposits held	-	167	47	231	47	491	27	518	2.3
Advances received	-	-	-	-	-	-	392	392	-
Borrowings	253	1,327	2,275	14,058	437	18,097	29	18,379	3.5
Payables ^(b)	2	-	-	-	-	-	1,222	1,224	2.7
Other employee benefits	1	-	-	-	-	-	72	72	-
Other financial liabilities	-	-	-	-	-	-	178	178	4.5
Total financial liabilities	256	1,494	2,321	14,289	484	18,588	1,920	20,763	

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

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

30 June 2015

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	364	170	28	27	-	226	195	785	2.1
Receivables ^(a)	1	-	-	-	-	4	2,378	2,383	4.2
Investments, loans and placements	8	1,532	489	1,183	319	3,522	41	3,571	2.8
Advances paid:									
Non-government schools	-	7	21	98	101	227	-	227	6.6
Other advances	-	-	-	-	-	-	441	450	2.7
Shares and other equity	-	-	-	-	-	-	56,344	56,344	-
Other financial assets	-	-	-	-	-	-	-	-	-
Total financial assets	373	1,709	540	1,314	426	3,989	59,399	63,761	
Financial liabilities									
Deposits held	-	48	151	132	-	365	48	413	2.8
Advances received	-	-	-	-	-	-	407	407	-
Borrowings	59	234	1,452	6,422	5,086	13,194	350	13,603	3.9
Payables ^(b)	-	-	-	-	-	-	1,069	1,071	2.3
Other employee benefits	-	-	-	-	-	-	494	494	-
Other financial liabilities	-	-	-	-	-	-	146	146	-
Total financial liabilities	61	282	1,603	6,554	5,120	13,560	2,514	16,134	

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

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 2016

	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	1,450	174	8	31	-	214	209	1,873	2.1
Receivables ^(a)	7	-	2	2	-	3	3,932	3,942	3.1
Investments, loans and placements	1,162	7,169	2,506	3,707	2,025	15,408	1,752	18,322	2.8
Advances paid:									
Homebuyers	4,413	-	-	-	-	-	-	4,413	5.0
Non-government schools	-	7	23	108	115	253	-	253	6.2
Other	-	-	6	2	24	31	32	63	3.8
Shares and other equity	-	-	-	-	-	-	1,510	1,510	-
Other financial assets	-	-	-	-	-	-	8	8	-
Total financial assets	7,031	7,351	2,544	3,850	2,164	15,910	7,443	30,384	
Financial liabilities									
Deposits held	-	-	-	-	-	-	27	27	3.2
Advances received	-	-	16	67	309	392	-	392	4.6
Borrowings	62	11,723	366	20,805	15,873	48,768	3,022	51,852	3.6
Payables ^(b)	3	986	-	-	-	986	5,377	6,367	0.3
Guarantees ^(c)	-	-	-	-	-	-	283	283	-
Other employee benefits	-	-	-	-	-	-	92	92	-
Other financial liabilities	-	-	-	-	-	-	3,449	3,449	-
Total financial liabilities	66	12,709	382	20,873	16,182	50,146	12,250	62,461	

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

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

Total Public Sector

30 June 2015

	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	1,004	372	28	27	-	428	199	1,631	2.3
Receivables ^(a)	1	1	2	2	-	6	3,541	3,548	4.4
Investments, loans and placements	1,800	5,791	1,912	3,087	1,675	12,464	938	15,190	3.3
Advances paid:									
Homebuyers	4,162	-	-	-	-	-	-	4,162	5.2
Non-government schools	-	7	21	98	101	227	-	227	6.6
Other	-	-	-	3	6	9	31	40	2.7
Shares and other equity	-	-	-	-	-	-	1,670	1,670	0.0
Other financial assets	-	-	-	-	-	-	7	7	0.0
Total financial assets	6,967	6,171	1,963	3,218	1,782	13,134	6,385	26,475	
Financial liabilities									
Deposits held	-	-	-	-	-	-	52	52	-
Advances received	-	-	16	66	326	407	-	407	4.6
Borrowings	62	9,270	3,658	15,509	12,476	40,913	3,277	44,252	3.8
Payables ^(b)	-	606	-	-	-	606	5,099	5,705	0.1
Guarantees ^(c)	-	-	-	-	-	-	278	278	-
Other employee benefits	-	-	-	-	-	-	564	565	-
Other financial liabilities	-	-	-	-	-	-	3,307	3,307	-
Total financial liabilities	63	9,876	3,673	15,575	12,802	41,926	12,577	54,566	

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

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

	30 June 2016					30 June 2015				
	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	820	-6	-6	6	6	785	-6	-6	6	6
Receivables	2,571	-	-	-	-	2,383	-	-	-	-
Investments, loans and placements	4,042	-40	-40	40	40	3,571	-35	-35	35	35
Advances paid	711	-2	-2	2	2	678	-2	-2	2	2
Shares and other equity	55,873	-	-	-	-	56,344	-	-	-	-
Other financial assets	8	-	-	-	-	-	-	-	-	-
Financial Liabilities										
Deposits held	518	5	5	-5	-5	413	4	4	-4	-4
Advances received	392	-	-	-	-	407	-	-	-	-
Borrowings	18,379	183	183	-183	-183	13,603	133	133	-133	-133
Payables	1,224	-	-	-	-	1,071	-	-	-	-
Other financial liabilities	178	-	-	-	-	146	-	-	-	-
Total Increase/-Decrease		140	140	-140	-140		93	93	-93	-93

Total Public Sector

	30 June 2016					30 June 2015				
	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	1,873	-17	-17	17	17	1,631	-14	-14	14	14
Receivables	3,942	-	-	-	-	3,548	-	-	-	-
Investments, loans and placements	18,322	-166	-166	166	166	15,190	-144	-144	144	144
Advances paid	4,729	-47	-47	47	47	4,429	-39	-39	39	39
Shares and other equity	1,510	-	-	-	-	1,670	-	-	-	-
Other financial assets	8	-	-	-	-	7	-	-	-	-
Financial Liabilities										
Deposits held	27	-	-	-	-	52	-	-	-	-
Advances received	392	4	4	-4	-4	407	4	4	-4	-4
Borrowings	51,852	488	488	-488	-488	44,252	377	377	-377	-377
Payables	6,367	10	10	-10	-10	5,705	4	4	-4	-4
Other financial liabilities	3,824	-	-	-	-	4,150	-	-	-	-
Total Increase/-Decrease		273	273	-273	-273		188	188	-187	-187

Note: Columns may not add due to rounding.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

	Carrying amount as at 30 June 2016 \$m	Fair value measurement at end of reporting period using:		
		Level 1 ^(a) \$m	Level 2 ^(b) \$m	Level 3 ^(c) \$m
Financial Assets				
Investments, loans and placements	4,020	208	3,768	43
Shares and other equity	55,873	-	-	55,873
Financial Liabilities				
Borrowings	-	-	-	-

	Carrying amount as at 30 June 2015 \$m	Fair value measurement at end of reporting period using:		
		Level 1 ^(a) \$m	Level 2 ^(b) \$m	Level 3 ^(c) \$m
Financial Assets				
Investments, loans and placements	3,557	1,463	2,089	5
Shares and other equity	56,345	-	-	56,345
Financial Liabilities				
Borrowings	-	-	-	-

Total Public Sector

	Carrying amount as at 30 June 2016 \$m	Fair value measurement at end of reporting period using:		
		Level 1 ^(a) \$m	Level 2 ^(b) \$m	Level 3 ^(c) \$m
Financial Assets				
Investments, loans and placements	12,194	1,338	10,247	609
Shares and other equity	1,510	1,467	4	39
Financial Liabilities				
Borrowings	51,313	39,993	11,320	-
Payables	71	-	71	-

	Carrying amount as at 30 June 2015 \$m	Fair value measurement at end of reporting period using:		
		Level 1 ^(a) \$m	Level 2 ^(b) \$m	Level 3 ^(c) \$m
Financial Assets				
Investments, loans and placements	9,730	2,924	6,413	393
Shares and other equity	1,670	1,568	-	102
Financial Liabilities				
Borrowings	39,322	30,035	9,284	3
Payables	3,011	3,011	-	-

- (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: Columns/rows may not add due to rounding.

NOTE 32: OTHER DISAGGREGATED INFORMATION

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

The total public sector (or whole-of-government) 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
RESULTS FROM TRANSACTIONS										
REVENUE										
Taxation	9,069	8,882	-	-	-	-	-509	-482	8,560	8,400
Current grants and subsidies	7,407	8,051	2,212	2,307	-	-	-2,212	-2,307	7,407	8,051
Capital grants	895	1,263	200	113	-	-	-200	-113	895	1,263
Sales of goods and services	2,155	2,105	19,170	16,778	982	980	-725	-792	21,583	19,071
Interest Income	192	185	159	163	1,776	1,702	-1,491	-1,402	635	648
Revenue from public corporations										
Dividends	1,415	1,187	-	-	-	-	-1,415	-1,187	-	-
Tax equivalent income	631	592	-	-	-	-	-631	-592	-	-
Royalty income	4,126	4,603	-	-	-	-	-	-	4,126	4,603
Other	594	532	651	846	-	3	-135	-126	1,110	1,256
Total	26,485	27,400	22,392	20,208	2,758	2,685	-7,319	-7,001	44,316	43,292
EXPENSES										
Salaries	11,383	11,089	1,191	1,173	53	52	-	-	12,627	12,314
Superannuation										
Concurrent costs	1,167	1,107	123	118	5	5	-	-	1,296	1,230
Superannuation interest cost	218	266	-	-	-	-	-	-	218	266
Other employee costs	370	430	51	80	2	2	-166	-214	257	298
Depreciation and amortisation	1,359	1,235	1,988	1,979	6	13	-	-	3,354	3,226
Services and contracts	2,195	2,057	981	937	11	8	-7	-12	3,179	2,991
Other gross operating expenses	5,518	5,131	14,689	12,379	835	858	-762	-769	20,279	17,600
Other interest	664	543	807	845	1,663	1,520	-1,491	-1,402	1,643	1,506
Dividends and tax equivalents	-	-	527	546	104	46	-631	-592	-	-
Current transfers	5,164	5,465	1,072	1,054	5	5	-2,558	-2,638	3,683	3,886
Capital transfers	469	507	70	47	2	1	-200	-115	340	440
Total	28,506	27,831	21,500	19,158	2,686	2,509	-5,816	-5,742	46,875	43,756
NET OPERATING BALANCE	-2,021	-431	892	1,049	72	176	-1,503	-1,259	-2,559	-464

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

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$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	-148	-21	21	95	-4	253	-	-	-131	327
Net actuarial gains - superannuation	-589	98	-23	-40	1	2	-	-	-610	60
Provision for doubtful debts	-54	-36	-16	-6	2	-3	-	-	-68	-45
Changes in accounting policy/adjustment of prior periods	110	-504	-686	-24	-168	-159	-	-	-743	-688
<i>Total other economic flows</i>	-679	-463	-704	25	-169	92	-	-	-1,552	-345
OPERATING RESULT	-2,700	-894	189	1,074	-97	268	-1,503	-1,259	-4,111	-810
<i>All other movements in equity</i>										
<i>Items that will not be reclassified to operating result</i>										
Revaluations	-2,549	2,229	-1,520	2,583	-107	-88	-	-	-4,176	4,724
Gains recognised directly in equity	8	-4	1,655	405	191	156	-	-	1,854	557
Change in net worth of the public corporations sectors	-1,192	3,140	-	-	-	-	1,192	-3,140	-	-
All other	-	-	-	-	-	-	-	-	-	-
<i>Total all other movements in equity</i>	-3,733	5,365	135	2,988	84	69	1,192	-3,140	-2,322	5,281
<i>Movements in owner equity</i>										
Dividends	-	-	-1,273	-1,142	-230	-116	1,503	1,259	-	-
Capital injections	-	-	712	721	13	3	-725	-724	-	-
<i>Total movements in owner equity</i>	-	-	-561	-421	-216	-114	778	535	-	-
TOTAL CHANGE IN NET WORTH	-6,433	4,472	-237	3,640	-229	223	467	-3,864	-6,433	4,472
KEY FISCAL AGGREGATES										
NET OPERATING BALANCE	-2,021	-431	892	1,049	72	176	-1,503	-1,259	-2,559	-464
<i>Less Net acquisition of non-financial assets</i>										
Purchase of non-financial assets	2,475	2,667	2,877	3,125	5	11	-119	-26	5,237	5,777
Changes in inventories	15	-9	1,009	183	-	-	-	-	1,024	173
Other movement in non-financial assets	15	90	156	328	-	-	-	-	171	418
<i>less:</i>										
Sales of non-financial assets	102	134	718	804	-	-	-119	-25	701	913
Depreciation	1,359	1,235	1,988	1,979	6	13	-	-	3,354	3,226
<i>Total net acquisition of non-financial assets</i>	<i>1,043</i>	<i>1,378</i>	<i>1,335</i>	<i>853</i>	<i>-2</i>	<i>-2</i>	<i>-</i>	<i>-</i>	<i>2,376</i>	<i>2,229</i>
NET LENDING/-BORROWING	-3,064	-1,809	-442	196	74	178	-1,503	-1,259	-4,935	-2,693

Note: Columns/rows may not add due to rounding

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	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m
ASSETS										
<i>Financial assets</i>										
Cash and deposits	820	785	1,267	1,157	275	52	-488	-363	1,873	1,631
Advances paid	711	678	-	-	4,413	4,162	-395	-411	4,729	4,429
Investments, loans and placements	4,042	3,571	5,072	4,713	52,977	44,788	-43,769	-37,882	18,322	15,190
Receivables	2,921	2,660	1,137	1,079	873	555	-791	-547	4,140	3,747
Shares and other equity										
Investments in other public sector entities - equity method	47,654	48,846	-	-	-	-	-47,654	-48,846	-	-
Investments in other public sector entities - direct injections	8,180	7,455	-	-	-	-	-8,180	-7,455	-	-
Investments in other entities	48	44	24	33	1,471	1,593	-	-	1,544	1,670
Other financial assets	8	-	849	910	11	7	-849	-910	18	7
Total financial assets	64,384	64,038	8,349	7,893	60,020	51,156	-102,127	-96,414	30,626	26,674
<i>Non-financial assets</i>										
Land	38,551	38,837	14,682	15,248	-	-	-	-	53,233	54,084
Property, plant and equipment	43,256	45,003	54,064	53,627	4	5	-	-	97,324	98,636
Biological assets	4	2	330	314	-	-	-	-	334	316
Inventories										
Land inventories	113	106	2,059	2,175	-	-	-	-	2,172	2,281
Other inventories	84	69	4,417	3,408	-	-	-	-	4,501	3,477
Intangibles	650	609	439	512	8	8	-	-	1,097	1,129
Assets held for sale	32	27	28	44	87	808	-	-	147	879
Investment property	8	9	65	51	224	-	-	-	297	59
Other	484	249	144	203	5	2	-	-	634	454
Total non-financial assets	83,182	84,911	76,229	75,581	328	824	-	-	159,740	161,315
TOTAL ASSETS	147,566	148,949	84,579	83,474	60,347	51,980	-102,127	-96,414	190,366	187,989

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

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	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m
LIABILITIES										
Deposits held	518	417	-	-	-	-	-491	-365	27	52
Advances received	392	407	392	407	3	3	-395	-410	392	407
Borrowings	18,379	13,603	22,716	22,245	54,523	46,285	-43,766	-37,880	51,852	44,252
Superannuation	7,939	7,573	120	129	8	9	-	-	8,068	7,710
Other employee benefits	2,892	3,292	442	461	10	10	-	-	3,345	3,763
Payables	1,228	1,071	5,197	4,680	284	182	-340	-229	6,370	5,705
Other liabilities	1,352	1,287	1,657	1,260	3,739	3,481	-1,300	-1,229	5,446	4,800
TOTAL LIABILITIES	32,700	27,649	30,525	29,183	58,567	49,971	-46,293	-40,113	75,499	66,690
NET ASSETS	114,866	121,299	54,054	54,291	1,780	2,010	-55,834	-56,301	114,866	121,299
<i>Of which:</i>										
Contributed equity	-	-	8,164	7,452	16	3	-8,180	-7,455	-	-
Accumulated surplus	8,460	11,012	19,344	18,732	1,743	1,879	7	7	29,555	31,630
Other reserves	106,406	110,287	26,546	28,107	21	128	-47,661	-48,853	85,312	89,669
NET WORTH	114,866	121,299	54,054	54,291	1,780	2,010	-55,834	-56,301	114,866	121,299

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

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Statement of Changes in Equity for the year ended 30 June

	Equity at 1 July 2015 \$m	Change in net worth \$m	Contributed capital \$m	Dividends \$m	Other \$m	Equity at 30 June 2016 \$m
General Government Sector						
Accumulated surplus/(deficit)	11,012	-2,700	-	-	148	8,460
Reserves	61,441	-2,549	-	-	-140	58,752
Accumulated net gain on equity investments in other sector entities	48,846	-1,192	-	-	-	47,654
Total	121,299	-6,441	-	-	8	114,866
Public Non Financial Corporations sector						
Accumulated surplus/(deficit)	18,732	189	-	-1,273	1,697	19,344
Contributed equity	7,452	-	712	-	-	8,164
Reserves	28,107	-1,520	-	-	-42	26,546
Total	54,291	-1,331	712	-1,273	1,655	54,054
Public Financial Corporations sector						
Accumulated surplus/(deficit)	1,879	-97	-	-230	191	1,743
Contributed Equity	3	13	-	-	-	16
Reserves	128	-107	-	-	-	21
Total	2,010	-191	-	-230	191	1,780
Inter-sector eliminations						
Accumulated surplus/(deficit)	7	-1,503	-	1,503	-	7
Contributed Equity	-7,455	-13	-712	-	-	-8,180
Reserves	-7	-	-	-	-	-7
Accumulated net gain on equity investments in other sector entities	-48,846	1,192	-	-	-	-47,654
Total	-56,301	-324	-712	1,503	-	-55,834
Total Public Sector						
Accumulated surplus/(deficit)	31,630	-4,111	-	-	2,036	29,555
Contributed Equity	-	-	-	-	-	-
Reserves	89,669	-4,176	-	-	-182	85,312
Total	121,299	-8,287	-	-	1,854	114,866

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

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	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>										
<i>Cash received</i>										
Taxes received	9,130	8,846	-	-	-	-	-573	-541	8,556	8,305
Grants and subsidies received	8,310	9,394	2,498	2,476	-	29	-2,498	-2,505	8,310	9,394
Receipts from sales of goods and services	2,294	2,129	19,335	17,457	1,114	1,085	-763	-835	21,979	19,836
Interest receipts	187	180	148	168	1,724	1,677	-1,392	-1,276	667	748
Dividends and tax equivalents	2,087	1,865	69	68	-	-	-2,156	-1,933	-	-
Other	5,922	6,799	1,416	1,439	145	143	-327	-317	7,156	8,065
<i>Total cash received</i>	<i>27,929</i>	<i>29,213</i>	<i>23,465</i>	<i>21,608</i>	<i>2,982</i>	<i>2,933</i>	<i>-7,709</i>	<i>-7,407</i>	<i>46,668</i>	<i>46,347</i>
<i>Cash Paid</i>										
Wages, salaries and supplements, and superannuation	-13,374	-12,546	-1,402	-1,316	-58	-56	-	-	-14,834	-13,917
Payments for goods and services	-8,083	-7,761	-14,316	-12,648	-757	-822	1,046	1,108	-22,112	-20,123
Interest paid	-631	-537	-836	-784	-1,866	-1,654	1,392	1,276	-1,940	-1,699
Grants and subsidies paid	-5,485	-5,767	-761	-774	-	-	2,535	2,540	-3,711	-4,001
Dividends and tax equivalents	-	-	-609	-660	-63	-19	671	679	-	-
Other payments	-1,648	-1,562	-2,991	-3,029	-207	-201	581	548	-4,266	-4,244
<i>Total cash paid</i>	<i>-29,221</i>	<i>-28,173</i>	<i>-20,915</i>	<i>-19,211</i>	<i>-2,952</i>	<i>-2,752</i>	<i>6,225</i>	<i>6,152</i>	<i>-46,863</i>	<i>-43,983</i>
<i>NET CASH FLOWS FROM OPERATING ACTIVITIES</i>	<i>-1,291</i>	<i>1,040</i>	<i>2,550</i>	<i>2,397</i>	<i>31</i>	<i>182</i>	<i>-1,484</i>	<i>-1,255</i>	<i>-195</i>	<i>2,364</i>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>										
<i>Cash flows from investments in non-financial assets</i>										
Purchase of non-financial assets	-2,475	-2,667	-2,877	-3,125	-5	-11	119	26	-5,237	-5,777
Sales of non-financial assets	102	134	718	804	-	-	-119	-25	701	913
<i>Total cash flows from investments in non-financial assets</i>	<i>-2,373</i>	<i>-2,533</i>	<i>-2,159</i>	<i>-2,321</i>	<i>-4</i>	<i>-10</i>	<i>-</i>	<i>-</i>	<i>-4,536</i>	<i>-4,864</i>
<i>Cash flows from investments in financial assets</i>										
<i>Cash received</i>										
For policy purposes	140	18	-	-	-	-	-	-	140	18
For liquidity purposes	101	5	332	197	4,417	6,855	-	-	4,850	7,056
<i>Cash paid</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
For policy purposes	-798	-566	-3	-13	-	-	786	562	-16	-17
For liquidity purposes	-136	-22	-359	-154	-3,962	-6,556	-	-	-4,457	-6,732
<i>Total cash flows from investments in financial assets</i>	<i>-694</i>	<i>-565</i>	<i>-31</i>	<i>30</i>	<i>455</i>	<i>299</i>	<i>786</i>	<i>562</i>	<i>516</i>	<i>325</i>
<i>NET CASH FLOWS FROM INVESTING ACTIVITIES</i>	<i>-3,067</i>	<i>-3,098</i>	<i>-2,190</i>	<i>-2,292</i>	<i>451</i>	<i>288</i>	<i>786</i>	<i>562</i>	<i>-4,020</i>	<i>-4,539</i>

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

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	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m
CASH FLOWS FROM FINANCING ACTIVITIES										
<i>Cash received</i>										
Advances received	16	16	-	-	-	-	-16	-16	-	-
Borrowings	5,194	2,065	12,583	17,993	30,883	34,072	-30,048	-37,873	18,612	16,256
Deposits received	-	-	-	-	-	-	-	-	-	-
Other financing receipts	41	448	894	604	-	-	-887	-598	49	454
<i>Total cash receipts from financing activities</i>	<i>5,250</i>	<i>2,529</i>	<i>13,477</i>	<i>18,597</i>	<i>30,883</i>	<i>34,072</i>	<i>-30,950</i>	<i>-38,487</i>	<i>18,660</i>	<i>16,711</i>
<i>Cash paid</i>										
Advances paid	-16	-16	-16	-16	-	-	16	16	-16	-16
Borrowings repaid	-97	-79	-12,283	-17,754	-29,000	-33,282	30,048	37,873	-11,333	-13,242
Deposits paid	-	-	-	-	-	-	-	-	-	-
Other financing payments	-447	-424	-45	-32	-	-	101	36	-391	-421
Dividends paid	-	-	-1,273	-1,142	-211	-112	1,484	1,255	-	-
<i>Total payments for financing activities</i>	<i>-560</i>	<i>-519</i>	<i>-13,617</i>	<i>-18,945</i>	<i>-29,211</i>	<i>-33,395</i>	<i>31,649</i>	<i>39,180</i>	<i>-11,740</i>	<i>-13,679</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	4,691	2,010	-140	-348	1,671	677	699	693	6,921	3,032
Net increase in cash and cash equivalents	333	-48	221	-243	2,153	1,148	-	-	2,706	857
Cash and cash equivalents at the beginning of the year	4,440	4,488	1,560	1,803	3,242	2,094	-2	-2	9,239	8,383
Cash and cash equivalents at the end of the year	4,773	4,440	1,781	1,560	5,395	3,242	-2	-2	11,946	9,239
<hr/>										
Net cash flows from operating activities	-1,291	1,040	2,550	2,397	31	182	-1,484	-1,255	-195	2,364
Net cash flows from investing in non-financial assets	-2,373	-2,533	-2,159	-2,321	-4	-10	-	-	-4,536	-4,864
Dividends paid	-	-	-1,273	-1,142	-211	-112	1,484	1,255	-	-
Cash surplus/-deficit	-3,664	-1,493	-882	-1,066	-185	59	-	-	-4,731	-2,500

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

NOTE 33: EVENTS OCCURRING AFTER THE REPORTING PERIOD

The following matters have arisen in the period between the end of the reporting year and the date of this report, and are likely to significantly impact the operations and/or outlook of the total public sector in subsequent reporting years.

