



2013-14

Government Mid-year Financial Projections Statement

December 2013



2013-14

**Government Mid-year
Financial Projections Statement**

DECEMBER 2013

2013-14 Government Mid-year Financial Projections Statement
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Foreword

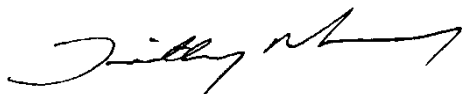
This *Government Mid-year Financial Projections Statement* (mid-year review) outlines developments in Western Australia's economic and financial outlook since finalisation of the 2013-14 State Budget, which was presented to Parliament on 8 August 2013.

It has been prepared under my instruction, and is based upon Government decisions I was aware of, or that were made available to me by the Treasurer, by close of business on the mid-year review cut-off date of 3 December 2013. The mid-year review does not include the impact of any decisions that may have been taken, or other issues arising, after the cut-off date.

The financial projections are informed by the economic assumptions outlined in Chapter 3: *The Western Australian Economy*, which were also finalised on 3 December 2013.

The mid-year review financial projections comply with external reporting standards including Australian Accounting Standards Board AASB 1049: *Whole of Government and General Government Sector Financial Reporting* and, where appropriate, Government Finance Statistics standards, promulgated in Australia by the Australian Bureau of Statistics. They are compiled using financial estimates provided by State public sector agencies that are consistent with Australian Accounting Standards. The disclosures in this publication meet the mid-year review requirements of both the Uniform Presentation Framework, agreed by the Australian Loan Council, and the *Government Financial Responsibility Act 2000*.

Unless otherwise stated, financial data for 2012-13 included in this publication (for comparative purposes) are consistent with final audited data contained in the 2012-13 *Annual Report on State Finances*, released on 25 September 2013.



Timothy Marney
UNDER TREASURER

18 December 2013

Financial Projections

HIGHLIGHTS

- The Western Australian economic outlook remains positive as the economy makes the transition from construction-led growth to export-led growth. However, the State's underlying revenue growth (i.e. excluding the impact of revenue policy measures) remains relatively subdued.
- At the same time, strong population growth continues to drive demand for government services and infrastructure. Additional expenditure has been allocated to meet the demand for health, education and law and order services. There are also significant increases in subsidy payments associated with electricity production and consumption.
- Standard & Poor's (S&P's) revised the State's credit rating from AAA to AA+ in September 2013. In response, the Government has extended the Fiscal Action Plan outlined in the 2013-14 Budget as part of this mid-year review, with further measures to be considered for the 2014-15 Budget.
- The additional elements of the Plan include a reduction in non-essential procurement expenditure and further deferrals in the Asset Investment Program. These measures contribute to an estimated operating surplus of \$437 million in 2013-14 and contain projected net debt to \$26.9 billion by 30 June 2017, which is \$1.5 billion lower than projected at budget-time.
 - The State's level of gross borrowings, which was highlighted by S&P's in its rating downgrade, is now projected to be \$2.2 billion lower at 30 June 2017 than estimated at budget-time.
- Nonetheless, a general government sector operating deficit of \$124 million is currently projected for 2014-15.

- Also as part of the Plan, the Government has commenced a structured and coordinated process of asset sales, initially focussed on underutilised land holdings and discrete port and electricity assets. Specific sale options either approved or under active consideration include the Kaleeya Hospital site, Kwinana Bulk Terminal at Fremantle Port, and Utah Point at Port Hedland Port.
- These elements build on the existing Plan, which includes revenue measures, the new public sector wages policy, introduction into Parliament of the Workforce Reform Bill, and implementation of the Voluntary Separation Scheme.

Introduction

The State's economy again outperformed the nation in 2012-13, growing by 5.1% compared to 2.6% for the nation as a whole, fuelled by strong growth in business investment.

The Western Australian economic outlook remains broadly consistent with expectations at the time of the 2013-14 Budget. Growth in Gross State Product (GSP) is forecast to moderate to 3.25% in 2013-14 as spending on the State's major iron ore and liquefied natural gas projects slows.

Solid growth in other sectors of the economy will not be sufficient to replace the large contributions made from business investment in recent years, with growth in GSP expected to remain below its long-run average of 4.6% across the budget period.

Labour market conditions are expected to soften as domestic economic activity slows. Consistent with this, full-time employment growth has moderated sharply since early 2013, whilst part-time employment growth has picked-up over the same period.

Population is expected to have grown by a strong 3.4% in 2012-13 (up from 3.2% at budget) before slowing to 2.5% in 2013-14 (up from 2.2% at budget). The more gradual softening in population growth relative to budget reflects a slower than expected decline in the State's share of national net overseas migration.

While the general economic outlook remains largely unchanged since budget, general government revenue has been revised up by a total of \$1.3 billion (or 1.1%) across the budget period (2013-14 to 2016-17). Upward revisions to mining and GST revenue estimates have been partially offset by a downward revision of \$395 million to tax revenue.

Projected mining revenue has improved since budget due to higher than expected commodity prices, particularly the iron ore price, and an upward revision to iron ore volumes as a result of strong production for the September quarter 2013. This more than offsets the impact of a slightly higher \$US/\$A exchange rate.

Across the budget period, GST revenue grants are \$609 million higher than estimated at budget. This reflects the combined impacts of a post-budget upward revision to the national GST pool, and the Commonwealth Treasurer's decision to maintain iron ore 'fines' in the low royalty rate group as part of the GST distribution process for 2014. Nevertheless, Western Australia's population share of GST revenue is still expected to decline significantly over the forward estimates period, to just 9.2% by 2016-17. This represents a reduction in GST revenue from \$2,489 million in 2013-14 to just \$626 million in 2016-17.

Total transfer duty¹ collections have been tracking lower than forecast as some of the downside risks identified at budget have materialised. Total duty on transfers has been revised down by \$318 million over the forward estimates (including \$128 million in 2013-14). This is the result of weaker than expected activity in the established housing market (reflected in lower prices and transactions), as well as lower than anticipated collections from large commercial property transactions, in the September quarter.

Overall, revenue growth for 2013-14 of 9.9% is now expected, up from the budget-time projection of 8.9%. However, growth in revenue is projected to decline to just 0.4% in 2014-15 and an average of 2.7% per annum over the forward estimates period.

The relatively subdued revenue outlook continues to be accompanied by above-average population growth, which continues to drive demand for government services and infrastructure. Forecast growth in general government expenses has been revised up to 9.3% in 2013-14 from the budget-time estimate of 8.4%. Over the forward estimates period, expenditure growth is expected to average 3.2% per annum (around half a percentage point higher than revenue growth).

This mid-year review includes additional recurrent expenditure of \$1.1 billion across the forward estimates period to meet cost and demand pressures in areas such as health, education, law and order, and electricity, with:

- \$558 million in additional operating subsidy payments to Synergy as a result of a range of pressures, including increased capacity costs, declining customer demand and increasing costs associated with State and Commonwealth renewable energy initiatives;
 - also taking account of the impact of lower revenue, the updated projections for Synergy incorporated in this mid-year review reduce the general government operating balance by a total of \$720 million over the period 2013-14 to 2016-17;
- \$440 million across the forward estimates for WA Health, mainly reflecting revised costs for commissioning, transition and facilities management at Fiona Stanley Hospital, and transition costs associated with the Perth Children's Hospital;
- \$80 million for the Department of Education over 2013-14 and 2014-15 to fund higher student enrolment growth than was anticipated at the time of the 2013-14 Budget; and

¹ Includes landholder duty.

- \$89 million on law and order services including court security and custodial services, and the Appeals and Dangerous Sexual Offenders functions at the Office of the Director of Public Prosecutions.

In order to fund these pressures, the 2013-14 mid-year review adds to the Fiscal Action Plan announced in the 2013-14 Budget. This is part of an overall strategy to regain the triple-A credit rating and deliver on the Government's commitment to manage the State's finances responsibly.

The updated Fiscal Action Plan includes a number of measures to reduce growth in recurrent expenses across the forward estimates period, including reductions in general government sector procurement expenditure and road funding for local governments. These measures are expected to strengthen the general government sector operating balance by \$186 million in 2013-14 and a total of \$258 million to 2016-17. The additional measures will build on the initiatives included in the 2013-14 Budget, including the public sector workforce reform package.

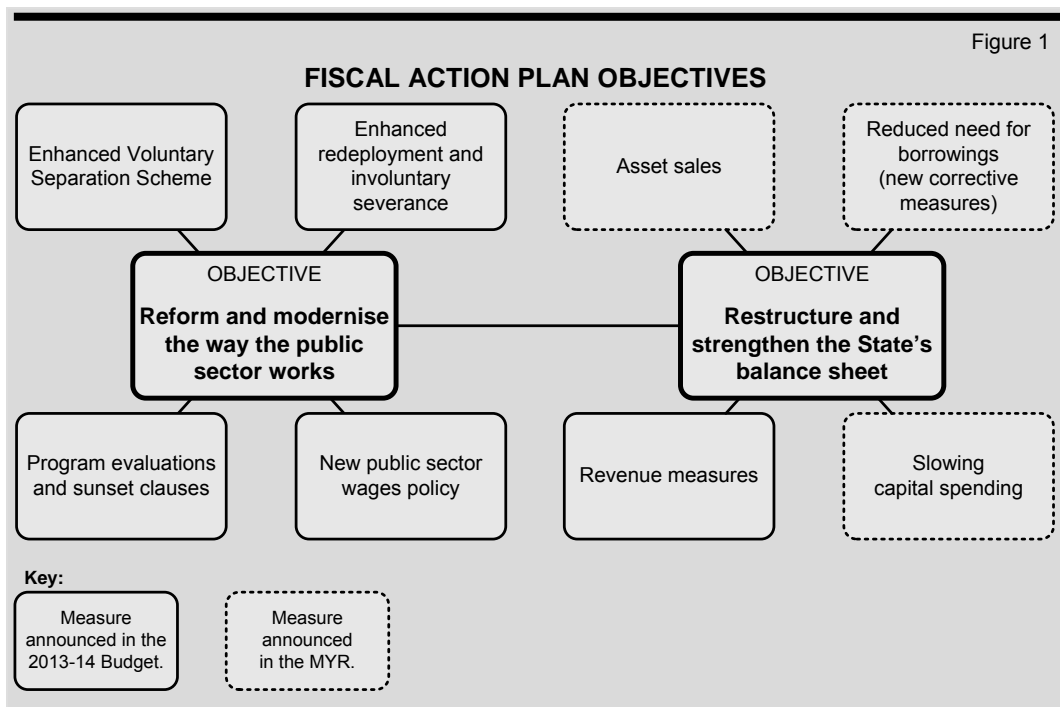
The extended Fiscal Action Plan will also address the forecast increase in total public sector net debt across the forward estimates period. A further review of the Government's Asset Investment Program has been undertaken, resulting in the cancellation or deferral of projects totalling around \$1.9 billion to 30 June 2017.

Fiscal Action Plan

The State Government announced its Fiscal Action Plan in the 2013-14 Budget, to address a structural imbalance between revenue and expense growth, and increasing debt levels. A major element and objective of the Plan is to modernise the way the public sector operates.

In view of Western Australia's rapid population growth and associated demand for government services, combined with increased volatility in the State's revenue base, the current business model of the Western Australian public service is no longer fit for purpose. Enhanced flexibility of workforce management practices and the introduction of baseline program evaluations are two of the key strategies being pursued through the Fiscal Action Plan.

Building on the measures announced in the 2013-14 Budget, the Fiscal Action Plan has been expanded in this mid-year review, through measures designed to strengthen the State's balance sheet. In total, the expanded Fiscal Action Plan is estimated to produce savings of \$8.6 billion (in net debt terms). The following figure outlines the key strategies to achieve the Fiscal Action Plan's objectives.



Implementation of Existing Measures

Since delivery of the Budget in August, the Government has made significant progress in implementing its Fiscal Action Plan, including:

- finalising and releasing the new public sector wages policy, which caps wage and conditions increases to the projected growth in the Perth Consumer Price Index (CPI) for agreements expiring after 1 November 2013;
- introducing the Workforce Reform Bill 2013 into Parliament to create enhanced redeployment arrangements, provide for involuntary severance, and ensure that decisions made by the Western Australian Industrial Relations Commission have appropriate regard for the Government's fiscal strategy and wages policy;
- amendments to key pieces of legislation (such as the *Tax Administration Act 2003* and the *Land Tax Act 2002*) to give effect to the Fiscal Action Plan's priority revenue measures;
- establishing governance structures and priority areas for program evaluation;
- progressing the enhanced voluntary separation scheme for 1,000 public sector employees, as well as a separate voluntary separation scheme for almost 200 police officers, to assist general government agencies in meeting the CPI-cap on salaries expense growth; and
- commencing a structured and coordinated asset sales process, initially focussed on underutilised land holdings and discrete port and electricity assets.

Since release of the 2013-14 Budget, the Government has also made some adjustments to the Fiscal Action Plan, reducing the estimated savings by \$352 million (or 5.4%) over the forward estimates period (plus interest). As previously announced, the planned reductions to the Feed-in Tariff scheme's customer payment rate have been reversed, removing estimated savings of \$76 million. Pending more reliable estimates from the Department of Education, previously estimated revenue in respect of school fees for dependents of 457 visa holders (\$120 million) has been removed from the forward estimates in this mid-year review. Furthermore, the estimated up-front cost of the enhanced Voluntary Separation Scheme has been increased by \$32 million, whilst a number of agencies have had their salary expense cap savings partially re-instated, at a cost of \$123 million over the forward estimates. Further details are available at Appendix 3: *Major Spending Changes Since Budget*.

New Measures

The Government has expanded the Fiscal Action Plan in this mid-year review to include additional corrective measures. These measures are estimated to produce net debt savings of around \$2.1 billion over the forward estimates, and comprise:

- a thorough review of major capital works projects, to ensure the Asset Investment Program reflects priority projects that can realistically and affordably be delivered over the forward estimates period. The Asset Investment Program has been reduced by \$1.9 billion (or 6.9%) over the period 2013-14 to 2016-17 as a result of this review (see Table 1 in this feature box for a break down by project, with further information contained in Appendix 3);
- a 10% reduction in agencies' budgeted procurement expenditure for the last three quarters of 2013-14. This measure targets the 42 agencies that spend the most on non-essential goods and services such as consumables, administration and staff travel, and results in an estimated saving of \$92 million in 2013-14;
- amendments to the Browse LNG Precinct project funding arrangements, to remove surplus funding for agency implementation costs and to reflect the expenditure timing change of the Economic Development and Indigenous Housing Trust Funds. These amendments are estimated to save \$71 million in 2013-14, and a total of \$88 million across the forward estimates period; and
- a renegotiation of the State Road Funds to Local Government Agreement 2011-12 to 2015-16, to cap annual funding for local government roads from 2013-14 to the level projected at the signing of the Agreement (being \$507 million over the remaining three years). The funding cap is expected to achieve savings of \$32 million in 2013-14, and a total of \$70 million over the forward estimates period.

Table 1

ESTIMATED IMPACT OF CORRECTIVE MEASURES

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|-------------|-------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| <i>Expense measures</i> | | | | |
| Reduced procurement expenditure | -92 | - | - | - |
| Browse project funding amendments | -71 | -17 | -15 | 15 |
| Renegotiated State Road Funds to Local Government Agreement | -32 | -19 | -19 | - |
| Review of Asset Investment Program - expense impact | 9 | -1 | -5 | -10 |
| <i>Total</i> | -187 | -37 | -40 | 5 |
| Total General Government Net Operating Balance Impact | 187 | 37 | 40 | -5 |
| <i>Other savings impacting net debt at 30 June</i> | | | | |
| Review of Asset Investment Program | -85 | -452 | -548 | -774 |
| Total Public Sector Net Debt Impact (at 30 June) | -271 | -760 | -1,348 | -2,117 |

Table 2

REVIEW OF ASSET INVESTMENT PROGRAM ^(a)

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|------------|-------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| <i>Commissioner of Main Roads</i> | | | | |
| Deferred commencement of various projects | -2 | -29 | -87 | -137 |
| Curtin Avenue realignment | -1 | -1 | -5 | -15 |
| <i>Corrective Services</i> | | | | |
| Custodial infrastructure program | - | - | - | -21 |
| <i>Culture and the Arts</i> | | | | |
| Museum - recashflow | -2 | -26 | -4 | -34 |
| <i>Education</i> | | | | |
| Land acquisition program | - | - | - | -20 |
| <i>Fremantle Port Authority</i> | | | | |
| Kwinana bulk jetty | - | -3 | -22 | -43 |
| Kwinana bulk terminal | -4 | -21 | -5 | -5 |
| <i>Health</i> | | | | |
| North West Health Initiative | -1 | -4 | -70 | -40 |
| Southern Inland Health Initiative | -29 | -63 | -50 | 105 |
| <i>Horizon Power</i> | | | | |
| Overall reduction in asset investment | -5 | -10 | - | - |
| <i>Housing Authority</i> | | | | |
| Housing for Workers | -8 | -55 | -8 | -8 |
| Overall reduction in asset investment | -7 | -131 | -128 | -116 |
| <i>Transport</i> | | | | |
| Broome boating facility - stage one | -1 | -25 | -20 | - |
| MAX light rail - three-year deferral | -10 | -17 | -64 | -341 |
| MAX light rail - project planning | 10 | - | - | 5 |
| <i>Water Corporation</i> | | | | |
| Overall reduction in asset investment | -16 | -69 | -81 | -93 |
| <i>Western Australian Planning Commission</i> | | | | |
| Land acquisition program | - | - | -10 | -20 |
| Total Asset Investment Program Review Impact | -76 | -453 | -553 | -784 |
| Total Public Sector Net Debt Impact (at 30 June) | -76 | -529 | -1,082 | -1,866 |

(a) Includes both infrastructure spending and associated expense movements resulting from the Asset Investment Program review.

As a result of the decisions and updated forecasts included in this mid-year review, the general government operating balance is expected to improve by an aggregate \$203 million over the four years to 2016-17. A slightly stronger operating surplus is now expected in 2013-14, with the estimated \$437 million surplus up \$50 million relative to the 2013-14 Budget projection.

Projections for total public sector net debt have been revised down relative to budget, with net debt now estimated at \$26.9 billion by 30 June 2017, down \$1.5 billion from the budget estimate of \$28.4 billion. In addition, the State's level of gross borrowings, which was highlighted by S&P's in its rating downgrade, is now projected to be \$2.2 billion lower at 30 June 2017 than estimated at budget-time.

The key budget aggregates are shown in the table below.

Table 3

KEY BUDGET AGGREGATES
Western Australia

| | 2012-13 Actual | 2013-14 Budget Estimate | 2013-14 Mid-year Revision | 2014-15 Forward Estimate | 2015-16 Forward Estimate | 2016-17 Forward Estimate |
|---|-------------------|-------------------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| GENERAL GOVERNMENT SECTOR | | | | | | |
| Net Operating Balance (\$m) | 249 | 386 | 437 | -124 | 263 | 10 |
| Revenue (\$m) | 25,718 | 27,978 | 28,267 | 28,379 | 29,477 | 30,585 |
| Revenue Growth (%) | 2.0 | 8.9 | 9.9 | 0.4 | 3.9 | 3.8 |
| Expenses (\$m) | 25,468 | 27,592 | 27,830 | 28,502 | 29,213 | 30,575 |
| Expense Growth (%) | 3.7 | 8.4 | 9.3 | 2.4 | 2.5 | 4.7 |
| TOTAL PUBLIC SECTOR | | | | | | |
| Net Debt at 30 June (\$m) | 18,188 | 21,909 | 21,880 | 24,186 | 25,345 | 26,922 |
| Asset Investment Program (\$m) | 7,355 | 7,451 | 7,326 | 6,269 | 5,317 | 5,509 |
| Cash Position (\$m) | -3,888 | -2,801 | -3,353 | -2,209 | -1,050 | -1,453 |
| Gross Debt at 30 June (\$m) | 40,323 | 42,612 | 42,574 | 44,502 | 45,801 | 48,526 |
| KEY FINANCIAL RATIOS ^(a) | | | | | | |
| Cash operating surplus as a share of receipts (%) | 5.9 | 6.3 | 5.5 | 5.3 | 5.1 | 4.9 |
| Net debt to revenue (%) | 50.6 | 53.3 | 53.8 | 57.9 | 58.4 | 59.2 |

(a) These ratios relate to the total non-financial public sector.

While the general government sector remains on track to deliver an operating surplus in 2013-14, the outlook for the remainder of the forward estimates period is more challenging, with expenses forecast to grow faster (on average) than revenue, and a \$124 million operating deficit projected for 2014-15 (similar to the \$147 million deficit projected at budget-time). Further measures to improve the State's finances will be developed as part of the 2014-15 Budget.

The following table summarises the key economic assumptions underpinning this mid-year review.

KEY ECONOMIC FORECASTS, WESTERN AUSTRALIA ^(a)

Table 4

| | 2012-13 Actual ^(b) | 2013-14 Mid-year Revision | 2014-15 Forward Estimate | 2015-16 Forward Estimate | 2016-17 Forward Estimate |
|--|----------------------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Real Gross State Product growth (%) | 5.1 (5.75) | 3.25 | 2.5 | 3.75 | 3.75 |
| Real State Final Demand growth (%) | 5.2 (6.0) | -0.25 | 0.5 | 1.0 | 1.25 |
| Employment growth (%) | 3.6 | 1.25 | 1.75 | 1.5 | 1.5 |
| Unemployment rate (%) | 4.4 | 5.0 (5.5) | 5.5 (5.75) | 5.25 (5.5) | 5.0 (5.25) |
| Wage Price Index growth (%) | 4.0 | 3.75 | 3.75 | 3.5 | 3.5 |
| Perth Consumer Price Index growth (%) | 2.3 | 2.5 | 2.5 | 2.5 | 2.5 |
| Effective iron ore price (\$US/tonne FOB) ^(c) | 121.1 | 120.9 (116.7) | 114.9 (110.7) | 113.8 (109.8) | 109.5 (105.6) |
| Crude oil price (\$US per barrel) | 92.2 | 97.8 (94.9) | 90.9 (89.3) | 86.2 (85.5) | 83.4 (83.1) |
| Exchange rate (US cents) | 102.7 | 92.3 (92.0) | 90.2 (89.8) | 87.6 (87.5) | 85.2 (85.5) |
| Population growth (%) ^(d) | 3.4 (3.2) | 2.5 (2.2) | 2.1 | 2.1 | 2.1 |
| Interest rate assumptions (%): | | | | | |
| – Public Bank Account interest earnings ^(e) | 3.4 | 2.6 (2.7) | 2.8 (3.4) | 3.7 (4.2) | 4.4 (4.3) |
| – Consolidated Account borrowings ^(e) | 4.0 | 4.0 | 4.1 (4.2) | 4.4 (4.5) | 4.7 (4.6) |

(a) 2013-14 Budget assumptions shown in parentheses where the forecasts have changed since then.

(b) Gross State Product (GSP) and State Final Demand (SFD) growth data are based on 2012-13 State Accounts data, released on 22 November 2013.

(c) The effective benchmark Free on Board (FOB) price is the spot price minus the cost of shipping (adjusted for moisture content). The total deduction from the spot price in 2013-14 is \$US9.9 per tonne. Thus the benchmark FOB price of \$US120.9 per tonne in 2013-14 equates to a 'headline' spot price of \$US130.8 per tonne.

(d) Estimated actual for 2012-13, as at the 3 December 2013 cut-off date.

(e) Average for the year.

Note: All data are annual averages. The forecasts assume no changes in Commonwealth Government policy settings.

General Government Sector

Operating Statement

Key projections for the general government sector operating statement are broadly consistent with the 2013-14 Budget estimates. An operating surplus of \$437 million is forecast for 2013-14, up \$50 million on the budget projection of \$386 million. As a share of general government revenue, the forecast surplus is small, equating to just 1.5%. As was the case at budget-time, an operating deficit is in prospect in 2014-15, with surplus outcomes of \$263 million forecast for 2015-16 (up \$135 million since budget-time) and \$10 million for 2016-17 (down \$6 million since budget-time).

Relative to budget, the overall upward revision to the operating balance totals \$203 million over the four years to 2016-17. This change is driven by savings measures implemented by the Government in this mid-year review, which improve the operating balance by an aggregate \$258 million across the budget period. Although the revenue outlook has improved slightly since budget, this is almost completely offset by the impact of additional spending pressures.

The additional expenditure approved by the Government since budget-time totals around \$1.1 billion between 2013-14 and 2016-17, and is mainly for health, education and law and order services, and a substantial increase in operating subsidy payments to Synergy (see feature box later in this chapter).

The following table summarises the changes in general government revenue and expenses since the 2013-14 Budget estimates were finalised on 9 July 2013.

Table 5

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2013-14 BUDGET**

| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m | Total \$m |
|---|----------------|----------------|----------------|----------------|----------------|
| 2013-14 BUDGET - NET OPERATING BALANCE | 386 | -147 | 128 | 16 | |
| Revenue | | | | | |
| Taxation | -152.1 | -81.2 | -78.5 | -83.1 | -394.9 |
| - Total duty on transfers | -127.6 | -63.9 | -62.6 | -64.0 | -318.1 |
| - Vehicle licence duty | -20.6 | -24.0 | -26.6 | -29.0 | -100.2 |
| - Other taxes | -3.9 | 6.7 | 10.7 | 9.9 | 23.4 |
| Commonwealth grants | 62.4 | 284.3 | 186.5 | 85.1 | 618.2 |
| - GST grants | 30.8 | 266.2 | 186.3 | 125.6 | 608.9 |
| - North West Shelf/condensation compensation | 25.5 | 13.6 | 15.5 | 25.4 | 80.0 |
| - Other Commonwealth grants | 6.1 | 4.5 | -15.3 | -65.9 | -70.7 |
| Royalty income | 264.8 | 257.2 | 281.5 | 321.3 | 1,124.8 |
| - Iron ore | 270.0 | 270.3 | 298.6 | 338.7 | 1,177.6 |
| - Other royalties | -5.2 | -13.1 | -17.1 | -17.4 | -52.8 |
| Public Corporations | 69.0 | 35.4 | -32.5 | -59.7 | 12.2 |
| School fees for children of 457 visa holders | -17.2 | -34.4 | -34.4 | -34.4 | -120.4 |
| Other | 61.6 | 0.1 | -10.6 | 7.5 | 58.7 |
| TOTAL REVENUE | 288.5 | 461.3 | 312.1 | 236.7 | 1,298.6 |
| Expenses | | | | | |
| <i>Impact of mid-year review corrective measures</i> | -186.4 | -36.4 | -39.6 | 4.7 | -257.7 |
| <i>Other expense changes since the 2013-14 Budget</i> | | | | | |
| <i>Health Changes</i> | 191.1 | 188.7 | 36.0 | 23.7 | 439.6 |
| - Depreciation | 56.2 | 29.8 | 34.9 | 10.1 | 131.0 |
| - Health Leave Liability | 98.1 | - | - | - | 98.1 |
| - Fiona Stanley Hospital - Renegotiation of Facilities Management | - | 52.7 | - | - | 52.7 |
| - Fiona Stanley Hospital Commissioning and South Metropolitan Hospital Service Transition Costs | -6.9 | 80.8 | - | - | 73.9 |
| - Perth Children's Hospital Transition | 12.1 | 18.8 | 11.9 | 4.0 | 46.8 |
| - All other | 31.6 | 6.7 | -10.8 | 9.6 | 37.1 |
| Salaries Expenses Cap Amendments | 20.9 | 34.7 | 26.9 | 40.2 | 122.7 |
| Feed-in Tariff Reversal | 5.9 | 15.1 | 15.1 | 15.1 | 51.2 |
| Synergy Operating Subsidy | 105.1 | 140.2 | 122.7 | 190.2 | 558.2 |
| Education | 40.0 | 40.0 | - | - | 80.0 |
| National Disability Insurance Scheme Launch | - | 13.9 | 62.1 | - | 76.0 |
| Corrective Services Pressures | 26.0 | 20.2 | 19.7 | 19.9 | 85.8 |
| Voluntary Severances | 32.0 | - | - | - | 32.0 |
| Road Transfers | -39.0 | 49.6 | - | - | 10.7 |
| Regional Workers District Allowance | - | -16.9 | -35.0 | -35.8 | -87.7 |
| Other | 42.7 | -11.3 | -30.6 | -15.6 | -14.7 |
| <i>Total other changes</i> | <i>424.9</i> | <i>474.2</i> | <i>216.9</i> | <i>237.8</i> | <i>1,353.7</i> |
| TOTAL EXPENSES | 238.5 | 437.7 | 177.3 | 242.5 | 1,096.0 |
| TOTAL VARIANCE | 50.1 | 23.6 | 134.7 | -5.8 | 202.6 |
| 2013-14 MID-YEAR REVIEW - NET OPERATING BALANCE | 437 | -124 | 263 | 10 | |

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

Revenue

General government sector revenue is expected to increase by 9.9% in 2013-14, significantly higher than the 2% growth recorded in 2012-13 and above the average growth of 8% over the past decade. This outlook includes the impact of revenue measures implemented in the 2013-14 Budget as part of the Government's Fiscal Action Plan, as well as the previously announced increase in the royalty rate on iron ore 'fines' to 7.5% from 1 July 2013. Abstracting from these revenue policy measures, underlying revenue is estimated to grow by a more modest 6% in 2013-14.

Overall, revenue has been revised up by \$1.3 billion across the forward estimates, equivalent to a 1.1% increase in general government revenue compared to the 2013-14 Budget. This is largely due to an upward revision to expected royalty income, as well as an increase in forecast GST grants over the budget period, partially offset by a downward revision to transfer duty and other revenue. Nevertheless, growth in revenue over the forward estimates remains subdued, and is expected to average just 2.7% per annum. This reflects that the State's royalty revenue continues to be offset by a rapidly declining share of national GST revenue.

Further details on revisions to revenue forecasts and movements in expenses are outlined below, and detailed disclosure of general government sector revenue forecasts is available in Appendix 2: *General Government Operating Revenue*.

2013-14

General government revenue is estimated at \$28.3 billion in 2013-14, an increase of \$289 million relative to the budget-time forecast. This mainly reflects the following movements.

- Royalty income has been revised up by \$265 million in 2013-14, due to the net impact of:
 - a higher effective Free on Board (FOB)² iron ore price of \$US120.9 per tonne, up from an assumed price of \$US116.7 per tonne at budget. This boosts estimated royalty income in the current financial year by \$191 million;
 - an upward revision to iron ore volumes (of 10 million tonnes) as a result of very strong production from the large iron ore miners in the September quarter 2013, which is estimated to generate an additional \$92 million of royalty revenue in 2013-14; and
 - a slightly higher than expected \$US/\$A exchange rate, which is forecast to average US92.3 cents in 2013-14, up US0.3 cents from the budget assumption. This is expected to reduce royalty income this financial year by \$18 million.

² The effective benchmark 62% iron content (Fe) FOB price is the spot market price less the cost of shipping (adjusted for moisture content). The forecast FOB price of \$US120.9 per tonne for 2013-14 equates to a 'headline' spot price of \$US130.8 per tonne.

- Taxation revenue has been revised down by \$152 million in 2013-14. This is due to the net impact of:
 - a downward revision to total duty on transfers (down \$128 million), due to weaker than expected activity in the established housing market (reflected in lower median prices and transactions) and lower than anticipated collections from large commercial property transactions in the September quarter 2013;
 - a downward revision in vehicle licence duty (down \$21 million), due to lower than expected average monthly collections and a downward trend in sales of new motor vehicles since December 2012; and
 - higher land tax collections (up \$5 million), due mainly to higher numbers of taxpayers.
- Dividend and tax equivalent revenue from public corporations is higher than anticipated at budget-time (up \$69 million), reflecting the net impact of:
 - higher revenue from the Water Corporation (up \$31 million), primarily due to an increase in the final dividend for 2012-13 (paid in October 2013), reflecting a higher than forecast profit outcome for 2012-13;
 - higher dividend and tax equivalent payments from Horizon Power (up \$26 million), due to an increase in customer driven works revenue, lower than expected interest and depreciation costs, and updates to Power Purchase Agreements³, and from Western Power (up \$19 million), reflecting higher revenue from network tariffs in 2012-13 impacting dividends declared in 2013-14;
 - a reduction in estimated revenue for the Port Hedland Port Authority Port Improvement Rate⁴, which flows through to the general government sector in 2013-14 through reduced tax equivalent payments (\$18 million); and
 - lower forecast revenue from Synergy (down \$10 million) as a result of a lower than anticipated profit in 2012-13 (driven by increasing wholesale electricity costs), impacting dividends paid in the 2013-14 financial year.
- Commonwealth grants are forecast to be \$62 million higher than at budget-time, mainly due to the net impact of:
 - higher than anticipated GST grants (up \$31 million), reflecting an upward revision by the Commonwealth to the estimated national GST pool since the 2013-14 Budget (notwithstanding this increase, GST grants are still expected to decline by \$446 million from \$2.9 billion in 2012-13 to \$2.5 billion in 2013-14 as the State's share is reduced by the Commonwealth Grants Commission process);

³ Power Purchase Agreements are contracts between a customer and a generator.

⁴ A Port Improvement Rate is a charge to port customers to fund capital improvements. The capital improvements must be for a port's activities, facilities, works, or services as they pertain to the functions and powers of a Port Authority under the *Port Authorities Act 1999*.

- an upward revision to North West Shelf and condensate compensation grants (up \$26 million), reflecting higher oil and gas prices, partially offset by a slightly stronger exchange rate relative to budget;
 - the removal of grants for the Commonwealth Government’s Caring for Our Country program from the forward estimates (\$23 million), as a result of new direct contracting arrangements; and
 - higher grant payments for transport projects (up \$16 million).
- ‘Other’ revenue has been revised up by \$18 million, reflecting movements in minor revenue items such as contributions from external parties.

2014-15 to 2016-17

Across the outyears, general government revenue has been revised up by an aggregate \$1 billion. This mainly reflects the impact of:

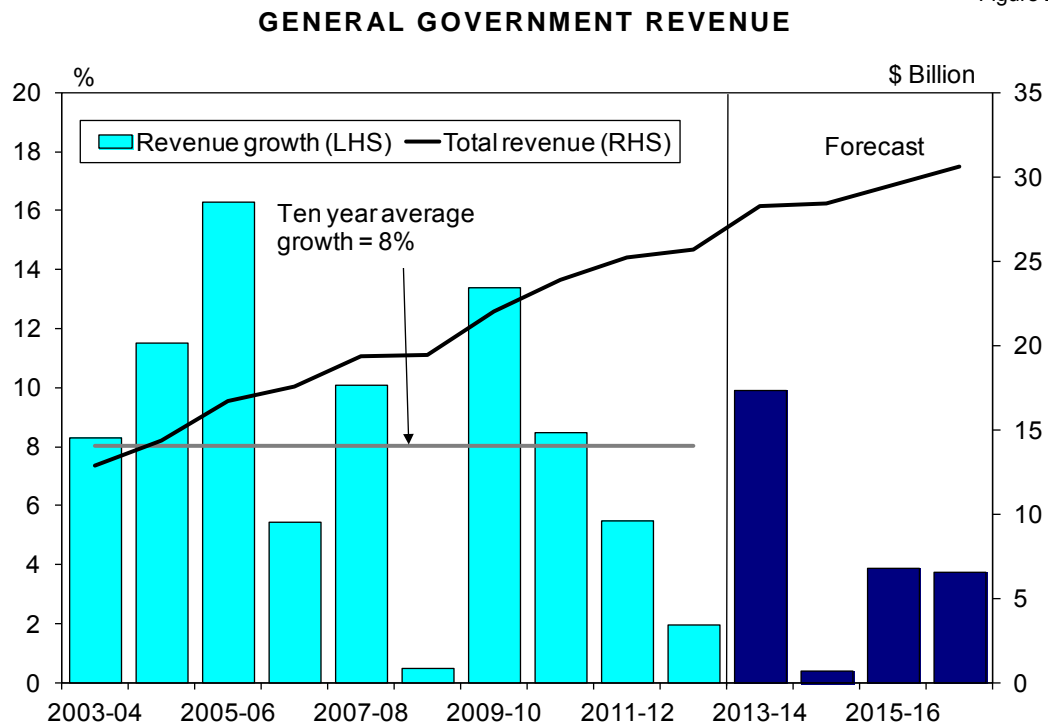
- higher royalty income (up \$860 million), due to a net upward revision to commodity prices and higher iron ore volumes (by 10 million tonnes per annum), partially offset by the impact of a slightly higher \$US/\$A exchange rate;
- higher GST revenue grants (up a net \$578 million over the period 2014-15 to 2016-17). This is mainly due to the combined impacts of a post-budget upward revision to the national GST pool and a changed grant share assumption reflecting the Commonwealth Treasurer’s advice that he intends to direct the Commonwealth Grants Commission not to reclassify iron ore ‘fines’ (from a low rate to a high rate commodity) for the 2014-15 grant year. This change has added \$742 million to estimated GST grant revenue over the three years to 2016-17⁵;
- stronger forecast North West Shelf and condensate compensation grants (up \$55 million), due to stronger oil and gas prices relative to budget, partly offset by a slightly higher than anticipated exchange rate;
- lower taxation revenue (down \$243 million), with downward revisions to duty on total transfers (down \$191 million) and motor vehicle licences (down \$80 million), partially offset by an upward revision to land tax forecasts (up \$19 million), with these revisions reflecting the outyear impact of issues impacting 2013-14 discussed above;
- lower revenue from sales of goods and services (down \$117 million), primarily reflecting a decision to remove all revenue from the forward estimates for the 2013-14 Budget decision to impose school fees on dependents of 457 visa holders pending the provision of reliable estimates from the Department of Education for the revised policy setting;
- the outyear impact of the Commonwealth’s contracting directly with natural resource management groups on the Caring for Our Country program (down \$70 million);

⁵ However, the State’s population share of GST revenue is still expected to decline substantially, from 31% in 2014-15 to just 9.2% in 2016-17.

- lower dividend and tax equivalent revenue from public corporations (down \$57 million), mainly due to the net impact of:
 - lower revenue from Synergy (down \$164 million), due to increasing wholesale electricity costs, increases in costs of renewable energy schemes and declining customer demand levels;
 - reduced dividends (down \$74 million) and tax equivalent payments (\$44 million) from Port Hedland Port Authority, reflecting the outyear impact of reduced revenue from the Port Improvement Rate;
 - higher dividend and tax equivalent payments from Horizon Power (up \$87 million), mainly due to lower interest rates, updates to forecasts regarding Power Purchase Agreements and lower gas costs; and
 - higher payments from Verve Energy (up \$65 million), reflecting timing differences associated with the Muja AB impairment, reclassification of Muja AB expenditure from operating to asset investment and improved forecasts for utilisation of power plants; and

- a reduction in forecast interest income (down \$10 million), reflecting movements in projected interest rates and lower projected Public Bank Account cash balances (due to reduced levels of borrowings for the Consolidated Account).

Figure 2



Expenses

General government sector expenses have been revised up by \$238 million (or 0.9%) in 2013-14 since budget-time, to a total of \$27.8 billion. This equates to annual growth of 9.3% relative to 2012-13, up from 8.4% at the time of the budget.

This increase reflects additional expenditure in key areas such as health, education, and law and order, as well as electricity subsidies, partly offset by the additional savings measures included in the extended Fiscal Action Plan.

Across the outyears, expense growth is forecast to average 3.2% per annum. This moderation is mainly due to the growing impact of the Fiscal Action Plan, and in particular the public sector workforce reforms announced in the 2013-14 Budget.

Salaries growth (including increases in wage rates and growth in staff numbers) is forecast to be 7.9% in 2013-14, up from 6.8% at the time of the budget. This increase is mainly due to a higher than expected cost of the Voluntary Separation Scheme (up \$32 million) and the cost of unmet leave liability targets for WA Health (\$98 million). Salaries growth is forecast to average 3.3% per annum across the outyears, down slightly from 3.8% in the budget.

2013-14

The major expense changes since the release of the 2013-14 Budget include:

- additional spending by WA Health (\$191 million), including on the transitioning of activities associated with the Perth Children's Hospital, non-achievement of the leave liability cap in 2013-14⁶, and increased depreciation expenses;
- higher operating subsidy payments to Synergy as a result of a range of cost and demand pressures, including declining residential demand for energy, increased costs associated with renewable energy schemes, and increased capacity costs associated with actual capacity installed in the system being in excess of demand requirements (\$105 million);
- higher spending by the Department of Education (\$40 million) to fund unanticipated student enrolment growth;
- partial reinstatement of CPI salaries cap savings to a number of agencies (\$21 million), mainly for activities that are funded by an external revenue source (including the Departments of Fire and Emergency Services, Mines and Petroleum, and Commerce);
- increased costs for the general government sector Voluntary Separation Scheme (\$32 million), due to a higher than expected average cost per severance (\$132,000 compared to an indicative estimate of \$100,000 at budget-time);

⁶ The leave liability cap requires general government agencies to manage accruing annual and long service leave entitlements, such that they remain at levels recorded at 30 June 2012.

- an additional \$26 million for cost pressures within the Department of Corrective Services, including a projected increase in insurance contributions driven primarily by growth in the number and cost of workers' compensation claims within the agency;
- a reclassification of \$10 million of capital expenditure to recurrent expenditure for the Department of Transport for planning associated with the Metro Area Express (MAX) Light Rail project;
- a \$9 million increase in spending by Main Roads to establish improved management of permit matters relating to the heavy vehicle industry (covering safe movement on the road network, traffic escort services and overhead power line clearances);
- an additional \$5 million for the Community Sporting and Recreation Facilities Fund to continue to support the establishment of community sport and recreation facilities, and upgrading of existing facilities across the State (bringing the total allocation in 2013-14 to \$17.5 million);
- reduced road transfer costs for Main Roads (down \$39 million), largely reflecting the later than expected transfer of South Street (west of Stock Road) to the City of Fremantle from 2013-14 to 2014-15, due to ongoing negotiations; and
- a reduction of \$23 million for the Department of Agriculture and Food, reflecting the direct contracting arrangements between the Commonwealth and natural resource management groups for Phase 2 of the Caring for Our Country program (offset by an equivalent reduction in Commonwealth revenue).

The Government has also implemented further savings measures in this mid-year review, reducing general government sector expenses by \$187 million in 2013-14 (see feature box earlier in this chapter).

2014-15 to 2016-17

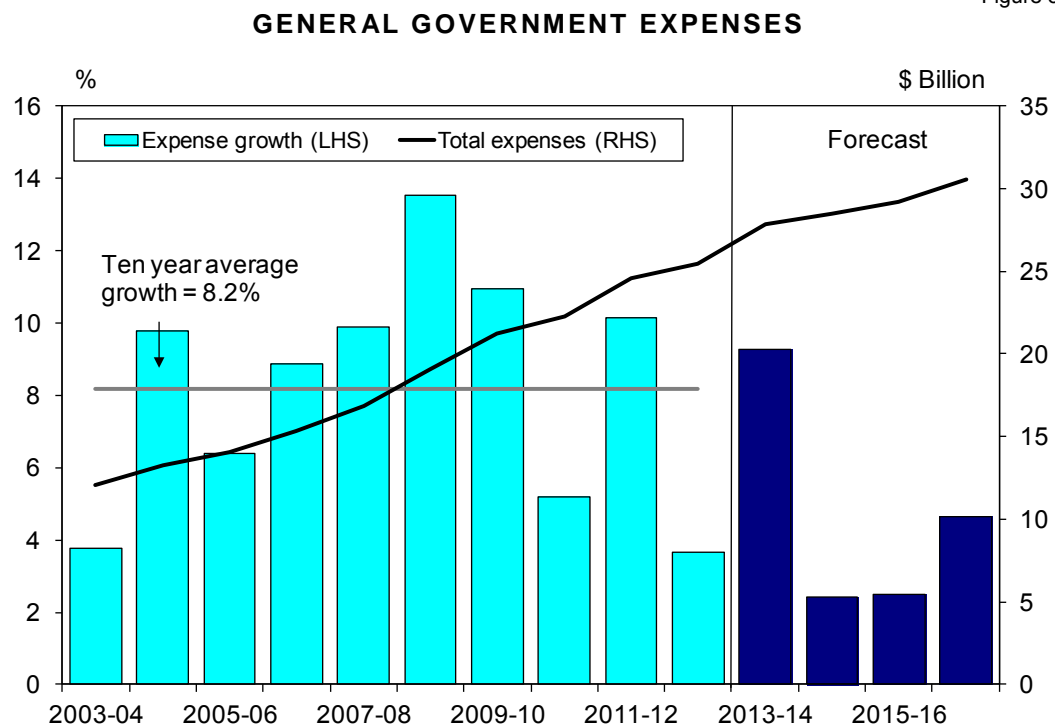
General government sector expenses are forecast to be \$858 million (1%) higher across the outyears relative to the estimates contained in the 2013-14 Budget. This mainly reflects the net impact of:

- the outyear impact of increased operating subsidy payments from the general government sector to Synergy for the cost and demand pressures discussed earlier (\$453 million);
- additional expenditure by WA Health (\$249 million), including increased costs for the commissioning, transitioning activities and facilities management associated with the Fiona Stanley Hospital and South Metropolitan Health Service, and Perth Children's Hospital transition;

- the outyear impact of lower debt servicing costs (down \$162 million), mainly due to lower projected borrowings as a result of the review of the Asset Investment Program (discussed elsewhere in this chapter), and revised borrowing arrangements for the Consolidated Account⁷;
- the outyear impact of the partial reinstatement of CPI salaries cap savings discussed earlier (\$102 million);
- a reduction in expenditure of \$88 million over the period 2014-15 to 2016-17 due to the updating of District Allowance rates for public sector employees in a number of locations (in line with the results of the 2013 Regional Price Index survey);
- an estimated \$76 million over two years from 2014-15 for the operation of National Disability Insurance Scheme trial sites in Western Australia, which will provide care and support packages to eligible persons;
- the outyear impact of the additional savings implemented in this mid-year review, which reduce expenses by a further \$71 million over the period 2014-15 to 2016-17;
- \$60 million for spending by the Department of Corrective Services, including the outyear cost of increased RiskCover insurance contributions discussed earlier and costs associated with variations to court security and custodial services;
- \$45 million in operating subsidy payments to Synergy as a result of the post-budget decision to reinstate the 40 cent Feed-in Tariff scheme rate on roof-top solar panels;
- an additional \$40 million for the Department of Education in 2014-15 in response to unanticipated student enrolment growth for the 2014 calendar year; and
- \$5 million in 2016-17 for the Department of Transport to progress the planning and definition of the MAX Light Rail project.

⁷ Previous management of the Consolidated Account has included annual borrowings to meet any shortfall on the account's cash balance at 30 June each year. As part of a review of this arrangement, the State Solicitor has advised that this level of borrowing is not mandatory. Accordingly, borrowing projections have been revised down to a level that is still appropriate to meet the costs of the Public Bank Account (of which the Consolidated Account is one part) while reducing the State's exposure to unnecessary levels of gross debt. The impact of this change also reduces the Public Bank Account investment pool by a similar balance and is thus net debt neutral. However, reflecting the interest margin between borrowings and investments, this revised management of Consolidated Account borrowings and the overall Public Bank Account is forecast to result in net interest savings of around \$5 million per year.

