THE GOVERNMENT OF WESTERN AUSTRALIA

2014-15

# Government Mid-year Financial Projections Statement

December 2014

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# 2014–15
# Government Mid-year Financial Projections Statement

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# Under Treasurer's Certification

The *Government Financial Responsibility Act 2000* (GFRA) requires that the Treasurer release a Government Financial Strategy Statement at least once every year (section 11), and a Government Mid-year Financial Projections Statement updating the budget-time forecasts by 31 December each year (section 13). The required content of these statements is detailed in sections 11 and 13 of the Act.

For the purposes of these GFRA requirements:

- the Government Financial Strategy Statement and associated financial targets disclosures are detailed in Chapter 3: *Financial Projections and Fiscal Strategy* in Budget Paper No. 3: *Economic and Fiscal Outlook*, presented to the Legislative Assembly on 8 May 2014;

- the content of this Mid-year Review meets the requirements of section 13 of the GFRA. In particular:

  - Appendix 1 details the projections required by section 13(2)(a) of the GFRA;

  - Chapters 1 and 3 detail the economic and other assumptions underlying the Mid-year Review projections (section 13(2)(b));

  - Chapter 2 details the compliance of the projections with the Government's financial targets (section 13(2)(c)); and

  - the Statement of Risks in Chapter 1 details the sensitivity of the projections to various economic and financial assumptions and other risks (sections 13(2)(d) and (e)); and

- this certification gives effect to the requirements of sections 13(2)(f) and 13(6).

The Government Mid-year Financial Projections Statement presented in this Mid-year Review is based upon Government decisions that I was aware of or that were made available to me by the Treasurer, together with other relevant information known to Treasury, on or before the Mid-year Review planning cut-off date of 3 December 2014 and which have a material effect on the State's financial projections.

It has been prepared in accordance with applicable Australian Accounting Standards and Government Finance Statistics principles, and is based on the economic forecasts and assumptions outlined in Chapter 1: *Financial Projections*, Chapter 2: *Financial Strategy* and Chapter 3: *The Western Australian Economy*. These assumptions were finalised by Treasury, under my direction, on 3 December 2014.

Michael Barnes
ACTING UNDER TREASURER

16 December 2014

CHAPTER 1

# Financial Projections

**HIGHLIGHTS**

- While strong growth in exports saw the Western Australian economy expand by a robust 5.5% in 2013-14, the State’s budget is under significant pressure, with:
  - a fall of over 40% in the iron ore price since the 2014-15 Budget estimates were finalised in April 2014;
  - a decline in Western Australia’s share of national GST revenue to just 37.6% of the State’s population share in 2014-15 (down from 44.6% in 2013-14);
  - early termination by the Commonwealth Government of a number of National Partnership and other funding arrangements; and
  - moderating domestic economic conditions (following a peak in business investment in 2012-13) resulting in well below average growth in major tax bases such as payroll tax.
- In total, the revenue estimates have been revised down since budget by an unprecedented $5 billion over the forward estimates period (2014-15 to 2017-18), including a downward revision of $1.6 billion in the current financial year alone.
- This revenue write-down has resulted in an estimated general government operating deficit in 2014-15 of around $1.3 billion, compared to the slim operating surplus of $175 million forecast at budget-time.

- Since the 2014-15 Budget, the Government has approved new revenue and savings measures totalling $3.8 billion (in net debt terms) over the forward estimates period, comprising the $2 billion package of measures announced in October 2014 and a further $1.8 billion of new measures announced in this Mid-year Review. The new measures comprise:
  - a new Public Sector Workforce Renewal policy, estimated to generate salary-related savings of $1,272 million over the forward estimates;
  - changes to the payroll tax scale, estimated to generate additional revenue of $418 million to 2017-18; and
  - targeted reductions in general government agencies' information and communications technology expenditure, estimated to generate net savings of $85 million.
- The Government will also be embarking on a series of agency expenditure reviews over the first half of 2015 to ensure that those programs or activities being delivered by agencies remain a priority and are being delivered as efficiently and effectively as possible.
- These revenue and savings measures have significantly (but not entirely) offset the downward revision to the revenue estimates since the May 2014 Budget.
- Nonetheless, urgent reform of the GST distribution system, and further corrective action in the 2015-16 Budget, will be required to restore the State's finances to a surplus position as soon as possible.

## Introduction

Notwithstanding strong growth in exports (with Western Australia accounting for around 50% of national merchandise exports in 2013-14), the immediate economic outlook in Western Australia is weaker than forecast at the time of the 2014-15 Budget, reflecting much weaker commodity prices and softer domestic economic conditions. Gross State Product (GSP) is now expected to grow by 2.25% in both 2014-15 and 2015-16, down from 2.75% and 3% respectively at budget-time. This reflects a larger forecast fall in business investment and an expectation of continued subdued growth in household consumption.

Following a 2.1% reduction in 2013-14, State Final Demand (a measure of the domestic economy, excluding net exports) is expected to fall by a further 1% in 2014-15 and then essentially remain flat in 2015-16 (with growth of just 0.25% forecast). However, with continued strong growth in iron ore export volumes, and an expected ramp-up of LNG exports in the last two years of the forward estimates period, overall growth (as measured by GSP) is expected to pick-up strongly to 5% by 2017-18.

Key assumptions underlying the Mid-year Review financial projections are shown in the following table. A detailed discussion of the current economic outlook is available in Chapter 3: *The Western Australian Economy*.

Table 1

**KEY ECONOMIC FORECASTS, WESTERN AUSTRALIA[a]**

| | 2013-14 Actual [b] | 2014-15 Mid-year Revision | 2015-16 Forward Estimate | 2016-17 Forward Estimate | 2017-18 Forward Estimate |
|---|---|---|---|---|---|
| Real Gross State Product growth (%) | 5.5 (3.75) | 2.25 (2.75) | 2.25 (3.0) | 3.75 (4.25) | 5.0 |
| Real State Final Demand growth (%) | -2.1 (0.25) | -1.0 (0.0) | 0.25 (0.75) | 1.25 (1.5) | 2.0 |
| Employment growth (%) | 1.7 (1.5) | 2.25 (1.5) | 1.75 | 1.75 | 2.0 |
| Unemployment rate (%) [c] | 4.8 (5.0) | 5.25 (5.5) | 5.25 | 5.0 | 4.75 |
| Wage Price Index growth (%) | 2.8 (3.25) | 2.75 (3.25) | 3.25 (3.5) | 3.5 | 3.75 |
| Perth Consumer Price Index growth (%) | 3.0 | 2.25 (2.75) | 2.5 | 2.5 | 2.5 |
| 'Headline' iron ore price ($US/tonne CFR) | 122.8 (125.2) | 75.0 (122.7) | 77.3 (120.1) | 79.6 (117.6) | 81.9 (115.0) |
| Effective iron ore price ($US/tonne FOB) | 112.5 (114.4) | 65.9 (113.3) | 68.1 (109.6) | 70.3 (107.1) | 72.6 (104.7) |
| Iron ore volumes (million dry tonnes) | 631 (597) | 693 (634) | 745 (694) | 776 (741) | 802 (777) |
| Crude oil price ($US per barrel) | 109.8 (108.9) | 85.4 (104.1) | 80.6 (99.7) | 83.6 (96.6) | 85.7 (94.5) |
| Exchange rate (US cents) | 91.8 (91.5) | 87.2 (90.6) | 83.3 (88.3) | 81.8 (86.4) | 80.8 (84.9) |
| Population growth (%)[d] | 2.6 | 1.9 (2.1) | 2.0 (2.1) | 2.1 | 2.2 (2.1) |
| Interest rate assumptions (%): | | | | | |
| – Public Bank Account earnings[c] | 2.8 | 2.9 | 3.1 (3.7) | 3.6 (4.3) | 4.1 (4.3) |
| – Consolidated Account borrowings[c] | 4.0 | 4.0 (4.1) | 3.9 (4.5) | 4.1 (4.7) | 4.3 (4.8) |

(a) 2014-15 Budget assumptions shown in parentheses where the forecasts have changed since then.

(b) Gross State Product and State Final Demand growth data are based on 2013-14 State Accounts data, released on 21 November 2014, updated for the September quarter National Accounts data.

(c) Average over the year.

(d) Estimated actual for 2013-14, as at the 3 December 2014 cut-off date.

Note: All data are annual averages.

As indicated in the table above, the iron ore price assumptions have been revised down sharply since the 2014-15 Budget, reflecting a fall in the spot price of more than 40% over this period, and a much weaker market outlook. This has had a very material impact on the State's royalty income, notwithstanding higher than previously expected iron ore volumes and a slightly lower exchange rate. At the same time, weaker than previously expected domestic economic conditions are acting as a significant drag on growth in the State's major tax bases.

These factors have resulted in a substantial $5 billion reduction in the general government revenue estimates (over the period 2014-15 to 2017-18) relative to the 2014-15 Budget, necessitating additional revenue and savings measures in this Mid-year Review.

Revenue and savings measures approved by the Government since the 2014-15 Budget total $3.8 billion (in net debt terms) over the forward estimates period, significantly (but not entirely) offsetting the weaker revenue outlook. Despite these measures, general government operating deficits are now in prospect for 2014-15 and 2015-16 (see following table). The Government will consider further corrective measures as part of the 2015-16 Budget, and will continue to push for urgent reform of the GST distribution system, to restore the State's finances to a surplus position as soon as possible.

Table 2

**KEY BUDGET AGGREGATES**

Western Australia

| | 2013-14 Actual | 2014-15 Budget Estimate | 2014-15 Mid-year Revision | 2015-16 Forward Estimate | 2016-17 Forward Estimate | 2017-18 Forward Estimate |
|---|---|---|---|---|---|---|
| **GENERAL GOVERNMENT SECTOR** | | | | | | |
| **Net Operating Balance ($m)** | **719** | **175** | **-1,287** | **-907** | **304** | **1,344** |
| Revenue ($m) | 27,956 | 28,683 | 27,096 | 28,047 | 30,084 | 31,726 |
| Revenue Growth (%) | 8.7 | 2.6 | -3.1 | 3.5 | 7.3 | 5.5 |
| Expenses ($m) | 27,236 | 28,508 | 28,383 | 28,954 | 29,780 | 30,382 |
| Expense Growth (%) | 6.9 | 2.6 | 4.2 | 2.0 | 2.9 | 2.0 |
| **TOTAL PUBLIC SECTOR** | | | | | | |
| Net Debt at 30 June ($m) | 20,754 | 24,918 | 25,375 | 28,030 | 29,407 | 30,857 |
| Asset Investment Program ($m) | 6,814 | 6,728 | 6,615 | 5,495 | 5,397 | 6,033 |
| Cash Position ($m) | -2,465 | -2,668 | -4,282 | -2,189 | -1,003 | -790 |
| Gross Borrowings at 30 June ($m) | 41,216 | 43,473 | 44,490 | 45,915 | 47,789 | 50,503 |
| **KEY FINANCIAL RATIOS** [(a)] | | | | | | |
| Cash Operating Surplus as a Share of Receipts (%) | 7.5 | 5.3 | 2.1 | 3.7 | 6.2 | 7.5 |
| Net Debt to Revenue (%) | 55.2 | 61.2 | 67.4 | 70.4 | 69.6 | 69.2 |

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

### Iron Ore Price

Since the 2014-15 Budget estimates were finalised, the iron ore price has fallen by more than 40%, touching a five-and-a-half year low shortly before the Mid-year Review cut-off date.

The sharp fall in price since budget has been primarily due to a substantial increase in supply that has coincided with a moderation in demand from the world's largest iron ore consumer, China, largely due to a slowdown in its residential property construction and over-capacity in its steel industry[1].

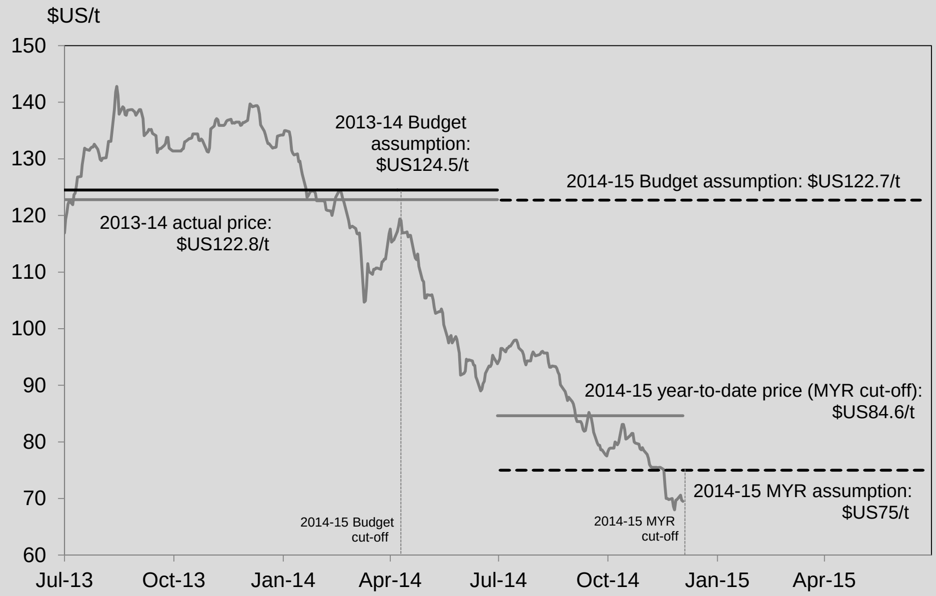
1 Residential property construction is China's largest steel consuming sector, which impacts demand for iron ore, a key steel-making ingredient.

The three largest Western Australian producers (BHP Billiton, Rio Tinto and Fortescue Metals Group) added over 120 million tonnes (Mt) in production, or around 10% of global seaborne supply, in the year to September 2014. The larger than expected increase in supply was due to a faster than anticipated ramp-up of production at new mines and expansions, as well as more efficient use of infrastructure.

These factors have resulted in a much sharper than anticipated fall in the iron ore price. As a result, the estimated average price for 2014-15 has been revised down to $US75 per tonne, which is below the actual price of $US84.6 per tonne for the 2014-15 year-to-date (i.e. up to the Mid-year Review cut-off date of 3 December 2014), but above the current benchmark spot price (at cut-off) of $US69.5 per tonne.

Figure 1

**BENCHMARK CFR IRON ORE PRICE VS. BUDGET ASSUMPTIONS**




Prices are projected to increase modestly over the forecast period as higher cost production is displaced from the market by lower cost supply. The displacement process is expected to take time but there is evidence that it is already occurring, with Chinese imports of production from countries other than Australia and Brazil falling by almost 50% since the start of 2014. In addition, around 50 Mt per year of Chinese private iron ore production capacity was idled between December 2013 and August 2014[2]. State-owned enterprises seeking to sustain employment and reports of planned tax relief may result in Chinese domestic production remaining stronger for longer. Eventually, however, the balancing of supply and demand will result in some production being displaced, which will likely lead to a gradual recovery towards a more sustainable long-run price.

2 BHP Billiton, October 2014.

Table 3

**IRON ORE ASSUMPTIONS**

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Total |
|---|---|---|---|---|---|
| **Iron Ore Price CFR ($US/t)** | | | | | |
| 2014-15 Budget | 122.7 | 120.1 | 117.6 | 115.0 | |
| 2014-15 Mid-year Review | 75.0 | 77.3 | 79.6 | 81.9 | |
| Variance ($US/t) | -47.7 | -42.8 | -38.0 | -33.1 | |
| **Revenue impact ($m)** | **-2,554** | **-2,535** | **-2,392** | **-2,191** | **-9,670** |
| | | | | | |
| **Volume (Mt)** | | | | | |
| 2014-15 Budget | 634 | 694 | 741 | 777 | |
| 2014-15 Mid-year Review | 693 | 745 | 776 | 802 | |
| Variance (Mt) | 60 | 50 | 35 | 25 | |
| **Revenue impact ($m)** | **466** | **392** | **270** | **195** | **1,322** |
| | | | | | |
| **Exchange rate ($US/$A)** (a) | | | | | |
| 2014-15 Budget | 90.6 | 88.3 | 86.4 | 84.9 | |
| 2014-15 Mid-year Review | 87.2 | 83.3 | 81.8 | 80.8 | |
| Variance (US cents) | -3.4 | -5.0 | -4.6 | -4.1 | |
| **Revenue impact ($m)** | **202** | **350** | **343** | **319** | **1,214** |

(a) The revenue impact of the exchange rate applies to royalties from all commodities.

Note: Columns may not add due to rounding.

Revisions to price assumptions are based on Treasury’s methodology, which combines actual spot prices for the year-to-date and forward contract rates for the remainder of the budget year to set the average price assumption for 2014-15. Assumed prices across the outyears (2015-16 to 2017-18) are calculated by gradually reverting from the 2014-15 starting price toward the long-run price derived from the latest Consensus Economics survey of commodity forecasters.

Holding everything else (e.g. the exchange rate) constant, the change in price assumptions has reduced forecast iron ore royalties by around $2.6 billion in 2014-15 and $9.7 billion across the forward estimates period. The decline in revenue due to the fall in the iron ore price is only partially offset by an upward revision to production volumes (worth an estimated $1.3 billion across the forward estimates period) and a slightly lower exchange rate ($1.2 billion).

In light of prevailing fiscal constraints, there has been limited new expenditure approved since the 2014-15 Budget. The major exception is approval of the $1,575 million Perth Freight Link project, including $591 million in new State funding over the period 2014-15 to 2018-19 (of which $124 million is reflected in the current forward estimates period to 2017-18). Other spending changes include:

- $67 million for recurrent costs associated with the relocation of the Supreme Court (Civil), the State Administrative Tribunal, and the Departments of the Attorney General and Treasury to the Old Treasury Building Tower and St Georges Cathedral Heritage Precinct;

- $24 million in 2014-15 for cost pressures in the Department of Corrective Services (related to an increase in the daily average prisoner population and growth in the number and cost of workers' compensation claims); and

- $20 million for the Western Australia Natural Disaster Relief and Recovery Arrangements that will primarily be spent on restoring roads affected by natural disasters.

The overall net impact of all spending and savings decisions and parameter changes (such as updated iron ore price assumptions) since the 2014-15 Budget is a $1.5 billion increase in the projected level of net debt by 30 June 2018, from $29.4 billion at budget-time to $30.9 billion in this Mid-year Review.

### Mid-year Review Revenue and Savings Measures

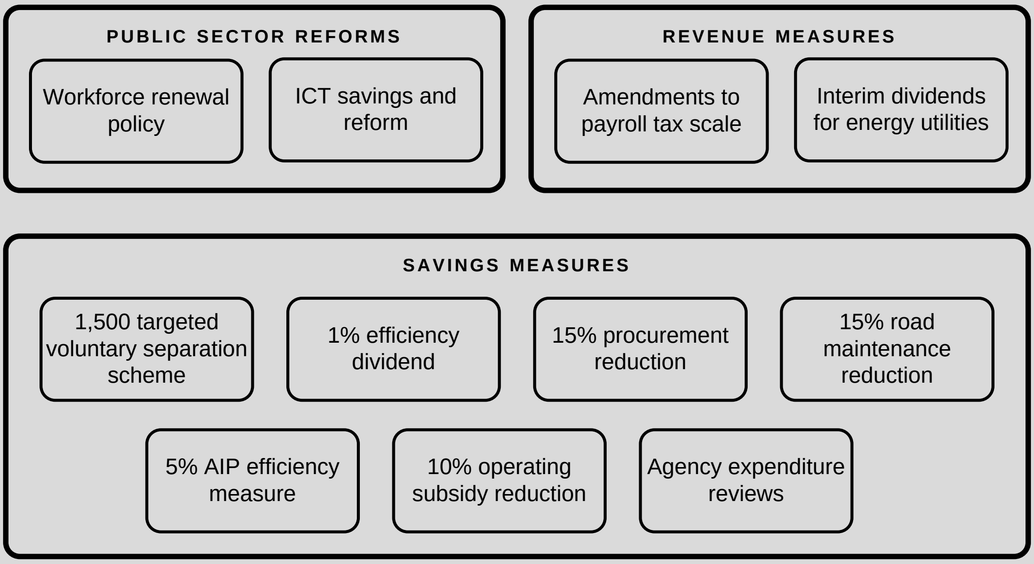
On 9 October 2014, the Government announced a $2 billion package of revenue and savings measures as an initial response to the significant decline in general government revenue projections over the forward estimates period relative to the 2014-15 Budget.

Ongoing weakness in the revenue outlook has necessitated additional measures in this Mid-year Review worth a further $1.8 billion over the period to 2017-18, bringing the total value of revenue and savings measures announced since the 2014-15 Budget to $3.8 billion.

These measures go a considerable way towards offsetting the $5 billion deterioration in the revenue outlook since the 2014-15 Budget, and will further improve the efficiency of the public sector business model. The Mid-year Review measures are summarised in the following figure. The projected financial impact of these measures is shown in the table at the end of this feature box.

Figure 2

**MID-YEAR REVIEW MEASURES**



**9 October 2014 Measures**

Measures announced by the Government on 9 October 2014 (worth $2 billion to 2017-18) comprise:

- interim dividend arrangements to be implemented for Synergy, Western Power and Horizon Power from 2014-15;
- a 1% efficiency dividend on most general government agencies and the Public Transport Authority to apply from 2014-15;
- an ongoing 15% reduction in non-essential general government procurement expenditure from 2015-16 onwards (a 15% procurement reduction was implemented for 2014-15 in the recent Budget);
- a 15% per annum reduction in road maintenance expenditure over the three years from 2014-15 to 2016-17;
- a voluntary separation scheme targeting 1,500 public sector employees across agencies with identified surplus staff;
- a 10% per annum (7.5% in 2014-15) reduction in operating subsidy payments to Synergy, the Water Corporation and the Western Australian Land Authority, matched by a requirement for these public corporations to identify offsetting expenditure savings; and
- building on favourable tender results achieved for most capital projects, a further 5% efficiency saving to agencies' Asset Investment Programs from 2015-16.

**Additional Measures**

In addition to the October 2014 measures, this Mid-year Review includes changes to the payroll tax scale, and implementation of further public sector reforms focussing on workforce renewal and Information and Communications Technology (ICT) expenditure.

*Amendments to Payroll Tax Scale*

From 1 July 2015, a gradual diminishing of the payroll tax exemption threshold will be introduced for payrolls between the current exemption threshold of $800,000 up to around $7.5 million. For payrolls of $7.5 million and above, payroll tax will be payable (at the current rate of 5.5%) on an employer's entire payroll, with no exemption threshold (currently, all payroll tax paying employers are exempt from payroll tax on the first $800,000 of payroll, regardless of their size). This is similar to the approach in Queensland and the Northern Territory. The Government has also decided to defer a scheduled increase in the payroll tax exemption threshold to $850,000, from 1 July 2016 to 1 July 2017. These changes are estimated to raise additional revenue of $418 million over the three years to 2017-18.

*Workforce Renewal Policy*

A new Public Sector Workforce Renewal policy is to apply from 1 January 2015. Under this arrangement, public sector employees leaving through resignation or retirement will be replaced with lower cost alternatives. Excluded from the measure are agencies with less than 30 full-time equivalent staff, Government Trading Enterprises, and Parliamentary Services. All other general government sector agencies and the Public Transport Authority are in-scope.

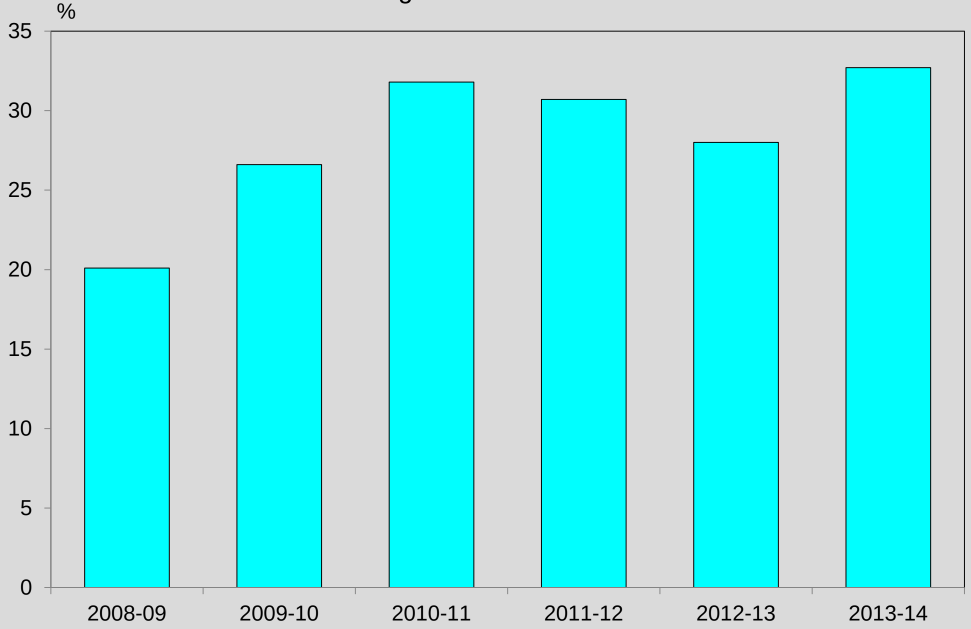
This measure aims to address the impact of ‘classification creep’ and achieve significant salary savings. In recent years, labour market conditions were particularly tight in Western Australia and many agencies experienced difficulty attracting and retaining staff. A way of counteracting this was through the reclassification of roles and promotions to higher classification levels.

The chart below shows that since 2008-09 the proportion of the public sector classified equivalent to Level 6 and above has increased significantly, from around one-fifth of the workforce in 2008-09 to around one-third in 2013-14.

Figure 3

**WESTERN AUSTRALIAN PUBLIC SERVICE – LEVEL 6 AND ABOVE**[(a)]

Percentage of Total Workforce




(a) Level 6 refers to the Public Service and Government Officers General Agreement equivalent salary bands.

Source: State of the Sector Reports 2013 and 2014.

The policy is expected to encourage the sector to adopt more innovative methods of providing services as preparation for when the ageing of the population reduces the available labour supply. In this regard, the public sector is already characterised by an ageing workforce, with mature employees (those aged 45 years and over) comprising a far greater proportion of the public sector workforce (51.9%) than the broader Western Australian labour force (37.8%).

Under this measure, when a permanent employee leaves an agency through resignation or retirement, the relevant agency will retain only 60% of the employee's ongoing salary, with the remaining 40% harvested as a saving. For specified front-line employees (police officers, teachers, nurses, medical practitioners, fire fighters, train drivers and child protection workers), the relevant agency will be able to retain 90% of the employee's ongoing salary, in recognition of relative demand pressures and other limitations on these occupational groups.

Various options are available to agencies to operationalise these savings, including employing replacement staff at lower classification levels, replacing full-time employees with part-time employees, or not replacing an employee at all.

This measure does not apply to employees leaving the public sector under the targeted voluntary separation scheme announced on 9 October 2014.

This Mid-year Review includes savings of $67 million in 2014-15, and a total of nearly $1.3 billion over the forward estimates period, as a result of this measure. Agency-level savings will be calculated and reflected in the 2015-16 Budget.

*ICT Savings and Reform*

Following very high rates of growth in expenditure on ICT-related services in recent years, the Government has implemented a 15% annual reduction in such expenditure (from 1 January 2015) for the largest ICT-spending agencies. Savings from this measure total $110 million by 2017-18, with $25 million of these savings to be directed to a new ICT Renewal and Reform Fund that will support agencies in developing more efficient and innovative ICT solutions.

**Agency Expenditure Reviews and Asset Sales**

The Government has also announced a number of initiatives that are expected to improve the State's financial position but are not yet reflected in the financial projections in this Mid-year Review.

- Agency expenditure reviews are to be undertaken of the operations of the Departments of the Attorney General, Training and Workforce Development, Culture and the Arts, Fisheries, Parks and Wildlife, Agriculture and Food, Finance and Commerce. These reviews are intended to ensure that those programs or activities being delivered by the agencies remain a priority and are being delivered as efficiently and effectively as possible. The first stage of these reviews will occur over the first half of 2015, with identified savings to be reflected in the 2015-16 Budget.

- On 28 August 2014, the Government announced the first tranche of its asset sales program, comprising Market City (operated by the Perth Market Authority, which undertakes the marketing and distribution of fresh fruits and vegetables in the State), and port handling facilities in Port Hedland (Utah Point) and Kwinana (Kwinana Bulk Terminal). The Government also announced on 25 September 2014 that 20 key parcels of land, including five hospital precincts, had been identified for sale, with proceeds to be used to reduce the State's debt.

Estimates of proceeds from these processes are not reflected in this Mid-year Review and will only be incorporated in the State's financial projections once the expenditure reviews and assets sales are finalised.

Table 4

## FINANCIAL IMPACT OF REVENUE AND SAVINGS MEASURES

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Total |
|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m |
| ***9 October 2014 Measures*** | | | | | |
| **General government operating impact** | | | | | |
| *Revenue* | | | | | |
| Energy sector interim dividends[(a)] | 159 | -9 | -19 | 8 | **139** |
| *Expenses* | | | | | |
| 1% efficiency dividend | -80 | -112 | -116 | -116 | **-424** |
| Reversal of provision for program evaluation savings[(b)] | 15 | 50 | 50 | 50 | **165** |
| 15% base reduction in 'non-essential' procurement | - | -138 | -137 | -137 | **-412** |
| 15% reduction in Main Roads' maintenance expenditure | -38 | -55 | -60 | - | **-153** |
| Targeted Voluntary Separation Scheme | 134 | -120 | -120 | -120 | **-226** |
| Efficiency measures for Government Trading Enterprises | -70 | -89 | -95 | -92 | **-346** |
| *Total* | *-38* | *-464* | *-478* | *-416* | ***-1,396*** |
| **Operating impact of 9 October 2014 measures** | **197** | **455** | **459** | **423** | ***1,535*** |
| Infrastructure review | - | -175 | -176 | -191 | **-542** |
| ***New Measures in this Mid-year Review*** | | | | | |
| *Revenue* | | | | | |
| Amendments to payroll tax scale | - | 118 | 155 | 145 | **418** |
| *Expenses* | | | | | |
| Workforce renewal policy | -67 | -229 | -399 | -577 | **-1,272** |
| ICT Savings and Reform (net savings) | -15 | -23 | -23 | -24 | **-85** |
| *Total* | *-82* | *-252* | *-422* | *-601* | ***-1,357*** |
| **Operating impact of new Mid-year Review measures** | **82** | **370** | **577** | **746** | **1,775** |
| *Interest implications* | *-* | *-9* | *-45* | *-96* | ***-151*** |
| **Total Operating Impact** | ***279*** | ***834*** | ***1,081*** | ***1,265*** | ***3,460*** |
| **Total impact on net debt at 30 June** | **-71** | **-1,018** | **-1,276** | **-1,449** | **-3,814** |

(a) Implementation of the interim dividends for the energy sector does not impact public sector net debt.

(b) Included in the 2013-14 Budget as a global provision. These program evaluation savings have been partially achieved in 2014-15 by the ICT savings and reform measure, and fully achieved from 2015-16 onwards by this measure and the 15% reduction in non-essential procurement expenditure.

# General Government Sector

## Operating Statement

A general government operating deficit of around $1.3 billion is estimated for 2014-15, a substantial turnaround from the surplus projection of $175 million in the May 2014 Budget. An operating deficit is also now in prospect for 2015-16, with a return to a growing surplus outlook forecast from 2016-17. This outlook reflects the net impact of a substantial downturn in the State's own-source revenue (taxation and royalties), the impact of new revenue and savings measures in response to this change, and the lagged adjustment of Western Australia's share of GST grants.

Relative to the 2014-15 Budget forecasts, revenue has declined by $1.6 billion (or 5.5%) in 2014-15 and a total of $5 billion (or 4.1%) over the four years to 2017-18.

Mainly reflecting the Government's response to the deteriorating revenue position, expenses have been reduced since budget-time by $125 million in 2014-15 and a total of $3.9 billion over the period to 2017-18.

The following table summarises the changes in general government revenue and expenses since the 2014-15 Budget estimates were finalised on 14 April 2014.