Australian Energy Market Operator – Deed of Indemnity

On 18 July 2016, Cabinet approved a Memorandum of Understanding and Deed of Indemnity between the State and the Australian Energy Market Operator (AEMO) to support the transfer of retail market operation functions in the South West Interconnected System from Western Power to AEMO.

The Deed of Indemnity provides the AEMO with certainty that they will be reimbursed for implementation costs of assuming the retail market operation functions in the event these costs cannot be recovered through market fees. The State's liability for these costs has been capped at a maximum of \$4.1 million.

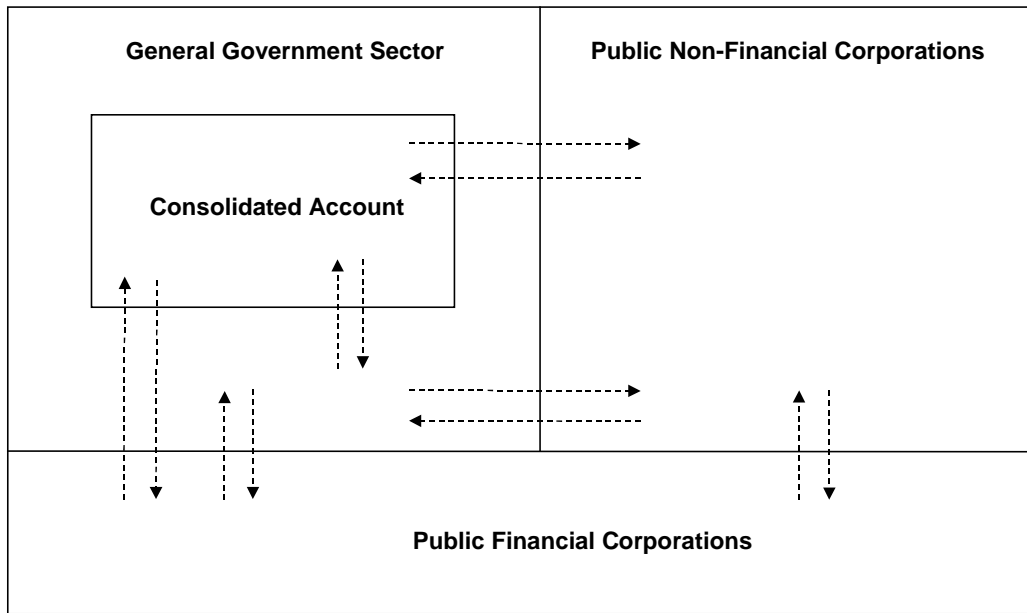
Sale of Westralia Plaza

On 20 July 2016, the Insurance Commission of Western Australia settled the sale of Westralia Plaza. The sale price of \$87 million was reflected as the asset value at 30 June 2016, therefore no further adjustment to the financial statements is required.

NOTE 34: COMPOSITION OF SECTORS

The following diagram shows the financial relationship between sectors within which agencies are classified using the Australian Bureau of Statistics GFS manual, 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
 Botanic Gardens and Parks Authority
 Building and Construction Industry Training Board
 Central Regional TAFE
 Chemistry Centre (WA)
 Combat Sports Commission
 Commissioner for Children and Young People
 Commissioner for Equal Opportunity
 Commissioner of Main Roads
 Corruption and Crime Commission
 Country High School Hostels Authority
 Department of Aboriginal Affairs
 Department of Agriculture and Food
 Department for Child Protection and Family Support
 Department of Commerce
 Department of Corrective Services
 Department of Culture and the Arts
 Department of Education
 Department of Education Services
 Department of Environment Regulation
 Department of Finance
 Department of Fire and Emergency Services
 Department of Fisheries
 Department of Health (including public hospitals)
 Department of Lands
 Department of Local Government and Communities
 Department of Mines and Petroleum
 Department of Planning
 Department of Parks and Wildlife
 Department of Racing, Gaming and Liquor
 Department of Regional Development
 Department of Sport and Recreation
 Department of State Development
 Department of State Heritage Office
 Department of Training and Workforce Development
 Department of Transport
 Department of Treasury
 Department of the Attorney General
 Department of the Legislative Assembly
 Department of the Legislative Council
 Department of the Premier and Cabinet
 Department of the Registrar, Western Australian Industrial Relations Commission
 Department of Water
 Disability Services Commission
 Economic Regulation Authority
 Gaming and Wagering Commission of Western Australia
 Gascoyne Development Commission
 Goldfields Esperance Development Commission
 Governor's Establishment
 Great Southern Development Commission
 Health and Disability Services Complaints Office
 Heritage Council of Western Australia
 Independent Market Operator
 Keep Australia Beautiful Council (W.A.)
 Kimberley Development Commission
 Law Reform Commission of Western Australia
 Legal Aid Commission of Western Australia
 Legal Costs Committee
 Local Health Authorities Analytical Committee
 Mental Health Commission
 Mid West Development Commission
 Minerals Research Institute of Western Australia
 North Metropolitan TAFE
 North Regional TAFE
 Office of the Auditor General
 Office of the Chief Information Officer
 Office of the Director of Public Prosecutions
 Office of the Environmental Protection Authority
 Office of the Information Commissioner
 Office of the Inspector of Custodial Services
 Office of the Parliamentary Inspector of the Corruption and Crime Commission
 Parliamentary Commissioner for Administrative Investigations
 Parliamentary Services Department
 Peel Development Commission
 Perth Theatre Trust
 Pilbara Development Commission
 Professional Standards Council
 Public Sector Commission
 Racing Penalties Appeal Tribunal of Western Australia
 Rural Business Development Corporation
 Road Safety Commission
 Salaries and Allowances Tribunal
 School Curriculum and Standards Authority
 Screen West Inc.
 Small Business Development Corporation
 South Metropolitan TAFE
 South Regional TAFE
 South West Development Commission
 State Emergency Management Committee Secretariat
 The Aboriginal Affairs Planning Authority
 The ANZAC Day Trust
 The Board of the Art Gallery of Western Australia
 The Burswood Park Board
 The Coal Miners' Welfare Board of Western Australia
 The Library Board of Western Australia
 The National Trust of Australia (W.A.)
 The Queen Elizabeth II Medical Centre Trust
 The Western Australia Museum
 Trustees of the Public Education Endowment
 Western Australia Police
 Western Australian Building Management Authority
 Western Australian Electoral Commission
 Western Australian Energy Disputes Arbitrator
 Western Australian Greyhound Racing Association
 Western Australian Health Promotion Foundation
 Western Australian Institute of Sport
 Western Australian Land Information Authority
 Western Australian Meat Industry Authority
 Western Australian Planning Commission
 Western Australian Sports Centre Trust
 Western Australian Tourism Commission
 Wheatbelt Development Commission
 WorkCover Western Australia Authority
 Zoological Parks Authority

Public Non-Financial Corporations

Animal Resources Authority	Metropolitan Redevelopment Authority
Bunbury Water Corporation	Mid West Ports Authority
Busselton Water Corporation	Pilbara Ports Authority
Electricity Networks Corporation (Western Power)	Potato Marketing Corporation of Western Australia
Electricity Generation and Retail Corporation (Synergy)	Public Transport Authority of Western Australia
Forest Products Commission	Racing and Wagering Western Australia
Fremantle Port Authority	Regional Power Corporation (Horizon Power)
Gold Corporation and its subsidiaries	Rottnest Island Authority
Housing Authority	Southern Ports Authority
Kimberly Ports Authority	Water Corporation
Lotteries Commission	Western Australian Coastal Shipping Commission
Metropolitan Cemeteries Board	Western Australian Land Authority

Public Financial Corporations

Country Housing Authority	RiskCover
Insurance Commission of Western Australia	Western Australian Treasury Corporation
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	

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

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

Explanations of significant variances between actual results for 2015-16 and the original budget (presented to the Legislative Assembly in May 2015) 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 outturn contained in the recent State Budget, presented to the Parliament on 12 May 2016.

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

	2014-15	2015-16				Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)			
Taxation							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	3,602	3,997	3,697	3,530	3,502	-28	
Property taxes							
<i>Land tax</i>	744	939	949	949	948	-1	
Transfer Duty	1,598	1,614	1,441	1,356	1,338	-19	
Landholder Duty	101	118	105	338	419	81	
<i>Total duty on transfers</i>	1,699	1,732	1,546	1,694	1,756	62	
Metropolitan Region Improvement Tax	93	98	101	98	98	-1	
Perth Parking Levy	48	57	57	57	57	-1	
Emergency Services Levy	274	306	307	305	307	3	
Loan guarantee fees	119	163	135	135	134	-1	
<i>Total other property taxes</i>	534	624	600	595	596	1	
Taxes on provision of goods and services							
Lotteries Commission	152	162	162	162	163	1	
Video lottery terminals	-	1	1	1	-	-1	
Casino Tax	110	81	81	67	65	-2	
Betting tax	42	45	45	44	42	-2	
<i>Total taxes on gambling</i>	305	289	289	273	270	-3	
Insurance Duty	604	660	587	599	592	-8	
Other	31	21	21	23	24	1	
<i>Total taxes on insurance</i>	635	682	609	622	615	-7	
Taxes on use of goods and performance of activities							
Vehicle Licence Duty	363	395	351	346	346	-	
Permits - Oversize Vehicles and Loads	7	9	8	8	7	-1	
Motor Vehicle recording fee	58	54	54	54	60	6	
Motor Vehicle registrations	848	879	879	879	874	-5	
<i>Total motor vehicle taxes</i>	1,277	1,337	1,291	1,287	1,286	-1	
<i>Mining Rehabilitation Levy</i>	27	51	27	27	28	1	
<i>Landfill Levy</i>	59	104	104	68	69	1	
Total Taxation	8,882	9,754	9,112	9,045	9,069	25	

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

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2014-15	2015-16				Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
Current Grants and Subsidies						
<i>General Purpose Grants</i>						
GST grants	2,258	1,934	1,896	1,886	1,881	-5
North West Shelf grants	865	722	607	588	616	28
Commonwealth compensation for changed crude oil excise arrangements	48	40	33	32	29	-3
<i>Grants through the State</i>						
Schools assistance – non-government schools	1,064	1,139	1,119	1,097	1,110	13
Local government financial assistance grants	262	176	87	87	85	-1
Local government roads	162	108	54	54	54	-
<i>National Specific Purpose Payment Agreement Grants</i>						
National Agreement for Skills and Workforce Development	156	164	162	160	157	-2
National Disability Services	151	163	161	157	147	-10
National Affordable Housing	144	149	148	145	143	-2
<i>Students First</i>	503	566	560	569	558	-11
<i>National Health Reform</i>	1,750	1,928	1,813	1,813	1,844	31
<i>National Partnerships/Other Grants</i>						
Health	402	331	332	373	422	49
Housing	15	20	20	20	16	-5
Transport	55	78	81	72	69	-2
Other	216	220	247	251	275	24
Total Current Grants and Subsidies	8,051	7,738	7,321	7,304	7,407	104
Capital Grants						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	16	35	16	16	15	-
<i>National Partnerships/Other Grants</i>						
Housing	173	124	178	178	163	-15
Transport	992	454	448	779	698	-81
Other	82	38	62	60	18	-42
Total Capital Grants	1,263	651	703	1,033	895	-138

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

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2014-15		2015-16		Actual \$m (4)	Variation on EA \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated \$m (3)		
Sales of Goods and Services						
WA Health	545	564	564	560	632	72
Department of Transport	173	180	183	182	171	-12
Department of Education	167	159	159	163	158	-5
State Training Providers	145	173	157	154	130	-24
Department of Training and Workforce Development	52	57	52	56	54	-2
Western Australian Land Information Authority	128	139	131	125	123	-2
Department of Parks and Wildlife	39	40	40	41	40	-2
Department of Attorney General	94	105	105	104	101	-4
Department of Commerce	104	122	114	104	99	-5
Department of Mines and Petroleum	52	69	74	68	54	-14
All Other	607	736	589	583	594	11
Total Sales of Goods and Services	2,105	2,342	2,168	2,141	2,155	14
Interest Income	185	174	171	178	192	14
Revenue from Public Corporations						
Dividends	1,187	945	1,299	1,422	1,415	-7
Tax Equivalent Regime	592	527	546	576	631	55
Total Revenue from Public Corporations	1,779	1,472	1,846	1,998	2,047	48
Royalty Income	4,603	3,670	3,788	4,177	4,126	-51
Other						
Lease Rentals	89	88	88	90	92	1
Fines	188	205	205	206	206	-
Revenue not elsew here counted	255	229	216	321	297	-24
Total Other	532	523	509	617	594	-22
TOTAL REVENUE	27,400	26,325	25,617	26,492	26,485	-6

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

Table 2.2

OPERATING REVENUE
Total Public Sector

	2014-15	2015-16				Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
Taxation						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,503	3,912	3,612	3,442	3,406	-36
Property taxes						
<i>Land tax</i>	675	872	879	876	870	-5
Transfer Duty	1,598	1,614	1,441	1,356	1,338	-19
Landholder Duty	101	118	105	338	419	81
<i>Total duty on transfers</i>	1,699	1,732	1,546	1,694	1,756	62
Metropolitan Region Improvement Tax	93	98	101	98	98	-1
Perth Parking Levy	48	57	57	57	57	-1
Emergency Services Levy	270	301	302	302	304	2
Loan guarantee fees	3	9	9	9	6	-3
<i>Total other property taxes</i>	415	465	469	466	465	-2
Taxes on provision of goods and services						
Lotteries Commission	-	-	-	-	-	-
Video lottery terminals	-	1	1	1	-	-1
Casino Tax	110	81	81	67	65	-2
Betting tax	-	-	-	-	-	-
Other	-	-	-	-	-	-
<i>Total taxes on gambling</i>	111	82	82	67	65	-2
Insurance Duty	604	660	587	599	592	-8
Other	31	21	21	23	24	1
<i>Total taxes on insurance</i>	635	682	609	622	615	-7
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	363	395	351	346	346	-
Permits - Oversize Vehicles and Loads	7	9	8	8	7	-1
Motor Vehicle recording fee	58	54	54	54	60	6
Motor Vehicle registrations	848	879	879	879	874	-5
<i>Total motor vehicle taxes</i>	1,277	1,337	1,291	1,287	1,286	-1
<i>Mining Rehabilitation Levy</i>	27	51	27	27	28	1
<i>Landfill Levy</i>	59	104	104	68	69	1
Total Taxation	8,400	9,236	8,619	8,549	8,560	12

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

Table 2.2 (cont.)

OPERATING REVENUE
Total Public Sector

	2014-15	2015-16				Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)			
Current Grants and Subsidies							
<i>General Purpose Grants</i>							
GST grants	2,258	1,934	1,896	1,886	1,881	-5	
North West Shelf grants	865	722	607	588	616	28	
Commonwealth compensation for changed crude oil excise arrangements	48	40	33	32	29	-3	
<i>Grants through the State</i>							
Schools assistance – non-government schools	1,064	1,139	1,119	1,097	1,110	13	
Local government financial assistance grants	262	176	87	87	85	-1	
Local government roads	162	108	54	54	54	-	
<i>National Specific Purpose Payment Agreement Grants</i>							
National Agreement for Skills and Workforce Development	156	164	162	160	157	-2	
National Disability Services	151	163	161	157	147	-10	
National Affordable Housing	144	149	148	145	143	-2	
<i>Students First</i>	503	566	560	569	558	-11	
<i>National Health Reform</i>	1,750	1,928	1,813	1,813	1,844	31	
<i>National Partnerships/Other Grants</i>							
Health	402	331	332	373	422	49	
Housing	15	20	20	20	16	-5	
Transport	55	78	81	72	69	-2	
Other	216	220	247	251	275	24	
Total Current Grants and Subsidies	8,051	7,738	7,321	7,304	7,407	104	
Capital Grants							
<i>Grants Through the State</i>							
Schools assistance – non-government schools	16	35	16	16	15	-	
<i>National Partnerships/Other Grants</i>							
Housing	173	124	178	178	163	-15	
Transport	992	454	448	779	698	-81	
Other	82	38	62	60	18	-42	
Total Capital Grants	1,263	651	703	1,033	895	-138	
Sales of Goods and Services	19,071	19,789	20,258	18,134	21,583	3,448	
Interest Income	648	658	637	640	635	-5	
Royalty Income	4,603	3,670	3,788	4,177	4,126	-51	
Other							
Lease Rentals	89	88	88	90	92	1	
Fines	188	205	205	206	206	-	
Revenue not elsewhere counted	978	704	616	760	813	52	
Total Other	1,256	997	909	1,056	1,110	54	
TOTAL REVENUE	43,292	42,740	42,235	40,892	44,316	3,424	

Note: Columns/rows 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. This Uniform Presentation Framework (UPF) 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 Projections 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 which 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

	2014-15		2015-16		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>	286	470	293	331	206	-126
Government superannuation benefits	168				93	
Other general public services	117				113	
<i>Public order and safety</i>	3,203	3,288	3,293	3,253	3,372	119
Police and fire protection services	1,471				1,567	
Police services	1,114				1,193	
Fire protection services	356				374	
Law courts and legal services	777				858	
Prisons and corrective services	916				910	
Other public order and safety	40				37	
<i>Education</i>	6,690	7,208	7,116	7,066	7,017	-50
Primary and secondary education	5,440				5,892	
Primary education	2,996				3,190	
Secondary education	2,420				2,696	
Primary and secondary education nec.	24				5	
Tertiary education	619				574	
University education	17				15	
Technical and further education	602				559	
Tertiary education nec.	-				-	
Pre-school education and education not definable by level	505				423	
Pre-school education	238				182	
Special education	264				238	
Other education not definable by level	4				2	
Transportation of students	125				128	
Transportation of non-urban school students	122				124	
Transportation of other students	4				4	
Education nec.	-				-	
<i>Health</i>	7,942	8,082	8,102	8,090	8,306	216
Acute care institutions	5,321				5,620	
Admitted patient services in acute care institutions	3,991				3,942	
Non-admitted patient services in acute care institutions	1,330				1,678	
Mental health institutions	163				152	
Nursing homes for the aged	143				136	
Community health services	1,267				1,380	
Community mental health services	515				569	
Patient transport	238				259	
Other community health services	514				552	
Public health services	284				276	
Pharmaceuticals, medical aids and appliances	567				573	
Health research	30				35	
Health administration nec.	168				133	

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

Table 3.1 (cont.)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION ^(a)
General Government