Figure 3



Further detail on the material changes in spending by general government sector agencies is available in Appendix 3: *Major Spending Changes Since Budget*.

Capital Investment

The general government sector Asset Investment Program is estimated at \$10.6 billion over the period 2013-14 to 2016-17, a decrease of \$898 million (or 7.8%) on the 2013-14 Budget projection of \$11.5 billion.

This downward revision largely reflects the review of infrastructure spending as part of the extended Fiscal Action Plan. The review includes the deferral and removal of capital expenditure across the forward estimates, and will reduce spending for the sector by around \$1 billion over the four years to 2016-17 (with a further \$867 million in review savings in the public corporations discussed later). Across the forward estimates period, specific project savings include:

- Department of Transport – deferral of the MAX Light Rail project by three years and cancellation of the Broome Boating Facility project (\$464 million);
- Main Roads – deferral of road upgrade projects and adjustments to the timing of road projects jointly funded by the State and Commonwealth Governments (\$276 million);
- WA Health – a one year deferral of both the North West Health Initiative and Southern Inland Health Initiative projects (\$152 million);

- Department of Corrective Services – removal of spending on the custodial infrastructure program in 2016-17 (\$21 million); and
- Department of Education – cancellation of land acquisitions planned for 2016-17 (\$20 million).

2013-14

General government sector infrastructure spending has been revised up by \$117 million in 2013-14, to \$3.3 billion. This reflects the net impact of the Asset Investment Program review discussed above (reducing spending by \$36 million in 2013-14), spending carried over from 2012-13 to 2013-14⁸, and additional demand for government infrastructure as a result of continued strong economic and population growth. In particular, this mid-year review contains the following new capital expenditure in 2013-14:

- \$45 million for transition requirements at the Perth Children’s Hospital, including investment in an effective Information and Communications Technology solution; and
- \$3 million for the Department of Parks and Wildlife for safety modifications to fire fighting vehicles.

The 2013-14 Budget also included a general provision for underspending across the public sector, reflecting longer term slippage in the Asset Investment Program that typically is not caught up within the forward estimates period. This provision has been revised down from \$1.25 billion at the time of the budget, to \$1 billion in the mid-year review, with \$125 million (half) of this adjustment allocated to the general government sector.

2014-15 to 2016-17

Capital investment across the outyear period is estimated at \$7.3 billion, down \$1 billion (or 12.3%) from the budget projection of \$8.3 billion. As was the case in the budget, annual spending by the general government sector is expected to ease during this period as major hospital replacement projects are finalised.

Relative to the budget, additional infrastructure spending across the outyears has been approved for the following areas:

- WA Health is to spend an additional \$127 million, primarily for transition requirements at the Perth Children’s Hospital, and additional paediatric beds at Joondalup Health Campus. Additional infrastructure spending has been partly offset by a reprioritisation of WA Health’s Asset Investment Program, which has removed the Royal Perth Hospital and Graylands Hospital redevelopment projects, and reduced expenditure on the Medical Equipment Replacement Program;

⁸ The 2013-14 Budget included a general provision for capital works spending that would emerge as unspent by agencies by 30 June 2013. Various such spending adjustments were reported in the 2012-13 *Annual Report on State Finances*, with some costs now reflected in 2013-14 and the outyears.

- \$12 million over three years for the Department of Training and Workforce Development for critical remedial works at the Beaconsfield, Mount Lawley and Joondalup campuses, to be funded by the sale of surplus land; and
- \$8 million in 2014-15 for Main Roads to finalise the State's obligation to joint Commonwealth/State funded projects under the Commonwealth's Nation Building Program initiative.

Further details on material changes to agency infrastructure programs are outlined in Appendix 3: *Major Spending Changes Since Budget*.

Balance Sheet

The net worth of the general government sector is forecast to increase from \$112.9 billion at 30 June 2013 to \$126.6 billion at 30 June 2017. This projection is \$2.8 billion lower than at budget, which is largely attributable to:

- a \$3 billion lower than expected outcome for the year ending 30 June 2013, as reported in the 2012-13 *Annual Report on State Finances*;
- lower physical asset holdings (down \$1.1 billion), mainly as a result of the Asset Investment Program review;
- the effect of lower land values in 2012-13 projected to be reflected in slower growth forecasts across the forward estimates period (down \$0.2 billion by 30 June 2017);
- lower projected liquid asset investments and lower gross borrowings (down \$0.9 billion and \$2.3 billion respectively), reflecting the Asset Investment Program review and changes to Consolidated Account borrowings (noted earlier in this chapter); and
- lower unfunded superannuation liabilities (down \$830 million by 30 June 2017), reflecting the lower than expected actuarial valuation for the year ending 30 June 2013 (reported in the 2012-13 *Annual Report on State Finances*) and the impact of that valuation on the outyear forecasts.

As part of the broader strategy to regain the State's triple-A credit rating and contain projected increases in net debt, further work will be undertaken prior to the 2014-15 Budget on a process to facilitate the sale of State-owned assets, which will initially focus on underutilised land holdings, and discrete port and electricity assets. Specific sale options either approved or under active consideration include the Kaleeya Hospital site, Kwinana Bulk Terminal at Fremantle Port, and Utah Point at Port Hedland Port.

General government sector net debt is discussed later in this chapter.

Table 6

GENERAL GOVERNMENT
Balance Sheet at 30 June

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m | \$m |
| 2013-14 MID-YEAR REVIEW | | | | | |
| Assets | 138,440 | 142,538 | 148,238 | 153,873 | 159,443 |
| Liabilities | 25,513 | 25,813 | 28,474 | 30,494 | 32,833 |
| Net Worth | 112,927 | 116,725 | 119,764 | 123,380 | 126,609 |
| <i>Net Debt</i> | 4,742 | 7,478 | 9,554 | 10,787 | 12,038 |
| 2013-14 BUDGET | | | | | |
| Assets | 141,594 | 147,264 | 152,882 | 158,210 | 164,790 |
| Liabilities | 25,701 | 27,653 | 30,073 | 32,189 | 35,414 |
| Net Worth | 115,893 | 119,612 | 122,809 | 126,021 | 129,376 |
| <i>Net Debt</i> | 4,482 | 7,314 | 9,377 | 10,983 | 12,985 |
| VARIANCE | | | | | |
| Assets | -3,154 | -4,726 | -4,644 | -4,336 | -5,348 |
| Liabilities | -188 | -1,839 | -1,599 | -1,696 | -2,581 |
| Net Worth | -2,966 | -2,887 | -3,045 | -2,641 | -2,767 |
| <i>Net Debt</i> | 259 | 164 | 177 | -196 | -947 |

Note: Columns may not add due to rounding.

Cash Flow Statement

Consistent with budget-time forecasts, a cash deficit is in prospect in 2013-14 and across the forward estimates period. The projected shortfall for 2013-14 has increased by a relatively modest \$146 million since budget, to \$1.7 billion.

Lower infrastructure spending (reflecting the impact of the revisions to the Asset Investment Program detailed earlier) will reduce the aggregate cash deficit to 2016-17 by a total of \$898 million since budget-time.

Notwithstanding these lower cash deficits, the general government sector will continue to use net debt to support infrastructure spending across the forward estimates.

Total Public Sector⁹

Summary

Consistent with the budget forecasts, operating deficits for the total public sector are forecast in 2013-14 and for the remainder of the forward estimates period.

⁹ Also known as the whole-of-government, the total public sector consolidates the general government sector (discussed earlier in this chapter), 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 such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

Notwithstanding the extension of the Fiscal Action Plan in this mid-year review, infrastructure spending is expected to remain at a relatively high level in order to meet the needs of the State's growing population and economy, with a total spend of \$24.4 billion projected for the four years to 2016-17. In support of this infrastructure investment, net debt is expected to increase from \$18.2 billion at 30 June 2013 to \$26.9 billion by 30 June 2017 (\$1.5 billion lower than the \$28.4 billion net debt estimate reported in the budget).

Operating Statement

An operating deficit of \$170 million is forecast for the total public sector in 2013-14, \$113 million higher than the deficit at budget-time. This outcome includes the stronger general government sector operating surplus discussed earlier, and weaker operating outcomes in both of the public corporations sectors. The aggregate outlook across the three outyears to 2016-17 is for a \$146 million deterioration in operating outcomes.

While all three sectors of government are in surplus in each year of the forward estimates period (except for the general government sector in 2014-15), deficit outcomes for the consolidated public sector reflect certain internal transfers between public sector agencies, such as operating subsidies, dividends and tax equivalent transactions, which are not included at the whole-of-government level.

Public Non-Financial Corporations

Operating surpluses are projected for the public non-financial corporations (PNC) sector in 2013-14 and for the remainder of the forward estimates, although projected surpluses in all years have been revised downwards since budget. An operating surplus of \$132 million is now in prospect for 2013-14, \$98 million lower than budget-time. In total, across the four years to 2016-17, projected surplus outcomes have been reduced by \$404 million since budget.

The deteriorating operating outlook across the forward estimates period largely reflects the net impact of:

- a \$558 million increase in operating subsidies to Synergy over the period 2013-14 to 2016-17, reflecting declining customer demand, cost increases associated with renewable energy schemes, and increased costs as a result of excess energy capacity (see feature box below);
- higher depreciation expenses (up \$287 million), mainly as a result of revised depreciation schedules for the Water Corporation and Verve Energy on the back of a higher market valuation of property, plant and equipment assets reported at the end of 2012-13;
- lower revenue for the Port Hedland Port Authority (down \$207 million) as a result of changes to the Authority's Port Improvement Rate (a charge to port customers to fund ongoing infrastructure investment); and

- higher revenue (\$1.1 billion) and expenses (\$878 million) for the Housing Authority due to the net result of:
 - higher goods and services revenue (\$1.2 billion) and operating expenses (\$1.1 billion), due to a reclassification of sales from the Affordable Housing Program (which in the recent budget were included as sales of non-financial assets and thus not counted as revenue)¹⁰; and
 - lower interest revenue (\$256 million) and expenses (\$270 million), reflecting the impact of lower interest rate assumptions on the Authority’s loan portfolio with Keystart¹¹.

Synergy - Electricity Cost and Demand Pressures

This mid-year review incorporates a range of cost and demand pressures for Synergy. These pressures include:

- declining residential demand for energy, with average daily consumption reducing from 17.2 kWh in 2009-10 to an estimated 13.5 kWh by 2016-17. Factors influencing this decline include the continued uptake of renewable energy options (up to an additional 4,000 photovoltaic systems applications per month), increased appliance efficiency and changing customer demand in response to price increases;
- cost increases associated with the Commonwealth’s Small Scale Renewable Energy Scheme and Large Renewable Energy Target;
- cost increases associated with the State’s Renewable Energy Buyback and Feed-in Tariff schemes. The volume of energy exported into the network is increasing as customers optimise their own power usage and as new systems are installed;
- an increase in generation capacity costs, mainly as a result of actual power plants installed in the system exceeding demand requirements by almost 14% in 2013-14. Retailers share the cost of this excess, with Synergy responsible for the largest proportion; and
- increasing losses in the market-based sector servicing medium and large business customers due to the limited ability of Synergy to fully recover its fixed costs due to competition from other retailers and excess supply placing downward pressure on prices.

The table below shows the total impact on the State’s finances resulting from Synergy’s cost and demand pressures.

¹⁰ This mid-year review includes reclassification of housing development spending, and associated sales, from infrastructure spending (which is included as fixed asset holdings in the public sector’s balance sheet) to inventories costs and sales (operating activities). This aligns with the Housing Authority’s treatment of the Affordable Housing program in its recent 2012-13 annual report. This reclassification of spending and sales proceeds removes \$326 million from the Asset Investment Program in 2013-14 relative to budget, and \$1.1 billion across the four years to 2016-17.

¹¹ Although Keystart (the State’s home lending authority) is a public financial corporation, its borrowings are administered through the Housing Authority (a PNC agency).

| Table 7 | | | | | |
|--|---------|---------|---------|---------|--------------|
| SYNERGY COST AND DEMAND PRESSURES | | | | | |
| Impact on State Finances | | | | | |
| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 4 year total |
| | \$m | \$m | \$m | \$m | \$m |
| General Government Net Operating Balance | -116.4 | -161.7 | -177.6 | -264.7 | -720.3 |
| Total Public Sector Net Debt | 203.3 | 433.5 | 643.1 | 962.2 | 962.2 |
| Operating Subsidy | 105.1 | 140.2 | 122.7 | 190.2 | 558.2 |

The \$558 million increase in Synergy's operating subsidy requirement included in this mid-year review increases the total operating subsidy provided to Synergy over the forward estimates period to \$1.9 billion, including \$493 million in 2013-14.

Public Financial Corporations

An operating surplus of \$176 million is forecast for the public financial corporations (PFC) sector in 2013-14, \$27 million lower than the budget-time estimate. This mainly reflects the net effect of lower interest revenue and expenses for Keystart as a result of a lower interest rate outlook and for the State's infrastructure borrowings administered by the Western Australian Treasury Corporation.

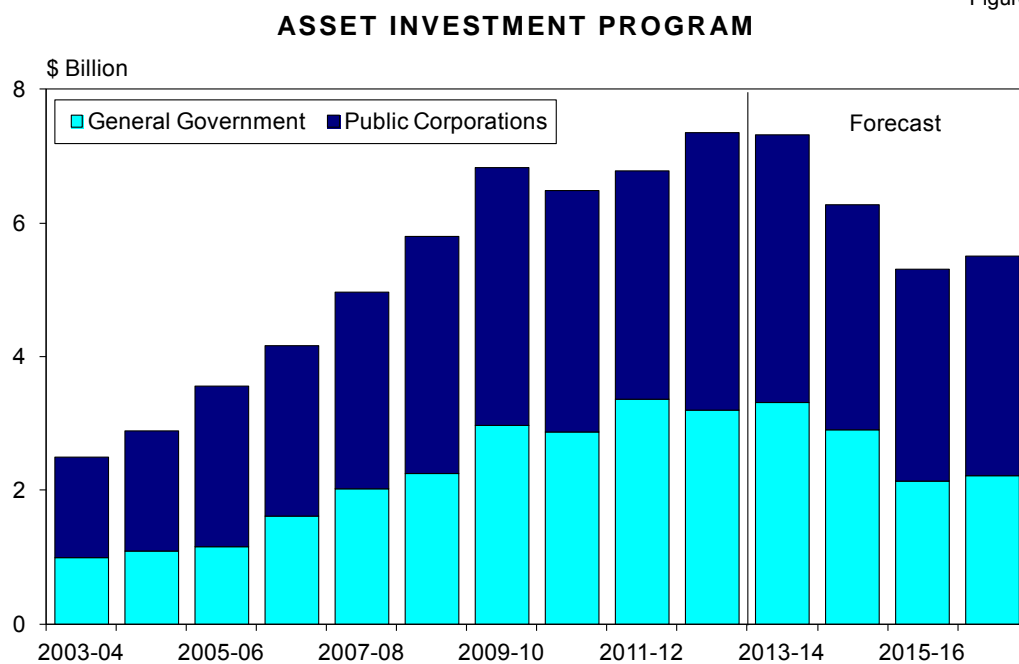
Consistent with estimates in the 2013-14 Budget, the PFC sector is also expected to achieve surpluses in each of the outyears.

Asset Investment Program

The State's Asset Investment Program is estimated at \$24.4 billion over the four years to 2016-17 (down from \$26.9 billion at budget-time), including near-record expenditure of \$7.3 billion in 2013-14.

The PNC sector accounts for approximately 55% of the AIP in 2013-14. This proportion is expected to increase to 60% by 2016-17 as a result of changes from the Government's review of infrastructure spending, and as construction on a number of large general government health infrastructure projects (such as Fiona Stanley Hospital) is completed. This mid-year review also includes the transfer of the Forrestfield Airport Link project (worth \$180 million across the period to 2016-17) from the Department of Transport and Main Roads (both general government sector agencies) to the Public Transport Authority (a PNC agency).

Figure 4



Although still substantial, the State's Asset Investment Program has been revised down by \$2.5 billion over the period to 2016-17, mainly as a result of the review of the State's infrastructure spending included in the extended Fiscal Action Plan (\$1.9 billion)¹². Specific savings measures for the PNC sector include:

- Fremantle Port Authority – removing expenditure associated with the Kwinana Bulk Jetty and the Kwinana Bulk Terminal (\$104 million);
- a reduction in the Water Corporation's Asset Investment Program (\$260 million) as a result of a review of cost escalation rates used for planning and budgeting purposes, as well as projected savings from improving project scope definition, streamlining project controls and better managing third parties involved with construction projects (such as consulting engineers, etc.); and
- a general reduction in infrastructure spending across a range of projects for the Housing Authority (\$460 million) and Horizon Power (\$15 million).

Additional infrastructure spending in this mid-year review for the PNC sector includes:

- \$113 million for improvements to common use infrastructure at Port Hedland Port Authority, with this investment to be funded from the Authority's Port Improvement Rate (discussed earlier); and

¹² As noted earlier, the PNC Asset Investment Program has also been revised down by \$1.1 billion over the four years as a result of the reclassification of housing development spending by the Housing Authority.

- \$59 million for the Metropolitan Redevelopment Authority, mainly attributable to additional electricity network extensions and upgrade infrastructure costs for the Elizabeth Quay, Perth City Link and Riverside projects, including the acceleration of development works for Elizabeth Quay.

Further details of the material changes in spending since budget are available in Appendix 3: *Major Spending Changes Since Budget*.

Balance Sheet

Total public sector net worth is equal to that of the general government sector (discussed earlier in this chapter). This reflects the consolidation of the net worth of public corporations as an equity asset in the balance sheet of the general government sector.

Further detail on total public sector net debt is outlined below.

Cash Flow Statement

A cash deficit of \$3.4 billion is expected for the total public sector in 2013-14, \$552 million higher than the budget-time forecast as a result of the cash impact of weaker operating outcomes in the public corporations sectors (discussed previously).

Smaller cash deficits are in prospect for the remainder of the forward estimates period relative to budget, mainly due to the significant reduction in spending on the State's Asset Investment Program.

Net Debt¹³

Net debt for the total public sector is forecast to increase from \$18.2 billion at 30 June 2013 to \$26.9 billion by 30 June 2017. This projected level of net debt is \$1.5 billion lower than forecast at budget-time and largely reflects the net impact of:

- the lower than expected net debt outturn at 30 June 2013 (down \$292 million);
- the impact of generally weaker cash operating outcomes for the public corporations sectors across the forward estimates (a \$524 million increase in net debt); and
- the impact of the review of infrastructure spending included in the extended Fiscal Action Plan (\$1.9 billion decrease in net debt).

The following table summarises changes in total public sector net debt projections since the 2013-14 Budget.

¹³ Net debt is a balance sheet measure based on Government Finance Statistics concepts. It is calculated as the difference between liquid financial assets (including loans made by governments) and financial liabilities that attract a debt servicing cost. Net debt is an important indicator of the strength of the public sector's financial position and the sustainability of the public sector's future call on cash.

Table 8

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

| | 2014 | 2015 | 2016 | 2017 |
|--|---------------|---------------|---------------|-----------------|
| | \$m | \$m | \$m | \$m |
| 2013-14 BUDGET - TOTAL PUBLIC SECTOR NET DEBT | 21,909 | 24,295 | 25,926 | 28,389 |
| Plus improvement from 2012-13 outturn | -292.2 | | | |
| Less change in net cashflows from operating activities and dividends paid | | | | |
| - general government | -8.8 | 40.1 | 118.7 | -78.3 |
| - public non-financial corporations | -318.9 | -64.2 | 26.3 | -71.1 |
| - public financial corporations | -28.3 | -43.7 | -18.7 | -5.9 |
| <i>Total public sector</i> | <i>-356.0</i> | <i>-67.8</i> | <i>126.4</i> | <i>-155.3</i> |
| Plus purchases of non-financial assets ^(a) | | | | |
| - Asset Investment Program Review | -84.7 | -452.0 | -548.1 | -773.8 |
| - Capital Works funded by the Port Improvement Rate | 19.6 | 26.5 | 30.8 | 35.7 |
| - Perth Children's Hospital Transition - Information and Communications Technology | 44.7 | 97.1 | 31.7 | 8.4 |
| - Health Asset Investment Reprioritisation | -16.5 | -19.5 | -19.5 | -65.0 |
| - Housing Authority Accounting Treatment Change | -325.9 | -307.5 | -250.0 | -250.0 |
| - Metropolitan Redevelopment Authority | -60.3 | 92.2 | 58.2 | -32.4 |
| - Carryover from 2012-13 | 365.3 | 111.9 | 0.0 | -3.8 |
| - Other | -66.4 | 48.7 | 55.9 | -236.4 |
| <i>Total purchases of non-financial assets</i> | <i>-124.2</i> | <i>-402.6</i> | <i>-641.0</i> | <i>-1,317.3</i> |
| Less proceeds from sale of non-financial assets | -320.6 | -329.3 | -323.0 | -336.3 |
| Plus all other financing | | | | |
| Acquisition under finance leases and similar arrangements ^(b) | -147.5 | 0.4 | 0.3 | - |
| All Other ^(c) | -141.6 | -75.3 | -28.2 | -59.8 |
| <i>Cumulative impact on net debt at 30 June</i> | <i>-28.8</i> | <i>-109.1</i> | <i>-581.4</i> | <i>-1,467.0</i> |
| 2013-14 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT | 21,880 | 24,186 | 25,345 | 26,922 |

(a) Material changes in infrastructure spending are outlined in Appendix 3.

(b) Largely relates to a timing issue for WA Health in which the recognition of finance leases, for the Facilities Management contract at Fiona Stanley Hospital, were brought forward to 2012-13 (and reported in the 2012-13 *Annual Report on State Finances*), compared to the budget-time expectation in which the finance leases were to be brought to account in 2013-14. Assets acquired under finance leases impact net debt but have no associated cash flow reflected in other items in this table.

(c) Includes other movements in net debt attributable to issues such as revaluations of investment assets and debt liabilities, the restatement of agency net debt assets/liabilities for changes in annual reports completed after the 2012-13 *Annual Report on State Finances* was finalised, net acquisitions of financial assets for liquidity purposes, etc. These transactions have no associated operating or infrastructure cash flows reflected in other items in this table.

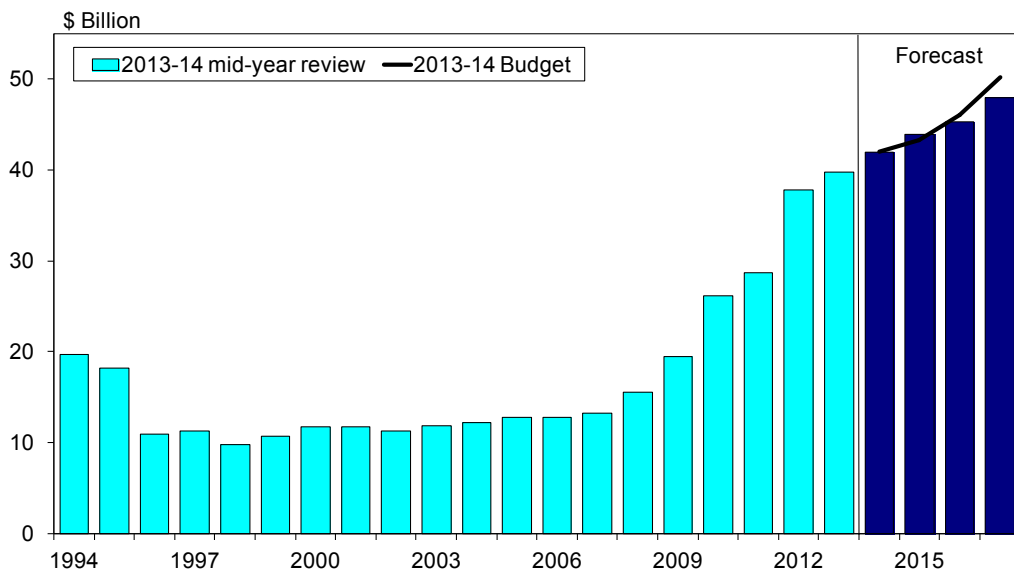
Note: Columns may not add due to rounding.

A significant portion of the State's net debt is held in the form of gross borrowings (interest bearing financial liabilities such as loans and finance leases). On 18 September 2013, S&P's announced a downgrade of Western Australia's headline credit rating, from AAA (negative outlook) to AA+ (stable outlook). In releasing its downgrade assessment, S&P's noted (amongst other things) a significant increase in the State's debt burden, with further growth expected over the budget period.

The following figure shows that the State’s gross borrowing levels have increased significantly in recent years and are expected to increase further over the forward estimates period. Borrowing levels have increased to fund a large proportion of the State’s substantial infrastructure program, with funding of infrastructure through operating activities limited due to relatively small operating surpluses in recent years. Nonetheless, reflecting the impact of the extended Fiscal Action Plan implemented in this mid-year review, gross borrowing levels at the end of the forward estimates period have been revised down by \$2.2 billion relative to the budget forecasts.

Figure 5

GROSS BORROWINGS
Total Public Sector

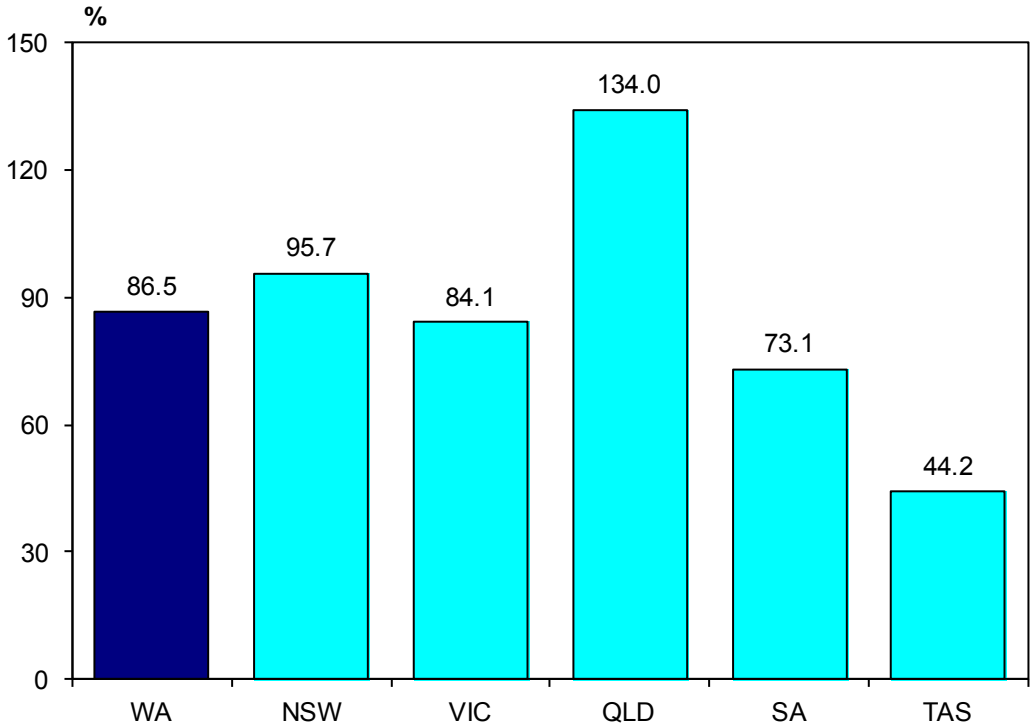


On its own, the use of borrowings to fund productive infrastructure is a sound tool to spread the intergenerational costs of providing assets with long lives. However, the affordability of such debt is clearly an important consideration. As the following chart shows, Western Australia’s projected gross debt to revenue ratio by 2016-17 is not substantially different to that of other Australian States.

Figure 6

GROSS BORROWINGS AS A SHARE OF REVENUE – AUSTRALIAN STATES

Total Non-Financial Public Sector – 2016-17^(a)



(a) Excludes public financial corporations' gross borrowings as total non-financial public sector projections are not available in all other jurisdictions' published forecasts. Based on 2013-14 mid-year review data for all jurisdictions except for Queensland and Tasmania, which are based on 2013-14 Budget data.

Statement of Risks

The inherent uncertainties associated with producing forecasts for an approximately \$253 billion State economy and \$28 billion recurrent budget means that there will always be differences between the forecasts of key aggregates at mid-year and the final audited results. This Statement of Risks provides an overview of the known issues that have the potential to materially affect the financial projections contained in this mid-year review.

To illustrate the uncertainties associated with forecasting the State's finances:

- in nine out of the past ten years, general government revenue has been underestimated by an average 3.6% per annum. Conversely, revenue was overestimated by 3% in 2008-09 which was mainly due to the effects of the Global Financial Crisis. A variance of 3.6% in the revenue estimate for 2013-14 in this mid-year review would equate to \$1.0 billion;
- general government expenses have been underestimated in five out of the last ten years by an average 1.0% per annum. This compares with an average overestimation of expenses of 1.2% per annum for the other five years. A 1.0% variance in the expense estimate for 2013-14 in this mid-year review equates to \$278 million;
- the State's Asset Investment Program was overestimated in nine out of the last ten years by an average of 11.2% per annum. An overestimation of 11.2% in the Asset Investment Program estimate for 2013-14 in this mid-year review would equate to \$821 million; and
- over the past ten years, general government operating balances have varied between mid-year review estimates and final outcomes by between an \$868 million overestimation (2008-09) and a \$963 million underestimation (2005-06), reflecting the revenue and expense variability noted above. Annual net debt outcomes have been lower than mid-year estimates by between \$37 million (2012-13) and \$2.1 billion (2011-12) over the same ten year period.

Revenue Estimates

Revenue is estimated to grow at an average 4.4% per annum over the four years to 2016-17. This compares with annual average growth of 8.0% over the last ten years.

The revenue estimates are sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore), housing prices and sales, employment and wages. The approximate sensitivity of the estimates to changes in these parameters is outlined in the following table.

Table 9

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES

| Revenue item | Annual Variability ^(a) | Parameter |
|--|-----------------------------------|---|
| | \$m | |
| Royalty income and North West Shelf grants | ±78 | For each US1 cent decrease (increase) in the \$US/\$A exchange rate |
| Iron ore royalties | ±45 | For each \$US1 per tonne increase (decrease) in the price of iron ore |
| Petroleum royalties | ±3 | For each \$US1 increase (decrease) in the price of a barrel of crude oil |
| Payroll tax | ±37 | For each one percentage point increase (decrease) in wages or employment growth |
| Transfer duty | ±15 | For each one percentage point increase (decrease) in average property price |
| GST grants | ±91 | For a \$100 million increase in iron ore royalty revenue (due to increased value of production), all else being equal, Western Australia will lose an estimated \$91 million of GST grants in net present value terms (the loss will occur in later years due to the time lags in the Grants Commission process). |

(a) These sensitivities are not mutually exclusive and vary over time in accordance with movements in the underlying level of each variable.

In addition to the above sensitivities, specific factors that represent a potential risk to the revenue estimates are discussed below. Risks to the economic outlook are discussed in Chapter 3: *The Western Australian Economy*.

Royalty Income (\$6,089 million in 2013-14)

In 2013-14, royalty income accounts for an estimated 22% of the State's total revenue, and iron ore royalty income accounts for 20% of total revenue.

The royalty income estimates are particularly sensitive to movements in the \$US/\$A exchange rate and iron ore prices. In the twelve months since the 2012-13 mid-year review:

- The effective FOB price of iron ore has ranged between \$US104 per tonne and \$US153 per tonne (which, if sustained over a full year, translates to a \$2.2 billion variance in revenue); and
- the \$A has traded between US89 cents and US106 cents (which, if sustained over a full year, translates to a \$1.3 billion variance in revenue).

The royalty estimates in 2015-16 and 2016-17 will also be subject to the outcome of the State Government's 2012-13 Budget announcement of a review of royalty rates. Terms of reference for the review were released by the Government in August 2013. The forward estimates currently include additional royalty income of \$180 million in 2015-16 and \$187 million in 2016-17 for the expected outcomes of this review, equating to a 2.6% increase in annual royalty revenue. Given the early stage of the review process, there is a significant degree of uncertainty associated with these estimates.

Exchange Rate

Unanticipated movements in the \$US/\$A exchange rate represent the largest revenue risk to the mid-year review estimates, due to the higher sensitivity (see table of sensitivities above). Any deterioration in royalty revenue due to a higher than assumed exchange rate would be offset in following years (the lag is typically four years) through an increase in GST grants. This is because GST grants and mining revenue are inversely related with a lag (through the Commonwealth Grants Commission process).

Historically, movements in the \$US/\$A exchange rate and movements in prices for Western Australia's major export commodities have been correlated. This has offered a 'natural hedge' which has reduced the revenue risk associated with unanticipated commodity price movements. However, there have been periods of time in recent years where this relationship has broken down.

Iron Ore Prices

The effective FOB iron ore price is assumed to return to a value of \$US93.9 per tonne by 2022-23, broadly consistent with the market consensus.

While to date the iron ore price in 2013 has exceeded both market expectations and recent budget forecasts, the additional supply of iron ore over coming years (likely to be larger than the increase in demand) is still expected to put downward pressure on prices and require high cost producers (mostly smaller producers in China) to exit the market. The iron ore price is expected to remain volatile over this period of adjustment.

Demand for iron ore is highly influenced by conditions in the Chinese steel market. As Chinese steel consumption is driven to a large extent by fixed asset investment, the expected Chinese economic 'transition' away from fixed asset investment towards private consumption could negatively impact iron ore prices. Conversely, economic growth in China has typically been very steel intensive, and therefore higher than expected growth could lead to higher than expected prices for iron ore (see also 'Global Risks' in Chapter 3: *The Western Australian Economy*).

Iron Ore Volumes

Most iron ore producers in Western Australia have relatively low operating costs when compared with producers from other countries, which means that the State's volume of iron ore sales is largely unaffected by changes in demand over the short-term¹⁴.

¹⁴ A reduction in demand over the longer-term will impact iron ore volumes as it will reduce the incentive to invest capital in expanding or maintaining production.

The key risks to iron ore sales volumes over the forecast period relate to issues arising from project construction, commissioning and ramp-up phases. Production in the September quarter of 2013 was slightly higher than anticipated at budget, as project expansions have generally proceeded faster than expected. Consequently, an additional 10 million tonnes of sales volume has been added to each year across the forecast period in this mid-year review, increasing iron ore royalty revenue by \$362 million over four years. This adjustment has been made in anticipation of the results of an annual survey of mining companies. Those survey results will be reflected in the 2014-15 Budget and, on present indications, are likely to exceed the 10 million tonnes per annum adjustment reflected in this mid-year review.

Commonwealth Grants (\$8,787 million in 2013-14)

The estimates of Commonwealth grants (including GST, other general purpose and tied grants funding) in this mid-year review are based on Treasury and agency estimates for various programs, assumptions and other related parameters. The Commonwealth had not finalised or released its *Mid-Year Economic and Fiscal Outlook* (MYEFO) when assumptions for this mid-year review were finalised on 3 December 2013. Accordingly, updates to the outlook for grants in the Commonwealth's MYEFO are not reflected in the mid-year review projections for Western Australia.

GST Grants

General purpose grants to Western Australia include GST revenue grants and North West Shelf and Condensate Compensation grants.

Western Australia's GST grants are a function of the Commonwealth's national GST collections, Western Australia's population share and the Commonwealth Grants Commission's (CGC's) annual recommendations on the States' and Territories' GST relativities (i.e. GST shares relative to their population shares).

Forecasts of the national GST pool used in this mid-year review are based on the forecasts contained in the Commonwealth's 2013-14 Budget, updated using revised information on GST revenue collections in the Commonwealth's 2013 *Pre-Election Economic and Fiscal Outlook*. With uncertainty still surrounding the outlook for growth in the global and domestic economies, there is a risk that GST collections could vary from those currently projected.

States' and Territories' population shares over time are affected by their relative economic prospects. For 2013-14, the GST revenue estimates incorporate the CGC's approved recommendation of Western Australia's GST relativity (i.e. 45% of an equal per capita share). The Western Australian Treasury's projections of GST relativities beyond 2013-14 have been revised up since the 2013-14 Budget (to 31% in 2014-15, 17% in 2015-16 and 9% in 2016-17), mainly reflecting advice from the Commonwealth Treasurer that he intends directing the CGC not to reclassify iron ore 'fines' (from a low rate to a high rate commodity) for the 2014-15 grant year (contrary to the assumption in the recent State Budget¹⁵). This has increased Western Australia's estimated GST revenue by \$742 million over the period 2014-15 to 2016-17.

In other respects, these relativities have been projected by the Department of Treasury on a 'no methodology change' basis. However, they could be significantly altered by the implementation of recommendations from the CGC's 2015 Methodology Review (effective from 2015-16).

Commonwealth Government Payments for Specific Purposes

Payments to Western Australia for specific purposes are estimated to total \$5,146 million in 2013-14 in this mid-year review. This includes National Specific Purpose Payments, National Partnership payments, National Health Reform funding and payments to the State from Commonwealth own-purpose expenses.

The forward estimates of payments for specific purposes, and associated impacts on State spending, also have a significant margin of uncertainty, reflecting:

- the potential for Commonwealth policy changes, including possible new National Partnerships or other Commonwealth funding;
- uncertain outcomes from agreements under negotiation, including the amount of supplementary funding the Commonwealth will provide through payments to Western Australia for Fair Work Australia's 2012 ruling on pay equity for social and community services sector;
- that some National Partnership payments are contingent on the State's assessed performance, which may require the State to match Commonwealth funding;
- that National Partnership agreements continue to impose inflexible input controls and onerous reporting requirements, which may limit the State's autonomy and ability to optimise the allocation of resources in order to improve service outcomes;
- in some cases, the need for the States to compete for national pools of funding, often requiring the provision of matching funding;
- the uncertainty over whether National Partnership agreements expiring during the forward estimates will be renewed or replaced; and

¹⁵ At the time the Budget estimates were finalised, the Western Australian Treasury's projections of GST relativities were 27% in 2014-15, 14% in 2015-16 and 7% in 2016-17.

- parameter uncertainties, such as timing and indexation for inflation and wages growth.

Schools Funding

At the end of November 2013, the Commonwealth Government confirmed that the amount of funding going to the States for education over the next four years would be at least the same as promised by the previous Labor Government as part of its 'Better Schools Plan' ('Gonski reforms'), including for Western Australia and other jurisdictions that had not previously signed agreements. However, formal advice of this offer had not been received at the 3 December 2013 cut-off date for this mid-year review. While the Commonwealth has provided some details of the adjustments, the impact on the State's finances will only be determined once a formal agreement has been signed. Accordingly, estimates in this mid-year review do not include the potential impact of the Commonwealth's funding proposals.

Transport Funding

As part of its 2013-14 Budget, the previous Commonwealth Government committed \$836 million over the period to 2016-17 to a range of key infrastructure projects in Western Australia. This included a commitment of \$100 million for the Perth Public Transport Package (Metro Area Express (MAX) Light Rail and/or the Forrestfield Airport Link). While a final decision is yet to be made by the new Commonwealth Government on how it will proceed with infrastructure funding, this mid-year review assumes the Perth Public Transport Package will no longer proceed (i.e. the previously assumed \$100 million in Commonwealth funding has been removed from the forward estimates).

The remainder of the Commonwealth's 2013-14 Budget Nation Building Program 2 funding is allocated to the Perth-Darwin National Highway and other significant road projects. It is envisaged that the Commonwealth's financial commitment to transport projects in Western Australia will be finalised in the new year and will be reflected in the 2014-15 Budget.

State Taxes (\$9,025 million in 2013-14)

Transfer Duty

Transfer duty revenue is sensitive to changing economic conditions, and in particular, how those conditions influence large one-off property transfers (e.g. mining tenements and commercial property) and activity in the established housing market (see text box in Chapter 3).

The current transfer duty forecasts seek to balance the risk of continued strength in the housing market with the risk that market sentiment could quickly change and cause a faster than expected decline in transaction volumes. Changes in property prices also have an impact on transfer duty revenue. There is a possibility that as economic and employment growth moderates, the demand for housing may slow more quickly than expected, resulting in lower than expected price growth. If this risk were realised, the amount of transfer duty revenue raised would be lower than currently expected.

In addition, changes to the number, or value, of large transactions in commercial property and mining tenements represent both upside and downside risks.

Payroll Tax

Consistent with budget expectations, the payroll tax forecasts reflect an expected softening in the labour market (the key driver of payroll tax). If conditions in the labour market deteriorate more than anticipated, payroll tax could be lower than the current forecasts. Conversely, a stronger economy and labour market conditions represent upside risks, however, this is considered less likely.

Commonwealth Emissions Trading Scheme

Uncertainty surrounds changes to the Commonwealth's carbon price/emissions trading scheme. Under current legislation, the carbon price is scheduled to move from a fixed price to a floating price from 1 July 2015. However, the recently elected Commonwealth Government has introduced legislation to Parliament to abolish the carbon tax by 1 July 2014. Given the uncertainties surrounding the future path of the carbon price and its potential abolition, the current tariff and CPI assumptions do not include any specific adjustments for potential changes to the carbon price.

Spending Risks

Asset Investment

The estimates contained in this mid-year review are based on the latest infrastructure cost projections available to agencies. Variations in infrastructure costs may occur as a result of a number of factors including market conditions, the capacity of the construction sector, and the commercial outcome of any ongoing negotiations between the State and its contractors to resolve outstanding contractual claims. The State's Asset Investment Program also includes some projects that are subject to confirmation of Commonwealth funding, further planning and definition of scope and design, finalisation of contract negotiations, and/or other events.

Fiscal Action Plan

The Fiscal Action Plan announced in the 2013-14 Budget and extended in this mid-year review contains various revenue and expenditure measures to support the Government's financial management strategy. Although considerable progress has been made to implement the Fiscal Action Plan (see feature box earlier in this chapter), fully embedding the measures at an operational level remains a challenging task.

The key risks to fully realising the Fiscal Action Plan include:

- successfully limiting wage and conditions increases to the projected growth in CPI (currently 2.5% per annum), in accordance with the Government's new public sector wages policy; and
- related to the above point, agencies managing to the CPI cap on salaries expenditure, imposed by the Government as part of the 2013-14 Budget.

Population Growth and Economic Expansion

Population and economic growth increase the demand for services and infrastructure provided by the public sector. Western Australia's population has been growing at a much faster pace than the national level, supported by strong levels of net overseas migration. This is consistent with robust labour demand during the construction phase of major resource projects.

Population growth is expected to moderate over the forecast period, in line with softening labour market conditions as construction is completed on major resource sector projects. However, the State's population growth is still expected to exceed the national rate of growth. If labour market conditions are stronger than forecast, or if migration to the State does not slow as quickly as expected, population growth could further increase the demand for State government services and infrastructure.

Education

Projections in this mid-year review are based on the assumption that the Department of Education's Student-Centred Funding Model (SCFM) will be implemented by 2015. Development and implementation of the SCFM in this timeframe will place pressure on the agency to remain within approved budget settings. This risk may be exacerbated should devolution of decision-making on budgeting, resourcing and staffing issues to schools in time for the 2015 academic year, not allow a sufficient lead-in period for skills and systems at the school level to adapt to these reforms.

Additional pressures in 2015 that could also crystallise include:

- the graduation of the half-year cohort from the school system leading to a once-off, but permanent, structural increase in student enrolments and teacher numbers;
- the transition in government schools of Year 7 students moving from primary school to secondary school settings; and
- the possibility that the demographic pressures arising from overseas and interstate migration will continue, further exacerbating recent unprecedented levels of enrolment growth.

Leave Liability

The Department of Education has indicated that despite the implementation of strategies to constrain growth in leave liability, it is unlikely to observe the leave liability cap as published in this mid-year review. The full impact of growth in leave liability is subject to the Department's current actuarial review and the identification of further remedial actions to mitigate leave liability growth.

School fees for dependents of 457 visa holders

At the 2013-14 Budget, projected revenue of \$120.4 million was factored into the forward estimates to reflect the Government's decision to introduce compulsory school fees from 2014 for dependents of 457 visa holders enrolled at government schools. Since then, the accuracy of the 457 enrolment data, as well as a delay in implementation of the fee by one year, has resulted in the overstatement of forecast revenue. As such, all revenues have been removed from the State's forward estimates, with a revenue forecast to be reinstated once the Department of Education has conducted its 2014 census and established its 457-related enrolment data.

Training Entitlement Model

From 1 January 2014, the Department of Training and Workforce Development will introduce a training entitlement model, as required by the National Partnership Agreement on Skills Reform. The entitlement model will shift training delivery towards a contestable, demand driven funding model that directs public subsidies towards State priority qualifications.

To ensure the State's contribution to training is sustainable, the level of student tuition fees will increase, including removal of the existing semester cap on student fees. On average, the level of fees will rise from 7% of the total cost of training in 2012-13 to 19% by 2016-17.

There are a number of risks associated with the entitlement model, including:

- uncertainty over the growth in training enrolments and the response of students to price increases; and
- the viability of the State Training Providers (STPs) as a result of increased competition.

The entitlement model has been designed to help mitigate these risks, including through reducing the number of lower priority training places to accommodate growth in entitlement qualifications, and the Department has the ability to influence training delivery by STPs and private providers.

Health Spending

Fiona Stanley Hospital Commissioning

On 10 June 2013, the Government announced a delay in the commissioning of Fiona Stanley Hospital and a decision to phase the commencement of clinical services at the hospital over the period October 2014 to March 2015. In early December 2013, the State and Serco signed an agreement in respect of the provision of facilities management services at Fiona Stanley Hospital between January 2014 and March 2015 (the delay and phase period). The agreement involves the State paying Serco \$118.8 million over the period in respect of the revised profile of services. Of this, \$66.1 million was an existing allocation for the facilities management contract, and the Government has approved the remaining \$52.7 million to meet the costs of the agreement. As certain elements are still subject to negotiation, including variably priced services, the Managed Equipment Service and indexation, there is a risk of further costs associated with this issue.

An additional \$75 million has been approved for 2014-15 in this mid-year review for the commissioning costs of Fiona Stanley Hospital and the associated reconfiguration of services within the South Metropolitan Health Service. The operating cost of a fully reconfigured health system in the South Metropolitan Health Service are unknown at this point and remain a significant risk.

Health Information and Communications Technology

WA Health's Asset Investment Program includes an allocation of \$120 million over 2012-13 and 2013-14 to enable the procurement and implementation of information and communications technology (ICT) systems and infrastructure, predominately for the Albany Health Campus and the Fiona Stanley Hospital. Beyond 2013-14, there remain considerable ICT investment needs within WA Health with several of these projects being critical to the opening of the Fiona Stanley Hospital and Busselton Health Campus, including the replacement of the State's Laboratory Information System and Human Resource Information System. These needs are not funded in 2014-15 or across the forward estimates and business cases are being finalised for consideration in the 2014-15 Budget process.