Table 5

## SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE VARIATIONS SINCE THE 2014-15 BUDGET

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m | Total $m |
|---|---|---|---|---|---|
| **2014-15 BUDGET - NET OPERATING BALANCE** | **175** | **5** | **50** | **283** | |
| **Revenue** | | | | | |
| Impact of revenue measures | 158.7 | 109.5 | 135.6 | 152.5 | 556.3 |
| Taxation | -279.5 | -299.2 | -315.1 | -331.3 | -1,225.0 |
| - Payroll tax (excluding policy changes) | -96.5 | -101.1 | -108.2 | -115.4 | -421.2 |
| - Total duty on transfers | -64.2 | -61.6 | -62.0 | -64.1 | -251.9 |
| - Insurance duty | -14.1 | -15.2 | -16.5 | -17.9 | -63.7 |
| - Land tax - primary production exemption | -3.0 | -3.0 | -3.0 | -3.0 | -12.0 |
| - State-w ide extension of MRIT | - | 19.4 | 21.3 | 23.5 | 64.1 |
| - Vehicle licence duty | -73.2 | -80.6 | -88.2 | -96.6 | -338.6 |
| - Casino tax | -22.8 | -45.6 | -47.0 | -49.0 | -164.4 |
| - Other taxes | -5.7 | -11.4 | -11.5 | -8.7 | -37.4 |
| Commonw ealth grants | 201.5 | 146.1 | 954.6 | 1,393.9 | 2,696.0 |
| - GST grants | 52.6 | 225.8 | 838.4 | 1,600.2 | 2,717.0 |
| - North West Shelf/condensate compensation | -152.6 | -224.2 | -151.6 | -98.3 | -626.7 |
| - Transport | 191.1 | 184.6 | 419.6 | 194.3 | 989.6 |
| - Pensioner Concessions Agreement | -25.4 | -26.3 | -27.4 | -28.5 | -107.5 |
| - Training | -1.7 | 0.2 | 0.3 | -52.2 | -53.4 |
| - National Health Reform | 15.2 | -43.0 | -83.6 | -174.0 | -285.4 |
| - Health - Multi Purpose Service Units | -26.2 | -26.2 | -26.2 | -26.2 | -104.8 |
| - Health - Aged Care Assessment Program | 0.7 | 1.5 | -10.0 | -10.0 | -17.8 |
| - Municipal and Essential Services – Transition Fund | 90.0 | - | - | - | 90.0 |
| - Other Commonw ealth grants | 57.8 | 53.6 | -4.9 | -11.4 | 95.1 |
| Royalty income | -1,808.5 | -1,794.0 | -1,789.2 | -1,686.3 | -7,078.0 |
| - Iron ore | -1,825.0 | -1,812.5 | -1,802.2 | -1,695.3 | -7,135.0 |
| - Other royalties | 16.5 | 18.5 | 13.0 | 9.0 | 57.0 |
| Interest income | -22.8 | -28.1 | -25.1 | -17.7 | -93.7 |
| Revenue from public corporations (excluding measures) | 89.9 | -22.5 | 15.7 | 36.8 | 120.0 |
| Agency goods and services revenue | 53.2 | 55.6 | -14.9 | -16.2 | 77.7 |
| Other | 20.1 | -21.2 | -36.8 | 32.4 | -5.5 |
| *TOTAL REVENUE* | *-1,587.5* | *-1,853.8* | *-1,075.2* | *-435.7* | *-4,952.2* |
| **Expenses** | | | | | |
| Impact of expense savings measures | -120.3 | -715.9 | -900.0 | -1,016.6 | -2,752.8 |
| Changes to Superannuation Guarantee rate | - | -51.7 | -109.3 | -168.9 | -329.9 |
| Nominal superannuation interest | -103.1 | -95.1 | -99.9 | -107.3 | -405.4 |
| Interest expense | 12.8 | 10.4 | 11.9 | 61.1 | 96.2 |
| Commonw ealth funded training spending | -1.7 | 0.2 | 0.3 | -52.2 | -53.4 |
| Seniors Cost of Living Rebate | -21.4 | - | - | - | -21.4 |
| Old Treasury Building relocation | 3.4 | 25.4 | 21.7 | 16.7 | 67.2 |
| Corrective Services cost pressures | 23.7 | - | - | - | 23.7 |
| Road w orks for third parties | 52.5 | 44.2 | - | - | 96.8 |
| Nicholson Road grade separation | - | 18.0 | 10.0 | - | 28.0 |
| Natural disaster spending | 20.0 | - | - | - | 20.0 |
| Public Transport Authority operating subsidies | -8.7 | -13.5 | -9.9 | -19.6 | -51.7 |
| Synergy operating subsidies (excluding measures) | -23.2 | -55.6 | -147.1 | -163.0 | -388.9 |
| Health | -19.6 | -37.7 | -59.3 | -32.1 | -148.7 |
| - Depreciation | -4.2 | -14.9 | -24.7 | 2.6 | -41.2 |
| - FSH facilities management (contract and interest) | 10.2 | 1.9 | 1.6 | 1.5 | 15.2 |
| - Multi-purpose Service Units | -26.2 | -26.2 | -26.2 | -26.2 | -104.8 |
| - Aged Care Assessment Program | 0.7 | 1.5 | -10.0 | -10.0 | -17.8 |
| Gambling tax rebates | -24.2 | -48.0 | -50.0 | -52.0 | -174.2 |
| ICT Renew al and Reform Fund spending | - | 8.1 | 8.3 | 8.5 | 25.0 |
| MRIT expansion - recurrent planning expenditure | - | 5.3 | 6.2 | 7.1 | 18.6 |
| All other | 84.9 | -36.1 | -12.0 | 21.0 | 57.7 |
| *TOTAL EXPENSES* | *-124.7* | *-941.8* | *-1,329.3* | *-1,497.3* | *-3,893.2* |
| *TOTAL VARIANCE* | *-1,462.7* | *-912.0* | *254.1* | *1,061.6* | *-1,059.1* |
| **2014-15 MID-YEAR REVIEW - NET OPERATING BALANCE** | **-1,287** | **-907** | **304** | **1,344** | |

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

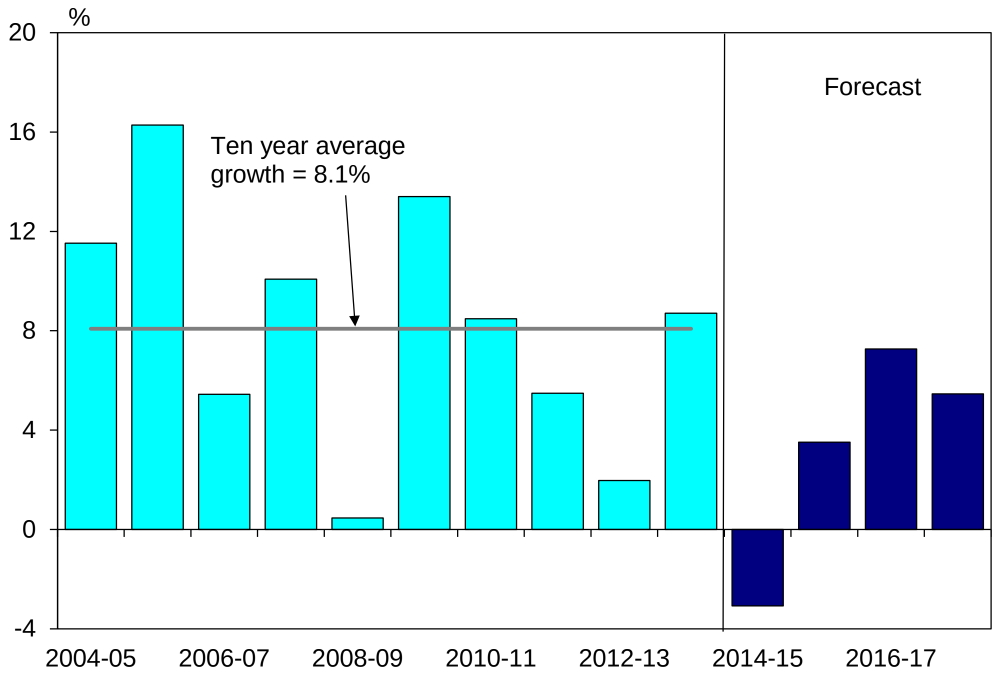
## Revenue

General government revenue is expected to contract by 3.1% in 2014-15 relative to the actual outturn for 2013-14, compared with a forecast 2.6% increase at budget-time. The revised outlook reflects the sharp decline in commodity prices since the 2014-15 Budget estimates were finalised, and softer than expected conditions in the domestic economy flowing through to taxation revenue.

Overall, revenue has been revised down by around $5 billion across the forward estimates, equivalent to a 4.1% decrease compared to the 2014-15 Budget. Growth in revenue over the forward estimates remains subdued, increasing by an average 3.2% per annum, which is well below the average growth of 8.1% over the past decade.

Figure 4

**GENERAL GOVERNMENT REVENUE GROWTH**




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

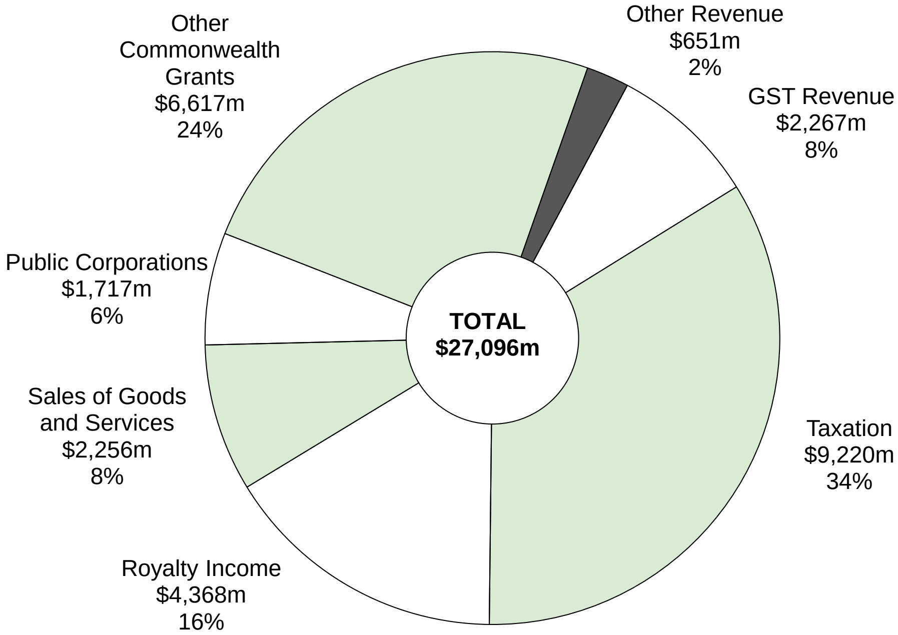
### *2014-15*

In 2014-15, general government revenue is dominated by taxation and royalties, accounting for half of total revenue. Commonwealth grants (including from GST) account for around one third of projected revenue in 2014-15.

Figure 5

**GENERAL GOVERNMENT REVENUE (a)**

2014-15




(a) Totals may not add due to rounding.

Revenue is estimated to be $27.1 billion in 2014-15, a decrease of $1.6 billion relative to the budget-time forecast. This mainly reflects the following movements.

- Mining revenue[3] has been revised down by $2 billion (or 27%) in 2014-15, due to the net impact of:
  - a sharply lower iron ore price assumption for 2014-15 of $US75 per tonne (inclusive of cost and freight), down from an assumed price of $US122.7 per tonne in the 2014-15 Budget. This reduces estimated royalty income in the current financial year by $2.6 billion;
  - an upward revision to iron ore volumes (of 60 million tonnes) as a result of very strong production from the large iron ore miners since the 2014-15 Budget estimates were finalised. This is estimated to generate an additional $466 million of royalty income in 2014-15;
  - a slightly lower than expected $US/$A exchange rate, which is forecast to average US87.2 cents in 2014-15, down US3.4 cents from budget-time. This is expected to increase royalty income this financial year by $202 million; and

3 Includes royalty income, North West Shelf grants and compensation for changed crude oil excise arrangements.

  - a downward revision to North West Shelf and condensate compensation grants (down $153 million), primarily reflecting lower oil prices, which have fallen by around 35% between the cut-off dates for the 2014-15 Budget (14 April 2014) and this Mid-year Review (3 December 2014).

- Taxation revenue has been revised down by $279 million (or 2.9%) in 2014-15. This is mainly due to the net impact of:

  - a downward revision to total duty on property transfers (down $64 million), reflecting lower than anticipated collections from large commercial property transactions;

  - a downward revision to payroll tax collections (down $96 million), due to the flow-on impact of lower than expected collections in 2013-14 and in the year-to-date. Growth of 4.8% is estimated for 2014-15, below the forecast of 6.0% at budget-time. This reflects an expectation that an upward revision to employment growth (which is partially offset by a downward revision to wage growth) is unlikely to fully flow through to payroll tax collections, with employment growth being driven by part-time workers and industries that make a smaller contribution to payroll tax;

  - a downward revision to vehicle licence duty (down $73 million), resulting from lower than expected average monthly collections in the first five months of 2014-15, and lacklustre sales of new motor vehicles;

  - a downward revision to gambling taxes (down $23 million), reflecting changes to casino tax arrangements that replace the current GST reimbursement scheme with casino tax rates that are net of GST, and effectively reduce the tax rate from 11% to 8% (in exchange for a minimum payment of $9 million per annum) on the highly competitive International Commission Business component of Crown Casino's operations;

  - a downward revision to insurance duty of $14 million, due to the flow-on impact of weaker than expected collections in 2013-14; and

  - a downward revision to land tax of $5 million, largely reflecting a policy change to the exemption on land used in primary production.

- Forecasts of dividend and tax equivalent revenue from public corporations are higher than anticipated at budget-time (up $249 million, or 16.9%), mainly reflecting the impact of:

  - the implementation of interim dividend arrangements for Synergy, Western Power and Horizon Power, announced by the Government in October 2014 (up $159 million); and

  - higher dividend revenue from Western Power (up $47 million) and the Water Corporation (up $45 million), due largely to higher than forecast profit outcomes in 2013-14.

- Commonwealth grants (excluding North West Shelf and condensate compensation grants) have been revised up $354 million (or 4.5%), mainly due to the net impact of:
  - higher grant payments for transport projects (up $191 million) largely reflecting Commonwealth funding for the construction of the Perth Freight Link (approved as part of this Mid-year Review and reflected in the general government sector infrastructure spending forecasts discussed below), and timing changes for a range of road spending including the Gateway WA and NorthLink WA projects, and the Roe Highway/Berkshire Road grade separation project;
  - an additional $90 million following the Commonwealth's decision to transfer responsibility to the State for all essential and municipal services for remote Aboriginal communities from this year;
  - higher than anticipated GST grants (up $53 million), reflecting an upward revision to the estimated national GST pool since the 2014-15 Budget (notwithstanding this increase, GST grants are still expected to decline from $2.5 billion in 2013-14 to $2.3 billion in 2014-15);
  - the removal of Commonwealth funding for Multi-purpose Service Units (which improve access to health and aged care services in rural communities), reflecting that funding arrangements are still to be finalised between the State and the Commonwealth (down $26 million); and
  - the removal of Commonwealth funding for pensioners and seniors concessions (down $25 million) in line with the Commonwealth's May 2014 Budget.
- Revenue from the sale of goods and services has been revised up by $53 million (or 2.4%) in 2014-15, mainly due to:
  - higher revenue for Main Roads (up $45 million), reflecting additional work undertaken on behalf of third parties, including Perth Stadium precinct works for the Public Transport Authority (a public non-financial corporation), and for mining and other companies (for works associated with private projects);
  - revenue for home indemnity insurance arrangements (up $19 million), reflecting extension of the public sector's temporary insurance role in this area from 1 November 2014[4]; and
  - lower revenue for the Chemistry Centre (down $9 million), reflecting a decline in demand for services.
- Interest income has been revised down by $23 million (or 10.9%) in 2014-15, reflecting lower estimates for cash balances held by the Public Bank Account.

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[4] The State, through the Department of Commerce, wholly underwrites the provision of new Home Indemnity Insurance (HII) policies issued by private insurers, providing cover on an emerging cost basis. This arrangement, which was initially a temporary 12 month arrangement expiring on 31 October 2014, was recently extended by two years to provide additional time to develop a longer term market-based HII solution.

### *2015-16 to 2017-18*

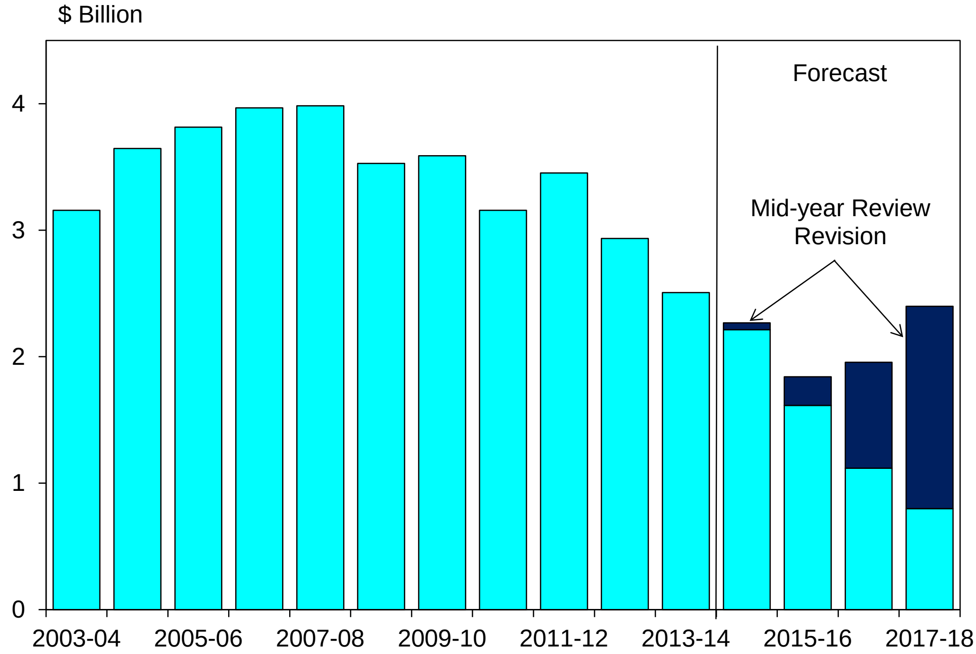
Across the outyears (2015-16 to 2017-18), general government revenue has been revised down by an aggregate $3.4 billion since the 2014-15 Budget. This mainly reflects the impact of:

- lower royalty income (down $5.3 billion, or 23.9%) due to the net impact of sharply lower commodity prices, particularly iron ore, higher iron ore volumes (up a total of 110 million tonnes or 5.0% over the three year period) and a marginally lower $US/$A exchange rate, as discussed earlier;

- higher GST revenue grants (up $2.7 billion, or 75.4%), primarily reflecting the lagged Commonwealth Grants Commission (CGC) impact of the downward revision in mineral royalty receipts[5]. Under the current CGC process, the reduction in Western Australia's royalty revenue in 2014-15 does not start to be compensated through higher GST grants until 2016-17, and will not be fully compensated until 2018-19;

Figure 6

**GST GRANTS**




- higher Commonwealth funding for transport projects (up $798 million), mainly for the construction of the Perth Freight Link (as discussed earlier);

5 However, the State's share of GST revenue is still expected to decline to just 32.3% of its population share in 2017-18, compared to the 37.6% share Western Australia will receive in 2014-15.

- lower taxation revenue (down $528 million, or 1.6%) due to downward revisions to vehicle licence duty (down $265 million), duty on transfers (down $188 million), gambling tax (down $141 million), insurance duty (down $50 million), and land tax (down $14 million), reflecting the flow-on impact of lower than expected collections discussed above. These downward revisions are forecast to be partially offset by the extension of the Metropolitan Region Improvement Tax to a State-wide arrangement (adding $64 million)[6], and a net $93 million increase in payroll tax collections (including the impact of the Government's decision to adjust the payroll tax scale worth $418 million – see new revenue measures feature box earlier in this chapter);

- lower North West Shelf and condensate compensation grants (down $474 million, or 14.9%), reflecting significantly lower oil prices partially offset by a lower exchange rate, as discussed earlier;

- a reduction in Commonwealth funding (down $301 million) for public hospital services under the National Health Reform Agreement (NHRA) announced in the Commonwealth's 2014-15 Budget;

- the outyear impact of the removal of Commonwealth funding for Multi-purpose Service Units from the estimates (down $79 million), funding for pensioners and seniors concessions (down $82 million), funding for the Aged Care Assessment Program (down $19 million, mainly in 2016-17 and 2017-18), and lower funding for training (down $52 million) mainly reflecting the scheduled expiry of the National Partnership Agreement on Skills Reform in 2016-17 (removing $54 million in 2017-18); and

- a reduction in forecast interest income (down $71 million), reflecting lower projected interest rates and lower Public Bank Account cash balances.

## Expenses

General government expenses have been revised down by $125 million (or 0.4%) in 2014-15 since budget-time, to a total of $28.4 billion. This equates to annual growth of 4.2% relative to 2013-14. Spending on health, education, and law and order accounts for around 54% of general government recurrent outlays.

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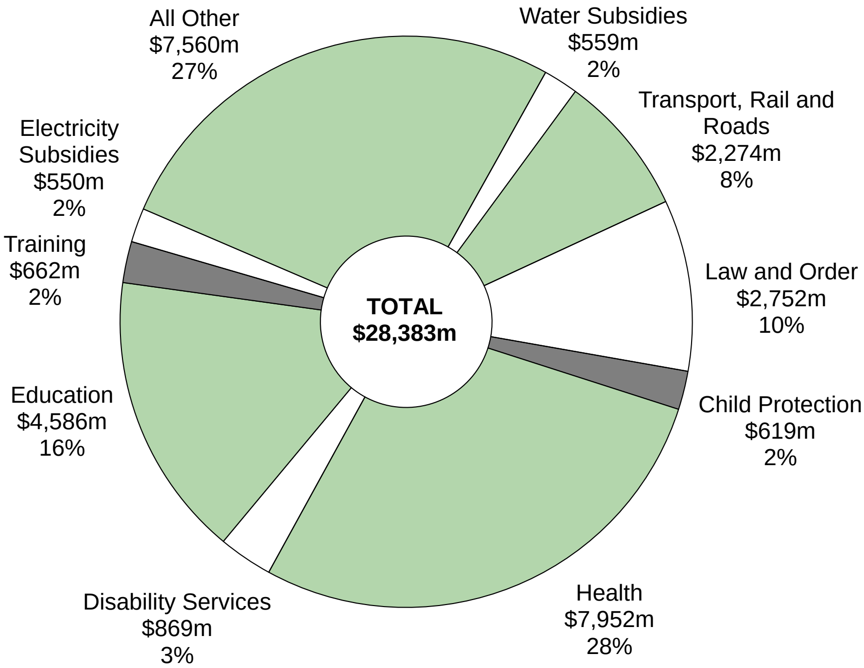
[6] The Metropolitan Region Improvement Tax is to be extended State-wide from 1 July 2015, raising an additional $64 million over the three years to 2017-18. This measure also includes an increase in the land acquisition program and spending on planning activities (further detail is contained in Appendix 3: *Major Spending Changes*).

Figure 7

**GENERAL GOVERNMENT EXPENSES[(a)]**

2014-15




(a) Totals may not add due to rounding.

Lower spending in 2014-15 relative to budget-time reflects new savings measures included in this Mid-year Review, lower superannuation interest costs, lower spending on Commonwealth-funded programs and lower electricity subsidy payments, partly offset by additional spending in key areas such as roads, law and order, and education.

Across the outyears (2015-16 to 2017-18), expense growth is forecast to average 2.3% per annum, down from 3.8% at the time of the 2014-15 Budget. This moderation is mainly due to the growing impact of savings measures announced since budget (which grow from an annual impact of $120 million in 2014-15 to $1.0 billion in 2017-18).

Salaries growth (including increases in wage rates and growth in staff numbers) is forecast to be 6.2% in 2014-15, up from 2.8% at budget-time. This increase is mainly due to the 'base' impact of a significantly lower than expected salaries outcome in 2013-14 (which ended the year $357 million lower than expected at the time of the 2014-15 Budget), and the cost of the Targeted Voluntary Separation Scheme (which will increase salaries costs in 2014-15 by an estimated $134 million but generate ongoing savings of around $120 million per year from 2015-16). Salaries growth is forecast to average just 1.2% per annum across the three outyears, down from 3.3% in the 2014-15 Budget.

### *2014-15*

The major expense revisions in 2014-15 since the May Budget include:

- the implementation of savings measures totalling $120 million, in response to the weaker revenue outlook (see feature box earlier in this chapter);
- a reduction in nominal superannuation interest costs (down $103 million), due to a lower discount rate used to determine these costs[7];
- an increase in spending on roadworks on behalf of third parties (up $53 million), including works for the Public Transport Authority (a public non-financial corporation) associated with the Perth Stadium precinct, and minor upgrades to Great Northern Highway, Ripon Hills Road and Marble Bar Road in the Pilbara;
- a reduction of $26 million in spending on access to health and aged care services in rural communities, pending a finalised funding agreement with the Commonwealth;
- lower gambling tax rebates (down $24 million), due to the cessation of GST rebates and associated changes to casino tax arrangements under a recent agreement with Crown Casino;
- an additional $24 million for cost pressures faced by the Department of Corrective Services, including additional prison officers and goods and services required to accommodate increased prisoner numbers, and an increase in insurance contributions driven by growth in the number and cost of workers' compensation claims;
- lower operating subsidy payments to Synergy (down $23 million) as a result of lower energy and network costs and reduced corporate overhead costs following the merger with former generator Verve Energy in 2013-14, and lower than anticipated uptake of concessions and rebates;
- a reduction in the Seniors Cost of Living Rebate (down $21 million), reflecting the Government's June 2014 announcement to halve the rebate following the Commonwealth's 2014-15 Budget decision to cut pensioners and seniors concessions funding from 2014-15; and
- an additional $20 million for the Western Australia Natural Disaster Relief and Recovery Arrangements, mainly for road restoration following flooding in the Kimberley, Pilbara, Gascoyne, North and South Interior, Goldfields, Eucla and North West Cape regions, and for housing assistance after the Parkerville Bushfire in January 2014.

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7 Long-term government bond rates are used by the actuary in year-end valuations of unfunded superannuation liabilities. Bond rates have remained at low levels during the first half of 2014-15 (a rate of 3.2% has been used for 2014-15 based on the long-term bond rate at cut-off, compared with a budget assumption of 4.6%). A decrease in the bond rate means that unfunded liabilities increase in value (and vice versa), but nominal superannuation interest costs are lower.

### *2015-16 to 2017-18*

General government expenses have been revised down by $3.8 billion over the outyears (2015-16 to 2017-18) since budget-time. This mainly reflects the net impact of:

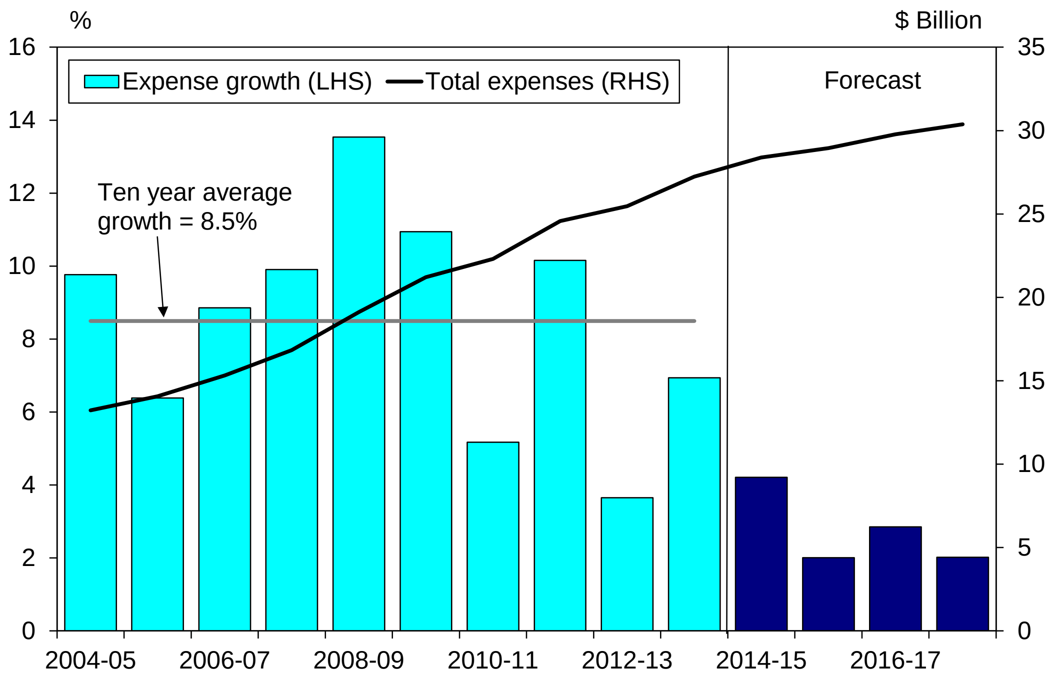
- additional savings measures implemented in this Mid-year Review, which reduce expenses by a further $2.6 billion over the period 2015-16 to 2017-18 (see feature box earlier in this chapter);
- the impact of lower operating subsidy payments to Synergy due to reduced operating costs, discussed above (down $366 million);
- a reduction in concurrent superannuation costs ($330 million) due to Commonwealth Government changes to the Superannuation Guarantee rate[8];
- discount rate changes on nominal superannuation interest costs discussed earlier (reducing expenses by $302 million);
- lower gambling tax rebates, as discussed earlier ($150 million);
- lower spending on access to health and aged care services in rural communities as a result of agreements that are yet to be signed with the Commonwealth, discussed earlier ($79 million);
- an additional $64 million for the costs associated with the relocation of the State Administrative Tribunal, the Supreme Court (Civil), and the Departments of the Attorney General and Treasury to the Old Treasury Building Tower and St Georges Cathedral Heritage Precinct;
- a reduction in training expenditure of $52 million, mainly due to the scheduled expiry of the Commonwealth-State National Partnership Agreement on Skills Reform (down $54 million in 2017-18);
- spending of $44 million in 2015-16 on roadworks on behalf of third parties, discussed earlier;
- lower operating subsidy payments to the Public Transport Authority (down $43 million) resulting from a reduction in interest costs due to lower interest rates and reduced borrowings due to changes in the Authority's Asset Investment Program;
- lower health sector depreciation costs (down $37 million), recognising changes in accounting policy effective from 2014-15, the impact of hospital closures as new facilities come online, and the flow-on impact of updates to the spending profile of the health sector's Asset Investment Program;
- an additional $28 million between 2015-16 and 2016-17 to construct a grade separation at the Nicholson Road rail crossing;

[8] The Superannuation Guarantee rate will remain constant at 9.5% until 1 July 2021. Prior to this change, the rate was scheduled to increase from 9.5% in 2014-15 to 11% in 2017-18.

- an additional $25 million over the three outyears for the establishment and operation of a new Information and Communications Technology (ICT) Renewal and Reform Fund (as part of the ICT savings and reform measure noted in the feature box earlier in this chapter); and
- a reduction in spending on the Aged Care Assessment Program (down $19 million, mainly in 2016-17 and 2017-18), reflecting the lack of a signed funding agreement with the Commonwealth beyond 2015-16.

Figure 8

**GENERAL GOVERNMENT EXPENSES**




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

## Capital Investment

General government sector infrastructure spending is projected to be $3.1 billion in 2014-15 and to total $10.2 billion over the four years to 2017-18.

Changes to the composition of the Asset Investment Program (AIP) since budget-time mainly reflect:

- spending on the Perth Freight Link, with an additional $990 million to be spent on this $1,575 million project over the forward estimates period to 2017-18, funded jointly by the State ($124 million) and Commonwealth ($866 million) Governments. Together with the Gateway WA and NorthLink WA projects, the Perth Freight Link will provide a strategic urban freight corridor between Fremantle, Perth Airport and the Kewdale industrial precinct and then northwards to Muchea; and

- the impact of a further 5% efficiency saving in agencies' AIPs, in recognition of savings being achieved across the range of projects tendered in recent months (with an estimated saving of $123 million over the period 2015-16 to 2017-18). This measure builds on a similar infrastructure efficiency saving implemented as part of the 2014-15 Budget.

### *2014-15*

Relative to the 2014-15 Budget, general government sector infrastructure spending has been revised down by $87 million in 2014-15, to $3.1 billion. Spending changes since budget-time include:

- $90 million for the Commissioner of Main Roads for spending carried forward from 2013-14, including $13 million for the Ravensthorpe Heavy Vehicle Route on the South Coast Highway (delayed due to additional community consultation undertaken) and $12 million in underspends approved for re-allocation to the Roe Highway/Berkshire Road interchange in 2014-15[9];

- a reduction of $72 million for the Department of Sport and Recreation mainly due to the acquisition of the new Perth Stadium as a Design, Build, Finance and Maintain Public Private Partnership (this accounting change still impacts net debt – see net debt discussion later in this chapter);

- $24 million for WA Health for the stabilisation of information and communications technology systems at Fiona Stanley Hospital, projects carried over from 2013-14 and rescheduled spending due to delays in the planning or procurement phase, construction timeframes and invoicing of completed works; and

- $22 million for Education, primarily to commence the construction of five new Trade Training Centres and the planned bring-forward of investment for Ellenbrook North Senior High School.

This Mid-year Review also includes a $350 million provision for yet-to-be-identified underspending expected to emerge over the remainder of 2014-15. The current provision compares with a total $649 million in general government sector underspending that emerged between the 2013-14 Mid-year Review and the final outturn for 2013-14.

### *2015-16 to 2017-18*

General government sector infrastructure investment over the period 2015-16 to 2017-18 is estimated at $7.1 billion, up $335 million (or 5.0%) from the budget-time projection, due mainly to the addition of the Perth Freight Link and the accounting change for the new Perth Stadium. Annual spending by the general government sector is expected to ease during this period as major health projects reach completion.

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9 A further $20 million has been added to the Main Roads infrastructure program as a result of the capitalisation of the Lloyd St/Midland Rail Underpass project previously forecast to be expensed. This accounting change has no overall change in spending on this project.

Other post-budget changes to the general government sector AIP include:

- a reduction of $109 million reflecting project planning revisions for the Statewide Regional Blueprint and Southern Investment Initiative (with spending now to be incurred in 2018-19);
- expansion of the delivery of renal dialysis and support services ($41 million, funded by the Commonwealth); and
- additional investment to increase student capacity at Churchlands Senior High School ($39 million) and outyear spending on new Trade Training Centres ($6 million).