	2014-15	2015-16			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>	2,072	2,265	2,264	2,191	2,114	-77
Social security	-				-	
Welfare services	2,072				2,114	
Family and child welfare services	626				572	
Welfare services for the aged	449				486	
Welfare services for people with a disability	890				978	
Welfare services nec.	107				78	
Social security and welfare nec.	-				-	
<i>Housing and community amenities</i>	1,833	1,903	2,001	1,958	2,043	85
Housing and community development	1,083				1,286	
Housing	426				549	
Aboriginal community development	16				16	
Other community development	641				721	
Water supply	644				647	
Sanitation and protection of the environment	100				93	
Other community amenities	5				17	
<i>Recreation and culture</i>	908	809	823	795	789	-6
Recreation facilities and services	609				521	
National parks and wildlife	263				192	
Recreation facilities and services nec.	347				329	
Cultural facilities and services	211				210	
Broadcasting and film production	14				14	
Recreation and culture nec.	74				44	
<i>Fuel and energy</i>	609	532	530	511	464	-46
Fuel affairs and services	-				-	
Gas	-				-	
Fuel affairs and services nec.	-				-	
Electricity and other energy	586				440	
Electricity	568				421	
Other energy	18				20	
Fuel and energy nec.	24				24	
<i>Agriculture, forestry, fishing and hunting</i>	343	359	366	378	386	8
Agriculture	228				212	
Forestry, fishing and hunting	115				175	
<i>Mining and mineral resources other than fuels; manufacturing; and construction</i>	221	219	233	233	216	-16
Mining and mineral resources other than fuels	187				186	
Manufacturing	-				-	
Construction	34				30	

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

Table 3.1 (cont.)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION ^(a)
General Government

	2014-15	2015-16			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>	2,003	2,211	2,103	2,067	2,003	-64
Road transport	1,337				1,302	
Road maintenance	931				860	
Road rehabilitation/Aboriginal community road transport services	43				75	
Road construction	66				76	
Road transport nec.	297				291	
Water transport	29				30	
Urban water transport services	-				-	
Other water transport services	29				30	
Rail transport	38				41	
Urban rail transport services	-				-	
Non-urban rail transport freight services	7				8	
Non-urban rail transport passenger services	31				32	
Air transport	12				9	
Pipelines	-				-	
Other transport	586				622	
Multi-mode urban transport	586				622	
Other transport nec.	-				-	
Communications	-				-	
<i>Other economic affairs</i>	650	670	667	700	620	-80
Storage, saleyards and markets	4				4	
Tourism and area promotion	127				141	
Labour and employment affairs	351				320	
Vocational training	246				212	
Other labour and employment affairs	105				108	
Other economic affairs	168				155	
<i>Other purposes</i>	1,071	1,018	973	955	968	13
Public debt transactions	809				882	
General purpose inter-government transactions	262				85	
Natural disaster relief	-				1	
Other purposes nec.	-				-	
TOTAL EXPENSES	27,831	29,033	28,764	28,529	28,506	-23
PURCHASES OF NON-FINANCIAL ASSETS						
General public services	109	214	181	196	191	-4
Public order and safety	179	161	202	189	167	-22
Education	456	321	350	360	326	-35
Health	566	467	648	541	385	-157
Social security and welfare	47	28	37	34	32	-2
Housing and community amenities	84	71	110	107	151	45
Recreation and culture	124	123	127	130	110	-21
Fuel and energy	3	3	3	1	1	-
Agriculture, forestry, fishing and hunting	13	24	30	25	27	2
Mining and mineral resources other than fuels; manufacturing; and construction	2	7	14	14	8	-6
Transport and communications	1,028	1,109	1,137	1,017	1,032	15
Other economic affairs	56	76	62	61	46	-15
Other purposes	-	-	-417	-400	-	400
TOTAL PURCHASE OF NON-FINANCIAL ASSETS	2,667	2,603	2,484	2,275	2,475	200

(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 jurisdiction's total non-financial public sector cash deficit position¹, adjusted for certain memorandum items².

Western Australia recorded an LCA deficit of \$4,135 million in 2015-16, \$657 million lower than the deficit forecast in the 2015-16 Budget.

Material changes in the composition of this outcome since the 2015-16 Budget include:

- a lower than anticipated cash deficit for the total non-financial public sector (down \$734 million), with lower cash deficits for the general government (down \$378 million) and public non-financial corporations (down \$356 million) sectors;
- higher than expected outcomes for memorandum items (up \$207 million), mainly reflecting levels of home lending by Keystart and movements in public sector superannuation payments; and
- higher investments in financial assets for policy purposes (up \$124 million) mainly reflecting the recognition of proceeds from the sale of the Perth Market Authority on 31 March 2016.

Key variations in State financial outcomes relative to the original 2015-16 Budget are detailed in Appendix 4 of this report.

¹ For the purposes of LCAs, deficits are shown as positive numbers and surpluses are shown as negative numbers.

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).

Table 3.2

2015-16 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	1,829	4,042	3,260	3,664	-378
Public non-financial Corporations sector cash surplus/deficit	642	1,238	1,086	882	-356
<i>Total non-financial public sector cash surplus/deficit</i>	<i>2,471</i>	<i>5,280</i>	<i>4,346</i>	<i>4,546</i>	<i>-734</i>
Acquisitions under finance leases and similar arrangements	5	5	221	-	-5
<i>GFS cash surplus/deficit</i>	<i>2,476</i>	<i>5,285</i>	<i>4,567</i>	<i>4,546</i>	<i>-739</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	126	124	124
Plus: Memorandum items	-628	-494	-391	-287	207
Loan Council Allocation	1,848	4,791	4,051	4,135	-657
<i>Tolerance Limit ^(b)</i>	<i>±871</i>				

(a) 2014-15 Government Mid-year Financial Projections Statement, released 22 December 2014.

(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.

Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2016

This appendix contains explanations for material variations in general government and total public sector financial aggregates compared to the original Budget presented to the Legislative Assembly on 14 May 2015, in line with the requirements of AASB 1055: Budgetary Reporting¹.

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 2015-16 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.

Detailed explanations of key variations to the estimates for 2015-16 can also be reviewed as these emerged in:

- the 2015-16 *Government Mid-year Financial Projections Statement* (released in December 2015), describing changes since the Budget for the first half of 2015-16;
- the 2016-17 Budget Paper No. 3: *Economic and Fiscal Overview* (presented to the Legislative Assembly on 12 May 2016); and

¹ Paragraph 6(f) of this standard indicates that major variances between the original Budget estimates and outcomes need to be explained in the financial statements. Paragraph 9 indicates that the original Budget is the first budget presented to Parliament in respect of the reporting period.

- Chapter 1 of this report (detailing final outcomes since the 2016-17 Budget estimates were finalised on the 19 April 2016 cut-off date).

Each of these publications can be accessed through the Treasury website (www.treasury.wa.gov.au).

Table 4.1

GENERAL GOVERNMENT
Operating Statement

	Notes	2015-16			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
RESULTS FROM TRANSACTIONS					
REVENUE					
Taxation	a	9,754	9,069	-685	-7.0
Current grants and subsidies	b	7,738	7,407	-330	-4.3
Capital grants	b	651	895	244	37.5
Sales of goods and services		2,342	2,155	-188	-8.0
Interest Income	c	174	192	18	10.2
Revenue from public corporations					
Dividends from other sectors	d	945	1,415	470	49.8
Tax equivalent income	e	527	631	104	19.8
Royalty income	f	3,670	4,126	455	12.4
Other	g	523	594	71	13.7
<i>Total</i>		26,325	26,485	161	0.6
EXPENSES					
Salaries	h	11,498	11,383	-115	-1.0
Superannuation					
Concurrent costs		1,129	1,167	38	3.4
Superannuation interest cost		224	218	-6	-2.8
Other employee costs	i	449	370	-79	-17.6
Depreciation and amortisation		1,434	1,359	-75	-5.2
Services and contracts		2,341	2,195	-146	-6.2
Other gross operating expenses	j	5,435	5,518	83	1.5
Other interest		616	664	48	7.8
Current transfers	k	5,353	5,164	-189	-3.5
Capital transfers	k	555	469	-86	-15.5
<i>Total</i>		29,033	28,506	-527	-1.8
NET OPERATING BALANCE	l	-2,708	-2,021	688	-25.4
<i>Other economic flows - included in the operating result</i>					
Net gains on assets/liabilities		32	-148	-179	-563.1
Net actuarial gains - superannuation		-48	-589	-540	1,115.8
Provision for doubtful debts		-4	-54	-49	1,201.8
Changes in accounting policy/adjustment of prior periods		-	110	110	-
<i>Total other economic flows</i>	m	-21	-679	-659	3,187.8
OPERATING RESULT		-2,729	-2,700	29	-1.1
<i>All other movements in equity</i>					
<i>Items that will not be reclassified to operating result</i>					
Revaluations		2,045	-2,549	-4,594	-224.7
Gains recognised directly in equity		-1	8	9	-939.3
Change in net worth of the public corporations sectors		789	-1,192	-1,981	-251.1
All other		-	-	-	-
<i>Total all other movements in equity</i>	n	2,833	-3,733	-6,566	-231.8
TOTAL CHANGE IN NET WORTH	o	104	-6,433	-6,536	-6,312.7
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE		-2,708	-2,021	688	-25.4
<i>Less Net acquisition of non-financial assets</i>					
Purchase of non-financial assets		2,603	2,475	-128	-4.9
Changes in inventories		-	15	15	-
Other movement in non-financial assets		-42	15	57	-135.7
<i>less:</i>					
Sales of non-financial assets		207	102	-105	-50.8
Depreciation		1,434	1,359	-75	-5.2
<i>Total net acquisition of non-financial assets</i>		919	1,043	124	13.5
NET LENDING/-BORROWING	p	-3,628	-3,064	564	-15.5

General Government Sector Operating Statement

(a) Taxation revenue was \$685 million (or 7%) lower than budgeted, with:

- payroll tax, down \$495 million (or 12.4%), due to weaker than expected employment and wages growth. This was compounded by changing compositional factors in the labour market, such as a shift towards part-time employment, and weakness in the mining and related sectors (which are the largest contributors to payroll tax collections);
- landholder duty, up \$301 million (or 255.5%), with this increase reflecting higher than anticipated revenue from a number of unusually large commercial property transactions (large commercial transactions are few in volume and their occurrence is volatile within and between years);
- transfer duty, down \$276 million (or 17.1%), due mainly to a sharper than anticipated decline in residential property transaction volumes, and an unexpected decline in the Perth median house price;
- insurance duty, down \$69 million (or 10.4%), reflecting softer economic conditions, particularly in the motor vehicle and property markets, and a competitive insurance market;
- vehicle licence duty, down \$49 million (or 12.5%), consistent with slower than anticipated population growth and a 6% decline in new car sales in 2015-16;
- the landfill levy, down \$35 million (or 33.7%), reflecting a lower volume of waste and increased diversion away from landfill to recycling and stockpiling;
- Loan Guarantee Fees, down \$29 million (or 17.9%), due to the post-Budget decision to apply the Fee only to new Keystart borrowings, rather than all existing and new borrowings as expected in the original Budget;
- the Mining Rehabilitation Levy, down \$24 million (or 45.9%), due to lower prescribed levy rates introduced following industry consultation; and
- a net decrease of \$9 million (or 0.3%) across all other taxes.

(b) Grants from the Commonwealth (current and capital) were \$86 million (or 1%) lower than budgeted, driven by net changes to a range of grants including:

- transport-related grants, up \$236 million (or 44.4%), largely due to a Commonwealth payment of \$490 million towards the Forrestfield-Airport Link, announced in the Commonwealth's May 2016 Budget and paid in acknowledgement of Western Australia's low GST relativity for 2016-17 (with this funding forming part of the National Partnership on Infrastructure Projects in Western Australia and reflected in the State's 2016-17 Budget). This was partly offset by lower grants for a range of road projects including the Perth Freight Link, Great Northern Highway (Mueha to Wubin), NorthLink WA, and Nicholson Road Grade Separation due to timing changes in construction and payment schedules, and savings for the Gateway WA project;
- housing-related grants, up \$35 million (or 23.9%), due largely to higher grants under the National Partnership on Remote Indigenous Housing that were received following the approval of a revised Implementation Plan;
- health-related grants, up \$7 million (or 0.3%), comprising an additional \$91 million for tied grants (primarily due to reimbursements for services provided to veterans in 2014-15, additional grants for vaccines, and additional revenue received as part of the 2015-16 Multi-Purpose Service Agreement), partly offset by \$84 million of lower revenue under the National Health Reform Agreement (reflecting the net impact of revised indexation parameters and final activity level outcomes);
- Commonwealth local government grants, down \$145 million (or 51%), which are on-passed by the State, both for general purposes (down \$91 million) and for roads (down \$54 million), mainly reflecting the Commonwealth Government's decision in late 2015 to distribute part of the forecast 2015-16 allocation prior to 1 July 2015. This was matched by an equivalent reduction in transfer expenses, discussed further below;
- North West Shelf grants, including Commonwealth compensation for crude oil excise arrangements (which changed in 2007-08), down \$116 million (or 15.3%), reflecting lower than expected oil and gas prices, partly offset by a lower than forecast average \$US/\$A exchange rate;
- GST grants, down \$53 million (or 2.8%), reflecting the impact of lower than expected population growth estimates in the Commonwealth's 2016-17 Budget relative to other States (reducing Western Australia's grants by \$76 million), partly offset by a higher than expected national GST pool (increasing Western Australia's share of total grants by \$23 million);

- Commonwealth grants for non-government schools, down \$48 million (or 4.1%), which are on-passed by the State, reflecting changes in non-government school enrolment numbers, indexation and changes in Commonwealth Government funding policy. This is matched by an equivalent reduction in transfer expenses, discussed further below; and
 - a net decrease of \$1 million (or 0.1%) across all other Commonwealth grants.
- (c) Interest income was \$18 million (or 10.2%) higher than budgeted. This mainly reflects slightly higher than expected average Public Bank Account investment pool balances during the year, combined with a higher average interest rate on these balances (2.4% compared to an estimated average of 2.1%).
- (d) Dividend income from the State's public corporations was \$470 million (or 49.8%) higher than budgeted, with the main drivers being:
- Western Power (up \$249 million), due mainly to the late passage of amendments to the *Electricity Corporations Act 2005*. The later passage of the Bills meant that the electricity corporations paid their first interim dividend in 2015-16, rather than 2014-15 as originally expected. A higher than expected operating profit for Western Power in 2014-15, combined with land sales as part of the Government's Land Asset Sales Program in 2015-16, also contributed to the higher than forecast dividend in 2015-16;
 - the Insurance Commission of Western Australia (up \$94 million), primarily reflecting a once-off special dividend of \$93 million paid in 2015-16, due to higher than expected investment returns in 2014-15;
 - the Water Corporation (up \$47 million), largely due to higher developer contributions in 2014-15 and 2015-16 which resulted in higher 2014-15 final dividend and 2015-16 interim dividend payments (with both of these dividend impacts received in 2015-16); and
 - Synergy (up \$41 million), mainly resulting from the retiming of interim dividend arrangements (discussed above).
- (e) Tax equivalent income from the State's public corporations was \$104 million (or 19.8%) higher than budgeted, mainly reflecting the net impact of changes for:
- the Insurance Commission of Western Australia (up \$74 million), primarily driven by taxable gains resulting from the divestment of the Commission's retail property portfolio and the Forrest Centre in 2015-16; and
 - the Water Corporation (up \$34 million), largely due to higher than expected developer contributions.

- (f) Royalty income was \$455 million (or 12.4%) higher relative to the 2015-16 Budget forecast. This was primarily due to higher projected iron ore royalties, which were \$564 million (or 18.6%) higher than budgeted, partly offset by lower royalties for alumina, nickel and other minerals. The higher iron ore royalties were due to a combination of:
- the iron ore price averaging \$US50.9 per tonne through the year, 7.1% above the 2015-16 Budget price assumption of \$US47.5 per tonne;
 - a lower than expected average \$US/\$A exchange rate of US72.8 cents relative to the 2015-16 Budget forecast of US75.9 cents;
 - higher than forecast production volumes, which totalled 757 million tonnes compared to the 2015-16 Budget estimate of 748 million tonnes; and
 - lower deductions for shipping, due to lower than forecast freight costs.
- (g) 'Other' revenue was \$71 million (or 13.7%) higher than budgeted, which reflects the impact of a range of 'lumpy', and often unbudgeted, transactions including net assets transferred to the general government sector such as bridges and roads from local governments and private organisations (such as mining companies and developers), higher than anticipated donations, and higher mining-related lease rental revenue.
- (h) Salaries expenses were \$115 million (or 1%) lower than budgeted, due mainly to the Department of Education (down \$111 million, or 3.5%). This primarily reflected lower staff numbers influenced by fewer student enrolments than originally forecast, and tighter budget management by schools.
- (i) Other employee costs were \$79 million (or 17.6%) lower than budgeted, reflecting lower costs for Government Regional Officers Housing, particularly for the Department of Education (down \$35 million) and Western Australia Police (down \$26 million), and reflecting a downturn in regional residential market rents.
- (j) 'Other' gross operating expenses (largely made up of the day-to-day non-salaries operating costs of agencies, such as office accommodation costs, building and maintenance costs, electricity and water costs, and administration costs) were \$83 million (or 1.5%) higher than budgeted.
- (k) Total transfer expenses (mainly current and capital grant payments) were \$275 million (or 4.7%) lower than budgeted, with net changes mainly reflecting:
- the flow-through of lower than budgeted Commonwealth grants to the local government sector (down \$145 million) and to non-government schools (down \$48 million), as detailed above under revenue;

- operating subsidies to the State's public corporations (down \$68 million), predominantly to Synergy (down \$32 million), resulting from lower than anticipated electricity demand volumes. Subsidy costs were also lower than budgeted for the Water Corporation (down \$19 million), the Public Transport Authority (down \$10 million), and Horizon Power (down \$6 million);
 - the inclusion in the original Budget of a \$60 million provision for costs associated with resolution of Native Title in the South West of Western Australia, which was retimed in the most recent Budget process to better reflect the anticipated costs associated with implementing this settlement;
 - lower than forecast tax refunds (down \$41 million), due to the average amount per refund being lower than expected. The number and average value of refund claims is volatile from year to year, making budget forecasts difficult;
 - higher grants to the Housing Authority² (up \$35 million), reflecting the higher grants received under the Remote Indigenous Housing National Partnership agreement, as discussed under revenue;
 - higher grants by Main Roads to the local government sector (up \$69 million), mainly due to higher payments under the Western Australian Natural Disaster Relief and Recovery Arrangements for repairs to local roads after flood damage and the carryover of some expenditure from 2014-15 for works on local roads; and
 - lower assets transferred from the sector to local governments (down by a net \$17 million), including \$45 million originally budgeted for road transfers (related to the transfer of South Street west of Stock Road which will no longer occur), partly offset by \$28 million to the Town of Cambridge for remaining land in the Perry Lakes development (which was delayed from 2014-15 while the council obtained tax advice on the transfers).
- (l) The net operating balance in 2015-16 was a \$2,021 million deficit, a \$688 million improvement from the Budget projection for a \$2,708 million deficit. Revenue was \$161 million (or 0.6%) higher than budgeted while expenses were \$527 million (or 1.8%) lower than forecast, as detailed above.

² The Housing Authority is a public corporation outside of the general government sector.

- (m) 'Other economic flows' were an aggregate decrease in net worth of \$679 million, a \$659 million decrease on expectations at the time of the Budget. This was largely due to lower than budgeted net actuarial gains on superannuation (down \$540 million), reflecting movements in the actuary's valuation of unfunded superannuation liabilities at 30 June 2016. This reflects movements in the value of the discount rate used to estimate the future value of unfunded superannuation entitlements (which was 2% compared with the Budget assumption of 2.6%), and to a lesser extent, changes in retirement and longevity rates, and actual earnings on defined benefit superannuation assets. Movements in 'Other economic flows' also included net gains on assets/liabilities, changes in accounting policy/adjustment of prior periods (which are not forecast in the Budget), and provisions for doubtful debts.
- (n) All other movements in equity were an aggregate decrease in net worth of \$3.7 billion, a \$6.6 billion turnaround compared to Budget estimates, following lower annual asset valuation outcomes (which represented a turnaround of \$4.6 billion compared to Budget, due largely to a change to the Department of Education's building valuation methodology discussed in Chapter 1), and a decrease in the net worth of the public corporations sectors (down \$2 billion compared with the Budget forecast for a \$789 million increase). This item accounts for all changes in the net worth of the public sector balance sheet that are not accounted for on the general government sector operating statement, including the operations of public corporations, valuation changes across the sector, and the impact of investing and financial activities. These other sources of variance are discussed throughout the following sections of this appendix.
- (o) The total change in net worth at 30 June 2016 was a decrease of \$6.4 billion compared with a \$104 million increase 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, noted above. This is the first decrease in net worth since 2012, and only the second decrease since records (on a comparable basis) commenced in 1994.
- (p) A \$3.1 billion deficit outcome for net lending/borrowing (which includes the net operating balance from transactions, less non-cash depreciation costs plus the net cost of infrastructure investment activities) compares with the original \$3.6 billion deficit Budget forecast.

A discussion on changes in general government sector purchases and sales of non-financial assets is contained later in this appendix (as part of the cash flow statement).

Inventory levels were budgeted to remain unchanged in Budget-time forecasts but increased by \$15 million, while depreciation was \$75 million (or 5.2%) lower than budgeted (mostly reflecting changes in timing of capitalisation dates related to the Perth Children's Hospital as a result of delays to the construction schedule).

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 \$57 million higher than expected in the Budget. This outcome largely reflects movements in net assets transferred in/out of the sector compared to Budget expectations. The original Budget included no assets to be transferred in to the general government sector. However, the 2015-16 outturn indicates that \$47 million of assets were transferred in (mainly roads constructed and funded by third parties and transferred to Main Roads).