Activity Based Funding

The 2013-14 Budget identified the cost differential between the Transitioning State Price (TSP) for public hospital services that are funded under Activity Based Funding and the national Projected Average Cost (PAC) recommended by the Independent Hospital Pricing Authority. A Community Service Subsidy was provided in the recent budget, and reflected in this mid-year review, to recognise the difference between the TSP and the PAC.

The Community Service Subsidy has been set at a declining value over the forward estimates, reflecting the intention that the cost of delivering public hospital services in Western Australia will converge to the national pricing model by 2016-17. This convergence will require steady and sustained improvements in the efficiency of public hospital service delivery if it is to be achieved.

Where WA Health is unable to manage cost pressures and activity growth in line with budget assumptions this will put at risk the State's ability to move towards national pricing arrangements. This risk is compounded by the 2012-13 actual cost per activity unit being higher than the estimate used to set the 2013-14 Budget. If the approved expense limits are to be met then WA Health may need to constrain activity levels through active demand management.

Leave Liability

WA Health has a revised leave liability cap target for 2013-14 and a \$98.1 million associated expense increase approved as part of this mid-year review. This adjustment recognises that the 2012-13 leave liability cap was not achieved. Projections in this publication assume the revised 2013-14 leave liability cap being achieved, with WA Health directed to identify and implement further strategies to meet the leave liability target. The level of success of the identified strategies will determine whether the leave liability cap is achieved.

Salaried Medical Officer Industrial Agreement

The anticipated outcome (under the previous wages policy) of the Salaried Medical Officer Industrial Agreement between WA Health and the Australian Medical Association (WA) provides for salary increases of 11% over three years at an estimated additional cost in excess of \$130 million over the forward estimates. The Agreement requires WA Health to achieve efficiencies to fund the additional cost of salary increases above the projected increase in the Consumer Price Index (7.5% over three years).

National Partnership Agreement on Treating More Public Dental Patients

Due to the caretaker period in Western Australia prior to the State election, the National Partnership Agreement on Treating More Public Dental Patients was not signed until April 2013. As a result of the delay in signing, there is a risk that the target activity levels required to trigger the 2013-14 milestone payment will not be met.

Police Officers

The current allocation of \$282 million for the Government's commitment to recruit an extra 550 police and auxiliary officers over the next four years does not include the recruitment and deployment costs of additional public servants. The extent of accommodation required for the additional 550 officers is uncertain at this time and is dependent upon the final deployment location (metropolitan to regional mix) of the additional officers.

The extent of these risks will be informed by the outcomes of Western Australia Police's comprehensive reform program, which is currently underway.

The increase in police officers will also likely impact on the operations of other law and order agencies, including the Department of the Attorney General, the Department of Corrective Services, the Office of the Director of Public Prosecutions and the Legal Aid Commission. This impact is uncertain and has not been reflected in the forward estimates.

Department of the Attorney General

The Department of the Attorney General's (DotAG's) budget is facing pressure due to several contractual commitments that have been made without prior funding approval. In addition:

- the ability of the DotAG to successfully disband and implement a separate corporate service system is a significant risk that has the potential to increase expenditure limits and requests for additional supplementary funding; and
- two new regional justice complexes in Carnarvon and Kununurra due for completion in 2014-15 will lead to increases in recurrent court security and custodial services costs, in addition to what is reflected in this mid-year review.

Management Measures to Mitigate the Risk of Shark Attacks

On 10 December 2013, the Government announced new management measures to mitigate the risk of shark attacks, including the potential use of baited drum lines, and the development of Coastal Shark Management Zones. This announcement occurred after the cut-off date for the mid-year review, and therefore no funding or expenditure has been incorporated into the State's financial position at this time. The cost of funding these measures will be considered as part of the 2014-15 Budget process, but is expected to be absorbed within existing resources.

Government Trading Enterprises

Corporatised public corporations, also known as Government Trading Enterprises (GTEs), are an important source of revenue for the general government sector through income tax equivalent payments and dividend payments (\$1.4 billion, or 5.0% of revenue in 2013-14). In addition, some GTEs receive operating subsidies and other payments from the general government sector for specific purposes (\$1.3 billion, or 4.7% of expenditure in 2013-14). GTEs also undertake a significant proportion of the State's infrastructure investment (around 55% in 2013-14), with any required borrowings contributing to the State's net debt levels.

Projections for GTEs are complicated by a number of issues, including that important aspects of some entities are subject to independent regulatory processes (such as the Economic Regulation Authority (ERA) regulation of Western Power's network tariff pricing), Government determinations (customer tariffs) and changing market conditions (cost and demand fluctuations).

In addition to these issues, other material risks to the operating outlook and Asset Investment Program for GTEs include:

- capital expenditure for Western Power – in its Further Final Decision on Western Power’s Third Access Arrangement, the ERA determined the efficient level of asset investment to be \$1.1 billion above the currently budgeted levels over 2012-13 to 2016-17. As part of the 2012-13 mid-year review process, the Government required Western Power to submit business cases requesting consideration of the additional capital expenditure that was approved by the ERA as part of the Access Arrangement. Western Power has yet to submit business cases to support any request for additional capital expenditure;
- Synergy-Verve Energy merger – the mid-year review reflects Synergy and Verve Energy as individual entities across the forward estimates period. From 1 January 2014, these two entities will be merged into a single entity, with the financial implications of this merger and the revised pricing structures it delivers to be reflected in the 2014-15 Budget; and
- Horizon Power’s generation costs in the Pilbara region – Horizon Power is undertaking a procurement process for electricity generation in the Pilbara. There will be greater certainty of generation costs once the tender process is complete. The outcome of the process is expected to be reflected in the 2014-15 Budget.

Bunbury to Albany Gas Pipeline

A provisional allocation has been made for the construction of a gas pipeline between Bunbury and Albany which is intended to be built in collaboration with the private sector. The planning for the procurement of the pipeline is not yet final and therefore uncertainty remains around the total cost. In addition, future revenue from the users of the pipeline may not be sufficient for a private investor to recover its investment, potentially resulting in the need for an ongoing public sector subsidy. These issues are subject to a business case to be submitted to the Government.

National Disability Insurance Scheme

Western Australia has reached agreement with the Commonwealth for a two-year trial of the National Disability Insurance Scheme (NDIS) from 1 July 2014. Under current estimates, this will require additional State expenditure in the order of \$42 million for the two-year period (1 July 2014 to 30 June 2016). While this indicative estimate is reflected in the mid-year review aggregates, more accurate estimates of the two-year costs are expected to become available in early 2014 when financial arrangements with the Commonwealth Government are finalised. The cost of extending the NDIS beyond the two-year period will be considered as part of any subsequent agreement on transition to a full NDIS.

Under the terms of the agreement, the Western Australian Government will cover the risk of cost overruns in the two 'My Way' sites (Lower South West and Kwinana/Cockburn), which will be managed by the Disability Services Commission, and the Commonwealth will cover the risk of cost overruns in the National Disability Insurance Agency (NDIA) site (in the Perth Hills). Experience of trial sites in other States suggests there will be ongoing uncertainty around the cost estimates. For example, the NDIA has recently reported that in their first three months of operation, the number of people registering an interest in becoming NDIS participants is almost 50% greater than expected and that actual support package costs are exceeding modelled estimates by around 30%.

Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* or by a statute. SPA balances provide a funding source for particular initiatives. It is important to note that each dollar that is spent from SPA balances will increase net debt (and reduce the net 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. Accordingly, to the extent that future decisions may involve spending from these SPA balances, the net debt (and potentially net operating balance) forecasts in this mid-year review will be impacted.

Contingent Assets and Liabilities

Contingent assets and liabilities are costs that the Government will have to meet should a particular event occur. Typically, contingent liabilities consist of guarantees, indemnities and sureties, as well as legal and contractual claims. They constitute a potential risk to the financial projections should they eventuate.

Contingent liabilities were reported in the 2012-13 *Annual Report on State Finances*. The only material update to these potential obligations is for Home Indemnity Insurance (HII). The Heads of Agreements with private insurers covering the existing HII arrangement expired on 30 June 2013, but were subsequently extended until 31 October 2013 to allow the Government to consider long term options. Under a new temporary arrangement commencing from 1 November 2013, the State will wholly underwrite the provision of new HII policies to provide cover for financial loss resulting from the death, insolvency or disappearance of a builder or building group. This temporary arrangement will be in place for one year (to 31 October 2014) to allow consideration of a longer term, permanent solution to home indemnity insurance.

Financial Strategy

HIGHLIGHTS

- As was the case at budget-time, performance against the Government's financial targets remains mixed over the forward estimates period, highlighting the challenges facing the State's finances.
- Nevertheless, the underlying financial projections have strengthened somewhat since budget, which has led to some improvement in performance against the targets. Of particular note:
 - the target to maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend is now forecast to be met in 2015-16 and 2016-17; and
 - the net debt to revenue ratio has reduced since budget-time and is now projected to be below 60% by the end of the forward estimates (i.e. 59.2% compared to 61.6% at budget).
- These improvements reflect the extension of the Government's Fiscal Action Plan implemented in this mid-year review, as discussed in Chapter 1: *Financial Projections*.

Introduction

This chapter provides an assessment of the mid-year review financial projections against the Government's financial targets, as required by the *Government Financial Responsibility Act 2000*. The Government adopted a new set of financial targets at the time of the 2013-14 Budget to assist in responding to the challenging fiscal environment. The new targets are more closely aligned with the criteria assessed by credit rating agencies.

The Government's financial targets are to:

- ensure that general government sector expense growth does not exceed revenue growth;
- maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend per year;
- maintain the total non-financial public sector (TNPS)¹ 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.

The following table summarises compliance with these targets. Overall performance against the Government's targets remains mixed, as was the case at budget-time.

¹ The TNPS is the consolidation of the general government sector (which includes agencies such as Education and WA Health which largely fund services from central revenue collections such as taxes and royalties) and the public non-financial corporations sector (agencies which offer non-financial goods and services, for which a significant portion of costs are recovered through user charges, such as the ports, the Public Transport Authority and electricity and water utilities). Public financial corporations (such as the Insurance Commission of Western Australia and the Western Australian Treasury Corporation) are excluded from the TNPS because their operations have a distortionary impact on many financial ratios used to measure public sector performance. The credit rating agencies focus on TNPS financial ratios in assessing the State's finances.

Table 1

2013-14 MID-YEAR REVIEW – FINANCIAL TARGET COMPLIANCE

| | 2012-13 ^(a) | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|------------------------|------------|------------|------------|------------|
| | Actual | Forecast | Forecast | Forecast | Forecast |
| Ensure expense growth does not exceed revenue growth | | | | | |
| - Current estimate (revenue growth minus expense growth) | -1.7 | 0.6 | -2.0 | 1.4 | -0.9 |
| - 2013-14 mid-year review compliance | No | Yes | No | Yes | No |
| - 2013-14 Budget compliance | No | Yes | No | Yes | No |
| Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend | | | | | |
| - Current estimate | 33.7 | 42.6 | 43.6 | 56.8 | 56.7 |
| - 2013-14 mid-year review compliance | No | No | No | Yes | Yes |
| - 2013-14 Budget compliance | No | No | No | No | No |
| Maintain TNPS net debt at or below 55% of revenue | | | | | |
| - Current estimate | 50.6 | 53.8 | 57.9 | 58.4 | 59.2 |
| - 2013-14 mid-year review compliance | Yes | Yes | No | No | No |
| - 2013-14 Budget compliance | Yes | Yes | No | No | No |
| Maintain a TNPS cash operating surplus of at least 5% of receipts | | | | | |
| - Current estimate | 5.9 | 5.5 | 5.3 | 5.1 | 4.9 |
| - 2013-14 mid-year review compliance | Yes | Yes | Yes | Yes | No |
| - 2013-14 Budget compliance | Yes | Yes | Yes | No | Yes |
| Maintain the State's tax competitiveness | | | | | |
| - 2013-14 mid-year review compliance | Yes | Yes | Yes | Yes | Yes |
| - 2013-14 Budget compliance | Yes | Yes | Yes | Yes | Yes |

(a) These targets did not apply at the time of the 2012-13 Budget. However, outcomes for the 2012-13 year are shown for comparative purposes with the forward estimates outlook.

The remainder of this chapter outlines projected performance against these targets based on the mid-year review projections detailed in Chapter 1. The charts below include information for prior years where the current targets did not apply. This information is included for trend and comparative purposes only.

Financial Targets

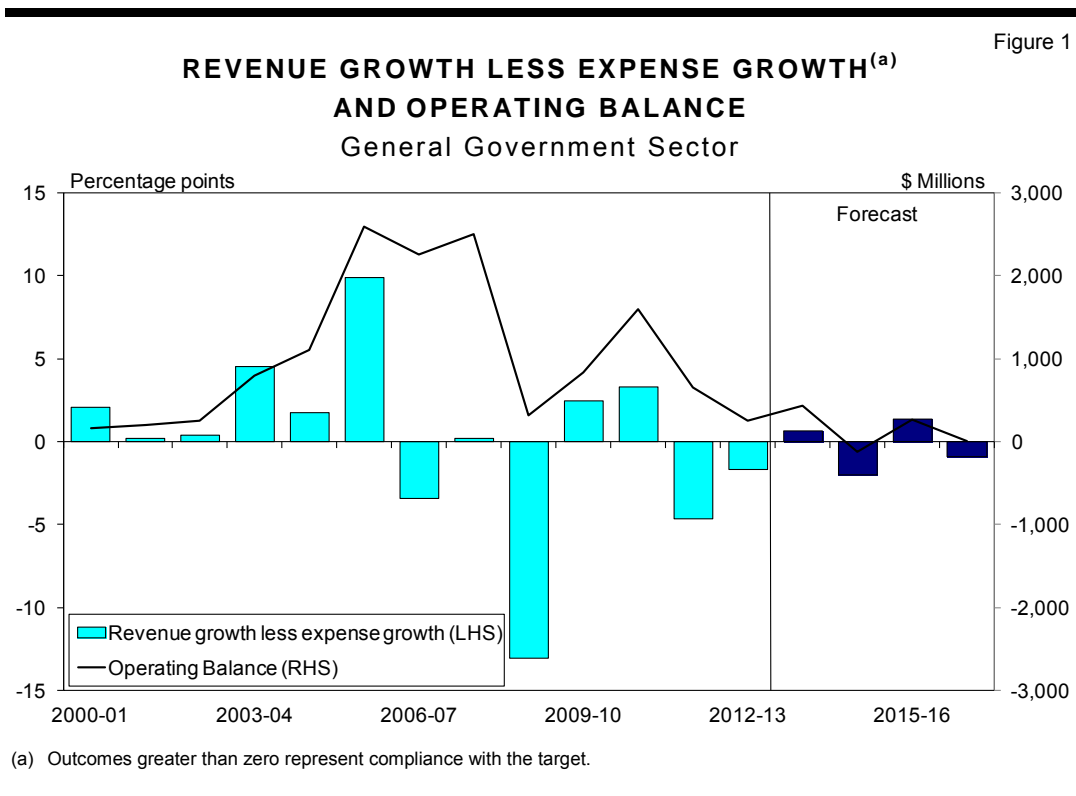
Ensure that general government sector expense growth does not exceed revenue growth

This target is expected to be met in 2013-14. However, consistent with budget-time expectations, the target is forecast to be met only once over the outyears.

Following growth of just 2% in 2012-13, revenue is expected to grow by a strong 9.9% in 2013-14. This reflects the impact of revenue policy measures taken in the 2013-14 Budget and previously (including the increase in the royalty rate on iron ore ‘fines’ to 7.5% from 1 July 2013), as well as strong growth in iron ore volumes in 2013-14. Expenses are expected to grow by 9.3% as a result of continued strong demand for health, education and other public services, and increased electricity subsidies.

Expense growth is forecast to moderate substantially over the remainder of the forward estimates as the savings measures introduced through the Fiscal Action Plan start to have a growing impact. However, relatively modest revenue growth in the outyears, due largely to declining GST revenue grants, is expected to result in this target only being met in 2015-16.

More detailed discussion of revenue and expenses is available in Chapter 1: *Financial Projections*.



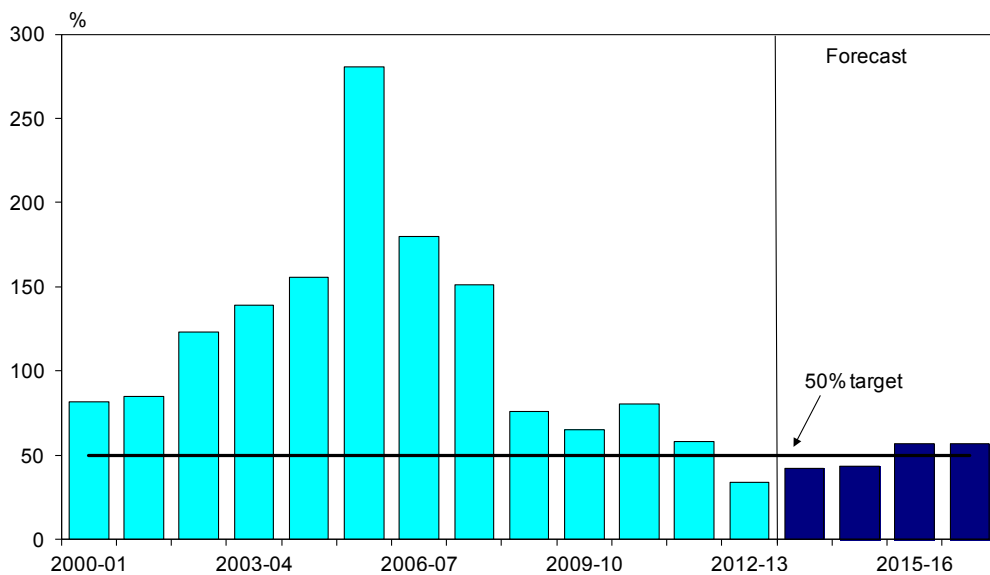
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend per year

The outlook for this target has improved since budget-time, with the target now expected to be met in 2015-16 and 2016-17. Outcomes above the 50% target indicate that the Government is funding a substantial proportion of its infrastructure spend from its day-to-day or operating activities, which in turn limits the reliance on general government borrowings.

The improved outlook mainly reflects a decrease in projected infrastructure spending following the review of the Asset Investment Program included as part of the extended Fiscal Action Plan, the stronger royalties outlook, and the impact on the State’s forecast GST revenue of the Commonwealth Treasurer’s instruction to the Commonwealth Grants Commission (CGC) to classify iron ore ‘fines’ in the ‘low rate’ category for the 2014 GST Update (detailed in Chapter 1 of this mid-year review).

Figure 2

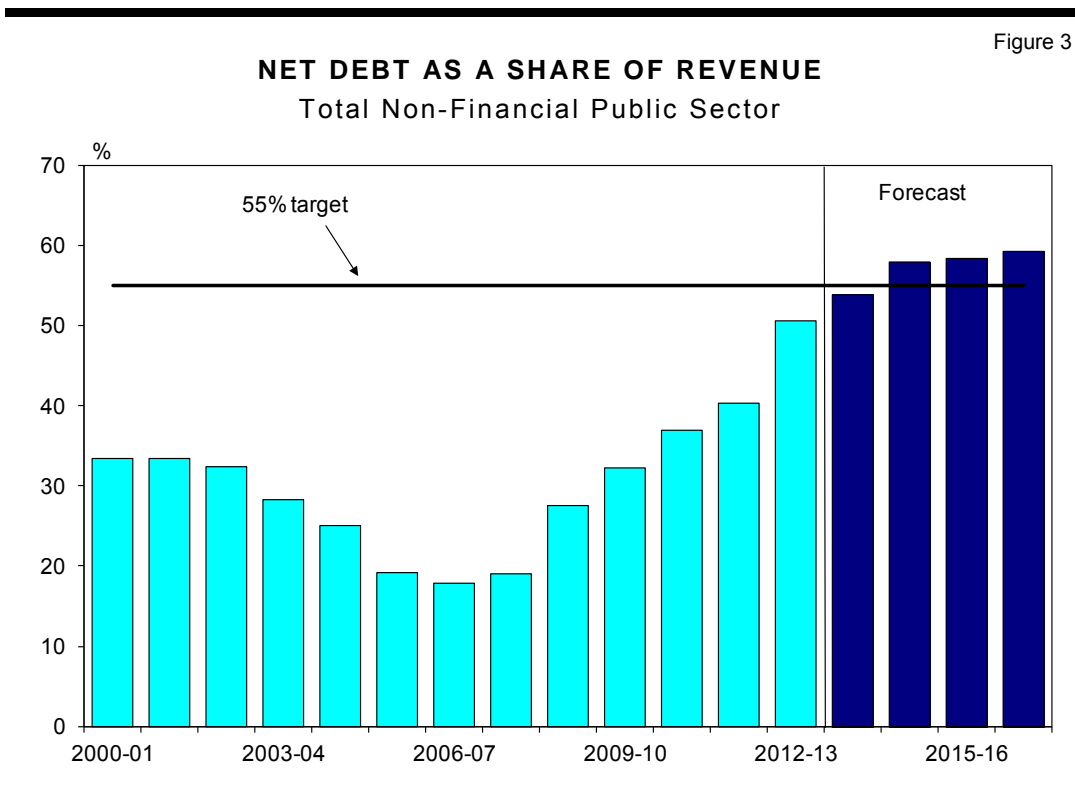
CASH OPERATING SURPLUS AS A SHARE OF INFRASTRUCTURE SPENDING
General Government Sector



Maintain TNPS net debt to revenue ratio at or below 55%

This target is expected to be met in 2013-14. Higher net debt levels in 2014-15 and beyond are expected to be in excess of the 55% target limit.

Net debt has steadily increased since the Global Financial Crisis (GFC), which substantially reduced revenue collections and the State’s operating performance in 2008-09. Although the general government sector has recorded operating surplus outcomes over this period, they have been, on average, much smaller than in pre-GFC years. Accordingly, as infrastructure spending has stayed at high levels (to fund substantial hospital replacement projects, electricity, water, transport and other essential capital works), an increase in net debt levels has been required.

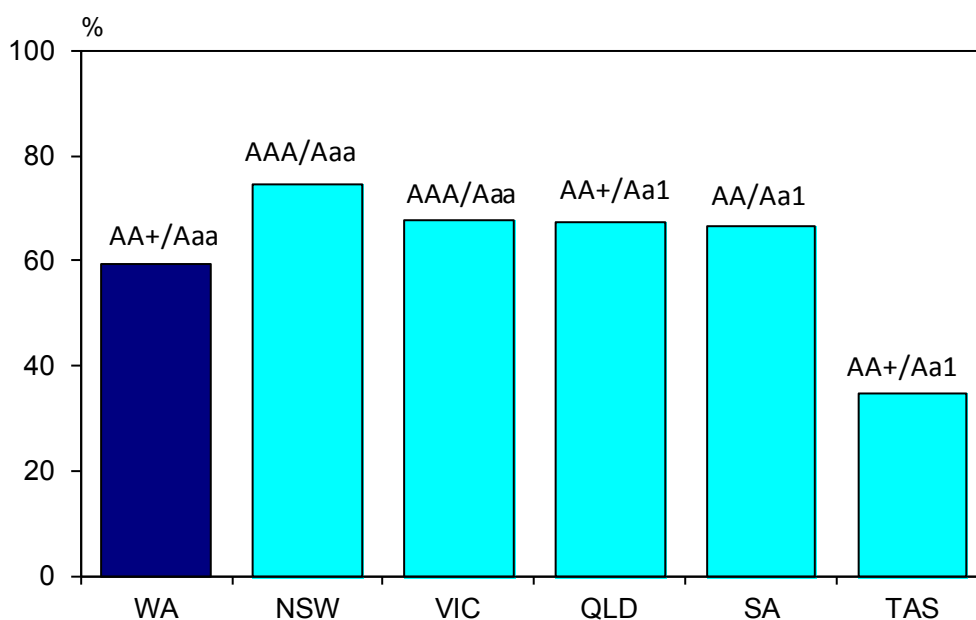


While net debt as a share of revenue is expected to increase in excess of the Government’s self-imposed 55% limit from 2014-15, measures implemented in this mid-year review have reduced projected net debt levels (for the total public sector) by \$1.5 billion over the forward estimates period relative to budget-time projections. Further, the level of gross borrowings has been revised down by \$2.2 billion since budget, reflecting the net debt improvement plus changes to the management of Consolidated Account borrowings.

The following chart shows that Western Australia’s projected net debt burden as a share of revenue (for 2016-17) is not substantially different to other Australian States and is below the levels forecast for New South Wales and Victoria, which are triple-A rated jurisdictions. While Western Australia’s ratio of net debt to revenue is below that of these triple-A rated States, Standard & Poor’s (S&P’s) has raised concerns around the volatility of Western Australia’s revenue base (particularly iron ore royalties) compared to other jurisdictions. This volatility contributed to S&P’s recent decision to downgrade Western Australia from AAA to AA+.

Figure 4

**STATES’ CREDIT RATING STATUS^(a) AND
NET DEBT AS A SHARE OF REVENUE – 2016-17^(b)**
Total Non-Financial Public Sector



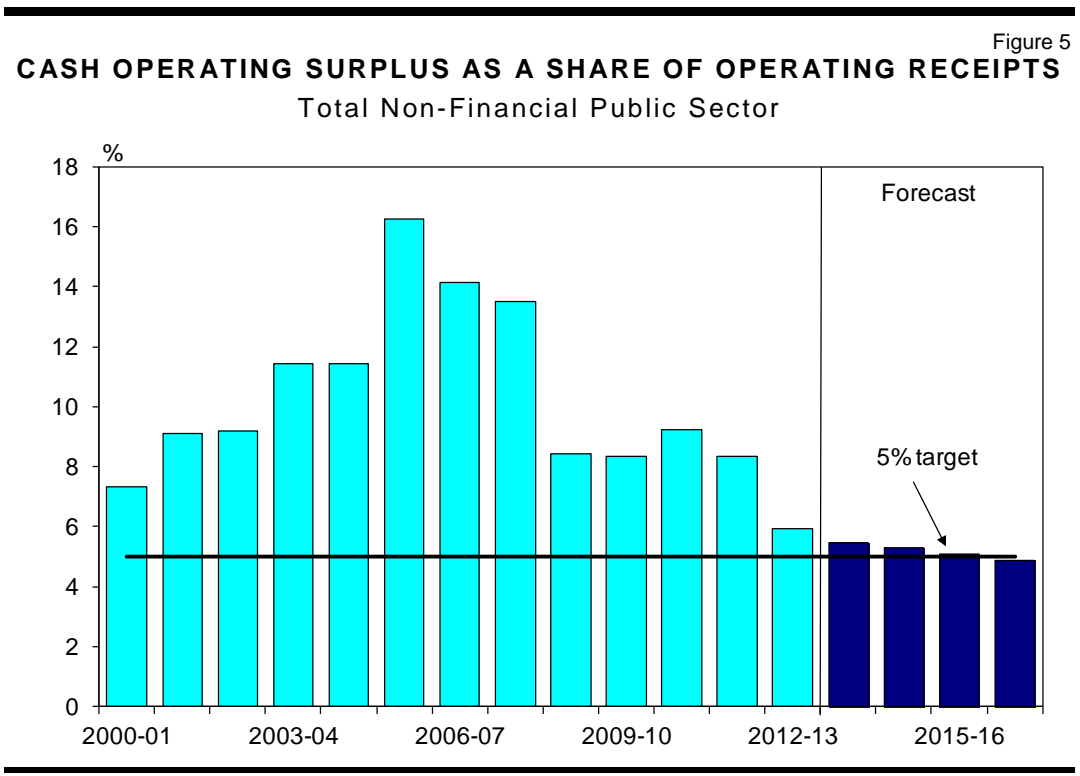
(a) Standard & Poor’s rating / Moody’s rating (e.g. Western Australia AA+ / Aaa).

(b) Based on 2013-14 mid-year review data for all jurisdictions except for Queensland and Tasmania, which are based on 2013-14 Budget data.

Maintain a cash operating surplus for the TNPS of at least 5% of operating cash receipts

This target measures the extent to which the TNPS can finance its operating or day-to-day costs from its operating receipts, and have surplus receipts left over to help fund infrastructure investments. It is expected to be met in 2013-14, 2014-15 and 2015-16.

On current projections, the ratio of the TNPS cash operating surplus to operating receipts is expected to dip just below 5% in 2016-17 (4.9%). This reflects an expected decline in the cash operating surplus for that year, which in turn is largely a result of forecast expense growth for the general government sector (4.7%) exceeding forecast revenue growth (3.8%). See Chapter 1 for further detail.



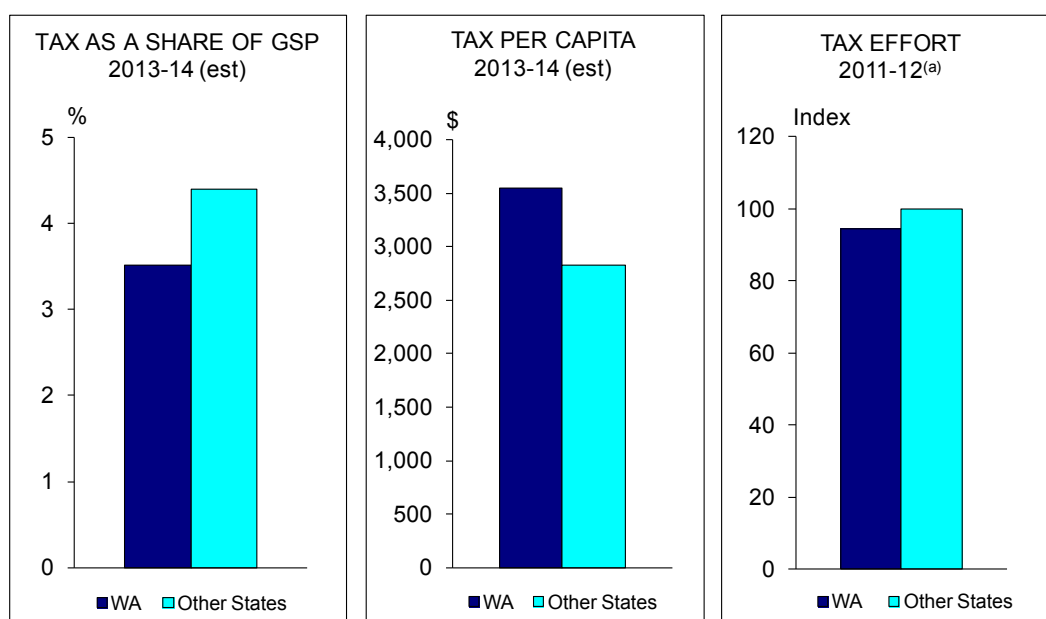
Provide a fair and efficient tax system that is competitive with other States

The Government seeks to provide a fair and efficient taxation system that is competitive with other States and raises sufficient revenue to meet the infrastructure and service delivery needs of the Western Australian community. The competitiveness of Western Australia's tax system can be assessed against a variety of criteria, including:

- tax revenue as a share of Gross State Product (GSP);
- tax revenue on a per capita basis; and
- tax 'effort' calculated from CGC data.

Figure 6

TAX COMPETITIVENESS Various Measures



(a) Source: CGC. 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 CGC estimates the State would have raised had it applied national average State tax rates). 2011-12 is the latest year for which data is available.

Tax as a proportion of the economy (i.e. GSP) is an internationally recognised measure of tax competitiveness, which, unlike tax per capita, accounts for differences in the size and composition of the economic and revenue base in each jurisdiction. According to this measure, the tax burden in Western Australia is expected to be lower than the average of other States in 2013-14 (3.5% compared to an average of 4.4% estimated for other States).

In contrast, per capita tax revenue in Western Australia is expected to exceed the average of other States in 2013-14. This mainly reflects the relative strength of the State's economic base (and hence its revenue raising capacity), rather than higher average tax rates.

In this regard, and based on the latest available data compiled by the CGC, Western Australia's tax 'effort' (i.e. its average tax rate) was 5.6% lower than the national average in 2011-12.

Taken in aggregate, these outcomes are consistent with competitive tax policy settings in Western Australia.

The Western Australian Economy

HIGHLIGHTS

- Western Australia was the strongest growing State in the nation in 2012-13, with economic activity increasing by 5.1%, almost double national economic growth of 2.6%. This result was driven by a record \$74.8 billion worth of business investment in the State, representing 28% of national investment.
- The State's economic growth is forecast to moderate to 3.25% in 2013-14 (still above forecast growth for the nation as a whole), as business investment eases from peak levels in 2012-13.
- Exports are expected to be the key driver of economic growth across the budget period as major resource projects ramp up production and export volumes increase significantly.
- Having increased by an estimated 81,700 people or 3.4% in 2012-13 (double the national rate of growth), the State's population is forecast to continue growing strongly in 2013-14 by around 62,000 people or 2.5%.

Introduction

The outlook for the Western Australian economy is broadly consistent with expectations outlined in the 2013-14 Budget, released in August 2013.

Economic conditions remained robust in 2012-13 with Gross State Product (GSP) increasing by 5.1% (down slightly from an estimated 5.75% at budget-time), underpinned by strong growth in business investment and exports as well as rapid growth in the State's population. This followed record GSP growth of 7.3% in 2011-12 (upwardly revised on 28 November 2013 by the Australian Bureau of Statistics (ABS) from 6.7%).

Growth in the domestic economy (i.e. excluding the external trade sector) is forecast to moderate from 2013-14 as spending on the construction of a number of very large iron ore and liquefied natural gas (LNG) projects slows, causing business investment to taper off from a 2012-13 peak.

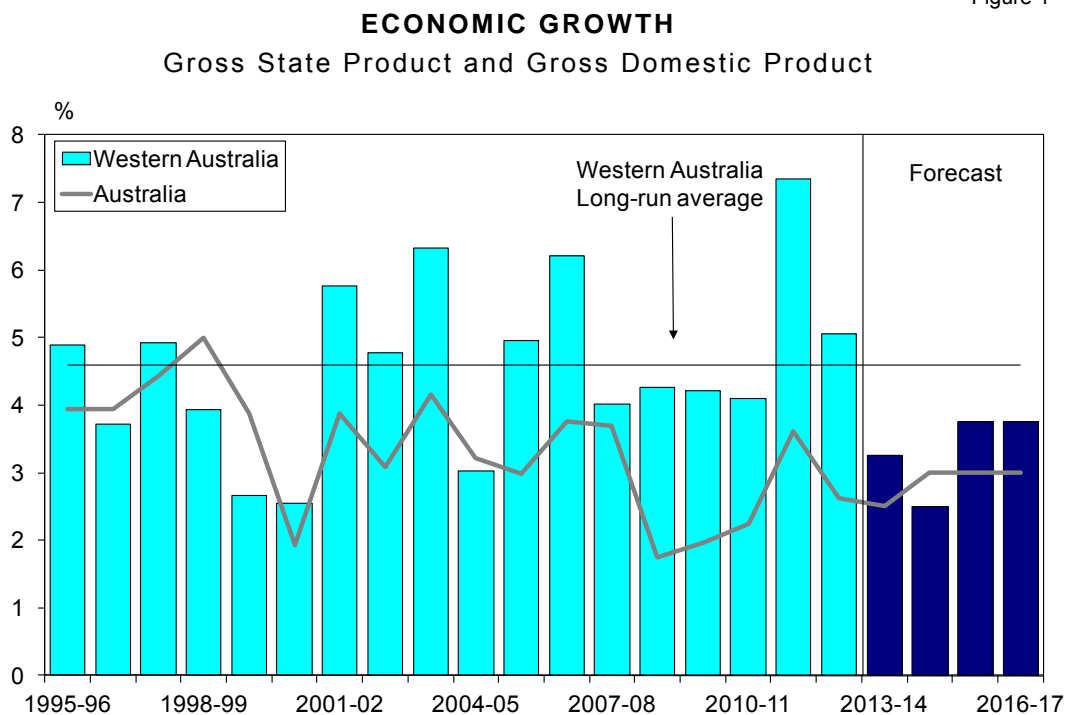
Leading indicators of housing activity such as building approvals and housing finance commitments have grown strongly, with dwelling investment expected to recover in 2013-14 as forecast at budget. Household consumption is projected to grow by a solid 4% in 2013-14, supported by above-average population growth.

As declines in business investment cause domestic economic activity to slow, GSP is expected to moderate to 3.25% in 2013-14. However, this remains above the 2.5% growth forecast for the national economy.

Exports are expected to drive economic growth across the forward estimates period as a number of large resource projects move into the operational phase and production volumes increase significantly. The lift in exports should support economic growth of 2.5% in 2014-15 and 3.75% per annum in 2015-16 and 2016-17.

Solid growth in other sectors of the economy will not be sufficient to fully replace the large contributions made from business investment in recent years, with growth in GSP expected to remain below its long-run average of 4.6% per annum¹ (see figure below).

Figure 1



Source: ABS Catalogue 5220.0, Department of Treasury and Commonwealth *Pre-Election Economic and Fiscal Outlook 2013* and *Economic Statement August 2013*.

¹ Annual average growth in GSP from 1989-90 to 2012-13 (23 years).

As forecast at budget, labour market conditions are expected to soften in line with slowing domestic economic activity. However, recent data indicates that unemployment has not risen as quickly as anticipated, and the unemployment rate is now forecast to increase more modestly than expected at budget, from 5% in 2013-14 to 5.5% in 2014-15 before reverting to 5% in 2016-17.

The State's population is estimated to have grown by a very strong 3.4% in 2012-13, double the expected national population growth. This equates to around 81,700 additional people in the State, with 52,000 or 64% of these people moving to Western Australia from overseas. Further strong population growth of 2.5% or around 62,000 additional people is expected in 2013-14.

Table 1

| COMPONENTS OF GROSS STATE PRODUCT | | | | | | |
|--|-------------|-------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| Western Australia | | | | | | |
| | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| | Actual % | Budget Estimate % | Mid-year Revision % | Forward Estimate % | Forward Estimate % | Forward Estimate % |
| Demand and Output ^(a) | | | | | | |
| Household consumption | 4.1 | 4.0 | 4.0 | 3.5 | 3.5 | 3.5 |
| Dwelling investment | -1.0 | 11.25 | 11.25 | 6.0 | 3.75 | 2.0 |
| Business investment | 8.5 | -9.0 | -9.0 | -7.0 | -5.0 | -3.75 |
| Government consumption | 2.2 | 4.75 | 4.75 | 4.25 | 4.5 | 4.5 |
| Government investment | 1.5 | 3.0 | 2.75 | -0.5 | 0.5 | 1.5 |
| State Final Demand (SFD) | 5.2 | -0.25 | -0.25 | 0.5 | 1.0 | 1.25 |
| Merchandise exports | 9.1 | 6.25 | 6.25 | 4.5 | 7.0 | 6.75 |
| Merchandise imports | -3.5 | -7.75 | -7.75 | -4.25 | -1.0 | 0.5 |
| Net exports ^(b) | 14.7 | 12.0 | 10.5 | 7.25 | 9.25 | 8.5 |
| Gross State Product (GSP) ^(c) | 5.1 | 3.25 | 3.25 | 2.5 | 3.75 | 3.75 |
| Labour market | | | | | | |
| Population ^(d) | 3.4 | 2.2 | 2.5 | 2.1 | 2.1 | 2.1 |
| Working age population (15-64) ^(d) | 3.1 | 1.8 | 2.0 | 1.7 | 1.6 | 1.6 |
| Employment | 3.6 | 1.25 | 1.25 | 1.75 | 1.5 | 1.5 |
| Unemployment rate ^(e) | 4.4 | 5.5 | 5.0 | 5.5 | 5.25 | 5.0 |
| Participation rate (15-64) ^(e) | 69.0 | 68.9 | 68.3 | 68.4 | 67.8 | 67.3 |
| Prices | | | | | | |
| Consumer Price Index (CPI) | 2.3 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Wage Price Index (WPI) | 4.0 | 3.75 | 3.75 | 3.75 | 3.5 | 3.5 |
| SFD deflator | 2.1 | 2.8 | 2.6 | 1.9 | 1.7 | 1.6 |
| GSP deflator | -4.1 | 4.0 | 1.5 | 0.0 | 1.0 | 1.2 |
| Established house price index | 6.6 | 6.0 | 5.5 | 3.5 | 1.8 | 1.9 |
| Other key parameters | | | | | | |
| Exchange rate (US cents/\$A) | 102.7 | 92.0 | 92.3 | 90.2 | 87.6 | 85.2 |
| Effective iron ore price (\$US/tonne) (FOB) ^(f) | 121.1 | 116.7 | 120.9 | 114.9 | 113.8 | 109.5 |
| Crude oil price (\$US/barrel) | 92.2 | 94.9 | 97.8 | 90.9 | 86.2 | 83.4 |

(a) Based on 2012-13 State Accounts data, released on 28 November 2013 (ABS Catalogue 5220.0).

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

(c) Forecasts for ownership transfer costs, international trade in services, balancing item components, and the statistical discrepancy of the State Accounts are not separately reported.

(d) Estimated actual for 2012-13, as at the 3 December 2013 cut-off date.

(e) Data expressed in terms of the annual average during the financial year.

(f) The effective benchmark FOB price is the spot price minus the cost of shipping (adjusted for moisture content). The total deduction from the spot price in 2013-14 is \$US9.9 per tonne. Thus, the benchmark FOB price of \$US120.9 per tonne in 2013-14 equates to a 'headline' spot price of \$US130.8 per tonne.

International Conditions

Global economic conditions appear to have stabilised somewhat since budget, with world economic activity expected to strengthen over 2014. However, the outlook remains uncertain, reflecting signs that growth in advanced economies is picking up while economic activity in emerging markets is softening.

In its October 2013 World Economic Outlook (WEO), the International Monetary Fund (IMF) revised down its forecasts for global growth from 3.1% to 2.9% in 2013, highlighting that growth is still weak with risks remaining on the downside. Conditions are expected to pick up in 2014, with activity forecast to grow by 3.6%.

There are signs that the US economy has strengthened, with unemployment remaining stable over recent months (at rates below 7.5%), and advanced estimates of Gross Domestic Product (GDP) for the third quarter of 2013 coming in stronger than expected. US economic activity is forecast to strengthen into 2014. However, this is expected to trigger a tapering of the Federal Reserve's quantitative easing measures, which may restrain economic activity in the latter half of 2014.

The outlook for the euro area has improved, with signs of a slow but gradual recovery emerging. The IMF expects the area to come out of recession in 2014, forecasting modest growth of 1% in its October WEO (up from 0.9% forecast in July). However, the European Central Bank (ECB) President has described the emerging recovery as weak, uneven, fragile and starting from very low levels. In addition, economic conditions remain weak in a number of euro area countries, with unemployment at historically high levels and inflation remaining below the ECB's medium-term target.

The outlook for Western Australia's resource-driven economy relies heavily on the continued strength of the Chinese economy and its demand for raw materials. The IMF and World Bank recently lowered their forecasts for growth in China, reflecting the Chinese government's objective to move to a more balanced and sustainable private consumption-led growth path.

However, the Chinese economy is still forecast to grow strongly over the medium-term, and will be growing off a much larger economic base than in the past. For example, economic growth of 7.7% in 2012 added RMB1.2 trillion in real terms² to China's GDP, similar to the RMB1.3 trillion added to GDP in 2007 when the rate of growth was 14.2%.

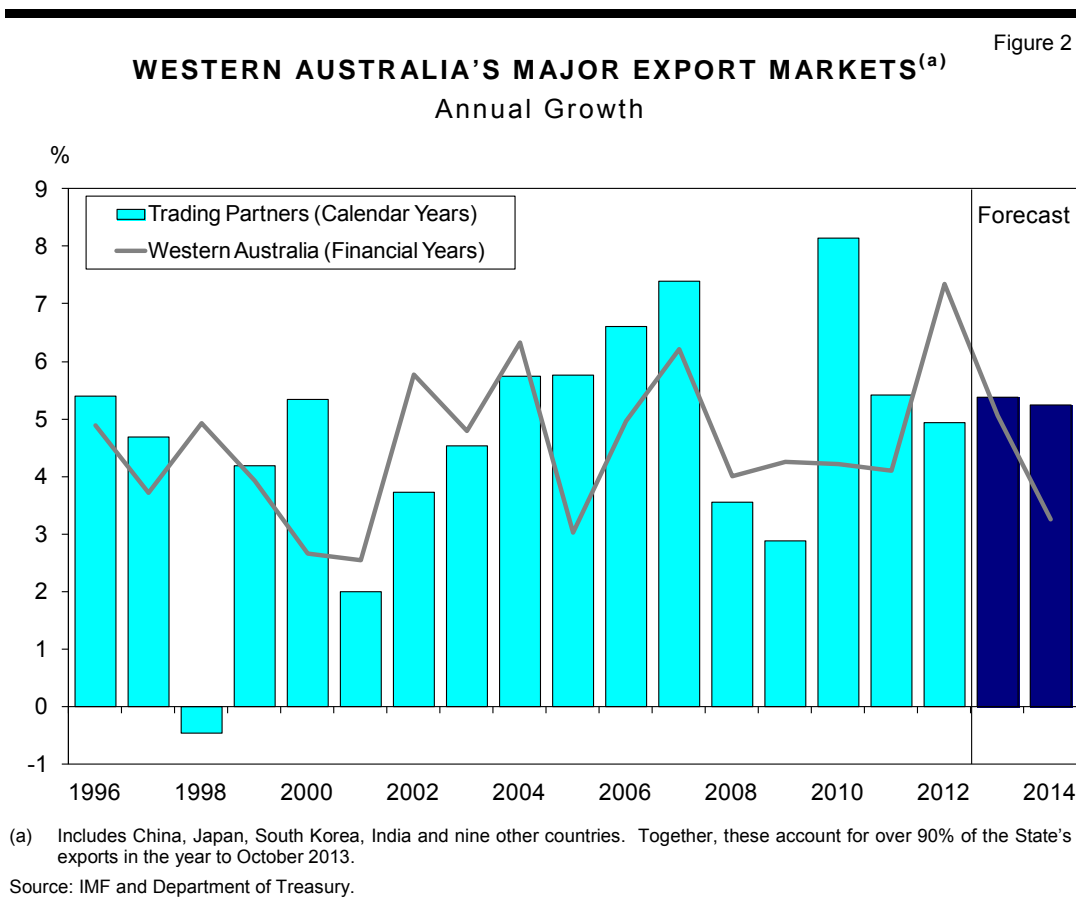
Some positive signs have emerged out of China since budget, with solid growth recorded in the September quarter 2013 and industrial production strengthening to a 17-month high in August. Chinese government stimulus measures announced in July 2013 (including tax breaks for small businesses, reduced export fees and measures to accelerate railway construction and investment) appear to have boosted the construction and infrastructure sectors and lifted steel and iron ore prices in the September quarter.

² Base year: 1990. *International Monetary Fund*, World Economic Outlook Database, October 2013.

The recently held third plenum of China’s 18th Central Committee includes a reform of the ‘Hukou’ household registration system, which aims to lift registration restrictions in third tier towns and small cities, while restrictions in medium-sized cities will be gradually relaxed. Being able to obtain ‘Hukou’ registration will allow rural residents to move to qualifying cities for work, and benefit from basic social welfare and affordable housing. Increased labour market flexibility should promote growth by allowing more efficient use of China’s labour resources.