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

## Balance Sheet

General government sector net worth[10] is forecast to increase from $116.8 billion at 30 June 2014 to $129 billion at 30 June 2018. This projection is $440 million lower than at the time of the 2014-15 Budget, with higher forecast asset holdings (up $2.8 billion) more than offset by higher projected financial obligations (up $3.2 billion).

The revised outlook to 30 June 2018 includes:

- a $0.7 billion higher net worth outcome for the year ending 30 June 2014 (detailed in the 2013-14 *Annual Report on State Finances*);
- a $0.4 billion increase in financial asset projections, mainly investments, loans and placements (up $783 million over the forward estimates period, excluding the impact of the 2013-14 outturn), forecast movements in receivables (down $517 million excluding 2013-14 outcomes, mainly due to movements in the timing of cash receipts relative to budget), and higher public corporation net worth (up $228 million over the four years to 30 June 2018); and
- a $3 billion increase in liabilities (excluding the impact of the 2013-14 outturn), mainly due to higher borrowings (see net debt discussion later in this chapter), partially offset by valuation changes to unfunded superannuation liabilities and movements in payables and other liabilities.

As noted earlier in this chapter, proceeds from the Government's proposed asset sales are not incorporated in the financial projections in this Mid-year Review.

[10] Net worth is the total value of assets owned by the general government sector (including the sector's ownership interest in the net value of State public corporations) less the total value of the sector's obligations (including borrowings, unfunded superannuation liabilities, accounts payable, etc.).

Table 6

**GENERAL GOVERNMENT**

Balance Sheet at 30 June

| | 2014 $m | 2015 $m | 2016 $m | 2017 $m | 2018 $m |
|---|---|---|---|---|---|
| **2014-15 MID-YEAR REVIEW** | | | | | |
| Assets | 142,551 | 147,014 | 152,183 | 158,217 | 164,361 |
| Liabilities | 25,723 | 28,608 | 31,492 | 33,919 | 35,350 |
| *Net Worth* | *116,828* | *118,406* | *120,691* | *124,297* | *129,012* |
| **Net Debt** | **6,973** | **10,655** | **13,426** | **14,830** | **15,576** |
| **2014-15 BUDGET** | | | | | |
| Assets | 141,598 | 147,109 | 151,681 | 156,859 | 161,599 |
| Liabilities | 25,474 | 27,815 | 29,086 | 30,959 | 32,147 |
| *Net Worth* | *116,124* | *119,294* | *122,596* | *125,899* | *129,452* |
| **Net Debt** | **7,426** | **9,953** | **11,350** | **12,553** | **13,297** |
| **VARIANCE** | | | | | |
| Assets | 952 | -95 | 502 | 1,358 | 2,762 |
| Liabilities | 249 | 793 | 2,406 | 2,960 | 3,203 |
| *Net Worth* | *704* | *-887* | *-1,905* | *-1,602* | *-440* |
| **Net Debt** | **-453** | **701** | **2,076** | **2,277** | **2,279** |

Note: Columns may not add due to rounding.

## Cash Flow Statement

Cash deficits (which reflect the impact of both recurrent and capital spending) are forecast for the general government sector for the period 2014-15 through to 2016-17, with a small surplus expected in 2017-18. Over the four years to 2017-18, the aggregate general government sector cash deficit is around $1.6 billion higher than at budget-time. This reflects the net impact of the substantial revenue downturn noted earlier, the corrective measures implemented since the 2014-15 Budget, and movements in infrastructure spending (detailed above).

The general government sector will continue to use debt to support infrastructure spending across the forward estimates as a result of the forecast cash deficits.

# Total Public Sector[11]

## Summary

Largely reflecting the general government sector outlook detailed earlier in this chapter, operating deficits are also projected for the total public sector in 2014-15 and 2015-16 before a turnaround to surplus from 2016-17. Combined with significant investment in the State's infrastructure program, this is estimated to see total public sector net debt increase from $20.8 billion at 30 June 2014 to $30.9 billion by 30 June 2018 (up $1.5 billion since budget-time). As noted earlier, this outlook does not factor in expected proceeds from the asset sales process announced by the Government in August 2014.

The following table summarises the key financial aggregates for the total public sector.

Table 7

**TOTAL PUBLIC SECTOR**

Summary Financial Statement

| | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Forward Estimate $m | 2016-17 Forward Estimate $m | 2017-18 Forward Estimate $m |
|---|---|---|---|---|---|---|
| **OPERATING STATEMENT** | | | | | | |
| Revenue | 42,630 | 45,285 | 42,260 | 44,560 | 47,359 | 50,061 |
| Expenses | 42,406 | 45,523 | 44,275 | 45,802 | 47,313 | 49,018 |
| **Net Operating Balance** | **225** | **-238** | **-2,015** | **-1,242** | **46** | **1,042** |
| **BALANCE SHEET AT 30 JUNE** | | | | | | |
| Assets | 180,857 | 185,640 | 185,517 | 189,608 | 195,567 | 203,386 |
| Liabilities | 64,029 | 66,346 | 67,110 | 68,916 | 71,270 | 74,374 |
| **Net Worth** | **116,828** | **119,294** | **118,406** | **120,691** | **124,297** | **129,012** |
| **STATEMENT OF CASHFLOWS** | | | | | | |
| Net Cash Flows from Operating Activities | 3,198 | 2,708 | 1,176 | 1,951 | 3,291 | 4,149 |
| Asset Investment Program | 6,814 | 6,728 | 6,615 | 5,495 | 5,397 | 6,033 |
| **Cash Position** | **-2,465** | **-2,668** | **-4,282** | **-2,189** | **-1,003** | **-790** |
| *Memorandum Item:* Net Debt at 30 June | 20,754 | 24,918 | 25,375 | 28,030 | 29,407 | 30,857 |

Note: Columns may not add due to rounding.

[11] 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).

## Operating Statement[12]

Relative to budget-time, a larger total public sector operating deficit is in prospect for 2014-15. The larger deficit reflects the sharp turnaround in the general government operating position discussed earlier. Operating outcomes are expected to strengthen over the forward estimates period, with an operating surplus of $1 billion projected for 2017-18, mainly due to the growing impact of the new revenue and savings measures announced since the 2014-15 Budget.

Table 8

**TOTAL PUBLIC SECTOR OPERATING BALANCE**

By Sector

| | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Forward Estimate $m | 2016-17 Forward Estimate $m | 2017-18 Forward Estimate $m |
|---|---|---|---|---|---|---|
| **Net Operating Balance** | | | | | | |
| General government sector | 719 | 175 | -1,287 | -907 | 304 | 1,344 |
| Public non-financial corporations sector | 571 | 371 | 372 | 490 | 612 | 648 |
| Public financial corporations sector | -86 | 210 | 194 | 219 | 234 | 252 |
| *less* | | | | | | |
| General government dividend revenue | 901 | 938 | 1,226 | 976 | 1,036 | 1,133 |
| Public non-financial corporations dividend revenue (a) | 78 | 56 | 68 | 68 | 68 | 69 |
| **Total public sector net operating balance** | **225** | **-238** | **-2,015** | **-1,242** | **46** | **1,042** |

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

Note: Columns may not add due to rounding.

### Public Non-Financial Corporations

Consistent with budget forecasts, operating surpluses for the public non-financial corporations (PNFC) sector are projected for 2014-15 and for the remainder of the forward estimates period. An operating surplus of $372 million is forecast for 2014-15, progressively increasing to a forecast $648 million in 2017-18.

PNFC sector revenue and expenses have both been substantially revised down in each year of the forward estimates period. This is primarily due to:

- the expected impact of movements in international precious metals markets on the price and volume of metals purchased and sold by the Gold Corporation. The outlook for the Corporation's revenue and expenses has been revised down by around $724 million in 2014-15 and by a total of $6 billion over the four years to 2017-18;
- revisions to Synergy's outlook, with downward revisions to both revenue and expenses largely reflecting a number of post-merger changes and the completion of a review into Synergy's cost-reflective tariffs (see feature box later on); and

12 Consolidation of the sub-sectors of the public sector removes transactions between each part of government. In aggregate, the operating balance of the total public sector is equal to the sum of the general government and public corporations sectors' operating balances, less dividend revenue. Under Australian Accounting Standards, the dividend costs of the public corporations sectors are not classified as expenses, although the associated dividend income is recognised as revenue.

- implementation of savings measures since the 2014-15 Budget, including a reduction in general government sector operating subsidy payments to Synergy, the Water Corporation and the Western Australian Land Authority ($70 million in 2014-15 growing to $92 million by 2017-18). Offsetting savings in recurrent spending are to be implemented by these agencies in response to the subsidy reductions.

Other significant changes to the PNFC sector's revenue outlook since the 2014-15 Budget include:

- lower revenue ($303 million) for the Housing Authority mainly due to:
  - lower forecast sales of affordable housing inventories and lower rental income from Government Regional Officers' Housing (GROH) as a result of softer housing market activity; and
  - lower dividend revenue from Keystart, reflecting an adjustment of capital holdings to realign with industry best practice for financial institutions;
- an $81 million increase in revenue for Horizon Power, mainly for the (non-cash) transfer of the Onslow Power Station from Chevron in 2016-17;
- a reduction in operating revenue of $69 million for the Public Transport Authority between 2014-15 and 2017-18, largely reflecting the impact on the Authority's operating subsidy of lower interest costs and the 1% efficiency dividend announced in October 2014; and
- higher revenue ($65 million) for the Pilbara Ports Authority relating to the transfer of assets (including a support facility and access road) from an external party to the Authority[13].

Other significant expenditure movements impacting the PNFC sector since the 2014-15 Budget include:

- a $194 million decrease in the Housing Authority's expenses, primarily due to the net effect of:
  - lower construction costs for housing inventories arising from current market conditions;
  - lower GROH operating lease expenditure as a result of reduced property rental leases, particularly in the Pilbara region; and
  - changes in the timing of planned transfers of housing stock to community organisations;
- $149 million in lower expenses for Western Power, mainly due to lower interest and depreciation costs, reflecting both timing and other changes to infrastructure spending, and a restructuring of the Corporation's debt portfolio; and

[13] The former Dampier and Port Hedland port authorities merged to form the Pilbara Ports Authority from 1 July 2014.

- an aggregate decrease of $116 million in expenses between 2014-15 and 2017-18 for the Public Transport Authority, primarily due to lower interest expenses on borrowings, the impact of savings measures and lower depreciation costs.

**Synergy**

Since the 2014-15 Budget, Synergy's revenue and expense forecasts have been reduced over the forward estimates period.

This is largely due to a number of changes following the 1 January 2014 merger with Verve Energy, which have reduced revenue (down $1.4 billion) and expenditure (down $1.5 billion). These changes include:

- improved arrangements for the transportation of gas to Synergy's retail customers and generation plants;
- an increase in the cost of coal due to a change in contractual arrangements;
- early retirement of the Kwinana Power Station, and reduced corporate overhead costs associated with the merged business;
- lower interest costs associated with a revised financing structure;
- a net improvement in Synergy's plant and supply portfolio due to the cessation of a number of power purchase agreements between the former Verve Energy and the previous standalone Synergy retail business;
- decreasing margins in Synergy's market-based and contestable sectors servicing medium and large business customers, reflecting strong competition from other retailers and excess supply placing downward pressure on prices;
- lower energy purchases in line with reduced sales demand; and
- cost increases associated with percentage changes under the Commonwealth's Small Scale Renewable Energy Scheme and Large Renewable Energy Target.

In addition, a review of Synergy's cost-reflective tariffs (conducted by the Department of Treasury, the Public Utilities Office and Synergy) has further reduced the outlook for both revenue and expenditure (by approximately $500 million over the forward estimates period). The key changes resulting from the review include:

- a change in the method for recovering a number of costs, including ancillary services and retail depreciation;
- update of network cost assumptions to align Synergy and Western Power's forecasts; and

- lower generation network transmission prices in line with the Economic Regulation Authority's Access Arrangement determination in 2012, and approved 2014-15 price list.

The above changes include the flow-on impact to the Corporation's operating expenses of the Government's October 2014 announcement to reduce Synergy's operating subsidy by 7.5% in 2014-15 and 10% each year thereafter (or $168 million over the forward estimates period). Synergy's operating subsidy (from the general government sector) has reduced by a total of $557 million over the forward estimates period, from $1.8 billion at budget-time to $1.3 billion.

The table below shows the total impact on the State's finances resulting from Synergy's Mid-year Review update.

Table 9

**SYNERGY – MID-YEAR REVIEW UPDATE**

Impact on State Finances

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m | **4 Year Total $m** |
|---|---|---|---|---|---|
| General Government Net Operating Balance | 97 | 48 | 144 | 251 | **541** |
| of which: | | | | | |
| - Operating Subsidy | -58 | -99 | -194 | -206 | **-557** |
| - Tax Equivalent / Dividends | 40 | -51 | -50 | 46 | **-15** |
| Total Public Sector Net Debt | 101 | -109 | -398 | -648 | |

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

### Public Financial Corporations

The outlook for the public financial corporations (PFC) sector is largely unchanged since the 2014-15 Budget, with expected surpluses in each year of the forward estimates period. Relative to the 2014-15 Budget, both interest revenue and interest expenses have been revised down reflecting the flow-on impacts from the 2013-14 results in the *Annual Report on State Finances*.

## Asset Investment Program

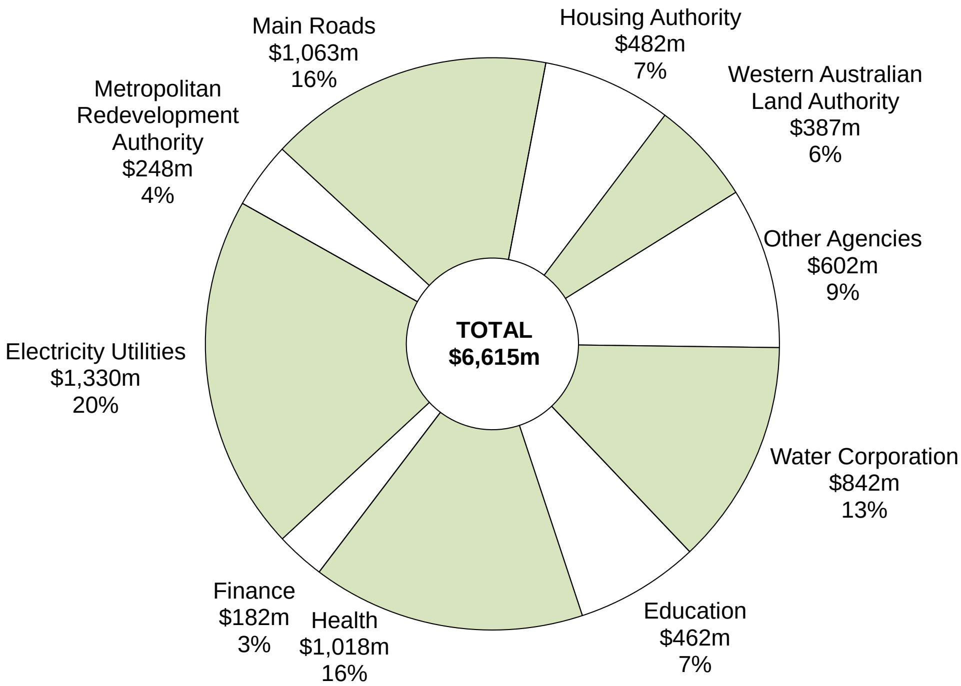
The State's Asset Investment Program (AIP) is estimated at $6.6 billion in 2014-15 and a total of $23.5 billion over the four years to 2017-18 (down marginally from $23.7 billion at budget-time). This includes the general government sector asset spending discussed earlier in this chapter, and infrastructure delivered by public corporations (such as electricity and water utilities, ports, public housing and public transport).

The majority of infrastructure spending in 2014-15 (65%) is focused on the delivery of health, electricity, water and roads projects (see following figure).

Figure 9

**ASSET INVESTMENT PROGRAM**[(a)]

2014-15

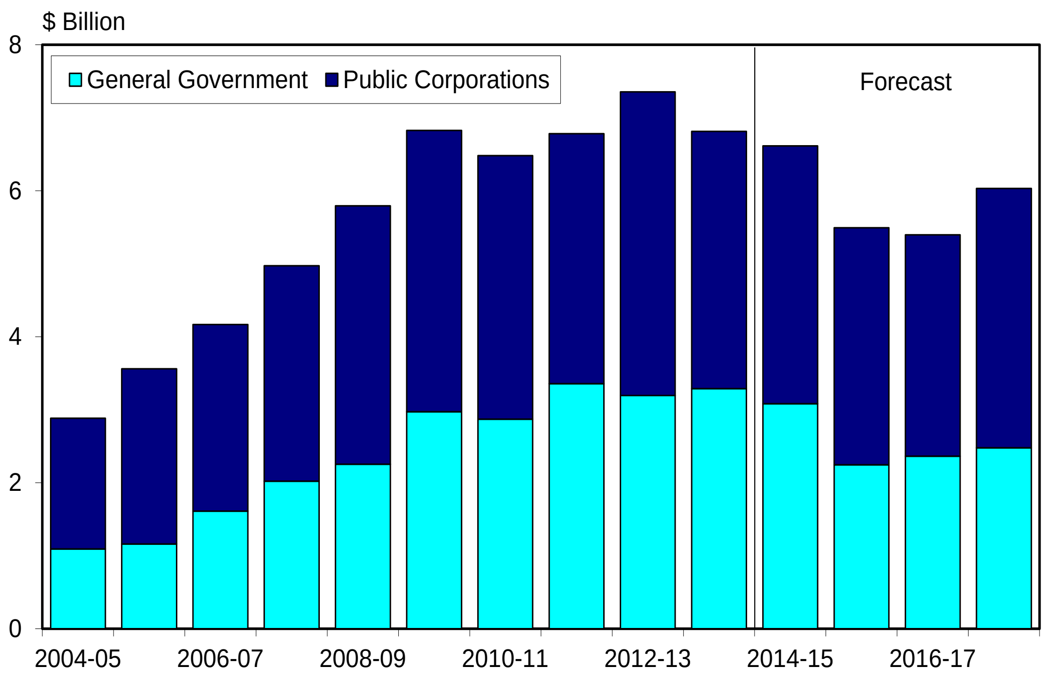



(a) Totals may not add due to rounding.

The PNFC sector accounts for approximately 55% of the AIP in 2014-15 (see following figure). This proportion is expected to increase to 59% by 2017-18 as a number of large general government infrastructure projects are completed (including major health projects such as the Perth Children's Hospital), together with increases in investment in PNFC projects, such as the Forrestfield Airport Link and the Pilbara Underground Power Project.

Figure 10

**ASSET INVESTMENT PROGRAM**




Changes to PNFC sector infrastructure spending in this Mid-year Review include:

- increased capital spending by Horizon Power of $172 million over the period 2014-15 to 2017-18, primarily relating to the Pilbara Underground Power Project (funded from Royalties for Regions and local government contributions), the Advanced Metering Infrastructure project (which will replace all electricity meters in its service area with advanced meters that are Customer Code and Metering Code compliant), and an increase in demand-driven customer funded works;

- a net increase of $145 million in the Housing Authority's AIP, mainly due to:

  - works from 2013-14 carried over into 2014-15 ($98 million), reflecting delays to the Social Housing Boost and the Land Development programs as a result of delays in obtaining planning and development approvals;

  - a change in classification of Shared Equity spending from operating activities to infrastructure investment following finalisation of the Authority's 2013-14 annual report; and

  - reduced spending across 2016-17 and 2017-18 ($138 million), reflecting an expected decline in land development activities due to softening housing market conditions, particularly in the Pilbara region;

- a $63 million reduction in infrastructure investment by the Western Australian Land Authority, due mainly to a downturn in current market conditions resulting in reduced sales revenue and deferral of planned development expenditure;

- $79 million for Western Power, due to rescheduled acquisition of transmission line assets between Eneabba and the Three Springs Terminal from the Karara group of companies (originally scheduled for 2013-14 and delayed due to Karara seeking a bank guarantee for the project, which was granted in July 2014);

- a reduction of $53 million for the Water Corporation's AIP, largely due to favourable outcomes from the competitive alliance process for the Groundwater Replenishment Scheme ($24 million), and lower costs associated with the repeal of the Commonwealth's *Clean Energy Act 2011* ($24 million); and

- an additional $41 million for the Metropolitan Redevelopment Authority, mainly due to delays to works originally scheduled for 2013-14 ($22 million), increased costs for Yagan Square and other development works at Perth City Link, (up a total $8 million), higher cost for remediation of contaminated sites in Midland ($8 million), and increased expenditure from the acceleration of works at Elizabeth Quay to align to the current project development timeframes (up $4 million).

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

## Balance Sheet

Net worth for the total public sector is equivalent to that of the general government sector (discussed earlier in this chapter). This is because the net worth of public corporations is reported as an asset in the general government sector balance sheet.

Further information on total public sector net debt is provided below.

## Cash Flow Statement

A total public sector cash deficit of $4.3 billion is estimated for 2014-15, $1.6 billion higher than forecast at budget-time. This largely reflects the impact on cash of the substantial deterioration in the general government sector revenue outlook discussed earlier in this chapter.

Across the four years to 2017-18, infrastructure spending is expected to be around $140 million lower (see earlier discussion of asset investment).

The outlook for the cash position also includes a substantial reduction in forecast sales of land, housing stock and other fixed assets, which have been revised down by an aggregate $578 million between 2014-15 and 2017-18 since budget. This mainly reflects:

- lower sales forecasts for the Western Australian Land Authority (down $430 million due to weaker property market conditions as a result of the slowdown in resource-related business investment across regional areas); and

- lower sales by the Housing Authority (down $202 million across the forward estimates period, reflecting softer market conditions, particularly in South Hedland).

## Net Debt and Gross Borrowings[14]

Net debt for the total public sector is forecast to increase from $20.8 billion at 30 June 2014 to $30.9 billion by 30 June 2018, $1.5 billion higher than forecast in the May Budget. This increase largely reflects the net impact across the forward estimates of:

- the lower than expected net debt outturn at 30 June 2014 (down $1.3 billion), as reported in the 2013-14 *Annual Report on State Finances*;
- a net $1.4 billion deterioration in the operating cash position of the public sector, including:
  - the significant fall in mining-related revenue (down $7.3 billion in cash terms), including $6.7 billion in iron ore royalties and $602 million in petroleum royalties and North West Shelf/condensate compensation grants;
  - reductions in vehicle licence duty (down $339 million) and total duty on transfers (down $252 million) due to softer conditions in the economy (discussed earlier);
  - higher GST grants (up $2.7 billion), with the lagged Commonwealth Grants Commission process expected to only partly compensate for the reductions to mining revenue and taxes outlined above; and
  - the impact of the savings measures announced on 9 October 2014 and additional measures included in this Mid-year Review;
- $542 million in AIP savings due to further efficiencies (discussed earlier);
- a total $1.2 billion increase for all other AIP spending changes since budget, most notably approval of the Perth Freight Link project;
- lower than projected proceeds from the sale of non-financial assets such as land and housing stock (down $578 million), particularly for the Housing Authority and the Western Australian Land Authority; and
- a $52.5 million increase from the changed accounting treatment for the new Perth Stadium (discussed further below).

The following table summarises changes in total public sector net debt projections since the 2014-15 Budget.

[14] 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. Gross borrowings are the main liability component in net debt and are a key focus for credit rating agencies.

Table 10

## NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

| | 2015<br>$m | 2016<br>$m | 2017<br>$m | 2018<br>$m |
|---|---|---|---|---|
| **2014-15 BUDGET - TOTAL PUBLIC SECTOR NET DEBT** | **24,918** | **26,190** | **27,556** | **29,378** |
| *Plus* improvement from 2013-14 outturn | -1,287.9 | | | |
| *Less* change in net cashflows from operating activities and dividends paid | | | | |
| - General government | -1,102.2 | -1,093.0 | 78.8 | 798.5 |
| - Public non-financial corporations | -427.1 | 134.6 | 209.6 | -55.0 |
| - Public financial corporations | -2.3 | 19.6 | 24.7 | 28.2 |
| *Total public sector* | *-1,531.7* | *-938.8* | *313.1* | *771.6* |
| *Plus* purchases of non-financial assets | | | | |
| Savings Measures | | | | |
| - 5% Asset Investment Program efficiencies | - | -174.6 | -175.9 | -191.2 |
| Other Changes [(a)] | | | | |
| - Underspend Provision | -700.0 | - | - | - |
| - Perth Freight Link | 25.9 | 124.0 | 391.0 | 449.1 |
| - New Perth Stadium - Sport and Recreation | -91.1 | -291.2 | -329.1 | -76.1 |
| - New Perth Stadium - Public Transport Authority | - | -9.6 | -10.0 | -2.8 |
| - Pilbara Underground Power Project | 23.1 | 26.9 | 24.0 | 26.0 |
| - Advanced Metering Infrastructure | 11.4 | 14.4 | 8.2 | 0.2 |
| - Electricity Generation and Retail | 23.4 | 0.5 | -1.8 | -46.4 |
| - Accommodation for Churchlands Senior High School | 0.3 | 2.6 | 26.1 | 9.8 |
| - New Cannington Greyhound Racing Complex | 11.0 | 2.0 | - | - |
| - Fiona Stanley Hospital ICT Commissioning | 11.7 | - | - | - |
| - All other (including carryover from 2013-14 and other timing changes) | 571.9 | 408.3 | -14.1 | -217.9 |
| *Total purchases of non-financial assets* | *-112.4* | *103.3* | *-81.5* | *-49.4* |
| *Less* proceeds from sale of non-financial assets | | | | |
| Land Authority | -130.0 | -70.0 | -119.1 | -111.1 |
| Housing Authority | -50.1 | -16.5 | -127.7 | -8.2 |
| Metropolitan Redevelopment Authority | -49.0 | -7.7 | -21.5 | 82.2 |
| All other | 34.9 | 13.9 | 1.5 | 0.7 |
| *Total sales of non-financial assets* | *-194.2* | *-80.2* | *-266.8* | *-36.4* |
| *Plus* all other financing | | | | |
| Financing prepayments for new Perth Stadium | - | 214.7 | 230.6 | 44.2 |
| Finance lease at completion of new Perth Stadium | - | - | - | 422.8 |
| Other acquisitions under finance leases and similar arrangements | 156.5 | -0.3 | - | 0.6 |
| All other [(b)] | -24.3 | 45.7 | -91.9 | -55.7 |
| *Cumulative impact on net debt at 30 June* | *457.7* | *1,840.1* | *1,851.1* | *1,478.4* |
| **2014-15 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT** | **25,375** | **28,030** | **29,407** | **30,857** |

(a) Material changes in infrastructure spending are outlined earlier in this chapter and Appendix 3.

(b) 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 2013-14 *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.

The Mid-year Review projections also incorporate an increase in net debt related to the change in accounting treatment for the new Perth Stadium which is now being developed as a Public Private Partnership. The contract has a 25 year term anticipated to commence in January 2018 and will deliver significant savings, in net present value terms, over the life of the contract relative to traditional models of public sector procurement.

However, consistent with accounting standards, post-operational contract payments under the project agreement with WESTADIUM (to design, build, partially finance, and maintain the new Perth Stadium) are required to be recognised as a finance lease and as a result, net debt will increase by $52.5 million by 30 June 2018. This increase reflects the upfront recognition of construction costs under the lease (which also includes capitalised interest during construction and other upfront costs incurred by WESTADIUM) as a liability that will be paid by the State over the 25 year agreement with WESTADIUM.

A summary of the impact of stadium transactions on net debt at 30 June 2018 is shown in the following table.

Table 11

**CHANGES TO NEW PERTH STADIUM ACCOUNTING**

Impact on Net Debt at 30 June 2018

| | $m |
|---|---|
| *Reverse previous forecasts:* | |
| - Sport and Recreation (AIP) | -787.5 |
| - Public Transport Authority (AIP) | -22.4 |
| - Consolidated Account interest costs | -50.0 |
| *Sub Total* | *-859.9* |
| *New forecasts:* | |
| - Financing Prepayments | 489.5 |
| - Finance lease at completion | 422.8 |
| *Sub Total* | *912.3* |
| **TOTAL CHANGES** | **52.5** |

Note: Columns may not add due to rounding.

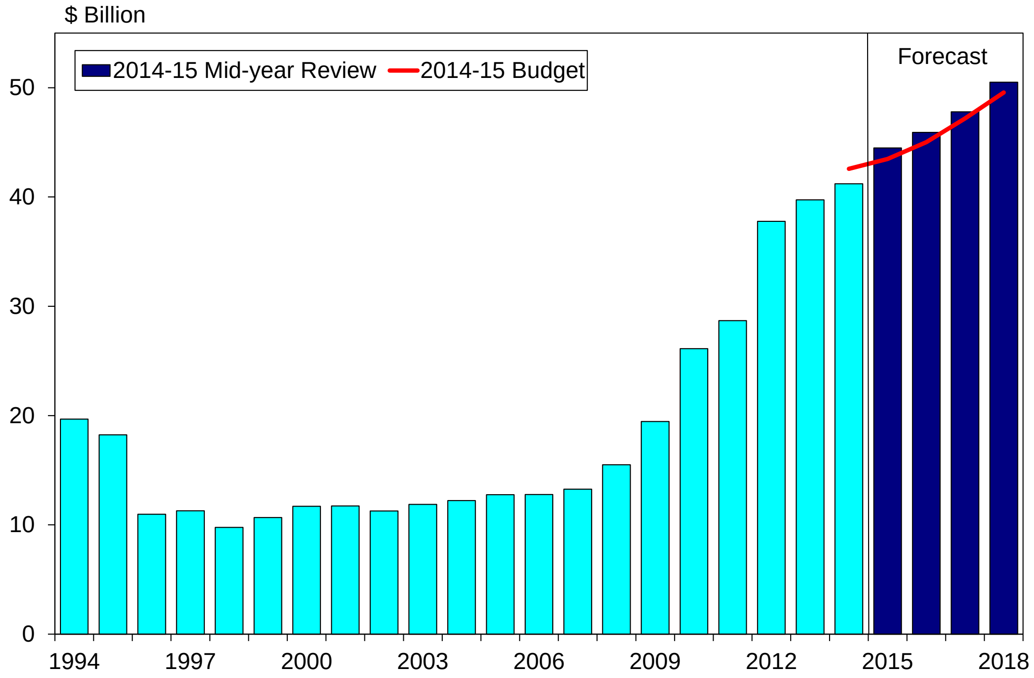
## Gross Borrowings

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 – in support of the State's substantial infrastructure program. Gross borrowing levels at the end of the forward estimates period have been revised up by $0.9 billion relative to the budget forecasts[15].

[15] Forecast levels of gross borrowing at 30 June 2018 are $0.9 billion higher than budget-time, with the remaining $0.6 billion increase in net debt attributable to lower liquid financial assets, mainly reflecting the impact of the deteriorating outlook on the Public Bank Account.

Figure 11

**GROSS BORROWINGS**
Total Public Sector




The majority of general government sector borrowings are held by the Consolidated Account which provides financing contributions for most of the sector's infrastructure investment. The vast majority of remaining gross borrowings are held by public corporations that invest these funds in income-generating assets.

The Government will continue to work on ways to reduce growth in the State's gross borrowing levels, including consideration of further savings measures as part of the 2015-16 Budget. As noted earlier in this chapter, proceeds from planned asset sales, which will reduce the need for future borrowings, will only be incorporated in the estimates when sale proceeds are known with certainty (i.e. when sales transactions are finalised).

# Statement of Risks

## Forecasting Uncertainties

The inherent uncertainties associated with producing forecasts for an approximately $256 billion economy and $27 billion general government sector recurrent budget means that there will always be differences between the forecasts of key aggregates 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, general government operating balances have been underestimated in Mid-year Reviews in nine of the last 10 years, ranging from $109 million in 2012-13 to $963 million in 2005-06 (reflecting unexpectedly high revenue growth in that year). The final outcome for 2008-09 was an $868 million overestimation due to the impact of the Global Financial Crisis.

## Revenue Estimates

The revenue estimates are highly sensitive to changes in key economic parameters, including the $US/$A exchange rate, commodity prices (especially iron ore), employment and wage growth, and house prices and transaction volumes. Approximate annual impacts of changes in these variables are outlined in the following table.

Table 12

**APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES 2014-15**

| | Variability ($m) | Detail |
|---|---|---|
| Royalty income and North West Shelf grants | ±60 | For each US1 cent decrease/increase in the $US/$A exchange rate (royalty income is inversely related to the $US/$A exchange rate) |
| Iron ore royalties | ±56 | For each $US1 per tonne increase/decrease in the price of iron ore |
| Petroleum royalties and North West Shelf grants | ±10 | For each $US1 increase/decrease in the price of a barrel of oil |
| Payroll tax | ±37 | For each one per cent increase/decrease in taxable wages or employment growth (i.e. the total wages bill) |
| Underlying transfer duty | | |
| - Prices | ±15 | For each one per cent increase/decrease in average property prices |
| - Transactions | ±14 | For each one per cent increase/decrease in transaction levels |
| GST grants | ±90 | For a $100 million increase/decrease in iron ore royalty revenue (due to increased/decreased value of production), all else being equal, Western Australia will lose/gain an estimated $90 million of GST grants in net present value terms (the loss/gain will occur in later years due to the time lags in the Grants Commission process) |

Further to the revenue sensitivities above, specific risks to the revenue estimates are discussed below. Risks to the economic outlook are discussed in Chapter 3: *The Western Australian Economy.*

## Implementation of Revenue and Savings Measures

This Mid-year Review includes $3.8 billion of revenue and savings measures introduced by the Government in response to the significant decline in general government revenue projections over the forward estimates period since the 2014-15 Budget (discussed in detail earlier in this chapter). These measures build on previous initiatives implemented by the Government, including $2 billion in revenue and savings measures in the 2014-15 Budget.