Table 4.2

GENERAL GOVERNMENT
Balance Sheet

	Notes	2015-16			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
ASSETS					
<i>Financial assets</i>					
Cash and deposits		579	820	240	41.4
Advances paid		708	711	3	0.5
Investments, loans and placements		2,085	4,042	1,957	93.9
Receivables		2,494	2,921	427	17.1
<i>Shares and other equity</i>					
Investments in other public sector entities - equity method		46,997	47,654	657	1.4
Investments in other public sector entities - direct injections		8,479	8,180	-299	-3.5
Investments in other entities		43	48	5	12.1
Other financial assets		-	8	8	-
Total financial assets	a	61,386	64,384	2,998	4.9
<i>Non-financial assets</i>					
Land		38,745	38,551	-195	-0.5
Property, plant and equipment		48,566	43,256	-5,310	-10.9
Biological assets		1	4	3	177.1
<i>Inventories</i>					
Land inventories		68	113	45	66.1
Other inventories		77	84	7	9.6
Intangibles		635	650	15	2.4
Non-current assets held for sale		13	32	19	152.0
Investment property		-	8	8	-
Other		748	484	-264	-35.3
Total non-financial assets	b	88,853	83,182	-5,670	-6.4
TOTAL ASSETS	c	150,238	147,566	-2,672	-1.8
LIABILITIES					
Deposits held		711	518	-193	-27.1
Advances received		392	392	-	-
Borrowings		18,068	18,379	311	1.7
Unfunded superannuation		8,367	7,939	-428	-5.1
Other employee benefits		2,644	2,892	249	9.4
Payables		1,027	1,228	201	19.5
Other liabilities		1,520	1,352	-169	-11.1
TOTAL LIABILITIES	d	32,729	32,700	-29	-0.1
NET ASSETS		117,510	114,866	-2,643	-2.2
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		6,134	8,460	2,326	37.9
Other reserves		111,375	106,406	-4,969	-4.5
NET WORTH	e	117,510	114,866	-2,643	-2.2
MEMORANDUM ITEMS					
<i>Net financial worth</i>		28,657	31,684	3,027	10.6
<i>Net financial liabilities</i>		26,819	24,150	-2,669	-10.0
<i>Net debt</i>					
Gross debt liabilities		19,171	19,289	118	0.6
less: liquid financial assets		3,372	5,572	2,200	65.2
less: convergence differences impacting net debt		-	-	-	-
Net debt	f	15,799	13,717	-2,082	-13.2

General Government Sector Balance Sheet

- (a) General government sector financial assets totalled \$64.4 billion at 30 June 2016, up \$3 billion (or 4.9%) from the original Budget. This largely reflected higher than budgeted holdings of liquid financial assets which were up \$2.2 billion (or 65.2%), mainly due to higher Public Bank Account (PBA) investments³. This in turn reflected the better than expected final results for the year ending 30 June 2015 compared to the then expected outcome for that year (discussed in the 2014-15 *Annual Report on State Finances*), and the better than expected results in 2015-16.

Other changes included a \$358 million (or 0.6%) increase in the value of investments in other public sector entities (i.e. public corporations), mainly reflecting higher inventories and property, plant and equipment values, partly offset by lower land values, in the public non-financial corporations sector, and a \$427 million higher than expected outturn for receivables⁴ (mainly due to the timing of transactions).

- (b) Non-financial assets (such as land and infrastructure holdings) totalled \$83.2 billion at 30 June 2016, down \$5.7 billion (or 6.4%) from the original Budget. This primarily reflects lower than forecast property, plant and equipment (down \$5.3 billion), driven by the decrement to school building values resulting from a change to building valuation methodology (as discussed previously and noted in Chapter 1 of this report). Lower than budgeted year-end valuations were also recorded for road assets (reflecting the lower than expected outcome for the year ending 30 June 2015 discussed in the 2014-15 *Annual Report on State Finances*).
- (c) Total assets were \$147.6 billion at 30 June 2016, down \$2.7 billion (or 1.8%) compared to Budget, reflecting the movements outlined above.
- (d) Total liabilities were \$32.7 billion at 30 June 2016, broadly unchanged from the original Budget. However, movements in different classes of liabilities included:
- non-debt liabilities (down a net \$147 million), with lower unfunded superannuation (down \$428 million) and 'other' liabilities (down \$169 million) more than offsetting higher than Budget outcomes for employee benefits such as accruing leave entitlements (up \$249 million) and payables⁵ (up \$201 million); and
 - debt liabilities (up a net \$118 million), largely due to higher borrowings (up \$311 million) more than offsetting lower deposits held (down \$193 million).
- (e) Net worth (the difference between total assets and total liabilities) was \$114.9 billion at 30 June 2016. This outcome is \$2.6 billion (or 2.2%) lower than the forecast \$117.5 billion at Budget and reflects the net impact of the outcomes noted above.

³ 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.

⁴ Accounts for goods and services that have been invoiced but for which cash is still yet to be received.

⁵ Payables include short and long term trade creditors, and accounts payable.

- (f) General government sector net debt was \$13.7 billion at 30 June 2016, \$2.1 billion (or 13.2%) lower than the \$15.8 billion estimated in the original Budget.

Table 4.3

GENERAL GOVERNMENT
Cash Flow Statement

	Notes	2015-16			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash received</i>					
Taxes received		9,774	9,130	-644	-6.6
Grants and subsidies received		8,355	8,310	-45	-0.5
Receipts from sales of goods and services		2,358	2,294	-64	-2.7
Interest receipts		164	187	23	14.2
Dividends and tax equivalents		1,527	2,087	560	36.7
Other		5,376	5,922	546	10.2
<i>Total cash received</i>		27,554	27,929	375	1.4
<i>Cash Paid</i>					
Wages, salaries and supplements, and superannuation		-13,385	-13,374	11	-0.1
Payments for goods and services		-8,102	-8,083	18	-0.2
Interest paid		-582	-631	-48	8.3
Grants and subsidies paid		-5,712	-5,485	227	-4.0
Dividends and tax equivalents		-	-	-	-
Other payments		-1,420	-1,648	-228	16.1
<i>Total cash paid</i>		-29,201	-29,221	-20	0.1
NET CASH FLOWS FROM OPERATING ACTIVITIES	a	-1,647	-1,291	356	-21.6
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash flows from investments in non-financial assets</i>					
Purchase of non-financial assets	b	-2,603	-2,475	128	-4.9
Sales of non-financial assets	c	207	102	-105	-50.8
<i>Total cash flows from investments in non-financial assets</i>	d	-2,395	-2,373	23	-0.9
<i>Cash flows from investments in financial assets</i>					
<i>Cash received</i>					
For policy purposes		-	140	140	-
For liquidity purposes		20	101	81	409.6
<i>Cash paid</i>					
For policy purposes		-666	-798	-133	20.0
For liquidity purposes		-19	-136	-117	608.2
<i>Total cash flows from investments in financial assets</i>		-665	-694	-29	4.4
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,060	-3,067	-6	0.2
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash received</i>					
Advances received		16	16	-1	-5.7
Borrowings		4,493	5,194	701	15.6
Deposits received		-	-	-	-
Other financing receipts		37	41	4	11.5
<i>Total cash receipts from financing activities</i>		4,546	5,250	704	15.5
<i>Cash paid</i>					
Advances paid		-16	-16	1	-5.7
Borrowings repaid		-86	-97	-11	12.8
Deposits paid		-	-	-	-
Other financing payments		-432	-447	-15	3.6
<i>Total payments for financing activities</i>		-534	-560	-26	4.8
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,012	4,691	679	16.9
Net increase in cash and cash equivalents		-695	333	1,028	-147.8
Cash and cash equivalents at the beginning of the year		3,135	4,440	1,305	41.6
Cash and cash equivalents at the end of the year		2,440	4,773	2,333	95.6
KEY FISCAL AGGREGATES					
Net cash flows from operating activities		-1,647	-1,291	356	-21.6
Net cash flows from investing in non-financial assets		-2,395	-2,373	23	-0.9
Cash surplus/-deficit	e	-4,042	-3,664	378	-9.4

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 \$1.3 billion cash deficit position in 2015-16, a \$356 million (or 21.6%) stronger outcome compared with the \$1.6 billion deficit forecast in the Budget⁶. Total operating cash received in 2015-16 was \$27.9 billion, \$375 million (or 1.4%) higher than Budget, while total cash paid in 2015-16 was \$29.2 billion, broadly unchanged since Budget.

The \$356 million improvement in the cash operating deficit reflects similar considerations to the more moderate improvement for the accrual operating deficit on the operating statement discussed earlier in this appendix. In particular, large reductions in tax revenue were offset by higher mining revenue⁷ and dividends and tax equivalents, and have brought about an increase in cash receipts relative to the Budget.

At the same time, the cashflow equivalents to the lower than budgeted accrual expenses (in the areas of transfer expenses, salaries, and other day-to-day costs) whilst also lower, are offset by the inclusion on the cash flow statement of GST transactions incurred by agencies (and included in the 'other payments' line item). These transactions were significantly higher than budgeted, and as a result, overall cash payments are broadly unchanged from the original Budget. This contrasts to operating expenses which, as discussed earlier, were \$527 million lower.

Other changes in non-cash transactions such as depreciation and superannuation interest on the operating statement (which were lower than Budget and discussed earlier in this appendix), do not appear on the cash flow statement, and also contribute to the divergence in outcomes for operating expenses compared to operating payments.

- (b) Purchases of non-financial assets were \$2.5 billion in 2015-16, \$128 million (or 4.9%) lower than Budget, with key changes including:
- WA Health (down \$72 million), due to delays and changes in timing to a range of projects, including renal dialysis and support services, Royal Perth Hospital Redevelopment, Onslow Hospital project and replacement of Pathwest's Laboratory Information System;
 - Main Roads (down \$65 million), mainly due to revised project scheduling and timing of works for the Perth Freight Link project, partially offset by the reclassification of some expenses to capital investment;

⁶ 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 of this report. This 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.

⁷ Mining revenue comprises royalty income, North West Shelf grants (including condensate compensation) and lease rentals for exploration and production licences.

- the Department of Training and Workforce Development (down \$28 million), primarily due to delays in tendering for new training facilities at the South Metropolitan TAFE (previously the Challenger Institute of Technology), Murdoch campus (down \$16.5 million), and the Australian Centre for Energy Process Training campus in Munster (down \$2 million). Delays in planning for the ICT Student Management System (down \$7 million) also contributed to the lower outturn and reflects recent reforms to the State training sector;
 - the Department of Finance (down \$22 million), due mainly to reduced agency demand for vehicle purchases; and
 - the Western Australian Planning Commission (up \$67 million), due to land acquisition in Alkimos and Neerabup and Eglinton for Bush Forever, the northern suburbs railway, regional open space and Mitchell Freeway extension from LandCorp and land acquisition arising from compensation cases in both Peel and Greater Bunbury Region Schemes. These additional purchases were approved as part of the 2015-16 Mid-year Review for the purpose of conservation, infrastructure corridors and active sporting grounds in the north west corridor of the Perth metropolitan area.
- (c) Sales of non-financial assets were \$102 million in 2015-16, \$105 million (or 50.8%) lower than Budget, with key changes including:
- Crown land sales by the Department of Lands (down \$88 million), mainly reflecting a revised target for sales incorporated in the 2015-16 Mid-year Review (\$21 million), lower receipts than anticipated from previous years' sales (\$40 million), and sales booked in 2015-16 (\$21.5 million) but not receipted (\$18 million of which were receipted in prior years);
 - the Department of Finance – mainly used State Fleet vehicles – (down \$14 million), primarily due to lower vehicle turnover, with agencies continuing to restructure vehicle leases for longer terms; and
 - the Western Australian Planning Commission (up \$21 million), mainly due to sales of land located in Port Kennedy, Rockingham, North Coogee and Ascot to LandCorp that were not envisaged in the Budget.
- (d) Net cash flows from investments in non-financial assets totalled \$2.4 billion in 2015-16, broadly unchanged from Budget and reflecting the variances in purchases and sales outlined above.
- (e) The general government sector recorded a \$3.7 billion cash deficit in 2015-16, \$378 million (or 9.4%) lower than forecast in the original Budget. This reflects the combination of higher net cash receipts from operations (up \$356 million) and marginally higher net cash payments from investment in non-financial assets (up \$23 million). The cash deficit is the key driver of movements in net debt (discussed above and in Chapter 1).

Table 4.4

TOTAL PUBLIC SECTOR
Operating Statement

	Notes	2015-16			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
RESULTS FROM TRANSACTIONS					
REVENUE					
Taxation		9,236	8,560	-676	-7.3
Current grants and subsidies		7,738	7,407	-330	-4.3
Capital grants		651	895	244	37.5
Sales of goods and services		19,789	21,583	1,793	9.1
Interest income		658	635	-22	-3.4
Royalty income		3,670	4,126	455	12.4
Other		997	1,110	113	11.3
<i>Total</i>	a	42,740	44,316	1,577	3.7
EXPENSES					
Salaries		12,768	12,627	-141	-1.1
Superannuation					
Concurrent costs		1,254	1,296	43	3.4
Superannuation interest cost		224	218	-6	-2.8
Other employee costs		259	257	-3	-1.0
Depreciation and amortisation		3,571	3,354	-217	-6.1
Services and contracts		3,217	3,179	-38	-1.2
Other gross operating expenses		18,526	20,279	1,753	9.5
Other interest		1,739	1,643	-96	-5.5
Current transfers		3,819	3,683	-136	-3.6
Capital transfers		445	340	-105	-23.5
<i>Total</i>	b	45,822	46,875	1,054	2.3
NET OPERATING BALANCE	c	-3,082	-2,559	523	-17.0
<i>Other economic flows - included in the operating result</i>					
Net gains on assets/liabilities		186	-131	-317	-170.4
Net actuarial gains - superannuation		-48	-610	-562	1,160.6
Provision for doubtful debts		-22	-68	-45	202.0
Changes in accounting policy/adjustment of prior periods		-	-743	-743	-
<i>Total other economic flows</i>	d	115	-1,552	-1,667	-1,447.5
OPERATING RESULT		-2,967	-4,111	-1,144	38.6
<i>All other movements in equity</i>					
<i>Items that will not be reclassified to operating result</i>					
Revaluations		3,125	-4,176	-7,301	-233.6
Gains recognised directly in equity		-55	1,854	1,909	-3,479.8
All other		-	-	-	-
<i>Total all other movements in equity</i>	e	3,071	-2,322	-5,392	-175.6
TOTAL CHANGE IN NET WORTH	f	104	-6,433	-6,536	-6,312.7
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE		-3,082	-2,559	523	-17.0
<i>Less Net acquisition of non-financial assets</i>					
Purchase of non-financial assets		6,284	5,237	-1,046	-16.7
Changes in inventories		819	1,024	205	25.0
Other movement in non-financial assets		111	171	59	53.1
<i>less:</i>					
Sales of non-financial assets		1,236	701	-535	-43.3
Depreciation		3,571	3,354	-217	-6.1
<i>Total net acquisition of non-financial assets</i>		2,406	2,376	-30	-1.2
NET LENDING/-BORROWING	g	-5,489	-4,935	553	-10.1

Total Public Sector⁸ Operating Statement

- (a) Operating revenue in 2015-16 was \$44.3 billion, \$1.6 billion (or 3.7%) higher than budgeted, with higher sales of goods and services, royalty income, and 'other' income more than offsetting lower taxation, Commonwealth grants and interest income. Movements for taxation, royalties, and Commonwealth grants (which also appear on the general government operating statement with most of this income received by that sector) have been explained earlier in this appendix⁹.

Sales of goods and services were \$1.8 billion (or 9.1%) higher than Budget, with material changes including:

- Gold Corporation (up \$2.7 billion), mainly due to fluctuations in average metal prices, higher than expected refining volumes, and the accounting treatment for precious metal transactions¹⁰. This significant increase in forecast revenue is broadly matched by an equivalent increase in related expenses (see further below);
- Synergy (down \$227 million), mainly due to lower than forecast demand in Synergy's retail, wholesale and gas segments as a result of weaker economic activity and increased usage of energy efficient appliances, and increased competition arising from excess capacity and oversupply in the wholesale electricity and gas markets. This lower than anticipated revenue is broadly matched by lower expenses related to the lower demand for energy, a renegotiation of Synergy's gas position during the year, and lower generation costs arising from the Corporation's Business Efficiency Program initiatives;
- the Housing Authority (down \$197 million), reflecting lower inventory sales from the Affordable Housing and Public Housing Stock Redevelopment programs, mainly due to low construction commencements in previous years, coupled with extended construction timeframes, falling metropolitan prices as a result of softening market conditions, and protracted settlement timeframes. This lower than expected revenue is broadly matched by an equivalent reduction in related expenses; and

⁸ The total public sector (also known as the whole-of-government) consolidates the general government sector (discussed earlier), 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).

⁹ 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 financial 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.

¹⁰ Accounting standards differentiate between exchanges/swaps of similar goods and all other forms of settlement. When a metals transaction is settled in metal ounces (i.e. a similar good) only the net amount (i.e. the margin) is recognised as revenue whereas cash settlement results in the gross revenue and disclosures (metal value and margin) being recognised. The settlement method is at the customer's discretion and as such out of the Gold Corporation's control.

- Racing and Wagering Western Australia (down \$195 million), due largely to lower betting turnover arising from the State's slower economic conditions, partially offset by a higher than estimated margin on revenue before costs. This lower than expected revenue is broadly matched by reduced betting dividend payouts and other direct costs of sales.

'Other' revenue was \$113 million (or 11.3%) higher than Budget, primarily reflecting (net) higher than budgeted infrastructure-related developer contributions and asset transfers to the Water Corporation (up \$88 million), Western Power (up \$32 million), and the Pilbara Ports Authority (down \$65 million). A range of 'other' revenue sources were also higher for the general government sector (such as assets transferred from local government and private organisations, discussed earlier in this appendix).

- (b) Operating expenses in 2015-16 were \$46.9 billion, \$1.1 billion (or 2.3%) higher than Budget, with lower outcomes across all line items with the exception of 'other' gross operating expenses and concurrent superannuation costs. Despite the widespread variances, no single line item represented a greater than 10% variance from Budget except for capital transfers (down \$105 million, or 23.5%). However, current and capital transfers are often grouped together for analysis, and in total, transfer expenses were \$241 million (or 5.6%) lower than Budget, and largely explained earlier under general government.

'Other' gross operating expenses were \$1.8 billion (or 9.5%) higher than Budget, due largely to the (broadly equivalent) impact on expenses of the revenue issues outlined above for the Gold Corporation (up \$2.7 billion), Synergy (down \$222 million), Racing and Wagering Western Australia (down \$188 million), and the Housing Authority (down \$162 million). The Housing Authority also recorded a lower than forecast outcome for regional lease rental expenses (down \$23 million) mainly due to Government Regional Officer Housing (GROH) lease rental costs declining across the regions (and matched by lower than expected GROH rent revenue).

In the public financial corporations sector, both RiskCover and the Insurance Commission of Western Australia had lower than anticipated claims expenses (down a combined \$140 million), with fewer than anticipated new insurance claims during the period, and the impact from the annual actuarial evaluation of both the number and value of future claims.

Abstracting from these specific agencies, 'other' gross operating expenses for all other agencies were down \$182 million (or 2.5%).

Salaries were \$141 million (or 1.1%) lower than Budget, mainly due to the \$115 million lower salaries for the general government sector outlined earlier. Salaries outcomes in the State's public non-financial corporations were \$23 million lower while public financial corporations' salary costs were within \$2 million of the Budget.

Despite the lower than budgeted outcome for salaries expenses, concurrent superannuation costs were \$43 million (or 3.4%) higher than Budget, reflecting an increase in average superannuation contribution rates, from an assumed 9.82% at Budget to 10.25%, following receipt of actuarial advice for the year-end valuation (this in turn reflects actual scheme memberships at 30 June 2016, retirement rates, the actual rates of pay of employees, and other observed outcomes used by the actuary).

Depreciation expenses were \$217 million (or 6.1%) lower than budgeted, with public non-financial corporations sector outcomes \$135 million lower than anticipated and general government sector outcomes down \$75 million. These outcomes largely reflect lower than expected annual valuations for physical assets, including Western Power's 'fair value' assets, and school buildings and roads (as discussed in Chapter 1 of this report).

Across the other expense line items, lower than budgeted outcomes were recorded for interest expenses (down \$96 million or 5.5%), services and contracts (down \$38 million or 1.2%), other employee costs (down \$3 million or 1%) and superannuation interest costs (down \$6 million or 2.8%).

- (c) The total public sector recorded a \$2.6 billion operating deficit in 2015-16, \$523 million smaller than the \$3.1 billion deficit projected at the time of the Budget. Revenue was \$1.6 billion (or 3.7%) higher than forecast while expenses were \$1.1 billion (or 2.3%) higher than Budget. The main drivers of these movements have been explained above.
- (d) 'Other' economic flows were an aggregate decrease in net worth of \$1.6 billion, a \$1.7 billion turnaround from Budget expectations. This was due to changes in accounting policies/adjustment of prior periods (which are not forecast in the Budget)¹¹ along with lower than budgeted net actuarial gains on superannuation (down \$562 million) and lower net gains on assets/liabilities (down \$317 million).
- (e) All other movements in equity were an aggregate decrease in net worth of \$2.3 billion in 2015-16, a \$5.4 billion turnaround from Budget. This was due to lower than expected revaluations (down \$7.3 billion) partly offset by higher than estimated gains recognised directly in equity (up \$1.9 billion).
- (f) The total change in net worth at 30 June 2016 was a decrease of \$6.4 billion compared with a \$104 million increase 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, outlined above.
- (g) Net lending/borrowing was in a \$4.9 billion deficit position in 2015-16, \$553 million (or 10.1%) less than the net lending deficit projected in the original Budget.