Encouraging signs have also emerged out of Japan, Western Australia’s second largest trading partner, with unemployment falling and household spending and industrial output picking up in September 2013. The Japanese Prime Minister has committed to a number of reforms, including legislated tax increases and reforms to increase female participation in the workforce. To offset the impact of increases in sales tax (from 5% to 8%), the Japanese Government is planning an additional fiscal stimulus package (anticipated to include public capital works spending and a tax break for private capital spending), which if implemented as planned, will likely see economic activity continue to strengthen over 2014.

Looking ahead, average growth for Western Australia’s key export markets is expected to remain reasonably robust, at 5.4% in 2013 and 5.2% in 2014 (see figure below), following growth of 4.9% in 2012.



Domestic Economic Activity

Household Sector

Private Consumption

Household consumption grew by 4.1% in 2012-13, well above national growth of 2.1%. This follows two years of exceptional growth of 6% in 2011-12 and 5.4% in 2010-11.

The outlook for household consumption remains consistent with budget, with growth expected to moderate slightly to 4% in 2013-14 and 3.5% per annum across the forward estimates period. This moderation in growth reflects softer labour market conditions, particularly trends in full-time employment, and a forecast moderation in population growth.

Recent movements in leading indicators are consistent with a moderation in household consumption, with annual average growth in retail trade softening to 4.2% in the September quarter 2013 (down from 6% in the June quarter).

Consumer sentiment in Western Australia (according to the Westpac – Melbourne Institute Consumer Sentiment Index) is largely consistent with budget, remaining relatively flat since July 2013 (in 3-month average terms).

Established Housing Market

Conditions in the established housing market were robust in 2012-13. This was reflected in established house prices increasing by 6.6% over the year (compared to the 5.5% budget estimate). Demand was supported by a combination of low interest rates and strong growth in rents, which improved housing affordability relative to renting for first home buyers and lifted expected returns for investors. This also flowed through to strong growth in trade-up buyer activity.

However, recent trends in the established housing market have been softer than anticipated at budget. The ABS established house price index for Perth, which adjusts for changes in composition, recorded growth of 0.2% in the September quarter 2013 (down from 2.7% in the June quarter), whilst transaction volumes also softened in the September quarter. This has resulted in a more modest outlook for the established housing market in 2013-14, with a small downward revision to price growth from 6% at budget to 5.5%. This flows through to lower projections for transfer duty (see Chapter 1: *Financial Projections*).

The outlook for house prices across the forward estimates remains unchanged from budget, with growth forecast to moderate as an easing in population and wages growth contains housing demand.

Recent trends in the housing market and transfer duty

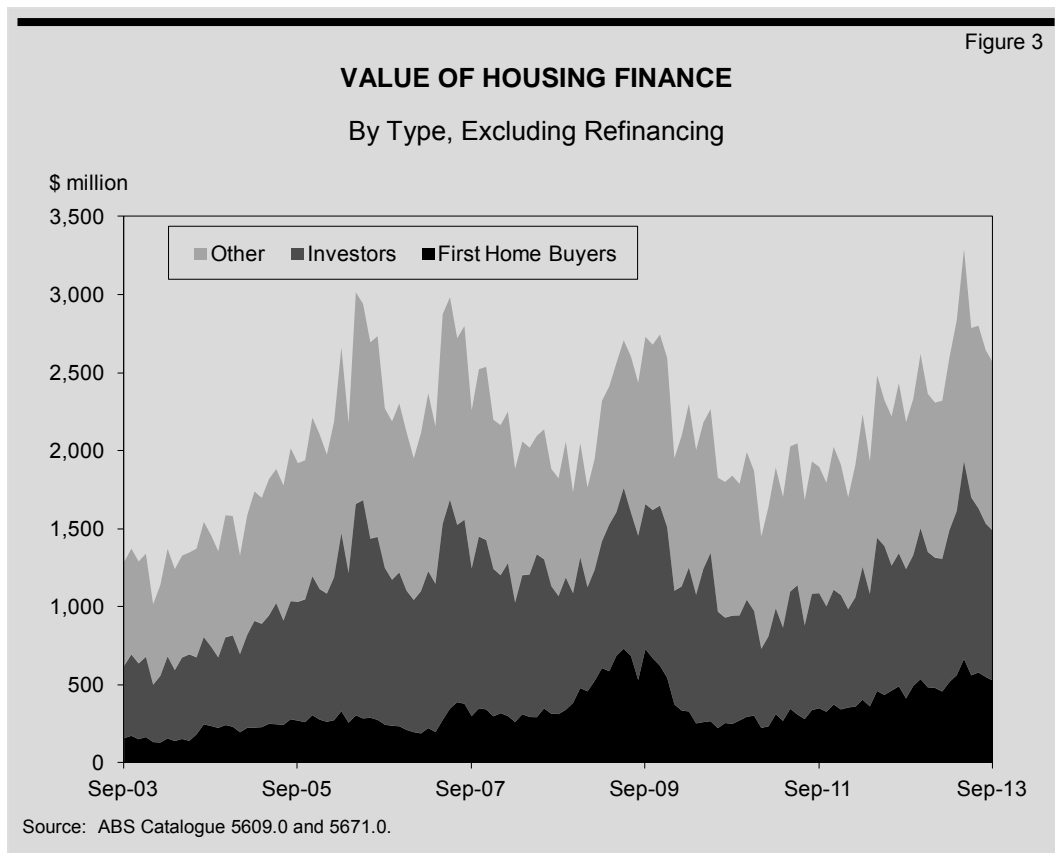
Developments in Perth's property market have implications for the State's economic growth and government revenue. The construction of new dwellings directly contributes to State domestic output³, while turnover in the established housing market drives growth in 'underlying' transfer duty collections. 'Underlying' transfer duty, which abstracts from very large value commercial transactions that are one-off in nature, has averaged around 80% of total duty collections over the past five years.

The 2012-13 financial year was the second consecutive year of improving demand in Perth's established housing market. Since the September quarter 2011, over 1,000 people on average have moved to Western Australia each week. These high levels of migration resulted in a tight rental market, with the rental vacancy rate averaging around 2.3% (a rate of around 3% is generally considered to represent a balanced market) over 2011-12 and 2012-13, and rents increasing by 25% over this period.

Concurrently, interest rates fell by 160 basis points over the same two year period to be at historically low levels. The combination of these factors resulted in increased numbers of first home buyers and investors entering the market in 2012-13, when new dwelling supply was 25% lower than in 2010-11. Consequently, the median house price increased by \$41,000 between the June quarter 2012 and the June quarter 2013, while the volume of transactions (proxied by housing finance commitments excluding refinancing) in the June quarter 2013 was the highest in almost six years.

³ Construction of new dwellings contributed 0.1 percentage points to State Final Demand growth of 5.2% in 2012-13.

Figure 3



These conditions were the key driver of 23% growth in ‘underlying’ transfer duty in 2012-13. Underlying duty collected in the June quarter 2013 was the highest since the December quarter 2007, whilst duty from large value transactions (mostly in the commercial property and mining sectors) was the second strongest on record in 2012-13. This resulted in growth of 37% in total duty on transfers for the year, which compares to average growth of 8.4% per annum over the past decade.

Following two years of growing demand for housing, conditions in the market have begun to stabilise in the September quarter 2013, albeit at a high level. Migration to Western Australia appears to be slowing and is projected to average around 750 people per week in 2013-14. This is in line with softer labour market conditions and a weaker rental market. The median rent fell slightly in the September quarter 2013, with the rental vacancy rate at 3.1% over the quarter. While interest rates remain at historically low levels, there is less scope for further reductions in 2013-14, following a 65 basis point decrease during 2012-13.

In addition to steadier demand conditions, the supply of new housing is set to increase in 2013-14, with the stock of dwellings under construction up by around 40% in the June quarter 2013 (compared to a year earlier).

These more balanced market conditions have softened the outlook for growth in both house prices and sale transactions. The median house price in the three months to November 2013 of around \$530,000 was up only slightly from \$525,000 in the June quarter 2013. Transaction volumes have fallen from their recent peak in the June quarter, but remain at a high level.

The modest growth in house prices between the June quarter and the three months to November, masks trends in the housing market during the September quarter. Specifically, activity in the established market was dominated by transactions within lower priced suburbs, which contributed to a dip in the median house price as well as transfer duty collections in the September quarter (relative to the previous quarter). More recently, activity has been concentrated in the higher priced inner-city suburbs, which has resulted in a lift in the median house price and an associated pick up in 'underlying' transfer duty revenue.

Overall, total duty on transfers is now expected to grow by 9% in 2013-14, significantly slower than growth of 37% in 2012-13, but still slightly above average growth over the last decade (8.4%). The projected growth over the year is lower than expected at budget (16%), in part due to fewer one-off large value transactions than anticipated, and weaker than expected underlying collections in the September quarter.

Note: References to the median house price, rent and the rental vacancy rates are based on data published by the Real Estate Institute of Western Australia.

Dwelling Investment

Dwelling investment⁴ declined by 1% in 2012-13 (lower than the modest 1.25% growth forecast at budget), but is anticipated to grow by a strong 11.25% in 2013-14.

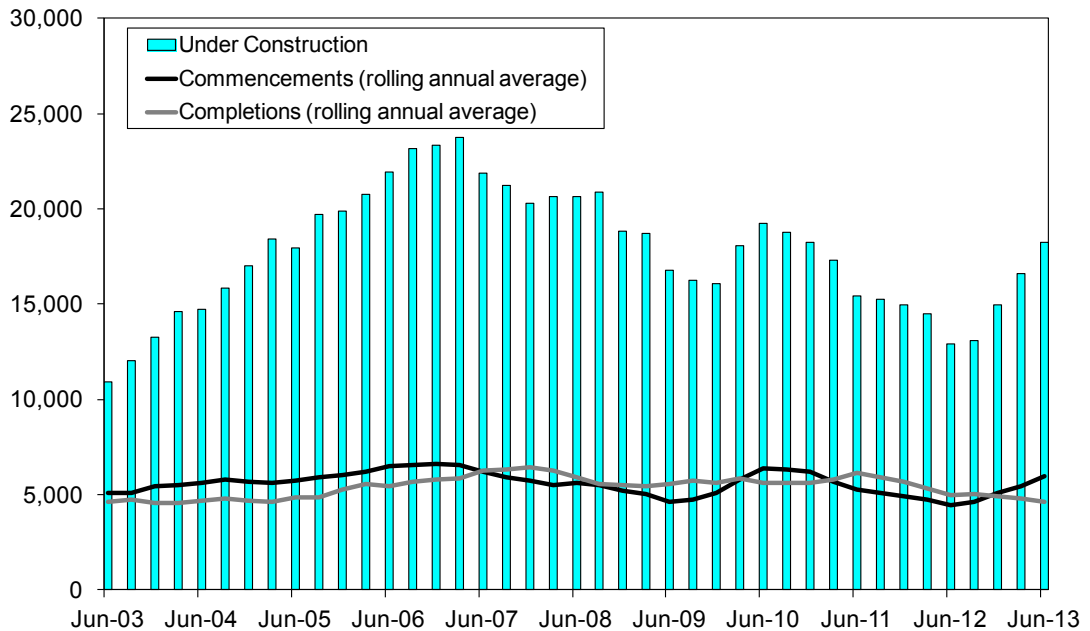
A number of indicators point to a strong lift in dwelling investment. In particular, the number of dwellings under construction has grown strongly over the past year as the number of commencements has exceeded completions (see following chart). Similarly, building approvals grew by 33.5% over the year to October 2013.

The strength of the leading indicators is consistent with expectations at budget, with the dwelling investment outlook unchanged across the forecast period. As the recent increase in activity flows through to investment, growth of 11.25% is forecast in 2013-14. Across the forward estimates period, growth is expected to moderate to around its long-run average of 3.2%, as activity in the housing market stabilises.

⁴ Dwelling investment consists of the construction of new dwellings (usually around 60% of overall dwelling investment) and residential alterations and additions (the remaining 40%).

Figure 4

DWELLING CONSTRUCTION
Western Australia



Source: ABS Catalogue 8752.0

Business Sector

Business investment grew by 8.5% in 2012-13 to reach an exceptionally high \$74.8 billion, representing 28% of total business investment in Australia. This record level of investment is the result of sustained strong levels of investment over the past decade, during which growth averaged 16.5% per annum.

The outlook for business investment is heavily influenced by the major resource projects that are currently under construction in the State, particularly large LNG projects (such as the Gorgon and Wheatstone projects) and expansions by the major iron ore companies. The profile of spending for these projects remains consistent with a peak in investment in 2012-13.

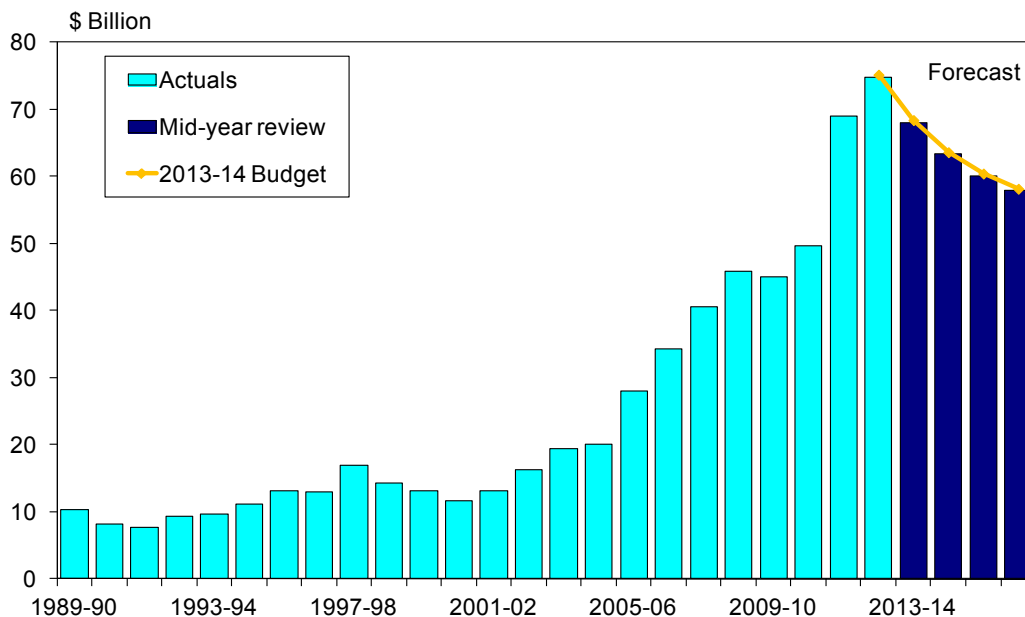
Since the release of the 2013-14 Budget, plans for a number of new resource projects have been announced, including plans for the Iron Bridge project (\$1.7 billion) announced by Fortescue Metals Group (FMG). However, the size of newly announced projects is not sufficient to impact the budget forecasts, as the values of these projects fall within the allowance made in the budget estimates for potential/prospective projects.

Business investment is forecast to decline by 9% in 2013-14, as spending on the major iron ore and LNG projects starts to wind down. More modest declines in investment are expected to continue across the forward estimates, as major resource projects transition from construction and into the operational phase.

Despite a moderation in growth from record rates in recent years, the total value of business investment is expected to remain at historically high levels across the forward estimates and well above the level of investment recorded in 2010-11 (see figure below).

BUSINESS INVESTMENT IN WESTERN AUSTRALIA
Annual Levels, Chain Volume Terms

Figure 5



Source: ABS Catalogue 5220.0 and Department of Treasury.

Note: Data are adjusted for the 1997-98 sale of the Dampier to Bunbury Natural Gas Pipeline.

Government Sector

Public consumption and investment includes spending by the Commonwealth, State and local governments. Public consumption in Western Australia increased by a modest 2.2% in 2012-13. In line with the expense growth projections from Chapter 1: *Financial Projections*, public consumption is expected to increase by 4.75% in 2013-14 before moderating to 4.5% by 2016-17.

Public investment increased by 1.5% in 2012-13, consistent with the 1% growth forecast at budget. Public investment is expected to increase by 2.75% in 2013-14 (down from 3% forecast at budget due to stronger than expected State Government investment in 2012-13). Investment has been revised down from 0.5% to -0.5% in 2014-15 and from 0.75% to 0.5% in 2015-16 in line with the Asset Investment Program projections provided in Chapter 1: *Financial Projections*.

International Trade

Exports

Merchandise exports from Western Australia have been increasing broadly in line with budget expectations, with strong growth of 9.1% recorded for 2012-13. This was driven by a rise in iron ore exports as a result of increased production and higher LNG sales. Exports are forecast to grow by 6.25% in 2013-14, supported by a significant pick up in iron ore shipments and a lift in oil exports.

Forecasts across the forward estimates remain unchanged from budget, with growth in export volumes ranging between 4.5% and 7%. Iron ore exports make the largest contribution to growth, particularly in 2013-14 and 2014-15. LNG exports are expected to make a significant contribution by 2015-16 and are forecast to become the largest contributor to total export growth in 2016-17.

Imports

Merchandise imports were softer than forecast in 2012-13, declining by 3.5%. It is expected that this figure will be revised up when capital imports recorded at the national level are allocated to the State. This revision would better align imports growth with the strong 8.5% increase in business investment during the year⁵.

Merchandise imports are forecast to decline between 2013-14 (-7.75%) and 2015-16 (-1%) as imports of capital goods decrease in line with the moderation in major project investment. Merchandise imports are expected to increase again by 2016-17, as capital goods imports stabilise and imports of consumer goods continue to grow.

Labour Market

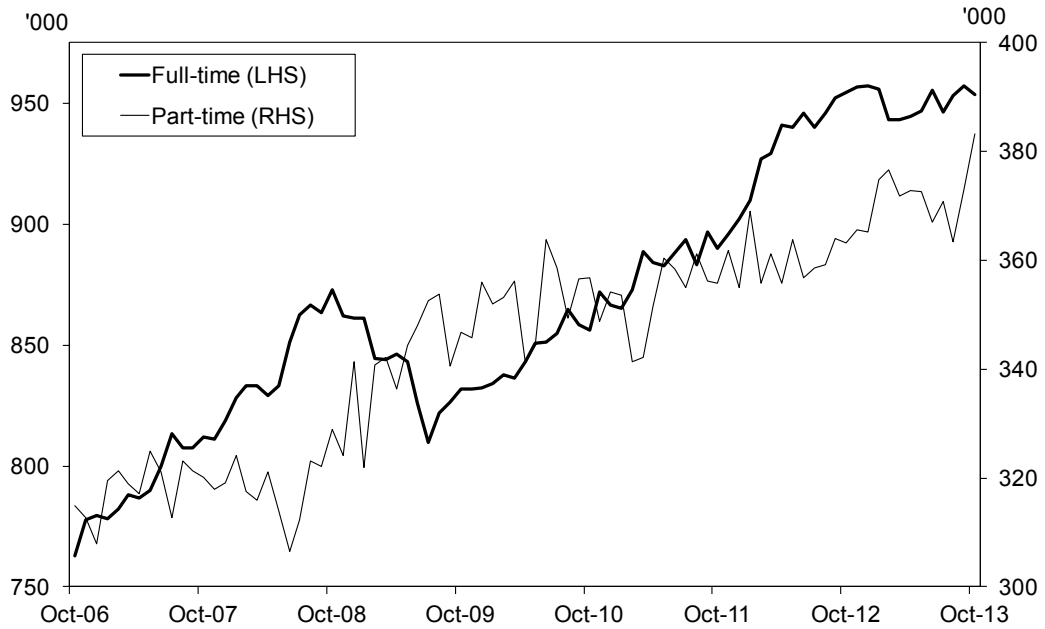
Employment

Employment grew by 3.6% in 2012-13, supported by solid growth during the second half of 2012. Hiring activity in Western Australia has eased since early 2013, led by a marked slowdown in full-time employment growth (see following chart). This is in line with persistent weakness in leading indicators of labour demand, and a peak in investment in the State's resource sector. These trends are consistent with the budget forecast of a notable slowdown in employment growth to 1.25% in 2013-14.

⁵ Historical analysis of merchandise imports suggests they generally move in line with changes in business investment as the imports of capital goods required for large projects are typically more volatile than imports of consumer goods.

Figure 6

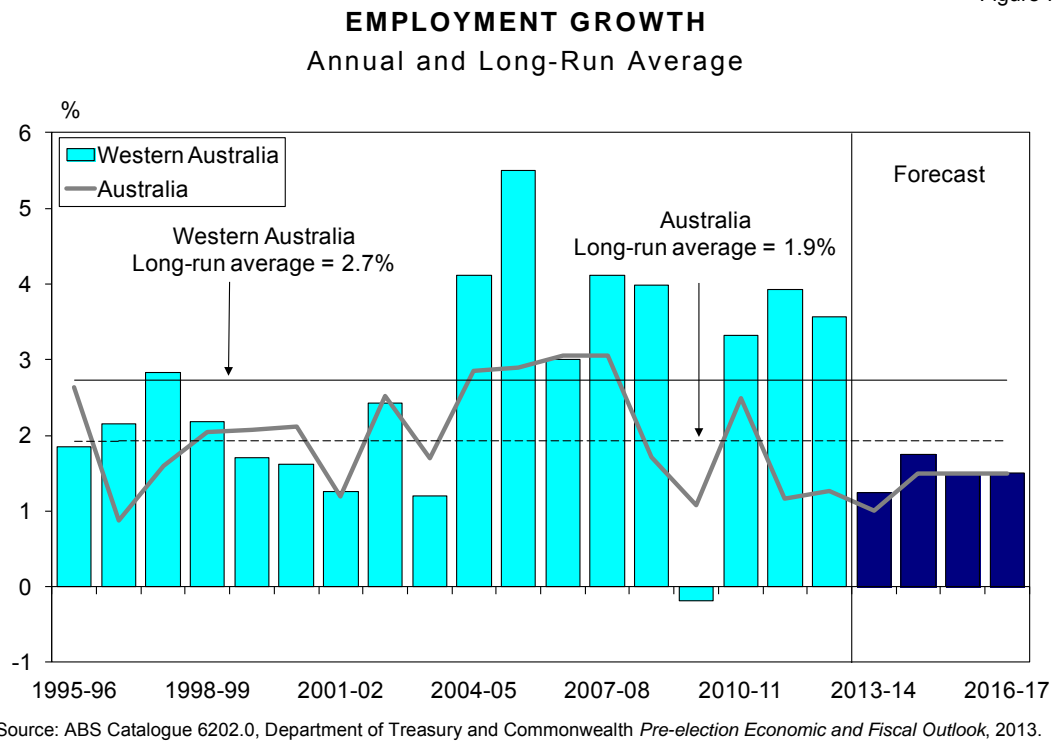
EMPLOYMENT GROWTH
Full-Time and Part-Time



Source: ABS Catalogue 6202.0.

Employment growth is expected to remain modest over the forward estimates, as domestic economic activity slows and major resource projects move to the less labour-intensive operational phase. As such, employment is forecast to grow by 1.75% in 2014-15, before stabilising at 1.5% per annum over the following two years.

Figure 7



Unemployment

Western Australia’s unemployment rate averaged 4.4% in 2012-13 and, consistent with a slowdown in employment growth, is expected to rise to 5% in 2013-14. This has been revised down from a forecast rate of 5.5% at budget, as the average unemployment rate to date is tracking below expectations, contained by a fall in the participation rate and a rise in part-time employment.

Reflecting recent trends, forecast growth over the forward estimates has also been revised down slightly. The unemployment rate is now projected to average 5.5% in 2014-15 (down from 5.75% at budget) as domestic economic activity remains soft, before moderating to 5% by 2016-17.

The participation rate estimates have also been revised down, due to stronger population growth and lower unemployment rate forecasts. The participation rate is now expected to average 68.3% in 2013-14 before reaching 67.3% in 2016-17, below the decade average of 68.1%.

Population

Stronger than expected population growth in the March quarter 2013 lifted annual average growth to 3.5%, up from 3.4% in the December quarter 2012 and well above the decade average of 2.3%.

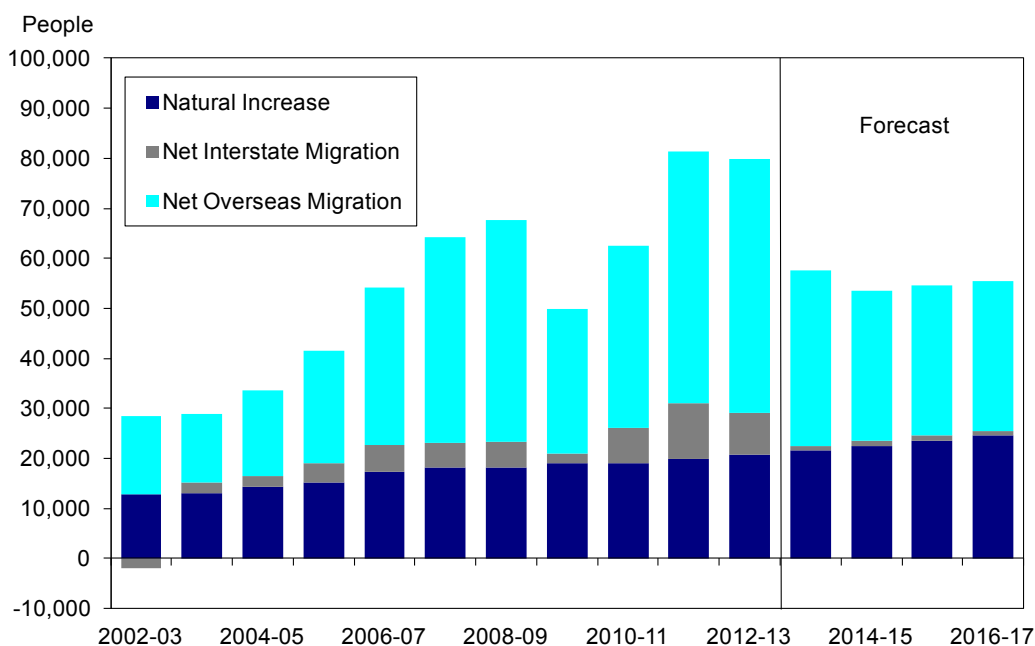
Western Australia’s population is estimated to have grown by 3.4% in 2012-13, and is forecast to grow by 2.5% in 2013-14. These are upward revisions from the budget forecasts of 3.2% and 2.2% respectively. The higher estimate for 2012-13 reflects the strong growth embodied in the latest published population estimates, primarily arising from strong growth in net overseas migration.

This has flowed through to a slower than expected decline in Western Australia’s share of national net overseas migration in 2013-14, reflecting a relative improvement in the State’s economic outlook compared to nationally. While forecasts for growth in Western Australia’s economy remain unchanged, growth in national total final demand has been revised down since the recent budget, from 2.75% to 2% in 2013-14⁶.

As labour market conditions soften across the forward estimates, population growth is forecast to moderate to 2.1% per annum, in line with budget expectations.

Figure 8

COMPONENTS OF POPULATION GROWTH
Additions/Subtractions to Growth



Source: ABS Catalogue 3101.0 and Department of Treasury.

Wages

Western Australia’s Wage Price Index (WPI) increased by 4% in 2012-13. WPI growth has remained below average over recent quarters, corresponding to an easing of conditions in the State’s labour market. Accordingly, wages growth is expected to moderate to 3.75% in 2013-14.

⁶ Commonwealth Treasury, *Economic Statement*, August 2013.

Wage growth is forecast to remain steady at 3.75% in 2014-15, before softening to 3.5% per annum in the following two years. This is consistent with the relatively subdued outlook at budget for the labour market and broader softening in the domestic economy.

Inflation

Consumer Price Index

Perth's Consumer Price Index (CPI) recorded a strong increase of 1.2% in the September quarter 2013, pushing annual average growth to 2.4%, following growth of 2.3% in 2012-13. The September increase was driven by a rise in 'automotive fuel' and 'international holiday travel and accommodation', due to a lower exchange rate.

However, inflation has generally been well contained and in line with national CPI increases since the June quarter 2012. Perth's CPI is forecast to increase by 2.5% in 2013-14 and across the forward estimates, consistent with budget expectations and broadly in line with national forecasts.

Given the uncertainties surrounding the future path of the carbon price (see the risks section of Chapter 1: *Financial Projections*), the current CPI forecasts do not include any specific adjustments for potential changes to the carbon price.

Risks

Global Risks

While global economic activity is expected to strengthen over 2014, risks to the outlook remain on the downside. Although a deal was finalised in the US to end the partial government shutdown and avoid a default on debt in October 2013, a long-term sustainable solution is yet to be determined, with another period of uncertainty expected in early 2014. The expectation that the US Federal Reserve will begin tapering back its quantitative easing measures by mid-2014 adds additional uncertainty to the US outlook. The tapering could have a significant impact on investor behaviour and financial market confidence globally, as investors are likely to shift their money in search of higher yields.

Prospects in the euro area remain uncertain, with the IMF recently warning that the area remains 'financially fragmented' with financial markets still highly vulnerable to shifts in sentiment. Moreover, unemployment, particularly in the euro area periphery⁷, remains very high, and inflation continues to fall below ECB objectives, raising concerns about deflation in the area.

While positive signs are emerging out of Japan, deflation risks remain elevated with the IMF warning that further monetary easing may be required if Japan is to meet its inflation target of 2% by 2015-16. Further, if additional fiscal stimulus is not implemented as planned, the unwinding of current stimulus measures and the implementation of tax increases will potentially slow the recovery in Japan's economic activity.

⁷ Periphery countries are generally considered to include Greece, Ireland, Italy, Portugal and Spain.

Any implications of these global risks for Western Australia will largely be determined by the growth prospects in China, our largest trading partner.

The IMF recently revised down its forecasts for growth in China, reflecting expectations that policymakers will refrain from further stimulating growth if economic activity slows. While the Chinese Government's objective is to move the economy away from investment to a more balanced and sustainable private consumption-led growth path, there remains a key risk to the Western Australian economy if the Chinese economy grows more slowly than official growth targets.

The stability of the 'shadow-banking' system and the ability of Chinese authorities to adequately control developments in the financial sector remains a key risk for the Chinese economy. The People's Bank of China introduced measures in March and June 2013 to limit credit growth in an effort to improve the sustainability of economic growth. While immediate concerns surrounding the vulnerabilities of the financial system have calmed, markets remain sensitive to developments in China's financial system.

Any slowdown in Chinese economic activity could lead to weaker demand for Western Australia's commodity exports, particularly iron ore, potentially resulting in lower commodity prices and reduced export volumes.

Domestic Risks

As investment in major iron ore and LNG projects declines, it is expected that these declines will be partially offset by investment in non-resource sectors, and projects yet to be identified. Recently announced projects are consistent with the forecasts for new projects already included in the budget projections.

However, if the value of the yet-to-be-identified projects is lower than anticipated there is some downside risk to the outlook, particularly in the final two forward estimate years. Furthermore, if reduced spending on major resource projects has a larger than expected flow on impact on investment in other sectors of the economy, business investment could be significantly lower than forecast.

A significant risk to the outlook relates to project delays during the construction and commissioning phase. Project delays have been a particular issue for the Western Australian resource sector. Complex operations, such as magnetite and LNG projects, carry the greatest risk of delay. Any such delays could reduce exports below forecast levels, and result in lower than forecast export-led GSP growth.

Whilst employment growth is expected to remain modest over the near-term, the recent increase in part-time employment presents an upside risk to growth if levels continue to rise over coming months. In addition, if business investment growth is more buoyant than forecast, greater demand for labour would add upward pressure to employment and wage growth forecasts, and downward pressure to the unemployment rate projections (and vice versa if business investment is weaker than anticipated).

Dwelling investment activity is currently strong, however turning points are difficult to predict, as sentiment in the market can change quickly. There is some risk over the medium-term that growth in dwelling investment may be weaker than forecast, and house price growth may slow more rapidly than projected. This risk will be heightened if forecast declines in business investment have a bigger than anticipated impact on other sectors of the economy. On the upside, the strong demand for housing may continue if population growth remains robust, and low interest rates persist. This may result in higher house prices, and stronger levels of dwelling construction activity.

Population growth is forecast to slow from record high levels as domestic economic activity moderates and the State's share of national net overseas migration declines. However, if business activity is stronger than expected, population growth may be higher than forecast. This presents some upside risk to growth in other sectors such as household consumption and housing demand.

Detailed Financial Projections

This appendix contains detailed financial projections for the Western Australian public sector and its sub-sectors. The tables in this section satisfy Uniform Presentation Framework requirements, and are consistent with Australian Accounting Standards and the presentation of whole-of-government financial projections contained in the 2013-14 Budget.

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

| | Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | | \$m | \$m | \$m | \$m | \$m |
| <i>Results from Transactions</i> | | | | | | | |
| REVENUE | | | | | | | |
| Taxation | | 8,335 | 9,177 | 9,025 | 9,347 | 9,887 | 10,524 |
| Current grants and subsidies | | 8,316 | 8,015 | 8,062 | 7,610 | 7,309 | 7,394 |
| Capital grants | | 622 | 709 | 724 | 616 | 497 | 572 |
| Sales of goods and services | | 2,089 | 2,175 | 2,181 | 2,260 | 2,362 | 2,470 |
| Interest income | | 255 | 201 | 221 | 231 | 258 | 295 |
| Revenue from public corporations | | | | | | | |
| Dividends from other sector entities | | 796 | 832 | 857 | 929 | 1,017 | 1,087 |
| Tax equivalent income | | 381 | 502 | 546 | 563 | 588 | 618 |
| Royalty income | | 4,425 | 5,824 | 6,089 | 6,379 | 7,047 | 7,232 |
| Other | | 499 | 543 | 561 | 444 | 511 | 394 |
| Total | 3 | 25,718 | 27,978 | 28,267 | 28,379 | 29,477 | 30,585 |
| EXPENSES | | | | | | | |
| Salaries | | 10,154 | 10,804 | 10,960 | 11,109 | 11,509 | 12,076 |
| Superannuation | | | | | | | |
| Concurrent costs | | 965 | 1,044 | 1,058 | 1,095 | 1,184 | 1,296 |
| Superannuation interest cost | | 369 | 352 | 350 | 360 | 372 | 382 |
| Other employee costs | | 446 | 446 | 470 | 476 | 504 | 513 |
| Depreciation and amortisation | | 1,108 | 1,225 | 1,289 | 1,317 | 1,352 | 1,376 |
| Services and contracts | | 1,902 | 2,113 | 2,193 | 2,222 | 2,143 | 2,180 |
| Other gross operating expenses | | 4,725 | 4,893 | 4,832 | 5,020 | 5,156 | 5,456 |
| Other interest | | 442 | 506 | 504 | 557 | 720 | 881 |
| Current transfers | 4 | 4,895 | 5,382 | 5,379 | 5,558 | 5,681 | 5,951 |
| Capital transfers | 4 | 462 | 826 | 795 | 789 | 592 | 465 |
| Total | 5 | 25,468 | 27,592 | 27,830 | 28,502 | 29,213 | 30,575 |
| NET OPERATING BALANCE | 6 | 249 | 386 | 437 | -124 | 263 | 10 |
| <i>Other economic flows</i> | | | | | | | |
| Net gains on assets/liabilities | | -63 | 6 | -6 | 12 | 38 | 7 |
| Net actuarial gains - superannuation | | 895 | 44 | 249 | 29 | -37 | -101 |
| Provision for doubtful debts | | -28 | -4 | -4 | -4 | -4 | -4 |
| All other | | - | - | - | - | - | - |
| Total other economic flows | | 804 | 46 | 239 | 37 | -3 | -98 |
| OPERATING RESULT | | 1,053 | 433 | 676 | -86 | 260 | -88 |
| <i>All other movements in equity</i> | | | | | | | |
| Revaluations | | -424 | 2,045 | 1,725 | 2,073 | 2,094 | 2,061 |
| Gains recognised directly in equity | | -4 | -1 | -1 | -1 | -1 | -1 |
| Changes in accounting policy/correction of prior period errors | | -72 | - | - | - | - | - |
| Change in net worth of the public corporations sectors | | 898 | 1,241 | 1,398 | 1,053 | 1,263 | 1,257 |
| All other | | - | - | - | - | - | - |
| Total all other movements in equity | | 398 | 3,286 | 3,122 | 3,126 | 3,356 | 3,317 |
| TOTAL CHANGE IN NET WORTH | | 1,452 | 3,719 | 3,798 | 3,039 | 3,616 | 3,229 |
| KEY FISCAL AGGREGATES | | | | | | | |
| NET OPERATING BALANCE | 6 | 249 | 386 | 437 | -124 | 263 | 10 |
| <i>Less Net acquisition of non-financial assets</i> | | | | | | | |
| Purchase of non-financial assets | 5 | 3,195 | 3,196 | 3,313 | 2,916 | 2,138 | 2,217 |
| Changes in inventories | | 14 | -4 | -5 | - | - | - |
| Other movement in non-financial assets | | 167 | 303 | 208 | 4 | 9 | - |
| <i>Less:</i> | | | | | | | |
| Sales of non-financial assets | | 166 | 239 | 219 | 198 | 310 | 243 |
| Depreciation | | 1,108 | 1,225 | 1,289 | 1,317 | 1,352 | 1,376 |
| Total net acquisition of non-financial assets | | 2,102 | 2,030 | 2,008 | 1,404 | 485 | 598 |
| NET LENDING/-BORROWING | 6 | -1,852 | -1,644 | -1,572 | -1,527 | -222 | -588 |

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

| | Note | 2013 | 2014 | 2014 | 2015 | 2016 | 2017 |
|---|------|----------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| | | Actual | Budget Estimate | Mid-year Revision | Mid-year Revision | Mid-year Revision | Mid-year Revision |
| | | \$m | \$m | \$m | \$m | \$m | \$m |
| ASSETS | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and deposits | | 688 | 553 | 594 | 564 | 563 | 568 |
| Advances paid | | 665 | 665 | 663 | 668 | 675 | 682 |
| Investments, loans and placements | | 5,722 | 5,051 | 3,734 | 4,418 | 5,616 | 6,641 |
| Receivables | | 2,870 | 2,845 | 3,218 | 3,245 | 3,347 | 3,472 |
| Investment property | | 8 | 8 | 8 | 8 | - | - |
| Shares and other equity | | | | | | | |
| Investments in other public sector entities - equity method | | 44,287 | 47,148 | 45,685 | 46,737 | 48,000 | 49,257 |
| Investments in other public sector entities - direct injections | | 6,156 | 6,672 | 6,544 | 6,955 | 7,399 | 7,908 |
| Investments in other entities | | 8 | 10 | 11 | 11 | 11 | 11 |
| Other financial assets | | - | - | - | - | - | - |
| Total financial assets | | 60,403 | 62,951 | 60,456 | 62,608 | 65,611 | 68,539 |
| <i>Non-financial assets</i> | | | | | | | |
| Land | | 36,222 | 38,936 | 36,926 | 37,719 | 38,551 | 39,425 |
| Property, plant and equipment | | 40,850 | 44,638 | 44,284 | 47,040 | 48,867 | 50,685 |
| Biological assets | | 2 | 2 | 2 | 2 | 2 | 2 |
| Inventories | | | | | | | |
| Land inventories | | 84 | 79 | 70 | 55 | 41 | 27 |
| Other inventories | | 77 | 62 | 72 | 72 | 72 | 72 |
| Intangibles | | 554 | 428 | 528 | 539 | 520 | 477 |
| Non-current assets held for sale | | 39 | 32 | 2 | 1 | 1 | 19 |
| Other | | 208 | 137 | 198 | 202 | 207 | 198 |
| Total non-financial assets | | 78,037 | 84,314 | 82,082 | 85,630 | 88,262 | 90,904 |
| TOTAL ASSETS | | 138,440 | 147,264 | 142,538 | 148,238 | 153,873 | 159,443 |
| LIABILITIES | | | | | | | |
| Deposits held | | 362 | 369 | 303 | 462 | 628 | 594 |
| Advances received | | 439 | 424 | 424 | 409 | 393 | 377 |
| Borrowings | | 11,104 | 12,877 | 11,829 | 14,422 | 16,619 | 18,959 |
| Unfunded superannuation | | 8,000 | 8,484 | 7,625 | 7,468 | 7,411 | 7,440 |
| Other employee benefits | | 3,043 | 2,990 | 3,172 | 3,212 | 2,950 | 2,973 |
| Payables | | 884 | 947 | 857 | 860 | 865 | 871 |
| Other liabilities | | 1,682 | 1,562 | 1,603 | 1,641 | 1,626 | 1,621 |
| TOTAL LIABILITIES | | 25,513 | 27,653 | 25,813 | 28,474 | 30,494 | 32,833 |
| NET ASSETS | | 112,927 | 119,612 | 116,725 | 119,764 | 123,380 | 126,609 |
| <i>Of which:</i> | | | | | | | |
| Contributed equity | | - | - | - | - | - | - |
| Accumulated surplus | | 10,579 | 12,552 | 11,822 | 11,765 | 12,054 | 11,997 |
| Other reserves | | 102,348 | 107,060 | 104,902 | 107,998 | 111,326 | 114,612 |
| NET WORTH | 6 | 112,927 | 119,612 | 116,725 | 119,764 | 123,380 | 126,609 |
| MEMORANDUM ITEMS | | | | | | | |
| <i>Net financial worth</i> | | 34,890 | 35,298 | 34,643 | 34,134 | 35,118 | 35,705 |
| <i>Net financial liabilities</i> | | 15,552 | 18,522 | 17,586 | 19,559 | 20,282 | 21,459 |
| <i>Net debt</i> | | | | | | | |
| Gross debt liabilities | | 11,905 | 13,670 | 12,556 | 15,292 | 17,640 | 19,929 |
| Less: liquid financial assets | | 7,075 | 6,268 | 4,991 | 5,651 | 6,853 | 7,891 |
| Less: convergence differences impacting net debt | | 88 | 88 | 88 | 88 | - | - |
| Net debt | | 4,742 | 7,314 | 7,478 | 9,554 | 10,787 | 12,038 |

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

| | Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|------|----------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| | | Actual | Budget Estimate | Mid-year Revision | Mid-year Revision | Mid-year Revision | Mid-year Revision |
| | | \$m | \$m | \$m | \$m | \$m | \$m |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| Taxes received | | 8,156 | 9,183 | 9,032 | 9,352 | 9,896 | 10,529 |
| Grants and subsidies received | | 8,934 | 8,718 | 8,761 | 8,228 | 7,786 | 7,942 |
| Receipts from sales of goods and services | | 2,120 | 2,186 | 2,210 | 2,298 | 2,390 | 2,512 |
| Interest receipts | | 249 | 192 | 212 | 222 | 248 | 285 |
| Dividends and tax equivalents | | 1,215 | 1,306 | 1,289 | 1,505 | 1,640 | 1,656 |
| Other receipts | | 6,068 | 6,915 | 7,426 | 7,983 | 8,623 | 8,783 |
| <i>Total cash received</i> | | 26,742 | 28,501 | 28,929 | 29,588 | 30,584 | 31,706 |
| <i>Cash Paid</i> | | | | | | | |
| Wages, salaries and supplements, and superannuation | | -11,304 | -12,258 | -12,372 | -12,657 | -13,430 | -13,813 |
| Payments for goods and services | | -7,336 | -7,334 | -7,604 | -7,821 | -7,824 | -8,207 |
| Interest paid | | -439 | -506 | -509 | -541 | -675 | -833 |
| Grants and subsidies paid | | -5,144 | -5,775 | -5,798 | -5,939 | -6,071 | -6,200 |
| Dividends and tax equivalents | | - | - | - | - | - | - |
| Other payments | | -1,441 | -1,209 | -1,236 | -1,360 | -1,369 | -1,395 |
| <i>Total cash paid</i> | | -25,664 | -27,082 | -27,520 | -28,317 | -29,368 | -30,449 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | 1,077 | 1,419 | 1,410 | 1,271 | 1,215 | 1,257 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| <i>Cash flows from investments in non-financial assets</i> | | | | | | | |
| Purchase of non-financial assets | | -3,195 | -3,196 | -3,313 | -2,916 | -2,138 | -2,217 |
| Sales of non-financial assets | | 166 | 239 | 219 | 198 | 310 | 243 |
| <i>Total cash flows from investments in non-financial assets</i> | | -3,029 | -2,957 | -3,094 | -2,717 | -1,828 | -1,975 |
| <i>Cash flows from investments in financial assets</i> | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| For policy purposes | | 7 | - | - | - | - | - |
| For liquidity purposes | | 1 | - | - | - | 8 | - |
| <i>Cash paid</i> | | | | | | | |
| For policy purposes | | -619 | -721 | -664 | -436 | -440 | -507 |
| For liquidity purposes | | -18 | - | - | - | - | - |
| <i>Total cash flows from investments in financial assets</i> | | -629 | -721 | -663 | -436 | -432 | -507 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | -3,657 | -3,678 | -3,757 | -3,153 | -2,259 | -2,482 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| Advances received | | 15 | 15 | 15 | 15 | 16 | 16 |
| Borrowings | | 2,425 | 1,868 | 560 | 2,496 | 2,293 | 2,434 |
| Deposits received | | - | - | - | - | - | - |
| Other financing receipts | | 35 | 46 | 46 | 90 | 40 | 37 |
| <i>Total cash receipts from financing activities</i> | | 2,475 | 1,929 | 621 | 2,602 | 2,348 | 2,487 |
| <i>Cash paid</i> | | | | | | | |
| Advances paid | | -15 | -15 | -15 | -15 | -16 | -16 |
| Borrowings repaid | | -322 | -129 | -121 | -63 | -62 | -57 |
| Deposits paid | | - | - | - | - | - | - |
| Other financing payments | | -91 | -173 | -118 | -128 | -162 | -114 |
| <i>Total payments for financing activities</i> | | -428 | -317 | -255 | -206 | -239 | -187 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | 2,047 | 1,612 | 366 | 2,395 | 2,109 | 2,300 |
| Net increase in cash and cash equivalents | | -533 | -647 | -1,981 | 514 | 1,065 | 1,075 |
| Cash and cash equivalents at the beginning of the year | | 6,796 | 6,198 | 6,263 | 4,282 | 4,795 | 5,860 |
| Cash and cash equivalents at the end of the year | | 6,263 | 5,551 | 4,282 | 4,795 | 5,860 | 6,935 |
| KEY FISCAL AGGREGATES | | | | | | | |
| Net cash flows from operating activities | | 1,077 | 1,419 | 1,410 | 1,271 | 1,215 | 1,257 |
| Net cash flows from investing in non-financial assets | | -3,029 | -2,957 | -3,094 | -2,717 | -1,828 | -1,975 |
| Cash surplus/-deficit | 6 | -1,952 | -1,538 | -1,684 | -1,446 | -612 | -718 |