The projections contained in this Mid-year Review are based on the assumption that agencies will deliver these measures in full, with the associated financial benefits. If agencies do not fully achieve these savings, there will be a deterioration in the general government sector operating balance and net debt estimates contained in this Mid-year Review.

To date, considerable progress has been made in implementing announced measures. However, key risks remain, particularly in relation to potential overlap in some of the measures (for example, many agencies would seek to use natural attrition as a key strategy in achieving efficiency dividend savings, but under the new workforce renewal policy a portion of the savings from natural attrition will be harvested from agencies' salaries budgets).

## Asset Sales

In addition to the above measures, the Government announced a structured process of public sector asset sales on 28 August 2014 as part of its strategy to reduce the State's debt levels. The proceeds from these asset sales will only be incorporated in the State's financial projections once the transactions are finalised. This represents an upside risk to the debt projections contained in this Mid-year Review.

## Royalty Income ($4,368 million in 2014-15)

Royalty income is forecast to account for 16.1% of the State's total projected revenue in 2014-15. This has declined from 21.5% at budget-time, as a result of the sharp fall in the iron ore price discussed earlier. Royalty income estimates are particularly sensitive to movements in the $US/$A exchange rate and iron ore prices, with iron ore royalty income alone projected to account for 13.9% of total general government revenue.

### *Exchange Rate*

The $US/$A exchange rate represents one of the largest risks to the royalty revenue forecasts. Since the 2014-15 Budget, the exchange rate has varied between a high of US95 cents and a low of US84.1 cents, a range of US10.9 cents. For every one US cent that the exchange rate is higher/lower than the assumed rate of US87.2 cents for 2014-15, royalty revenue will deteriorate/improve by around $60 million.

The $US/$A exchange rate often moves in the same direction as prices for Western Australia's key commodity exports, which at times has offered a natural hedge. However, there have been relatively extended periods in recent years where commodity prices have dropped while the value of the Australian dollar has remained elevated.

The Australian dollar continues to be supported by interest rates in Australia being significantly higher than in other countries, such as the US and Japan. Higher interest rates attract investors seeking the higher yield, which increases the value of the Australian dollar relative to other currencies.

In this regard, since the 2014-15 Budget forecasts were finalised on 14 April 2014, iron ore prices have fallen by 40.6%, while the exchange rate has fallen by only 10.8%.

Conversely, it is possible that investor confidence in the Australian dollar may rapidly erode, causing it to depreciate at a faster rate than is projected. This scenario could occur if perceptions of the Chinese economic outlook deteriorate significantly and/or the market expects interest rates to decline in Australia relative to other countries.

### *Iron Ore Prices*

Recent history has demonstrated that the iron ore price is highly volatile. For example, since the 2014-15 Budget cut-off date of 14 April 2014, the iron ore price has varied between a high of $US117 per tonne and a low of $US68 per tonne. For every $US1 per tonne that the iron ore price is lower/higher than assumed, royalty revenue will be around $56 million lower/higher than estimated in 2014-15.

The iron ore market is currently in a period of transition where the growth in new supply entering the market is larger than the incremental increase in demand. Therefore, existing supply must be displaced from the market in order to reach equilibrium. This is likely to continue to create significant instability in the market as high cost producers are likely to resist a decision to close for as long as they can. Mines in some countries may be subsidised for a sustained period to prevent them from closing. Other producers may continue to produce if they can absorb a short-term loss in anticipation of a potential price recovery. Iron ore producers that are vertically integrated with steel manufacturing operations may also feel less pressure to close. Ultimately, high cost producers are unlikely to leave the market in an orderly fashion.

Participants in the iron ore market are currently anticipating relatively modest growth in global steel demand and rapid growth in iron ore supply across the forward estimates period. This is reflected in both spot and derivative markets for iron ore and is broadly consistent with these Mid-year Review projections. However, given ongoing uncertainty and volatility in the iron ore market, there remains considerable risk around the outlook for iron ore prices.

### *Iron Ore Volumes*

Despite the risks associated with lower prices, iron ore production volumes have been revised up since budget. They are now projected to grow from 631 million tonnes (Mt) in 2013-14 (up from 597 Mt at budget-time) to 802 Mt in 2017-18 (up from 777 Mt)[16]. Ultimately, this represents an expectation that the majority of iron ore supply that may be displaced at current prices will be from producers outside of Western Australia. Moreover, easing labour and supply chain constraints are allowing iron ore miners to deliver expansion projects ahead of schedule and a focus on productivity and efficiency is allowing producers to increase production volumes from existing infrastructure.

In this regard, most of the iron ore produced in Western Australia comes from large capital-intensive operations that have relatively low operating costs when compared to producers from other countries. Production from large producers is not likely to be affected by movements in price over the short-term. Previous episodes of sharp price declines during 2012 and the Global Financial Crisis had little impact on the volume of iron ore sales from Western Australia. Capital-intensive producers typically have high fixed costs, which means they have to operate at capacity to minimise the unit costs. Consequently, these producers have limited incentive to reduce output when demand falls.

### *Mineral Royalty Rate Review*

The Government announced in the 2012-13 Budget that it would undertake a review of the State's existing mineral royalty rates in consultation with industry. Terms of reference for the review were released in August 2013, with the review due to be provided to the Government shortly.

The forward estimates include additional royalty income of $180 million in 2015-16, $187 million in 2016-17 and $193 million in 2017-18 as a provision for the outcomes of this review. However, at the cut-off date for this Mid-year Review, the Government had yet to receive or consider the review's findings/recommendations. This, combined with the current weakness in commodity prices, means there is a significant risk associated with these estimates. A decision on this matter will be made as part of the 2015-16 Budget.

### *North West Shelf Grants ($911 million in 2014-15)*

North West Shelf grants are derived from sales of LNG, oil, condensate, liquefied petroleum gas and domestic gas, with LNG generating the largest amount of revenue from these commodities.

[16] These volumes are expressed as dry tonnes.

Most of the LNG from the North West Shelf is sold under contracts that are linked to the price of oil[17]. Therefore, a large unanticipated movement in the oil price represents the most significant risk to North West Shelf grants over the budget forecast period. The oil price is currently experiencing a period of volatility, after several years of relative stability. This has been caused by robust growth in production, in particular from North America, coming at a time of weak economic activity in Europe and Japan, and a more subdued outlook for the economy in China.

Over the short-term, the oil price may rebound if the Organisation of the Petroleum Exporting Countries responds to lower prices by cutting output, a course of action it has resisted to date. Moreover, supply disruptions remain a risk for the oil market as a significant proportion of oil is produced in politically unstable regions. However, a supply disruption would likely have to be substantial to have a material impact on price, given the relative abundance of supply currently available and the subdued outlook for demand.

## Commonwealth Grants ($8,885 million in 2014-15)

The Commonwealth Government had not released its *Mid-Year Economic and Fiscal Outlook* (MYEFO) at the time assumptions for this Mid-year Review were finalised on 3 December 2014. Accordingly, any updates to the outlook for grants in the Commonwealth's MYEFO are not reflected in these Mid-year Review projections. Any such updates will be incorporated in the State's 2015-16 Budget.

### *Commonwealth Grants Commission (CGC) Methodology Review*

The State's share of the national GST grant pool is recommended annually by the CGC. Its recommendations take account of States' costs of providing services and capacity to raise their own revenue.

For 2014-15, the GST revenue estimates incorporate the CGC's approved recommendation of Western Australia's GST relativity (i.e. 37.6% of an equal per capita share).

The Western Australian Treasury's projections of GST relativities for 2015-16 onwards take account of projected changes in economic circumstances that are expected to be reflected in the CGC's calculations.

The projections have been prepared on an assumption that the CGC will continue to use the same methods in its calculations. However, the CGC is currently undertaking a review of these methods. The review is to be completed in February 2015 and will apply to the GST distribution from 2015-16 onwards.

This review could substantially alter Western Australia's GST grant share, in either direction, from 2015-16. The CGC has released a draft report, but the final outcome is not yet clear.

[17] Contracts typically range in length between five and 25 years and many contracts allow for periodic renegotiation of pricing.

### *Expiring National Partnership Agreements*

Western Australia is currently party to around 48 National Partnership (NP) agreements with the Commonwealth Government relating to the delivery of specific projects, improvements in service delivery or reform. A further 15 NPs are either currently under negotiation or about to be negotiated. These agreements are generally for a limited period and have specific conditions attached to funding.

The majority of NPs create increased service levels, which generates community expectation that such levels will continue despite the time-limited nature of NPs. Other NPs develop capital projects that will require ongoing maintenance. Unless another source of Commonwealth funding is found at an NP's expiry, the State must either fund the increased service levels or allow service delivery to revert to pre-NP levels.

Some NP agreements have been rolled over for short terms (some more than once), without longer-term commitment. This creates budget uncertainty for the State and significant uncertainty for service providers.

Given the uncertainty about expiring NPs, in most cases this Mid-year Review assumes no continued funding (either Commonwealth or State) past an NP's expiry date and that the additional or enhanced services generated by the NP will cease[18].

### *Students First Funding*

Projections of *Students First* funding provided by the Commonwealth Government contained in this Mid-year Review reflect the amounts advised in writing to the Minister for Education by the Commonwealth Minister for Education in December 2013.

However, the Minister for Education is currently attempting to confirm with the Commonwealth Minister possible reductions to *Students First* funds based on revised student enrolment projections apparently being used by the Commonwealth. These reductions have the potential to total $166 million over the forward estimates period ($20 million in 2014-15, $27 million in 2015-16, $53 million in 2016-17 and $66 million in 2017-18). However, as any changes to *Students First* funding are yet to be confirmed, they have not been reflected in the forward estimates at this time.

[18] However, funding is assumed to continue for the Legal Aid Services NP (Commonwealth) and the Natural Disaster Resilience NP (Commonwealth and State) due to their ongoing nature. In addition, funding for the Home and Community Care Program is assumed to continue, as services are expected to be preserved in the future.

## Spending Risks

### Population Growth

Demand for services and infrastructure provided by the public sector is still strong in Western Australia, despite the recent moderation in domestic economic activity. This reflects that population growth remains robust at an estimated 2.6% in 2013-14. Population growth has clearly slowed from a peak of 3.6% in 2012-13 and is projected to ease further to 1.9% in 2014-15. However, should population growth be higher than expected, there would be a corresponding increase in the demand for government services and infrastructure.

### Health Spending

#### *Activity Based Funding*

The key budget strategy for WA Health is to achieve convergence between the cost of delivering public hospital services in the State's health system and the national average cost of hospital services by 2017-18.

There is currently a significant differential between the cost of delivering hospital services in Western Australia and the national Projected Average Cost (PAC), as determined by the Independent Hospital Pricing Authority, with Western Australia's cost of delivering services around 8% higher than the national average per weighted unit of activity.

Achieving convergence to the PAC will require substantial and sustained improvements to the efficiency of public hospital service delivery over the forward estimates. Should these efficiency improvements not be fully realised, there is a risk that public hospital cost growth in Western Australia will outpace national price settings, requiring additional State funding or adjustments to planned activity levels.

#### *Reconfiguration of South Metropolitan Health Service*

The commissioning of Fiona Stanley Hospital and associated reconfiguration of services in the South Metropolitan Health Service (SMHS) represents a major change to clinical service delivery within the SMHS. Upward pressure on activity-related costs could eventuate over the forward estimates period from service capacity across reconfigured sites that is in excess of approved service volumes. A further risk arises if the reconfiguration of services does not deliver the intended efficiencies.

Operational service planning at each site is proceeding on the basis that activity and workforce profiles at each SMHS hospital will be consistent with the strategy of achieving convergence to the PAC by 2017-18.

### *Health Information and Communications Technology (ICT)*

Current ICT investment in WA Health is focussed on establishing functionality across a number of facilities including the Fiona Stanley and Perth Children's Hospitals, replacing the Pathwest laboratory information system and upgrading the operating system for computers throughout the State's health system.

Beyond the delivery of this investment, WA Health will be required to identify and prioritise future ICT requirements, which are expected to be substantial. To inform future investment decisions, including priorities and benefits realisation, WA Health is preparing an overarching strategy for Health ICT.

## Law and Order Spending

### *Daily Average Prisoner Population*

Based on current daily average prisoner population projections, the number of prisoners within correctional facilities in Western Australia is forecast to increase over the forward estimates period. While additional funding of $15 million has been approved in this Mid-year Review to address the increase in prisoner numbers for 2014-15, there is a risk additional expenditure may be required from 2015-16 onwards.

The Department of Corrective Services is currently implementing its Population Management Strategy to incorporate the recently completed Acacia Prison expansion as well as continuing to progress its broader reform agenda. As both these strategies are still being developed, the impact on prisoner numbers beyond 2014-15 will be considered as part of the 2015-16 Budget.

### *Criminal Law Amendment (Home Burglary and Other Offences) Bill 2014*

The Criminal Law Amendment (Home Burglary and Other Offences) Bill 2014 was introduced to Parliament on 12 March 2014. There is a risk that enactment of the proposed legislation will result in an increase to the State's custodial population, due to increased sentence lengths for applicable adult and juvenile offenders (although the legislation may also provide an offsetting deterrent effect).

The proposed legislation may also increase workload demands on prosecutors, potentially leading to increased costs for Western Australia Police and the Office of the Director of Public Prosecutions, with flow-on effects to the court system. However, the potential financial impact remains uncertain at this time and has therefore not been reflected in this Mid-year Review.

## Public Transport Patronage

Based on preliminary modelling by Treasury, there is a risk that public transport patronage forecasts may be revised down from those assumed in the 2014-15 Budget, following a 1.4% decline in patronage on public transport in 2013-14. This in turn would require an increase in the Public Transport Authority's operating subsidy. Based on the preliminary modelling results, this could be in the order of $30 million across the forward estimates period, but this will be confirmed as part of the 2015-16 Budget.

## Essential and Municipal Services to Remote Communities

The Commonwealth made a $90 million payment to the State in October 2014 as a final funding contribution to essential and municipal services to remote Aboriginal communities in Western Australia. This payment was made on condition that the State Government accepts full responsibility for funding these services from 1 July 2015. The State is continuing to discuss this matter with the Commonwealth Government. If the State becomes solely responsible for funding these services in perpetuity, there is a significant (as yet unquantifiable) long-term liability on the State.

## Government Trading Enterprises

Corporatised public corporations, also known as Government Trading Enterprises (GTEs), are a significant revenue source for the general government sector through income tax equivalent and dividend payments (representing $1.7 billion, or 6.3%, of general government revenue in 2014-15). In addition, some GTEs receive operating subsidies from the Consolidated Account ($1.9 billion, or 6.6%, of general government expenses in 2014-15). GTEs also undertake a significant proportion of the State's infrastructure investment (around 55% in 2014-15), with any required borrowings contributing to the State's debt levels.

Projections for GTEs are made complex by a number of issues, including that important aspects of some entities are subject to independent regulatory processes (such as the Economic Regulation Authority's (ERA's) 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 an efficient level of asset investment that is around $1.1 billion above the currently budgeted levels over 2012-13 to 2016-17. The Government is continuing to assess the implications of this difference in expenditure and its associated outcomes (including the impact on network safety) through the annual budget process, alongside competing priorities and affordability constraints; and

- Alinta Energy submitted an application to the Minister for Energy on 24 October 2014, seeking access to the North West Interconnected System (NWIS). The NWIS is the transmission and distribution network in the Pilbara region that is owned and operated by Horizon Power. The acceptance of this application may have a financial impact which is yet to be quantified.

### *Bunbury to Albany Gas Pipeline*

An allocation has been made for the planning 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, there is a risk that 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.

## Contingent Assets and Liabilities

Contingent assets are possible future assets that may arise from past events. The existence of these assets will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly in the control of the State. Contingent assets usually consist of the potential settlement of lawsuits or contractual claims.

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 assets and liabilities were reported in the 2013-14 *Annual Report on State Finances* (ARSF). Since the release of the ARSF, the State, through the Department of Commerce, has extended the temporary arrangement with private insurers to underwrite Home Indemnity Insurance (HII). The State wholly underwrites the provision of new HII policies to provide cover on an emerging cost basis for the financial loss resulting from the death, insolvency or disappearance of a builder or building group. This arrangement was recently extended until 31 October 2016 to provide additional time to develop a longer term market-based HII solution. The potential exposure under this arrangement has yet to be quantified.

There have been no other material updates to the September 2014 disclosures in the ARSF.

CHAPTER 2

# Financial Strategy

**HIGHLIGHTS**

- The unprecedented $5 billion downward revision to the general government revenue estimates since the 2014-15 Budget has resulted in a deterioration in performance against the Government's financial targets.
- This is particularly the case in the current (2014-15) and next (2015-16) financial years, as the steep decline in iron ore prices since the 2014-15 Budget will not start to be offset through the GST distribution system until 2016-17.
- The $3.8 billion package of revenue and savings measures implemented in this Mid-year Review, and the continuing impact of previous rounds of corrective measures, is expected to significantly improve performance against most financial targets towards the end of the forward estimates period.
- Despite a forecast peak in 2015-16, the total non-financial public sector net debt to revenue ratio is expected to remain well above the target limit of 55%. The Government's asset sales program has an important role to play in bringing this ratio back towards the target limit.

## 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'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. Performance against the Government's targets has deteriorated since the 2014-15 Budget, reflecting the substantial downward revisions to general government revenue across the forward estimates period.

Table 1

**2014-15 MID-YEAR REVIEW – FINANCIAL TARGET COMPLIANCE**

| | 2013-14 Actual | 2014-15 Forecast | 2015-16 Forecast | 2016-17 Forecast | 2017-18 Forecast |
|---|---|---|---|---|---|
| Ensure expense growth does not exceed revenue growth | | | | | |
| - Current estimate (revenue growth minus expense growth) | 1.8 | -7.3 | 1.5 | 4.4 | 3.4 |
| **- 2014-15 Mid-year Review compliance** | **Yes** | **No** | **Yes** | **Yes** | **Yes** |
| - 2014-15 Budget compliance | No | Yes | No | Yes | Yes |
| Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend | | | | | |
| - Current estimate | 52.7 | 5.0 | 4.8 | 64.1 | 103.5 |
| **- 2014-15 Mid-year Review compliance** | **Yes** | **No** | **No** | **Yes** | **Yes** |
| - 2014-15 Budget compliance | No | No | Yes | Yes | Yes |
| Maintain TNPS net debt at or below 55% of revenue | | | | | |
| - Current estimate | 55.2 | 67.4 | 70.4 | 69.6 | 69.2 |
| **- 2014-15 Mid-year Review compliance** | **No** | **No** | **No** | **No** | **No** |
| - 2014-15 Budget compliance | No | No | No | No | No |
| Maintain a TNPS cash operating surplus of at least 5% of receipts | | | | | |
| - Current estimate | 7.5 | 2.1 | 3.7 | 6.2 | 7.5 |
| **- 2014-15 Mid-year Review compliance** | **Yes** | **No** | **No** | **Yes** | **Yes** |
| - 2014-15 Budget compliance | Yes | Yes | Yes | Yes | Yes |
| Maintain the State's tax competitiveness | | | | | |
| **- 2014-15 Mid-year Review compliance** | **Yes** | **Yes** | **Yes** | **Yes** | **Yes** |
| - 2014-15 Budget compliance | Yes | Yes | Yes | Yes | Yes |

The remainder of this chapter outlines projected performance against these targets based on the Mid-year Review projections detailed in Chapter 1: *Financial Projections*.

[1] The TNPS is the consolidation of the general government sector (which includes agencies such as Education and WA Health which are largely funded 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.

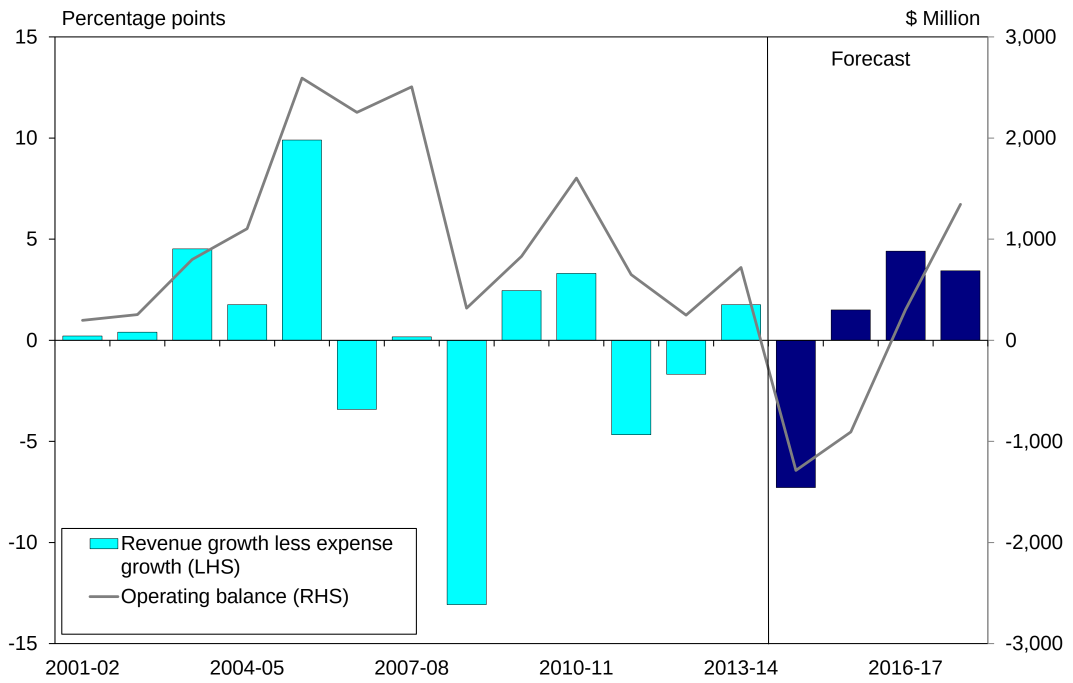
# Financial Targets

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

This target is not expected to be met in 2014-15. However, expected performance against this target over the forward estimates has improved since the 2014-15 Budget due to the significant savings measures approved as part of this Mid-year Review.

Figure 1

**REVENUE GROWTH LESS EXPENSE GROWTH[(a)]**
**AND OPERATING BALANCE**
General Government Sector




(a) Outcomes greater than zero represent compliance with the target.

Non-compliance with this target in 2014-15 reflects the dramatic deterioration in revenue since budget. General government revenue is now expected to decline by 3.1% in 2014-15, compared with a 2.6% increase forecast at budget-time. This reflects a $1.8 billion decline in royalty revenue (driven by dramatic falls in iron ore and oil prices in particular) and a softer tax outlook (reflecting subdued economic conditions, particularly in the labour and property markets).

At the same time, expenses are estimated to increase by 4.2% in 2014-15, up from the 2.6% forecast in the 2014-15 Budget. This higher rate of growth mainly reflects the 'base' impact of a $550 million lower than expected expense outcome for 2013-14, detailed in the 2013-14 *Annual Report on State Finances* released on 23 September 2014. Relative to the May 2014 Budget, general government sector expenses for 2014-15 are now expected to be $125 million lower than forecast.

The Government has approved a four year package of new revenue and savings measures since the 2014-15 Budget, worth a substantial $3.8 billion in response to the revenue downturn. The impact of these measures starts to build rapidly from 2015-16, reflecting the lead time to implement corrective action. As a result of these new measures, this financial target is expected to be met in each year from 2015-16 to 2017-18.

More detailed discussion of general government revenue and expenses is available in Chapter 1.

## 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 deteriorated since budget-time, with the target not expected to be met in either 2014-15 or 2015-16.

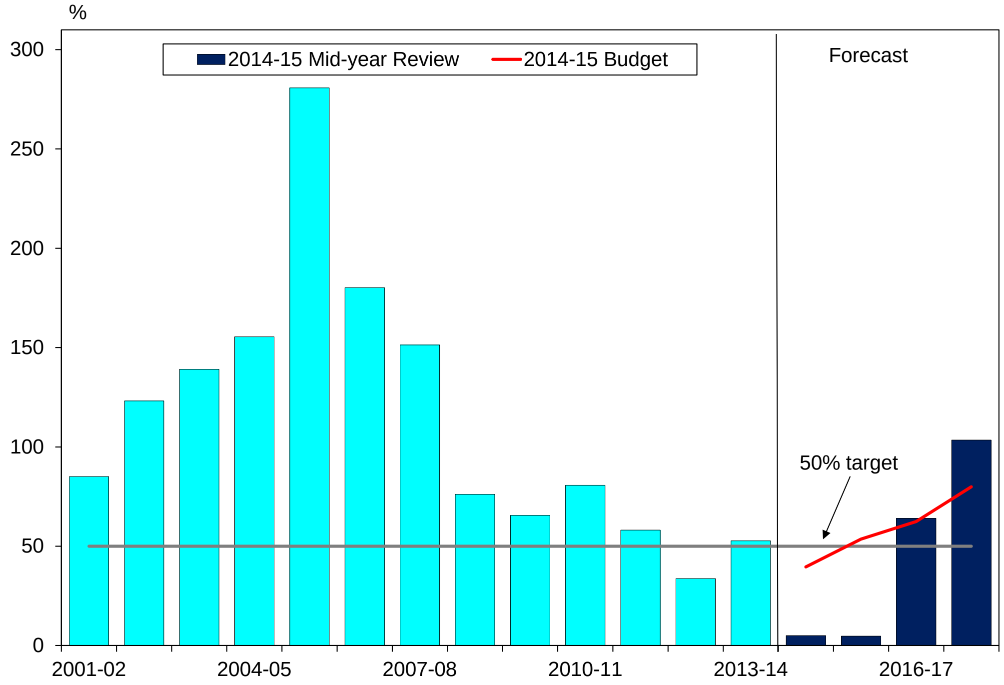
Performance against this target has been affected by a significant decline in general government sector operating cash surpluses, which are forecast to decrease by around $1 billion in both 2014-15 and 2015-16 relative to budget (infrastructure spending is broadly unchanged over this period). The weaker operating outlook reflects the dramatically lower revenue forecasts noted earlier. With less internally generated funds from day-to-day (or operating) activities, additional general government sector borrowings will be required to fund the sector's infrastructure spending in these two years.

This target is expected to be met from 2016-17, reflecting the positive impact of revenue and savings measures on the general government operating position, along with a projected increase in GST revenue due to the lagged response of the State's GST grant share to the significant downward revision in royalty revenue in 2014-15.

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%

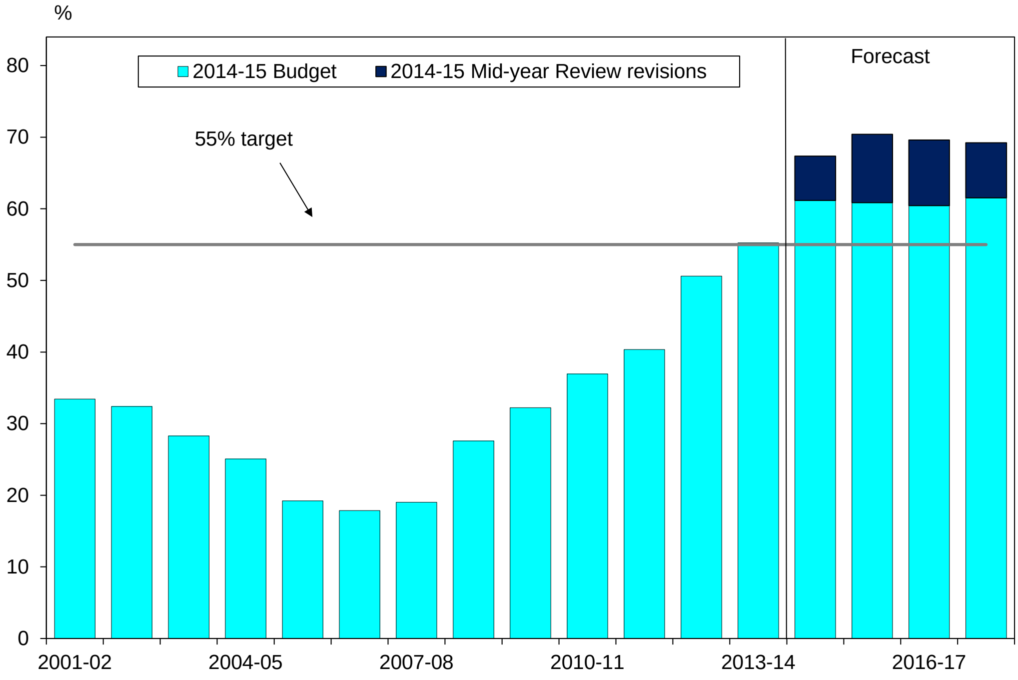
Consistent with budget-time expectations, this target is not expected to be met in any year of the forward estimates period.

Compared to the 2014-15 Budget forecasts, the TNPS net debt to revenue ratio has been revised up significantly in all years of the forward estimates (see following figure). This mainly reflects the substantial $5 billion downward revision to the general government revenue estimates discussed earlier, as well as substantial downward revisions to revenue for the public non-financial corporations sector, primarily due to lower precious metal prices reducing Gold Corporation revenue (by $720 million in 2014-15, growing to a forecast $1.9 billion by 2017-18).

Figure 3

**NET DEBT AS A SHARE OF REVENUE**

Total Non-Financial Public Sector




The Government has committed to further measures to help ensure the State's debt levels remain sustainable and affordable. This includes a structured and coordinated process of asset sales (announced in August 2014) and targeted agency expenditure reviews as part of the 2015-16 Budget. The proceeds from asset sales (which will not be reflected in the financial projections until sales are finalised) will be used to retire debt[2].

[2] Based on these Mid-year Review projections, TNPS net debt levels need to be reduced by around $7 billion by the end of the forward estimates period (through a combination of asset sales and other corrective measures) to bring the TNPS net debt to revenue ratio down to the 55% target limit.

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

This target is not expected to be met until 2016-17.

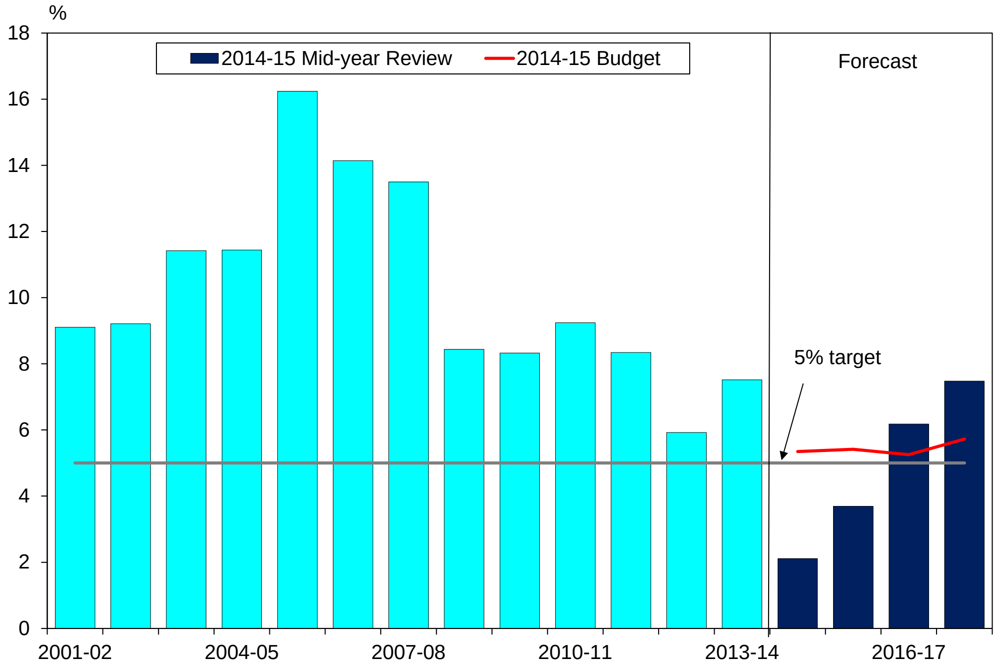
This financial target reflects the extent to which the TNPS can finance its operating costs and service delivery from recurrent receipts. A high cash operating balance indicates that the public sector has self-financing capacity to fund infrastructure investment.

The significant downward revision to the State's revenue outlook (discussed in detail in Chapter 1) is reflected in expected operating outcomes for the TNPS, and has resulted in partial compliance with this target over the forward estimates period.

Figure 4

**CASH OPERATING SURPLUS AS A SHARE OF OPERATING RECEIPTS**

Total Non-Financial Public Sector



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

This target is expected to be met in 2014-15 and each year of the forward estimates period, even with the tax policy changes outlined in Chapter 1.