¹¹ Movements in the value of the public sector balance sheet that result from a revaluation or restatement of assets and liabilities are included in equity as reserves. These reserves are used to account for any unrealised gains or losses that would otherwise be recognised in the operating statement. This report includes an adjustment to balances between asset revaluation reserve and 'other' reserves.

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).

Inventories were budgeted to rise by \$819 million but increased by \$1 billion, with this \$205 million increase driven by the Gold Corporation's holdings of precious metals.

Depreciation expenses were \$217 million (or 6.1%) lower than budgeted, discussed earlier.

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 \$59 million higher than expected in the Budget (discussed earlier in the general government sector).

Table 4.5

TOTAL PUBLIC SECTOR
Balance Sheet

	Notes	2015-16			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
ASSETS					
<i>Financial assets</i>					
Cash and deposits		1,197	1,873	676	56.5
Advances paid		4,707	4,729	22	0.5
Investments, loans and placements		10,608	18,322	7,713	72.7
Receivables		3,641	4,140	499	13.7
Equity - Investments in other entities		1,745	1,544	-201	-11.5
Other financial assets		17	18	1	8.1
<i>Total financial assets</i>		<i>21,916</i>	<i>30,626</i>	<i>8,710</i>	<i>39.7</i>
<i>Non-financial assets</i>					
Land		54,794	53,233	-1,561	-2.8
Property, plant and equipment		102,038	97,324	-4,714	-4.6
Biological assets		314	334	20	6.5
Inventories					
Land inventories		2,321	2,172	-149	-6.4
Other inventories		3,595	4,501	906	25.2
Intangibles		1,048	1,097	50	4.8
Non-current assets held for sale		17	147	130	751.5
Investment property		666	297	-369	-55.4
Other		961	634	-327	-34.0
<i>Total non-financial assets</i>		<i>165,753</i>	<i>159,740</i>	<i>-6,013</i>	<i>-3.6</i>
TOTAL ASSETS		187,669	190,366	2,697	1.4
LIABILITIES					
Deposits held		187	27	-160	-85.6
Advances received		392	392	-	-
Borrowings		46,930	51,852	4,922	10.5
Unfunded superannuation		8,435	8,068	-367	-4.3
Other employee benefits		3,092	3,345	252	8.2
Payables		5,500	6,370	869	15.8
Other liabilities		5,623	5,446	-177	-3.1
TOTAL LIABILITIES		70,159	75,499	5,340	7.6
NET ASSETS		117,510	114,866	-2,643	-2.2
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		24,206	29,555	5,349	22.1
Other reserves		93,304	85,312	-7,993	-8.6
NET WORTH	a	117,510	114,866	-2,643	-2.2
MEMORANDUM ITEMS					
<i>Net financial worth</i>		<i>-48,244</i>	<i>-44,873</i>	<i>3,370</i>	<i>-7.0</i>
<i>Net financial liabilities</i>		<i>49,989</i>	<i>46,417</i>	<i>-3,572</i>	<i>-7.1</i>
<i>Net debt</i>					
Gross debt liabilities		47,509	52,271	4,762	10.0
less: liquid financial assets		16,512	24,924	8,411	50.9
less: convergence differences impacting net debt		-	-	-	-
Net debt	b	30,996	27,347	-3,649	-11.8

Total Public Sector Balance Sheet

- (a) Net worth of the total public sector was \$114.9 billion at 30 June 2016, which is equivalent 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 \$2.6 billion, or 2.2%) 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.

For the whole-of-government, assets were \$2.7 billion (or 1.4%) higher than Budget with higher holdings of financial assets (up \$8.7 billion) more than offsetting lower holdings of non-financial assets (down \$6 billion). For financial assets, liquid cash holdings were \$8.4 billion higher than anticipated while receivables were \$499 million higher (with this aggregate reflecting timing issues for a range of transactions).

In relation to non-financial assets, lower than budgeted outcomes were evident for property, plant and equipment (down \$4.7 billion), land (down \$1.6 billion), investment property (down \$369 million), land inventories (down \$149 million) and 'other' non-financial assets (down \$327 million). These lower than Budget outcomes were partly offset by higher outcomes for other inventories (up \$906 million – mainly precious metal holdings by the Gold Corporation) and smaller variations for non-current assets held for sale, intangibles and biological assets.

Liabilities were \$5.3 billion (or 7.6%) higher than Budget, with higher gross debt liabilities (up \$4.8 billion), payables (up \$869 million) and 'other employee benefits' (up \$252 million), partially offset by lower unfunded superannuation liabilities (down \$367 million) and 'other' liabilities (down \$177 million).

Movements since the original Budget for these balance sheet items largely reflect variances in the final results for the year ending 30 June 2015 compared to the then expected outcome for that year, changes due to operating and investing operations through 2015-16 (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 \$27.4 billion at 30 June 2016, \$3.6 billion (or 11.8%) lower than the \$31 billion estimated in the original Budget. Gross debt liabilities were \$4.8 billion higher while holdings of liquid financial assets were up \$8.4 billion. These variances include a \$2.1 billion lower than expected outcome for the year ending 30 June 2015, as detailed in the 2014-15 *Annual Report on State Finances*.

Table 4.6

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Notes	2015-16			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash received</i>					
Taxes received		9,186	8,556	-630	-6.9
Grants and subsidies received		8,362	8,310	-52	-0.6
Receipts from sales of goods and services		19,973	21,979	2,007	10.0
Interest receipts		710	667	-43	-6.1
Dividends and tax equivalents		-	-	-	-
Other		6,083	7,156	1,073	17.6
<i>Total cash received</i>		44,313	46,668	2,354	5.3
<i>Cash paid</i>					
Wages, salaries and supplements, and superannuation		-14,878	-14,834	45	-0.3
Payments for goods and services		-19,722	-22,112	-2,390	12.1
Interest paid		-1,708	-1,940	-232	13.6
Grants and subsidies paid		-4,019	-3,711	308	-7.7
Dividends and tax equivalents		-	-	-	-
Other payments		-4,029	-4,266	-236	5.9
<i>Total cash paid</i>		-44,356	-46,863	-2,506	5.7
NET CASH FLOWS FROM OPERATING ACTIVITIES	a	-43	-195	-152	356.1
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash flows from investments in non-financial assets</i>					
Purchase of non-financial assets	b	-6,284	-5,237	1,046	-16.7
Sales of non-financial assets	c	1,236	701	-535	-43.3
<i>Total cash flows from investments in non-financial assets</i>	d	-5,047	-4,536	511	-10.1
<i>Cash flows from investments in financial assets</i>					
<i>Cash received</i>					
For policy purposes		-	140	140	-
For liquidity purposes		6,896	4,850	-2,047	-29.7
<i>Cash paid</i>					
For policy purposes		-	-16	-16	-
For liquidity purposes		-7,207	-4,457	2,750	-38.2
<i>Total cash flows from investments in financial assets</i>		-311	516	827	-266.3
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,358	-4,020	1,338	-25.0
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash received</i>					
Advances received		-	-	-	-
Borrowings		33,329	18,612	-14,717	-44.2
Deposits received		-	-	-	-
Other financing receipts		37	49	11	31.0
<i>Total cash received</i>		33,366	18,660	-14,705	-44.1
<i>Cash paid</i>					
Advances paid		-16	-16	1	-5.7
Borrowings repaid		-27,974	-11,333	16,642	-59.5
Deposits paid		-	-	-	-
Other financing payments		-406	-391	15	-3.6
<i>Total cash paid</i>		-28,397	-11,740	16,657	-58.7
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,969	6,921	1,952	39.3
Net increase in cash and cash equivalents		-432	2,706	3,138	-726.7
Cash and cash equivalents at the beginning of the period		6,560	9,239	2,679	40.8
Cash and cash equivalents at the end of the period		6,128	11,946	5,817	94.9
KEY FISCAL AGGREGATES					
Net cash flows from operating activities		-43	-195	-152	356.1
Net cash flows from investing in non-financial assets		-5,047	-4,536	511	-10.1
Cash surplus/-deficit	e	-5,090	-4,731	359	-7.1

Total Public Sector Cash Flow Statement

- (a) Net cash flows from operating activities were in deficit by \$195 million in 2015-16, a \$152 million deterioration from the \$43 million deficit forecast in the Budget. Total cash receipts in 2015-16 were \$46.7 billion, \$2.4 billion (or 5.3%) higher than forecast, while total cash payments in 2015-16 were \$46.9 billion, up \$2.5 billion (or 5.7%) since Budget. Movements for key cash aggregates including taxes, Commonwealth grants, wages and salaries mirror the equivalent items on the operating statement, discussed earlier in this appendix.
- (b) Purchases of non-financial assets were \$5.2 billion in 2015-16, \$1 billion (or 16.7%) lower than forecast. In addition to the general government sector variations noted earlier in this appendix (down \$128 million), net changes in infrastructure spending by key public corporations include:
- Western Power (including Budget-time provisions for electricity works, down \$286 million), due largely to improvements in Western Power's asset management strategy resulting in better targeted investment, projects on hold and some with reduced scope as part of the Business Transformation Program, and favourable unit rates in the key asset replacement programs of wood poles and conductors. Spending on network growth-related projects was lower than anticipated due to further softening of customer demand and market conditions including customer delays and cancellation of projects;
 - the Housing Authority (down \$148 million), due largely to lower spending on Royalties for Regions Housing for Workers Program as a result of an easing in market conditions and a review of priority areas for intervention under the Non-Government Organisation Strategic Intervention Project. In addition, there was lower than anticipated spending on the Affordable Housing and Public Housing Stock Redevelopment Shared Equity Program (due to the general softening of the Perth market), lower expenditure on land redevelopment (delays in the Bentley project) and land development (delays in the commencement of works in Yanchep, Karloo and Ferndale, and reduced works at Kwinana and Jindowie), and lower investment in joint venture developments;
 - the Water Corporation (down \$138 million), primarily attributable to favourable contract prices across a number of projects compared with estimates, and a range of rescheduled projects in response to changing economic conditions and projects that have experienced general delays;
 - the Metropolitan Redevelopment Authority (down \$98 million), due to rescheduling of works on a number of projects including Perth City Link, Elizabeth Quay, Riverside, Midland and Armadale Redevelopment Area, which are now expected to take place in 2016-17 and beyond;
 - the Pilbara Ports Authority (down \$81 million), reflecting delays experienced on Port Improvement Rate projects, and delays experienced on the Chevron Wheatstone project (thereby delaying the Port's own infrastructure program);

- the Fremantle Port Authority (down \$55 million), largely due to reviews of the timing and prioritisation of projects in the context of the proposed port sale and customer requirements. These include works on Outer Harbour plant and equipment, and Inner Harbour Berth upgrades;
 - the Western Australian Land Authority (down \$52 million), reflecting delays in various projects and reduced demand for land, land access restrictions, and re-scoping and re-tendering of projects to achieve desired cost reductions; and
 - the Public Transport Authority (up \$80 million), primarily due to bringing forward expenditure on the Forrestfield-Airport Link.
- (c) Sales of non-financial assets were \$701 million in 2015-16, \$535 million (or 43.3%) lower than Budget. Lower sales were realised for the:
- Housing Authority (down \$214 million), due to slow market conditions (primarily related to the downturn in the Pilbara and across metropolitan areas) and the deferral of the anticipated sell-down of key service worker accommodation at Hedland (due to the sluggish north west property market);
 - Western Australian Land Authority (down \$118 million), driven by overall reduced property market activity, particularly in the Pilbara and metropolitan regions; and
 - Metropolitan Redevelopment Authority (down \$61 million), primarily due to delays in the settlement of land sales within the Central Perth redevelopment area.
- (d) Net cash flows from investments in non-financial assets were \$4.5 billion in 2015-16, \$511 million (or 10.1%) lower than Budget, with movements in purchases and sales outlined above.
- (e) The total public sector recorded a \$4.7 billion cash deficit in 2015-16, \$359 million (or 7.1%) lower than forecast in the Budget. This reflects the combination of the higher net cash deficit on operations (up \$152 million) and the lower net cash out-flow in non-financial assets (down \$511 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 outcome for the year ending 30 June 2016 for a number of key SPAs established to deliver specific Government policy outcomes. It is not an exhaustive list of all SPAs but covers the major/material SPAs in existence at 30 June 2016. The SPA balances, and transactions in and out of these accounts, form part of the overall consolidated outcomes 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.

Essential and Municipal Services Account

This SPA was established in 2015 to administer Commonwealth funds of \$90 million, following the withdrawal of the Commonwealth from the provision of municipal and essential services to remote Aboriginal communities at the end of June 2015.

Payments to the end of June 2016 were for the delivery of essential and municipal services at a range of remote communities (\$16.6 million), \$4.6 million to Horizon Power for Stage 1 of the Aboriginal Remote Communities Power Supply Project, and for the supply of diesel to power stand-alone electricity generators in remote communities (\$6.1 million).

ESSENTIAL AND MUNICIPAL SERVICES ACCOUNT			Table 5.1
	2015-16 \$m	2014-15 \$m	
<i>Balance at 1 July</i>	-	-	
Receipts	90	-	
Payments	27	-	
Closing Balance	63	-	

Note: Columns may not add due to rounding.

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.

The new facility achieved practical completion in December 2013, followed by completion of phased commissioning in February 2015. Project closure arrangements are expected to be finalised in early 2016-17, with any remaining unspent funds on closure of the account returning to the Consolidated Account at that time. No funds were drawn from the account by WA Health during 2015-16.

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT			Table 5.2
	2015-16 \$m	2014-15 \$m	
<i>Balance at 1 July</i>	20	9	
Receipts	- ^(a)	10	
Payments	-	-	
Closing Balance	20	20	

(a) Amount less than \$500,000
Note: Columns may not add due to rounding.

Metropolitan Region Improvement Fund

This account was established in December 1959 under the *Metropolitan Region Improvement Tax Act 1959* to hold funds for management of the Metropolitan Region Scheme.

Receipts in 2015-16 reflect revenue collected for the Metropolitan Region Improvement Tax (\$97.9 million), proceeds from the sale of land and buildings (\$33.6 million), rental revenue (\$6.2 million), interest revenue (\$5.9 million), the reimbursement of land acquisition costs (\$4.1 million), and the refund of GST payments from the Australian Taxation Office (\$3.8 million).

A total of \$122.5 million was drawn from the account during 2015-16, mainly for:

- the acquisition of land and buildings (\$91.1 million), largely reflecting:
 - land purchased under the Bush Forever policy, and for parks and recreation (\$71.6 million);

- primary and other regional roads, including the Perth to Adelaide Highway and Canning Highway (\$10.9 million); and
- sites required for the northern suburbs rail extension (\$5.8 million);
- associated service delivery costs (\$22.7 million), including salaries, superannuation, leave and overheads (\$8.4 million), property services (\$4.2 million), the 2014-15 service delivery agreement for a range of corporate service functions provided to the Western Australian Planning Commission (\$4 million), Whiteman Park operating expenses (\$2.9 million), and strategic projects expenses (\$1.6 million); and
- funding to the Metropolitan Redevelopment Authority for the Lloyd Street Underpass (\$4.5 million), the settlement of costs associated with an arbitration award claim (\$1.8 million), a range of smaller infrastructure and works in progress (\$1 million), and grants to the Department of Parks and Wildlife for park management (\$1 million).

Table 5.3

METROPOLITAN REGION IMPROVEMENT FUND

	2015-16 \$m	2014-15 \$m
<i>Balance at 1 July</i>	262	199
Receipts	154	125
Payments	123	62
Closing Balance	293	262

Note: Columns may not add due to rounding.

Mining Rehabilitation Fund

The Mining Rehabilitation Fund was established in July 2013 to hold levy collections under the *Mining Rehabilitation Fund Act 2012*.

Receipts during 2015-16 largely reflect contributions to the fund by mining operators (\$27.8 million) and interest revenue (\$1.3 million) on contributions. A total of \$1 million was drawn from the fund for administration costs and the refund of levy reassessments.

Table 5.4

MINING REHABILITATION FUND

	2015-16 \$m	2014-15 \$m
<i>Balance at 1 July</i>	35	10
Receipts	29	26
Payments	1	1
Closing Balance	63	35

Note: Columns may not add due to rounding.

Perth Children's Hospital Account

This SPA was established in October 2010 to hold money for the construction and commissioning of Perth Children's Hospital.

Receipts of \$44 million in 2015-16 represent Consolidated Account capital contributions budgeted to meet spending on the planned construction schedule. A total of \$109 million was drawn during the year to meet actual construction payments. Perth Children's Hospital is expected to achieve practical completion in the second half of 2016. Project closure arrangements for the hospital are expected to be finalised in 2018-19 to accommodate the 24 month defect liability period, with any remaining funds in the account to be returned to the Consolidated Account at that time.

PERTH CHILDREN'S HOSPITAL ACCOUNT		
	2015-16 \$m	2014-15 \$m
<i>Balance at 1 July</i>	187	94
Receipts	44	350
Payments	109	256
Closing Balance	122	187

Note: Columns may not add due to rounding.

Perth Parking Licensing Account

This Special Purpose Account was established in July 1999 under section 23 (1) of the *Perth Parking Management Act 1999* (the Act). Money credited to the account reflects licence fees, penalties and money appropriated by Parliament for the purposes of the Act.

Funds drawn from the account were used to support the Central Area Transit bus system, the Free Transit Zone, improvements to public transport access, enhancements to the pedestrian environment, support for bicycle access and for administration of the Act. A total of \$34.7 million was also drawn from the account in support of the construction of the now operational Perth Busport.

PERTH PARKING LICENSING ACCOUNT		
	2015-16 \$m	2014-15 \$m
<i>Balance at 1 July</i>	13	55
Receipts	57	48
Payments	59	91
Closing Balance	11	13

Note: Columns may not add due to rounding.

Perth Stadium Account

This SPA was established in October 2011 to hold funds in support of the construction of Perth Stadium and associated transport infrastructure. All infrastructure is expected to be completed by the end of 2017 for the stadium to be ready for operation by the start of the 2018 AFL season and utilise all available funds in the SPA.

Receipts of \$265 million reflect appropriation funding approved in the 2015-16 Budget. Funds drawn from the account in 2015-16 totalled \$350 million for procurement and works relating to the stadium, sports precinct and transport infrastructure.

PERTH STADIUM ACCOUNT		
	2015-16 \$m	2014-15 \$m
<i>Balance at 1 July</i>	121	47
Receipts	265	145
Payments	350	71
Closing Balance	36	121

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 (Administration) Act 2008*, 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. The majority of the funds drawn from the account during 2015-16 (\$87.9 million) were for initiatives to reduce:

- single vehicle run-off crashes on regional roads by applying treatments such as shoulder sealing and audible edge-lines (\$42.1 million);
- inappropriate and excessive speed (\$32.4 million); and
- serious crashes at metropolitan intersections (\$13.4 million).

Funds were also used for the Impaired Driving Crashes Program (\$7.9 million), the Community Education campaigns (\$4.3 million), the ongoing operational cost of the Road Safety Commission (\$4.1 million), and a range of smaller road safety initiatives and support programs.

ROAD TRAUMA TRUST ACCOUNT			Table 5.8
	2015-16 \$m	2014-15 \$m	
<i>Balance at 1 July</i>	94	72	
Receipts	115	103	
Payments	113	82	
Closing Balance	95	94	

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 a share of the State's annual royalty income to fund investment in regional Western Australia. The balance held in the Fund at any time cannot exceed \$1 billion.

Receipts during 2015-16 reflect royalty income appropriated from the Consolidated Account (\$918 million), interest revenue earned on the account balance (\$20 million), and unused funds from associated projects credited back to the Fund by agencies (\$12 million).

Funds were drawn to support infrastructure, business and economic development and other regional initiatives outlined in the 2015-16 Budget. A total of \$901 million was disbursed to agencies for projects in regional areas, \$126 million was transferred to the Western Australian Future Fund as the final instalment of 'seed capital' arrangements put in place when the Future Fund was established, \$50 million was transferred to the Regional Reform Fund SPA, and \$3 million was transferred to the SPA supporting the Southern Inland Health Initiative. These accounts are disclosed separately in this appendix.

ROYALTIES FOR REGIONS FUND			Table 5.9
	2015-16 \$m	2014-15 \$m	
<i>Balance at 1 July</i>	1,000	940	
Receipts	950	1,210	
Payments	1,080	1,150	
Closing Balance	870	1,000	

Note: Columns may not add due to rounding.

Royalties for Regions Regional Reform Fund

This SPA was established following the 2015-16 Budget and will fund strategic reform initiatives in regional Western Australia. The account is to receive a total of \$150 million from the Royalties for Regions Fund. Reform initiatives supported by this funding are yet to be determined.

Table 5.10

ROYALTIES FOR REGIONS REGIONAL REFORM FUND		
	2015-16 \$m	2014-15 \$m
<i>Balance at 1 July</i>	50	-
Receipts	50	50
Payments	-	-
Closing Balance	100	50

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, pursuant to section 9(1) of the *Royalties for Regions Act 2009*.

Funding is provided by the Royalties for Regions Fund with \$3 million transferred in 2015-16 for initiatives to improve healthcare across the southern part of the State. Funds drawn from the SPA totalled \$66 million and included payments for the District Medical Workforce Investment Program (\$32.6 million), the District Hospital Investment Program (\$15.5 million), the Small Hospital and Nursing Post Refurbishment Program (\$9 million), and the Telehealth Investment Program (\$7.2 million).

Table 5.11

ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE		
	2015-16 \$m	2014-15 \$m
<i>Balance at 1 July</i>	219	273
Receipts	3	4
Payments	66	59
Closing Balance	156	219

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 purpose of the account is to fund programs and other initiatives related to the management, reduction, reuse, recycling, monitoring or measurement of waste.