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

| | Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|------|---------------|-----------------|-------------------|-------------------|-------------------|-------------------|
| | | Actual | Budget Estimate | Mid-year Revision | Mid-year Revision | Mid-year Revision | Mid-year Revision |
| | | \$m | \$m | \$m | \$m | \$m | \$m |
| <i>Results from Transactions</i> | | | | | | | |
| REVENUE | | | | | | | |
| Current grants and subsidies | | 1,934 | 2,333 | 2,443 | 2,412 | 2,390 | 2,482 |
| Capital grants | | 116 | 222 | 229 | 201 | 149 | 115 |
| Sales of goods and services | | 15,727 | 17,652 | 17,903 | 18,846 | 19,568 | 20,601 |
| Interest income | | 191 | 241 | 165 | 206 | 256 | 283 |
| Other | | 490 | 503 | 535 | 473 | 506 | 540 |
| Total | | 18,459 | 20,950 | 21,274 | 22,137 | 22,869 | 24,020 |
| EXPENSES | | | | | | | |
| Salaries | | 1,110 | 1,153 | 1,144 | 1,194 | 1,227 | 1,320 |
| Superannuation | | | | | | | |
| Concurrent costs | | 102 | 111 | 110 | 118 | 126 | 142 |
| Superannuation interest cost | | - | - | - | - | - | - |
| Other employee costs | | 61 | 49 | 44 | 51 | 54 | 51 |
| Depreciation and amortisation | | 1,899 | 1,929 | 2,005 | 2,062 | 2,075 | 2,122 |
| Services and contracts | | 875 | 866 | 837 | 762 | 718 | 774 |
| Other gross operating expenses | | 11,791 | 13,871 | 14,312 | 14,904 | 15,432 | 16,193 |
| Other interest | | 914 | 1,088 | 994 | 1,056 | 1,109 | 1,202 |
| Tax equivalents | | 374 | 496 | 525 | 537 | 560 | 588 |
| Current transfers | | 948 | 963 | 980 | 1,014 | 1,061 | 1,122 |
| Capital transfers | | 82 | 193 | 192 | 39 | 14 | 5 |
| Total | | 18,156 | 20,720 | 21,142 | 21,737 | 22,375 | 23,518 |
| NET OPERATING BALANCE | 6 | 304 | 230 | 132 | 400 | 494 | 502 |
| <i>Other economic flows</i> | | | | | | | |
| Net gains on assets/liabilities | | -118 | 161 | 162 | 160 | 299 | 287 |
| Net actuarial gains - superannuation | | -16 | - | - | - | - | - |
| Provision for doubtful debts | | -18 | -17 | -18 | -18 | -19 | -21 |
| All other | | - | - | - | - | - | - |
| Total other economic flows | | -151 | 144 | 143 | 142 | 280 | 267 |
| OPERATING RESULT | | 152 | 374 | 275 | 542 | 774 | 768 |
| <i>Other non-owner movements in equity</i> | | | | | | | |
| Revaluations | | 571 | 1,583 | 1,852 | 1,341 | 1,451 | 1,524 |
| Gains recognised directly in equity | | 528 | -50 | -47 | -60 | -62 | -66 |
| Changes in accounting policy/correction of prior period errors | | -31 | - | - | - | - | - |
| All other | | - | - | - | - | - | - |
| Total other non-owner movements in equity | | 1,068 | 1,533 | 1,805 | 1,281 | 1,389 | 1,459 |
| <i>Movements in owner equity</i> | | | | | | | |
| Dividends | | -785 | -761 | -781 | -883 | -970 | -1,039 |
| Capital injections | | 612 | 752 | 388 | 412 | 444 | 509 |
| Total movements in owner equity | | -173 | -9 | -393 | -472 | -526 | -530 |
| TOTAL CHANGE IN NET WORTH | | 1,047 | 1,898 | 1,687 | 1,352 | 1,636 | 1,697 |
| KEY FISCAL AGGREGATES | | | | | | | |
| NET OPERATING BALANCE | 6 | 304 | 230 | 132 | 400 | 494 | 502 |
| <i>Less Net acquisition of non-financial assets</i> | | | | | | | |
| Purchase of non-financial assets | | 4,171 | 4,298 | 4,056 | 3,380 | 3,181 | 3,287 |
| Changes in inventories | | -668 | 128 | 102 | 2 | 72 | 70 |
| Other movement in non-financial assets | | 48 | 110 | 109 | 15 | 32 | 47 |
| <i>Less:</i> | | | | | | | |
| Sales of non-financial assets | | 751 | 1,481 | 1,180 | 1,270 | 1,315 | 1,140 |
| Depreciation | | 1,899 | 1,929 | 2,005 | 2,062 | 2,075 | 2,122 |
| Total net acquisition of non-financial assets | | 901 | 1,126 | 1,082 | 65 | -105 | 142 |
| NET LENDING/-BORROWING | 6 | -597 | -896 | -950 | 335 | 599 | 360 |

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

| | Note | 2013 | 2014 | 2014 | 2015 | 2016 | 2017 |
|---|------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | | \$m | \$m | \$m | \$m | \$m |
| ASSETS | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and deposits | | 1,100 | 934 | 784 | 1,123 | 1,207 | 1,086 |
| Advances paid | | - | - | - | - | - | - |
| Investments, loans and placements | | 3,871 | 5,503 | 4,993 | 5,590 | 5,786 | 5,835 |
| Receivables | | 1,272 | 1,120 | 1,224 | 1,281 | 1,330 | 1,392 |
| Investment property | | 26 | 27 | 21 | 21 | 21 | 21 |
| Shares and other equity | | | | | | | |
| Investments in other public sector entities - equity method | | - | - | - | - | - | - |
| Investments in other public sector entities - direct injections | | - | - | - | - | - | - |
| Investments in other entities | | 37 | - | 32 | 34 | 37 | 31 |
| Other financial assets | | 1,003 | 948 | 942 | 912 | 866 | 827 |
| Total financial assets | | 7,308 | 8,533 | 7,997 | 8,960 | 9,246 | 9,192 |
| <i>Non-financial assets</i> | | | | | | | |
| Land | | 14,313 | 17,354 | 15,029 | 15,780 | 16,569 | 17,398 |
| Property, plant and equipment | | 48,006 | 48,916 | 49,822 | 50,394 | 51,195 | 52,256 |
| Biological assets | | 322 | 326 | 320 | 313 | 307 | 302 |
| Inventories | | | | | | | |
| Land inventories | | 1,944 | 2,126 | 2,041 | 2,137 | 2,091 | 2,263 |
| Other inventories | | 2,711 | 3,968 | 2,814 | 2,816 | 2,887 | 2,957 |
| Intangibles | | 551 | 350 | 561 | 606 | 573 | 546 |
| Non-current assets held for sale | | 31 | 244 | 31 | 31 | 31 | 31 |
| Other | | 298 | 203 | 265 | 262 | 260 | 259 |
| Total non-financial assets | | 68,177 | 73,488 | 70,882 | 72,339 | 73,913 | 76,011 |
| TOTAL ASSETS | | 75,485 | 82,020 | 78,879 | 81,299 | 83,159 | 85,203 |
| LIABILITIES | | | | | | | |
| Deposits held | | 1 | 3 | - | - | - | - |
| Advances received | | 439 | 424 | 424 | 409 | 393 | 377 |
| Borrowings | | 20,037 | 22,235 | 21,844 | 23,086 | 23,369 | 23,704 |
| Unfunded superannuation | | 133 | 77 | 90 | 48 | 9 | - |
| Other employee benefits | | 414 | 414 | 424 | 425 | 425 | 435 |
| Payables | | 3,768 | 4,726 | 3,748 | 3,665 | 3,680 | 3,702 |
| Other liabilities | | 1,999 | 2,022 | 1,968 | 1,935 | 1,915 | 1,919 |
| TOTAL LIABILITIES | | 26,791 | 29,900 | 28,498 | 29,566 | 29,789 | 30,137 |
| NET ASSETS | | 48,694 | 52,121 | 50,381 | 51,733 | 53,369 | 55,067 |
| <i>Of which:</i> | | | | | | | |
| Contributed equity | | 6,156 | 6,672 | 6,544 | 6,955 | 7,399 | 7,908 |
| Accumulated surplus | | 18,757 | 17,839 | 18,165 | 17,734 | 17,407 | 17,010 |
| Other reserves | | 23,782 | 27,610 | 25,673 | 27,043 | 28,564 | 30,148 |
| NET WORTH | 6 | 48,694 | 52,121 | 50,381 | 51,733 | 53,369 | 55,067 |
| MEMORANDUM ITEMS | | | | | | | |
| <i>Net financial worth</i> | | -68,177 | -73,488 | -70,882 | -72,339 | -73,913 | -76,011 |
| <i>Net debt</i> | | | | | | | |
| Gross debt liabilities | | 20,477 | 22,661 | 22,268 | 23,494 | 23,761 | 24,081 |
| Less: liquid financial assets | | 4,971 | 6,438 | 5,777 | 6,712 | 6,992 | 6,922 |
| Less: convergence differences impacting net debt | | - | - | - | - | - | - |
| Net debt | | 15,507 | 16,223 | 16,491 | 16,782 | 16,769 | 17,159 |

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

| | Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | \$m | \$m | \$m | \$m | \$m | \$m |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| Grants and subsidies received | | 2,049 | 2,559 | 2,678 | 2,618 | 2,543 | 2,600 |
| Receipts from sales of goods and services | | 15,885 | 17,523 | 17,785 | 18,720 | 19,335 | 20,430 |
| Interest receipts | | 206 | 240 | 165 | 205 | 244 | 284 |
| Dividends and tax equivalents | | 56 | 45 | 58 | 56 | 87 | 94 |
| Other receipts | | 1,741 | 1,201 | 1,449 | 1,438 | 1,404 | 1,460 |
| <i>Total cash received</i> | | 19,937 | 21,568 | 22,135 | 23,038 | 23,614 | 24,867 |
| <i>Cash paid</i> | | | | | | | |
| Wages, salaries and supplements, and superannuation | | -1,187 | -1,324 | -1,315 | -1,373 | -1,414 | -1,477 |
| Payments for goods and services | | -11,350 | -12,686 | -13,315 | -13,749 | -14,078 | -14,689 |
| Interest paid | | -884 | -1,019 | -930 | -1,002 | -1,041 | -1,141 |
| Grants and subsidies paid | | -702 | -720 | -737 | -761 | -803 | -856 |
| Tax equivalents | | -416 | -468 | -426 | -555 | -597 | -541 |
| Other payments | | -3,190 | -3,173 | -3,533 | -3,498 | -3,440 | -3,885 |
| <i>Total cash paid</i> | | -17,728 | -19,390 | -20,255 | -20,938 | -21,373 | -22,590 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | 2,209 | 2,178 | 1,879 | 2,100 | 2,241 | 2,278 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| <i>Cash flows from investments in non-financial assets</i> | | | | | | | |
| Purchase of non-financial assets | | -4,171 | -4,298 | -4,056 | -3,380 | -3,181 | -3,287 |
| Sales of non-financial assets | | 751 | 1,481 | 1,180 | 1,270 | 1,315 | 1,140 |
| <i>Total cash flows from investments in non-financial assets</i> | | -3,420 | -2,817 | -2,876 | -2,111 | -1,866 | -2,147 |
| <i>Cash flows from investments in financial assets</i> | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| For policy purposes | | - | - | - | - | - | - |
| For liquidity purposes | | 416 | 51 | 26 | 58 | 196 | 196 |
| <i>Cash paid</i> | | | | | | | |
| For policy purposes | | -5 | -4 | -4 | - | - | - |
| For liquidity purposes | | -528 | -54 | -16 | -6 | -235 | -209 |
| <i>Total cash flows from investments in financial assets</i> | | -117 | -7 | 6 | 52 | -39 | -12 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | -3,537 | -2,824 | -2,870 | -2,059 | -1,905 | -2,159 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| Advances received | | - | - | - | - | - | - |
| Borrowings | | 23,157 | 17,118 | 17,370 | 14,706 | 13,331 | 12,616 |
| Deposits received | | - | - | - | - | - | - |
| Other financing receipts | | 622 | 1,040 | 991 | 466 | 486 | 546 |
| <i>Total cash received</i> | | 23,780 | 18,158 | 18,361 | 15,172 | 13,817 | 13,162 |
| <i>Cash paid</i> | | | | | | | |
| Advances paid | | -15 | -15 | -15 | -15 | -16 | -16 |
| Borrowings repaid | | -21,647 | -16,871 | -16,902 | -13,935 | -13,040 | -12,274 |
| Deposits paid | | - | - | - | - | - | - |
| Other financing payments | | -7 | -23 | -26 | -32 | -34 | -32 |
| Dividends paid | | -788 | -761 | -781 | -883 | -970 | -1,039 |
| <i>Total cash paid</i> | | -22,457 | -17,670 | -17,725 | -14,865 | -14,060 | -13,361 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | 1,323 | 488 | 636 | 307 | -243 | -198 |
| Net increase in cash and cash equivalents | | -4 | -158 | -354 | 349 | 93 | -80 |
| Cash and cash equivalents at the beginning of the year | | 1,523 | 1,462 | 1,519 | 1,165 | 1,514 | 1,607 |
| Cash and cash equivalents at the end of the year | | 1,519 | 1,303 | 1,165 | 1,514 | 1,607 | 1,526 |
| KEY FISCAL AGGREGATES | | | | | | | |
| Net cash flows from operating activities | | 2,209 | 2,178 | 1,879 | 2,100 | 2,241 | 2,278 |
| Net cash flows from investing in non-financial assets | | -3,420 | -2,817 | -2,876 | -2,111 | -1,866 | -2,147 |
| Dividends paid | | -788 | -761 | -781 | -883 | -970 | -1,039 |
| Cash surplus/-deficit | 6 | -1,998 | -1,400 | -1,778 | -894 | -595 | -908 |

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

| | Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|------|---------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| | | Actual | Budget Estimate | Mid-year Revision | Mid-year Revision | Mid-year Revision | Mid-year Revision |
| | | \$m | \$m | \$m | \$m | \$m | \$m |
| <i>Results from Transactions</i> | | | | | | | |
| REVENUE | | | | | | | |
| Taxation | | 7,897 | 8,738 | 8,587 | 8,891 | 9,416 | 10,042 |
| Current grants and subsidies | | 8,316 | 8,015 | 8,062 | 7,610 | 7,309 | 7,394 |
| Capital grants | | 622 | 709 | 724 | 616 | 497 | 572 |
| Sales of goods and services | | 17,361 | 19,369 | 19,582 | 20,592 | 21,407 | 22,535 |
| Interest income | | 413 | 409 | 358 | 409 | 484 | 545 |
| Royalty income | | 4,425 | 5,824 | 6,089 | 6,379 | 7,047 | 7,232 |
| Dividend and tax equivalents | | 74 | 122 | 155 | 127 | 162 | 172 |
| Other | | 896 | 972 | 1,007 | 829 | 899 | 812 |
| Total | | 40,004 | 44,158 | 44,564 | 45,453 | 47,222 | 49,303 |
| EXPENSES | | | | | | | |
| Salaries | | 11,264 | 11,957 | 12,104 | 12,303 | 12,736 | 13,395 |
| Superannuation | | | | | | | |
| Concurrent costs | | 1,068 | 1,156 | 1,168 | 1,212 | 1,310 | 1,437 |
| Superannuation interest cost | | 369 | 352 | 350 | 360 | 372 | 382 |
| Other employee costs | | 313 | 276 | 269 | 275 | 298 | 296 |
| Depreciation and amortisation | | 3,007 | 3,155 | 3,294 | 3,380 | 3,427 | 3,499 |
| Services and contracts | | 2,770 | 2,986 | 3,033 | 2,987 | 2,864 | 2,958 |
| Other gross operating expenses | | 16,064 | 18,325 | 18,690 | 19,458 | 20,111 | 21,163 |
| Other interest | | 1,322 | 1,563 | 1,470 | 1,585 | 1,799 | 2,050 |
| Current transfers | | 3,630 | 3,740 | 3,644 | 3,877 | 4,064 | 4,294 |
| Capital transfers | | 428 | 794 | 755 | 623 | 453 | 355 |
| Total | | 40,235 | 44,302 | 44,777 | 46,059 | 47,435 | 49,830 |
| NET OPERATING BALANCE | 6 | -232 | -144 | -213 | -607 | -213 | -527 |
| <i>Other economic flows</i> | | | | | | | |
| Net gains on assets/liabilities | | -181 | 167 | 155 | 172 | 337 | 295 |
| Net actuarial gains - superannuation | | 879 | 44 | 249 | 29 | -37 | -101 |
| Provision for doubtful debts | | -45 | -21 | -22 | -22 | -23 | -25 |
| All other | | - | - | - | - | - | - |
| Total other economic flows | | 653 | 191 | 382 | 179 | 277 | 169 |
| OPERATING RESULT | | 421 | 46 | 169 | -428 | 64 | -358 |
| <i>All other movements in equity</i> | | | | | | | |
| Revaluations | | 147 | 3,628 | 3,577 | 3,415 | 3,545 | 3,586 |
| Gains recognised directly in equity | | 524 | -51 | -48 | -61 | -63 | -66 |
| Changes in accounting policy/correction of prior period errors | | -103 | - | - | - | - | - |
| Change in net worth of the PFC sector | | 462 | 95 | 99 | 113 | 70 | 68 |
| All other | | - | - | - | - | - | - |
| Total all other movements in equity | | 1,030 | 3,672 | 3,628 | 3,467 | 3,553 | 3,588 |
| TOTAL CHANGE IN NET WORTH | | 1,452 | 3,719 | 3,798 | 3,039 | 3,616 | 3,229 |
| KEY FISCAL AGGREGATES | | | | | | | |
| NET OPERATING BALANCE | 6 | -232 | -144 | -213 | -607 | -213 | -527 |
| <i>Less Net acquisition of non-financial assets</i> | | | | | | | |
| Purchase of non-financial assets | | 7,350 | 7,444 | 7,319 | 6,264 | 5,312 | 5,504 |
| Changes in inventories | | -654 | 124 | 97 | 2 | 72 | 70 |
| Other movement in non-financial assets | | 215 | 413 | 318 | 19 | 42 | 47 |
| <i>Less:</i> | | | | | | | |
| Sales of non-financial assets | | 901 | 1,670 | 1,350 | 1,436 | 1,618 | 1,382 |
| Depreciation | | 3,007 | 3,155 | 3,294 | 3,380 | 3,427 | 3,499 |
| Total net acquisition of non-financial assets | | 3,003 | 3,156 | 3,091 | 1,469 | 380 | 740 |
| NET LENDING/-BORROWING | 6 | -3,234 | -3,300 | -3,303 | -2,076 | -593 | -1,267 |

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

| | Note | 2013 | 2014 | 2014 | 2015 | 2016 | 2017 |
|---|--------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year | Mid-year |
| | \$m | Estimate | Revision | Revision | Revision | Revision | Revision |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| ASSETS | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and deposits | | 1,570 | 1,306 | 1,253 | 1,404 | 1,320 | 1,240 |
| Advances paid | | 226 | 241 | 239 | 259 | 282 | 305 |
| Investments, loans and placements | | 9,592 | 10,554 | 8,724 | 10,005 | 11,398 | 12,473 |
| Receivables | | 4,019 | 3,811 | 4,209 | 4,304 | 4,475 | 4,609 |
| Investment property | | 33 | 35 | 29 | 29 | 21 | 21 |
| Shares and other equity | | | | | | | |
| Investments in other public sector entities - equity method | | 1,748 | 1,699 | 1,847 | 1,960 | 2,030 | 2,098 |
| Investments in other public sector entities - direct injections | | - | - | - | - | - | - |
| Investments in other entities | | 45 | 10 | 44 | 45 | 49 | 42 |
| Other financial assets | | - | - | - | - | - | - |
| Total financial assets | | 17,234 | 17,656 | 16,345 | 18,006 | 19,575 | 20,788 |
| <i>Non-financial assets</i> | | | | | | | |
| Land | | 50,536 | 56,290 | 51,955 | 53,499 | 55,121 | 56,823 |
| Property, plant and equipment | | 88,857 | 93,554 | 94,106 | 97,434 | 100,062 | 102,941 |
| Biological assets | | 324 | 328 | 321 | 315 | 309 | 303 |
| Inventories | | | | | | | |
| Land inventories | | 2,028 | 2,205 | 2,111 | 2,193 | 2,132 | 2,289 |
| Other inventories | | 2,789 | 4,030 | 2,886 | 2,888 | 2,959 | 3,029 |
| Intangibles | | 1,105 | 778 | 1,088 | 1,145 | 1,093 | 1,022 |
| Non-current assets held for sale | | 70 | 276 | 33 | 32 | 32 | 49 |
| Other | | 506 | 340 | 463 | 464 | 467 | 457 |
| Total non-financial assets | | 146,214 | 157,801 | 152,964 | 157,969 | 162,175 | 166,915 |
| TOTAL ASSETS | | 163,448 | 175,457 | 169,309 | 175,975 | 181,750 | 187,703 |
| LIABILITIES | | | | | | | |
| Deposits held | | 145 | 191 | 176 | 176 | 176 | 176 |
| Advances received | | 439 | 424 | 424 | 409 | 393 | 377 |
| Borrowings | | 31,141 | 35,111 | 33,673 | 37,508 | 39,988 | 42,663 |
| Unfunded superannuation | | 8,133 | 8,561 | 7,712 | 7,512 | 7,415 | 7,433 |
| Other employee benefits | | 3,456 | 3,403 | 3,596 | 3,637 | 3,375 | 3,407 |
| Payables | | 4,531 | 5,523 | 4,376 | 4,309 | 4,351 | 4,327 |
| Other liabilities | | 2,676 | 2,632 | 2,627 | 2,661 | 2,673 | 2,711 |
| TOTAL LIABILITIES | | 50,521 | 55,845 | 52,584 | 56,211 | 58,370 | 61,094 |
| NET ASSETS | | 112,927 | 119,612 | 116,725 | 119,764 | 123,380 | 126,609 |
| <i>Of which:</i> | | | | | | | |
| Contributed equity | | - | - | - | - | - | - |
| Accumulated surplus | | 29,343 | 30,458 | 29,994 | 29,507 | 29,468 | 29,014 |
| Other reserves | | 83,584 | 89,154 | 86,731 | 90,257 | 93,912 | 97,595 |
| NET WORTH | 6 | 112,927 | 119,612 | 116,725 | 119,764 | 123,380 | 126,609 |
| MEMORANDUM ITEMS | | | | | | | |
| <i>Net financial worth</i> | | -33,287 | -38,189 | -36,239 | -38,206 | -38,795 | -40,306 |
| <i>Net financial liabilities</i> | | 35,080 | 39,899 | 38,130 | 40,211 | 40,873 | 42,446 |
| <i>Net debt</i> | | | | | | | |
| Gross debt liabilities | | 31,725 | 35,726 | 34,273 | 38,092 | 40,556 | 43,215 |
| Less: liquid financial assets | | 11,389 | 12,101 | 10,216 | 11,668 | 13,000 | 14,018 |
| Less: convergence differences impacting net debt | | 88 | 88 | 88 | 88 | - | - |
| Net debt | | 20,248 | 23,537 | 23,969 | 26,336 | 27,556 | 29,198 |

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

| | Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | | \$m | \$m | \$m | \$m | \$m |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| Taxes received | | 7,733 | 8,740 | 8,590 | 8,892 | 9,422 | 10,044 |
| Grants and subsidies received | | 8,934 | 8,718 | 8,761 | 8,228 | 7,786 | 7,942 |
| Receipts from sales of goods and services | | 17,561 | 19,254 | 19,499 | 20,509 | 21,205 | 22,409 |
| Interest receipts | | 422 | 401 | 349 | 399 | 463 | 537 |
| Dividends and tax equivalents | | 67 | 122 | 139 | 123 | 160 | 170 |
| Other receipts | | 7,468 | 8,094 | 8,435 | 8,954 | 9,638 | 9,854 |
| Total cash received | | 42,184 | 45,328 | 45,773 | 47,106 | 48,675 | 50,955 |
| <i>Cash paid</i> | | | | | | | |
| Wages, salaries and supplements, and superannuation | | -12,490 | -13,581 | -13,687 | -14,029 | -14,844 | -15,290 |
| Payments for goods and services | | -17,934 | -19,565 | -20,005 | -20,616 | -21,016 | -21,998 |
| Interest paid | | -1,289 | -1,493 | -1,411 | -1,515 | -1,686 | -1,942 |
| Grants and subsidies paid | | -3,770 | -3,915 | -3,837 | -4,060 | -4,309 | -4,436 |
| Dividends and tax equivalents | | - | - | - | - | - | - |
| Other payments | | -4,203 | -3,938 | -4,325 | -4,397 | -4,333 | -4,794 |
| Total cash paid | | -39,686 | -42,493 | -43,266 | -44,618 | -46,189 | -48,460 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | 2,499 | 2,835 | 2,508 | 2,488 | 2,486 | 2,496 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| <i>Cash flows from investments in non-financial assets</i> | | | | | | | |
| Purchase of non-financial assets | | -7,350 | -7,444 | -7,319 | -6,264 | -5,312 | -5,504 |
| Sales of non-financial assets | | 901 | 1,670 | 1,350 | 1,436 | 1,618 | 1,382 |
| Total cash flows from investments in non-financial assets | | -6,448 | -5,774 | -5,970 | -4,828 | -3,694 | -4,122 |
| <i>Cash flows from investments in financial assets</i> | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| For policy purposes | | 12 | - | - | - | - | - |
| For liquidity purposes | | 417 | 51 | 26 | 58 | 204 | 196 |
| <i>Cash paid</i> | | | | | | | |
| For policy purposes | | -12 | - | - | - | - | - |
| For liquidity purposes | | -546 | -54 | -16 | -6 | -235 | -209 |
| Total cash flows from investments in financial assets | | -129 | -3 | 10 | 52 | -31 | -12 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | -6,577 | -5,777 | -5,960 | -4,776 | -3,725 | -4,134 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| Advances received | | - | - | - | - | - | - |
| Borrowings | | 25,583 | 18,986 | 17,930 | 17,202 | 15,624 | 15,050 |
| Deposits received | | - | - | - | - | - | - |
| Other financing receipts | | 30 | 306 | 307 | 86 | 36 | 37 |
| Total cash received | | 25,613 | 19,292 | 18,237 | 17,289 | 15,659 | 15,087 |
| <i>Cash paid</i> | | | | | | | |
| Advances paid | | -15 | -15 | -15 | -15 | -16 | -16 |
| Borrowings repaid | | -21,969 | -16,999 | -17,024 | -13,997 | -13,102 | -12,331 |
| Deposits paid | | - | - | - | - | - | - |
| Other financing payments | | -87 | -142 | -82 | -125 | -146 | -107 |
| Total cash paid | | -22,071 | -17,156 | -17,120 | -14,138 | -13,263 | -12,454 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | 3,541 | 2,136 | 1,117 | 3,151 | 2,396 | 2,633 |
| Net increase in cash and cash equivalents | | -537 | -806 | -2,336 | 862 | 1,158 | 995 |
| Cash and cash equivalents at the beginning of the year | | 8,319 | 7,659 | 7,781 | 5,446 | 6,308 | 7,466 |
| Cash and cash equivalents at the end of the year | | 7,781 | 6,854 | 5,446 | 6,308 | 7,466 | 8,461 |
| KEY FISCAL AGGREGATES | | | | | | | |
| Net cash flows from operating activities | | 2,499 | 2,835 | 2,508 | 2,488 | 2,486 | 2,496 |
| Net cash flows from investing in non-financial assets | | -6,448 | -5,774 | -5,970 | -4,828 | -3,694 | -4,122 |
| Cash surplus/-deficit | 6 | -3,950 | -2,938 | -3,462 | -2,340 | -1,207 | -1,626 |

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

| | Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|----------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | | \$m | \$m | \$m | \$m | \$m |
| <i>Results from Transactions</i> | | | | | | | |
| REVENUE | | | | | | | |
| Current grants and subsidies | | - | - | - | - | - | - |
| Capital grants | | - | - | - | - | - | - |
| Sales of goods and services | | 871 | 1,007 | 1,007 | 1,119 | 1,165 | 1,256 |
| Interest income | | 1,648 | 2,053 | 1,940 | 2,136 | 2,363 | 2,663 |
| Other | | - | 1 | 1 | - | - | - |
| Total | | 2,519 | 3,061 | 2,948 | 3,255 | 3,529 | 3,919 |
| EXPENSES | | | | | | | |
| Salaries | | 44 | 50 | 49 | 51 | 53 | 55 |
| Superannuation | | | | | | | |
| Concurrent costs | | 4 | 5 | 5 | 5 | 6 | 6 |
| Superannuation interest cost | | - | - | - | - | - | - |
| Other employee costs | | 2 | 2 | 2 | 2 | 2 | 2 |
| Depreciation and amortisation | | 17 | 20 | 20 | 20 | 21 | 21 |
| Services and contracts | | 11 | 15 | 11 | 11 | 11 | 11 |
| Other gross operating expenses | | 700 | 896 | 894 | 991 | 1,047 | 1,129 |
| Other interest | | 1,641 | 1,856 | 1,760 | 1,932 | 2,152 | 2,449 |
| Tax equivalents | | 7 | 6 | 21 | 26 | 29 | 30 |
| Current transfers | | 4 | 4 | 4 | 4 | 4 | 5 |
| Capital transfers | | - | 4 | 6 | 3 | 3 | 3 |
| Total | | 2,428 | 2,857 | 2,772 | 3,046 | 3,328 | 3,712 |
| NET OPERATING BALANCE | 6 | 91 | 204 | 176 | 209 | 201 | 207 |
| <i>Other economic flows</i> | | | | | | | |
| Net gains on assets/liabilities | | 496 | - | - | - | - | - |
| Net actuarial gains - superannuation | | 1 | - | - | - | - | - |
| Provision for doubtful debts | | -61 | - | - | - | - | - |
| All other | | - | - | - | - | - | - |
| Total other economic flows | | 437 | - | - | - | - | - |
| OPERATING RESULT | | 527 | 204 | 176 | 209 | 201 | 207 |
| <i>Other non-owner movements in equity</i> | | | | | | | |
| Revaluations | | 2 | 7 | 56 | 5 | 3 | 3 |
| Gains recognised directly in equity | | 32 | - | - | - | - | - |
| Changes in accounting policy/correction of prior period errors | | -32 | - | - | - | - | - |
| All other | | - | - | - | - | - | - |
| Total other non-owner movements in equity | | 2 | 7 | 56 | 5 | 3 | 3 |
| <i>Movements in owner equity</i> | | | | | | | |
| Dividends | | -67 | -116 | -134 | -101 | -134 | -142 |
| Capital injections | | - | - | - | - | - | - |
| Total movements in owner equity | | -67 | -116 | -134 | -101 | -134 | -142 |
| TOTAL CHANGE IN NET WORTH | | 462 | 95 | 99 | 113 | 70 | 68 |
| KEY FISCAL AGGREGATES | | | | | | | |
| NET OPERATING BALANCE | 6 | 91 | 204 | 176 | 209 | 201 | 207 |
| <i>Less Net acquisition of non-financial assets</i> | | | | | | | |
| Purchase of non-financial assets | | 5 | 6 | 7 | 5 | 5 | 5 |
| Changes in inventories | | - | - | - | - | - | - |
| Other movement in non-financial assets | | - | - | - | - | - | - |
| Less: | | | | | | | |
| Sales of non-financial assets | | - | - | - | - | - | - |
| Depreciation | | 17 | 20 | 20 | 20 | 21 | 21 |
| Total net acquisition of non-financial assets | | -12 | -14 | -13 | -14 | -15 | -16 |
| NET LENDING/-BORROWING | 6 | 103 | 217 | 189 | 223 | 216 | 223 |

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

| | Note | 2013 | 2014 | 2014 | 2015 | 2016 | 2017 |
|---|------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | | \$m | \$m | \$m | \$m | \$m |
| ASSETS | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and deposits | | 28 | 21 | 25 | 31 | 37 | 42 |
| Advances paid | | 3,330 | 5,047 | 4,408 | 5,039 | 5,044 | 5,055 |
| Investments, loans and placements | | 40,450 | 43,659 | 43,547 | 45,434 | 46,861 | 49,886 |
| Receivables | | 646 | 1,038 | 638 | 666 | 656 | 646 |
| Investment property | | 538 | 618 | 574 | 605 | 642 | 680 |
| Shares and other equity | | | | | | | |
| Investments in other public sector entities - equity method | | - | - | - | - | - | - |
| Investments in other public sector entities - direct injections | | - | - | - | - | - | - |
| Investments in other entities | | 1,341 | 1,474 | 1,436 | 1,524 | 1,636 | 1,762 |
| Other financial assets | | 24 | 39 | 24 | 24 | 24 | 24 |
| Total financial assets | | 46,358 | 51,898 | 50,653 | 53,323 | 54,901 | 58,096 |
| <i>Non-financial assets</i> | | | | | | | |
| Land | | 118 | 118 | 118 | 118 | 118 | 118 |
| Property, plant and equipment | | 243 | 266 | 251 | 256 | 258 | 260 |
| Biological assets | | - | - | - | - | - | - |
| Inventories | | | | | | | |
| Land inventories | | - | - | - | - | - | - |
| Other inventories | | - | - | - | - | - | - |
| Intangibles | | 13 | 13 | 12 | 11 | 10 | 10 |
| Non-current assets held for sale | | - | - | - | - | - | - |
| Other | | 3 | 66 | 62 | 64 | 67 | 70 |
| Total non-financial assets | | 376 | 462 | 442 | 448 | 452 | 456 |
| TOTAL ASSETS | | 46,734 | 52,360 | 51,095 | 53,771 | 55,353 | 58,553 |
| LIABILITIES | | | | | | | |
| Deposits held | | - | - | - | - | - | - |
| Advances received | | 3 | 3 | 2 | 2 | 2 | 2 |
| Borrowings | | 41,745 | 47,097 | 45,890 | 48,353 | 49,731 | 52,706 |
| Unfunded superannuation | | 11 | 12 | 11 | 12 | 12 | 14 |
| Other employee benefits | | 9 | 9 | 9 | 9 | 9 | 9 |
| Payables | | 17 | 137 | 39 | 36 | 39 | 41 |
| Other liabilities | | 3,201 | 3,402 | 3,297 | 3,400 | 3,531 | 3,683 |
| TOTAL LIABILITIES | | 44,985 | 50,661 | 49,248 | 51,811 | 53,323 | 56,455 |
| NET ASSETS | | 1,748 | 1,699 | 1,847 | 1,960 | 2,030 | 2,098 |
| <i>Of which:</i> | | | | | | | |
| Contributed equity | | - | - | - | - | - | - |
| Accumulated surplus | | 1,511 | 1,311 | 1,588 | 1,688 | 1,747 | 1,804 |
| Other reserves | | 237 | 389 | 259 | 272 | 283 | 295 |
| NET WORTH | 6 | 1,748 | 1,699 | 1,847 | 1,960 | 2,030 | 2,098 |
| MEMORANDUM ITEMS | | | | | | | |
| <i>Net financial worth</i> | | -376 | -462 | -442 | -448 | -452 | -456 |
| <i>Net debt</i> | | | | | | | |
| Gross debt liabilities | | 41,748 | 47,100 | 45,892 | 48,355 | 49,732 | 52,708 |
| Less: liquid financial assets | | 43,808 | 48,728 | 47,980 | 50,504 | 51,943 | 54,983 |
| Less: convergence differences impacting net debt | | - | - | - | - | - | - |
| Net debt | | -2,060 | -1,628 | -2,089 | -2,150 | -2,211 | -2,275 |

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

| Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | \$m | \$m | \$m | \$m | \$m |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| <i>Cash received</i> | | | | | | |
| Grants and subsidies received | - | 5 | 7 | 5 | 5 | 5 |
| Receipts from sales of goods and services | 977 | 1,002 | 1,014 | 1,085 | 1,170 | 1,262 |
| Interest receipts | 1,665 | 2,058 | 1,945 | 2,141 | 2,368 | 2,663 |
| Dividends and tax equivalents | - | - | - | - | - | - |
| Other receipts | 130 | 106 | 102 | 113 | 119 | 127 |
| <i>Total cash received</i> | <i>2,772</i> | <i>3,170</i> | <i>3,069</i> | <i>3,343</i> | <i>3,662</i> | <i>4,058</i> |
| <i>Cash paid</i> | | | | | | |
| Wages, salaries and supplements, and superannuation | -48 | -54 | -54 | -56 | -58 | -60 |
| Payments for goods and services | -739 | -841 | -844 | -932 | -954 | -1,012 |
| Interest paid | -1,672 | -1,856 | -1,761 | -1,932 | -2,152 | -2,449 |
| Grants and subsidies paid | - | - | - | - | - | - |
| Tax equivalents | - | -6 | -6 | -21 | -26 | -28 |
| Other payments | -180 | -153 | -156 | -164 | -176 | -188 |
| <i>Total cash paid</i> | <i>-2,639</i> | <i>-2,910</i> | <i>-2,820</i> | <i>-3,106</i> | <i>-3,366</i> | <i>-3,738</i> |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 134 | 260 | 249 | 237 | 297 | 320 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| <i>Cash flows from investments in non-financial assets</i> | | | | | | |
| Purchase of non-financial assets | -5 | -6 | -7 | -5 | -5 | -5 |
| Sales of non-financial assets | - | - | - | - | - | - |
| <i>Total cash flows from investments in non-financial assets</i> | <i>-5</i> | <i>-6</i> | <i>-7</i> | <i>-5</i> | <i>-5</i> | <i>-5</i> |
| <i>Cash flows from investments in financial assets</i> | | | | | | |
| <i>Cash received</i> | | | | | | |
| For policy purposes | - | - | - | - | - | - |
| For liquidity purposes | 6,819 | 1,306 | 1,346 | 1,417 | 1,472 | 1,531 |
| <i>Cash paid</i> | | | | | | |
| For policy purposes | - | - | - | - | - | - |
| For liquidity purposes | -5,855 | -1,473 | -2,563 | -2,152 | -1,614 | -1,697 |
| <i>Total cash flows from investments in financial assets</i> | <i>964</i> | <i>-167</i> | <i>-1,217</i> | <i>-735</i> | <i>-143</i> | <i>-167</i> |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | 959 | -173 | -1,223 | -740 | -148 | -172 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| <i>Cash received</i> | | | | | | |
| Advances received | - | - | - | - | - | - |
| Borrowings | 53,398 | 43,475 | 43,870 | 41,882 | 41,018 | 40,435 |
| Deposits received | - | - | - | - | - | - |
| Other financing receipts | - | - | - | - | - | - |
| <i>Total cash received</i> | <i>53,398</i> | <i>43,475</i> | <i>43,870</i> | <i>41,882</i> | <i>41,018</i> | <i>40,435</i> |
| <i>Cash paid</i> | | | | | | |
| Advances paid | - | - | - | - | - | - |
| Borrowings repaid | -54,658 | -43,469 | -42,718 | -41,278 | -41,016 | -40,433 |
| Deposits paid | - | - | - | - | - | - |
| Other financing payments | - | - | - | - | - | - |
| Dividends paid | -67 | -116 | -134 | -101 | -134 | -142 |
| <i>Total cash paid</i> | <i>-54,725</i> | <i>-43,586</i> | <i>-42,852</i> | <i>-41,380</i> | <i>-41,149</i> | <i>-40,575</i> |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | -1,327 | -110 | 1,018 | 503 | -132 | -140 |
| Net increase in cash and cash equivalents | -234 | -24 | 43 | - | 17 | 8 |
| Cash and cash equivalents at the beginning of the year | 3,664 | 1,444 | 3,430 | 3,473 | 3,473 | 3,490 |
| Cash and cash equivalents at the end of the year | 3,430 | 1,421 | 3,473 | 3,473 | 3,490 | 3,498 |
| KEY FISCAL AGGREGATES | | | | | | |
| Net cash flows from operating activities | 134 | 260 | 249 | 237 | 297 | 320 |
| Net cash flows from investing in non-financial assets | -5 | -6 | -7 | -5 | -5 | -5 |
| Dividends paid | -67 | -116 | -134 | -101 | -134 | -142 |
| Cash surplus/-deficit | 6 | 62 | 137 | 131 | 158 | 173 |

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

| | Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | | \$m | \$m | \$m | \$m | \$m |
| <i>Results from Transactions</i> | | | | | | | |
| REVENUE | | | | | | | |
| Taxation | | 7,894 | 8,734 | 8,584 | 8,888 | 9,413 | 10,038 |
| Current grants and subsidies | | 8,316 | 8,015 | 8,062 | 7,610 | 7,309 | 7,394 |
| Capital grants | | 622 | 709 | 724 | 616 | 497 | 572 |
| Sales of goods and services | | 17,955 | 20,058 | 20,271 | 21,337 | 22,212 | 23,403 |
| Interest income | | 687 | 743 | 761 | 818 | 881 | 951 |
| Royalty income | | 4,425 | 5,824 | 6,089 | 6,379 | 7,047 | 7,232 |
| Other | | 896 | 971 | 1,006 | 828 | 898 | 811 |
| <i>Total</i> | | <i>40,794</i> | <i>45,054</i> | <i>45,497</i> | <i>46,476</i> | <i>48,257</i> | <i>50,400</i> |
| EXPENSES | | | | | | | |
| Salaries | | 11,307 | 12,006 | 12,154 | 12,354 | 12,790 | 13,451 |
| Superannuation | | | | | | | |
| Concurrent costs | | 1,071 | 1,161 | 1,173 | 1,218 | 1,316 | 1,443 |
| Superannuation interest cost | | 369 | 352 | 350 | 360 | 372 | 382 |
| Other employee costs | | 315 | 278 | 271 | 277 | 300 | 299 |
| Depreciation and amortisation | | 3,024 | 3,174 | 3,313 | 3,399 | 3,448 | 3,520 |
| Services and contracts | | 2,782 | 2,986 | 3,033 | 2,987 | 2,864 | 2,958 |
| Other gross operating expenses | | 16,487 | 18,916 | 19,276 | 20,087 | 20,808 | 21,915 |
| Other interest | | 1,588 | 1,699 | 1,693 | 1,790 | 1,985 | 2,241 |
| Current transfers | | 3,631 | 3,740 | 3,644 | 3,877 | 4,064 | 4,294 |
| Capital transfers | | 428 | 798 | 761 | 627 | 456 | 359 |
| <i>Total</i> | | <i>41,003</i> | <i>45,111</i> | <i>45,667</i> | <i>46,975</i> | <i>48,403</i> | <i>50,862</i> |
| NET OPERATING BALANCE | 6 | -208 | -57 | -170 | -499 | -146 | -462 |
| <i>Other economic flows</i> | | | | | | | |
| Net gains on assets/liabilities | | 315 | 167 | 155 | 172 | 337 | 295 |
| Net actuarial gains - superannuation | | 881 | 44 | 249 | 29 | -37 | -101 |
| Provision for doubtful debts | | -106 | -21 | -22 | -22 | -23 | -25 |
| All other | | - | - | - | - | - | - |
| <i>Total other economic flows</i> | | <i>1,089</i> | <i>191</i> | <i>382</i> | <i>179</i> | <i>277</i> | <i>169</i> |
| OPERATING RESULT | | 881 | 134 | 212 | -320 | 131 | -293 |
| <i>All other movements in equity</i> | | | | | | | |
| Revaluations | | 149 | 3,636 | 3,634 | 3,420 | 3,548 | 3,588 |
| Gains recognised directly in equity | | 556 | -51 | -48 | -61 | -63 | -66 |
| Changes in accounting policy/correction of prior period errors | | -135 | - | - | - | - | - |
| All other | | - | - | - | - | - | - |
| <i>Total all other movements in equity</i> | | <i>571</i> | <i>3,585</i> | <i>3,586</i> | <i>3,359</i> | <i>3,485</i> | <i>3,522</i> |
| TOTAL CHANGE IN NET WORTH | | 1,452 | 3,719 | 3,798 | 3,039 | 3,616 | 3,229 |
| KEY FISCAL AGGREGATES | | | | | | | |
| NET OPERATING BALANCE | 6 | -208 | -57 | -170 | -499 | -146 | -462 |
| <i>Less Net acquisition of non-financial assets</i> | | | | | | | |
| Purchase of non-financial assets | | 7,355 | 7,451 | 7,326 | 6,269 | 5,317 | 5,509 |
| Changes in inventories | | -654 | 124 | 97 | 2 | 72 | 70 |
| Other movement in non-financial assets | | 215 | 413 | 318 | 19 | 42 | 47 |
| <i>Less:</i> | | | | | | | |
| Sales of non-financial assets | | 902 | 1,671 | 1,350 | 1,436 | 1,618 | 1,382 |
| Depreciation | | 3,024 | 3,174 | 3,313 | 3,399 | 3,448 | 3,520 |
| <i>Total net acquisition of non-financial assets</i> | | <i>2,991</i> | <i>3,143</i> | <i>3,078</i> | <i>1,455</i> | <i>364</i> | <i>724</i> |
| NET LENDING/-BORROWING | 6 | -3,199 | -3,200 | -3,248 | -1,954 | -510 | -1,186 |