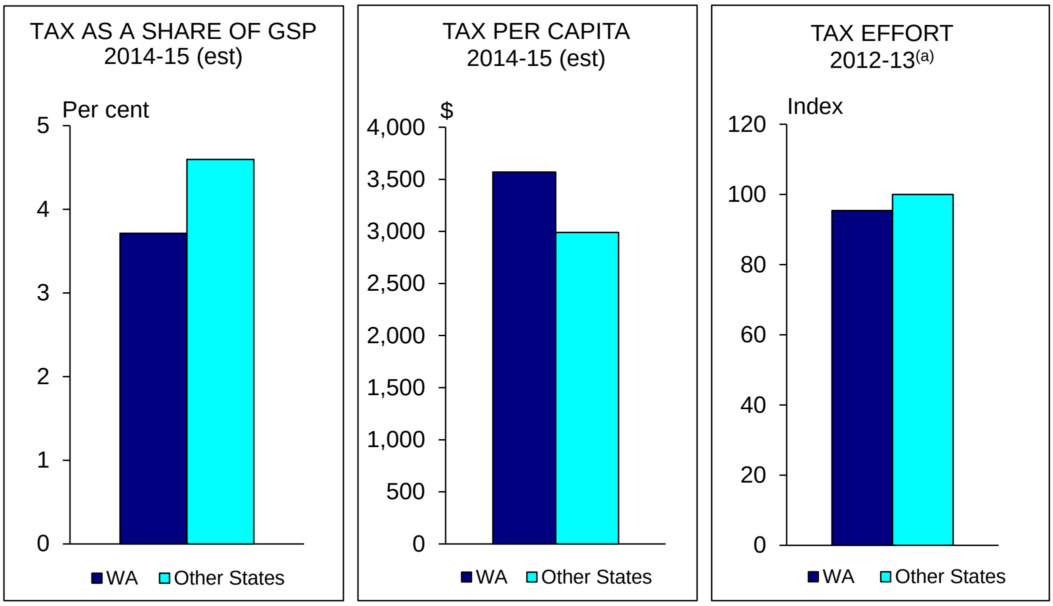
The competitiveness of Western Australia's tax system can be assessed against a variety of measures, including:

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

Figure 5

**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). 2012-13 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 2014-15 (3.7% compared to an average of 4.6% estimated for other States).

In contrast, per capita tax revenue in Western Australia is expected to exceed the average of other States in 2014-15. 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 4.6% lower than the national average in 2012-13.

This Mid-year Review includes a $418 million increase in forecast payroll tax collections over the period 2015-16 to 2017-18, as a result of the Government's decision to adjust payroll tax scales from 1 July 2015 (see Chapter 1). Additional revenue from this measure is not expected to change the State's performance against this target.

CHAPTER 3

# The Western Australian Economy

**HIGHLIGHTS**

- The Western Australian economy, as measured by Gross State Product (GSP), grew by 5.5% in 2013-14, more than double national growth of 2.5% and well above historical growth of 4.6%. Growth was underpinned by a strong lift in exports as iron ore projects ramped up production more rapidly than anticipated.

- Exports are expected to increase strongly across the budget period driven by increased production from major iron ore and liquefied natural gas (LNG) projects. This is expected to drive a gradual lift in GSP growth from 2.25% in 2014-15 (revised down from 2.75% at budget-time) to 5% by 2017-18. Western Australia now accounts for around 50% of national merchandise exports.

- However, abstracting from exports, domestic economic activity has moderated more sharply than expected at budget-time, with State Final Demand (SFD) falling by 2.1% in 2013-14, the largest annual fall since 1990-91. This was primarily due to a large decline of 11.5% in business investment coupled with weak growth in household consumption.

- Business investment is expected to decline by a further 9.5% in 2014-15, and household consumption is expected to remain soft, leading to a further contraction in the domestic economy as measured by SFD (-1%).

- The weaker domestic economy is also evident in softer labour market conditions and slower population growth. Wage Price Index growth of 2.8% in 2013-14 is the weakest annual wage growth since 1999-2000.

- Further weakness in commodity prices, particularly for iron ore, remains a significant downside risk for the State’s economy (and finances).

# Introduction

The Western Australian economy is continuing its transition from investment-driven to export-led growth. While economic growth, as measured by GSP, remained robust in 2013-14, growth is expected to moderate in the near term.

The State's economy grew by a stronger than expected 5.5% in 2013-14, due to a strong lift in net exports more than offsetting a decline in domestic economic activity. However, domestic activity, as measured by SFD, declined by 2.1% in 2013-14, compared to 0.25% growth forecast at budget-time. This is the largest annual decline in SFD since 1990-91.

In the short-term, household consumption and business investment are expected to continue to be weaker than projected at budget, leading to an expected 1% contraction in the domestic economy in 2014-15 (compared to nil growth forecast in the 2014-15 Budget). Growth in SFD is then forecast to gradually lift to 2% by 2017-18 as growth in household consumption increases and the rate of decline in business investment moderates.

The outlook for business investment has weakened with only one new major resource project announced since budget and limited new expenditure on existing projects as major resource companies continue to focus on cost cutting and efficiency. Recent declines in commodity prices (particularly for iron ore) and continued weakness in business confidence have also weighed on the outlook for major project investment. The recent decline in commodity prices and associated decline in the terms of trade is expected to flow through to corporate incomes and household purchasing power. Both of these factors are adversely impacting the State's own source revenue (taxation and royalty income).

Household consumption has been weaker than anticipated with growth revised down in 2014-15 and 2015-16 in line with a weaker outlook for wages and slightly slower population growth, which have both moderated from record rates in recent years.

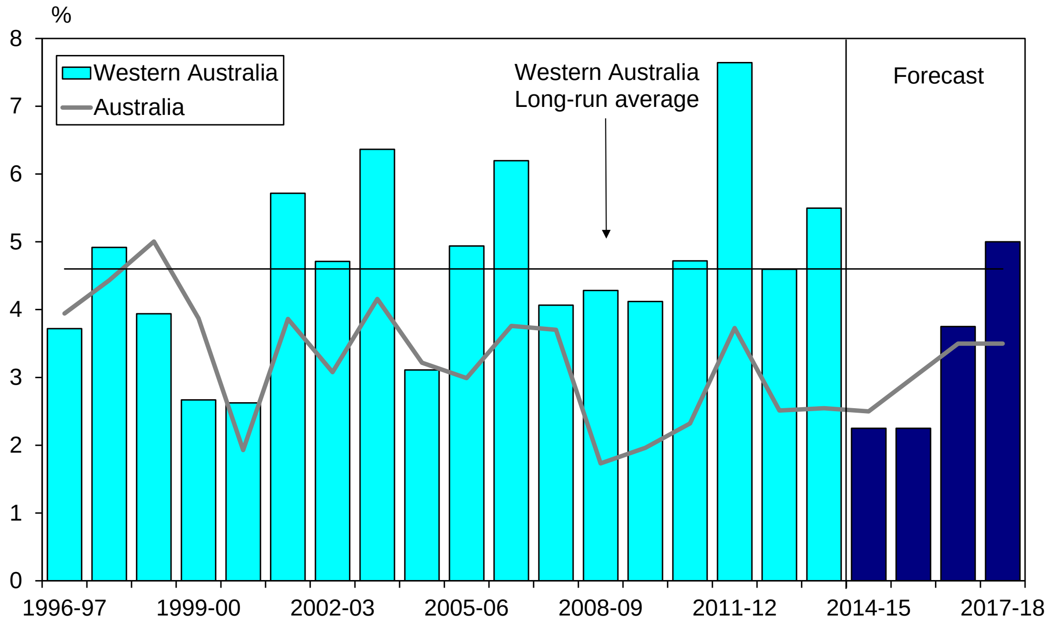
The immediate outlook for dwelling investment is stronger than forecast at budget, with growth revised up from 7% to 10% in 2014-15 and from 3.75% to 4% in 2015-16. This reflects continued strength in leading indicators of housing activity such as building approvals and housing finance commitments. However, dwelling investment comprises a small share of the State's economy (4%) compared to business investment (27%) and household consumption (37%).

Reflecting the weaker domestic economy, GSP is now expected to increase by 2.25% in both 2014-15 and 2015-16, down from 2.75% and 3% (respectively) forecast at budget. Export growth in the last two forward estimate years is expected to drive a progressive lift in GSP growth to 5% by 2017-18.

Figure 1

**ECONOMIC GROWTH**

Gross State Product and Gross Domestic Product




Source: Australian Bureau of Statistics (ABS) Catalogue 5220.0, Department of Treasury and Commonwealth *2014-15 Budget.*

Employment growth has been revised up to 2.25% (from 1.5%) and the unemployment rate has been revised down to 5.25% (from 5.5%) in 2014-15. This improvement primarily reflects a lift in part-time employment. Notwithstanding this, generally softer labour market conditions have been reflected in very low wage growth, leading to a downward revision from 3.25% to 2.75% in 2014-15. This follows growth of 2.8% in the Wage Price Index in 2013-14, which reflects a decline in real wages and the weakest growth in annual terms since 1999-2000.

The State's population is estimated to have grown by 2.6% (or around 65,600 people) in 2013-14, with around 42,000 or 64% of these people moving to Western Australia from overseas. While the State's population growth remains strong compared to national rates, it is well below the record rate of 3.6% in 2012-13, due to a significant fall in net overseas migration. Population growth is expected to slow further to 1.9% in 2014-15 as migration to Western Australia continues to moderate. Population growth is then expected to pick up gradually across the forward estimates to reach 2.2% by 2017-18, broadly in line with long-run trend growth.

Table 1

**COMPONENTS OF GROSS STATE PRODUCT**

Western Australia

| | 2013-14 Actual % | 2014-15 Budget Estimate % | 2014-15 Mid-year Revision % | 2015-16 Forward Estimate % | 2016-17 Forward Estimate % | 2017-18 Forward Estimate % |
|---|---|---|---|---|---|---|
| **Demand and Output** [(a)] | | | | | | |
| Household consumption | 2.0 | 3.25 | 1.75 | 2.75 | 3.5 | 3.75 |
| Dwelling investment | 11.6 | 7.0 | 10.0 | 4.0 | 2.0 | 1.5 |
| Business investment | -11.5 | -8.5 | -9.5 | -7.0 | -5.0 | -2.5 |
| Government consumption | 3.2 | 4.0 | 3.5 | 3.5 | 3.75 | 3.75 |
| Government investment | 1.9 | -0.75 | -1.0 | -0.5 | 1.0 | 2.5 |
| State Final Demand (SFD) | -2.1 | 0.0 | -1.0 | 0.25 | 1.25 | 2.0 |
| Merchandise exports | 6.7 | 4.5 | 5.0 | 4.0 | 6.5 | 8.5 |
| Merchandise imports | 3.4 | -7.75 | -8.0 | -3.0 | -0.75 | 0.75 |
| Net exports [(b)] | 9.6 | 8.25 | 10.5 | 6.5 | 9.0 | 10.5 |
| Gross State Product (GSP) [(c)] | 5.5 | 2.75 | 2.25 | 2.25 | 3.75 | 5.0 |
| **Labour market** | | | | | | |
| Population [(d)] | 2.6 | 2.1 | 1.9 | 2.0 | 2.1 | 2.2 |
| Employment | 1.7 | 1.5 | 2.25 | 1.75 | 1.75 | 2.0 |
| Unemployment rate [(e)] | 4.8 | 5.5 | 5.25 | 5.25 | 5.0 | 4.75 |
| Participation rate [(e)] | 68.2 | 68.2 | 68.8 | 68.7 | 68.3 | 68.1 |
| **Prices** | | | | | | |
| Consumer Price Index (CPI) | 3.0 | 2.75 | 2.25 | 2.5 | 2.5 | 2.5 |
| Wage Price Index (WPI) | 2.8 | 3.25 | 2.75 | 3.25 | 3.5 | 3.75 |
| SFD deflator | 3.1 | 2.7 | 3.7 | 2.9 | 2.4 | 2.4 |
| GSP deflator | 3.3 | 1.4 | -6.7 | 2.9 | 2.9 | 2.9 |
| Established house price index | 6.9 | 2.5 | 2.5 | 1.4 | 0.8 | 1.5 |
| **Other key parameters** | | | | | | |
| Exchange rate $US/$A (cents) | 91.8 | 90.6 | 87.2 | 83.3 | 81.8 | 80.8 |
| 'Headline' iron ore price ($US/tonne) cost and freight inclusive (CFR) | 122.8 | 122.7 | 75.0 | 77.3 | 79.6 | 81.9 |
| Crude oil price ($US/barrel) | 109.8 | 104.1 | 85.4 | 80.6 | 83.6 | 85.7 |

(a) Based on 2013-14 State Accounts data, released on 21 November 2014 (ABS Catalogue 5220.0) updated for the September quarter National Accounts (ABS Catalogue 5206.0).

(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 2013-14.

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

## Commodity Prices

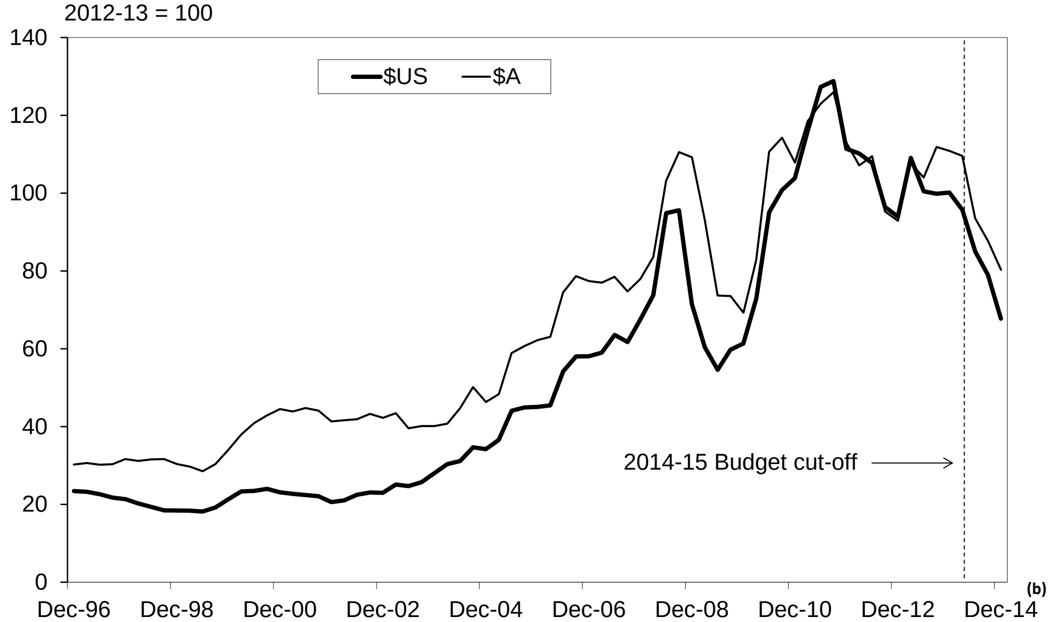
Concurrent with the transition in the Western Australian economy from investment-driven to export-led growth, commodity export prices have fallen significantly in the first half of 2014-15. In particular, the iron ore price is over 40% lower than at the time of finalising the 2014-15 Budget estimates in April 2014. The oil price has also fallen by around 35% over the same period. Declines for both commodities reflect the combined effect of higher than anticipated supply coinciding with weaker than expected demand (see the Iron Ore Price feature box in Chapter 1: *Financial Projections* for further information on iron ore price trends).

As a result, the Western Australian commodity price index (see figure below) has fallen sharply from record levels in the September quarter 2011. Lower commodity export prices have a direct effect on incomes as they represent a decline in the terms of trade (the ratio of export prices to import prices) and the purchasing power of households[1].

Figure 2

**COMMODITY PRICE INDEX[(a)]**

Western Australia




(a) A weighted index of prices for iron ore, gold, oil, LNG, copper, nickel, zinc and alumina.

(b) The index values for the September and December quarters of 2014 are estimates.

Source: Department of Treasury.

Moreover, the decline in the prices of exports is weighing on the outlook for new investment by resource firms, which is flowing through to softer labour market conditions and weaker wages growth compared to recent years (see the *Business Sector* and *Labour Market* sections for more information).

[1] When export prices fall relative to import prices, a smaller volume of goods and services (e.g. motor vehicles) can be imported in exchange for a given volume of exports (e.g. iron ore).

# International Conditions

Global economic conditions have weakened since budget due to more uncertain prospects for economic activity in Europe and Japan, and slowing growth in China.

Reflecting this, in its October 2014 *World Economic Outlook* (WEO), the International Monetary Fund (IMF) revised down estimates for global growth from 3.4% to 3.3% in 2014. The IMF's assessment is that global growth remains uneven and that downside risks have increased. Nonetheless, the IMF expects global economic conditions to improve in 2015, forecasting growth of 3.8%.

The IMF is projecting economic growth in China to continue to moderate, easing to 7.4% in 2014 and 7.1% in 2015. This reflects both the transition towards a more sustainable growth path as well as a slowdown in residential investment. Given the nature of Western Australia's exports to China, the outlook for the State's resource-driven economy relies heavily on the continued strength of the Chinese economy and its demand for our raw materials.

China's property sector has continued to show signs of weakness since budget, with residential property construction declining and property prices continuing to fall across China's 70 largest cities. The property construction sector is the largest consumer of steel in China. As such, slowing property construction will reduce demand for steel, and hence iron ore, in the short to medium-term.

Notwithstanding this, it is expected that growth in the Chinese economy will continue to support demand for iron ore, albeit at a slower rate than recent years. The Chinese Government has set a goal of a 60% urbanisation rate by 2020, up from around 54% in 2013, which is likely to help maintain construction demand over the longer term. At the same time, rising incomes are likely to increase demand for steel-intensive goods, with real per capita Gross Domestic Product (GDP) in China projected to increase by almost 44% between 2013 and 2019[2].

The US economy rebounded strongly in the June and September quarters of 2014, growing by an annualised 4.6% and 3.9% respectively. At the same time, the unemployment rate continues to fall and the housing market is showing signs of recovery. Reflecting increased optimism in the strength of the US economic recovery, the US Federal Reserve announced an exit from its recent quantitative easing[3] program in October 2014, effectively putting an end to its monthly purchasing of assets. According to the latest WEO, the IMF anticipates that the Federal Reserve will begin raising short-term interest rates by mid-2015.

The Federal Reserve has indicated that the timing of any increase in the policy rate is dependent on inflation, which is currently running below the Federal Reserve's target rate of 2%, and unemployment trends.

2 Sourced from the IMF *World Economic Outlook Database*, October 2014.

3 Quantitative easing is an unconventional monetary policy tool used by central banks to stimulate the economy when short-term interest rates have reached or are close to reaching zero. Quantitative easing involves the purchasing of assets of longer maturity than short-term government bonds, thereby lowering longer-term interest rates while simultaneously increasing the money supply.

The economic recovery in the euro area has slowed recently with growth prospects remaining uneven among member countries. The IMF is now forecasting the euro area to grow by only 0.8% in 2014 (revised down from 1.1%) and by 1.3% in 2015 (revised down from 1.5%). Economic growth appears to be picking up in a number of countries where Europe's sovereign debt crisis was most severe (including Spain, Portugal and Ireland). However, growth in some of the larger euro area economies has been weaker recently, in part due to a slowdown in a number of key trading partners (most notably China).

Inflation continues to track well below the European Central Bank's (ECB) target rate of 2% over the medium-term, while unemployment remains at historically high levels. The ECB reaffirmed its commitment to use additional stimulus measures if and when it becomes necessary in order to address the risk of deflation. Notwithstanding this, any recovery in the euro area is likely to be gradual with economic growth over the remainder of 2014 and into 2015 expected to be subdued and uneven across member countries.

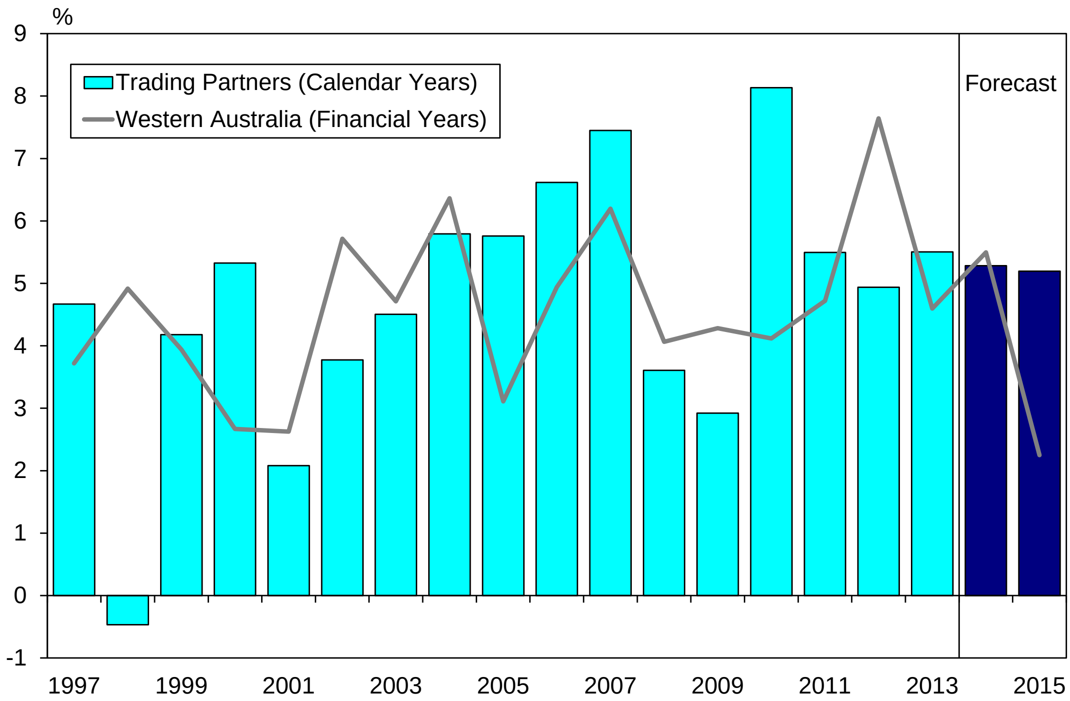
The outlook for growth in Japan remains weak, with the impact from the April 2014 consumption tax increase continuing to be felt throughout the economy. As a result, the IMF cut its growth forecast for Japan to just 0.9% in 2014 (down from 1.6%) and 0.8% in 2015 (down from 1.1%). The downward revision reflects Japan's second consecutive GDP contraction of 0.5% in the September quarter and 1.9% in the June quarter, indicating that the economy has slipped back into recession.

Overall, average growth for Western Australia's key export markets is expected to remain reasonably robust, at 5.3% in 2014 and 5.2% in 2015 (see figure below), following growth of 5.5% in 2013.

Figure 3

**WESTERN AUSTRALIA'S MAJOR EXPORT MARKETS[(a)]**

Annual Growth




(a) Includes China, Japan, South Korea, India and nine other countries. Together, these account for over 90% of the State's exports in the year to September 2014.

Source: IMF and Department of Treasury.

# Domestic Economic Activity

## Household Sector

### Private Consumption

Growth in household consumption moderated to 2% in 2013-14, well below the 3% growth forecast at budget. This was the lowest rate recorded since 2008-09 and brings growth in Western Australia more in line with the national rate of 2.2% in 2013-14.

Weaker than expected household consumption has led to a downward revision to growth in both 2014-15 (from 3.25% to 1.75%) and 2015-16 (from 3.5% to 2.75%). This is consistent with a softer outlook for wage and population growth, which have both been revised down since budget. In addition, discretionary spending[4] has continued to soften and failed to contribute to household consumption growth in 2013-14, for the first time since 2008-09.

[4] Discretionary items include: cigarettes and tobacco; alcoholic beverages; clothing and footwear; furnishings and household equipment; purchase of vehicles; communications; recreation and culture; and hotels, cafes and restaurants. Non-discretionary items include: food; rent and other dwelling services; electricity, gas and other fuel; health; operation of vehicles; transport services; and education services. 'Other' items include: insurance and other financial services; other goods and services; and net expenditure interstate.

Subdued labour market conditions saw real wages decline in 2013-14, which has contributed to weak consumer sentiment in Western Australia. The *Curtin Business School-CCIWA Consumer Confidence Index* has been in negative territory[5] for three consecutive quarters to September 2014. This is expected to constrain spending through 2014-15.

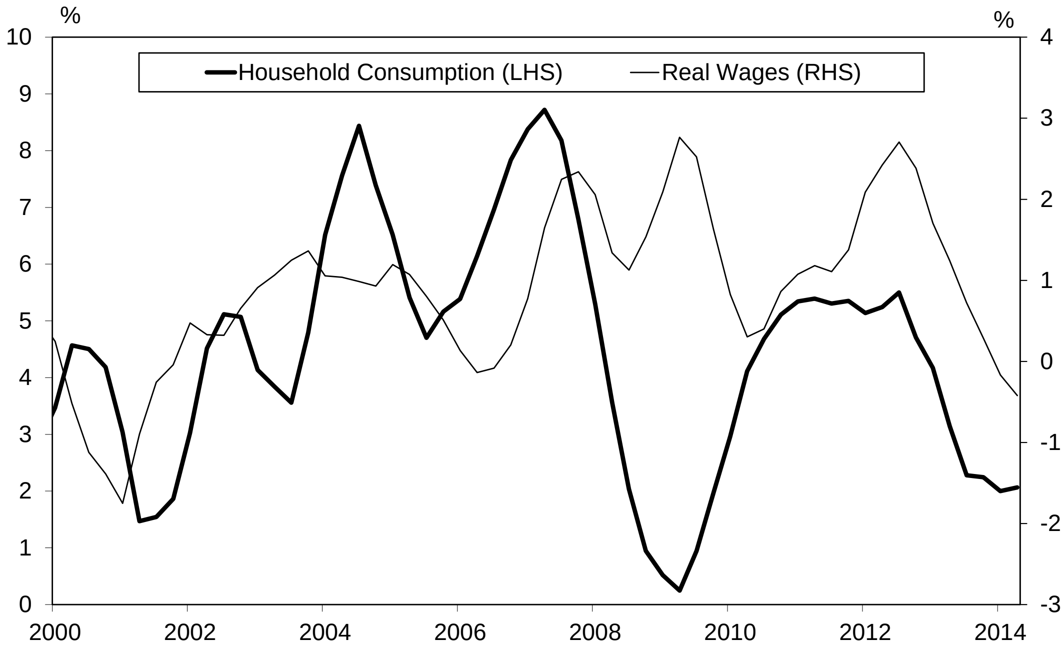
Recent movements in leading indicators are also consistent with a moderation in household consumption, with annual average growth in real retail trade contracting by 0.4% in the September quarter of 2014. This compares to annual average growth of 4.3% in the September quarter 2013.

The outlook for household consumption over the remainder of the forecast period is broadly consistent with that at budget, with growth in spending projected to slowly increase over the budget period as wage growth strengthens and the unemployment rate falls.

Figure 4

**HOUSEHOLD CONSUMPTION AND REAL WAGES**

Annual Average Growth, Western Australia




Source: ABS Catalogue 5206.0, 6401.0 and 6345.0.

## Established Housing Market

Conditions in the established housing market remained robust in 2013-14 with established house prices increasing by 6.9% over the year (compared to the 6.6% budget estimate).

5 The index is considered to be in 'negative territory' when the value falls below the neutral value of 100 and means that the number of pessimists outweighs the number of optimists.

House price growth is expected to be more subdued in 2014-15, reflecting the combined impact of softer population growth on demand as well as high levels of building activity lifting supply.

Recent trends are consistent with the price outlook. In particular, overseas arrivals and departures data point to a moderation in net overseas migration while transaction volumes (a measure of housing demand) have softened.

On the supply side, property listings have risen to their highest level since mid-2012. The average number of selling days for residential properties has also trended up since December 2013, but remains well below 2011-12 levels. The rental vacancy rate is well above the generally accepted equilibrium rate of 3%, which together with a high level of sales listings is indicative of a high stock level in the overall housing market. In addition, the housing stock is expected to expand as growth in new dwelling construction continues to be strong and the number of dwellings under construction remains high (see *Dwelling Investment* section).

These trends in demand and supply are in line with an expected decline in transfer duty in 2014-15 relative to 2013-14 (see Chapter 1: *Financial Projections*).

Relatively subdued house price growth is forecast across the entire forward estimates period (unchanged from budget-time). This reflects the continued moderation in demand as population growth stabilises at a lower rate, balanced by ample supply following significant additions to the housing stock.

## Dwelling Investment

Dwelling investment[6] in Western Australia increased by a strong 11.6% in 2013-14, with strong growth in the construction of new dwellings partially offset by a decline in dwelling alterations and additions. This strength in dwelling investment follows two years of contraction in 2011-12 and 2012-13.

Continued strength in leading indicators of dwelling activity suggest that growth in dwelling investment will be stronger for a longer period than anticipated at budget. In particular, the number of dwellings under construction reached 22,524 in the June quarter of 2014, the second highest number recorded since 2006-07, and 23.3% higher than a year earlier. These high levels reflect a record number of dwelling commencements (29,034) in 2013-14.

Building activity is expected to be supported by a high number of homes that have been contracted, but where construction has yet to commence. Building approvals have also risen strongly to be 16.8% higher in annual average terms in October 2014, pointing to high levels of activity in 2014-15.

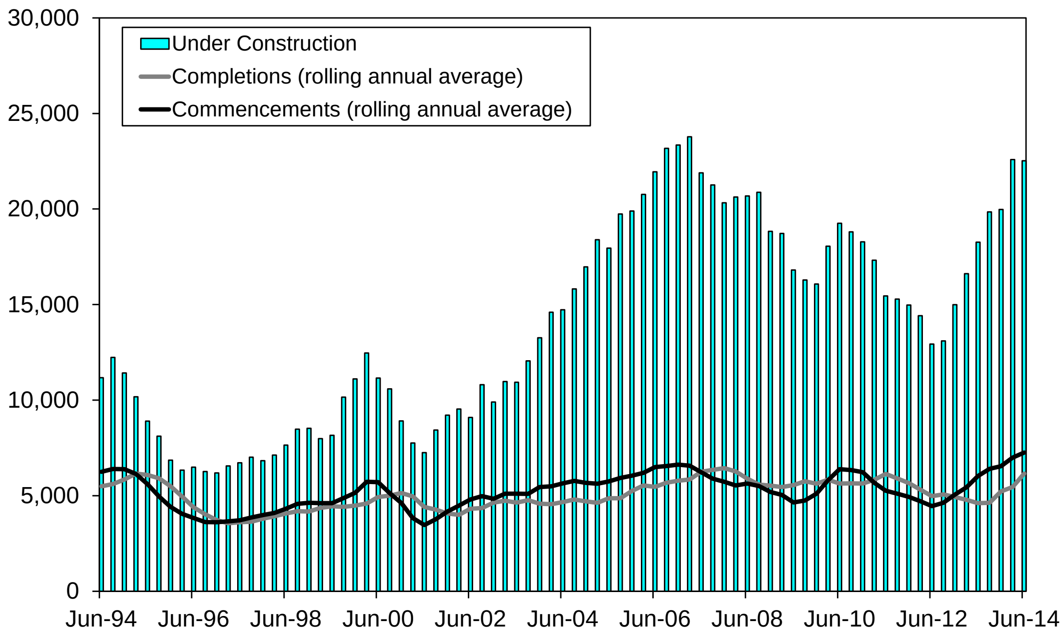
[6] Dwelling investment consists of the construction of new dwellings (usually around 60% of overall dwelling investment) and residential alterations and additions (the remaining 40%).

On this basis, dwelling investment is forecast to lift by 10% in 2014-15 (up from 7% at budget) and by 4% in 2015-16. More moderate growth, averaging around 1.75% per annum, is projected over 2016-17 and 2017-18, reflecting lower rates of population growth and high levels of additions to the housing stock expected in 2014-15. Over the forward estimates, it is expected that lower growth in dwelling investment will be sufficient to meet more subdued housing demand.

Figure 5

**DWELLING CONSTRUCTION**

Western Australia




Source: ABS Catalogue 8752.0.

## Business Sector

Business investment fell by a larger-than-expected 11.5% in 2013-14. The decline follows three years of very strong growth, including record growth of 46.3% in 2011-12. Apart from a small decline in 2009-10, business investment has been steadily rising since around the start of the century. Over this period, investment in Western Australia increased by more than five-fold, from $13.3 billion in 2001-02 to a record peak of $76.5 billion in 2012-13.

While recent growth was driven by the development of large iron ore and LNG projects, the majority of these projects have now either been completed or are expected to finish construction within the forward estimates period. As a result, business investment in Western Australia is forecast to decline in each year across the budget period.

This profile is similar to that presented in the 2014-15 Budget. However, forecast growth has been revised down in all years reflecting a weaker outlook for future investment in both the resources and non-resources sectors of the economy.

With the exception of the Persephone gas project ($1.2 billion), no new major resource projects have been announced since budget and companies have shifted their focus from expanding to cutting costs and improving efficiency. Recent declines in commodity prices (particularly for iron ore) and continued weakness in business confidence have also weighed on the outlook for major project investment.

In addition, investment other than in major resource projects, which was previously forecast to grow strongly across the budget period, is now expected to moderate at the same time as major resources investment declines.