Receipts from the landfill levy paid into the account totalled \$26 million in 2015-16, with interest and the return of unexpended program funds accounting for a further \$1 million. Draw downs of \$17 million were used to fund a range of programs including the Better Bins Kerbside Collection Program, the Household Hazardous Waste Program, the Regional Funding Program for Local Government Authorities 2011 – 2016, the Keep Australia Beautiful Council, and the Levy Inspection, Compliance, Enforcement, and Illegal Dumping Program, and other waste management, monitoring and education services provided by the Department of Environment Regulation.

Table 5.12

WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT

	2015-16 \$m	2014-15 \$m
<i>Balance at 1 July</i>	21	16
Receipts	27	16
Payments	17	12
Closing Balance	31	21

Note: Columns may not add due to rounding.

Western Australian Future Fund

The Western Australian Future Fund was established in November 2012 as a Treasurer's SPA following the passage of the *Western Australian Future Fund Act 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.

The Future Fund has received \$933 million 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 2015-16 include the last Royalties for Regions 'seed capital' contribution (\$126 million) and interest receipts (\$39 million).

Table 5.13

WESTERN AUSTRALIAN FUTURE FUND

	2015-16 \$m	2014-15 \$m
<i>Balance at 1 July</i>	879	596
Receipts	165	283
Payments	-	-
Closing Balance	1,044	879

Note: Columns may not add due to rounding.

Quarterly Financial Results – June 2016

This appendix completes the quarterly data series for the 2015-16 year¹.

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 2016 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 2016

The general government sector recorded a \$56 million operating surplus for the three months to 30 June 2016, a turnaround on the \$390 million deficit for the same period in 2014-15.

Revenue for the three months to 30 June 2016 totalled \$7,536 million, \$378 million (or 5.3%) higher than the same period in the previous year. This mainly reflects the combined effects of:

- higher revenue from public corporations (up \$319 million), primarily due to:
 - higher dividends (up \$225 million), mainly due to higher profits and the impact of interim dividend measures for Western Power, Synergy and the Water Corporation; and

¹ Consolidated financial outcomes for the general government sector and for the whole-of-government are published in *Quarterly Financial Results Reports* for the September, December and March quarters in accordance with the requirements of the *Government Financial Responsibility Act 2000*. These publications can be accessed on the Treasury website at www.treasury.wa.gov.au.

- higher tax equivalent payments (up \$93 million), largely due to higher payments from the Insurance Commission of Western Australia, reflecting the impact of recent property sales;
- higher taxation revenue (up \$215 million), largely attributable to:
 - higher transfer and landholder duty (up \$260 million), reflecting a number of high-value commercial transactions assessed in the June 2016 quarter; and
 - lower payroll tax collections (down \$35 million), as a result of weaker labour market conditions and soft wage growth across the economy;
- lower grants from the Commonwealth (down \$334 million), primarily due to:
 - lower local government road funding (down \$177 million), resulting from the Commonwealth’s decision to distribute part of the 2015-16 Roads to Recovery funding for local governments in 2014-15;
 - lower road funding (down \$139 million), due to a reduction in expenditure related to the Infrastructure Investment Program;
 - lower GST grants (down \$95 million), reflecting the decline in the State’s population share of GST; and
 - higher health funding (up \$67 million), as a result of increased activity in the National Health Reform Program; and
- higher royalty income (up \$104 million), primarily due to higher production volumes of iron ore and a lower exchange rate, partially offset by lower iron ore prices.

Expenses for the three months to 30 June 2016 totalled \$7,480 million, \$68 million (or 1%) lower than the \$7,548 million reported in the same quarter last year. This was primarily due to the net impact of:

- lower current and capital transfers (down \$317 million), due to:
 - lower Commonwealth funding for local governments (down \$177 million), reflecting the on-passing of lower grants (discussed above);
 - the timing of contribution to the development of the Cathedral and Treasury precinct (down \$59 million); and
 - lower operating subsidy payments to Synergy (down \$48 million), resulting from a review of the cost of electricity supply and the implementation of the means-tested Energy Assistance Payment (formerly known as the Cost of Living Assistance payment);
- higher ‘other’ gross operating expenses (up \$180 million), mainly reflecting:
 - higher school spending (up \$106 million), due to additional spending on school maintenance, information technology upgrades and higher student support services associated with student enrolment growth and general cost increases; and

- higher health sector costs (up \$20 million), mainly due to growth in the cost of antiviral drug treatments (which is subsequently recouped through the Commonwealth’s Pharmaceutical Benefits Scheme);
- higher services and contracts expense (up \$73 million), due largely to increases in costs for services purchased from private health providers; and
- higher other interest expense (up \$31 million), as a result of increase borrowing levels in 2015-16.

A cash deficit of \$527 million was recorded for the June 2016 quarter, reflecting a net cash surplus from operating activities (of \$241 million) and a net cash deficit for infrastructure investment (of \$768 million). The infrastructure deficit included \$814 million spent on new works less \$46 million in receipts from the disposal of surplus assets and land. Further 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 2016

The total public sector recorded a \$804 million operating deficit for the June 2016 quarter, a \$81 million reduction relative to the \$885 million operating deficit recorded for the same quarter in 2014-15. Revenue totalled \$11,281 million, up \$454 million (or 4.2%) on the same period in 2014-15, while expenses were \$12,085 million, up \$373 million (or 3%) on the same period in 2014-15.

This outcome reflects the combined impact of:

- the \$56 million general government operating surplus detailed earlier;
- a public non-financial corporations sector operating surplus of \$326 million for the June 2016 quarter, primarily due to increased profitability of the Water Corporation and Western Power; and
- an operating deficit for the public financial corporations sector (\$175 million), due mainly to higher Insurance Commission of Western Australia claims expenses.

Table 6.1

TOTAL PUBLIC SECTOR OPERATING BALANCE

	2015-16		2014-15	
	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	56	-2,021	-390	-431
Public non-financial corporations sector	326	892	341	1,049
Public financial corporation sector	-175	72	-60	176
<i>less</i>				
General government dividend revenue	957	1,415	732	1,187
Public non-financial corporations dividend revenue ^(a)	53	87	44	72
Total Public Sector Net Operating Balance	-804	-2,559	-885	-464

(a) Dividends received from Keystart (a public financial corporation) by the Housing Authority (a public non-financial corporation).

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

A cash deficit of \$1,352 million was recorded for the three months to 30 June 2016, compared to a cash deficit of \$853 million recorded for the same period the previous year. This included a net cash surplus from operating activities of \$65 million (\$485 million lower than the June 2015 quarter, reflecting a \$432 million weakening in operating cash flows for the general government sector) and a net cash deficit for capital investment of \$1,417 million (\$14 million higher than the June 2015 quarter). Full year infrastructure outcomes for the total public sector are discussed in Chapter 1 and Appendix 4.

Table 6.2

GENERAL GOVERNMENT
Operating Statement

	2015-16		2014-15	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
RESULTS FROM TRANSACTIONS				
REVENUE				
Taxation	2,109	9,069	1,894	8,882
Current grants and subsidies	1,648	7,407	1,872	8,051
Capital grants	627	895	737	1,263
Sales of goods and services	564	2,155	542	2,105
Interest Income	49	192	41	185
Revenue from public corporations				
Dividends from other sector entities	957	1,415	732	1,187
Tax equivalent income	248	631	155	592
Royalty income	1,123	4,126	1,019	4,603
Other	210	594	167	532
<i>Total</i>	7,536	26,485	7,158	27,400
EXPENSES				
Salaries	2,857	11,383	2,848	11,089
Superannuation				
Concurrent costs	320	1,167	296	1,107
Superannuation interest cost	76	218	129	266
Other employee costs	100	370	132	430
Depreciation and amortisation	364	1,359	346	1,235
Services and contracts	710	2,195	637	2,057
Other gross operating expenses	1,506	5,518	1,326	5,131
Other interest	173	664	142	543
Current transfers	1,228	5,164	1,464	5,465
Capital transfers	146	469	227	507
<i>Total</i>	7,480	28,506	7,548	27,831
NET OPERATING BALANCE	56	-2,021	-390	-431
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	-88	-148	-26	-21
Net actuarial gains - superannuation	-14	-589	938	98
Provision for doubtful debts	-52	-54	-35	-36
Changes in accounting policy/adjustment of prior periods	311	110	740	-504
<i>Total other economic flows</i>	156	-679	1,618	-463
OPERATING RESULT	212	-2,700	1,228	-894
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	-2,890	-2,549	653	2,229
Gains recognised directly in equity	15	8	1	-4
Change in net worth of the public corporations sectors	-1,852	-1,192	1,833	3,140
All other	-	-	-	-
<i>Total all other movements in equity</i>	-4,727	-3,733	2,486	5,365
TOTAL CHANGE IN NET WORTH	-4,515	-6,433	3,715	4,472
KEY FISCAL AGGREGATES				
NET OPERATING BALANCE	56	-2,021	-390	-431
Less <i>Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	814	2,475	769	2,667
Changes in inventories	4	15	-16	-9
Other movement in non-financial assets	34	15	5	90
<i>less:</i>				
Sales of non-financial assets	46	102	45	134
Depreciation	364	1,359	346	1,235
<i>Total net acquisition of non-financial assets</i>	441	1,043	366	1,378
NET LENDING/-BORROWING	-385	-3,064	-756	-1,809

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

Table 6.3

GENERAL GOVERNMENT
Operating Revenue

	2015-16		2014-15	
	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>	821	3,502	857	3,602
Property taxes				
<i>Land tax</i>	-1	948	5	744
Transfer duty	339	1,338	380	1,598
Landholder duty	323	419	22	101
<i>Total duty on transfers</i>	662	1,756	402	1,699
Metropolitan Region Improvement Tax	-	98	-	93
Perth Parking Levy	2	57	2	48
Emergency Services Levy	26	307	27	274
Loan guarantee fees	33	134	39	119
<i>Total other property taxes</i>	61	596	69	534
Taxes on provision of goods and services				
Lotteries Commission	42	163	37	152
Video lottery terminals	-	-	-	-
Casino tax	19	65	23	110
Betting tax	10	42	10	42
<i>Total taxes on gambling</i>	70	270	70	305
Insurance duty	138	592	144	604
Other	5	24	8	31
<i>Total taxes on insurance</i>	143	615	152	635
Taxes on use of goods and performance of activities				
Vehicle licence duty	91	346	92	363
Permits - Oversize Vehicles and Loads	1	7	1	7
Motor vehicle recording fee	16	60	15	58
Motor vehicle registrations	228	874	221	848
<i>Total motor vehicle taxes</i>	335	1,286	329	1,277
<i>Mining Rehabilitation Levy</i>	-	28	-	27
<i>Landfill Levy</i>	16	69	10	59
Total Taxation	2,109	9,069	1,894	8,882

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

GENERAL GOVERNMENT
Operating Revenue

Table 6.3 (cont.)

	2015-16		2014-15	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
Current Grants and Subsidies				
<i>General Purpose Grants</i>				
GST grants	459	1,881	555	2,258
North West Shelf grants	111	616	125	865
Commonwealth compensation for changed crude oil excise arrangements	7	29	8	48
<i>Grants through the State</i>				
Schools assistance – non-government schools	10	1,110	26	1,064
Local government financial assistance grants	21	85	131	262
Local government roads	13	54	81	162
<i>National Specific Purpose Payment Agreement Grants</i>				
National Agreement for Skills and Workforce Development	44	157	35	156
National Disability Services	35	147	36	151
National Affordable Housing	33	143	35	144
<i>Students First</i>	140	558	127	503
<i>National Health Reform</i>	503	1,844	437	1,750
<i>National Partnerships/Other Grants</i>				
Health	154	422	142	402
Housing	4	16	4	15
Transport	7	69	53	55
Other	106	275	78	216
Total Current Grants and Subsidies	1,648	7,407	1,872	8,051
Capital Grants				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	3	15	4	16
<i>National Partnerships/Other Grants</i>				
Housing	61	163	36	173
Transport	557	698	651	992
Other	7	18	47	82
Total Capital Grants	627	895	737	1,263
Sales of Goods and Services	564	2,155	542	2,105
Interest Income	49	192	41	185
Revenue from Public Corporations				
Dividends	957	1,415	732	1,187
Tax Equivalent Regime	248	631	155	592
Total Revenue from Public Corporations	1,205	2,047	887	1,779
Royalty Income	1,123	4,126	1,019	4,603
Other				
Lease Rentals	21	92	19	89
Fines	61	206	57	188
Revenue not elsewhere counted	129	297	91	255
Total Other	210	594	167	532
TOTAL REVENUE	7,536	26,485	7,158	27,400

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

GENERAL GOVERNMENT
Cash Flow Statement

	2015-16		2014-15	
	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	2,430	9,130	2,188	8,846
Grants and subsidies received	2,270	8,310	2,672	9,394
Receipts from sales and goods and services	758	2,294	302	2,129
Interest receipts	64	187	58	180
Dividends and tax equivalents	1,136	2,087	937	1,865
Other receipts	1,360	5,922	1,577	6,799
<i>Total cash received</i>	<i>8,018</i>	<i>27,929</i>	<i>7,734</i>	<i>29,213</i>
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-3,466	-13,374	-3,010	-12,546
Payments for goods and services	-2,127	-8,083	-1,692	-7,761
Interest paid	-187	-631	-157	-537
Grants and subsidies paid	-1,543	-5,485	-1,798	-5,767
Dividends and tax equivalents	-	-	-	-
Other payments	-454	-1,648	-404	-1,562
<i>Total cash paid</i>	<i>-7,777</i>	<i>-29,221</i>	<i>-7,062</i>	<i>-28,173</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	241	-1,291	673	1,040
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-814	-2,475	-769	-2,667
Sales of non-financial assets	46	102	45	134
<i>Total cash flows from investments in financial assets</i>	<i>-768</i>	<i>-2,373</i>	<i>-724</i>	<i>-2,533</i>
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	2	140	6	18
For liquidity purposes	90	101	5	5
<i>Cash paid</i>				
For policy purposes	-307	-798	-250	-566
For liquidity purposes	-99	-136	-15	-22
<i>Total cash flows from investments in financial assets</i>	<i>-315</i>	<i>-694</i>	<i>-254</i>	<i>-565</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-1,082	-3,067	-978	-3,098
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash received</i>				
Advances received	16	16	16	16
Borrowings	23	5,194	505	2,065
Deposit received	-	-	-	-
Other financing receipts	-515	41	-55	448
<i>Total cash received</i>	<i>-477</i>	<i>5,250</i>	<i>466</i>	<i>2,529</i>
<i>Cash paid</i>				
Advances paid	-16	-16	-16	-16
Borrowings repaid	-19	-97	-27	-79
Deposits paid	-	-	-	-
Other financing payments	173	-447	193	-424
<i>Total cash paid</i>	<i>138</i>	<i>-560</i>	<i>150</i>	<i>-519</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	-339	4,691	616	2,010
Net increase in cash and cash equivalents	-1,180	333	311	-48
Cash and cash equivalents at beginning of the period	5,953	4,440	4,130	4,488
Cash and cash equivalents at end of the period	4,773	4,773	4,440	4,440
KEY FISCAL AGGREGATES				
Net cash flows from operating activities	241	-1,291	673	1,040
Net cash flows from investing in non-financial assets	-768	-2,373	-724	-2,533
Cash surplus/-deficit	-527	-3,664	-51	-1,493

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

Table 6.5

TOTAL PUBLIC SECTOR
Operating Statement

	2015-16		2014-15	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
RESULTS FROM TRANSACTIONS				
REVENUE				
Taxation	1,984	8,560	1,756	8,400
Current grants and subsidies	1,648	7,407	1,872	8,051
Capital grants	627	895	737	1,263
Sales of goods and services	5,290	21,583	4,889	19,071
Interest income	241	635	195	648
Royalty income	1,123	4,126	1,019	4,603
Other	368	1,110	358	1,256
<i>Total revenue</i>	<i>11,281</i>	<i>44,316</i>	<i>10,827</i>	<i>43,292</i>
EXPENSES				
Salaries	3,142	12,627	3,113	12,314
Superannuation				
Concurrent costs	354	1,296	324	1,230
Superannuation interest cost	76	218	129	266
Other employee costs	73	257	107	298
Depreciation and amortisation	775	3,354	770	3,226
Services and contracts	988	3,179	934	2,991
Other gross operating expenses	5,341	20,279	4,784	17,600
Other interest	411	1,643	379	1,506
Current transfers	794	3,683	974	3,886
Capital transfers	130	340	199	440
<i>Total expenses</i>	<i>12,085</i>	<i>46,875</i>	<i>11,712</i>	<i>43,756</i>
NET OPERATING BALANCE	-804	-2,559	-885	-464
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	-34	-131	4	327
Net actuarial gains - superannuation	-29	-610	916	60
Provision for doubtful debts	-56	-68	-40	-45
Changes in accounting policy/adjustment of prior periods	-631	-743	-2,679	-688
<i>Total other economic flows</i>	<i>-750</i>	<i>-1,552</i>	<i>-1,800</i>	<i>-345</i>
OPERATING RESULT	-1,554	-4,111	-2,685	-810
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	-2,873	-4,176	6,479	4,724
Gains recognised directly in equity	-89	1,854	-79	557
All other	-	-	-	-
<i>Total all other movements in equity</i>	<i>-2,961</i>	<i>-2,322</i>	<i>6,400</i>	<i>5,281</i>
TOTAL CHANGE IN NET WORTH	-4,515	-6,433	3,715	4,472
KEY FISCAL AGGREGATES				
NET OPERATING BALANCE	-804	-2,559	-885	-464
<i>Less Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	1,679	5,237	1,741	5,777
Changes in inventories	490	1,024	320	173
Other movement in non-financial assets	74	171	99	418
<i>less:</i>				
Sales of non-financial assets	262	701	337	913
Depreciation	775	3,354	770	3,226
<i>Total net acquisition of non-financial assets</i>	<i>1,206</i>	<i>2,376</i>	<i>1,052</i>	<i>2,229</i>
NET LENDING/-BORROWING	-2,010	-4,935	-1,938	-2,693

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

Table 6.6

TOTAL PUBLIC SECTOR
Operating Revenue

	2015-16		2014-15	
	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>	796	3,406	830	3,503
Property taxes				
<i>Land tax</i>	-18	870	-15	675
Transfer Duty	339	1,338	380	1,598
Landholder Duty	323	419	22	101
<i>Total duty on transfers</i>	662	1,756	402	1,699
Metropolitan Region Improvement Tax	-	98	-	93
Perth Parking Levy	2	57	2	48
Emergency Services Levy	26	304	23	270
Loan guarantee fees	1	6	-	3
<i>Total other property taxes</i>	29	465	25	415
Taxes on provision of goods and services				
Lotteries Commission	-	-	-	-
Video lottery terminals	-	-	-	-
Casino Tax	19	65	23	110
Betting tax	-	-	-	-
Other	-	-	-	-
<i>Total taxes on gambling</i>	19	65	23	111
Insurance Duty	138	592	144	604
Other	5	24	8	31
<i>Total taxes on insurance</i>	143	615	152	635
Taxes on use of goods and performance of activities				
Vehicle Licence Duty	91	346	92	363
Permits - Oversize Vehicles and Loads	1	7	1	7
Motor Vehicle recording fee	16	60	15	58
Motor Vehicle registrations	228	874	221	848
<i>Total motor vehicle taxes</i>	335	1,286	329	1,277
<i>Mining Rehabilitation Levy</i>	-	28	-	27
<i>Landfill Levy</i>	16	69	10	59
Total Taxation	1,984	8,560	1,756	8,400

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

TOTAL PUBLIC SECTOR
Operating Revenue

Table 6.6 (cont.)

	2015-16		2014-15	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
Current Grants and Subsidies				
<i>General Purpose Grants</i>				
GST grants	459	1,881	555	2,258
North West Shelf grants	111	616	125	865
Commonwealth compensation for changed crude oil excise arrangements	7	29	8	48
<i>Grants through the State</i>				
Schools assistance – non-government schools	10	1,110	26	1,064
Local government financial assistance grants	21	85	131	262
Local government roads	13	54	81	162
<i>National Specific Purpose Payment Agreement Grants</i>				
National Agreement for Skills and Workforce Development	44	157	35	156
National Disability Services	35	147	36	151
National Affordable Housing	33	143	35	144
<i>Students First</i>	140	558	127	503
<i>National Health Reform</i>	503	1,844	437	1,750
<i>National Partnerships/Other Grants</i>				
Health	154	422	142	402
Housing	4	16	4	15
Transport	7	69	53	55
Other	106	275	78	216
Total Current Grants and Subsidies	1,648	7,407	1,872	8,051
Capital Grants				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	3	15	4	16
<i>National Partnerships/Other Grants</i>				
Housing	61	163	36	173
Transport	557	698	651	992
Other	7	18	47	82
Total Capital Grants	627	895	737	1,263
Sales of Goods and Services	5,290	21,583	4,889	19,071
Interest Income	241	635	195	648
Royalty Income	1,123	4,126	1,019	4,603
Other				
Lease Rentals	21	92	19	89
Fines	58	206	55	188
Revenue not elsewhere counted	290	813	285	978
Total Other	368	1,110	358	1,256
TOTAL REVENUE	11,281	44,316	10,827	43,292

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

Table 6.7

TOTAL PUBLIC SECTOR
Cash Flow Statement

	2015-16		2014-15	
	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	2,157	8,556	1,913	8,305
Grants and subsidies received	2,270	8,310	2,672	9,394
Receipts from sales and goods and services	5,068	21,979	5,484	19,836
Interest receipts	187	667	216	748
Dividends and tax equivalents	-	-	-	-
Other receipts	1,646	7,156	1,861	8,065
<i>Total cash received</i>	<i>11,328</i>	<i>46,668</i>	<i>12,147</i>	<i>46,347</i>
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-3,806	-14,834	-3,296	-13,917
Payments for goods and services	-4,953	-22,112	-5,736	-20,123
Interest paid	-517	-1,940	-451	-1,699
Grants and subsidies paid	-840	-3,711	-1,026	-4,001
Dividends and tax equivalents	-	-	-	-
Other payments	-1,147	-4,266	-1,089	-4,244
<i>Total cash paid</i>	<i>-11,263</i>	<i>-46,863</i>	<i>-11,596</i>	<i>-43,983</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	65	-195	550	2,364
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-1,679	-5,237	-1,741	-5,777
Sales of non-financial assets	262	701	337	913
<i>Total cash flows from investments in financial assets</i>	<i>-1,417</i>	<i>-4,536</i>	<i>-1,403</i>	<i>-4,864</i>
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	2	140	6	18
For liquidity purposes	1,870	4,850	3,317	7,056
<i>Cash paid</i>				
For policy purposes	-4	-16	-6	-17
For liquidity purposes	-1,898	-4,457	-1,495	-6,732
<i>Total cash flows from investments in financial assets</i>	<i>-30</i>	<i>516</i>	<i>1,822</i>	<i>325</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-1,446	-4,020	419	-4,539
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash received</i>				
Advances received	-	-	-	-
Borrowings	5,617	18,612	4,391	16,256
Deposit received	-	-	-	-
Other financing receipts	-515	49	-36	454
<i>Total cash received</i>	<i>5,102</i>	<i>18,660</i>	<i>4,355</i>	<i>16,711</i>
<i>Cash paid</i>				
Advances paid	-16	-16	-16	-16
Borrowings repaid	-4,440	-11,333	-4,945	-13,242
Deposits paid	-	-	-	-
Other financing payments	177	-391	191	-421
<i>Total cash paid</i>	<i>-4,278</i>	<i>-11,740</i>	<i>-4,770</i>	<i>-13,679</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	823	6,921	-415	3,032
Net increase in cash and cash equivalents	-558	2,706	553	857
Cash and cash equivalents at beginning of the period	12,504	9,239	8,686	8,383
Cash and cash equivalents at end of the period	11,946	11,946	9,239	9,239
KEY FISCAL AGGREGATES				
Net cash flows from operating activities	65	-195	550	2,364
Net cash flows from investing in non-financial assets	-1,417	-4,536	-1,403	-4,864
Cash surplus/-deficit	-1,352	-4,731	-853	-2,500

Note: Columns/rows 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). Together with agency cash balances held at Treasury, the total of these accounts form the Public Bank Account.