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

| | Note | 2013 | 2014 | 2014 | 2015 | 2016 | 2017 |
|--|------|----------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| | | Actual | Budget Estimate | Mid-year Revision | Mid-year Revision | Mid-year Revision | Mid-year Revision |
| | | \$m | \$m | \$m | \$m | \$m | \$m |
| ASSETS | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and deposits | | 1,598 | 1,326 | 1,277 | 1,434 | 1,357 | 1,281 |
| Advances paid | | 3,552 | 5,285 | 4,646 | 5,297 | 5,325 | 5,358 |
| Investments, loans and placements | | 16,896 | 14,004 | 14,683 | 13,496 | 13,775 | 14,964 |
| Receivables | | 4,286 | 4,496 | 4,525 | 4,606 | 4,754 | 4,861 |
| Investment property | | 571 | 653 | 603 | 634 | 663 | 702 |
| Equity - Investments in other entities | | 1,386 | 1,484 | 1,479 | 1,569 | 1,684 | 1,804 |
| Other financial assets | | 24 | 39 | 24 | 24 | 24 | 24 |
| <i>Total financial assets</i> | | 28,314 | 27,288 | 27,238 | 27,060 | 27,581 | 28,995 |
| <i>Non-financial assets</i> | | | | | | | |
| Land | | 50,653 | 56,408 | 52,073 | 53,617 | 55,238 | 56,941 |
| Property, plant and equipment | | 89,100 | 93,820 | 94,357 | 97,690 | 100,320 | 103,201 |
| Biological assets | | 324 | 328 | 321 | 315 | 309 | 303 |
| Inventories | | | | | | | |
| Land inventories | | 2,028 | 2,205 | 2,111 | 2,193 | 2,132 | 2,289 |
| Other inventories | | 2,789 | 4,030 | 2,886 | 2,888 | 2,959 | 3,029 |
| Intangibles | | 1,118 | 791 | 1,100 | 1,156 | 1,103 | 1,032 |
| Non-current assets held for sale | | 70 | 276 | 33 | 32 | 32 | 49 |
| Other | | 509 | 405 | 525 | 527 | 533 | 526 |
| <i>Total non-financial assets</i> | | 146,590 | 158,262 | 153,406 | 158,417 | 162,626 | 167,371 |
| TOTAL ASSETS | | 174,904 | 185,550 | 180,643 | 185,477 | 190,208 | 196,366 |
| LIABILITIES | | | | | | | |
| Deposits held | | 144 | 190 | 175 | 175 | 175 | 175 |
| Advances received | | 439 | 424 | 424 | 409 | 393 | 377 |
| Borrowings | | 39,740 | 41,998 | 41,975 | 43,918 | 45,234 | 47,974 |
| Unfunded superannuation | | 8,143 | 8,573 | 7,723 | 7,524 | 7,428 | 7,447 |
| Other employee benefits | | 3,465 | 3,413 | 3,605 | 3,646 | 3,384 | 3,416 |
| Payables | | 4,486 | 5,579 | 4,348 | 4,249 | 4,299 | 4,286 |
| Other liabilities | | 5,560 | 5,761 | 5,668 | 5,792 | 5,915 | 6,081 |
| TOTAL LIABILITIES | | 61,977 | 65,938 | 63,919 | 65,713 | 66,828 | 69,756 |
| NET ASSETS | | 112,927 | 119,612 | 116,725 | 119,764 | 123,380 | 126,609 |
| <i>Of which:</i> | | | | | | | |
| Contributed equity | | - | - | - | - | - | - |
| Accumulated surplus | | 30,855 | 31,768 | 31,582 | 31,195 | 31,215 | 30,818 |
| Other reserves | | 82,072 | 87,844 | 85,143 | 88,569 | 92,165 | 95,792 |
| NET WORTH | 6 | 112,927 | 119,612 | 116,725 | 119,764 | 123,380 | 126,609 |
| MEMORANDUM ITEMS | | | | | | | |
| <i>Net financial worth</i> | | -33,663 | -38,650 | -36,681 | -38,653 | -39,246 | -40,761 |
| <i>Net financial liabilities</i> | | 35,049 | 40,134 | 38,160 | 40,222 | 40,931 | 42,566 |
| <i>Net debt</i> | | | | | | | |
| Gross debt liabilities | | 40,323 | 42,612 | 42,574 | 44,502 | 45,801 | 48,526 |
| Less: liquid financial assets | | 22,046 | 20,615 | 20,606 | 20,228 | 20,457 | 21,604 |
| Less: convergence differences impacting net debt | | 88 | 88 | 88 | 88 | - | - |
| <i>Net debt</i> | | 18,188 | 21,909 | 21,880 | 24,186 | 25,345 | 26,922 |

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

| | Note | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | \$m | \$m | \$m | \$m | \$m | \$m |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| Taxes received | | 7,678 | 8,686 | 8,533 | 8,834 | 9,359 | 9,976 |
| Grants and subsidies received | | 8,934 | 8,718 | 8,761 | 8,228 | 7,786 | 7,942 |
| Receipts from sales of goods and services | | 18,205 | 19,930 | 20,188 | 21,253 | 22,008 | 23,274 |
| Interest receipts | | 811 | 784 | 790 | 858 | 932 | 1,004 |
| Dividends and tax equivalents | | - | - | - | - | - | - |
| Other | | 7,594 | 8,194 | 8,533 | 9,061 | 9,751 | 9,975 |
| Total cash received | | 43,223 | 46,313 | 46,806 | 48,234 | 49,837 | 52,171 |
| <i>Cash paid</i> | | | | | | | |
| Wages, salaries and supplements, and superannuation | | -12,538 | -13,635 | -13,741 | -14,085 | -14,902 | -15,350 |
| Payments for goods and services | | -18,339 | -20,081 | -20,524 | -21,207 | -21,602 | -22,612 |
| Interest paid | | -1,687 | -1,676 | -1,668 | -1,765 | -1,940 | -2,194 |
| Grants and subsidies paid | | -3,770 | -3,911 | -3,830 | -4,055 | -4,304 | -4,431 |
| Dividends and tax equivalents | | - | - | - | - | - | - |
| Other payments | | -4,324 | -4,031 | -4,420 | -4,497 | -4,440 | -4,909 |
| Total cash paid | | -40,658 | -43,334 | -44,183 | -45,609 | -47,188 | -49,497 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | 2,565 | 2,979 | 2,623 | 2,624 | 2,649 | 2,674 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| <i>Cash flows from investments in non-financial assets</i> | | | | | | | |
| Purchase of non-financial assets | | -7,355 | -7,451 | -7,326 | -6,269 | -5,317 | -5,509 |
| Sales of non-financial assets | | 902 | 1,671 | 1,350 | 1,436 | 1,618 | 1,382 |
| Total cash flows from investments in non-financial assets | | -6,453 | -5,780 | -5,976 | -4,834 | -3,699 | -4,127 |
| <i>Cash flows from investments in financial assets</i> | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| For policy purposes | | 12 | - | - | - | - | - |
| For liquidity purposes | | 7,236 | 1,357 | 1,372 | 1,475 | 1,676 | 1,727 |
| <i>Cash paid</i> | | | | | | | |
| For policy purposes | | -12 | - | - | - | - | - |
| For liquidity purposes | | -6,401 | -1,527 | -2,579 | -2,158 | -1,850 | -1,906 |
| Total cash flows from investments in financial assets | | 835 | -170 | -1,207 | -682 | -174 | -179 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | -5,618 | -5,950 | -7,183 | -5,516 | -3,873 | -4,306 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| <i>Cash received</i> | | | | | | | |
| Advances received | | - | - | - | - | - | - |
| Borrowings | | 31,930 | 25,204 | 25,595 | 28,021 | 27,956 | 27,977 |
| Deposits received | | - | - | - | - | - | - |
| Other financing receipts | | 30 | 306 | 307 | 86 | 36 | 37 |
| Total cash received | | 31,960 | 25,511 | 25,902 | 28,107 | 27,992 | 28,014 |
| <i>Cash paid</i> | | | | | | | |
| Advances paid | | -15 | -15 | -15 | -15 | -16 | -16 |
| Borrowings repaid | | -29,576 | -23,212 | -23,537 | -24,212 | -25,432 | -25,256 |
| Deposits paid | | - | - | - | - | - | - |
| Other financing payments | | -87 | -142 | -82 | -125 | -146 | -107 |
| Total cash paid | | -29,678 | -23,369 | -23,633 | -24,353 | -25,594 | -25,379 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | 2,282 | 2,142 | 2,268 | 3,755 | 2,398 | 2,635 |
| Net increase in cash and cash equivalents | | -771 | -829 | -2,292 | 863 | 1,174 | 1,003 |
| Cash and cash equivalents at the beginning of the year | | 11,981 | 9,103 | 11,210 | 8,917 | 9,780 | 10,954 |
| Cash and cash equivalents at the end of the year | | 11,210 | 8,274 | 8,917 | 9,780 | 10,954 | 11,957 |
| KEY FISCAL AGGREGATES | | | | | | | |
| Net cash flows from operating activities | | 2,565 | 2,979 | 2,623 | 2,624 | 2,649 | 2,674 |
| Net cash flows from investing in non-financial assets | | -6,453 | -5,780 | -5,976 | -4,834 | -3,699 | -4,127 |
| Cash surplus/-deficit | 6 | -3,888 | -2,801 | -3,353 | -2,209 | -1,050 | -1,453 |

Note: Columns may not add due to rounding.

NOTE 1: STATEMENT OF COMPLIANCE

The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*.

The presentation in this appendix is consistent with AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, applying to all reporting periods from 1 July 2008.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements constitute general purpose financial reports for the total public sector (also known as the whole-of-government), general government sector, and each of the subsidiary public corporations sectors. Financial projections for the total non-financial public sector (i.e. general government and the public non-financial corporations – such as water and electricity utilities, and the ports) are also presented.

The financial projections are a requirement of the *Government Financial Responsibility Act 2000*.

(a) The reporting entity

The reporting entity is the *Government of Western Australia* (the public sector) and includes entities under its control.

(b) Basis of preparation

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the *2012-13 Annual Report on State Finances (ARSF)*, which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2012-13 ARSF.

The projections are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m).

(c) Unaudited data

These financial projections are not subject to audit.

(d) Comparative figures

Comparative information for 2012-13 is based on the audited actual data presented in the 2012-13 ARSF.

NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

A detailed dissection of general government revenue is included at Appendix 2: *General Government Operating Revenue*.

NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

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

The following table provides detail of current and capital transfer expenses of the general government sector, in line with Uniform Presentation Framework disclosure requirements.

TRANSFER EXPENSES ^(a)
 General Government

| | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | Estimate | Revision | Revision | Revision | Revision | Revision |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| <i>CURRENT TRANSFERS</i> | | | | | | |
| Local government | 322 | 346 | 308 | 381 | 338 | 293 |
| Local government on-passing | 158 | 170 | 170 | 179 | 189 | 200 |
| Private and not-for-profit sector | 1,590 | 1,624 | 1,549 | 1,604 | 1,677 | 1,811 |
| Private and not-for-profit sector on-passing | 873 | 897 | 897 | 966 | 1,056 | 1,148 |
| Other sectors of government | 1,952 | 2,345 | 2,455 | 2,428 | 2,420 | 2,499 |
| <i>Total Current Transfers</i> | <i>4,895</i> | <i>5,382</i> | <i>5,379</i> | <i>5,558</i> | <i>5,681</i> | <i>5,951</i> |
| <i>CAPITAL TRANSFERS</i> | | | | | | |
| Local government | 65 | 325 | 284 | 222 | 74 | 67 |
| Local government on-passing | 101 | 107 | 107 | 111 | 116 | 121 |
| Private and not-for-profit sector | 155 | 142 | 145 | 223 | 219 | 125 |
| Private and not-for-profit sector on-passing | 25 | 29 | 29 | 31 | 34 | 37 |
| Other sectors of government | 116 | 223 | 230 | 202 | 150 | 115 |
| <i>Total Capital Transfers</i> | <i>462</i> | <i>826</i> | <i>795</i> | <i>789</i> | <i>592</i> | <i>465</i> |

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

NOTE 5: GENERAL GOVERNMENT EXPENSES AND SPENDING ON THE PURCHASE OF NON-FINANCIAL ASSETS BY GOVERNMENT PURPOSE CLASSIFICATION ^(a)

| | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | \$m | \$m | \$m | \$m | \$m |
| <i>Expenses</i> | | | | | | |
| General public services | 569 | 714 | 706 | 515 | 512 | 650 |
| Public order and safety | 2,940 | 3,052 | 3,088 | 3,220 | 3,323 | 3,450 |
| Education | 6,154 | 6,523 | 6,515 | 6,809 | 6,971 | 7,304 |
| Health | 6,903 | 7,278 | 7,437 | 7,758 | 8,119 | 8,525 |
| Social security and welfare | 1,787 | 1,955 | 1,944 | 2,009 | 2,119 | 2,166 |
| Housing and community amenities | 1,534 | 2,036 | 2,092 | 2,119 | 2,137 | 2,208 |
| Recreation and culture | 851 | 854 | 818 | 883 | 811 | 805 |
| Fuel and energy | 543 | 614 | 722 | 697 | 692 | 734 |
| Agriculture, forestry, fishing and hunting | 376 | 367 | 338 | 326 | 308 | 307 |
| Mining and mineral resources other than fuels; manufacturing; and construction | 194 | 246 | 250 | 225 | 216 | 217 |
| Transport and communications | 1,929 | 2,126 | 2,090 | 2,084 | 2,060 | 2,175 |
| Other economic affairs | 719 | 783 | 804 | 749 | 665 | 572 |
| Other purposes | 969 | 1,043 | 1,026 | 1,108 | 1,281 | 1,462 |
| Total General Government Expenses | 25,468 | 27,592 | 27,830 | 28,502 | 29,213 | 30,575 |
| <i>Purchases of new non-financial assets</i> | | | | | | |
| General public services | 161 | 170 | 161 | 179 | 200 | 151 |
| Public order and safety | 216 | 309 | 325 | 219 | 84 | 82 |
| Education | 506 | 609 | 628 | 440 | 267 | 241 |
| Health | 901 | 1,078 | 1,066 | 863 | 340 | 300 |
| Social security and welfare | 53 | 70 | 70 | 49 | 17 | 12 |
| Housing and community amenities | 107 | 119 | 143 | 83 | 132 | 99 |
| Recreation and culture | 181 | 145 | 206 | 183 | 400 | 470 |
| Fuel and energy | 8 | 5 | 5 | 4 | 3 | 2 |
| Agriculture, forestry, fishing and hunting | 23 | 30 | 31 | 24 | 16 | 18 |
| Mining and mineral resources other than fuels; manufacturing; and construction | 2 | 1 | 2 | 1 | 1 | 1 |
| Transport and communications | 852 | 1,139 | 1,148 | 751 | 581 | 821 |
| Other economic affairs | 185 | 145 | 153 | 54 | 36 | 19 |
| Other purposes | - | -625 | -625 | 63 | 62 | - |
| Total Purchases of Non-financial Assets | 3,195 | 3,196 | 3,313 | 2,916 | 2,138 | 2,217 |

(a) Data in this table are for consolidated general government aggregates and exclude internal transactions within the sector. In relation to purchases of non-financial assets, the information in this table represents spending by function on fixed assets by general government agencies, which has a different sectoral coverage to the Asset Investment Program.

NOTE 6: CONVERGENCE DIFFERENCES

Where possible, AASB 1049 harmonises Government Finance Statistics (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 all convergence differences in the forward estimates.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Operating Balance

| | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | \$m | \$m | \$m | \$m | \$m |
| <u>General government</u> | | | | | | |
| AASB1049 net operating balance | 249 | 386 | 437 | -124 | 263 | 10 |
| Plus GFS revenue adjustments | - | - | - | - | - | - |
| Less GFS expense adjustments | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset | - | - | - | - | 88 | - |
| Total GFS expense adjustments | - | - | - | - | 88 | - |
| Total GFS adjustments to AASB 1049 net operating balance | - | - | - | - | -88 | - |
| GFS net operating balance | 249 | 386 | 437 | -124 | 175 | 10 |
| <u>Public non-financial corporations</u> | | | | | | |
| AASB1049 net operating balance | 304 | 230 | 132 | 400 | 494 | 502 |
| Less GFS expense adjustments | | | | | | |
| Capitalised interest | 27 | 46 | 46 | 44 | 54 | 48 |
| Dividends | 785 | 761 | 781 | 883 | 970 | 1,039 |
| Total GFS expense adjustments | 811 | 807 | 827 | 927 | 1,024 | 1,087 |
| Total GFS adjustments to AASB 1049 net operating balance | -811 | -807 | -827 | -927 | -1,024 | -1,087 |
| GFS net operating balance | -507 | -577 | -695 | -527 | -531 | -585 |
| <u>Total non-financial public sector</u> | | | | | | |
| AASB1049 net operating balance | -232 | -144 | -213 | -607 | -213 | -527 |
| Plus GFS revenue adjustments | - | - | - | - | - | - |
| Less GFS expense adjustments | | | | | | |
| Capitalised interest | 27 | 46 | 46 | 44 | 54 | 48 |
| Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset | - | - | - | - | 88 | - |
| Total GFS expense adjustments | 27 | 46 | 46 | 44 | 142 | 48 |
| Total GFS adjustments to AASB 1049 net operating balance | -27 | -46 | -46 | -44 | -142 | -48 |
| GFS net operating balance | -258 | -190 | -259 | -650 | -355 | -575 |
| <u>Public financial corporations</u> | | | | | | |
| AASB1049 net operating balance | 91 | 204 | 176 | 209 | 201 | 207 |
| Less GFS expense adjustments | | | | | | |
| Dividends | 67 | 116 | 134 | 101 | 134 | 142 |
| Total GFS expense adjustments | 67 | 116 | 134 | 101 | 134 | 142 |
| Total GFS adjustments to AASB 1049 net operating balance | -67 | -116 | -134 | -101 | -134 | -142 |
| GFS net operating balance | 23 | 87 | 42 | 107 | 67 | 65 |
| <u>Total public sector</u> | | | | | | |
| AASB1049 net operating balance | -208 | -57 | -170 | -499 | -146 | -462 |
| Plus GFS revenue adjustments | - | - | - | - | - | - |
| Less GFS expense adjustments | | | | | | |
| Capitalised interest | 27 | 46 | 46 | 44 | 54 | 48 |
| Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset | - | - | - | - | 88 | - |
| Total GFS expense adjustments | 27 | 46 | 46 | 44 | 142 | 48 |
| Total GFS adjustments to AASB 1049 net operating balance | -27 | -46 | -46 | -44 | -142 | -48 |
| GFS net operating balance | -235 | -103 | -216 | -543 | -288 | -510 |

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)**Net Lending/-Borrowing**

| | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------------|---------------|---------------|---------------|-------------|---------------|
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | \$m | \$m | \$m | \$m | \$m |
| <u>General government</u> | | | | | | |
| AASB1049 net lending/-borrowing | -1,852 | -1,644 | -1,572 | -1,527 | -222 | -588 |
| Plus Net operating balance convergence difference (noted above) | - | - | - | - | -88 | - |
| GFS net lending/-borrowing | -1,852 | -1,644 | -1,572 | -1,527 | -310 | -588 |
| <u>Public non-financial corporations</u> | | | | | | |
| AASB1049 net lending/-borrowing | -597 | -896 | -950 | 335 | 599 | 360 |
| Plus Net operating balance convergence difference (noted above) | -811 | -807 | -827 | -927 | -1,024 | -1,087 |
| GFS net lending/-borrowing | -1,408 | -1,703 | -1,778 | -592 | -425 | -727 |
| <u>Total non-financial public sector</u> | | | | | | |
| AASB1049 net lending/-borrowing | -3,234 | -3,300 | -3,303 | -2,076 | -593 | -1,267 |
| Plus Net operating balance convergence difference (noted above) | -27 | -46 | -46 | -44 | -142 | -48 |
| GFS net lending/-borrowing | -3,261 | -3,347 | -3,349 | -2,120 | -735 | -1,315 |
| <u>Public financial corporations</u> | | | | | | |
| AASB1049 net lending/-borrowing | 103 | 217 | 189 | 223 | 216 | 223 |
| Plus Net operating balance convergence difference (noted above) | -67 | -116 | -134 | -101 | -134 | -142 |
| GFS net lending/-borrowing | 35 | 101 | 56 | 122 | 83 | 81 |
| <u>Total public sector</u> | | | | | | |
| AASB1049 net lending/-borrowing | -3,199 | -3,200 | -3,248 | -1,954 | -510 | -1,186 |
| Plus Net operating balance convergence difference (noted above) | -27 | -46 | -46 | -44 | -142 | -48 |
| GFS net lending/-borrowing | -3,226 | -3,246 | -3,294 | -1,998 | -652 | -1,234 |

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)
Net Worth at 30 June

| | 2013 Actual \$m | 2014 Budget Estimate \$m | 2014 Mid-year Revision \$m | 2015 Mid-year Revision \$m | 2016 Mid-year Revision \$m | 2017 Mid-year Revision \$m |
|--|-----------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>General government</u> | | | | | | |
| AASB1049 net worth | 112,927 | 119,612 | 116,725 | 119,764 | 123,380 | 126,609 |
| <i>Plus</i> | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline loan asset | 88 | 88 | 88 | 88 | - | - |
| Provision for doubtful debts | | | | | | |
| General government sector | 208 | 202 | 207 | 208 | 208 | 208 |
| Impact on public corporations net worth | 97 | 23 | 97 | 99 | 100 | 101 |
| Total GFS net worth adjustments | 393 | 312 | 392 | 394 | 308 | 309 |
| GFS net worth | 113,320 | 119,924 | 117,117 | 120,158 | 123,688 | 126,918 |
| <u>Public non-financial corporations</u> | | | | | | |
| AASB1049 net worth | 48,694 | 52,121 | 50,381 | 51,733 | 53,369 | 55,067 |
| <i>Plus</i> | | | | | | |
| Impact of general government equity injections | -5,846 | -6,672 | -6,505 | -6,940 | -7,380 | -7,888 |
| Provision for doubtful debts | 29 | 22 | 26 | 27 | 29 | 30 |
| Total GFS net worth adjustments | -5,817 | -6,650 | -6,479 | -6,913 | -7,351 | -7,858 |
| GFS net worth | 42,878 | 45,471 | 43,903 | 44,820 | 46,018 | 47,209 |
| <u>Total non-financial public sector</u> | | | | | | |
| AASB1049 net worth | 112,927 | 119,612 | 116,725 | 119,764 | 123,380 | 126,609 |
| <i>Plus</i> | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline loan asset | 88 | 88 | 88 | 88 | - | - |
| Provision for doubtful debts | | | | | | |
| Total non-financial public sector | 237 | 224 | 233 | 235 | 236 | 237 |
| Impact on public corporations net worth | 68 | - | 71 | 71 | 71 | 71 |
| Total GFS net worth adjustments | 393 | 312 | 392 | 394 | 308 | 309 |
| GFS net worth | 113,320 | 119,924 | 117,117 | 120,158 | 123,688 | 126,918 |
| <u>Public financial corporations</u> | | | | | | |
| AASB1049 net worth | 1,748 | 1,699 | 1,847 | 1,960 | 2,030 | 2,098 |
| <i>Plus</i> | | | | | | |
| Provision for doubtful debts | 68 | - | 71 | 71 | 71 | 71 |
| Total GFS net worth adjustments | 68 | - | 71 | 71 | 71 | 71 |
| GFS net worth | 1,816 | 1,699 | 1,918 | 2,031 | 2,101 | 2,169 |
| <u>Total public sector</u> | | | | | | |
| AASB1049 net worth | 112,927 | 119,612 | 116,725 | 119,764 | 123,380 | 126,609 |
| <i>Plus</i> | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline loan asset | 88 | 88 | 88 | 88 | - | - |
| Provision for doubtful debts | 305 | 224 | 304 | 306 | 308 | 309 |
| Total GFS net worth adjustments | 393 | 312 | 392 | 394 | 308 | 309 |
| GFS net worth | 113,320 | 119,924 | 117,117 | 120,158 | 123,688 | 126,918 |

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)
Cash Surplus/-Deficit

| | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | \$m | \$m | \$m | \$m | \$m |
| <u>General government</u> | | | | | | |
| AASB1049 cash surplus/-deficit | -1,952 | -1,538 | -1,684 | -1,446 | -612 | -718 |
| Less Acquisitions under finance leases and similar arrangements | 104 | 417 | 270 | 216 | 5 | - |
| GFS cash surplus/-deficit | -2,056 | -1,955 | -1,954 | -1,662 | -618 | -718 |
| <u>Public non-financial corporations</u> | | | | | | |
| AASB1049 cash surplus/-deficit | -1,998 | -1,400 | -1,778 | -894 | -595 | -908 |
| Less Acquisitions under finance leases and similar arrangements | - | 265 | 265 | 1 | - | - |
| GFS cash surplus/-deficit | -1,998 | -1,665 | -2,043 | -894 | -595 | -908 |
| <u>Total non-financial public sector</u> | | | | | | |
| AASB1049 cash surplus/-deficit | -3,950 | -2,938 | -3,462 | -2,340 | -1,207 | -1,626 |
| Less Acquisitions under finance leases and similar arrangements | 104 | 682 | 535 | 217 | 6 | - |
| GFS cash surplus/-deficit | -4,054 | -3,621 | -3,997 | -2,557 | -1,213 | -1,626 |
| <u>Public financial corporations</u> | | | | | | |
| AASB1049 cash surplus/-deficit | 62 | 137 | 109 | 131 | 158 | 173 |
| Less Acquisitions under finance leases and similar arrangements | - | - | - | - | - | - |
| GFS cash surplus/-deficit | 62 | 137 | 109 | 131 | 158 | 173 |
| <u>Total public sector</u> | | | | | | |
| AASB1049 cash surplus/-deficit | -3,888 | -2,801 | -3,353 | -2,209 | -1,050 | -1,453 |
| Less Acquisitions under finance leases and similar arrangements | 104 | 682 | 535 | 217 | 6 | - |
| GFS cash surplus/-deficit | -3,992 | -3,483 | -3,888 | -2,426 | -1,055 | -1,453 |

NOTE 7: LOAN COUNCIL ALLOCATION

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's cash deficit position¹.

An LCA deficit of \$4,542 million is forecast for 2013-14, \$1,395 million higher than the budget-time projection of \$3,147 million. This revision is largely driven by the impact of a substantial increase in Keystart borrowing following lower than expected home lending activity in 2012-13.

Keystart borrowings are expected to increase to \$4.4 billion, up \$1.1 billion in 2013-14 on the \$3.3 billion outcome for 30 June 2013, with some of the slower than forecast home lending expected to also impact the 2014-15 LCA nomination. Changes in market activity and later than anticipated amendment to Keystart's lending criteria are reflected in the revised borrowing profile.

An LCA deficit of \$2,612 million is forecast for 2014-15 (\$1.9 billion lower than the expected outturn for 2013-14). The lower nomination for 2014-15 primarily reflects:

- a lower cash deficit for the total non-financial public sector, with lower deficits for both the public non-financial corporations sector (down \$884 million) and the general government sector (down \$238 million), mainly due to changes to the outlook discussed in Chapter 1 of this mid-year review;
- lower acquisitions under finance leases and similar arrangements (down \$318 million); and
- lower memorandum items (down \$490 million), due mainly to moderating home lending activity relative to 2013-14.

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

LOAN COUNCIL ALLOCATION
Western Australia

| | 2013-14 | | 2014-15 Nomination \$m |
|---|---|-----------------------------|------------------------------|
| | Budget Estimate \$m | Mid-year Revision \$m | |
| | General government cash surplus/deficit | 1,538 | |
| Public non-financial corporations sector cash surplus/deficit | 1,400 | 1,778 | 894 |
| <i>Total non-financial public sector cash surplus/deficit</i> | <i>2,938</i> | <i>3,462</i> | <i>2,340</i> |
| Acquisitions under finance leases and similar arrangements | 682 | 535 | 217 |
| <i>GFS cash surplus/deficit</i> | <i>3,621</i> | <i>3,997</i> | <i>2,557</i> |
| Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes | - | - | - |
| Plus: Memorandum items | -473 | 546 | 56 |
| Loan Council Allocation | 3,147 | 4,542 | 2,612 |
| <i>Tolerance Limit^(a)</i> | | | <i>942</i> |

(a) The tolerance limit is set at 2% of total non-financial public sector operating receipts and is specified at the time of the nomination. The limit provides an upper and lower bound for LCA variation reporting purposes.

Note: Columns may not add due to rounding.

APPENDIX 2

General Government Operating Revenue

This appendix contains general government revenue estimates prepared on an accrual basis consistent with Australian Accounting Standards and Government Finance Statistics frameworks.

Table 2.1

OPERATING REVENUE
General Government

| | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|--------------|--------------|--------------|--------------|--------------|---------------|
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | \$m | \$m | \$m | \$m | \$m |
| TAXATION | | | | | | |
| Taxes on employers' payroll and labour force | | | | | | |
| <i>Payroll tax</i> | 3,476 | 3,730 | 3,730 | 3,977 | 4,293 | 4,628 |
| Property taxes | | | | | | |
| <i>Land tax</i> | 568 | 657 | 662 | 728 | 801 | 884 |
| Transfer duty | 1,654 | 1,866 | 1,799 | 1,729 | 1,705 | 1,739 |
| Landholder duty | 216 | 309 | 248 | 140 | 142 | 145 |
| <i>Total duty on transfers</i> | 1,870 | 2,174 | 2,047 | 1,869 | 1,846 | 1,885 |
| Other stamp duties | 5 | - | - | - | - | - |
| Metropolitan Region Improvement Tax | 85 | 87 | 89 | 98 | 107 | 118 |
| Emergency Services Levy | 237 | 257 | 256 | 264 | 271 | 285 |
| Loan guarantee fees | 104 | 120 | 119 | 126 | 129 | 132 |
| <i>Total other property taxes</i> | 431 | 464 | 464 | 487 | 508 | 535 |
| Taxes on provision of goods and services | | | | | | |
| Lotteries Commission | 151 | 147 | 147 | 153 | 160 | 163 |
| Video lottery terminals | - | 1 | 1 | 1 | 1 | 1 |
| Casino tax | 112 | 130 | 118 | 123 | 127 | 131 |
| Betting tax | 41 | 42 | 42 | 44 | 45 | 46 |
| Other | - | - | - | - | - | - |
| <i>Total taxes on gambling</i> | 304 | 320 | 308 | 320 | 332 | 341 |
| Insurance duty | 555 | 593 | 593 | 638 | 688 | 745 |
| Other | 22 | 24 | 23 | 25 | 25 | 25 |
| <i>Total taxes on insurance</i> | 576 | 617 | 616 | 663 | 713 | 770 |
| Taxes on use of goods and performance of activities | | | | | | |
| Vehicle licence duty | 404 | 436 | 416 | 464 | 512 | 562 |
| Permits - oversize vehicles and loads | 8 | 6 | 8 | 8 | 9 | 9 |
| Motor vehicle recording fee | 48 | 49 | 49 | 50 | 53 | 54 |
| Motor vehicle registrations | 650 | 725 | 725 | 780 | 820 | 857 |
| <i>Total motor vehicle taxes</i> | 1,109 | 1,216 | 1,198 | 1,302 | 1,393 | 1,481 |
| Total Taxation | 8,335 | 9,177 | 9,025 | 9,347 | 9,887 | 10,524 |

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

| | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | \$m | \$m | Revision | Revision | Revision | Revision |
| | | | \$m | \$m | \$m | \$m |
| CURRENT GRANTS AND SUBSIDIES | | | | | | |
| <i>General Purpose Grants</i> | | | | | | |
| GST grants | 2,935 | 2,458 | 2,489 | 1,858 | 1,080 | 626 |
| North West Shelf grants | 1,031 | 1,067 | 1,091 | 1,075 | 1,191 | 1,328 |
| Commonwealth compensation for changed crude oil excise arrangements | 63 | 59 | 60 | 59 | 66 | 73 |
| <i>Grants Through the State</i> | | | | | | |
| Schools assistance – non-government schools | 873 | 897 | 897 | 966 | 1,056 | 1,148 |
| Local government financial assistance grants | 158 | 170 | 170 | 179 | 189 | 200 |
| Local government roads | 101 | 107 | 107 | 111 | 116 | 121 |
| First Home Owners' Boost | - | - | - | - | - | - |
| <i>National Specific Purpose Payment Agreement Grants</i> | | | | | | |
| National Schools | 406 | 457 | 457 | 508 | 564 | 620 |
| National Agreement for Skills and Workforce Development | 146 | 151 | 151 | 159 | 164 | 169 |
| National Disability Services | 127 | 146 | 146 | 156 | 165 | 175 |
| National Affordable Housing | 135 | 139 | 139 | 145 | 149 | 154 |
| <i>National Health Reform ^(a)</i> | 1,398 | 1,535 | 1,535 | 1,724 | 1,933 | 2,163 |
| <i>Other Grants/National Partnerships</i> | | | | | | |
| Health | 474 | 392 | 407 | 363 | 365 | 359 |
| Housing | 6 | 15 | 15 | - | - | - |
| Transport | 69 | 76 | 76 | 70 | 69 | 69 |
| Other | 394 | 347 | 323 | 236 | 201 | 189 |
| Total Current Grants and Subsidies | 8,316 | 8,015 | 8,062 | 7,610 | 7,309 | 7,394 |
| CAPITAL GRANTS | | | | | | |
| <i>Grants Through the State</i> | | | | | | |
| Schools assistance – non-government schools | 25 | 29 | 29 | 31 | 34 | 37 |
| <i>Other Grants/National Partnerships</i> | | | | | | |
| Housing | 93 | 200 | 200 | 166 | 124 | 97 |
| Transport | 445 | 392 | 408 | 354 | 324 | 425 |
| Other | 59 | 89 | 88 | 66 | 15 | 13 |
| Total Capital Grants | 622 | 709 | 724 | 616 | 497 | 572 |

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

| OPERATING REVENUE | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| General Government | | | | | | |
| | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| | Actual | Budget | Mid-year | Mid-year | Mid-year | Mid-year |
| | \$m | Estimate | Revision | Revision | Revision | Revision |
| | | \$m | \$m | \$m | \$m | \$m |
| SALES OF GOODS AND SERVICES | | | | | | |
| WA Health | 494 | 517 | 517 | 546 | 575 | 574 |
| Department of Transport | 198 | 207 | 207 | 207 | 211 | 212 |
| Department of Education | 160 | 179 | 162 | 169 | 173 | 173 |
| State Training Providers | 120 | 144 | 125 | 149 | 162 | 165 |
| Department of Training and Workforce Development | 43 | 51 | 51 | 51 | 48 | 48 |
| Western Australian Land Information Authority | 125 | 134 | 134 | 136 | 148 | 164 |
| Department of Parks and Wildlife | 39 | 49 | 45 | 44 | 46 | 46 |
| Department of the Attorney General | 101 | 107 | 107 | 109 | 109 | 111 |
| Department of Commerce | 81 | 68 | 86 | 77 | 71 | 71 |
| Department of Mines and Petroleum | 60 | 95 | 93 | 108 | 114 | 119 |
| All Other | 667 | 624 | 653 | 662 | 706 | 786 |
| Total Sale of Goods and Services | 2,089 | 2,175 | 2,181 | 2,260 | 2,362 | 2,470 |
| INTEREST INCOME | 255 | 201 | 221 | 231 | 258 | 295 |
| REVENUE FROM PUBLIC CORPORATIONS | | | | | | |
| Dividends | 796 | 832 | 857 | 929 | 1,017 | 1,087 |
| Tax Equivalent Regime | 381 | 502 | 546 | 563 | 588 | 618 |
| Total Revenue from Public Corporations | 1,177 | 1,334 | 1,403 | 1,492 | 1,605 | 1,705 |
| ROYALTY INCOME | 4,425 | 5,824 | 6,089 | 6,379 | 7,047 | 7,232 |
| OTHER | | | | | | |
| Lease rentals | 91 | 84 | 84 | 86 | 88 | 90 |
| Fines | 157 | 169 | 169 | 168 | 168 | 168 |
| Revenue not elsew here counted | 252 | 290 | 308 | 190 | 256 | 136 |
| Total Other | 499 | 543 | 561 | 444 | 511 | 394 |
| TOTAL REVENUE | 25,718 | 27,978 | 28,267 | 28,379 | 29,477 | 30,585 |

Note: Columns may not add due to rounding.

Major Spending Changes

This appendix provides details of material changes in general government expenses and total public sector infrastructure spending since the 2013-14 Budget. The portfolio disclosures in this appendix are consistent with arrangements at the time of the mid-year review cut-off date.

Spending changes detailed in this appendix include:

- all material decisions made between the cut-off date for the 2013-14 Budget (9 July 2013) and the cut-off date for this mid-year review (3 December 2013); and
- other changes of a material nature affecting agency spending over the forward estimates period¹. These include the impact of issues such as variations in Commonwealth-funded programs, higher cost and demand for government services, and depreciation.

Changes related purely to timing are not included in this appendix as they are broadly net debt neutral across the forward estimates period. Any material timing changes are discussed in Chapter 1.

¹ For general government expenses, materiality is determined in dollar terms. For example, adjustments to forecast recurrent costs for the State's largest Department, Health, are only included if they exceed \$10 million in any one year. For agencies with an expense base of less than \$100 million per annum, any change in excess of \$1 million is included. For changes in infrastructure spending, a change in annual spending in excess of 1% or \$1 million in a year (whichever is larger) is considered material for the purposes of disclosure in this appendix.

Reduced Procurement Expenditure

The Government has endorsed a 10% reduction in agencies' budgeted procurement expenditure for the last three quarters of 2013-14 as part of its expansion of the Fiscal Action Plan in this mid-year review. Procurement expenditure reflects spending on consumables, consultants, staff travel and other non-essential items. This measure targets the larger spending agencies, as procurement savings of \$200,000 or less have not been applied to agencies' budgets. Western Australia Police (WAPol) has also been exempted from this measure, in recognition of WAPol's requirement to find internal budget savings to fund its voluntary severance program. The portfolio impact tables in this appendix outline the individual savings of the 42 affected agencies. The total reduction in procurement expenditure as a result of this measure is \$92.3 million in 2013-14.

Asset Investment Program Review

The expansion of the Government's Fiscal Action Plan also includes a thorough review of capital works, to ensure the Asset Investment Program reflects priority projects that can be realistically and affordably delivered over the forward estimates period. The Asset Investment Program has been reduced by \$1.9 billion (or 6.9%) over the period 2013-14 to 2016-17 as a result of this review. Individual agency changes to the Asset Investment Program are detailed in this appendix.

Revision to Salaries Expense Caps

As part of the Government's Fiscal Action Plan and Public Sector Workforce Reforms, general government agencies' salaries budgets were capped at 2012-13 estimated outturn levels, with increases from 2013-14 onwards limited to projected growth in the Perth Consumer Price Index (unless otherwise approved by Cabinet).

The initial calculation of agencies' salaries expense caps did not account for salaries expenditure associated with positions funded from sources external to Government, employee transfers that occurred during the course of 2012-13, or a limited number of other factors where an adjustment to agencies' salaries expense limits is considered reasonable and unavoidable. As a result, salary cap savings have been revised downwards in this mid-year review for 24 agencies by a total of \$122.7 million over the forward estimates. This represents a 14.9% reduction in total salaries expense cap savings of \$824.9 million reported in the 2013-14 Budget. Individual agency revisions are detailed in the portfolio impact tables in this appendix.

Major Spending Changes (by Portfolio)

PARLIAMENT

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| LEGISLATIVE ASSEMBLY | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 0.2 | 0.3 | 0.3 | 0.8 |
| LEGISLATIVE COUNCIL | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 0.1 | 0.1 | 0.1 | 0.6 |

PREMIER; MINISTER FOR STATE DEVELOPMENT; SCIENCE

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| PREMIER AND CABINET | | | | |
| Expenses | | | | |
| Browse Project Funding Amendment | -61.9 | -10.0 | -10.4 | 20.2 |
| Reduced Procurement Expenditure | -0.5 | - | - | - |
| Asset Investment | | | | |
| Relocation of Ministerial Office Accommodation | - | 3.0 | - | - |
| STATE DEVELOPMENT | | | | |
| Expenses | | | | |
| Browse Project Funding Amendment | -0.2 | -0.2 | -0.2 | -0.2 |
| Reduced Procurement Expenditure | -0.3 | - | - | - |
| CHEMISTRY CENTRE (WA) | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 0.4 | 1.1 | 1.7 | 2.1 |

Premier and Cabinet**Expenses*****Browse Project Funding Amendment***

Projected spending on the Browse project will be reduced by \$62.1 million over four years as a result of the changed scope of the project by removing surplus funding for implementation costs and the project's Regional Benefits Package. The Regional Benefits Package allocations for the Economic Development Fund (\$10.3 million) and Indigenous Housing Fund (\$20.6 million) have been established and expenditure is expected to occur in 2016-17.

Asset Investment

Relocation of Ministerial Office Accommodation

An additional \$3 million in 2014-15 will be spent on the relocation of two Ministerial offices to Dumas House due to expiry of leases by the end of 2014.

State Development

Expenses

Browse Project Funding Amendment

Projected spending on the Browse project will be reduced by \$923,000 over four years due to the changed scope of the project by removing surplus funding for implementation costs.

DEPUTY PREMIER; MINISTER FOR HEALTH; TRAINING AND WORKFORCE DEVELOPMENT

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|--|----------------|----------------|------------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| WA HEALTH | | | | |
| Expenses | | | | |
| Fiona Stanley Hospital Commissioning and South Metropolitan Health Service Reconfiguration | -6.9 | 80.8 | - ^(a) | - |
| Fiona Stanley Hospital Facilities Management Contract Negotiation | - | 52.7 | - | - |
| Perth Children's Hospital Transition | 12.1 | 18.8 | 11.9 | 4.0 |
| National Partnership Agreement on Treating More Public Dental Patients | 18.8 | 10.1 | - | - |
| Reduced Procurement Expenditure | -21.8 | - | - | - |
| Depreciation | 56.2 | 29.8 | 34.9 | 10.1 |
| Leave Liability | 98.1 | - | - | - |
| Asset Investment | | | | |
| Fiona Stanley Hospital Commissioning and South Metropolitan Health Service Reconfiguration | 0.2 | 0.9 | - | - |
| Perth Children's Hospital Transition – Information and Communications Technology | 44.7 | 97.1 | 31.7 | 8.4 |
| Royal Perth Hospital – Planning | 2.5 | 5.5 | - | - |
| Asset Investment Program Reprioritisation | -16.5 | -19.5 | -19.5 | -65.0 |
| Joondalup Health Campus – Additional Paediatric Beds | 3.9 | 8.0 | 4.1 | - |
| Asset Investment Program Review | | | | |
| – Southern Inland Health Initiative | -29.3 | -62.6 | -49.9 | 105.2 |
| – North West Health Initiative | -1.0 | -4.0 | -70.0 | -40.0 |
| TRAINING AND WORKFORCE DEVELOPMENT | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 4.1 | 4.2 | 4.0 | 4.1 |
| Reduced Procurement Expenditure | | | | |
| – Training and Workforce Development | -1.9 | - | - | - |
| – State Training Providers | -5.4 | - | - | - |
| Asset Investment | | | | |
| State Training Providers – Critical Remedial Works | - | 1.8 | 8.5 | 1.8 |

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

WA Health

Expenses

Fiona Stanley Hospital Commissioning and South Metropolitan Health Service Reconfiguration

The Government has approved additional recurrent expenditure of \$73.9 million from 2013-14 to 2015-16 – which is part of a total additional spend of \$75 million – to complete commissioning activities (excluding Information and Communications Technology) for the Fiona Stanley Hospital, and to reconfigure services across major hospitals in the South Metropolitan Health Service. Activities include workforce planning and recruitment, clinical planning and service transition, and staff training and induction.

Fiona Stanley Hospital Facilities Management Contract Negotiations

The Government has approved an additional \$52.7 million in 2014-15 for the provision of Facilities Management services at the Fiona Stanley Hospital by Serco. This additional amount is a result of the delayed and phased opening of the hospital.

Perth Children's Hospital Transition

The Government has approved additional recurrent expenditure of \$46.8 million from 2013-14 to 2016-17 – as part of a total spend of \$245.5 million (including for Information and Communications Technology requirements), over five years – for the transition and change management of services from the Princess Margaret Hospital to the Perth Children's Hospital. This will meet costs associated with workforce planning and inductions, clinical service redesign, the physical transfer of patients and the closure of Princess Margaret Hospital facilities.

National Partnership Agreement on Treating More Public Dental Patients

An additional \$28.9 million will be spent over 2013-14 and 2014-15 to deliver the National Partnership Agreement on Treating More Public Dental Patients. This will contribute to reducing public dental waiting lists by increasing the level of dental activity currently undertaken.

Depreciation

An additional depreciation expense of \$131 million has been recognised over the forward estimates. This expense increase recognises accelerated depreciation for existing hospitals that will be replaced by the opening of new hospitals and changes to the expenditure profile of the Asset Investment Program.

Leave Liability

An additional expense of \$98.1 million in 2013-14 has been provided to recognise that the 2012-13 leave liability cap was not achieved and is unlikely to be achieved in 2013-14. Further strategies will need to be implemented to meet the leave liability cap target without impacting frontline services.

Asset Investment

Fiona Stanley Hospital Commissioning and South Metropolitan Health Service Reconfiguration

The Government has approved additional capital expenditure of \$1.1 million over 2013-14 and 2014-15 – which is part of the total additional spend of \$75 million (referred to earlier) – to complete commissioning activities for the Fiona Stanley Hospital, and to reconfigure services across major hospitals in the South Metropolitan Health Service.

Perth Children's Hospital Transition – Information and Communications Technology

Additional capital expenditure of \$181.9 million over 2013-14 to 2016-17 has been approved for transitioning activities for the Perth Children's Hospital. This expenditure will provide for the procurement and development of clinical and non clinical Information and Communications Technology systems to meet the business needs of the Perth Children's Hospital.

Royal Perth Hospital – Planning

A total of \$8 million from 2013-14 to 2014-15 is to be spent on planning for Royal Perth Hospital to enable the development of a site master plan and a robust business case to identify the investment that is required for the reconfiguration and redevelopment of the Royal Perth Hospital, and to ensure that the facility remains fit for purpose. The planning process will be led by the Office of Strategic Projects.

Asset Investment Program Reprioritisation

To offset the additional expenditure (totalling \$238.2 million) for the Perth Children's Hospital transition and Information and Communications Technology requirements and planning for Royal Perth Hospital, a reprioritisation of existing Asset Investment Program spending was undertaken. This resulted in the removal of construction costs for the Royal Perth Hospital and the Graylands Hospital redevelopment projects, and a reduction to the annual Medical Equipment Replacement Program. The reprioritisation of these projects achieved savings of \$120.5 million from 2013-14 to 2016-17 and \$238.2 million in total.

Joondalup Health Campus – Additional Paediatric Beds

A total of \$15.9 million will be spent from 2013-14 to 2015-16 to provide an additional 13 paediatric beds at the Joondalup Health Campus, which will be partly funded by contributions from Telethon and the private operator of the Joondalup Health Campus.

Asset Investment Program Review

The Asset Investment Program review achieved savings of \$151.6 million over the forward estimates by deferring expenditure by one year on two Royalties for Regions-funded projects, being the Southern Inland Health Initiative and the North West Health Initiative.

Training and Workforce Development

Asset Investment

State Training Providers – Critical Remedial Works

An additional \$12 million will be spent over three years from 2014-15 on critical remedial works at the Beaconsfield, Mount Lawley and Joondalup campuses, funded by the sale of surplus land.

MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| REGIONAL DEVELOPMENT | | | | |
| Expenses | | | | |
| Royalties for Regions – Local Government | 11.0 | -5.0 | - | - |
| Royalties for Regions – Regional Patient Accommodation Facility | 2.5 | 2.5 | - | - |
| Reduced Procurement Expenditure | -0.2 | - | - | - |
| Regional Workers District Allowance | - | -16.9 | -35.0 | -35.8 |
| LANDS | | | | |
| Expenses | | | | |
| Lands Reform | 6.3 | 2.4 | 2.3 | 2.0 |
| Yawuru Land Surveys and Rubbish Removal | 0.4 | 0.5 | 0.4 | 0.2 |
| Browse Project Funding Amendment | -4.5 | -3.6 | -3.1 | -3.6 |
| WESTERN AUSTRALIAN LAND INFORMATION AUTHORITY | | | | |
| Expenses | | | | |
| Reduced Procurement Expenditure | -0.7 | - | - | - |

Regional Development

Expenses

Royalties for Regions – Local Government

An additional \$11 million will be spent in 2013-14 to provide grants to the local government sector for a range of asset renewal and infrastructure creation projects and for carryover commitments from previous grant rounds. This is partially offset by a decrease in grant expenditure of \$5 million in 2014-15.

Royalties for Regions – Regional Patient Accommodation Facility

A contribution of \$5 million over two years towards the construction of a regional patient accommodation facility at the Queen Elizabeth II Medical Centre site in Nedlands has been approved, to house the families of sick children temporarily relocated from the regions.