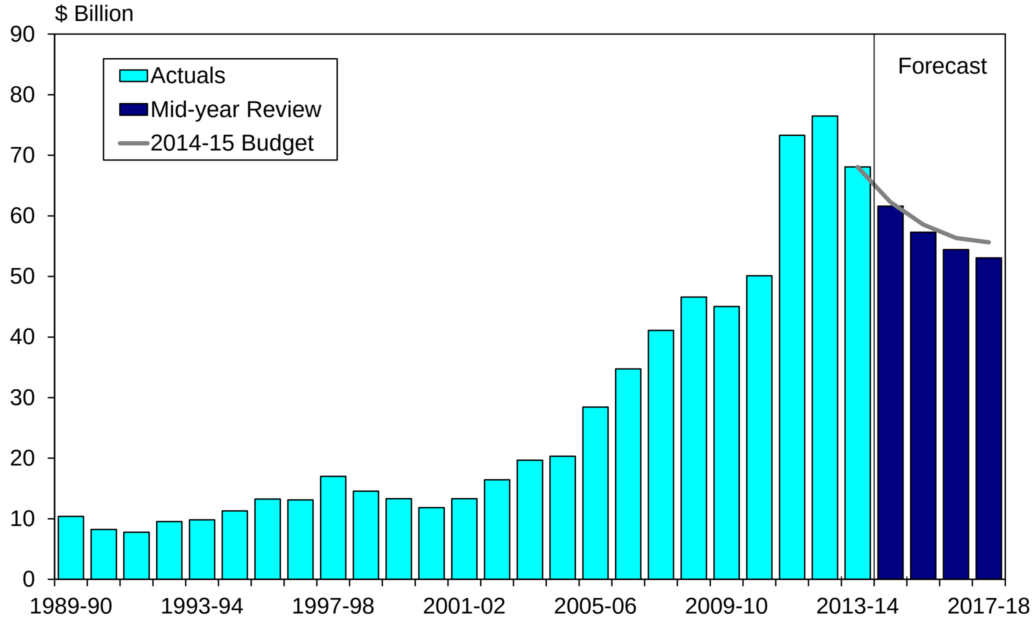
Overall, business investment is expected to fall by 9.5% in 2014-15 and by 7% in 2015-16. The declines in investment are expected to taper to -5% in 2016-17 and -2.5% in 2017-18 as investment gradually moderates from record levels.

Despite the larger forecast declines, business investment is still expected to remain at historically high levels across the forward estimates and well above the $50 billion level of investment recorded in 2010-11 (see following figure).

Figure 6

**BUSINESS INVESTMENT IN WESTERN AUSTRALIA**

Annual Levels, Chain Volume Terms




Source: ABS Catalogue 5206.0 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[7] in Western Australia increased by 3.2% in 2013-14, broadly in line with the budget forecast of 3.5%. Growth in government consumption has been revised down across the budget period consistent with the continued focus on cost cutting and efficiency at all levels of government. Public consumption is expected to increase by 3.5% in 2014-15 and 2015-16 (down from 4% and 4.25% respectively at budget) before lifting to 3.75% in 2016-17 and 2017-18 (both down from 4.25%). This brings forecast growth in government consumption more in line with the decade average growth of 3.4% per annum and is consistent with State Government expense growth projections from Chapter 1: *Financial Projections*.

Public investment increased by 1.9% in 2013-14, lower than the 3.75% forecast at budget. Public investment is expected to fall in 2014-15 (-1%) and 2015-16 (-0.5%) before gradually lifting to reach 2.5% by 2017-18, consistent with the Asset Investment Program projections provided in Chapter 1: *Financial Projections*.

## International Trade

### Exports

Merchandise exports from Western Australia have been growing broadly in line with budget expectations, with growth of 6.7% recorded for 2013-14 (compared to 7% forecast at budget). This was driven by a significant increase in iron ore exports, which was higher than expected at budget. However, the ramp up in iron ore production was offset by lower than anticipated gold exports (due to lower than projected re-exports[8]) and oil exports (due to a faster than expected decline in mature oil fields).

Higher volumes of iron ore exports are expected to continue into 2014-15, as projected expansions are completed, and efficiency gains are realised from existing infrastructure. Similar to 2013-14, these gains are expected to be slightly offset by a downward revision to both gold and oil exports. The net impact is an upward revision to merchandise export growth in 2014-15 to 5% (from 4.5% at budget).

Forecast growth in merchandise exports has been revised down in 2015-16 (from 5.5% to 4%) and 2016-17 (from 7.25% to 6.5%) since budget, largely reflecting that some of this growth was brought forward through the faster than expected commissioning of iron ore projects in 2013-14 and 2014-15.

The forecast for growth in merchandise exports in 2017-18 remains unchanged at 8.5% with the strong increase expected to be driven by production from the major LNG projects (Gorgon, Wheatstone and Prelude), which are currently under construction. Iron ore exports are expected to be 170 million tonnes (or 6%) higher over the period 2014-15 to 2017-18 than forecast at budget.

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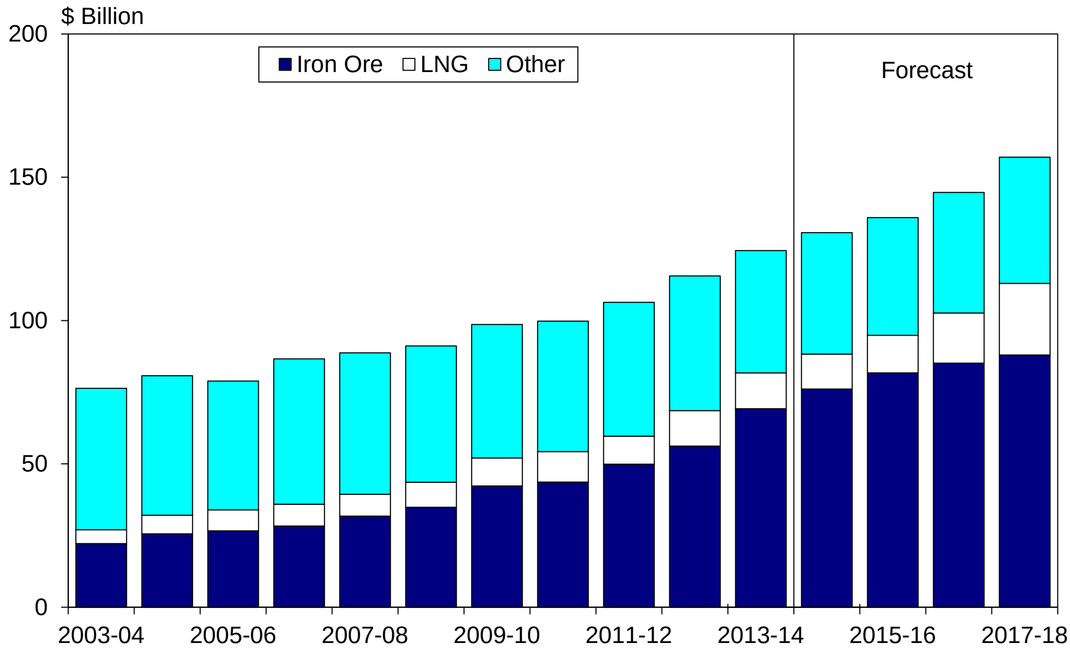
7 Public consumption and investment includes spending by the Commonwealth, State and local governments.

8 Gold re-exports refers to gold imported by the Gold Corporation which is processed and then re-exported.

Figure 7

**MERCHANDISE EXPORTS**

Western Australia, Chain Volume




Source: ABS Catalogue 5368.0 and Department of Treasury.

## Imports

Merchandise imports increased by 3.4% in 2013-14, which was significantly stronger than the 5.5% decline forecast at budget. This variance is likely due to the way in which the Australian Bureau of Statistics (ABS) treats imports of large capital items. Many of these goods, particularly those related to the offshore oil and gas industry, are included in the 'balancing item'[9], rather than in merchandise imports due to their confidential nature[10].

The forecast growth in merchandise imports is based on the assumption that imports will move in line with changes in business investment and household spending over the budget period, consistent with historical trends. As a result, forecast growth in merchandise imports has been revised in all years, due to a more subdued outlook for household consumption and business investment since budget. This is expected to result in weaker demand for consumer and capital goods, which will flow into fewer than anticipated imports. Merchandise imports are expected to increase by the end of the budget period, as the expected pick up in household consumption growth starts to offset the more moderate declines in business investment.

[9] The balancing item is the residual of GSP less SFD less international trade in exports of goods and services, plus international trade in imports of goods and services. The balancing item comprises changes in inventories, total net interstate trade as well as other miscellaneous items such as the balancing item discrepancy and adjustments for balance of payments trade.

[10] In recent years, there has been a large amount of project investment in the State's offshore oil and gas sector. As imports of capital goods required for these projects are recorded by the ABS in the 'balancing item', total merchandise imports over this period have been understated and have not closely tracked trends in business investment. The categorisation of these items as imports or as part of the 'balancing item' does not impact on GSP outcomes, because in either case the items are recorded as detracting from GSP.

# Labour Market

## Employment

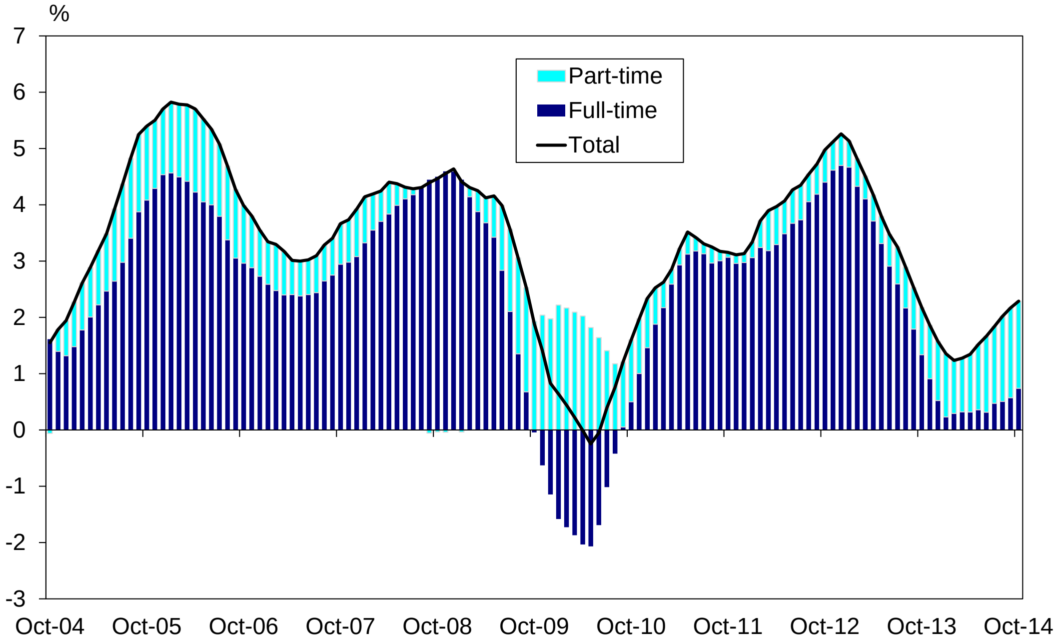
Employment in Western Australia grew by a subdued 1.7% in 2013-14, in line with a marked slowdown in domestic economic activity. However, annual average growth has since strengthened to 2.3% in October 2014, underpinned by a strong increase of 5.5% in part-time employment (see figure below). As a result, forecast employment growth has been revised up from 1.5% to 2.25% in 2014-15.

By comparison, growth in full-time employment has remained weak, up only 1% over the year to October 2014, indicating that underlying labour market conditions remain soft.

Figure 8

**EMPLOYMENT GROWTH**

Western Australia, Seasonally Adjusted
Percentage Point Contribution to Annual Average Growth




Source: ABS Catalogue 6202.0.

Leading indicators of labour demand (such as internet job vacancies) have recently shown tentative signs of recovery but improvement in these indicators are modest by recent standards. Annual growth in hours worked has recovered after contracting over 2013, but remains below its decade average rate.

Employment growth over the forward estimate years remains unchanged from budget, with growth expected to moderate to 1.75% in 2015-16 and 2016-17 before lifting to 2% by 2017-18. Despite the upward revision in 2014-15, employment growth is expected to be modest relative to the previous decade, as domestic economic conditions remain subdued and resource projects continue to transition to the less labour-intensive production phase.

## Unemployment

Western Australia’s unemployment rate averaged 4.8% over 2013-14 and has risen to an average of 5% in the four months to October 2014. Despite this, Western Australia’s unemployment rate remains the lowest of the Australian States and is well below the national rate, which has averaged 6.2% in the four months to October.

The unemployment rate is expected to pick-up over the remainder of the year to average 5.25% over 2014-15, as labour supply continues to outweigh demand, reflecting weak conditions in the domestic economy. This rate is lower than the 5.5% unemployment rate projected at budget, mirroring the upward revision to employment growth in 2014-15.

The forecasts over the forward estimate years are in line with budget, with the unemployment rate expected to fall to 4.75% by 2017-18 as domestic economic activity gradually improves.

The participation rate forecasts have been revised up relative to budget, driven by higher employment growth in 2014-15. The participation rate is now expected to average 68.8% in 2014-15 before gradually moderating to 68.1% by 2017-18.

## Population

Western Australia’s population increased by 3% in annual average terms in the March quarter of 2014 (the most recent available data), down from record growth of 3.6% in 2012-13. Growth remains above the average for the past decade of 2.5% per annum. The slowing growth is in large part due to a decline in net overseas migration, and particularly migration of skilled workers.

Western Australia’s population growth is estimated to have eased further to 2.6% in 2013-14 as forecast at budget. Forecast population growth has been revised down slightly to 1.9% in 2014-15 and 2% in 2015-16 (both down from 2.1% at budget), with net interstate migration anticipated to be softer than assumed in the 2014-15 Budget.

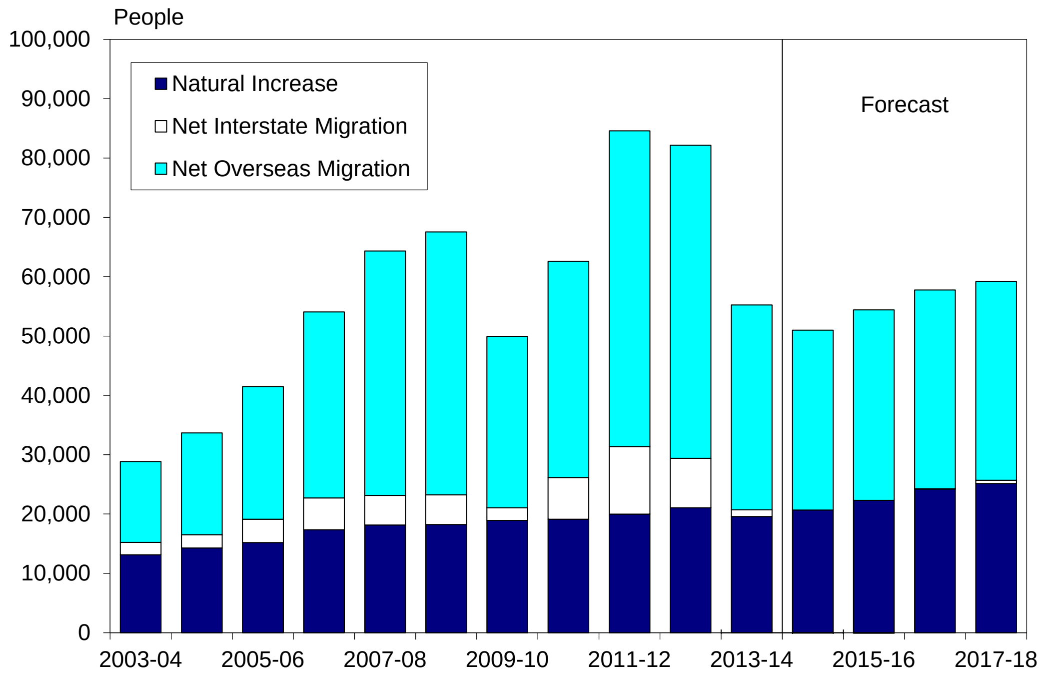
Population growth is forecast to strengthen to 2.1% in 2016-17 and 2.2% in 2017-18 (up from 2.1% at budget) in line with the expected improvement in the State’s domestic economy.

Over the four years 2014-15 to 2017-18, Western Australia’s population is forecast to increase by a total of around 222,000 persons, with 58.3% (or around 129,500 persons) of this increase from net overseas migration (see following figure).

Figure 9

**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 just 2.8% in 2013-14, the weakest growth in annual terms since 1999-2000 and the first decline in real wages since 2006. This was underpinned by a sharp moderation in private sector wage growth as firms sought to improve efficiency and reduce costs.

Wage growth is expected to remain subdued at 2.75% in 2014-15 as further capacity builds in the labour market and as firms continue to focus on restraining costs. This represents a downward revision from 3.25% growth at budget.

The State's WPI is forecast to gradually increase to 3.75% by 2017-18 (as expected at budget), in line with gradually improving economic and labour market conditions, but is forecast to remain below average growth of 4.3% per annum over the past decade.

# Inflation

## Consumer Price Index

Perth's Consumer Price Index (CPI) increased by 3% in 2013-14, with a quarterly increase of 0.5% in the September quarter of 2014 sustaining the annual rate at 3%. The September quarter increase was driven by a 19% rise in 'other services in respect of motor vehicles'[11], which contributed 0.23 percentage points to growth. The latest CPI data also showed that electricity prices fell by 4.5% in the September quarter (the largest quarterly fall since the series began in 1980), coinciding with the removal of the carbon tax from 1 July 2014.

Reflecting these changes, CPI growth has been revised down by 0.5 percentage points to 2.25% in 2014-15[12]. This is a smaller revision than the 0.75 percentage points reduction in CPI due to the carbon tax removal estimated by the Commonwealth Treasury, as stronger than expected growth in 'other services in respect of motor vehicles' is expected to have partially offset this impact.

Perth's CPI is forecast to increase by 2.5% per annum across the forward estimate years, consistent with budget expectations and broadly in line with national CPI forecasts.

# Risks

## Global Risks

While the global economic recovery is expected to continue, growth over 2014 and into 2015 is projected to be slower than previously anticipated and more uneven between countries. Downside risks to the outlook have also increased since budget. Any implications of these global risks for Western Australia will largely be determined by the growth prospects in China, as our largest trading partner.

The IMF is projecting that China's economy will grow by 7.4% in 2014 and 7.1% in 2015. This represents a significant easing from the average rate of growth of around 10% over the past decade. The lower growth outlook reflects slowing residential property investment, and China's transition from investment-led growth to a more sustainable consumption-led growth path.

Residential property construction has slowed substantially over the past year. As a key driver of steel and iron ore demand, weaker conditions in China's construction sector represent a key short to medium-term risk to the Western Australian economy (and finances).

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11 Includes motor vehicle registration, roadworthiness test, drivers licence fees, parking fees, driving lessons and tollway charges.

12 The CPI forecasts at budget did not include any adjustments for the removal of the carbon tax, as the legislation to remove the tax had not yet passed Federal Parliament.

Over the medium to longer term, the latest IMF growth forecasts for China suggest that an additional RMB7.3 trillion is expected to be added to Chinese GDP from 2014 to 2019. On this basis, the Chinese economy will be almost 50% larger in 2019 than in 2013. Furthermore, the Chinese Government has stated that it remains committed to continued urbanisation in order to drive sustainable economic growth. Consequently, it is expected that continued growth in the Chinese economy and urbanisation will continue to support demand for iron ore, although at a slower pace of growth than in recent years.

Despite continued falls in the US unemployment rate, the labour market does not appear as healthy as the headline unemployment rate implies, which may mean the economic recovery in the US is more fragile than headline GDP growth suggests. While down from its peak of 10% at the height of the global financial crisis, the unemployment rate remains above the levels experienced in the decade prior to the crisis. The pace of the economic recovery in the US presents a direct exchange rate risk for Western Australian royalty revenue as the Federal Reserve has linked the future policy rate to economic conditions and the US-Australia interest rate differential is a key determinant of the $US/$A exchange rate. The $US/$A exchange rate may continue to experience ongoing volatility as global financial markets respond to changes in US monetary policy.

Economic growth within the euro area remains weak and uneven, indicating that any recovery in the area will likely be gradual, as the economy struggles to emerge from a period of very high unemployment and very low inflation. While Western Australia has limited direct trade links with the euro area, a significant slowdown in the area could negatively impact on the Chinese economy, with potential negative flow-on effects for Western Australia.

In Japan, very high levels of public debt combined with a softer economic outlook are expected to continue to remain key concerns for the economy in the near term. As our second-largest trading partner behind China, any slowdown in Japanese output has the potential to impact on Western Australia and the demand for Western Australia’s goods.

Geopolitical shocks related to tension between Russian and Ukraine and the turmoil in the Middle East also remain a risk. While the effects of these have yet to cause much disruption to output globally, any change in the future could have significant implications for the global economic outlook via increased financial market volatility and commodity price fluctuations.

Much of the growth in Western Australia’s GSP over coming years will be driven by the external sector. If the State’s commodity export prices fall by more than forecast, export income will (other things equal) be weaker than expected, representing a downside risk to both royalty revenue and resource firms’ profitability. This in turn could flow through to softer than expected employment and wage growth, acting as a drag on domestic economic activity and the State’s tax revenue.

## Domestic Risks

As investment in major iron ore and LNG projects declines, it is expected that these declines will be partly offset by investment in non-resource sectors, and other projects that are at present only prospective.

However, if the value of realised future projects is lower than anticipated there is some downside risk to the outlook. 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.

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. 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.

A stronger than anticipated moderation in labour market conditions represents a downside risk to household consumption. If wages growth slows by more than forecast (and real wages continue to fall), consumer spending may be weaker. However, there remains a potential upside risk to household consumption growth (particularly in 2015-16) if full-time employment growth picks-up by more than currently anticipated.

A significant risk to the outlook relates to major resource project expansions which may encounter delays in the project delivery and commissioning phases. Project delivery has been a particular issue for the Western Australian resource sector over the past ten years. Complex operations, such as LNG projects, carry the greatest risks. Any delays experienced in project delivery, or the subsequent ramp up of production, could reduce exports below forecast levels, and result in lower than forecast export-led GSP growth.

The outlook for the State’s labour market is based on the expectation that domestic economic conditions will remain subdued across the budget period and constrain labour demand. However, employment growth may be higher than forecast if full-time employment growth strengthens faster than anticipated, and if conditions in the non-resource sector of the State’s economy gain momentum over the near term. Moreover, this could translate into a lower unemployment rate and higher wage growth than currently forecast.

Wage growth moderated steeply from 4% in 2012-13 to 2.8% in 2013-14, as businesses cut costs amid slowing domestic demand. Wage growth is forecast to remain around this rate in 2014-15, based on the expectation that the majority of wage cuts have already been implemented, and that any pay increases are likely to be modest. However, further wage cuts over the near term could result in lower wage growth than anticipated.

Population growth is forecast to slow from record high rates, as domestic economic activity moderates and the State’s share of national net overseas migration falls. However, if labour market conditions are stronger than expected, population growth may be higher than forecast as more people are attracted to the State. This presents some upside risk to growth in other sectors such as household consumption and housing demand.

APPENDIX 1

# 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 2014-15 Budget.

# Contents

Table 1.1

## GENERAL GOVERNMENT

### Operating Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *Results from Transactions* | | | | | | | |
| REVENUE | | | | | | | |
| Taxation | | 8,849 | 9,500 | 9,220 | 9,875 | 10,536 | 11,260 |
| Current grants and subsidies | | 8,199 | 8,006 | 7,884 | 7,712 | 8,224 | 8,765 |
| Capital grants | | 547 | 677 | 1,001 | 697 | 994 | 756 |
| Sales of goods and services | | 2,078 | 2,203 | 2,256 | 2,383 | 2,423 | 2,549 |
| Interest income | | 194 | 210 | 187 | 212 | 243 | 255 |
| Revenue from public corporations | | | | | | | |
| Dividends from other sector entities | | 901 | 938 | 1,226 | 976 | 1,036 | 1,133 |
| Tax equivalent income | | 602 | 530 | 491 | 543 | 617 | 602 |
| Royalty income | | 6,025 | 6,176 | 4,368 | 5,184 | 5,604 | 5,978 |
| Other | | 561 | 444 | 464 | 464 | 405 | 428 |
| *Total* | 3 | *27,956* | *28,683* | *27,096* | *28,047* | *30,084* | *31,726* |
| EXPENSES | | | | | | | |
| Salaries | | 10,682 | 11,345 | 11,340 | 11,370 | 11,724 | 11,748 |
| Superannuation | | | | | | | |
| Concurrent costs | | 1,030 | 1,118 | 1,116 | 1,116 | 1,149 | 1,149 |
| Superannuation interest cost | | 297 | 354 | 251 | 274 | 281 | 285 |
| Other employee costs | | 432 | 472 | 448 | 469 | 476 | 481 |
| Depreciation and amortisation | | 1,197 | 1,289 | 1,307 | 1,405 | 1,444 | 1,476 |
| Services and contracts | | 2,041 | 2,337 | 2,373 | 2,257 | 2,189 | 2,349 |
| Other gross operating expenses | | 4,943 | 5,036 | 5,084 | 5,354 | 5,595 | 5,760 |
| Other interest | | 492 | 538 | 551 | 662 | 813 | 958 |
| Current transfers | 4 | 5,357 | 5,454 | 5,352 | 5,413 | 5,662 | 5,735 |
| Capital transfers | 4 | 765 | 565 | 562 | 634 | 447 | 440 |
| *Total* | 5 | *27,236* | *28,508* | *28,383* | *28,954* | *29,780* | *30,382* |
| **NET OPERATING BALANCE** | 6 | **719** | **175** | **-1,287** | **-907** | **304** | **1,344** |
| *Other economic flows - included in the operating result* | | | | | | | |
| Net gains on assets/liabilities | | -34 | 12 | 11 | 38 | 7 | 3 |
| Net actuarial gains - superannuation | | -114 | 5 | -438 | -25 | -32 | -47 |
| Provision for doubtful debts | | -37 | -4 | -4 | -4 | -4 | -4 |
| Changes in accounting policy/correction of prior period errors | | 16 | - | - | - | - | - |
| *Total other economic flows* | | *-169* | *13* | *-431* | *8* | *-29* | *-48* |
| *OPERATING RESULT* | | *550* | *188* | *-1,719* | *-899* | *275* | *1,296* |
| *All other movements in equity* | | | | | | | |
| *Items that will not be reclassified to operating result* | | | | | | | |
| Revaluations | | 1,934 | 2,093 | 2,153 | 2,108 | 2,030 | 2,027 |
| Gains recognised directly in equity | | -1 | -1 | -1 | -1 | -1 | -1 |
| Change in net worth of the public corporations sectors | | 1,419 | 890 | 1,145 | 1,076 | 1,301 | 1,392 |
| All other | | - | - | - | - | - | - |
| *Total all other movements in equity* | | *3,351* | *2,982* | *3,297* | *3,184* | *3,331* | *3,418* |
| *TOTAL CHANGE IN NET WORTH* | | *3,901* | *3,170* | *1,579* | *2,285* | *3,606* | *4,715* |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| **NET OPERATING BALANCE** | 6 | **719** | **175** | **-1,287** | **-907** | **304** | **1,344** |
| Less *Net acquisition of non-financial assets* | | | | | | | |
| Purchase of non-financial assets | 5 | 3,289 | 3,169 | 3,082 | 2,246 | 2,363 | 2,478 |
| Changes in inventories | | 1 | - | -2 | - | - | - |
| Other movement in non-financial assets | | -22 | 216 | 372 | -104 | - | 423 |
| *Less:* | | | | | | | |
| Sales of non-financial assets | | 224 | 291 | 293 | 310 | 234 | 123 |
| Depreciation | | 1,197 | 1,289 | 1,307 | 1,405 | 1,444 | 1,476 |
| *Total net acquisition of non-financial assets* | | 1,847 | 1,804 | 1,851 | 427 | 685 | 1,301 |
| *NET LENDING/-BORROWING* | 6 | *-1,127* | *-1,629* | *-3,138* | *-1,335* | *-381* | *43* |

Note: Columns may not add due to rounding.

Table 1.2

## GENERAL GOVERNMENT

### Balance Sheet at 30 June

| | Note | 2014 Actual $m | 2015 Budget Estimate $m | 2015 Mid-year Revision $m | 2016 Mid-year Revision $m | 2017 Mid-year Revision $m | 2018 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| *Financial assets* | | | | | | | |
| Cash and deposits | | 692 | 586 | 577 | 569 | 580 | 602 |
| Advances paid | | 664 | 721 | 672 | 678 | 685 | 662 |
| Investments, loans and placements | | 3,904 | 3,187 | 2,941 | 3,554 | 4,679 | 5,515 |
| Receivables | | 3,054 | 3,264 | 2,754 | 2,836 | 2,982 | 3,056 |
| Shares and other equity | | | | | | | |
| Investments in other public sector entities - equity method | | 45,706 | 46,367 | 46,851 | 47,926 | 49,228 | 50,620 |
| Investments in other public sector entities - direct injections | | 6,731 | 7,083 | 7,249 | 7,855 | 8,334 | 8,689 |
| Investments in other entities | | 11 | 11 | 11 | 11 | 11 | 11 |
| Other financial assets | | - | - | - | - | - | - |
| *Total financial assets* | | *60,762* | *61,219* | *61,054* | *63,428* | *66,498* | *69,154* |
| *Non-financial assets* | | | | | | | |
| Land | | 37,606 | 37,719 | 38,359 | 39,149 | 39,979 | 40,850 |
| Property, plant and equipment | | 43,162 | 47,314 | 46,258 | 48,087 | 50,057 | 53,144 |
| Biological assets | | 1 | 2 | 1 | 1 | 1 | 1 |
| Inventories | | | | | | | |
| Land inventories | | 96 | 55 | 82 | 68 | 54 | 52 |
| Other inventories | | 79 | 72 | 77 | 77 | 77 | 77 |
| Intangibles | | 574 | 502 | 622 | 606 | 570 | 529 |
| Non-current assets held for sale | | 16 | 14 | 15 | 15 | 15 | 15 |
| Investment property | | 8 | 8 | 8 | - | - | - |
| Other | | 247 | 205 | 537 | 752 | 966 | 538 |
| *Total non-financial assets* | | *81,789* | *85,890* | *85,960* | *88,756* | *91,719* | *95,207* |
| *TOTAL ASSETS* | | *142,551* | *147,109* | *147,014* | *152,183* | *158,217* | *164,361* |
| LIABILITIES | | | | | | | |
| Deposits held | | 522 | 470 | 404 | 658 | 722 | 629 |
| Advances received | | 438 | 459 | 408 | 393 | 377 | 360 |
| Borrowings | | 11,362 | 13,607 | 14,120 | 17,176 | 19,673 | 21,365 |
| Unfunded superannuation | | 7,890 | 7,556 | 8,090 | 7,869 | 7,619 | 7,392 |
| Other employee benefits | | 3,140 | 3,257 | 2,951 | 2,694 | 2,767 | 2,782 |
| Payables | | 1,048 | 1,148 | 1,032 | 1,030 | 1,030 | 1,067 |
| Other liabilities | | 1,323 | 1,318 | 1,603 | 1,673 | 1,730 | 1,754 |
| *TOTAL LIABILITIES* | | *25,723* | *27,815* | *28,608* | *31,492* | *33,919* | *35,350* |
| **NET ASSETS** | | **116,828** | **119,294** | **118,406** | **120,691** | **124,297** | **129,012** |
| *Of which:* | | | | | | | |
| Contributed equity | | - | - | - | - | - | - |
| Accumulated surplus | | 11,122 | 11,279 | 9,556 | 8,686 | 8,990 | 10,287 |
| Other reserves | | 105,706 | 108,015 | 108,851 | 112,005 | 115,307 | 118,725 |
| **NET WORTH** | 6 | **116,828** | **119,294** | **118,406** | **120,691** | **124,297** | **129,012** |
| **MEMORANDUM ITEMS** | | | | | | | |
| *Net financial worth* | | *35,039* | *33,411* | *32,447* | *31,936* | *32,578* | *33,805* |
| *Net financial liabilities* | | *17,398* | *20,038* | *21,653* | *23,846* | *24,984* | *25,504* |
| *Net debt* | | | | | | | |
| Gross debt liabilities | | 12,322 | 14,536 | 14,932 | 18,226 | 20,773 | 22,355 |
| *Less* : liquid financial assets | | 5,260 | 4,494 | 4,189 | 4,800 | 5,943 | 6,779 |
| *Less:* convergence differences impacting net debt | | 88 | 88 | 88 | - | - | - |
| *Net debt* | | *6,973* | *9,953* | *10,655* | *13,426* | *14,830* | *15,576* |

Note: Columns may not add due to rounding.