Table 7.1 shows that the aggregate balance of the Public Ledger at 30 June 2016 was in a \$505 million deficit position, a \$144 million decrease on the deficit position at 30 June 2015. This primarily reflects a \$123 million increase in TSPA balances.

PUBLIC LEDGER BALANCES AT 30 JUNE				Table 7.1
	2016 \$m	2015 \$m	Variance \$m	
THE PUBLIC LEDGER				
Consolidated Account ^(a)	-12,654	-12,677	23	
Treasurer's Special Purpose Accounts	12,159	12,036	123	
Treasurer's Advance Account – Net Advances	-10	-8	-2	
TOTAL	-505	-648	144	
Agency Special Purpose Accounts	4,861	4,488	373	
TOTAL PUBLIC BANK ACCOUNT	4,357	3,840	517	

(a) The balance of the Consolidated Account at 30 June 2016 includes cash and non-cash balances. Non-cash appropriations of \$9,852 million at 30 June 2016 (30 June 2015: \$8,850 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 TSPAs balance. In cash terms, the Consolidated Account recorded a deficit of \$2,801 million at 30 June 2016 (30 June 2015: \$3,827 million). The cash/non-cash balances have been restated for the year ending 30 June 2015 (see footnote to Table 7.2).

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

Information on individual agencies' Special Purpose Accounts, which form the remainder of the Public Bank Account after 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 2016 was \$12,654 million, a decrease of \$23 million on the accumulated deficit at the end of 2014-15. This included \$9,852 million associated with accrual (non-cash) appropriations for depreciation and leave entitlements, matched by equivalent non-cash balances in agency Holding Accounts, with these accrued balances increasing by \$1,003 million during 2015-16.

In cash terms, the Consolidated Account was overdrawn by \$2,801 million at 30 June 2016. This compares with a \$3,827 million deficit cash balance at 30 June 2015.

Consolidated Account borrowings increased by \$5.1 billion in 2015-16. Centrally held borrowings totalled \$17.2 billion at 30 June 2016 (compared with \$12.1 billion at 30 June 2015), and remained below the \$21.8 billion cumulative limit approved by the *Loan Act 2015* and preceding Loan Acts.

Table 7.2

CONSOLIDATED ACCOUNT TRANSACTIONS			
	2016	2015	Variance
	\$m	\$m	\$m
REVENUE			
<i>Operating Activities</i>			
Taxation	7,376	7,147	229
Commonwealth Grants	3,015	3,356	-341
Government Enterprises	2,086	1,899	187
Revenue from other agencies	5,184	6,372	-1,188
Other	647	303	344
<i>Total Operating Activities</i>	18,309	19,077	-768
<i>Financing Activities</i>			
Repayments of Recoverable Advances	6	8	-2
Transfers from:			
Public Bank Account Interest Earned Account	3	5	-2
Bankwest Pension Trust	2	2	-
Other Receipts	32	9	22
Borrowings	5,100	2,000	3,100
<i>Total Financing Activities</i>	5,143	2,025	3,118
TOTAL REVENUE	23,452	21,101	2,350
EXPENDITURE			
<i>Recurrent</i>			
Authorised by Other Statutes	2,340	2,302	38
Appropriation Act (No. 1)	18,685	18,520	165
Recurrent Expenditure under the Treasurer's Advance	261	265	-3
<i>Total Recurrent Expenditure</i>	21,287	21,087	200
<i>Investing Activities</i>			
Authorised by Other Statutes	253	198	55
Appropriation Act (No. 2)	1,628	2,213	-586
Investing Expenditure under the Treasurer's Advance	230	52	178
<i>Total Investing Activities</i>	2,110	2,463	-353
<i>Financing Activities</i>			
Loan repayments	-	-	-
Other financing	32	9	22
<i>Total Financing Activities</i>	32	9	22
TOTAL EXPENDITURE	23,428	23,559	-131
NET MOVEMENT (REVENUE LESS EXPENDITURE)	23	-2,459	2,482
Consolidated Account Balance			
Opening balance at 1 July	-12,677	-10,218	-2,459
Closing balance at 30 June	-12,654	-12,677	23
Of which ^(a) :			
Appropriations payable	-9,852	-8,850	-1,003
Cash balance at 30 June	-2,801	-3,827	1,026

(a) The cash/non-cash balances shown in the 30 June 2015 outcome in the 2014-15 *Annual Report on State Finances* (ARSF) incorrectly allocated \$327 million in non-cash appropriations to the closing cash balance (leaving an equivalent discrepancy between the balance of Agency Holding Accounts shown in Table 7.3 (Appendix 7) of last year's ARSF and the non-cash closing balance for the Consolidated Account in Table 7.2 (also in Appendix 7)). These balances have been corrected and restated in the equivalent tables in the 2015-16 ARSF and result in a lower net debt outcome for 30 June 2016 relative to the estimated outcome in the recent 2016-17 Budget.

Note: Columns/rows 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 2015, an aggregate increase of \$123 million of TSPA balances at 30 June 2016 mainly reflects:

- higher Holding Account balances for (non-cash) accrual appropriations to agencies for depreciation and accrued leave entitlements (up \$1,003 million);
- an increase in the balance of the Western Australian Future Fund, reflecting the final 'seed capital' contributions from the Royalties for Regions Fund (\$126 million), and interest earnings (\$40 million) on the balance held in the Fund through the year;
- a net decrease in the balance of the Royalties for Regions Fund (down \$130 million), reflecting lower appropriation funding on the back of reduced mining royalties in 2015-16, partly offset by lower draw downs for spending on approved projects;
- a net decrease in the balance of the Perth Stadium Account (down \$85 million), reflecting appropriation receipts of \$265 million less draw downs from the account of \$350 million for procurement and works relating to the stadium, sports precinct and transport infrastructure;
- a net decrease in the Perth Children's Hospital Account balance (down \$65 million), reflecting appropriation receipts of \$44 million paid to the account less draw downs of \$109 million for payments associated with achievement of construction milestones;

- a net decrease of \$500 million in Commonwealth Payments for Specific Purposes, reflecting the transfer of a one-off \$499 million road funding grant received from the Commonwealth in 2014-15 and transferred to the Commission of Main Roads during 2015-16¹; and
- ‘Other’ TSPAs (down \$266 million), primarily reflecting the repayment of the 27th pay accounts which have been paid back to agencies as at 30 June 2016.

A number of these 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 2016 and 2015.

Table 7.3

TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE			
	2016	2015	Variance
	\$m	\$m	\$m
Agency Holding Accounts	9,852	8,850	1,003
Western Australian Future Fund	1,044	879	165
Royalties for Regions Fund	870	1,000	-130
Perth Stadium Account	36	121	-85
Perth Children's Hospital Account	122	187	-65
Fiona Stanley Hospital Construction Account	20	20	_(a)
Commonwealth Payment for Specific Purposes	43	543	-500
Other Treasurer's Special Purpose Accounts	171	437	-266
TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE	12,159	12,036	123

(a) Amount less than \$500,000.

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

¹ A similar payment received from the Commonwealth in June 2016 for the Forrestfield-Airport Link project remained in the Consolidated Account and was not transferred to the TSPA.

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 \$645.2 million was authorised by section 29 of the FMA for the year ended 30 June 2016. Of this, \$511.8 million (or 79.3%) was drawn down in 2015-16, comprising:

- \$10.2 million in the form of net recoverable advances;
- \$10.4 million in overdrawn Special Purpose Accounts; and
- a further \$491.3 million for excesses and new items as detailed in Table 7.5.

TREASURER'S ADVANCE AT 30 JUNE

Table 7.4

	2016 \$m	2015 \$m	Variance \$m
AUTHORISED LIMIT	645.2	638.4	6.8
<i>Total Drawn Against Treasurer's Advance Account</i>	<i>511.8</i>	<i>328.7</i>	<i>183.1</i>
Comprising:			
Net recoverable advances as at 30 June (see below)	10.2	8.0	2.3
Overdraw n Special Purpose Accounts ^(a)	10.4	4.3	6.1
Excesses and New Items			
- recurrent	261.5	264.8	-3.3
- capital	229.7	51.7	178.0
NET RECOVERABLE ADVANCES			
Mining Rehabilitation Fund	5.3	4.5	0.8
Sport and Recreation	1.1	1.2	-0.1
Suitors Fund	2.0	2.0	-
WA Energy Disputes Arbitrator	0.1	-	0.1
Sundry Debtors	1.7	0.2	1.5
TOTAL RECOVERABLE TREASURER'S ADVANCES	10.2	8.0	2.3

(a) The Treasurer gave approval to the Department of Mines and Petroleum 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/rows 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.

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2016

Table 7.5

	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Draw n against Treasurer's Advance to date \$m
			New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Premier and Cabinet</i>						
Item 6: Administered Grants, Subsidies and Other Transfer Payments	15.0	-	-	11.4	26.4	11.4
<i>Chemistry Centre (WA)</i>						
Item 12: Delivery of Services	7.3	-	-	0.3	7.6	0.2
<i>WA Health</i>						
Item 13: Delivery of Services	4,692.8	-0.8	-	71.7	4,763.7	31.1
<i>Regional Development</i>						
Item 15: Delivery of Services	3.5	0.1	-	3.3	6.8	3.3
<i>Lands</i>						
Item 25: Delivery of Services	38.9	-	-	8.8	47.7	8.8
<i>Planning</i>						
Item 34: Delivery of Services	41.6	-0.3	-	-	41.3	-
<i>Western Australian Planning Commission</i>						
Item 35: Delivery of Services	7.8	-	-	1.4	9.1	1.4
<i>Culture and the Arts</i>						
Item 37: Art Gallery of Western Australia	8.8	-	-	0.8	9.6	0.8
Item 38: Library Board of Western Australia	29.0	-	-	0.2	29.1	0.2
Item 39: Perth Theatre Trust	11.6	-	-	0.2	11.8	0.2
Item 40: Western Australian Museum	22.3	-	-	2.7	25.0	2.7
<i>Mental Health Commission</i>						
Item 43: Delivery of Services	633.1	-3.8	-	24.7	654.0	24.7
Item 44: Office of the Chief Psychiatrist	-(b)	1.7	-	-	1.7	-
Item 45: Mental Health Tribunal	-(b)	1.4	-	-	1.4	-
Item 46: Mental Health Advocacy Service	-(b)	1.4	-	-	1.4	-
<i>Disability Services Commission</i>						
Item 47: Delivery of Services	716.5	-	-	20.9	737.4	20.9
<i>Child Protection and Family Support</i>						
Item 48: Delivery of Services	575.2	-3.3	-	-	571.9	-
<i>Attorney General</i>						
Item 49: Delivery of Services	246.3	-	-	10.8	257.1	10.8
<i>Commissioner for Equal Opportunity</i>						
Item 51: Delivery of Services	3.1	-	-	1.6	4.7	1.5

Table 7.5 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2016

	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Draw n against Treasurer's Advance to date \$m
			New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Commerce</i>						
Item 56: Delivery of Services	65.4	0.2	-	-	65.6	-
New Item: Home Indemnity Insurance	-	-	9.9	-	9.9	9.9
<i>Finance</i>						
Item 58: Delivery of Services	210.0	-3.8	-	-	206.1	-
Item 59: Administered Grants, Subsidies and Other Transfer Payments	203.2	-5.4	-	-	197.8	-
<i>Mines and Petroleum</i>						
Item 60: Delivery of Services	82.8	-	-	8.0	90.8	7.8
<i>Agriculture and Food</i>						
Item 62: Delivery of Services	120.3	0.2	-	-	120.5	-
<i>Treasury</i>						
Item 66: Delivery of Services	61.0	0.1	-	-	61.1	-
Item 67: Bunbury Water Corporation	0.5	-	-	0.3	0.8	0.3
Item 68: Busselton Water Corporation Corporation	0.5	-	-	^(b)	0.6	-
Item 70: Mid West Ports Authority	0.2	-	-	0.2	0.4	0.2
Item 83: Refund of Past Years Revenue Collections - Public Corporations	22.2	-	-	75.0	97.2	71.1
<i>Local Government and Communities</i>						
Item 91: Delivery of Services	92.7	3.3	-	-	96.0	-
<i>Parks and Wildlife</i>						
Item 93: Delivery of Services	209.1	-	-	15.1	224.2	15.1
<i>Fire and Emergency Services</i>						
Item 101: Delivery of Services	15.3	-	-	20.8	36.1	20.8
<i>Corrective Services</i>						
Item 103: Delivery of Services	807.2	-	-	16.2	823.4	16.2
<i>Office of the Government Chief Information Officer</i>						
New Item: Delivery of Services	-	2.7	0.7	-	3.4	0.7
New Item: Administered Grants, Subsidies and Other Transfer Payments	-	5.4	-	-	5.4	-
<i>Western Australian Sports Centre Trust</i>						
Item 110: Delivery of Services	41.5	0.1	-	0.9	42.4	0.9
<i>Transport</i>						
Item 111: Delivery of Services	37.7	0.7	-	0.6	39.0	0.6
<i>Commissioner of Main Roads</i>						
Item 113: Delivery of Services	293.1	0.2	-	-	293.3	-
Total Recurrent		-	10.6	295.9		261.5

Table 7.5 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2016

	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Draw n against Treasurer's Advance to date \$m
			New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Capital Appropriations						
<i>Western Australian Planning Commission</i>						
Item 125: Capital Appropriation	5.4	-	-	12.9	18.3	12.9
<i>Treasury</i>						
Item 138: Electricity Networks Corporation (Western Power)	81.5	-	-	120.2	201.7	120.2
Item 141: Mid West Ports Authority	4.5	-	-	67.0	71.5	66.4
Item 143: Regional Power Corporation (Horizon Power)	8.5	-	-	1.0	9.5	-
Item 149: Perth Stadium Account	240.0	-	-	25.0	265.0	25.0
<i>Corrective Services</i>						
Item 159: Capital Appropriation	18.7	-	-	3.5	22.2	3.5
<i>Transport</i>						
Item 163: Capital Appropriation	9.8	-	-	0.4	10.1	0.4
<i>Chemistry Centre (WA)</i>						
New Item: Capital Appropriation	-	-	1.3	-	1.3	1.3
Total Capital		-	1.3	230.0		229.7
TOTAL		-	11.9	525.9		491.3

(a) Authorised under section 25 of the FMA.

(b) Amount less than \$50,000.

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

Transfers 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 2015-16, appropriation transfers included:

- \$0.4 million from the Department of Planning to the Department of Transport, reflecting the transfer of the transport modelling function (including three full-time equivalent positions) from 1 July 2015;
- \$5.4 million from the Department of Finance to the Office of the Government Chief Information Officer (OGCIO) for the establishment of the Information and Communications Technology (ICT) Renewal and Reform Fund;
- \$2.7 million from the Department of Finance to the OGCIO for annual operating costs following the establishment of the Office from 1 July 2015, and for the transfer of the functions of the ICT Investment Policy Team to the Office;
- \$3.3 million from the Department for Child Protection and Family Support to the Department of Local Government and Communities, for the transfer of contract management of financial counselling services;
- \$1.1 million of recurrent funding from the Department of Finance to Main Roads, Planning, Regional Development, Western Australian Sports Centre Trust, Treasury, Agriculture and Food, Commerce, and Transport. The Department of Finance previously paid annual Oracle e-business license fees on behalf of these eight agencies but under new arrangements, each agency is now responsible for making its own payments;
- \$0.8 million from the Department of Health to the Mental Health Commission for the transfer of the Office of the Chief Psychiatrist; and
- \$3.8 million from the Mental Health Commission's service appropriation to directly support central funding approved for the operational costs of the Office of the Chief Psychiatrist, the Mental Health Tribunal and the Mental Health Advocacy Service (affiliated bodies of the Mental Health Commission from 30 November 2015).

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 2016.

Premier and Cabinet

Item 6: **Administered Grants, Subsidies and Other Transfer Payments** (\$11.4 million), for costs associated with claims paid under the Western Australian Natural Disaster Relief and Recovery Arrangements. Payments included bushfire clean-up costs in Waroona and associated flooding costs in the Kimberley, Pilbara, Mid West and Wheatbelt regions.

Chemistry Centre

Item 12: **Delivery of Services** (\$0.3 million), reflecting a reinstatement of procurement savings approved at the time of the 2014-15 Mid-year Review. Of this amount, only \$0.2 million was drawn down due to the reallocation of appropriation funding source of \$38,000 for expenses incurred under the *Salaries and Allowances Act 1975*.

New Item: **Capital Appropriation** (\$1.3 million), to fund an immediate shortfall in cash as a result of declining revenues.

Health

Item 13: **Delivery of Services** (\$71.7 million), primarily to reinstate funding of \$76.3 million to offset the corresponding reduction in Commonwealth funding for public hospital services. Additional funding of \$33.9 million was also required for the commissioning of the new Midland Public Hospital, including staff transition costs and a Voluntary Separation Scheme for staff at the old Swan District Hospital. This higher funding (totalling \$110.2 million) was partly offset by:

- reduced funding for public hospital services from the Commonwealth due to revisions to hospital activity (\$10.7 million);
- savings for non-hospital services under the Government's Targeted Voluntary Separation Scheme (\$9.6 million);
- the reclassification (to capital appropriation funding) for the Telethon Kids Institute at the Perth Children's Hospital (\$5.4 million);
- reductions in the Non-Government Services Sector Indexation Rate (\$5 million); and
- other smaller funding reductions.

Of the approved increase only \$31.1 million was charged to the Consolidated Account, following a \$40.6 million lower depreciation expense.

Regional Development

Item 15: **Delivery of Services** (\$3.3 million), for costs associated with the establishment of the Regional Services Reform Unit to support the development and implementation of the Regional and Remote Human Services and Infrastructure Strategy.

Lands

Item 25: **Delivery of Services** (\$8.8 million), mainly for costs associated with compensation payments to eligible pastoral lessees for lawful improvements under the 2015 Pastoral Lease Renewal Program, and for expenditure on hazard remediation on exclusion areas and non-renewal pastoral leases.

Western Australian Planning Commission

Item 35: **Delivery of Services** (\$1.4 million), to meet interest and claimants' costs associated with owner-initiated land compensation claims arising from within the Peel and Greater Bunbury region schemes (as a consequence of the *Planning and Development Act 2005*).

Item 125: **Capital Appropriation** (\$12.9 million), for costs associated with finalising acquisitions in response to owner-initiated land compensation claims, under the *Planning and Development Act 2005*, arising from within the Peel and Greater Bunbury region schemes.

Culture and the Arts

Item 37: **Art Gallery of Western Australia** (\$0.8 million), to meet implementation costs associated with the Gallery's share of the Department's Agency Expenditure Review savings.

Item 38: **Library Board of Western Australia** (\$0.2 million), to meet implementation costs associated with the Library's share of the Department's Agency Expenditure Review savings.

Item 39: **Perth Theatre Trust** (\$0.2 million), to meet implementation costs associated with the Theatre's share of the Department's Agency Expenditure Review savings.

Item 40: **Western Australian Museum** (\$2.7 million), to meet implementation costs associated with the Museum's share of the Department's Agency Expenditure Review savings. The Museum's additional funding was partly offset by salary savings of \$429,000 resulting from the Targeted Voluntary Separation Scheme concluded during 2014-15.

Mental Health Commission

Item 43: **Delivery of Services** (\$24.7 million), mainly to meet costs associated with increased mental health hospital activity and additional funding to ensure service continuity for mental health hospital services following reductions in Commonwealth funding. These higher costs (totalling \$30.6 million) were partially offset by a deferral of the Youth Community Treatment Program, reflecting delays in establishing the service, changes to indexation rates applicable to costs for non-government human services delivered by third parties, and unspent funds relating to the Goldfields and Rockingham mental health sub-acute facilities.