Royalties for Regions – Regional Workers District Allowance

District Allowance rates are calculated using agreed indices of climate, isolation factors and the Regional Price Index as a measure of the cost of living. In line with the results of 2013 Regional Price Index survey, District Allowance rates for public sector employees in a number of locations will be updated to reflect the survey results.

Lands

Expenses

Lands Reform

An additional \$13 million will be spent from 2013-14 to 2016-17 to support the establishment of the Department of Lands. Expenditure includes the finalisation of the Notice of Intention To Take review, the commencement of the Pastoral Lease Rent review, and the implementation of strategic reform to improve the integrity of the State Lands system and better manage the State's land resources.

Yawuru Land Surveys and Rubbish Removal

The Department of Lands will spend \$1.5 million from 2013-14 to 2016-17 to conduct surveys of land, remove significant rubbish and ensure land tenure changes are completed in accordance with a number of Indigenous Land Use Agreements in Broome.

Browse Project Funding Amendment

Projected spending on the Browse project will be reduced by \$14.8 million over four years due to the changed scope of the project by removing surplus funding for implementation costs.

MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| EDUCATION | | | | |
| Expenses | | | | |
| Reduced Procurement Expenditure | -25.0 | - | - | - |
| Increase in Student Enrolments | 40.0 | 40.0 | - | - |
| Revision to Salaries Expense Cap | -7.1 | 9.1 | -1.9 | 0.3 |
| Asset Investment | | | | |
| Asset Investment Program Review | - | - | - | -19.9 |
| EDUCATION SERVICES | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 2.2 | 2.2 | 2.3 | 2.4 |
| SCHOOL CURRICULUM AND STANDARDS AUTHORITY | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 0.3 | 0.3 | 0.3 | 0.3 |
| Kindergarten to Year 10 and Australian Curriculum Phases 2 and 3 Implementation | 0.3 | 2.8 | 2.0 | 0.9 |
| ABORIGINAL AFFAIRS | | | | |
| Expenses | | | | |
| Browse Project Funding Amendment | -2.7 | -1.3 | - | - |
| WESTERN AUSTRALIAN ELECTORAL COMMISSION | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | - | - | 1.1 | 11.5 |

Education

Expenses

Increase in Student Enrolments

Additional recurrent expenditure of \$80 million over 2013-14 and 2014-15 has been approved to fund higher student enrolment growth than was anticipated at the time of the 2013-14 Budget.

Asset Investment

Asset Investment Program Review

Following a review of the Asset Investment Program, the Department of Education's land acquisition program has been reduced by \$19.9 million in 2016-17.

School Curriculum and Standards Authority

Expenses

Kindergarten to Year 10 and Australian Curriculum Phases 2 and 3 Implementation

A total of \$6.9 million will be spent from 2013-14 to 2017-18 for implementation of the Australian Curriculum Phases 2 and 3 and for the expanded Kindergarten to Year 10 functions of the Authority.

Aboriginal Affairs

Expenses

Browse Project Funding Amendment

Projected spending on the Browse project will be reduced by \$4.0 million over two years due to the changed scope of the project by removing surplus funding for implementation costs.

TREASURER; MINISTER FOR TRANSPORT

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|--|------------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| TREASURY | | | | |
| Expenses | | | | |
| Procurement of Asset Sales Advice | 1.5 | - | - | - |
| OFFICE OF THE AUDITOR GENERAL | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | - ^(a) | 0.2 | 0.3 | 0.5 |
| TRANSPORT | | | | |
| Expenses | | | | |
| Asset Investment Program Review – MAX Light Rail Planning Funding | 10.0 | - | - | 5.0 |
| Reduced Procurement Expenditure | -2.3 | - | - | - |
| Taxi Industry Improvements | 0.7 | 0.5 | - | - |
| WA Photo Card | 0.1 | 0.2 | 0.2 | 0.1 |
| Asset Investment | | | | |
| Asset Investment Program Review – MAX Light Rail | -5.0 | -17.0 | -64.0 | -346.0 |
| Asset Investment Program Review – Broome Boating Facility – Stage 1 | -1.4 | -25.0 | -20.2 | - |
| Taxi Industry Improvements | 2.9 | 0.8 | - | - |
| WA Photo Card | 0.2 | - | - | - |
| COMMISSIONER OF MAIN ROADS | | | | |
| Expenses | | | | |
| Commercial Advertising Devices – Electronic Billboards | - | 0.4 | 0.4 | 0.5 |
| Local Government Road Funding | -32.3 | -18.8 | -19.3 | - |
| Over Size Over Mass Unit | 9.0 | 9.2 | 9.4 | 9.7 |
| Reduced Procurement Expenditure | -4.0 | - | - | - |
| Asset Investment Program Review – Review of Road Expenditure | -1.0 | -1.0 | -5.0 | -15.0 |
| Road Maintenance | - | 6.8 | 6.8 | 6.8 |
| Road Transfers to Local Government | -39.0 | 49.6 | - | - |
| Sundry Debtors Update | 32.4 | - | - | - |
| Asset Investment | | | | |
| Nation Building Program 1 – State Matching Contribution | - | 8.0 | - | - |
| Asset Investment Program Review | -2.0 | -29.0 | -86.8 | -136.7 |
| Sundry Debtors Update | 6.1 | - | - | - |
| PUBLIC TRANSPORT AUTHORITY | | | | |
| Expenses | | | | |
| Provision for Contaminated Site | 5.0 | - | - | - |
| Royalties for Regions – Avon Link | 0.4 | - | - | - |
| Asset Investment | | | | |
| Royalties for Regions – Road Coach Capital Replacement Program | - | 5.2 | 4.9 | 5.0 |
| ESPERANCE PORT AUTHORITY | | | | |
| Asset Investment | | | | |
| Installation of a Fuel Discharge Line | 1.0 | - | - | - |
| FREMANTLE PORT AUTHORITY | | | | |
| Asset Investment | | | | |
| Revised Financial Forecasts | -35.7 | -26.4 | 4.6 | 25.7 |
| Asset Investment Program Review – Kwinana Bulk Jetty | - | -3.0 | -21.5 | -43.4 |
| Asset Investment Program Review – Kwinana Bulk Terminal | -4.0 | -21.4 | -5.2 | -5.2 |
| PORT HEDLAND PORT AUTHORITY | | | | |
| Asset Investment | | | | |
| Minor Works Increase | 2.7 | - | - | - |
| Capital Works funded by the Port Improvement Rate | 19.6 | 26.5 | 30.7 | 35.7 |

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

Treasury

Expenses

Procurement of Asset Sales Advice

An additional \$1.5 million has been provided to procure external advice to assist in the development of a 'pipeline' of asset sales options for consideration by the Government.

Transport

Expenses

Asset Investment Program Review – MAX Light Rail Planning Funding

As part of a review of the Asset Investment Program, a decision has been made to delay construction of the MAX Light Rail project for three years. Due to this decision, \$10 million will now be expensed rather than capitalised to reflect planning work undertaken in 2013-14. This includes an additional \$5 million compared to the 2013-14 Budget for further planning, data modelling and design work related to the project. An additional \$5 million has also been provided to re-establish the project team in 2016-17 and accommodate the revised project schedule.

Taxi Industry Improvements

An additional \$1.3 million will be spent over two years from 2013-14 to assist in managing the transition of taxi drivers to the new taxi driver penalty point system including the development of policies, procedures and documentation.

WA Photo Card

An additional \$543,000 will be spent over four years from 2013-14 on costs related to the production of the new WA Photo Card.

Asset Investment

Asset Investment Program Review – MAX Light Rail

As noted above, as part of a review of the Asset Investment Program, the Government has decided to delay construction of the MAX Light Rail project for three years. Construction is now scheduled to begin in 2019, and finish by end-2022. Asset investment spending has been reduced by \$432 million over the period from 2013-14 to 2016-17 in light of this decision.

Asset Investment Program Review – Broome Boating Facility – Stage 1

As part of a review of the Asset Investment Program, a decision has been made to cancel the Broome Boating Facility project. This decision will reduce asset investment spending by \$46.6 million over three years from 2013-14.

Taxi Industry Improvements

Additional capital expenditure of \$3.7 million over two years from 2013-14 has been approved for system upgrades related to the implementation of taxi industry improvements. These upgrades include implementing the taxi driver penalty point system, identification card integration, tracking the completion of required tests and training, and tracking of complaints.

WA Photo Card

An additional \$180,000 will be spent in 2013-14 on upgrades to the Transport Executive and Licensing Information System related to the introduction of the new WA Photo Card.

Commissioner of Main Roads

Expenses

Commercial Advertising Devices - Electronic Billboards

The Government has approved the installation of up to eight electronic advertising devices at strategic locations within freeway road reserves. Income generated will be expended by Main Roads to further manage traffic congestion.

Local Government Road Funding

The provision of local government road funding under the current *State Road Funds to Local Government Agreement* has been capped at the level projected at the signing of the Agreement in June 2011. This has resulted in expenditure savings totalling \$70.4 million over the remaining three years of the Agreement, which expires at the end of 2015-16.

Over Size Over Mass Unit

Annual expenditure of \$9.0 million (escalated) has been approved to establish a one-stop shop for permit matters relating to the heavy vehicle industry and in particular for the movement of over size over mass loads. The Over Size Over Mass Unit is responsible for managing the safe movement of such vehicles on the road network, including arranging and coordinating traffic escort services and overhead power line clearances, where required. The Over Size Over Mass Unit operates on a full cost recovery basis from industry.

Asset Investment Program Review – Review of Road Expenditure

The completion date for the realignment of Curtin Avenue, Cottesloe (a local government road) has been deferred by one year to 2018-19, resulting in a saving of \$22.0 million over the period to 2016-17.

Road Maintenance

An additional \$6.8 million per annum from 2014-15 has been approved to sustain an accelerated road maintenance program.

Road Transfers to Local Government

The values of five roads previously approved for transfer to local government have been revised, resulting in increased expenditure totalling \$10.7 million. In addition, the transfer of South Street (west of Stock Road) proposed for 2013-14 has been delayed until negotiations with the City of Fremantle are finalised, which is now expected in 2014-15.

Sundry Debtors Update

Following a review of works being undertaken on behalf of third parties (mainly local governments), a \$32.4 million increase in the value of recoupable professional services and contracts expenditure has been approved for the current year.

Asset Investment

Nation Building Program 1 – State Matching Contribution

Additional capital expenditure of \$8.0 million in 2014-15 has been approved to finalise the State's obligation to joint Commonwealth/State funded projects under the Commonwealth's Nation Building Program Initiative.

Asset Investment Program Review

Following a review of the Asset Investment Program, completion dates for four State-funded road upgrade projects (Great Eastern Highway passing lanes – Southern Cross to Kalgoorlie, South Western Highway – Donnybrook to Balingup, Marble Bar Road Coongan Gorge Realignment, and Reid Highway Malaga Drive Interchange) have been deferred by between one and two years, resulting in savings totalling \$87.5 million over the period to 2016-17. Further savings over this period totalling \$167.0 million have been achieved by adjusting the timing of the State funding component of five jointly funded Commonwealth/State road projects (Perth-Darwin National Highway – Swan Valley Bypass, Great Northern Highway – Muchea to Wubin, North West Coastal Highway – Minglya to Barradale and Bridges, Tonkin Highway Grade Separations, Leach Highway – Carrington Street to Stirling Highway). This does not exceed the five year timeframe (2014-15 to 2018-19) within which Nation Building Program 2 projects are scheduled to be completed.

Sundry Debtors Update

Following a review of works being undertaken on behalf of third parties, a \$6.1 million increase to the value of recoupable asset investment expenditure has been approved for the current year.

Public Transport Authority

Expenses

Provision for Contaminated Site

An additional \$5.0 million operating subsidy will be paid to the Public Transport Authority in 2013-14 to fund contamination remediation at a former service station site in Gosnells.

Royalties for Regions – Avon Link

An additional \$0.4 million will be spent in 2013-14 to continue Avon Link rail services to 30 June 2014.

Asset Investment

Royalties for Regions – Road Coach Capital Replacement Program

A total of \$15.1 million is proposed to be spent from 2014-15 to 2016-17 to replace TransWA's ageing road coach fleet, pending the Government's consideration of a business case.

Esperance Port Authority

Asset Investment

Installation of a Fuel Discharge Line

An additional \$1 million will be spent in 2013-14 for the installation of a Fuel Discharge Line at Berth 1 to reduce the fuel transfer time of petroleum vessels in the port.

Fremantle Port Authority

Asset Investment

Revised Financial Forecasts

The Asset Investment Program for the Fremantle Port Authority has been updated to reflect its expected project schedule, resulting in a reduction of \$31.8 million to the Asset Investment Program.

Asset Investment Program Review – Kwinana Bulk Jetty

As part of a further review of the Asset Investment Program, a decision has been made to remove expenditure of \$67.9 million for planned upgrades to the Kwinana Bulk Jetty facility.

Asset Investment Program Review – Kwinana Bulk Terminal

As part of a further review of the Asset Investment Program, a decision has been made to remove expenditure of \$35.8 million in planned spending on the Kwinana Bulk Terminal facility.

Port Hedland Port Authority**Asset Investment*****Minor Works Increase***

An additional \$2.7 million will be spent in 2013-14 for upgrades to drainage at the Utah Point Bulk Handling Facility and the Service Berth 1 marine pontoon.

Capital Works funded by the Port Improvement Rate

An additional \$112.5 million will be spent from 2013-14 to 2016-17 on common use capital improvements necessary to sustain the long-term operation and development of the Port Hedland Port. Funds are to be raised through the Port Improvement Rate, and used specifically for infrastructure investment requirements for the port.

MINISTER FOR PLANNING; CULTURE AND THE ARTS

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| METROPOLITAN REDEVELOPMENT AUTHORITY | | | | |
| Asset Investment | | | | |
| Revised Financial Forecasts | -60.3 | 92.2 | 58.2 | -32.4 |
| PLANNING | | | | |
| Expenses | | | | |
| Structural Deficit | 6.8 | 4.2 | 6.0 | 6.7 |
| WESTERN AUSTRALIAN PLANNING COMMISSION | | | | |
| Expenses | | | | |
| Legal Expenses | 5.4 | - | - | - |
| Reduced Procurement Expenditure | -0.3 | - | - | - |
| Asset Investment | | | | |
| Asset Investment Program Review | - | - | -9.5 | -20.0 |
| CULTURE AND THE ARTS | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 4.2 | 1.8 | 1.8 | 1.7 |
| Structural Deficit | 3.5 | - | - | - |
| Reduced Procurement Expenditure | -1.1 | - | - | - |
| Asset Investment | | | | |
| Asset Investment Program Review | -1.5 | -25.8 | -4.1 | -34.4 |

Metropolitan Redevelopment Authority

Asset Investment

Revised Financial Forecasts

The business plan for the Metropolitan Redevelopment Authority mainly reflects the revised financial forecasts for all of its key projects, such as Elizabeth Quay, Perth City Link, Riverside, Perth Cultural Centre, Subi Centro, Midland, Scarborough, Armadale and Wungong. These forecasts reflect factors such as a more accurate timeline of expenditure for development works at Elizabeth Quay to coincide with the delivery schedule for the project, additional electricity network costs for Elizabeth Quay, Perth City Link and Riverside, and updated revenue projections (based on current market conditions).

Capital spending has been deferred where possible (for example, the East Perth Power Station project has been reduced to essential maintenance work).

Planning

Expenses

Structural Deficit

Additional recurrent funding totalling \$23.7 million across the forward estimates period has been provided to meet the Department of Planning's shortfall in salaries and accommodation expenses. The Department will work with the Department of Finance to reduce its accommodation footprint and associated costs.

Western Australian Planning Commission

Expenses

Legal Expenses

An additional \$5.4 million has been provided in 2013-14 to meet legal costs associated with land compensation claims.

Asset Investment

Asset Investment Program Review

The Western Australian Planning Commission's land acquisition program has been reduced by \$29.5 million over the period 2015-16 to 2016-17 as part of the Asset Investment Program Review. This will maintain the Commission's program at around its current level of \$40 million per annum.

Culture and the Arts

Expenses

Structural Deficit

Additional recurrent expenditure of \$3.5 million in 2013-14 has been approved to address increased costs relating to utilities, security, maintenance and insurance.

Asset Investment

Asset Investment Program Review

The cash flows for the New State Museum project have been updated to better reflect progress to date and the expected construction schedule. While the estimated total cost of the project remains unchanged at \$428.3 million, the revised cash flows reduce Asset Investment Program spending by \$65.8 million over the period to 2016-17. Importantly, the completion date of the new museum remains unchanged from budget-time (2019-20).

MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION

MAJOR PORTFOLIO SPENDING CHANGES

| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
|--|----------------|----------------|----------------|----------------|
| MENTAL HEALTH COMMISSION | | | | |
| Expenses | | | | |
| Reduced Procurement Expenditure | -0.7 | - | - | - |
| DISABILITY SERVICES COMMISSION | | | | |
| Expenses | | | | |
| Reduced Procurement Expenditure | -0.8 | - | - | - |
| Revision to Salaries Expense Cap | 0.8 | 0.8 | 1.0 | 1.0 |
| CHILD PROTECTION AND FAMILY SUPPORT | | | | |
| Expenses | | | | |
| Reduced Procurement Expenditure | -1.3 | - | - | - |

ATTORNEY GENERAL; MINISTER FOR COMMERCE

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| ATTORNEY GENERAL | | | | |
| Expenses | | | | |
| Browse Project Funding Amendment | -1.3 | -1.4 | -1.4 | -1.5 |
| Ex-gratia Payment | 0.1 | - | - | - |
| Provision of Ongoing Corporate Services | 0.5 | 0.5 | - | - |
| Reduced Procurement Expenditure | -2.3 | - | - | - |
| LEGAL AID COMMISSION | | | | |
| Expenses | | | | |
| Future Head Office Accommodation | - | - | 2.3 | 2.3 |
| Software Update | 1.5 | 0.2 | 0.2 | 0.2 |
| State and Commonwealth Expensive Cases | 2.0 | 1.0 | 1.0 | 1.1 |
| Reduced Procurement Expenditure | -0.4 | - | - | - |
| OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS | | | | |
| Expenses | | | | |
| Continuation of Funding for Criminal Appeals Team | 1.3 | 1.3 | 1.3 | 1.4 |
| Funding for <i>Dangerous Sexual Offenders Act 2006</i> | 0.2 | 0.5 | 0.5 | 0.5 |
| COMMERCE | | | | |
| Expenses | | | | |
| Accommodation | 2.4 | 2.7 | - | - |
| Building Commission Division | 3.3 | 3.3 | 3.3 | 3.4 |
| Consumer Protection Division | 3.3 | 3.3 | 3.4 | 3.5 |
| Reduced Procurement Expenditure | -0.5 | - | - | - |
| Revision to Salaries Expense Cap | 2.7 | 2.1 | 1.8 | 1.7 |
| WorkSafe Australia – State Contribution | 1.0 | - | - | - |
| Home Indemnity Insurance | 13.7 | 7.4 | - | - |
| REGISTRAR, WESTERN AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 0.1 | 0.1 | 0.1 | 0.1 |
| WORKCOVER | | | | |
| Expenses | | | | |
| Reduced Procurement Expenditure | -0.4 | - | - | - |

Attorney General

Expenses

Browse Project Funding Amendment

Projected spending on the Browse project will be reduced by \$5.7 million over four years due to the changed scope of the project by removing surplus funding for implementation costs.

Ex-gratia Payment

The Government has approved an ex-gratia payment of \$110,000 in 2013-14.

Provision of Ongoing Corporate Services

A total of \$1.0 million will be spent over 2013-14 and 2014-15 for project management and system transition to enable the shared corporate services between the Departments of the Attorney General and Corrective Services to be disbanded and for individual corporate services systems to be implemented for each agency.

Legal Aid Commission

Expenses

Future Head Office Accommodation

An additional \$4.6 million will be spent over two years in 2015-16 and 2016-17 to meet an increase in rental expenses resulting from the Legal Aid Commission entering into a new lease agreement commencing in 2015 without prior funding approval.

Software Update

A total of \$2.0 million will be spent from 2013-14 to 2016-17 to implement a new desktop computing environment, including entering into the whole-of-government Enterprise Agreement for software and software assurance.

State and Commonwealth Expensive Cases

An additional \$2.0 million will be spent in 2013-14 to meet the costs of unavoidable State and Commonwealth expensive cases. A further \$3.1 million across the outyears has been allocated to be spent on future expensive State cases.

Office of the Director of Public Prosecutions

Expenses

Continuation of Funding for Criminal Appeals Team

The Government has approved additional recurrent expenditure of \$5.2 million over the forward estimates period to enable the continuation of the functions of the Criminal Appeals Team. The Criminal Appeals Team undertakes prosecution work associated with representing the State on appeals lodged by accused persons or by the State.

Funding for Dangerous Sexual Offenders Act 2006

A total of \$1.7 million will be spent over the forward estimates period to manage an increase in caseload work being undertaken by the Office of the Director of Public Prosecutions in relation to its statutory functions under the *Dangerous Sexual Offenders Act 2006*.

Commerce

Expenses

Accommodation

An additional \$5.1 million over 2013-14 and 2014-15 has been provided to meet an interim funding shortfall in the Department of Commerce's accommodation expenses. The Department of Commerce will work with the Department of Finance to identify alternative long-term accommodation options.

Building Commission Division

Additional recurrent expenditure of \$13.3 million over the forward estimates period, funded through own-source revenue, has been approved to enable the Building Commission to continue to deliver core services to the building industry as required under legislation.

Consumer Protection Division

Increased expenditure of \$13.5 million over the forward estimates period, funded through own source revenue, has been approved to ensure the Consumer Protection division is able to continue to deliver core services to the Western Australian community and real estate industry as required under legislation.

WorkSafe Australia – State Contribution

An additional \$1.0 million in 2013-14 has been allocated to the Department of Commerce as the State's contribution to the operating budget of the national body, SafeWork Australia, under the *Inter-Governmental Agreement on Regulatory and Operational Reform*.

Home Indemnity Insurance

An additional \$21 million over 2013-14 and 2014-15 has been allocated to the Department of Commerce (as an administered expense) to meet claims expected to be paid under the State Government's revised Home Indemnity Insurance arrangements. These expenses are largely offset by a corresponding increase in premium revenues collected under the revised arrangements.

MINISTER FOR MINES AND PETROLEUM; HOUSING

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| MINES AND PETROLEUM | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 3.1 | 2.4 | 2.8 | 2.2 |
| Reduced Procurement Expenditure | -1.2 | - | - | - |
| Asset Investment | | | | |
| Mineral House Plant and Equipment Upgrade | 0.6 | - | - | - |
| HOUSING AUTHORITY | | | | |
| Asset Investment | | | | |
| Asset Investment Program Review – Various Projects | -6.6 | -130.5 | -127.8 | -116.2 |
| Asset Investment Program Review – Royalties for Regions Programs including Housing for Workers | -7.9 | -55.6 | -8.0 | -8.1 |

Mines and Petroleum**Asset Investment*****Mineral House Plant and Equipment Upgrade***

An additional \$600,000 in 2013-14 will be spent replacing a boiler and purchasing a new standby generator for the data centre at Mineral House.

Housing Authority**Asset Investment*****Asset Investment Program Review – Various Projects***

Following a review of the Asset Investment Program for the Housing Authority, a total reduction of \$381.2 million to 2016-17 has been implemented. This equates to a 12.1% reduction in the Housing Authority's budget-time Asset Investment Program. These savings will be achieved by removing and deferring expenditure on a range of projects, including the construction and purchase of Government Regional Officers Housing, Non-Government Organisation Housing and the Hamilton Workers Accommodation Fly Camp.

Asset Investment Program Review – Royalties for Regions Program including Housing for Workers

As part of the review of the Asset Investment Program, a reduction of \$79.6 million over the forward estimates period in the Royalties for Regions-funded Housing for Workers program has been implemented.

MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| SPORT AND RECREATION | | | | |
| Expenses | | | | |
| Community Sporting and Recreation Facilities Fund | 4.7 | -1.7 | -1.7 | - |
| Royalties for Regions – Community Pool Revitalisation | - | 3.3 | - | - |
| Asset Investment | | | | |
| Venue Management – Compensation Claim | 1.9 | - | - | - |
| RACING, GAMING AND LIQUOR | | | | |
| Expenses | | | | |
| Gambling Tax Rebates | -10.0 | -10.3 | -10.8 | -11.3 |
| Liquor Licensing Act 1988 | -2.0 | -2.0 | -2.0 | -2.0 |
| WESTERN AUSTRALIAN SPORTS CENTRE TRUST | | | | |
| Expenses | | | | |
| Depreciation | 0.3 | -1.3 | -3.1 | -5.1 |
| Perry Lakes Maintenance Account | 0.7 | - | -1.8 | - |
| Revision to Salaries Expense Cap | 1.3 | 1.2 | 1.0 | 0.9 |
| Reduced Procurement Expenditure | -0.3 | - | - | - |
| BURSWOOD PARK BOARD | | | | |
| Expenses | | | | |
| Reduced Procurement Expenditure | -0.4 | - | - | - |

Sport and Recreation

Expenses

Community Sporting and Recreation Facilities Fund

An additional \$4.7 million will be spent in 2013-14, partially offset by a reduction in spending of \$1.7 million in both 2014-15 and 2015-16, on financial assistance to community groups and local government authorities to develop basic infrastructure for sport and recreation. This brings the total allocation in 2013-14 to \$17.5 million.

Royalties for Regions – Community Pool Revitalisation

An additional \$3.3 million will be provided to regional local governments in 2014-15 to maintain and upgrade infrastructure, improve pool facilities and purchase new equipment to ensure regional swimming pools are safe, well maintained and accessible to all.

Asset Investment

Venue Management – Compensation Claim

An amount of \$1.9 million in 2013-14 will be paid to Allia Venue Management Pty Ltd as compensation for loss of earnings as a result of the Stage 1 Redevelopment (the construction of the new grandstand) at NIB Stadium.

Racing, Gaming and Liquor

Expenses

Gambling Tax Rebates

A reduction of \$42.4 million over the forward estimates to 2016-17 in gambling tax rebates paid to gambling operators (and administered by the Department of Racing, Gaming and Liquor) is expected, primarily reflecting lower GST rebates paid to Crown Casino.

Liquor Licensing Act 1988

A reduction of \$8 million over the forward estimates in liquor subsidies paid to liquor producers and wholesalers is expected, reflecting lower than anticipated liquor sales for relevant operators.

Western Australia Sports Centre Trust

Expenses

Depreciation

Depreciation expenses have been revised downwards by \$9.2 million over the forward estimates period to reflect a revaluation of Western Australia Sport Centre Trust's asset portfolio undertaken by Landgate.

Perry Lakes Maintenance Account

An amount of \$692,000 will be spent in 2013-14 as the State Government's contribution to the replacement of the Athletics Stadium track. Consequently, an amount of \$1.8 million provisioned for the track replacement in 2015-16 will be re-allocated to 2020-21.

MINISTER FOR AGRICULTURE AND FOOD; FISHERIES

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| AGRICULTURE AND FOOD | | | | |
| Expenses | | | | |
| Royal Agricultural Society Show Concessions – Free Entry for Children | 2.0 | - | - | - |
| Reduced Procurement Expenditure | -2.2 | - | - | - |
| Caring for our Country | -23.2 | -23.2 | -23.2 | -23.2 |
| FISHERIES | | | | |
| Expenses | | | | |
| Structural Deficit | 6.0 | 5.5 | 5.7 | 5.9 |
| Reduced Procurement Expenditure | -1.0 | - | - | - |
| Asset Investment | | | | |
| PV Walcott Replacement | - | -2.0 | - | - |

Agriculture and Food

Expenses

Royal Agricultural Society Show Concessions – Free Entry for Children

Expenditure has been increased by \$2.0 million in 2013-14 to provide free entry for children to the Perth Royal Show and Royal Agricultural Society affiliated shows and field days across Western Australia.

Caring for Our Country

Expenditure has been reduced by \$23.2 million per annum over the period 2013-14 to 2016-17 to reflect the Commonwealth Government contracting directly with Natural Resource Management groups for Caring for Our Country Phase 2 funding. This expenditure reduction is matched by an offsetting reduction in Commonwealth funding to the State, with no net impact on the operating balance.

Fisheries

Expenses

Structural Deficit

An additional \$23.1 million over the forward estimates has been approved to address a structural deficit in the Department of Fisheries, arising from cost and demand pressures, expanded services and revised (lower) revenue estimates. This will ensure that core compliance, research and policy functions will be able to be delivered in full.

Asset Investment

PV Walcott Replacement

Reduced capital expenditure of \$2.0 million in 2014-15 has been approved in relation to the PV Walcott replacement. Due to delays and scope changes in the project, a revised business case is required to be provided as part of a future budget process to allow for consideration of the total cost of the project and the expected service delivery outcomes.

MINISTER FOR ENERGY; FINANCE; CITIZENSHIP AND MULTICULTURAL INTERESTS

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| INDEPENDENT MARKET OPERATOR | | | | |
| Expenses | | | | |
| Reduced Procurement Expenditure | -0.3 | - | - | - |
| SYNERGY | | | | |
| Expenses | | | | |
| Operating Subsidy – Cost Pressures | 105.1 | 140.2 | 122.7 | 190.2 |
| Feed-in Tariff – Savings Reversal | 5.9 | 15.1 | 15.1 | 15.1 |
| VERVE ENERGY | | | | |
| Asset Investment | | | | |
| Muja AB | 24.7 | - | - | - |
| HORIZON POWER | | | | |
| Expenses | | | | |
| Operating Subsidy | -0.9 | - | 0.1 | 0.2 |
| Asset Investment | | | | |
| Onslow Power Station | 0.8 | 0.8 | - | - |
| Onslow Temporary Generation | 2.3 | 0.4 | 0.2 | - |
| Asset Investment Program Review | -4.7 | -10.5 | - | - |
| FINANCE | | | | |
| Expenses | | | | |
| Sunset Transformation Strategy | - | -(a) | - | - |
| Reduced Procurement Expenditure | -1.3 | - | - | - |
| Synergy and Verve Merger Structure | 2.5 | - | - | - |

(a) Sale price to be determined.

Synergy

Expenses

Operating Subsidy – Cost Pressures

Synergy's operating subsidy has increased by \$558.2 million over the forward estimates period. This significant increase is due to a range of cost and demand pressures predominately associated with:

- declining residential demand for energy due to the continued uptake of household renewable energy systems, increasing appliance efficiency and declining customer demand in response to price increases;
- cost increases associated with the Commonwealth's Small Scale Renewable Scheme and Large Renewable Energy Target; and
- increased capacity costs associated with actual capacity installed in the system being in excess of demand requirements.

Feed-in Tariff – Program Rationalisation Reversal

As previously announced, the 2013-14 Budget decision to amend the Feed-in Tariff program was revised, with the anticipated \$51.2 million of operating subsidy savings removed.

Verve Energy

Asset Investment

Muja AB

As foreshadowed in the 2013-14 Budget, the apportioning of expenditure associated with the Muja AB project between operational and capital spending was subject to:

- finalisation of Verve Energy’s 2012-13 audit processes;
- review of future accounting treatment; and
- completion of both technical and financial reviews of the project.

Following completion of technical and financial reviews, approval was provided in September 2013 for the completion of the Muja AB project by Verve Energy for a revised net cost of \$336 million. This represents an increase from the \$330.8 million featured in the 2013-14 Budget and is due to a longer delay than the previously anticipated 12 weeks.

Additionally, \$24.7 million of operational expenditure has been reclassified as asset investment expenditure following the finalisation of Verve Energy’s audit processes and a review of the project’s accounting treatment. This reclassification does not impact the previously approved net project cost.

Horizon Power

Expenses

Operating Subsidy

Changes to Horizon Power’s demand and energy forecasts will result in a net reduction in its operating subsidy requirement of \$603,000 over the forward estimates period. Horizon Power’s Non Tariff Adjustment Payment is set to increase by \$1.2 million over the period, largely resulting from an increase in the Cost of Living Assistance payment due to a higher number of eligible concession customers. Conversely, a decline in residential demand within Horizon Power’s service areas will decrease its Tariff Adjustment Payment by \$1.8 million over the forward estimates period.

Asset Investment

Onslow Power Station

An additional \$1.5 million will be spent over two years from 2013-14 to continue engineering design negotiations with Chevron in relation to the provision of power infrastructure in Onslow.

Onslow Temporary Generation

To accommodate the growing demand in Onslow, Horizon Power will spend \$2.8 million over 2013-14 to 2015-16 on temporary generation in Onslow for the 2014 and 2015 calendar years. Beyond this timeframe, it is anticipated that Chevron's nine megawatt power station will be operational.

Asset Investment Program Review

Horizon Power's Asset Investment Program has been reduced by \$15.2 million over the period from 2013-14 to 2014-15. This reduction will apply to spending including asset end-of-life replacement, reliability enhancement and pole management programs.

Finance

Expenses

Sunset Transformation Strategy

Revenue from the sale of lot 302 in Iris Avenue will be spent in 2014-15 on the preservation of heritage buildings, upgrades to site services and some landscape works to enable public enjoyment at the State heritage-listed former Sunset Hospital site in Dalkeith. The sale price of the land is still to be determined at the time of finalising this mid-year review.

Synergy and Verve Merger Structure

An amount of \$2.5 million in 2013-14 has been provided for the cost of implementing a single company structure to merge the Electricity Retail Corporation (Synergy) and the Electricity Generation Corporation (Verve Energy).

MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES, SENIORS AND VOLUNTEERING; YOUTH

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| LOCAL GOVERNMENT AND COMMUNITIES | | | | |
| Expenses | | | | |
| Reduced Procurement Expenditure | -0.3 | - | - | - |

MINISTER FOR ENVIRONMENT; HERITAGE

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| BOTANIC GARDENS AND PARKS AUTHORITY | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 1.7 | 1.9 | 1.9 | 2.0 |
| Reduced Procurement Expenditure | -0.3 | - | - | - |
| OFFICE OF THE ENVIRONMENTAL PROTECTION AUTHORITY | | | | |
| Expenses | | | | |
| Browse Project Funding Amendment | -0.2 | -0.2 | -0.2 | -0.2 |
| ENVIRONMENT REGULATION | | | | |
| Expenses | | | | |
| Native Vegetation Clearing Permit System | - | 0.7 | 1.2 | 1.2 |
| Reduced Procurement Expenditure | -0.3 | - | - | - |
| PARKS AND WILDLIFE | | | | |
| Expenses | | | | |
| Insurance Costs | 1.8 | - | - | - |
| Reduced Procurement Expenditure | -2.4 | - | - | - |
| Revision to Salaries Expense Cap | 0.5 | -(a) | - | - |
| Asset Investment | | | | |
| Heavy Firefighting Fleet Modification | 3.2 | 0.2 | 0.2 | 0.2 |
| ZOOLOGICAL PARKS AUTHORITY | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 0.3 | 0.3 | 0.3 | 0.3 |
| Reduced Procurement Expenditure | -0.3 | - | - | - |

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

Office of the Environmental Protection Authority

Expenses

Browse Project Funding Amendment

Projected spending on the Browse project will be reduced by \$923,000 over four years due to the changed scope of the project by removing surplus funding for implementation costs.

Environment Regulation

Expenses

Native Vegetation Clearing Permit System

A total of \$3.1 million will be spent over three years from 2014-15 to streamline the timeliness of the approvals process.

Parks and Wildlife

Expenses

Insurance Costs

An additional \$1.8 million will be spent in 2013-14 due to increased fire-related insurance premium and excess costs.

Asset Investment

Heavy Firefighting Fleet Modification

Additional capital expenditure of \$3.8 million over four years has been approved to install radiant heat shield curtains and water deluge systems in, and to remove plastic panels from, heavy firefighting vehicles.

MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES; SMALL BUSINESS; VETERANS

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|---|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| FIRE AND EMERGENCY SERVICES | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 5.6 | 6.5 | 7.6 | 7.6 |
| Aerial Fire Suppression Capability | 3.3 | 3.4 | 3.4 | 3.5 |
| Reduced Procurement Expenditure | -3.3 | - | - | - |
| STATE EMERGENCY MANAGEMENT COMMITTEE SECRETARIAT | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 0.2 | 0.2 | 0.1 | 0.1 |
| CORRECTIVE SERVICES | | | | |
| Expenses | | | | |
| RiskCover Contributions | 13.3 | 10.1 | 10.1 | 10.1 |
| Provision of Ongoing Corporate Services | 1.6 | 1.8 | - | - |
| Reduced Procurement Expenditure | -8.2 | - | - | - |
| Asset Investment | | | | |
| Asset Investment Program Review | - | - | - | -21.0 |
| SMALL BUSINESS DEVELOPMENT CORPORATION | | | | |
| Expenses | | | | |
| Revision to Salaries Expense Cap | 0.1 | 0.1 | 0.1 | 0.1 |

Fire and Emergency Services

Expenses

Aerial Fire Suppression Capability

The Government has approved additional \$13.6 million over four years, commencing in 2013-14, for the lease of an Erikson Airplane helicopter which will substantially enhance the State's seasonal aerial firefighting capacity.

Corrective Services

Expenses

RiskCover Contributions

An additional \$43.5 million over the forward estimates period has been provided to accommodate a projected increase in RiskCover insurance contributions, driven primarily by growth in the number and cost of workers' compensation claims within the agency.

Provision of Ongoing Corporate Services

A total of \$3.4 million will be spent over 2013-14 and 2014-15 for project management and systems transition to enable the shared corporate services between the Departments of Corrective Services and the Attorney General to be disbanded and for stand-alone corporate services systems to be implemented in each agency.

Asset Investment

Asset Investment Program Review

Following a review of the Asset Investment Program, \$21 million has been removed from the Department of Corrective Services' Custodial Infrastructure Program in 2016-17, reducing total expenditure on the program from \$112 million to \$91 million between 2013-14 and 2016-17. Expenditure totalling \$313 million has already been incurred up to and including 2012-13 on the Custodial Infrastructure Program, which has delivered an additional 1,746 prisoner beds across the State's prison system.

MINISTER FOR WATER; FORESTRY

| MAJOR PORTFOLIO SPENDING CHANGES | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| WATER | | | | |
| Expenses | | | | |
| Structural Deficit | 4.8 | 4.7 | 5.7 | 5.7 |
| Reduced Procurement Expenditure | -0.7 | - | - | - |
| Asset Investment | | | | |
| Groundwater Resources Investigation and Monitoring Program | - | - | 1.8 | 1.8 |
| WATER CORPORATION | | | | |
| Asset Investment | | | | |
| Asset Investment Program Review | -16.4 | -68.6 | -81.1 | -93.0 |

Water

Expenses

Structural Deficit

An additional \$20.9 million has been provided across the forward estimates to address an ongoing shortfall in salaries funding and to account for industry-funded salary costs.

Asset Investment

Groundwater Resources Investigation and Monitoring Program

An additional \$3.6 million will be spent over 2015-16 and 2016-17 on the Groundwater Resources Investigation and Monitoring Program to investigate potential future water resources and supply options.

Water Corporation

Asset Investment

Asset Investment Program Review

As part of the review of the Asset Investment Program, cost escalation inflation assumptions used by the Water Corporation for planning and budgeting purposes have been revised downward from 2013-14 onward, resulting in savings of \$146.5 million. Further savings of \$112.6 million from 2014-15 onwards have been achieved through the implementation of a capital efficiency target aimed at improving capital project scope definition, streamlining project controls and better managing consultants.

PROVISIONS

| MAJOR SPENDING CHANGES | | | | |
|--|----------------|----------------|----------------|----------------|
| | 2013-14 \$m | 2014-15 \$m | 2015-16 \$m | 2016-17 \$m |
| Expenses | | | | |
| My Way National Disability Insurance Scheme trial sites (Lower South West and Cockburn-Kwinana) | - | 10.5 | 47.6 | - |
| National Disability Insurance Agency National Disability Insurance Scheme Trial Site (Perth Hills) | - | 3.1 | 14.2 | - |
| National Disability Insurance Scheme Comparative Evaluation – State Share | - | 0.3 | 0.3 | - |
| Enhanced Voluntary Separation Scheme | 32.0 | - | - | - |
| Asset Investment | | | | |
| My Way National Disability Insurance Scheme launch sites – Information Technology systems | - | 5.0 | - | - |

Provisions

Expenses

My Way National Disability Insurance Scheme – Western Australian Trial Sites (Lower South West and Cockburn-Kwinana)

This mid-year review includes a provision for additional spending of \$76 million over two years, commencing in 2014-15, for the operation of National Disability Insurance Scheme trial sites in Western Australia. Final details for estimating costs and impacts on agencies will not be available until early 2014 when agreements with the Commonwealth Government are finalised.

The current estimated expenditure includes \$39 million of Commonwealth funding as a contribution toward the State managed My Way sites in the Lower South West and Cockburn Kwinana areas. These two sites, along with a third site managed by the National Disability Insurance Agency in the Perth Hills, will provide care and support packages to eligible persons and enable a comparative evaluation of service delivery methods to inform potential future agreements.

Enhanced Voluntary Separation Scheme

The provision for the estimated cost of the 1,000 severances available under the Enhanced Voluntary Separation Scheme has been increased by \$32 million to a total of \$132 million, reflecting a revised average cost per severance of \$132,000 compared to the indicative estimate in the 2013-14 Budget of \$100,000 per severance. The final actual cost of the scheme will not be known until after 31 March 2014, which is the deadline for people who have accepted a severance to leave the public sector.

Asset Investment

My Way National Disability Insurance Scheme Trial Sites – Information Technology Systems

An estimated \$5 million will be spent in 2014-15 on new information technology systems for use with the National Disability Insurance Scheme trial sites. The new systems will provide a high standard of actuarial reporting, enabling accurate expense tracking and forecasting.

The Treasurer's Advance

The Treasurer's Advance is provided for under the *Financial Management Act 2006* (FMA). It authorises the Treasurer to make short-term recoverable advances to agencies for the temporary financing of works and services (referred to as 'net unrecouped balances') and to provide new or supplementary funding during the year for extraordinary or unforeseen matters (known as 'excesses and new items').

The total amount drawn against recoverable advances, excesses and new items for 2013-14 must remain within the \$595.7 million limit authorised by the FMA, unless adjusted by Parliament by enacting a *Treasurer's Advance Authorisation Act*.

Table 4.1 shows the estimated position of the Treasurer's Advance for 2013-14, consistent with the agency data underlying the financial projections presented in this mid-year review.

Based on the mid-year review estimates, the expected outturn for the 2013-14 Treasurer's Advance is \$344.6 million.

Table 4.1

TREASURER'S ADVANCE

| | 2012-13 Actual \$m | 2013-14 Projection ^(a) \$m |
|--|--------------------------|---|
| AUTHORISED LIMIT | 651.5 | 595.7 |
| <i>Total projected to be drawn against Treasurer's Advance authorisation</i> | 346.5 | 344.6 |
| Comprising: | | |
| Net recoverable advances as at 30 June | 6.8 | 20.0 |
| Overdrawn Special Purpose Account ^(b) | 0.1 | - |
| Approved Excesses and New Items | | |
| – recurrent | 329.7 | 243.1 |
| – capital | 9.9 | 81.5 |

(a) Detailed disclosure of the final audited outcome for 2013-14 will be available in the 2013-14 *Annual Report on State Finances*, to be released by 28 September 2014.

(b) The Treasurer granted the Department of Mines and Petroleum approval to overdraw a Special Purpose Account (SPA) in 2012-13. Any overdrawn SPA is taken to be an advance to be charged in the relevant financial year to the Treasurer's Advance Account.

Note: Columns may not add due to rounding.

Transfers, Excesses and New Items

Table 4.2 details excesses and/or new items that are projected to occur during 2013-14 and the expected impact of these on the Treasurer's Advance under the authority of section 27 of the FMA.

The projections shown in Table 4.2 are subject to movements in agencies' appropriations through the remainder of 2013-14. Funding in excess of budget for appropriation items shown in the table will only occur if management responses do not achieve compensating shortfalls in other spending supported by these items prior to 30 June 2014.

Section 25 of the FMA allows appropriations originally allocated in the 2013-14 Budget to be transferred to other agencies for the provision of an appropriation-funded service that is now to be delivered by the other agency. These transfers have no impact on the Treasurer's Advance.

Appropriation transfers approved since the presentation of the 2013-14 Budget include:

- \$31.8 million that was centrally provisioned in Treasury has been transferred to the Mental Health Commission (\$0.4 million) and WA Health (\$31.4 million) for the 'Closing the Gap' project;
- \$2 million of capital appropriation transferred from the Department of Child Protection and Family Support to the Housing Authority for the construction of a new domestic violence refuge;

- \$2.2 million of recurrent appropriations that were centrally provisioned in Treasury will be transferred to the Department of Corrective Services (\$1.1 million), the Office of the Director of Public Prosecutions (\$0.4 million), the Department of Racing, Gaming and Liquor (\$0.7 million), the Heritage Council of Western Australia (\$9,000), and the Commissioner for Equal Opportunity (\$1,000) to assist the recipient agencies with the recurrent costs of transitioning from the decommissioned shared corporate services environment and re-establish their own corporate services function; and
- \$1.8 million of capital appropriations that were centrally provisioned in Treasury will be transferred to the Departments of Local Government and Communities (\$0.3 million) and Water (\$1.5 million) and the Commissioner for Equal Opportunity (\$10,000) to assist the recipient agencies with the capital costs of transitioning from the decommissioned shared corporate services environment and re-establish their own corporate services function.

Table 4.2

TRANSFERS, EXCESSES AND NEW ITEMS

| Item | Appropriation | Treasurer's Advance | | | Draw on Treasurer's Advance to date ^(b) |
|---|--|---------------------------------|------------------|------------------|---|
| | | Transfers ^(a) \$m | New Items \$m | Excesses \$m | |
| Recurrent Appropriations | | | | | |
| Public Sector Commission | | | | | |
| 6 | Delivery of services | - | - | 0.3 | - |
| Chemistry Centre (WA) | | | | | |
| 11 | Delivery of services | - | - | 1.2 | - |
| WA Health | | | | | |
| 12 | Delivery of services | 31.4 | - | - | - |
| Lands | | | | | |
| 24 | Delivery of services | - | - | 4.3 | - |
| Education | | | | | |
| 26 | Delivery of services | - | - | 15.3 | - |
| Education Services | | | | | |
| 27 | Delivery of services | - | - | 2.2 | - |
| School Curriculum and Standards Authority | | | | | |
| 29 | Delivery of services | - | - | 0.7 | - |
| Country High School Hostels Authority | | | | | |
| 30 | Delivery of services | - | - | 0.3 | - |
| Treasury | | | | | |
| 33 | Delivery of services | - | - | 1.5 | - |
| 34 | Electricity Retail Corporation (Synergy) | - | - | 105.5 | - |
| 37 | Public Transport Authority | - | - | 8.6 | - |
| 40 | Closing the Gap | -31.8 | - | - | - |
| 42 | Decommissioning of the Office of Shared Services | -2.2 | - | - | - |
| 45 | Metropolitan Redevelopment Authority | - | - | 0.2 | - |
| 47 | Provision for Voluntary Separations | - | - | 18.5 | - |
| New | WA Health | - | 12.1 | - | - |
| Office of the Auditor General | | | | | |
| 55 | Delivery of services | - | - | - ^(c) | - |
| Transport | | | | | |
| 56 | Delivery of services | - | - | 9.7 | - |
| Fisheries | | | | | |
| 59 | Delivery of services | - | - | 10.0 | - |
| Planning | | | | | |
| 60 | Delivery of services | - | - | 0.4 | - |
| Culture and the Arts | | | | | |
| 62 | Delivery of services | - | - | 0.5 | - |
| 63 | Art Gallery of Western Australia | - | - | 2.6 | - |
| 64 | Library Board of Western Australia | - | - | 1.8 | - |
| 66 | Western Australian Museum | - | - | 8.6 | - |
| Small Business Development Corporation | | | | | |
| 68 | Delivery of services | - | - | 0.1 | - |

Note: Columns may not add due to rounding.

TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2 (cont.)

| Item | Appropriation | Treasurer's Advance | | | Draw on Treasurer's Advance to date ^(b) \$m |
|------|---|---------------------------------|------------------|------------------|---|
| | | Transfers ^(a) \$m | New Items \$m | Excesses \$m | |
| | Training and Workforce Development | | | | |
| 69 | Delivery of services | - | - | 0.1 | - |
| | Water | | | | |
| 70 | Delivery of services | - | - | 4.1 | - |
| | Mental Health Commission | | | | |
| 72 | Delivery of services | 0.4 | - | - | - |
| | Commissioner for Equal Opportunity | | | | |
| 77 | Delivery of services | - ^(c) | - | - ^(c) | - |
| | Office of the Director of Public Prosecutions | | | | |
| 79 | Delivery of services | 0.4 | - | 1.4 | - |
| | Commerce | | | | |
| 83 | Delivery of services | - | - | 3.0 | - |
| | Registrar, Western Australian Industrial Relations Commission | | | | |
| 85 | Delivery of services | - | - | 0.1 | - |
| | Mines and Petroleum | | | | |
| 86 | Delivery of services | - | - | 3.3 | - |
| | Sport and Recreation | | | | |
| 89 | Delivery of services | - | - | - ^(c) | - |
| 90 | Contribution to Community Sporting and Recreation Facilities Fund | - | - | 1.6 | - |
| | Western Australian Sports Centre Trust | | | | |
| 92 | Delivery of services | - | - | 1.6 | - |
| | Racing, Gaming and Liquor | | | | |
| 93 | Delivery of services | 0.7 | - | - | - |
| | Parks and Wildlife | | | | |
| 103 | Delivery of services | - | - | 3.1 | - |
| | Botanic Gardens and Parks Authority | | | | |
| 105 | Delivery of services | - | - | 1.5 | - |
| | Office of the Environmental Protection Authority | | | | |
| 106 | Delivery of services | - | - | 3.8 | - |
| | Zoological Parks Authority | | | | |
| 108 | Delivery of services | - | - | 0.1 | - |
| | Heritage Council of Western Australia | | | | |
| 109 | Delivery of services | - ^(c) | - | - | - |
| | Fire and Emergency Services | | | | |
| 111 | Delivery of services | - | - | 0.3 | - |
| | State Emergency Management Committee | | | | |
| 113 | Delivery of services | - | - | 0.2 | - |
| | Corrective Services | | | | |
| 114 | Delivery of services | 1.1 | - | 14.2 | - |
| | <i>Total Recurrent</i> | - | 12.1 | 230.9 | - |

Note: Columns may not add due to rounding.

Table 4.2 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS

| Item Appropriation | Treasurer's Advance | | | Draw on Treasurer's Advance to date ^(b) \$m |
|--|---------------------------------|------------------|------------------|---|
| | Transfers ^(a) \$m | New Items \$m | Excesses \$m | |
| Capital Appropriations | | | | |
| WA Health | | | | |
| 118 Capital Appropriation | - | - | 13.1 | - |
| Treasury | | | | |
| 130 Decommissioning of the Office of Shared Services | -1.8 | - | - | - |
| 136 Regional Power Corporation (Horizon Power) | - | - | - ^(c) | - |
| 138 WA Health | - | - | 26.5 | - |
| Public Transport Authority of Western Australia | | | | |
| 146 Capital Appropriation | - | - | 3.2 | - |
| Fisheries | | | | |
| 147 Capital Appropriation | - | - | 8.8 | - |
| Water | | | | |
| 155 Capital Appropriation | 1.5 | - | - | - |
| Child Protection and Family Support | | | | |
| 157 Capital Appropriation | -2.0 | - | - | - |
| Commissioner of Equal Opportunity | | | | |
| 160 Capital Appropriation | - ^(c) | - | - | - |
| Housing Authority | | | | |
| 161 Capital Appropriation | 2.0 | - | - | - |
| Sport and Recreation | | | | |
| 162 Capital Appropriation | - | - | 1.9 | - |
| Local Government and Communities | | | | |
| 167 Capital Appropriation | 0.3 | - | - | - |
| Parks and Wildlife | | | | |
| 168 Capital Appropriation | - | - | 3.2 | - |
| Fire and Emergency Services | | | | |
| 173 Capital Appropriation | - | - | 24.1 | - |
| Lands | | | | |
| New Capital Appropriation | - | 0.5 | - | - |
| Premier and Cabinet | | | | |
| New Capital Appropriation | - | 0.3 | - | - |
| <i>Total Capital</i> | - | <i>0.8</i> | <i>80.8</i> | - |
| TOTAL | - | 12.9 | 311.7 | - |

(a) Authorised under section 25 of the FMA.

(b) Mid-year review cut-off date, 3 December 2013.

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

Note: Columns may not add due to rounding.

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 contains information on SPAs established to deliver key Government policy initiatives. This is not an exhaustive list of all SPAs, but it covers the major/material SPAs in existence as at the 3 December 2013 cut-off date for this mid-year review. The SPA balances, and transactions in and out of these accounts, form part of the overall consolidated projections outlined elsewhere in this report.

The SPA balances detailed in this appendix provide a funding source for particular initiatives or policy areas. However, it is important to note that each dollar that is spent from these SPA balances will increase net debt (and reduce the net operating balance if the spending is for recurrent purposes) by the same amount. In terms of implications of net debt, these SPA balances are no different from other funding sources, including new borrowings.

Fiona Stanley Hospital Construction Account

This SPA was established in October 2007 to set aside funds to be used for the construction of the Fiona Stanley Hospital.

Receipts in 2013-14 reflect \$15 million appropriated by Parliament as part of the 2013-14 Budget, and a further \$3 million in interest revenue earned on the account balance. Funds are drawn from the account and paid to WA Health as payments for construction work fall due. The balance in the account is forecast to wind down now that the project has achieved practical completion. A small cash balance will remain following completion of the hospital as a contingency for defects and residual minor works.

Table 5.1

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT

| | 2012-13 \$m | 2013-14 \$m |
|---------------------------|----------------|----------------|
| <i>Balance at 1 July</i> | 309 | 104 |
| Receipts | 134 | 18 |
| Payments | 339 | 109 |
| Balance at 30 June | 104 | 13 |

Note: Columns may not add due to rounding.

New Children's Hospital Account¹

This SPA was established in October 2010 to hold money for the construction and start-up of the Perth Children's Hospital. The hospital is expected to be completed by mid-2015 and use all available funds in the SPA. A total of \$645 million (or 55%) of the construction costs have been funded from one-off royalty revenue and Consolidated Account surplus outcomes recorded over the period 2009-10 to 2011-12 (including \$70 million from the 2011-12 year, paid into the Account in 2013-14).

The remainder of receipts in 2013-14 (\$112 million) represent the Consolidated Account capital contribution scheduled for construction work approved as part of the 2013-14 Budget. Funds are drawn from the SPA and paid to WA Health as payments for construction work fall due. The account balance is expected to reduce significantly over 2013-14 as construction of the hospital accelerates and the initial funds set aside for the construction work are drawn down.

Table 5.2

NEW CHILDREN'S HOSPITAL ACCOUNT

| | 2012-13 \$m | 2013-14 \$m |
|---------------------------|----------------|----------------|
| <i>Balance at 1 July</i> | 423 | 277 |
| Receipts | 70 | 182 |
| Payments | 216 | 409 |
| Balance at 30 June | 277 | 50 |

Note: Columns may not add due to rounding.

Perth Parking Licensing Account

This SPA was established in July 1999 to set aside funds to be used to encourage a balanced transport system for gaining access to the Perth city area.

Receipts for the account are raised from a number of sources, such as application fees for parking bays, licenses and penalties. Funds drawn from the account are spent on the Central Area Transit system, improving public transport access, enhancing the pedestrian environment, supporting bicycle access and for administration of the *Perth Parking Management Act 1999*.

¹ On 30 September 2013, the State Government announced Perth Children's Hospital as the official name for the new children's hospital. The SPA detailed in this appendix reflects the title of the construction account on the associated trust statement.

PERTH PARKING LICENSING ACCOUNT

Table 5.3

| | 2012-13 \$m | 2013-14 \$m |
|---------------------------|----------------|----------------|
| <i>Balance at 1 July</i> | 56 | 70 |
| Receipts | 34 | 38 |
| Payments | 20 | 60 |
| Balance at 30 June | 70 | 48 |

Note: Columns may not add due to rounding.

Road Trauma Trust Account

This account was established in July 2002 to provide for road safety initiatives.

Receipts reflect prescribed penalties paid during the year, other funds collected under the *Road Traffic Act 1974*, and interest revenue earned on the account balance. Key road safety initiatives funded from the account include continuation of the electronic school zone sign project, neurotrauma research, strategic traffic enforcement and increased breath and drug testing by Western Australia Police, road safety community and school education programs and the continuation of support for 'Roadwise' (the Local Government and Community Road Safety Program, administered by the Western Australian Local Government Association).

ROAD TRAUMA TRUST ACCOUNT

Table 5.4

| | 2012-13 \$m | 2013-14 \$m |
|---------------------------|----------------|----------------|
| <i>Balance at 1 July</i> | 43 | 65 |
| Receipts | 94 | 97 |
| Payments | 73 | 77 |
| Balance at 30 June | 65 | 85 |

Note: Columns may not add due to rounding.

Royalties for Regions Fund

The Royalties for Regions Fund was established in December 2008 to set aside 25% of the State's annual royalty income to fund investment in regional Western Australia.

Receipts reflect moneys appropriated by the Parliament and interest revenue earned on the account balance. Funds are drawn to support regional infrastructure and services, business and economic development and other regional initiatives. Details on Royalties for Regions expenditure over the forward estimates period are contained in Appendix 6.

Table 5.5

| ROYALTIES FOR REGIONS FUND | | |
|-----------------------------------|----------------|----------------|
| | 2012-13 \$m | 2013-14 \$m |
| <i>Balance at 1 July</i> | 687 | 881 |
| Receipts | 1,273 | 1,479 |
| Payments | 1,079 | 1,684 |
| Balance at 30 June | 881 | 676 |

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*.

Funds are to be provided from the account to support improved access to health care services through the provision of additional resources, improvements to local hospitals and health facilities, and investment in telehealth services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions.

Royalties for Regions funding of \$300 million for future costs under the Initiative is to be paid into the account in 2013-14. Outgoing payments represent currently approved expenditure on the six programs that deliver the services and investments for the Initiative.

Table 5.6

| ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE | | |
|--|----------------|----------------|
| | 2012-13 \$m | 2013-14 \$m |
| <i>Balance at 1 July</i> | 226 | 211 |
| Receipts | - | 300 |
| Payments | 15 | 23 |
| Balance at 30 June | 211 | 489 |

Note: Columns may not add due to rounding.

The New Perth Stadium Account

This SPA was established in October 2011 to set aside funds to be used for the construction of the New Perth Stadium and associated transport infrastructure. The stadium is expected to be completed by 2018 and use all available funds in the SPA as part of the funding to support construction.

The account was established with \$100 million from the better than expected operating surplus for the 2010-11 financial year (appropriated to the SPA in the 2012-13 Budget). The Trust Statement underlying this SPA was amended in January 2013 to also include funding of transport infrastructure that will improve access to the stadium.

Funds will be drawn from the SPA as payments fall due for construction work on the stadium and related transport infrastructure. The account balance is expected to be largely exhausted during 2013-14 as the initial cash injection used to establish the account is drawn down.

| THE NEW PERTH STADIUM ACCOUNT | | | Table 5.7 |
|--------------------------------------|----------------|----------------|-----------|
| | 2012-13 \$m | 2013-14 \$m | |
| <i>Balance at 1 July</i> | - | 95 | |
| Receipts | 105 | 15 | |
| Payments | 10 | 101 | |
| Balance at 30 June | 95 | 9 | |

Note: Columns may not add due to rounding.

Western Australian Future Fund

The Western Australian Future Fund was established as a Treasurer's SPA following the passage of the *Western Australian Future Fund Act 2012* in November 2012. The Act provides for an accruing balance over 20 years to 2032, after which the annual interest earnings can be drawn down to fund economic or social infrastructure across Western Australia.

Announced as part of the 2012-13 Budget, the Future Fund will receive around \$1 billion in 'seed capital' to be transferred 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 Future Fund.

| WESTERN AUSTRALIAN FUTURE FUND | | Table 5.8 |
|---------------------------------------|----------------|----------------|
| | 2012-13 \$m | 2013-14 \$m |
| <i>Balance at 1 July</i> | - | 306 |
| Receipts | 306 | 283 |
| Payments | - | - |
| Balance at 30 June | 306 | 589 |

Note: Columns may not add due to rounding.

Royalties for Regions

Forecast spending by Royalties for Regions in 2013-14 is estimated to be around \$1,295 million, unchanged from the 2013-14 Budget estimate. This is a substantial \$325 million or 34% increase on the \$970 million spent in 2012-13.

The table below provides an update of the projections for individual initiatives that make up the Royalties for Regions program. Notable changes to the program since the 2013-14 Budget include:

- the carryover of expenditure, caused by delays in the progress of projects, from 2012-13 into 2013-14 and subsequent years. Expenditure in 2013-14 and the forward estimate years has also been rescheduled to reflect updated timing of expenditure to assist the Government to meet its fiscal objectives; and
- a forecast increase to the Royalties for Regions Fund special purpose account balance, flowing from the revised outlook for royalty income for the period 2014-15 to 2016-17.

The following table summarises projected balances in the Royalties for Region Fund over the forward estimates period.

| ROYALTIES FOR REGIONS FUND | | | | | | Table 6.1 |
|-----------------------------------|------------|------------|--------------|--------------|--------------|-----------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | |
| | \$m | \$m | \$m | \$m | \$m | |
| <i>Balance at 1 July</i> | 687 | 881 | 676 | 1,060 | 1,653 | |
| Receipts | 1,273 | 1,479 | 1,617 | 1,803 | 1,849 | |
| Payments | 1,079 | 1,684 | 1,233 | 1,210 | 914 | |
| Balance at 30 June | 881 | 676 | 1,060 | 1,653 | 2,588 | |

Note: Columns may not add due to rounding.

Table 6.2

ROYALTIES FOR REGIONS EXPENDITURE

| INITIATIVE | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | Budget | Mid-Year | Mid-Year | Mid-Year | Mid-Year | Five |
| | \$m | Estimate | Revision | Revision | Revision | Revision | Years |
| | | \$m | \$m | \$m | \$m | \$m | \$m |
| COUNTRY LOCAL GOVERNMENT FUND (CLGF) | | | | | | | |
| Local Government - Local Infrastructure Asset Renewal and New Assets | 34.0 | - | - | - | - | - | 34.0 |
| Administration of CLGF | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 4.0 |
| Regional Centres Development Plan | - | 1.0 | 1.0 | 5.0 | 5.0 | 5.0 | 16.0 |
| Regional Groupings of Local Governments | 41.4 | - | - | - | - | - | 41.4 |
| Regional Groupings and Individuals | - | 29.0 | 40.0 | 30.0 | - | - | 70.0 |
| Support to Regional Groupings of Local Governments | 1.0 | - | 0.7 | - | - | - | 1.8 |
| Local Government Facilitation | - | 0.5 | 0.9 | 0.6 | - | - | 1.4 |
| Capacity Building - Regional Governance Services and Asset Management Tools | 1.9 | 3.0 | 3.7 | 3.3 | 3.0 | 3.0 | 14.8 |
| TOTAL - COUNTRY LOCAL GOVERNMENT FUND | 78.2 | 34.5 | 47.3 | 39.8 | 9.0 | 9.0 | 183.4 |
| REGIONAL COMMUNITY SERVICES FUND | | | | | | | |
| Regional Community Programs and Schemes | | | | | | | |
| Country Age Pension Fuel Card | 22.1 | 24.9 | 25.9 | 28.5 | 30.4 | 32.4 | 139.4 |
| Volunteer Fuel Card | - | 1.4 | 0.7 | 1.4 | 1.4 | 1.4 | 4.9 |
| Regional Workers Incentives | 52.3 | 54.5 | 54.5 | 39.1 | 22.5 | 23.3 | 191.7 |
| Regional Police Incentives | - | 2.5 | 2.5 | 2.5 | 2.8 | 2.8 | 10.5 |
| Fire Crew Protection (Asset Investment) | - | 3.5 | 1.0 | 1.1 | 0.5 | 0.5 | 3.2 |
| Fire Crew Protection (Operating) | - | - | 2.5 | 2.6 | 2.0 | 2.1 | 9.2 |
| Boarding Away From Home | 1.3 | 1.5 | 1.6 | 1.6 | 1.7 | 1.8 | 8.0 |
| Community Resource Centres | 12.8 | 12.4 | 12.4 | 13.2 | 14.0 | 14.0 | 66.4 |
| Wild Dogs Management Plan | 0.3 | 0.7 | 0.7 | 0.7 | 0.5 | 0.4 | 2.7 |
| Performing Arts Regional Tours Boost | - | 0.3 | 0.3 | 0.3 | 0.4 | - | 1.0 |
| Regional Arts Centre Sustainability | - | - | - | 2.0 | 11.0 | 11.0 | 24.0 |
| Community Pool Revitalisation | - | - | - | 3.3 | 3.3 | 3.3 | 9.9 |
| SuperTowns - Avon Train | - | - | 0.4 | - | - | - | 0.4 |
| Regional Visitor Centres | - | - | - | 0.3 | 1.3 | 1.3 | 2.9 |
| Caravan and Camping (Asset Investment) | - | - | 3.6 | 6.2 | 5.5 | 3.9 | 19.1 |
| Caravan and Camping (Operating) | - | 4.7 | 1.1 | 6.4 | 3.7 | 4.2 | 15.3 |
| Small Business Centre Program (Regional Small Business Centres component) | - | - | - | 2.8 | 2.8 | 2.9 | 8.5 |
| Community Sporting and Recreation Facilities Fund | - | 11.3 | 14.4 | 14.7 | 8.8 | 4.6 | 42.4 |
| Supporting Community Sport | - | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 2.0 |
| Foodbank | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 1.0 |
| Better Beginnings - Early Literacy | 0.7 | 0.8 | 0.8 | 0.9 | - | - | 2.3 |
| Responsible Parenting Support Services | 7.4 | 11.0 | 11.0 | 10.5 | - | - | 28.9 |
| Rangelands Reform Program | 0.8 | 0.6 | 0.4 | 0.2 | - | - | 1.4 |
| Orange School Bus Initiatives | 2.4 | 2.7 | 3.0 | - | - | - | 5.4 |
| New Kimberley National Parks (Asset Investment) | - | - | 0.1 | 0.4 | 0.4 | 0.1 | 1.0 |
| New Kimberley National Parks (Operating) | - | 0.5 | 0.3 | 0.6 | 0.8 | 0.9 | 2.5 |
| Great Kimberley Marine Park (Asset Investment) | - | - | 1.3 | - | 0.1 | 1.5 | 2.9 |
| Great Kimberley Marine Park (Operating) | - | - | 2.0 | 1.8 | 2.4 | 6.0 | 12.1 |
| Parks for People (Asset Investment) | - | - | - | 2.0 | 2.0 | 2.0 | 6.0 |
| Parks for People (Operating) | - | 0.3 | 0.3 | - | - | - | 0.3 |
| Royal Agricultural Society Show Concessions - Free entry for Children | - | - | 0.8 | - | - | - | 0.8 |
| Fire and Emergency Services Helicopter (Asset Investment) | - | - | - | 1.7 | 1.0 | - | 2.7 |
| Fire and Emergency Services Helicopter (Operating) | - | 0.3 | 0.3 | 3.3 | 4.0 | 5.0 | 12.6 |
| Exploration Incentive Scheme | 13.3 | 24.6 | 24.4 | 10.0 | 10.0 | 10.0 | 67.7 |
| Public Sector Regional Leadership | 0.4 | 0.9 | 1.0 | 0.7 | 0.3 | - | 2.4 |
| Regional Buy Local Initiatives | 0.2 | 1.0 | 1.7 | 3.0 | 3.0 | 3.0 | 10.9 |
| Regional Events Program (Asset Investment) | 1.6 | - | 0.1 | - | - | - | 1.7 |
| Regional Events Program (Operating) | 9.9 | 11.0 | 11.5 | 11.6 | 11.6 | 10.0 | 54.6 |
| Kimberley Science and Conservation Strategy (Asset Investment) | 0.6 | 1.5 | 1.2 | 1.3 | - | - | 3.1 |
| Kimberley Science and Conservation Strategy (Operating) | 1.0 | 1.3 | 1.4 | 1.0 | - | - | 3.3 |
| Marine Parks Management (Asset Investment) | 1.5 | - | 0.8 | 0.4 | 0.2 | - | 2.9 |
| Marine Parks Management (Operating) | 0.6 | 4.7 | 2.5 | 4.9 | 4.9 | - | 12.9 |
| Support for Racecourse Infrastructure Grants Program | 1.2 | 4.4 | 4.4 | 1.0 | - | - | 6.6 |
| Regional Community Programs and Schemes Subtotal | 130.6 | 183.9 | 191.2 | 182.6 | 154.0 | 149.0 | 807.3 |
| Regional Health Programs | | | | | | | |
| Fitzroy Kids Health | - | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 |
| Regional (Kalgoorlie Esperance) Telehealth | - | 0.5 | 0.5 | 2.5 | 2.5 | 2.5 | 8.0 |
| Wheatbelt Renal Dialysis | - | 0.5 | 0.5 | 1.0 | 1.0 | 1.0 | 3.5 |
| Renal Dialysis Service Expansion | - | 0.3 | 0.3 | 2.6 | 4.0 | - | 7.0 |
| Regional Palliative Care | - | 0.5 | 0.5 | 1.0 | 1.3 | 1.3 | 4.0 |
| Patient Assisted Travel Scheme | 9.4 | 9.7 | 9.7 | 10.1 | 10.6 | 10.6 | 50.4 |
| Royal Flying Doctor Service | 5.1 | 5.3 | 5.3 | 4.0 | 4.0 | 4.0 | 22.3 |
| Rural Generalist (Practice) Pathways | 1.7 | 2.0 | 2.1 | 3.0 | - | - | 6.8 |
| St John Ambulance Services in Country WA (Asset Investment) | 1.1 | 0.4 | 0.3 | 0.5 | - | - | 1.9 |
| St John Ambulance Services in Country WA (Operating) | 5.5 | 7.5 | 6.9 | 8.1 | 12.7 | - | 33.2 |
| Pilbara Cardiovascular Screen Program | 0.3 | 0.3 | 0.4 | 0.5 | - | - | 1.2 |
| Regional Patient Accommodation Facility | - | - | 2.5 | 2.5 | - | - | 5.0 |
| Regional Men's Health | 0.8 | 1.1 | 0.5 | 0.8 | 0.8 | 0.8 | 3.7 |
| Regional Health Programs Subtotal | 24.0 | 28.2 | 29.6 | 36.7 | 37.0 | 20.2 | 147.5 |

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

Source: Department of Regional Development.

Table 6.2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

| INITIATIVE | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total |
|--|---------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------|
| | Actual \$m | Budget Estimate \$m | Mid-Year Revision \$m | Mid-Year Revision \$m | Mid-Year Revision \$m | Mid-Year Revision \$m | Five Years \$m |
| Aboriginal Initiatives | | | | | | | |
| Regional Youth Justice Strategy Kimberley and Pilbara Expansion (Asset Investment) | 0.7 | - | - | - | - | - | 0.7 |
| Regional Youth Justice Strategy Kimberley and Pilbara Expansion (Operating) | 12.7 | 15.6 | 16.0 | 15.0 | 15.0 | 15.0 | 73.7 |
| Clontarf Colleges | 1.0 | 1.2 | 1.3 | 1.4 | 1.4 | 1.5 | 6.6 |
| WA Indigenous Tourism Operators Committee | 0.3 | 0.3 | 0.3 | - | - | - | 0.7 |
| Aboriginal Justice Program - Enhanced Driver Training and Education for Regional and Remote Communities | 0.2 | 1.1 | 0.9 | 1.5 | 1.5 | 1.5 | 5.5 |
| Aboriginal Justice Program - Enhanced Services for Victims of Crime Within Regional and Remote Communities | 0.2 | 1.1 | 0.7 | 1.1 | 1.1 | - | 3.0 |
| Remote Area Essential Services Program | - | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 120.0 |
| Aboriginal Community Emergency Response Fund | 2.5 | 7.6 | 7.6 | - | - | - | 10.0 |
| NorthWest Drug and Alcohol Support Program (Asset Investment) | 1.9 | 1.3 | 1.4 | - | - | - | 3.3 |
| NorthWest Drug and Alcohol Support Program (Operating) | 2.7 | 5.7 | 6.0 | 5.8 | 5.7 | 5.7 | 26.0 |
| Improving Water Quality in Remote Aboriginal Communities | 3.3 | 5.8 | 5.8 | 1.6 | - | - | 10.7 |
| Governance and Leadership Development Program | - | 1.0 | 1.0 | 1.3 | - | - | 2.3 |
| Indigenous Visitor Hostels (Asset Investment) | 0.2 | 1.4 | 9.9 | 1.3 | - | - | 11.4 |
| Indigenous Visitor Hostels (Operating) | 0.4 | 0.4 | 0.2 | 1.4 | 1.5 | 1.5 | 5.0 |
| Jigalong Essential Services Pilot | - | 6.0 | 6.0 | 4.0 | - | - | 10.0 |
| Remote Indigenous Health Clinics | 5.0 | 14.0 | 6.7 | 8.3 | - | - | 19.9 |
| Aboriginal Initiatives Subtotal | 31.1 | 92.4 | 93.7 | 72.6 | 56.2 | 55.2 | 308.7 |
| Regional Strategic Projects | | | | | | | |
| Regional Strategic Projects | 38.5 | 50.4 | 50.6 | 36.9 | 18.3 | 13.3 | 157.6 |
| Regional Strategic Projects Subtotal | 38.5 | 50.4 | 50.6 | 36.9 | 18.3 | 13.3 | 157.6 |
| Seizing the Opportunity Agriculture | | | | | | | |
| Seizing the Opportunity Agriculture | - | 16.4 | 16.4 | 63.1 | 93.7 | 124.0 | 297.2 |
| Seizing the Opportunity Agriculture | - | 16.4 | 16.4 | 63.1 | 93.7 | 124.0 | 297.2 |
| TOTAL - REGIONAL COMMUNITY SERVICES FUND | 224.2 | 371.2 | 381.4 | 391.8 | 359.1 | 361.7 | 1,718.2 |
| REGIONAL INFRASTRUCTURE AND HEADWORKS FUND | | | | | | | |
| Regional Capital Works Initiative | | | | | | | |
| Regional Capital Works Initiative | 14.8 | 26.0 | 26.7 | 2.1 | - | - | 43.6 |
| Regional Capital Works Initiative Subtotal | 14.8 | 26.0 | 26.7 | 2.1 | - | - | 43.6 |
| Pilbara Cities Initiative | | | | | | | |
| Nickol Bay Hospital Upgrade (Asset Investment) | 2.5 | - | - | - | - | - | 2.5 |
| Karratha Health Campus | 0.7 | 4.9 | 4.2 | 14.3 | 70.0 | 80.0 | 169.2 |
| Pilbara Health Partnership (Asset Investment) | 0.2 | 2.9 | 4.8 | - | - | - | 5.0 |
| Pilbara Health Partnership (Operating) | 5.0 | 6.2 | 6.9 | 7.0 | - | - | 18.9 |
| Pilbara Underground Power (Asset Investment) | 32.9 | - | - | - | - | - | 32.9 |
| Pilbara Underground Power (Operating) | 0.3 | 0.7 | 0.9 | - | - | - | 1.2 |
| Pilbara Water Opportunities | 0.4 | - | - | - | - | - | 0.4 |
| Northern Towns Development Fund | 6.9 | 10.0 | 11.1 | 5.5 | - | - | 23.5 |
| Pilbara Cities Strategic Infrastructure (Asset Investment) | 43.6 | 135.0 | 142.2 | 43.7 | 48.5 | 49.0 | 327.0 |
| Pilbara Cities Strategic Infrastructure (Operating) | 41.5 | 133.6 | 110.0 | 121.5 | 112.0 | 106.1 | 491.1 |
| Pilbara Cities Community Projects (Asset Investment) | 0.4 | 4.0 | 7.6 | 8.0 | - | - | 16.0 |
| Pilbara Cities Community Projects (Operating) | 5.8 | 13.2 | 11.3 | 8.8 | 30.0 | 50.0 | 105.8 |
| Karratha-Wickham Coast Road | - | - | - | - | - | - | - |
| Pilbara Fabrication and Services Common Use Facility | 1.8 | 2.0 | 3.2 | - | - | - | 5.0 |
| Community Priority Road Infrastructure | - | - | - | - | - | - | - |
| Pilbara Cities Initiative Subtotal | 142.0 | 312.5 | 302.1 | 208.7 | 260.5 | 285.1 | 1,198.5 |
| Regional Housing | | | | | | | |
| Housing for Workers (Asset Investment) | 133.2 | 54.0 | 65.8 | 41.2 | 30.0 | 30.0 | 300.2 |
| Housing for Workers (Operating) | - | - | 3.6 | - | - | - | 3.6 |
| Regional Housing Subtotal | 133.2 | 54.0 | 69.4 | 41.2 | 30.0 | 30.0 | 303.8 |
| East Kimberley Revitalisation | | | | | | | |
| Ord-East Kimberley Expansion Project (Asset Investment) | 108.4 | - | - | - | - | - | 108.4 |
| Ord-East Kimberley Expansion Project - Phase 2 (Asset Investment) | 39.1 | 51.9 | 51.9 | - | - | - | 91.0 |
| Kununurra Courthouse | 5.9 | 27.9 | 27.9 | 3.1 | - | - | 36.9 |
| East Kimberley Revitalisation Subtotal | 153.3 | 79.9 | 79.9 | 3.1 | - | - | 236.3 |

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

Source: Department of Regional Development.

Table 6.2 (cont.)

| INITIATIVE | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total |
|---|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| | Actual | Budget | Mid-Year | Mid-Year | Mid-Year | Mid-Year | Five |
| | \$m | Estimate | Revision | Revision | Revision | Revision | Years |
| | | | | | | | \$m |
| West Kimberley Revitalisation | | | | | | | |
| China Town Redevelopment | - | - | - | 10.0 | - | - | 10.0 |
| Kimberley Housing Project Indigenous Prosperity | - | 17.0 | - | - | 17.0 | 16.9 | 33.9 |
| Fitzroy Crossing Courthouse | 0.2 | 1.0 | 1.5 | 2.3 | - | - | 3.9 |
| Broome Boating Facility | 1.2 | 1.4 | - | - | - | - | 1.2 |
| Broome Wharf Extension of Life | - | 16.0 | 3.0 | 10.6 | 10.6 | - | 24.2 |
| Broome Road Industrial Area | - | 14.9 | 10.9 | 4.0 | - | - | 14.9 |
| West Kimberley Revitalisation Subtotal | 1.4 | 50.3 | 15.4 | 26.8 | 27.6 | 16.9 | 88.1 |
| Goldfields Esperance Revitalisation | | | | | | | |
| Goldfields Esperance Revitalisation | - | 1.5 | 1.5 | 5.0 | 38.0 | 52.3 | 96.8 |
| Kalgoorlie-Boulder Community High School | - | 1.0 | 1.0 | 4.0 | 20.0 | 20.0 | 45.0 |
| Great Eastern Highway Passing Lanes | - | 2.0 | 2.0 | 12.0 | 12.0 | 12.0 | 38.0 |
| Goldfields Arts Centre | - | 0.5 | 0.5 | 5.0 | 0.7 | - | 6.2 |
| Goldfields Esperance Revitalisation Subtotal | - | 5.0 | 5.0 | 26.0 | 70.7 | 84.3 | 186.0 |
| Gascoyne Revitalisation | | | | | | | |
| Gascoyne Development Plan | 9.0 | 27.7 | 24.7 | 21.6 | 9.3 | - | 64.6 |
| Carnarvon Police and Justice Complex | 5.0 | - | - | - | - | - | 5.0 |
| Exmouth Health Clinic | 0.2 | 2.7 | 3.4 | 4.5 | - | - | 8.0 |
| Carnarvon Health Campus | 0.4 | 6.3 | 3.4 | 16.8 | - | - | 20.5 |
| Coral Bay Seasonal Staff Accommodation (Operating) | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.8 |
| Gascoyne Irrigation Pipeline | 0.3 | - | - | - | - | - | 0.3 |
| Exmouth Boat Harbour | - | - | - | 18.0 | 2.0 | - | 20.0 |
| Gascoyne Revitalisation Subtotal | 14.9 | 36.9 | 31.6 | 61.1 | 11.5 | 0.1 | 119.2 |
| Mid West Revitalisation | | | | | | | |
| Midwest Investment Plan (Asset Investment) | 2.6 | 14.0 | 9.0 | 25.3 | 16.8 | - | 53.7 |
| Midwest Investment Plan (Operating) | 6.8 | 28.5 | 27.7 | 32.2 | 53.2 | 41.3 | 161.3 |
| Brand Highway - Greenough River Bridge | - | 5.5 | 5.5 | 3.0 | - | - | 8.5 |
| Midwest Unit | 0.2 | 0.8 | 0.6 | 1.0 | 0.8 | 0.7 | 3.2 |
| Midwest Solar Farm - Midwest Initiative | 5.0 | - | - | - | - | - | 5.0 |
| Mid West Revitalisation Subtotal | 14.6 | 48.7 | 42.9 | 61.5 | 70.8 | 42.0 | 231.7 |
| Regional Health Infrastructure | | | | | | | |
| Kalgoorlie Hospital | 2.4 | - | - | - | - | - | 2.4 |
| Albany Hospital | 20.3 | - | - | - | - | - | 20.3 |
| Esperance Health Campus | 0.7 | 6.9 | 2.0 | 15.6 | - | - | 18.3 |
| North West Health Initiative | - | 1.0 | - | 1.0 | 5.0 | 40.0 | 46.0 |
| Busselton Health Campus | 22.7 | 13.2 | 13.1 | - | - | - | 35.8 |
| Regional Health Infrastructure Subtotal | 46.1 | 21.1 | 15.1 | 16.6 | 5.0 | 40.0 | 122.8 |
| Southern Inland Health Initiative | | | | | | | |
| District Medical Workforce Investment Program | 14.9 | 22.7 | 22.6 | 54.9 | 77.0 | - | 169.4 |
| District Hospital Investment Program (Asset Investment) | 4.8 | 15.1 | 2.1 | 7.9 | 25.0 | 78.0 | 117.8 |
| District Hospital Investment Program (Operating) | 3.2 | 4.3 | 4.6 | 8.1 | 8.0 | - | 23.8 |
| Primary Health Centres Demonstration Program | 0.1 | 5.0 | 0.1 | 4.6 | 15.6 | 16.3 | 36.6 |
| Small Hospital and Nursing Post Refurbishment Program | 6.3 | 20.1 | 0.1 | 15.0 | 40.0 | 38.0 | 99.3 |
| Telehealth Investment Program (Asset Investment) | 0.1 | 1.4 | - | 1.3 | 1.4 | - | 2.8 |
| Telehealth Investment Program (Operating) | 1.6 | 3.0 | 3.0 | 8.6 | 17.5 | - | 30.6 |
| Residential Aged and Dementia Care Investment Program | - | 0.5 | - | 0.5 | 10.0 | 9.5 | 20.0 |
| Southern Inland Health Initiative Subtotal | 31.0 | 72.0 | 32.3 | 100.8 | 194.5 | 141.8 | 500.3 |

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

Source: Department of Regional Development.

Table 6.2 (cont.)

| ROYALTIES FOR REGIONS EXPENDITURE | | | | | | | |
|--|---------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------|
| INITIATIVE | 2012-13 | 2013-14 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total Five Years |
| | Actual \$m | Budget Estimate \$m | Mid-Year Revision \$m | Mid-Year Revision \$m | Mid-Year Revision \$m | Mid-Year Revision \$m | |
| Regional Skills and Training | | | | | | | |
| Skills Training Initiative (Asset Investment) | | | | | | | |
| - Broome West Kimberley Trade Training Centre | 1.2 | 5.0 | 8.8 | 0.4 | - | - | 10.4 |
| - Derby Extension and Workshop Facilities | 0.7 | 5.2 | 5.3 | 0.2 | - | - | 6.2 |
| - Kimberley Training Institute - Halls Creek Campus Upgrade | 1.4 | 0.7 | 1.3 | - | - | - | 2.7 |
| - Pilbara Institute - Upgrade and Expansion of South Hedland and Karratha campus | 0.5 | 7.2 | 8.5 | 5.0 | 1.5 | - | 15.5 |
| - Durack Institute of Technology - Centre for Health Industries Training and Workforce Development | 0.7 | 6.8 | 8.4 | 5.6 | 0.4 | - | 15.0 |
| - Durack Institute of Technology Centre for Resource Sector Workforce Training | 0.5 | 3.0 | 4.5 | 3.6 | 0.5 | - | 9.0 |
| - Great Southern Institute of Technology Community Services and Health Science Block | 0.8 | 3.8 | 4.8 | 0.2 | - | - | 5.8 |
| - Busselton Sustainability | - | 0.5 | 0.5 | - | - | - | 0.5 |
| - Challenger Institute of Technology Peel Health and Community Training Centre | 0.3 | 4.1 | 3.8 | 1.6 | 0.2 | - | 6.0 |
| - Polytechnic West - Pinjarra Apprentice Training Facility | - | 0.4 | - | - | - | - | - |
| - Project Management | - | 0.5 | - | - | - | - | - |
| - STP Critical ICT Capital Infrastructure (Regional) | 1.7 | 2.5 | 3.7 | - | - | - | 5.4 |
| - Future Development of Muresk | - | 4.9 | 2.0 | 2.9 | - | - | 4.9 |
| Skills Training Initiative (Operating) | | | | | | | |
| - Future Development of Muresk | - | 5.2 | 3.3 | 1.9 | - | - | 5.2 |
| - Agricola Residential College | - | 20.0 | 20.0 | - | - | - | 20.0 |
| - Aboriginal Workforce Development Pilot | - | 1.0 | 1.0 | - | - | - | 1.0 |
| - Project Management - Planning | 0.5 | - | 0.5 | 0.5 | - | - | 1.5 |
| Regional Work Camp Enhancement Program (Asset Investment) | 1.8 | 12.7 | 12.4 | - | - | - | 14.2 |
| Regional Work Camp Enhancement Program (Operating) | - | 2.2 | 2.2 | 2.8 | - | - | 5.0 |
| Regional Skills and Training Subtotal | 10.0 | 85.5 | 90.9 | 24.6 | 2.6 | - | 128.2 |
| Regional Schools | | | | | | | |
| Regional Schools Plan - Esperance Primary School | 8.6 | - | - | - | - | - | 8.6 |
| Regional Schools Plan - Derby District High School | 4.1 | 7.5 | 10.4 | - | - | - | 14.5 |
| Regional Schools Plan - Broome Senior High School | 1.7 | 5.6 | 7.9 | - | - | - | 9.6 |
| Regional Schools Plan - Carnarvon Senior High School | - | 5.0 | 7.0 | - | - | - | 7.0 |
| Regional Schools Plan - Hedland Senior High School | 1.1 | 2.9 | 4.8 | - | - | - | 5.9 |
| Regional Schools Plan - Karratha Senior High School | 8.7 | 6.5 | 0.8 | - | - | - | 9.5 |
| Regional Schools Plan - Pinjarra Senior High School | 3.9 | - | 1.7 | - | - | - | 5.6 |
| Regional Schools Plan - Collie Senior High School | 2.5 | 0.5 | 0.2 | - | - | - | 2.7 |
| Regional Schools Plan - Northam Senior High School | 1.1 | 8.0 | 8.5 | - | - | - | 9.6 |
| Regional Schools Plan - Narrogin Senior High School | 1.7 | 3.5 | 4.7 | - | - | - | 6.4 |
| Regional Schools Plan - Katanning Senior High School | 1.8 | 0.5 | 0.1 | - | - | - | 1.9 |
| Regional Schools Plan - Denmark Senior High School | 4.2 | 2.0 | 2.3 | - | - | - | 6.5 |
| Regional Schools Plan - Administration Cost | 0.4 | 0.3 | 0.4 | - | - | - | 0.8 |
| Relocation of Year 7 Students - Broome Senior High School | 3.7 | 4.5 | 3.3 | - | - | - | 7.0 |
| Relocation of Year 7 Students - John Willcock College | - | 0.6 | 0.6 | - | - | - | 0.6 |
| Relocation of Year 7 Students - Halls Head Community College | - | 4.4 | 4.4 | 6.2 | - | - | 10.6 |
| Relocation of Year 7 Students - Australind Senior High School | - | 6.4 | 6.4 | 4.7 | - | - | 11.1 |
| Relocation of Year 7 Students - Bunbury Senior High School | - | 4.3 | 4.3 | 0.7 | - | - | 5.0 |
| Relocation of Year 7 Students - Cape Naturaliste College | - | 1.9 | 1.9 | 2.1 | - | - | 4.0 |
| Relocation of Year 7 Students - Margaret River Senior High School | - | 2.6 | 2.6 | 1.7 | - | - | 4.3 |
| Regional Residential College Upgrades | 5.9 | 8.4 | 12.0 | 11.4 | 9.7 | - | 39.0 |
| Regional Schools Subtotal | 49.3 | 75.4 | 84.3 | 26.9 | 9.7 | - | 170.1 |
| Portlink Inland Freight Corridor | | | | | | | |
| Portlink Inland Freight Corridor Planning | 0.5 | 2.0 | 2.3 | 2.2 | - | - | 5.0 |
| Portlink Inland Freight Corridor Subtotal | 0.5 | 2.0 | 2.3 | 2.2 | - | - | 5.0 |
| Regional Development - Water and NRM Initiatives | | | | | | | |
| Regional Development Water and NRM Initiatives | 8.5 | 10.2 | 10.2 | 7.1 | 2.6 | - | 28.5 |
| Peel Recycled Water Scheme | 0.3 | - | 0.2 | - | - | - | 0.5 |
| Regional Natural Resource Management - State Barrier Fence | 2.2 | 5.6 | 3.6 | 3.2 | 0.9 | - | 9.9 |
| Regional Development - Water and NRM Initiatives Subtotal | 11.1 | 15.7 | 14.0 | 10.3 | 3.5 | - | 38.8 |
| Regional Centres Development Plan (SuperTowns) | | | | | | | |
| SuperTowns Development Planning Fund | 0.2 | - | - | - | - | - | 0.2 |
| Regional Centres Development Plan (SuperTowns) Subtotal | 0.2 | - | - | - | - | - | 0.2 |

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

Source: Department of Regional Development.

Table 6.2 (cont.)

| INITIATIVE | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|--------------|----------------|----------------|----------------|----------------|
| | Actual | Budget | Mid-Year | Mid-Year | Mid-Year |
| | \$m | Estimate | Revision | Revision | Revision |
| | | | \$m | \$m | \$m |
| Regional Infrastructure Projects | | | | | |
| Regional Mobile Communications Project | 9.8 | 17.4 | - | - | - |
| Community Safety Network (Asset Investment) | 8.2 | 22.0 | 19.1 | 8.0 | 1.0 |
| Community Safety Network (Operating) | 2.9 | 3.9 | 6.4 | 4.3 | 4.3 |
| Recreational Boating Facilities Scheme (Asset Investment) | 0.3 | 0.3 | - | - | - |
| Recreational Boating Facilities Scheme (Operating) | 1.5 | 2.8 | 5.0 | 1.3 | - |
| Regional Airports Development Scheme | 2.8 | 6.0 | 6.7 | - | - |
| Coalfields Highway | - | 0.5 | 5.0 | 10.0 | 12.5 |
| Gibb River Road - Derby - Gibb River - Wyndham | - | - | 2.8 | 2.1 | 2.3 |
| South Coast Highway - Ravensthorpe Heavy Vehicle Route | - | 7.5 | 7.0 | - | - |
| Regions Infill Sewerage | - | 5.0 | 0.5 | - | - |
| Conservation Parks Infrastructure and Roads | 2.7 | 11.7 | 1.8 | - | - |
| Bunbury to Albany Gas Pipeline | - | 7.0 | 3.0 | 2.0 | - |
| Bunbury to Albany Gas Pipeline | - | - | 5.0 | 7.5 | - |
| Living Lakes | 0.2 | 1.1 | 2.0 | 2.0 | - |
| Collie Water Plan (Operating) | 0.1 | 0.5 | - | - | - |
| Road Coach Capital Replacement Program | - | - | 5.2 | 4.9 | 5.0 |
| Regional Bus Acquisition | - | 3.4 | 3.5 | 3.6 | 3.7 |
| ANZAC Centenary - Mt Clarence Memorial | 2.8 | - | - | - | - |
| Regional Infrastructure Projects Subtotal | 31.3 | 89.0 | 77.8 | 45.7 | 28.7 |
| TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND | 653.8 | 974.0 | 689.7 | 732.0 | 668.8 |
| NEW REGIONAL AND STATEWIDE INITIATIVES | | | | | |
| New Regional and Statewide Initiatives (Asset Investment) | - | 5.0 | 3.5 | 73.0 | 52.0 |
| New Regional and Statewide Initiatives (Operating) | - | - | 23.1 | 31.0 | 30.0 |
| TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES | - | 5.0 | 26.6 | 104.0 | 82.0 |
| Administering the Royalties for Regions Fund | 13.9 | 53.4 | 52.3 | 53.0 | 56.2 |
| Over-Programming Provision^(a) | - | -143.8 | -120.0 | -125.7 | -117.8 |
| TOTAL - ROYALTIES FOR REGIONS FUND | 970.1 | 1,294.4 | 1,080.2 | 1,131.4 | 1,060.0 |

(a) This provision represents the impact of expected slippage in the program that has yet to emerge in the forecast year.

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

Source: Department of Regional Development.

2013-14 GOVERNMENT MID-YEAR FINANCIAL PROJECTIONS STATEMENT