Table 1.3

# GENERAL GOVERNMENT

## Cash Flow Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *CASH FLOWS FROM OPERATING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Taxes received | | 8,712 | 9,514 | 9,234 | 9,894 | 10,552 | 11,275 |
| Grants and subsidies received | | 8,614 | 8,689 | 8,932 | 8,425 | 9,206 | 9,523 |
| Receipts from sales of goods and services | | 2,135 | 2,242 | 2,292 | 2,423 | 2,502 | 2,636 |
| Interest receipts | | 219 | 199 | 176 | 201 | 233 | 244 |
| Dividends and tax equivalents | | 1,497 | 1,447 | 1,707 | 1,566 | 1,628 | 1,738 |
| Other receipts | | 7,829 | 7,594 | 6,262 | 6,621 | 7,061 | 7,450 |
| *Total cash received* | | *29,006* | *29,685* | *28,604* | *29,130* | *31,181* | *32,867* |
| *Cash Paid* | | | | | | | |
| Wages, salaries and supplements, and superannuation | | -12,157 | -12,874 | -12,944 | -13,269 | -13,382 | -13,460 |
| Payments for goods and services | | -7,526 | -7,814 | -7,870 | -7,952 | -8,206 | -8,556 |
| Interest paid | | -485 | -523 | -533 | -619 | -766 | -917 |
| Grants and subsidies paid | | -5,567 | -5,841 | -5,706 | -5,750 | -5,906 | -5,970 |
| Dividends and tax equivalents | | - | - | - | - | - | - |
| Other payments | | -1,538 | -1,377 | -1,397 | -1,431 | -1,405 | -1,401 |
| *Total cash paid* | | *-27,273* | *-28,429* | *-28,450* | *-29,022* | *-29,666* | *-30,304* |
| *NET CASH FLOWS FROM OPERATING ACTIVITIES* | | *1,733* | *1,256* | *154* | *108* | *1,515* | *2,563* |
| *CASH FLOWS FROM INVESTING ACTIVITIES* | | | | | | | |
| *Cash flows from investments in non-financial assets* | | | | | | | |
| Purchase of non-financial assets | | -3,289 | -3,169 | -3,082 | -2,246 | -2,363 | -2,478 |
| Sales of non-financial assets | | 224 | 291 | 293 | 310 | 234 | 123 |
| *Total cash flows from investments in non-financial assets* | | *-3,065* | *-2,878* | *-2,788* | *-1,937* | *-2,129* | *-2,355* |
| *Cash flows from investments in financial assets* | | | | | | | |
| *Cash received* | | | | | | | |
| For policy purposes | | 22 | - | - | - | - | - |
| For liquidity purposes | | 1 | - | - | 8 | - | - |
| *Cash paid* | | | | | | | |
| For policy purposes | | -551 | -597 | -616 | -543 | -497 | -423 |
| For liquidity purposes | | -1 | - | - | - | - | - |
| *Total cash flows from investments in financial assets* | | *-529* | *-597* | *-616* | *-535* | *-497* | *-423* |
| *NET CASH FLOWS FROM INVESTING ACTIVITIES* | | *-3,594* | *-3,475* | *-3,405* | *-2,471* | *-2,626* | *-2,778* |
| *CASH FLOWS FROM FINANCING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Advances received | | 30 | 40 | 15 | 16 | 16 | 16 |
| Borrowings | | 545 | 2,271 | 2,478 | 3,229 | 2,661 | 1,479 |
| Deposits received | | - | - | - | - | - | - |
| Other financing receipts | | 36 | 39 | 35 | 36 | 58 | 64 |
| *Total cash receipts from financing activities* | | *611* | *2,351* | *2,528* | *3,280* | *2,735* | *1,559* |
| *Cash paid* | | | | | | | |
| Advances paid | | -16 | -15 | -15 | -16 | -16 | -16 |
| Borrowings repaid | | -368 | -127 | -80 | -92 | -89 | -119 |
| Deposits paid | | - | - | - | - | - | - |
| Other financing payments | | -140 | -217 | -153 | -422 | -430 | -241 |
| *Total payments for financing activities* | | *-524* | *-360* | *-249* | *-529* | *-535* | *-376* |
| *NET CASH FLOWS FROM FINANCING ACTIVITIES* | | *86* | *1,991* | *2,280* | *2,752* | *2,199* | *1,183* |
| **Net increase in cash and cash equivalents** | | **-1,775** | **-228** | **-971** | **388** | **1,089** | **968** |
| Cash and cash equivalents at the beginning of the year | | 6,263 | 3,843 | 4,488 | 3,517 | 3,905 | 4,993 |
| Cash and cash equivalents at the end of the year | | 4,488 | 3,615 | 3,517 | 3,905 | 4,993 | 5,962 |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| Net cash flows from operating activities | | 1,733 | 1,256 | 154 | 108 | 1,515 | 2,563 |
| Net cash flows from investing in non-financial assets | | -3,065 | -2,878 | -2,788 | -1,937 | -2,129 | -2,355 |
| **Cash surplus/-deficit** | 6 | **-1,333** | **-1,622** | **-2,635** | **-1,829** | **-614** | **208** |

Note: Columns may not add due to rounding.

Table 1.4

## PUBLIC NON-FINANCIAL CORPORATIONS

### Operating Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *Results from Transactions* | | | | | | | |
| REVENUE | | | | | | | |
| Current grants and subsidies | | 2,368 | 2,416 | 2,306 | 2,274 | 2,235 | 2,172 |
| Capital grants | | 231 | 199 | 202 | 153 | 115 | 114 |
| Sales of goods and services | | 15,536 | 17,429 | 16,263 | 17,273 | 17,962 | 19,166 |
| Interest income | | 175 | 204 | 176 | 201 | 218 | 242 |
| Other | | 659 | 487 | 527 | 579 | 673 | 549 |
| *Total* | | *18,969* | *20,734* | *19,473* | *20,481* | *21,203* | *22,243* |
| EXPENSES | | | | | | | |
| Salaries | | 1,209 | 1,206 | 1,219 | 1,217 | 1,251 | 1,280 |
| Superannuation | | | | | | | |
| Concurrent costs | | 115 | 119 | 120 | 119 | 123 | 125 |
| Superannuation interest cost | | - | - | - | - | - | - |
| Other employee costs | | 60 | 42 | 44 | 44 | 45 | 45 |
| Depreciation and amortisation | | 2,005 | 2,077 | 2,096 | 2,093 | 2,139 | 2,169 |
| Services and contracts | | 972 | 833 | 806 | 844 | 773 | 723 |
| Other gross operating expenses | | 11,392 | 13,475 | 12,242 | 12,998 | 13,364 | 14,318 |
| Other interest | | 955 | 1,046 | 994 | 1,036 | 1,132 | 1,200 |
| Tax equivalents | | 595 | 498 | 459 | 504 | 574 | 555 |
| Current transfers | | 1,011 | 1,032 | 1,032 | 1,090 | 1,145 | 1,181 |
| Capital transfers | | 83 | 35 | 90 | 45 | 46 | - |
| *Total* | | *18,398* | *20,363* | *19,102* | *19,991* | *20,591* | *21,596* |
| **NET OPERATING BALANCE** | 6 | **571** | **371** | **372** | **490** | **612** | **648** |
| *Other economic flows - included in the operating result* | | | | | | | |
| Net gains on assets/liabilities | | 90 | 96 | 85 | 146 | 201 | 223 |
| Net actuarial gains - superannuation | | -28 | - | - | - | - | - |
| Provision for doubtful debts | | -13 | -19 | -17 | -18 | -18 | -19 |
| Changes in accounting policy/correction of prior period errors | | -715 | - | - | - | - | - |
| *Total other economic flows* | | *-666* | *76* | *68* | *128* | *183* | *204* |
| *OPERATING RESULT* | | *-95* | *448* | *439* | *619* | *794* | *851* |
| *Other non-owner movements in equity* | | | | | | | |
| *Items that will not be reclassified to operating result* | | | | | | | |
| Revaluations | | 1,839 | 1,283 | 1,822 | 1,340 | 1,440 | 1,555 |
| Gains recognised directly in equity | | 462 | -57 | -65 | -58 | -63 | -65 |
| All other | | - | - | - | - | - | - |
| *Total other non-owner movements in equity* | | *2,301* | *1,226* | *1,757* | *1,282* | *1,377* | *1,490* |
| *Movements in owner equity* | | | | | | | |
| Dividends | | -825 | -893 | -1,182 | -929 | -985 | -1,080 |
| Capital injections | | 575 | 653 | 518 | 606 | 480 | 355 |
| *Total movements in owner equity* | | *-250* | *-240* | *-664* | *-323* | *-506* | *-725* |
| *TOTAL CHANGE IN NET WORTH* | | *1,956* | *1,434* | *1,532* | *1,577* | *1,665* | *1,616* |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| **NET OPERATING BALANCE** | 6 | **571** | **371** | **372** | **490** | **612** | **648** |
| Less *Net acquisition of non-financial assets* | | | | | | | |
| Purchase of non-financial assets | | 3,534 | 3,681 | 3,624 | 3,241 | 3,028 | 3,549 |
| Changes in inventories | | 514 | -93 | -193 | 212 | 363 | 274 |
| Other movement in non-financial assets | | 339 | 35 | 49 | 154 | 240 | 149 |
| *Less:* | | | | | | | |
| Sales of non-financial assets | | 940 | 1,189 | 961 | 1,045 | 869 | 971 |
| Depreciation | | 2,005 | 2,077 | 2,096 | 2,093 | 2,139 | 2,169 |
| *Total net acquisition of non-financial assets* | | *1,441* | *356* | *423* | *469* | *623* | *832* |
| *NET LENDING/-BORROWING* | 6 | *-870* | *16* | *-51* | *22* | *-11* | *-185* |

Note: Columns may not add due to rounding.

Table 1.5

## PUBLIC NON-FINANCIAL CORPORATIONS

### Balance Sheet at 30 June

| | Note | 2014 Actual $m | 2015 Budget Estimate $m | 2015 Mid-year Revision $m | 2016 Mid-year Revision $m | 2017 Mid-year Revision $m | 2018 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| *Financial assets* | | | | | | | |
| Cash and deposits | | 1,199 | 913 | 494 | 922 | 1,149 | 1,245 |
| Advances paid | | - | - | - | - | - | - |
| Investments, loans and placements | | 4,526 | 5,614 | 5,756 | 5,760 | 5,779 | 5,812 |
| Receivables | | 1,198 | 1,381 | 1,057 | 1,249 | 1,300 | 1,414 |
| Shares and other equity | | | | | | | |
| Investments in other public sector entities - equity method | | - | - | - | - | - | - |
| Investments in other public sector entities - direct injections | | - | - | - | - | - | - |
| Investments in other entities | | 33 | - | 38 | 44 | 50 | 57 |
| Other financial assets | | 946 | 910 | 910 | 860 | 818 | 759 |
| *Total financial assets* | | *7,902* | *8,817* | *8,254* | *8,834* | *9,096* | *9,287* |
| *Non-financial assets* | | | | | | | |
| Land | | 14,799 | 15,780 | 15,539 | 16,316 | 17,131 | 17,988 |
| Property, plant and equipment | | 50,421 | 50,908 | 51,890 | 52,768 | 53,802 | 55,453 |
| Biological assets | | 333 | 319 | 321 | 322 | 324 | 325 |
| Inventories | | | | | | | |
| Land inventories | | 1,905 | 2,110 | 2,088 | 2,244 | 2,240 | 2,209 |
| Other inventories | | 3,225 | 3,410 | 3,032 | 3,244 | 3,607 | 3,881 |
| Intangibles | | 507 | 461 | 438 | 404 | 377 | 359 |
| Non-current assets held for sale | | 13 | 31 | 13 | 13 | 13 | 13 |
| Investment property | | 24 | 23 | 25 | 25 | 25 | 25 |
| Other | | 137 | 247 | 173 | 178 | 185 | 171 |
| *Total non-financial assets* | | *71,365* | *73,289* | *73,518* | *75,513* | *77,704* | *80,423* |
| *TOTAL ASSETS* | | *79,267* | *82,107* | *81,772* | *84,348* | *86,800* | *89,710* |
| LIABILITIES | | | | | | | |
| Deposits held | | - | - | - | - | - | - |
| Advances received | | 424 | 409 | 408 | 393 | 377 | 360 |
| Borrowings | | 21,467 | 23,299 | 23,053 | 23,542 | 23,950 | 24,993 |
| Unfunded superannuation | | 127 | 71 | 96 | 56 | 14 | - |
| Other employee benefits | | 425 | 450 | 467 | 464 | 452 | 464 |
| Payables | | 4,810 | 4,606 | 4,049 | 4,491 | 4,814 | 5,002 |
| Other liabilities | | 1,364 | 1,759 | 1,516 | 1,642 | 1,768 | 1,850 |
| *TOTAL LIABILITIES* | | *28,616* | *30,593* | *29,589* | *30,588* | *31,375* | *32,669* |
| **NET ASSETS** | | **50,651** | **51,513** | **52,183** | **53,760** | **55,425** | **57,041** |
| *Of which:* | | | | | | | |
| Contributed equity | | 6,731 | 7,083 | 7,249 | 7,855 | 8,334 | 8,689 |
| Accumulated surplus | | 18,232 | 18,109 | 17,228 | 16,773 | 16,428 | 16,048 |
| Other reserves | | 25,688 | 26,322 | 27,706 | 29,132 | 30,663 | 32,305 |
| **NET WORTH** | 6 | **50,651** | **51,513** | **52,183** | **53,760** | **55,425** | **57,041** |
| **MEMORANDUM ITEMS** | | | | | | | |
| *Net financial worth* | | *-71,365* | *-73,266* | *-73,518* | *-75,513* | *-77,704* | *-80,423* |
| *Net debt* | | | | | | | |
| Gross debt liabilities | | 21,890 | 23,708 | 23,462 | 23,935 | 24,326 | 25,353 |
| *Less* : liquid financial assets | | 5,725 | 6,527 | 6,250 | 6,682 | 6,928 | 7,057 |
| *Less:* convergence differences impacting net debt | | - | - | - | - | - | - |
| *Net debt* | | *16,166* | *17,181* | *17,212* | *17,253* | *17,399* | *18,296* |

Note: Columns may not add due to rounding.

Table 1.6

## PUBLIC NON-FINANCIAL CORPORATIONS

### Cash Flow Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *CASH FLOWS FROM OPERATING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Grants and subsidies received | | 2,597 | 2,620 | 2,513 | 2,431 | 2,352 | 2,294 |
| Receipts from sales of goods and services | | 15,932 | 17,289 | 16,423 | 17,258 | 18,406 | 19,413 |
| Interest receipts | | 166 | 204 | 176 | 201 | 218 | 242 |
| Dividends and tax equivalents | | 78 | 56 | 68 | 68 | 68 | 69 |
| Other receipts | | 1,706 | 1,229 | 1,225 | 1,142 | 1,188 | 1,257 |
| *Total cash received* | | *20,479* | *21,399* | *20,406* | *21,102* | *22,233* | *23,275* |
| *Cash paid* | | | | | | | |
| Wages, salaries and supplements, and superannuation | | -1,325 | -1,375 | -1,366 | -1,448 | -1,458 | -1,481 |
| Payments for goods and services | | -10,653 | -12,402 | -11,720 | -11,912 | -12,422 | -13,213 |
| Interest paid | | -968 | -965 | -930 | -975 | -1,076 | -1,145 |
| Grants and subsidies paid | | -738 | -766 | -782 | -827 | -871 | -889 |
| Tax equivalents | | -573 | -495 | -480 | -562 | -559 | -558 |
| Other payments | | -3,817 | -3,316 | -3,185 | -2,899 | -3,404 | -3,665 |
| *Total cash paid* | | *-18,076* | *-19,319* | *-18,464* | *-18,623* | *-19,791* | *-20,950* |
| *NET CASH FLOWS FROM OPERATING ACTIVITIES* | | *2,403* | *2,080* | *1,941* | *2,479* | *2,442* | *2,325* |
| *CASH FLOWS FROM INVESTING ACTIVITIES* | | | | | | | |
| *Cash flows from investments in non-financial assets* | | | | | | | |
| Purchase of non-financial assets | | -3,534 | -3,681 | -3,624 | -3,241 | -3,028 | -3,549 |
| Sales of non-financial assets | | 940 | 1,189 | 961 | 1,045 | 869 | 971 |
| *Total cash flows from investments in non-financial assets* | | *-2,594* | *-2,491* | *-2,663* | *-2,197* | *-2,159* | *-2,578* |
| *Cash flows from investments in financial assets* | | | | | | | |
| *Cash received* | | | | | | | |
| For policy purposes | | - | - | - | - | - | - |
| For liquidity purposes | | 422 | 70 | 119 | 14 | 54 | 10 |
| *Cash paid* | | | | | | | |
| For policy purposes | | - | -4 | - | - | -21 | -28 |
| For liquidity purposes | | -386 | -14 | -32 | -20 | -20 | -21 |
| *Total cash flows from investments in financial assets* | | *36* | *52* | *87* | *-5* | *13* | *-39* |
| *NET CASH FLOWS FROM INVESTING ACTIVITIES* | | *-2,557* | *-2,440* | *-2,576* | *-2,202* | *-2,145* | *-2,617* |
| *CASH FLOWS FROM FINANCING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Advances received | | - | - | - | - | - | - |
| Borrowings | | 23,781 | 14,459 | 15,475 | 14,392 | 20,095 | 22,215 |
| Deposits received | | - | - | - | - | - | - |
| Other financing receipts | | 590 | 634 | 653 | 592 | 540 | 482 |
| *Total cash received* | | *24,372* | *15,092* | *16,128* | *14,984* | *20,635* | *22,697* |
| *Cash paid* | | | | | | | |
| Advances paid | | -15 | -15 | -15 | -16 | -16 | -16 |
| Borrowings repaid | | -23,071 | -13,715 | -15,083 | -13,896 | -19,679 | -21,160 |
| Deposits paid | | - | - | - | - | - | - |
| Other financing payments | | -23 | -59 | -28 | -35 | -38 | -32 |
| Dividends paid | | -825 | -887 | -1,176 | -924 | -979 | -1,084 |
| *Total cash paid* | | *-23,934* | *-14,677* | *-16,302* | *-14,871* | *-20,712* | *-22,291* |
| *NET CASH FLOWS FROM FINANCING ACTIVITIES* | | *438* | *415* | *-174* | *113* | *-77* | *406* |
| **Net increase in cash and cash equivalents** | | **284** | **55** | **-809** | **390** | **220** | **113** |
| Cash and cash equivalents at the beginning of the year | | 1,519 | 1,184 | 1,803 | 994 | 1,383 | 1,603 |
| Cash and cash equivalents at the end of the year | | 1,803 | 1,239 | 994 | 1,383 | 1,603 | 1,717 |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| Net cash flows from operating activities | | 2,403 | 2,080 | 1,941 | 2,479 | 2,442 | 2,325 |
| Net cash flows from investing in non-financial assets | | -2,594 | -2,491 | -2,663 | -2,197 | -2,159 | -2,578 |
| Dividends paid | | -825 | -887 | -1,176 | -924 | -979 | -1,084 |
| **Cash surplus/-deficit** | 6 | **-1,015** | **-1,299** | **-1,898** | **-642** | **-695** | **-1,337** |

Note: Columns may not add due to rounding.

Table 1.7

## TOTAL NON-FINANCIAL PUBLIC SECTOR

### Operating Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *Results from Transactions* | | | | | | | |
| REVENUE | | | | | | | |
| Taxation | | 8,387 | 9,029 | 8,766 | 9,397 | 10,039 | 10,741 |
| Current grants and subsidies | | 8,199 | 8,006 | 7,884 | 7,712 | 8,224 | 8,765 |
| Capital grants | | 547 | 677 | 1,001 | 697 | 994 | 756 |
| Sales of goods and services | | 17,133 | 19,115 | 17,994 | 19,101 | 19,861 | 21,177 |
| Interest income | | 342 | 386 | 335 | 384 | 430 | 465 |
| Royalty income | | 6,025 | 6,176 | 4,368 | 5,184 | 5,604 | 5,978 |
| Dividend and tax equivalents | | 161 | 133 | 144 | 154 | 162 | 170 |
| Other | | 1,094 | 845 | 879 | 943 | 979 | 875 |
| *Total* | | *41,887* | *44,366* | *41,370* | *43,573* | *46,292* | *48,927* |
| EXPENSES | | | | | | | |
| Salaries | | 11,890 | 12,551 | 12,559 | 12,587 | 12,975 | 13,028 |
| Superannuation | | | | | | | |
| Concurrent costs | | 1,146 | 1,237 | 1,236 | 1,236 | 1,271 | 1,274 |
| Superannuation interest cost | | 297 | 354 | 251 | 274 | 281 | 285 |
| Other employee costs | | 287 | 261 | 265 | 278 | 280 | 278 |
| Depreciation and amortisation | | 3,202 | 3,367 | 3,403 | 3,498 | 3,582 | 3,646 |
| Services and contracts | | 3,008 | 3,174 | 3,181 | 3,104 | 2,966 | 3,075 |
| Other gross operating expenses | | 15,866 | 18,041 | 16,820 | 17,817 | 18,452 | 19,554 |
| Other interest | | 1,420 | 1,556 | 1,518 | 1,669 | 1,912 | 2,126 |
| Current transfers | | 3,694 | 3,771 | 3,786 | 3,930 | 4,264 | 4,422 |
| Capital transfers | | 611 | 401 | 450 | 525 | 378 | 327 |
| *Total* | | *41,421* | *44,713* | *43,468* | *44,918* | *46,362* | *48,015* |
| **NET OPERATING BALANCE** | 6 | **465** | **-347** | **-2,098** | **-1,346** | **-70** | **912** |
| *Other economic flows - included in the operating result* | | | | | | | |
| Net gains on assets/liabilities | | 56 | 107 | 95 | 183 | 208 | 226 |
| Net actuarial gains - superannuation | | -142 | 5 | -438 | -25 | -32 | -47 |
| Provision for doubtful debts | | -50 | -23 | -21 | -22 | -23 | -23 |
| Changes in accounting policy/correction of prior period errors | | -699 | - | - | - | - | - |
| *Total other economic flows* | | *-835* | *89* | *-363* | *136* | *153* | *155* |
| *OPERATING RESULT* | | *-370* | *-258* | *-2,461* | *-1,209* | *84* | *1,068* |
| *All other movements in equity* | | | | | | | |
| *Items that will not be reclassified to operating result* | | | | | | | |
| Revaluations | | 3,772 | 3,376 | 3,974 | 3,448 | 3,470 | 3,582 |
| Gains recognised directly in equity | | 461 | -57 | -66 | -59 | -63 | -66 |
| Change in net worth of the PFC sector | | 38 | 109 | 131 | 104 | 116 | 131 |
| All other | | - | - | - | - | - | - |
| *Total all other movements in equity* | | *4,271* | *3,427* | *4,040* | *3,494* | *3,522* | *3,647* |
| *TOTAL CHANGE IN NET WORTH* | | *3,901* | *3,170* | *1,579* | *2,285* | *3,606* | *4,715* |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| **NET OPERATING BALANCE** | 6 | **465** | **-347** | **-2,098** | **-1,346** | **-70** | **912** |
| Less *Net acquisition of non-financial assets* | | | | | | | |
| Purchase of non-financial assets | | 6,809 | 6,720 | 6,608 | 5,487 | 5,391 | 6,027 |
| Changes in inventories | | 515 | -93 | -195 | 212 | 363 | 275 |
| Other movement in non-financial assets | | 317 | 251 | 420 | 50 | 240 | 572 |
| *Less:* | | | | | | | |
| Sales of non-financial assets | | 1,150 | 1,351 | 1,157 | 1,354 | 1,103 | 1,094 |
| Depreciation | | 3,202 | 3,367 | 3,403 | 3,498 | 3,582 | 3,646 |
| *Total net acquisition of non-financial assets* | | *3,288* | *2,160* | *2,274* | *896* | *1,308* | *2,134* |
| *NET LENDING/-BORROWING* | 6 | *-2,823* | *-2,507* | *-4,371* | *-2,242* | *-1,377* | *-1,221* |

Note: Columns may not add due to rounding.

Table 1.8

## TOTAL NON-FINANCIAL PUBLIC SECTOR

### Balance Sheet at 30 June

| | Note | 2014 Actual $m | 2015 Budget Estimate $m | 2015 Mid-year Revision $m | 2016 Mid-year Revision $m | 2017 Mid-year Revision $m | 2018 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| *Financial assets* | | | | | | | |
| Cash and deposits | | 1,560 | 1,213 | 859 | 1,024 | 1,197 | 1,409 |
| Advances paid | | 240 | 313 | 263 | 285 | 308 | 301 |
| Investments, loans and placements | | 8,427 | 8,798 | 8,693 | 9,310 | 10,454 | 11,324 |
| Receivables | | 4,077 | 4,401 | 3,585 | 3,904 | 4,076 | 4,268 |
| Shares and other equity | | | | | | | |
| Investments in other public sector entities - equity method | | 1,786 | 1,936 | 1,917 | 2,021 | 2,137 | 2,268 |
| Investments in other public sector entities - direct injections | | - | - | - | - | - | - |
| Investments in other entities | | 44 | 11 | 48 | 54 | 61 | 68 |
| Other financial assets | | - | - | - | - | - | - |
| *Total financial assets* | | *16,134* | *16,672* | *15,365* | *16,599* | *18,233* | *19,639* |
| *Non-financial assets* | | | | | | | |
| Land | | 52,405 | 53,499 | 53,898 | 55,465 | 57,110 | 58,838 |
| Property, plant and equipment | | 93,583 | 98,222 | 98,149 | 100,855 | 103,860 | 108,597 |
| Biological assets | | 335 | 321 | 322 | 324 | 325 | 327 |
| Inventories | | | | | | | |
| Land inventories | | 2,002 | 2,166 | 2,170 | 2,312 | 2,294 | 2,261 |
| Other inventories | | 3,304 | 3,482 | 3,109 | 3,321 | 3,684 | 3,958 |
| Intangibles | | 1,081 | 963 | 1,060 | 1,010 | 947 | 888 |
| Non-current assets held for sale | | 28 | 44 | 28 | 28 | 28 | 28 |
| Investment property | | 32 | 31 | 33 | 25 | 25 | 25 |
| Other | | 384 | 452 | 710 | 930 | 1,151 | 709 |
| *Total non-financial assets* | | *153,153* | *159,179* | *159,478* | *164,269* | *169,423* | *175,631* |
| *TOTAL ASSETS* | | *169,287* | *175,851* | *174,843* | *180,868* | *187,656* | *195,269* |
| LIABILITIES | | | | | | | |
| Deposits held | | 187 | 181 | 188 | 188 | 188 | 188 |
| Advances received | | 438 | 459 | 408 | 393 | 377 | 360 |
| Borrowings | | 32,829 | 36,906 | 37,174 | 40,718 | 43,623 | 46,358 |
| Unfunded superannuation | | 8,017 | 7,624 | 8,185 | 7,925 | 7,633 | 7,392 |
| Other employee benefits | | 3,564 | 3,707 | 3,418 | 3,158 | 3,219 | 3,246 |
| Payables | | 5,715 | 5,517 | 4,857 | 5,344 | 5,640 | 5,871 |
| Other liabilities | | 1,709 | 2,165 | 2,207 | 2,452 | 2,678 | 2,842 |
| *TOTAL LIABILITIES* | | *52,459* | *56,558* | *56,437* | *60,177* | *63,359* | *66,257* |
| **NET ASSETS** | | **116,828** | **119,294** | **118,406** | **120,691** | **124,297** | **129,012** |
| *Of which:* | | | | | | | |
| Contributed equity | | - | - | - | - | - | - |
| Accumulated surplus | | 29,360 | 29,395 | 26,791 | 25,466 | 25,425 | 26,342 |
| Other reserves | | 87,467 | 89,899 | 91,616 | 95,225 | 98,872 | 102,670 |
| **NET WORTH** | 6 | **116,828** | **119,294** | **118,406** | **120,691** | **124,297** | **129,012** |
| **MEMORANDUM ITEMS** | | | | | | | |
| *Net financial worth* | | *-36,326* | *-39,855* | *-41,072* | *-43,578* | *-45,126* | *-46,619* |
| *Net financial liabilities* | | *38,156* | *41,803* | *43,037* | *45,654* | *47,323* | *48,955* |
| *Net debt* | | | | | | | |
| Gross debt liabilities | | 33,454 | 37,546 | 37,770 | 41,298 | 44,188 | 46,906 |
| *Less* : liquid financial assets | | 10,227 | 10,323 | 9,815 | 10,620 | 11,959 | 13,034 |
| *Less:* convergence differences impacting net debt | | 88 | 88 | 88 | - | - | - |
| *Net debt* | | *23,139* | *27,134* | *27,867* | *30,678* | *32,228* | *33,872* |

Note: Columns may not add due to rounding.

Table 1.9

# TOTAL NON-FINANCIAL PUBLIC SECTOR

## Cash Flow Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *CASH FLOWS FROM OPERATING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Taxes received | | 8,244 | 9,040 | 8,780 | 9,419 | 10,054 | 10,755 |
| Grants and subsidies received | | 8,614 | 8,689 | 8,932 | 8,425 | 9,206 | 9,523 |
| Receipts from sales of goods and services | | 17,587 | 19,020 | 18,197 | 19,133 | 20,390 | 21,516 |
| Interest receipts | | 357 | 375 | 325 | 373 | 419 | 454 |
| Dividends and tax equivalents | | 177 | 121 | 119 | 148 | 158 | 166 |
| Other receipts | | 9,073 | 8,527 | 7,176 | 7,517 | 7,978 | 8,435 |
| *Total cash received* | | *44,051* | *45,772* | *43,528* | *45,015* | *48,204* | *50,849* |
| *Cash paid* | | | | | | | |
| Wages, salaries and supplements, and superannuation | | -13,482 | -14,249 | -14,310 | -14,718 | -14,840 | -14,941 |
| Payments for goods and services | | -17,276 | -19,433 | -18,797 | -19,097 | -19,866 | -20,992 |
| Interest paid | | -1,426 | -1,460 | -1,435 | -1,565 | -1,810 | -2,030 |
| Grants and subsidies paid | | -3,674 | -3,964 | -3,942 | -4,120 | -4,401 | -4,540 |
| Dividends and tax equivalents | | - | - | - | - | - | - |
| Other payments | | -4,882 | -4,217 | -4,125 | -3,853 | -4,309 | -4,543 |
| *Total cash paid* | | -40,740 | -43,324 | -42,609 | -43,353 | -45,225 | -47,045 |
| *NET CASH FLOWS FROM OPERATING ACTIVITIES* | | *3,311* | *2,448* | *919* | *1,662* | *2,979* | *3,804* |
| *CASH FLOWS FROM INVESTING ACTIVITIES* | | | | | | | |
| *Cash flows from investments in non-financial assets* | | | | | | | |
| Purchase of non-financial assets | | -6,809 | -6,720 | -6,608 | -5,487 | -5,391 | -6,027 |
| Sales of non-financial assets | | 1,150 | 1,351 | 1,157 | 1,354 | 1,103 | 1,094 |
| *Total cash flows from investments in non-financial assets* | | *-5,659* | *-5,369* | *-5,451* | *-4,133* | *-4,287* | *-4,933* |
| *Cash flows from investments in financial assets* | | | | | | | |
| *Cash received* | | | | | | | |
| For policy purposes | | 22 | - | - | - | - | - |
| For liquidity purposes | | 423 | 70 | 119 | 22 | 54 | 10 |
| *Cash paid* | | | | | | | |
| For policy purposes | | -23 | - | - | - | - | - |
| For liquidity purposes | | -387 | -14 | -32 | -20 | -20 | -21 |
| *Total cash flows from investments in financial assets* | | *35* | *56* | *87* | *3* | *34* | *-11* |
| *NET CASH FLOWS FROM INVESTING ACTIVITIES* | | *-5,624* | *-5,313* | *-5,364* | *-4,130* | *-4,253* | *-4,944* |
| *CASH FLOWS FROM FINANCING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Advances received | | 15 | 25 | - | - | - | - |
| Borrowings | | 24,326 | 16,730 | 17,953 | 17,621 | 22,755 | 23,694 |
| Deposits received | | - | - | - | - | - | - |
| Other financing receipts | | 41 | 35 | 35 | 36 | 37 | 36 |
| *Total cash received* | | *24,383* | *16,790* | *17,988* | *17,656* | *22,793* | *23,730* |
| *Cash paid* | | | | | | | |
| Advances paid | | -16 | -15 | -15 | -16 | -16 | -16 |
| Borrowings repaid | | -23,440 | -13,842 | -15,163 | -13,988 | -19,768 | -21,279 |
| Deposits paid | | - | - | - | - | - | - |
| Other financing payments | | -105 | -240 | -144 | -408 | -425 | -213 |
| *Total cash paid* | | *-23,561* | *-14,098* | *-15,323* | *-14,411* | *-20,209* | *-21,508* |
| *NET CASH FLOWS FROM FINANCING ACTIVITIES* | | *821* | *2,692* | *2,665* | *3,245* | *2,583* | *2,221* |
| **Net increase in cash and cash equivalents** | | **-1,491** | **-173** | **-1,780** | **777** | **1,309** | **1,082** |
| Cash and cash equivalents at the beginning of the year | | 7,781 | 5,026 | 6,290 | 4,510 | 5,287 | 6,596 |
| Cash and cash equivalents at the end of the year | | 6,290 | 4,853 | 4,510 | 5,287 | 6,596 | 7,677 |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| Net cash flows from operating activities | | 3,311 | 2,448 | 919 | 1,662 | 2,979 | 3,804 |
| Net cash flows from investing in non-financial assets | | -5,659 | -5,369 | -5,451 | -4,133 | -4,287 | -4,933 |
| **Cash surplus/-deficit** | 6 | **-2,348** | **-2,921** | **-4,532** | **-2,471** | **-1,309** | **-1,129** |

Note: Columns may not add due to rounding.