Disability Services Commission

Item 47: **Delivery of Services** (\$20.9 million), for the provision of services to existing clients, residing in the Perth Hills, who were slow to transition to the Commonwealth run National Disability Insurance System (NDIS) trial. The total cost (totalling \$43.3 million) was partially offset by one-off savings such as outsourcing accommodation services, higher than expected repayments from clients who have settled compensation claims, a reduction in insurance expenses and changes in the indexation rate applicable to costs for non-government human services. The Commission also ceased to directly fund a number of services in the Perth Hills trial (this funding is instead paid by Treasury to the Commonwealth National Disability Insurance Agency).

Attorney General

Item 49: **Delivery of Services** (\$10.8 million), for payments made on behalf of the State, including ex gratia payments, and payments for mesothelioma settlements and copyright charges. Additional funding was provided to meet the cost and demand growth of Coroner's Court Services for forensic pathology, toxicology, body removal and legal aid costs. These higher costs (totalling \$13.5 million) were partly offset by funding not required as a result of the Targeted Voluntary Separation Scheme concluded during 2014-15.

Commissioner for Equal Opportunity

Item 51: **Delivery of Services** (\$1.6 million), mainly to meet costs associated with an organisational restructure. Of this amount, \$1.5 million was drawn down to meet costs associated with information technology systems requirements, office accommodation, one-off separation payments and to address a structural deficit that had arisen in 2014-15.

Commerce

New Item: **Home Indemnity Insurance** (\$9.9 million), to allow the Department of Commerce to meet claims expenditure (funded by insurance premiums previously credited to the Consolidated Account) and administration costs in relation to the State's Home Indemnity Insurance Scheme.

Mines and Petroleum

Item 60: **Delivery of Services** (\$8.0 million), to meet the shortfall in external revenue as a result of a downturn in the resources sector. Of the approved increase, a \$7.8 million was drawn down, reflecting the impact of implementing the Department's Agency Expenditure Review savings.

Treasury

Item 67: **Bunbury Water Corporation** (\$0.3 million), to reflect the impact of the approved 2015-16 tariff on concessions (\$147,000) and the final reconciliation of the actual cost of providing concessions to customers in 2014-15 (\$146,000).

Item 68: **Busselton Water Corporation** (\$43,000), for costs associated with a higher than expected final outcome for pensioner and seniors' concessions in 2014-15. The funds were subsequently offset by the Corporation ceasing to receive an operating subsidy for leaks and bursts (\$46,000), placing the Busselton Water Corporation on similar arrangements to those applying to the Water Corporation of Western Australia.

Item 70: **Mid West Ports Authority** (\$0.2 million), for costs associated with the repayment of final interest charges on an outstanding debt associated with the Oakajee Port project.

Item 83: **Refund of Past Years Revenue Collections – Public Corporations** (\$75 million), to meet the State's obligation in 2015-16 to refund public corporations that have overpaid National Tax Equivalent Regime (NTER) instalments into the Consolidated Account². Of the approved increase, \$71.1 million was drawn, which together with the budgeted \$22.2 million provision for payments in 2015-16, addressed refunds to:

- Synergy (\$67.9 million), resulting from higher than expected instalment payments in 2014-15 due to issues including tax adjustments that were not considered in the instalment rate suggested by the Australian Taxation Office (ATO) for that year. Synergy has changed its tax instalment arrangements from 2015-16 to avoid similar large refunds in the future;
- Horizon Power (\$14.4 million), due to a smaller than expected tax obligation assessed by the ATO for the 2014-15 year;
- Gold Corporation (\$8.1 million), reflecting overpayments in 2014-15 resulting from a lower than forecast final profit in that year, and the settlement of refunds pertaining to overpaid instalments in 2008-09, 2009-10 and 2010-11; and
- a range of smaller refunds to other public corporations (\$2.8 million in total).

Item 138: **Electricity Networks Corporation (Western Power)** (\$120.2 million), with \$96.4 million of this reflecting the impact on the Corporation's equity injection following the retiming of interim dividend arrangements which commenced in 2015-16 (instead of 2014-15 as originally expected and delayed by the late passage of the associated legislation), and revisions to both customer contributions received in 2014-15 and expected customer contributions in 2015-16. The residual \$23.8 million reflects the partial refund of a special dividend of \$36.4 million payable on land sale proceeds in 2015-16 (which are returned to the Corporation following the impact of this capitalisation revenue on the calculation of dividends each year). The equity contribution was provided to maintain the Corporation's cash position, after allowing for the impact of the land sale proceeds on normal dividends.

² Public corporations subject to the NTER occasionally overpay assessments when final tax outcomes differ from interim payment expectations.

Item 141: **Mid West Ports Authority** (\$67 million), to extinguish the MWPA's remaining debt associated with the Port Enhancement Project (PEP), which facilitated the recommencement of iron ore exports from Geraldton Port. Extinguishing this debt brings the PEP charge to an end and provides immediate price relief to all port users. Of the approved increase, \$66.4 million was drawn reflecting the PEP debt repayment, less \$556,000 in lower funding for minor capital works.

Item 143: **Regional Power Corporation (Horizon Power)** (\$1 million), for costs associated with the Aboriginal and Remote Communities Power Supply Project 2, carried over from 2014-15. The project provides for the regularisation of power supplies to remote communities, with the delay in 2014-15 due to the completion of factory testing of project components. Horizon Power will not make a payment until the end of the components defects period, which is yet to lapse. Hence, the approved additional funds were not drawn.

Item 149: **Perth Stadium Account** (\$25 million), to accommodate accelerated construction work by Westadium (the consortium contracted to design, build, partially finance and maintain the new Perth Stadium). This funding has been brought forward from future years' appropriations and does not affect the total cost of the project.

Parks and Wildlife

Item 93: **Delivery of Services** (\$15.1 million), to meet higher than expected spending on the 2015-16 bushfire season. These costs were partially offset by savings associated with the Government's Targeted Voluntary Separation Scheme concluded during 2014-15.

Fire and Emergency Services

Item 101: **Delivery of Services** (\$20.8 million), to mainly meet higher than expected spending on the 2015-16 bushfire season, including for additional equipment hire, overtime and consumables related to bushfire suppression activities, partly offset by savings generated from lower than expected flying hours by the Emergency Rescue Helicopter Service.

Corrective Services

Item 103: **Delivery of Services** (\$16.2 million), primarily for costs associated with a higher than expected daily average prisoner population, decommissioning of shared corporate services to a standalone service, and funding for management costs associated with the process for operation of the new Melaleuca Remand and Reintegration Facility. These amounts (totalling \$30.2 million) were partially offset by separations under the Targeted Voluntary Separation Scheme (concluded during 2014-15) and reclassification of Infrastructure Maintenance Program funding from recurrent to capital appropriation.

Item 159: **Capital Appropriation** (\$3.5 million), to primarily meet contractual obligations for the completion of the Eastern Goldfields Regional Prison, decommissioning of the Shared Corporate Services and the reclassification of recurrent Infrastructure Maintenance Program funding noted above. These higher costs (totalling \$9.9 million) were partially offset by a reflow of capital funding from 2015-16 to 2016-17 to reflect updated timelines for the completion of the other projects.

Office of the Government Chief Information Officer

New Item: **Delivery of Services** (\$0.7 million), approved during the December 2015 quarter, for the operating costs of the OGCIO following the establishment of the Office as a sub-department of the Department of Finance on 1 July 2015.

Western Australian Sports Centre Trust

Item 110: **Delivery of Services** (\$0.9 million), to meet set up costs associated with the establishment of operations for the Perth Stadium by the appointed venue operator, VenuesLive. These costs included pre-quotation expenses for VenuesLive, transition fees, minor equipment purchases and a pre-operational management fee.

Transport

Item 111: **Delivery of Services** (\$0.6 million), to meet higher than expected costs associated with the Taxi User Subsidy Scheme which provided support to participants in the National Disability Insurance Scheme and My Way trials. This funding was partially offset by savings achieved from reduced Government Regional Officer Housing expenditure as part of the Department's Agency Expenditure Review.

Item 163: **Capital Appropriation** (\$0.4 million), for costs associated with the relocation of production and disaster recovery data centres to a new commercial data centre. This funding was partly offset by savings achieved from the Maritime Facilities Program as part of the 5% Asset Investment Program efficiency measure implemented in 2015-16.

General Government Sector Salaries

Introduction

Salaries represent the single largest component of general government sector expenses (40% in 2015-16, or 44% if concurrent superannuation costs are included).

In 2015-16, general government salaries expenditure grew by 2.6% to total \$11,383 million. This represents the lowest rate of growth in salaries expenditure since 1998-99, and reflects the combined impact of:

- the implementation of the Government's recruitment freeze over the period December 2015 through to May 2016;
- the Government's policy to manage growth in leave liability across agencies;
- the harvesting of savings from agencies totalling \$128.7 million in 2015-16 under the Workforce Renewal Policy;
- the successful implementation of the Public Sector Wages Policy, limiting wage increases to projected growth in the Perth Consumer Price Index (with a revised Wages Policy capping public sector wages growth at 1.5% per annum taking effect from 1 June 2016); and
- the full-year impact of savings from the Targeted Voluntary Separations Scheme implemented in 2014-15 (under which 1,362 separations were finalised), and a voluntary separations program implemented in the health sector during 2015-16 (with 464 separations finalised by 30 June 2016).

The following table summarises general government agency salaries outcomes for 2015-16.

Table 8.1

SALARIES COSTS
General Government Sector

	2014-15				2015-16		
	Actual	Budget	MYR	Estimated	Actual	Variation on EOT	Annual Growth
	\$m	Estimate	Revision	Outturn			
		(1)	(2)	(3)	(4)	(4) - (3)	
WA Health	4,186	4,260	4,284	4,299	4,276	-22	2.2
Education	2,905	3,202	3,181	3,163	3,091	-72	6.4
Western Australia Police	791	826	823	824	833	9	5.2
Corrective Services	435	430	423	422	420	-(a)	-3.5
Child Protection and Family Support	212	220	216	216	214	-1	0.8
Attorney General	202	212	210	210	204	-6	0.8
Department of Fire and Emergency Services	163	168	169	169	167	-(a)	2.9
Department of Parks and Wildlife	145	152	149	149	148	-1	2.1
Disability Services Commission	141	152	150	150	146	-4	3.2
Transport	117	121	122	122	123	-	5.0
Finance	120	132	116	120	115	-5	-4.3
Agriculture and Food	113	105	98	99	97	-2	-14.2
Mines and Petroleum	84	85	85	85	84	-1	-0.9
Land Information Authority	74	75	76	82	79	-3	7.5
Commerce	76	81	83	83	75	-7	-0.9
Premier and Cabinet	70	73	73	73	74	2	5.9
Central Institute of Technology	86	84	84	83	62	-20	-27.0
Polytechnic West	88	85	83	82	61	-21	-31.4
Culture and the Arts	61	60	59	59	58	-(a)	-4.2
Commissioner of Main Roads	58	69	64	64	55	-8	-4.4
Planning	47	48	48	48	50	2	7.1
Fisheries	50	44	44	44	48	4	-3.9
Training and Workforce Development	54	54	54	54	46	-7	-14.2
Water	41	45	45	45	45	-	9.5
Challenger Institute of Technology	59	59	57	57	43	-14	-26.7
Southern Metropolitan TAFE	-	-	-	-	37	37	-
Mental Health Commission	37	34	36	36	35	-1	-4.2
Department of Environment Regulation	29	33	33	33	29	-4	1.1
Treasury	27	32	33	32	28	-5	4.1
Department of Local Government and Communities	26	29	28	28	28	-	6.2
Legal Aid Commission of WA	29	31	33	33	28	-5	-3.4
Office of the Director of Public Prosecutions	27	26	26	26	27	1	-
North Metropolitan TAFE	-	-	-	-	25	-(a)	-
Legislative Assembly	20	21	21	21	21	-(a)	4.5
Department of Lands	18	21	21	22	20	-1	10.9
West Coast Institute of Training	27	26	25	26	18	-(a)	-32.5
State Development	18	20	20	20	18	-(a)	-0.3
Department of Regional Development	16	15	19	19	18	-1	11.9
WA Sports Centre Trust	16	16	16	17	18	-	7.2
South West Institute of Technology	22	20	20	20	17	-3	-23.4
Aboriginal Affairs	15	16	16	16	16	-(a)	6.2
Sport and Recreation	16	17	17	17	16	-(a)	1.0
Public Sector Commission	17	19	19	18	16	-2	-5.0
Corruption and Crime Commission	18	18	17	17	15	-(a)	-14.6

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

Table 8.1 (cont.)

SALARIES COSTS

General Government Sector

	2014-15		2015-16			Actual \$m (4)	Variation on EOT \$m (4) - (3)	Annual Growth %
	Actual	Budget	MYR	Estimated	Outturn			
	\$m	Estimate \$m (1)	Revision \$m (2)	Outturn \$m (3)	Outturn \$m (3)			
School Curriculum and Standards Authority	16	16	16	16	16	15	-(a)	-1.6
Legislative Council	14	14	15	15	15	15	-	4.9
Durack Institute of Technology	19	20	19	19	19	14	-4	-24.5
Office of the Auditor General	14	12	13	13	13	14	1	-2.6
Kimberly Training Institute	19	20	18	18	18	14	-(a)	-24.8
Zoological Parks Authority	13	13	13	13	13	13	-(a)	1.2
WorkCover WA Authority	12	13	13	13	13	13	-	6.8
Great Southern Institute of Technology	15	16	15	15	15	12	-(a)	-20.0
Chemistry Centre (WA)	11	12	12	11	11	11	-	0.4
Pilbara Institute	19	19	16	16	16	11	-6	-44.2
Education Services	10	12	12	12	12	11	-(a)	6.3
Botanic Gardens and Park Authority	10	11	11	11	11	11	-	4.3
Office of the Environmental Protection Authority	11	12	12	12	12	10	-2	-8.5
Racing, Gaming and Liquor	10	10	10	10	10	10	-	3.6
WA Tourism	10	9	10	10	10	10	-	-5.3
All other agencies (with salaries costs below \$10 million)	129	126	138	136	136	154	18	18.7
Provisions ^(b)	-	-75	-121	-120	-120	-	120	-
Total salaries	11,089	11,498	11,413	11,420	11,420	11,383	-38	2.6

(a) Amount is less than \$0.5 million.

(b) Provisions which subsequently materialised in agency financial outcomes were included for targeted voluntary separations (implemented during 2014-15), the salaries portion of Agency Expenditure Review tranche 2 savings (announced in the 2015-16 Mid-year Review), and anticipated salaries underspend (included in the 2015-16 Mid-year Review and 2016-17 Budget).

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

Key Technical Terms Used in the Financial Report

Australian Bureau of Statistics Government Finance Statistics Manual

The Australian Bureau of Statistics' publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* contains a comprehensive and definitive guide to the classification of financial aggregates for National Accounts and GFS purposes.

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.

Accrual accounting

Accounting method that records revenue and expenses when they are incurred, regardless of when cash is exchanged. The term 'accrual' refers to any individual entry recording revenue or expense in the absence of a cash.

Asset Investment Program

Total public sector purchases of non-financial assets (i.e. the State's infrastructure program).

Balance sheet

A financial statement that presents the financial position of a sector by detailing the stock of assets, liabilities and equity at the end of a reporting period.

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 an asset other than inventories, for which no economic benefits of equal value are receivable in return.

Cash flow statement

A financial statement that presents a summary of all cash receipts and payments for a sector in a reporting period.

Cash flow from operating activities

Receipts and payments of cash relating to a reporting entity's operating activities

Cash flow from investing activities

Relates to the purchase or sale of assets, such as land, buildings and equipment.

Cash flow from financing activities

Shows the cash receipts and payments related to transactions with the providers of finance.

Cash surplus/deficit

Reported in the cash flow statement, the cash surplus/deficit measures the net impact of cashflows (excluding financing activities) during the period. It equals net cash flows from operating activities (things that agencies do on a daily basis as part of their operations) plus net cash flows from the acquisition and disposal of non-financial assets (i.e. infrastructure activities), less distributions paid (i.e. dividends). For Government Finance Statistics purposes at whole-of-government level, the cash surplus/deficit is further adjusted to account for the value of assets acquired under finance leases and similar arrangements. The Commonwealth refers to this aggregate as the ‘underlying cash balance’ in its publications and is that tier of government’s headline budget measure. A surplus is generally consistent with declining levels of net debt while a deficit indicates a need for more borrowing.

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 the public sector’s accumulated assets and liabilities.

Consolidated Account

The *Constitution Act 1889* creates the Consolidated Account. Under section 64 of the *Constitution Act 1889*, all moneys due to the State from taxes, charges, imposts, and other sources, and that are not hypothecated by separate legislation, must be credited to the Consolidated Account and can only be expended if authorised by an Appropriation Act. The legislation does not impose any restrictions on the purposes for which the Consolidated Account may be appropriated. See also Public Bank Account below.

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.

Consumer Price Index

The Consumer Price Index (CPI) measures changes in the price of a ‘basket’ of goods and services purchased by households. Growth in the CPI is often used as a benchmark estimate of inflation.

Contingent asset

A possible 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 assets are not recognised on the balance sheet. For example, the State may expect to receive a cash benefit if it delivers on various obligations in the future.

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. Contingent liabilities are not recorded on the balance sheet. Examples include pending legal proceedings and items covered by government guarantees, sureties and indemnities.

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 (transfers)

The provision of something of value for no specific return or consideration (e.g. grants, subsidies and donations).

Derivatives

'Held for trading' financial instruments valued at fair value at the 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.

Expenses

Expenses are defined as transactions that reduce net worth. They represent the cost of operating. Purchases of services (other than those that are capitalised as infrastructure) are expenses because the services are consumed when provided and net worth is reduced by the cost of the services. For example, the purchase of labour services (commonly known as 'salaries') is an expense.

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). For example, public sector agencies often lease buildings and vehicles, and record such leased assets on the balance sheets. All related costs and the total remaining lease liability is also recorded in the financial statements. Depending on the nature of the arrangement, Public Private Partnerships may be recognised as finance lease arrangements. Finance leases are treated as government debt on the State's balance sheet.

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.

Assets that are highly liquid (such as cash or very short term investments that convert to cash very easily) are treated as an offset to borrowings and other financial instruments, to derive net debt.

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.

Financial Management Act 2006

The Act sets out the framework for public sector budgeting in Western Australia.

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 Government Finance Statistics 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.

Forward estimates

Estimates of financial aggregates for future years. These assume that there will be no significant change in government policy and are designed to provide a longer term perspective to the budget process.

Full-time equivalents

One full-time equivalent staff member is the same as one person working full time for one financial year.

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. General government goods and services are largely provided free of charge or at nominal charges well below costs of production. Government departments are usually recognised as general government sector agencies.

Government Financial Responsibility Act 2000

Western Australian legislation to establish a framework for government financial planning with a view to improving government financial outcomes and to facilitate public scrutiny of government financial policy and performance

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 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 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. a 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.

Gross State Product

Gross State Product (GSP) measures the value of all final goods and services produced within a State. GSP is a common measure of economic growth.

Key fiscal aggregates

Financial aggregates that are important for analysis purposes, including assessing the impact of a government and its sectors on the economy. For example, the net operating balance, net debt, etc.

National partnership payment

A Commonwealth government grant to a State and/or Territory to support the delivery of specified outputs or projects, to facilitate reforms or to reward the delivery of nationally significant reforms. Each National partnership payment is supported by a National Partnership Agreement which defines mutually agreed objectives, outputs and performance benchmarks.

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 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

Net 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 for the central government.

Operating statement

A financial statement that presents the operating performance of a reporting entity by detailing all items of revenue and expense recognised as they accrue during a reporting period. Cash flows for these accruing operating activities may occur in the same or subsequent reporting period.

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 not elsewhere classified or disclosed.

Public Bank Account

The Public Bank Account (PBA) is administered by the Department of Treasury and forms the central bank account of the Government of Western Australia. The PBA is created by the *Financial Management Act 2006*, and is divided into component parts and includes the Consolidated Account, Treasurer's Advance and Treasurer's Special Purpose Accounts (collectively referred to as the Public Ledger and detailed in Appendix 7 of this report), and agency Special Purpose Accounts.

Public corporations

Those agencies that are primarily operating in a market and seek to recover a substantial portion of their costs through user charges. They comprise public financial corporations and public non-financial corporations (see below).

Public financial corporations 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 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 government infrastructure and associated services through private sector involvement. Public Private Partnership (PPPs) create opportunities with the private sector for increasing investment in social and economic infrastructure. The accounting rules for PPPs are complex and are based on case by case circumstances. However, they often result in recognition of a finance lease for the public sector balance sheet (which is a component of gross and net debt).

Revenue

Revenue is defined as operating transactions that increase net worth. Examples include tax collections, Commonwealth grants, royalty income, and fees for goods and services.

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

The current service cost of employees.

Superannuation interest cost

Represents the carrying cost of unfunded superannuation liabilities. Unfunded superannuation is essentially a debt owing to employees. Part of the annual valuation of these 'debts' includes the carrying (or interest) cost. The State of Western Australia now concurrently funds the superannuation costs of almost all of its employees (since 1998-99). As a result, superannuation interest costs are anticipated to decline over the next two to three decades as unfunded entitlements are gradually paid out.

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 represents the consolidated transactions and assets and liabilities of the general government and public non-financial corporations sectors. In compiling statistics for the total 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 from 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 public sector 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.

Uniform Presentation Framework

The Uniform Presentation Framework (UPF) was first agreed by the Australian Loan Council in 1993. The current 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.