Table 1.10

## PUBLIC FINANCIAL CORPORATIONS

### Operating Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *Results from Transactions* | | | | | | | |
| REVENUE | | | | | | | |
| Current grants and subsidies | | - | - | - | - | - | - |
| Capital grants | | - | - | - | - | - | - |
| Sales of goods and services | | 915 | 1,062 | 1,062 | 1,141 | 1,226 | 1,318 |
| Interest income | | 1,712 | 1,989 | 1,882 | 2,115 | 2,404 | 2,668 |
| Other | | 7 | - | - | - | - | - |
| *Total* | | *2,634* | *3,052* | *2,945* | *3,256* | *3,630* | *3,986* |
| EXPENSES | | | | | | | |
| Salaries | | 47 | 51 | 52 | 54 | 56 | 58 |
| Superannuation | | | | | | | |
| Concurrent costs | | 5 | 5 | 5 | 5 | 5 | 6 |
| Superannuation interest cost | | - | - | - | - | - | - |
| Other employee costs | | 2 | 2 | 2 | 2 | 2 | 2 |
| Depreciation and amortisation | | 18 | 16 | 16 | 15 | 15 | 15 |
| Services and contracts | | 9 | 11 | 9 | 10 | 10 | 11 |
| Other gross operating expenses | | 1,065 | 938 | 941 | 1,007 | 1,078 | 1,153 |
| Other interest | | 1,563 | 1,780 | 1,688 | 1,899 | 2,180 | 2,435 |
| Tax equivalents | | 6 | 32 | 32 | 39 | 43 | 48 |
| Current transfers | | 4 | 4 | 4 | 4 | 4 | 4 |
| Capital transfers | | 2 | 3 | 2 | 2 | 2 | 2 |
| *Total* | | *2,720* | *2,843* | *2,751* | *3,037* | *3,396* | *3,734* |
| **NET OPERATING BALANCE** | 6 | **-86** | **210** | **194** | **219** | **234** | **252** |
| *Other economic flows - included in the operating result* | | | | | | | |
| Net gains on assets/liabilities | | 311 | - | - | - | - | - |
| Net actuarial gains - superannuation | | 2 | - | - | - | - | - |
| Provision for doubtful debts | | - | - | -2 | - | - | - |
| Changes in accounting policy/correction of prior period errors | | -147 | - | - | - | - | - |
| *Total other economic flows* | | 166 | - | -2 | - | - | - |
| *OPERATING RESULT* | | *80* | *210* | *193* | *220* | *234* | *252* |
| *Other non-owner movements in equity* | | | | | | | |
| *Items that will not be reclassified to operating result* | | | | | | | |
| Revaluations | | -23 | - | 50 | - | - | - |
| Gains recognised directly in equity | | 135 | - | - | - | - | - |
| All other | | - | - | - | - | - | - |
| *Total other non-owner movements in equity* | | *112* | - | *50* | - | - | - |
| *Movements in owner equity* | | | | | | | |
| Dividends | | -154 | -101 | -112 | -116 | -119 | -122 |
| Capital injections | | - | - | - | - | - | - |
| *Total movements in owner equity* | | *-154* | *-101* | *-112* | *-116* | *-119* | *-122* |
| *TOTAL CHANGE IN NET WORTH* | | *38* | *109* | *131* | *104* | *116* | *131* |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| **NET OPERATING BALANCE** | 6 | **-86** | **210** | **194** | **219** | **234** | **252** |
| Less *Net acquisition of non-financial assets* | | | | | | | |
| Purchase of non-financial assets | | 5 | 8 | 7 | 7 | 6 | 6 |
| Changes in inventories | | - | - | - | - | - | - |
| Other movement in non-financial assets | | - | - | - | - | - | - |
| *Less:* | | | | | | | |
| Sales of non-financial assets | | - | - | - | - | - | - |
| Depreciation | | 18 | 16 | 16 | 15 | 15 | 15 |
| *Total net acquisition of non-financial assets* | | *-13* | *-9* | *-9* | *-8* | *-9* | *-9* |
| *NET LENDING/-BORROWING* | 6 | *-73* | *218* | *203* | *227* | *243* | *261* |

Note: Columns may not add due to rounding.

Table 1.11

## PUBLIC FINANCIAL CORPORATIONS

### Balance Sheet at 30 June

| | Note | 2014<br>Actual<br>$m | 2015<br>Budget<br>Estimate<br>$m | 2015<br>Mid-year<br>Revision<br>$m | 2016<br>Mid-year<br>Revision<br>$m | 2017<br>Mid-year<br>Revision<br>$m | 2018<br>Mid-year<br>Revision<br>$m |
|---|---|---|---|---|---|---|---|
| *ASSETS* | | | | | | | |
| *Financial assets* | | | | | | | |
| Cash and deposits | | 51 | 24 | 28 | 36 | 46 | 55 |
| Advances paid | | 3,731 | 5,039 | 4,983 | 4,956 | 4,981 | 4,980 |
| Investments, loans and placements | | 41,700 | 44,394 | 45,457 | 47,447 | 50,017 | 53,146 |
| Receivables | | 596 | 634 | 600 | 597 | 595 | 595 |
| Shares and other equity | | | | | | | |
| Investments in other public sector entities - equity method | | - | - | - | - | - | - |
| Investments in other public sector entities - direct injections | | - | - | - | - | - | - |
| Investments in other entities | | 1,414 | 1,553 | 1,529 | 1,650 | 1,783 | 1,931 |
| Other financial assets | | 17 | 24 | 17 | 17 | 17 | 17 |
| *Total financial assets* | | *47,509* | *51,668* | *52,615* | *54,703* | *57,439* | *60,724* |
| *Non-financial assets* | | | | | | | |
| Land | | 119 | 118 | 119 | 119 | 119 | 119 |
| Property, plant and equipment | | 197 | 248 | 197 | 198 | 198 | 198 |
| Biological assets | | - | - | - | - | - | - |
| Inventories | | | | | | | |
| Land inventories | | - | - | - | - | - | - |
| Other inventories | | - | - | - | - | - | - |
| Intangibles | | 10 | 10 | 9 | 9 | 9 | 10 |
| Non-current assets held for sale | | - | - | - | - | - | - |
| Investment property | | 549 | 621 | 594 | 638 | 682 | 727 |
| Other | | 2 | 64 | 51 | 51 | 51 | 51 |
| *Total non-financial assets* | | *878* | *1,061* | *971* | *1,015* | *1,060* | *1,105* |
| *TOTAL ASSETS* | | *48,387* | *52,729* | *53,586* | *55,719* | *58,498* | *61,829* |
| *LIABILITIES* | | | | | | | |
| Deposits held | | - | - | - | - | - | - |
| Advances received | | 3 | 2 | 2 | 2 | 2 | 2 |
| Borrowings | | 43,095 | 47,239 | 47,976 | 49,789 | 52,220 | 55,164 |
| Unfunded superannuation | | 10 | 12 | 10 | 11 | 12 | 12 |
| Other employee benefits | | 10 | 9 | 10 | 10 | 10 | 10 |
| Payables | | 97 | 81 | 123 | 148 | 167 | 187 |
| Other liabilities | | 3,387 | 3,451 | 3,548 | 3,738 | 3,951 | 4,186 |
| *TOTAL LIABILITIES* | | *46,601* | *50,793* | *51,669* | *53,697* | *56,361* | *59,561* |
| **NET ASSETS** | | **1,786** | **1,936** | **1,917** | **2,021** | **2,137** | **2,268** |
| *Of which:* | | | | | | | |
| Contributed equity | | - | - | - | - | - | - |
| Accumulated surplus | | 1,571 | 1,681 | 1,695 | 1,791 | 1,898 | 2,019 |
| Other reserves | | 215 | 255 | 222 | 230 | 239 | 248 |
| **NET WORTH** | 6 | **1,786** | **1,936** | **1,917** | **2,021** | **2,137** | **2,268** |
| **MEMORANDUM ITEMS** | | | | | | | |
| *Net financial worth* | | *-878* | *-440* | *-971* | *-1,015* | *-1,060* | *-1,105* |
| *Net debt* | | | | | | | |
| Gross debt liabilities | | 43,098 | 47,240 | 47,977 | 49,791 | 52,222 | 55,166 |
| *Less:* liquid financial assets | | 45,483 | 49,457 | 50,469 | 52,439 | 55,044 | 58,181 |
| *Less:* convergence differences impacting net debt | | - | - | - | - | - | - |
| *Net debt* | | *-2,384* | *-2,217* | *-2,492* | *-2,649* | *-2,822* | *-3,015* |

Note: Columns may not add due to rounding.

Table 1.12

## PUBLIC FINANCIAL CORPORATIONS

### Cash Flow Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *CASH FLOWS FROM OPERATING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Grants and subsidies received | | - | 5 | 5 | 5 | 5 | 5 |
| Receipts from sales of goods and services | | 1,043 | 1,102 | 1,101 | 1,183 | 1,266 | 1,358 |
| Interest receipts | | 1,699 | 1,989 | 1,882 | 2,115 | 2,404 | 2,668 |
| Dividends and tax equivalents | | - | - | - | - | - | - |
| Other receipts | | 138 | 107 | 106 | 114 | 121 | 129 |
| *Total cash received* | | *2,881* | *3,204* | *3,095* | *3,417* | *3,796* | *4,160* |
| *Cash paid* | | | | | | | |
| Wages, salaries and supplements, and superannuation | | -50 | -56 | -56 | -58 | -61 | -63 |
| Payments for goods and services | | -883 | -821 | -809 | -847 | -896 | -951 |
| Interest paid | | -1,689 | -1,780 | -1,688 | -1,899 | -2,180 | -2,435 |
| Grants and subsidies paid | | - | - | - | - | - | - |
| Tax equivalents | | -22 | -20 | -7 | -33 | -40 | -44 |
| Other payments | | -194 | -165 | -165 | -176 | -188 | -201 |
| *Total cash paid* | | *-2,839* | *-2,842* | *-2,726* | *-3,013* | *-3,365* | *-3,693* |
| *NET CASH FLOWS FROM OPERATING ACTIVITIES* | | *42* | *361* | *369* | *404* | *431* | *467* |
| *CASH FLOWS FROM INVESTING ACTIVITIES* | | | | | | | |
| *Cash flows from investments in non-financial assets* | | | | | | | |
| Purchase of non-financial assets | | -5 | -8 | -7 | -7 | -6 | -6 |
| Sales of non-financial assets | | - | - | - | - | - | - |
| *Total cash flows from investments in non-financial assets* | | *-4* | *-7* | *-7* | *-7* | *-6* | *-6* |
| *Cash flows from investments in financial assets* | | | | | | | |
| *Cash received* | | | | | | | |
| For policy purposes | | - | - | - | - | - | - |
| For liquidity purposes | | 6,689 | 1,585 | 6,692 | 6,966 | 7,206 | 7,393 |
| *Cash paid* | | | | | | | |
| For policy purposes | | - | - | - | - | - | - |
| For liquidity purposes | | -7,019 | -2,409 | -8,172 | -7,167 | -7,478 | -7,663 |
| *Total cash flows from investments in financial assets* | | *-330* | *-824* | *-1,481* | *-202* | *-271* | *-270* |
| *NET CASH FLOWS FROM INVESTING ACTIVITIES* | | *-334* | *-831* | *-1,488* | *-209* | *-278* | *-276* |
| *CASH FLOWS FROM FINANCING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Advances received | | - | - | - | - | - | - |
| Borrowings | | 48,837 | 45,116 | 48,801 | 47,762 | 47,327 | 44,215 |
| Deposits received | | - | - | - | - | - | - |
| Other financing receipts | | - | - | - | - | - | - |
| *Total cash received* | | *48,837* | *45,116* | *48,801* | *47,762* | *47,327* | *44,215* |
| *Cash paid* | | | | | | | |
| Advances paid | | - | - | - | - | - | - |
| Borrowings repaid | | -49,726 | -44,512 | -47,472 | -47,760 | -47,325 | -44,213 |
| Deposits paid | | - | - | - | - | - | - |
| Other financing payments | | - | - | - | - | - | - |
| Dividends paid | | -154 | -101 | -112 | -116 | -119 | -122 |
| *Total cash paid* | | *-49,880* | *-44,613* | *-47,583* | *-47,876* | *-47,444* | *-44,335* |
| *NET CASH FLOWS FROM FINANCING ACTIVITIES* | | *-1,043* | *503* | *1,217* | *-114* | *-117* | *-120* |
| **Net increase in cash and cash equivalents** | | **-1,336** | **33** | **99** | **82** | **36** | **70** |
| Cash and cash equivalents at the beginning of the year | | 3,430 | 3,477 | 2,094 | 2,193 | 2,275 | 2,311 |
| Cash and cash equivalents at the end of the year | | 2,094 | 3,510 | 2,193 | 2,275 | 2,311 | 2,381 |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| Net cash flows from operating activities | | 42 | 361 | 369 | 404 | 431 | 467 |
| Net cash flows from investing in non-financial assets | | -4 | -7 | -7 | -7 | -6 | -6 |
| Dividends paid | | -154 | -101 | -112 | -116 | -119 | -122 |
| **Cash surplus/-deficit** | 6 | **-117** | **253** | **251** | **281** | **306** | **338** |

Note: Columns may not add due to rounding.

Table 1.13

## TOTAL PUBLIC SECTOR

### Operating Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *Results from Transactions* | | | | | | | |
| REVENUE | | | | | | | |
| Taxation | | 8,384 | 9,025 | 8,762 | 9,393 | 10,035 | 10,736 |
| Current grants and subsidies | | 8,199 | 8,006 | 7,884 | 7,712 | 8,224 | 8,765 |
| Capital grants | | 547 | 677 | 1,001 | 697 | 994 | 756 |
| Sales of goods and services | | 17,773 | 19,854 | 18,732 | 19,904 | 20,728 | 22,113 |
| Interest income | | 614 | 702 | 634 | 727 | 795 | 836 |
| Royalty income | | 6,025 | 6,176 | 4,368 | 5,184 | 5,604 | 5,978 |
| Other | | 1,088 | 845 | 879 | 943 | 979 | 875 |
| *Total* | | *42,630* | *45,285* | *42,260* | *44,560* | *47,359* | *50,061* |
| EXPENSES | | | | | | | |
| Salaries | | 11,937 | 12,602 | 12,610 | 12,641 | 13,031 | 13,086 |
| Superannuation | | | | | | | |
| Concurrent costs | | 1,150 | 1,242 | 1,241 | 1,241 | 1,277 | 1,280 |
| Superannuation interest cost | | 297 | 354 | 251 | 274 | 281 | 285 |
| Other employee costs | | 288 | 263 | 267 | 281 | 282 | 281 |
| Depreciation and amortisation | | 3,220 | 3,383 | 3,419 | 3,513 | 3,598 | 3,661 |
| Services and contracts | | 3,017 | 3,174 | 3,181 | 3,104 | 2,966 | 3,075 |
| Other gross operating expenses | | 16,645 | 18,665 | 17,446 | 18,495 | 19,180 | 20,336 |
| Other interest | | 1,543 | 1,664 | 1,622 | 1,796 | 2,054 | 2,264 |
| Current transfers | | 3,695 | 3,772 | 3,786 | 3,930 | 4,264 | 4,422 |
| Capital transfers | | 613 | 404 | 452 | 527 | 380 | 329 |
| *Total* | | *42,406* | *45,523* | *44,275* | *45,802* | *47,313* | *49,018* |
| **NET OPERATING BALANCE** | 6 | **225** | **-238** | **-2,015** | **-1,242** | **46** | **1,042** |
| *Other economic flows - included in the operating result* | | | | | | | |
| Net gains on assets/liabilities | | 368 | 107 | 95 | 183 | 208 | 226 |
| Net actuarial gains - superannuation | | -140 | 5 | -438 | -25 | -32 | -47 |
| Provision for doubtful debts | | -50 | -23 | -23 | -22 | -23 | -23 |
| Changes in accounting policy/correction of prior period errors | | -846 | - | - | - | - | - |
| *Total other economic flows* | | *-669* | *89* | *-365* | *136* | *153* | *155* |
| *OPERATING RESULT* | | *-444* | *-149* | *-2,380* | *-1,105* | *199* | *1,198* |
| *All other movements in equity* | | | | | | | |
| *Items that will not be reclassified to operating result* | | | | | | | |
| Revaluations | | 3,750 | 3,376 | 4,025 | 3,449 | 3,471 | 3,582 |
| Gains recognised directly in equity | | 595 | -57 | -66 | -59 | -63 | -66 |
| All other | | - | - | - | - | - | - |
| *Total all other movements in equity* | | *4,345* | *3,319* | *3,959* | *3,390* | *3,407* | *3,517* |
| *TOTAL CHANGE IN NET WORTH* | | *3,901* | *3,170* | *1,579* | *2,285* | *3,606* | *4,715* |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| **NET OPERATING BALANCE** | 6 | **225** | **-238** | **-2,015** | **-1,242** | **46** | **1,042** |
| Less *Net acquisition of non-financial assets* | | | | | | | |
| Purchase of non-financial assets | | 6,814 | 6,728 | 6,615 | 5,495 | 5,397 | 6,033 |
| Changes in inventories | | 515 | -93 | -195 | 212 | 363 | 275 |
| Other movement in non-financial assets | | 317 | 251 | 420 | 50 | 240 | 572 |
| *Less:* | | | | | | | |
| Sales of non-financial assets | | 1,151 | 1,351 | 1,157 | 1,354 | 1,103 | 1,094 |
| Depreciation | | 3,220 | 3,383 | 3,419 | 3,513 | 3,598 | 3,661 |
| *Total net acquisition of non-financial assets* | | *3,275* | *2,151* | *2,265* | *888* | *1,299* | *2,125* |
| *NET LENDING/-BORROWING* | 6 | *-3,050* | *-2,390* | *-4,280* | *-2,130* | *-1,253* | *-1,082* |

Note: Columns may not add due to rounding.

Table 1.14

## TOTAL PUBLIC SECTOR

### Balance Sheet at 30 June

| | Note | 2014 Actual $m | 2015 Budget Estimate $m | 2015 Mid-year Revision $m | 2016 Mid-year Revision $m | 2017 Mid-year Revision $m | 2018 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| *Financial assets* | | | | | | | |
| Cash and deposits | | 1,610 | 1,236 | 886 | 1,060 | 1,242 | 1,463 |
| Advances paid | | 3,968 | 5,350 | 5,245 | 5,240 | 5,287 | 5,280 |
| Investments, loans and placements | | 15,419 | 12,520 | 13,491 | 12,164 | 12,417 | 13,451 |
| Receivables | | 4,355 | 4,704 | 3,851 | 4,137 | 4,278 | 4,440 |
| Equity - Investments in other entities | | 1,457 | 1,564 | 1,578 | 1,705 | 1,844 | 1,999 |
| Other financial assets | | 17 | 24 | 17 | 17 | 17 | 17 |
| *Total financial assets* | | *26,826* | *25,400* | *25,068* | *24,323* | *25,085* | *26,650* |
| *Non-financial assets* | | | | | | | |
| Land | | 52,524 | 53,617 | 54,017 | 55,584 | 57,229 | 58,957 |
| Property, plant and equipment | | 93,780 | 98,470 | 98,346 | 101,053 | 104,058 | 108,795 |
| Biological assets | | 335 | 321 | 322 | 324 | 325 | 327 |
| Inventories | | | | | | | |
| Land inventories | | 2,002 | 2,166 | 2,170 | 2,312 | 2,294 | 2,261 |
| Other inventories | | 3,304 | 3,482 | 3,109 | 3,321 | 3,684 | 3,958 |
| Intangibles | | 1,091 | 973 | 1,069 | 1,020 | 956 | 898 |
| Non-current assets held for sale | | 28 | 44 | 28 | 28 | 28 | 28 |
| Investment property | | 581 | 652 | 627 | 662 | 707 | 752 |
| Other | | 386 | 515 | 762 | 982 | 1,203 | 761 |
| *Total non-financial assets* | | *154,031* | *160,240* | *160,449* | *165,284* | *170,482* | *176,736* |
| *TOTAL ASSETS* | | *180,857* | *185,640* | *185,517* | *189,608* | *195,567* | *203,386* |
| LIABILITIES | | | | | | | |
| Deposits held | | 186 | 181 | 187 | 187 | 187 | 187 |
| Advances received | | 438 | 459 | 408 | 393 | 377 | 360 |
| Borrowings | | 41,216 | 43,473 | 44,490 | 45,915 | 47,789 | 50,503 |
| Unfunded superannuation | | 8,027 | 7,635 | 8,196 | 7,936 | 7,645 | 7,404 |
| Other employee benefits | | 3,574 | 3,716 | 3,427 | 3,168 | 3,229 | 3,256 |
| Payables | | 5,757 | 5,522 | 4,921 | 5,427 | 5,740 | 5,987 |
| Other liabilities | | 4,832 | 5,361 | 5,481 | 5,891 | 6,303 | 6,676 |
| *TOTAL LIABILITIES* | | *64,029* | *66,346* | *67,110* | *68,916* | *71,270* | *74,374* |
| **NET ASSETS** | | **116,828** | **119,294** | **118,406** | **120,691** | **124,297** | **129,012** |
| *Of which:* | | | | | | | |
| Contributed equity | | - | - | - | - | - | - |
| Accumulated surplus | | 30,931 | 31,076 | 28,485 | 27,257 | 27,323 | 28,361 |
| Other reserves | | 85,897 | 88,218 | 89,921 | 93,434 | 96,974 | 100,650 |
| **NET WORTH** | 6 | **116,828** | **119,294** | **118,406** | **120,691** | **124,297** | **129,012** |
| **MEMORANDUM ITEMS** | | | | | | | |
| *Net financial worth* | | *-37,204* | *-40,295* | *-42,043* | *-44,593* | *-46,185* | *-47,724* |
| *Net financial liabilities* | | *38,661* | *41,859* | *43,621* | *46,298* | *48,029* | *49,723* |
| *Net debt* | | | | | | | |
| Gross debt liabilities | | 41,840 | 44,112 | 45,085 | 46,494 | 48,353 | 51,050 |
| *Less* : liquid financial assets | | 20,997 | 19,106 | 19,622 | 18,464 | 18,946 | 20,194 |
| *Less:* convergence differences impacting net debt | | 88 | 88 | 88 | - | - | - |
| *Net debt* | | *20,754* | *24,918* | *25,375* | *28,030* | *29,407* | *30,857* |

Note: Columns may not add due to rounding.

Table 1.15

## TOTAL PUBLIC SECTOR

### Cash Flow Statement

| | Note | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|---|
| *CASH FLOWS FROM OPERATING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Taxes received | | 8,186 | 8,976 | 8,716 | 9,351 | 9,981 | 10,678 |
| Grants and subsidies received | | 8,614 | 8,689 | 8,932 | 8,425 | 9,206 | 9,523 |
| Receipts from sales of goods and services | | 18,291 | 19,778 | 18,954 | 19,959 | 21,281 | 22,477 |
| Interest receipts | | 692 | 737 | 695 | 790 | 857 | 895 |
| Dividends and tax equivalents | | - | - | - | - | - | - |
| Other | | 9,204 | 8,630 | 7,278 | 7,626 | 8,094 | 8,559 |
| *Total cash received* | | *44,987* | *46,809* | *44,573* | *46,151* | *49,418* | *52,132* |
| *Cash paid* | | | | | | | |
| Wages, salaries and supplements, and superannuation | | -13,533 | -14,304 | -14,367 | -14,776 | -14,901 | -15,004 |
| Payments for goods and services | | -17,815 | -19,910 | -19,261 | -19,586 | -20,387 | -21,545 |
| Interest paid | | -1,751 | -1,614 | -1,610 | -1,765 | -2,023 | -2,237 |
| Grants and subsidies paid | | -3,674 | -3,960 | -3,937 | -4,115 | -4,396 | -4,535 |
| Dividends and tax equivalents | | - | - | - | - | - | - |
| Other payments | | -5,016 | -4,314 | -4,222 | -3,957 | -4,420 | -4,663 |
| *Total cash paid* | | *-41,789* | *-44,101* | *-43,397* | *-44,200* | *-46,128* | *-47,983* |
| *NET CASH FLOWS FROM OPERATING ACTIVITIES* | | *3,198* | *2,708* | *1,176* | *1,951* | *3,291* | *4,149* |
| *CASH FLOWS FROM INVESTING ACTIVITIES* | | | | | | | |
| *Cash flows from investments in non-financial assets* | | | | | | | |
| Purchase of non-financial assets | | -6,814 | -6,728 | -6,615 | -5,495 | -5,397 | -6,033 |
| Sales of non-financial assets | | 1,151 | 1,351 | 1,157 | 1,354 | 1,103 | 1,094 |
| *Total cash flows from investments in non-financial assets* | | *-5,663* | *-5,376* | *-5,458* | *-4,140* | *-4,294* | *-4,939* |
| *Cash flows from investments in financial assets* | | | | | | | |
| *Cash received* | | | | | | | |
| For policy purposes | | 22 | - | - | - | - | - |
| For liquidity purposes | | 7,112 | 1,655 | 6,811 | 6,988 | 7,260 | 7,403 |
| *Cash paid* | | | | | | | |
| For policy purposes | | -23 | - | - | - | - | - |
| For liquidity purposes | | -7,406 | -2,423 | -8,204 | -7,187 | -7,498 | -7,685 |
| *Total cash flows from investments in financial assets* | | *-295* | *-768* | *-1,394* | *-199* | *-237* | *-281* |
| *NET CASH FLOWS FROM INVESTING ACTIVITIES* | | *-5,958* | *-6,144* | *-6,852* | *-4,339* | *-4,531* | *-5,220* |
| *CASH FLOWS FROM FINANCING ACTIVITIES* | | | | | | | |
| *Cash received* | | | | | | | |
| Advances received | | 15 | 25 | - | - | - | - |
| Borrowings | | 26,192 | 31,214 | 33,185 | 33,510 | 27,124 | 22,411 |
| Deposits received | | - | - | - | - | - | - |
| Other financing receipts | | 41 | 35 | 35 | 36 | 37 | 36 |
| *Total cash received* | | *26,249* | *31,275* | *33,220* | *33,545* | *27,161* | *22,447* |
| *Cash paid* | | | | | | | |
| Advances paid | | -16 | -15 | -15 | -16 | -16 | -16 |
| Borrowings repaid | | -26,194 | -27,723 | -29,066 | -29,875 | -24,134 | -19,994 |
| Deposits paid | | - | - | - | - | - | - |
| Other financing payments | | -105 | -240 | -144 | -408 | -425 | -213 |
| *Total cash paid* | | *-26,316* | *-27,979* | *-29,225* | *-30,298* | *-24,576* | *-20,224* |
| *NET CASH FLOWS FROM FINANCING ACTIVITIES* | | *-67* | *3,296* | *3,994* | *3,247* | *2,585* | *2,223* |
| **Net increase in cash and cash equivalents** | | **-2,827** | **-140** | **-1,681** | **859** | **1,345** | **1,152** |
| Cash and cash equivalents at the beginning of the year | | 11,210 | 8,502 | 8,383 | 6,702 | 7,560 | 8,905 |
| Cash and cash equivalents at the end of the year | | 8,383 | 8,361 | 6,702 | 7,560 | 8,905 | 10,057 |
| **KEY FISCAL AGGREGATES** | | | | | | | |
| Net cash flows from operating activities | | 3,198 | 2,708 | 1,176 | 1,951 | 3,291 | 4,149 |
| Net cash flows from investing in non-financial assets | | -5,663 | -5,376 | -5,458 | -4,140 | -4,294 | -4,939 |
| **Cash surplus/-deficit** | 6 | **-2,465** | **-2,668** | **-4,282** | **-2,189** | **-1,003** | **-790** |

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 2013-14 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2013-14 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 2013-14 is based on the audited actual data presented in the 2013-14 ARSF.

## NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

A detailed dissection of general government revenue is included in 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

| | 2013-14<br>Actual<br>$m | 2014-15<br>Budget<br>Estimate<br>$m | 2014-15<br>Mid-year<br>Revision<br>$m | 2015-16<br>Mid-year<br>Revision<br>$m | 2016-17<br>Mid-year<br>Revision<br>$m | 2017-18<br>Mid-year<br>Revision<br>$m |
|---|---|---|---|---|---|---|
| *CURRENT TRANSFERS* | | | | | | |
| Local government | 316 | 383 | 414 | 332 | 312 | 226 |
| Local government on-passing | 168 | 179 | 173 | 176 | 179 | 189 |
| Private and not-for-profit sector | 1,537 | 1,446 | 1,404 | 1,479 | 1,686 | 1,814 |
| Private and not-for-profit sector on-passing | 951 | 1,018 | 1,040 | 1,136 | 1,235 | 1,318 |
| Other sectors of government | 2,384 | 2,427 | 2,321 | 2,290 | 2,251 | 2,188 |
| *Total Current Transfers* | *5,357* | *5,454* | *5,352* | *5,413* | *5,662* | *5,735* |
| *CAPITAL TRANSFERS* | | | | | | |
| Local government | 274 | 94 | 89 | 194 | 71 | 67 |
| Local government on-passing | 107 | 111 | 107 | 107 | 107 | 112 |
| Private and not-for-profit sector | 130 | 130 | 131 | 143 | 114 | 106 |
| Private and not-for-profit sector on-passing | 22 | 30 | 32 | 35 | 38 | 41 |
| Other sectors of government | 232 | 200 | 202 | 154 | 115 | 115 |
| *Total Capital Transfers* | *765* | *565* | *562* | *634* | *447* | *440* |

(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)]

| | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|
| *Expenses* | | | | | | |
| General public services | 514 | 489 | 648 | 349 | 229 | 203 |
| Public order and safety | 3,088 | 3,193 | 3,183 | 3,291 | 3,415 | 3,444 |
| Education | 6,455 | 6,850 | 6,867 | 7,269 | 7,519 | 7,776 |
| Health | 7,336 | 7,930 | 7,863 | 8,059 | 8,444 | 8,490 |
| Social security and welfare | 1,931 | 2,079 | 2,039 | 2,124 | 2,210 | 2,209 |
| Housing and community amenities | 1,870 | 1,884 | 1,867 | 1,793 | 1,818 | 1,886 |
| Recreation and culture | 906 | 879 | 844 | 892 | 823 | 824 |
| Fuel and energy | 708 | 683 | 620 | 562 | 512 | 482 |
| Agriculture, forestry, fishing and hunting | 348 | 331 | 341 | 340 | 337 | 326 |
| Mining and mineral resources other than fuels; manufacturing; and construction | 220 | 227 | 242 | 218 | 220 | 209 |
| Transport and communications | 2,118 | 2,208 | 2,220 | 2,267 | 2,329 | 2,452 |
| Other economic affairs | 785 | 683 | 674 | 679 | 639 | 649 |
| Other purposes | 958 | 1,073 | 977 | 1,112 | 1,284 | 1,432 |
| **Total General Government Expenses** | **27,236** | **28,508** | **28,383** | **28,954** | **29,780** | **30,382** |
| *Purchases of new non-financial assets* | | | | | | |
| General public services | 105 | 176 | 190 | 208 | 148 | 126 |
| Public order and safety | 218 | 247 | 272 | 122 | 90 | 51 |
| Education | 570 | 466 | 491 | 290 | 289 | 224 |
| Health | 873 | 956 | 980 | 508 | 314 | 138 |
| Social security and welfare | 59 | 59 | 63 | 29 | 19 | 9 |
| Housing and community amenities | 89 | 53 | 68 | 58 | 137 | 247 |
| Recreation and culture | 199 | 200 | 160 | 113 | 134 | 203 |
| Fuel and energy | 4 | 5 | 5 | 3 | 1 | 1 |
| Agriculture, forestry, fishing and hunting | 29 | 25 | 26 | 17 | 21 | 17 |
| Mining and mineral resources other than fuels; manufacturing; and construction | 1 | 3 | 3 | 4 | 3 | 1 |
| Transport and communications | 1,025 | 924 | 1,113 | 824 | 1,169 | 1,439 |
| Other economic affairs | 117 | 55 | 61 | 68 | 38 | 22 |
| Other purposes | - | - | -350 | - | - | - |
| **Total Purchases of Non-financial Assets** | **3,289** | **3,169** | **3,082** | **2,246** | **2,363** | **2,478** |

(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 is a component part of the total public sector 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

| | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|
| *General government* | | | | | | |
| *AASB 1049 net operating balance* | *719* | *175* | *-1,287* | *-907* | *304* | *1,344* |
| *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** | **719** | **175** | **-1,287** | **-995** | **304** | **1,344** |
| *Public non-financial corporations* | | | | | | |
| *AASB 1049 net operating balance* | *571* | *371* | *372* | *490* | *612* | *648* |
| *Less GFS expense adjustments* | | | | | | |
| Capitalised interest | 42 | 25 | 30 | 33 | 33 | 31 |
| Dividends | 825 | 893 | 1,182 | 929 | 985 | 1,080 |
| *Total GFS expense adjustments* | *867* | *918* | *1,212* | *962* | *1,018* | *1,111* |
| *Total GFS adjustments to AASB 1049 net operating balance* | *-867* | *-918* | *-1,212* | *-962* | *-1,018* | *-1,111* |
| **GFS net operating balance** | **-296** | **-547** | **-840** | **-472** | **-407** | **-463** |
| *Total non-financial public sector* | | | | | | |
| *AASB 1049 net operating balance* | *465* | *-347* | *-2,098* | *-1,346* | *-70* | *912* |
| *Plus GFS revenue adjustments* | - | - | - | - | - | - |
| *Less GFS expense adjustments* | | | | | | |
| Capitalised interest | 42 | 25 | 30 | 33 | 33 | 31 |
| Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset | - | - | - | 88 | - | - |
| *Total GFS expense adjustments* | *42* | *25* | *30* | *121* | *33* | *31* |
| *Total GFS adjustments to AASB 1049 net operating balance* | *-42* | *-25* | *-30* | *-121* | *-33* | *-31* |
| **GFS net operating balance** | **423** | **-372** | **-2,127** | **-1,467** | **-103** | **881** |
| *Public financial corporations* | | | | | | |
| *AASB 1049 net operating balance* | *-86* | *210* | *194* | *219* | *234* | *252* |
| *Less GFS expense adjustments* | | | | | | |
| Dividends | 154 | 101 | 112 | 116 | 119 | 122 |
| *Total GFS expense adjustments* | *154* | *101* | *112* | *116* | *119* | *122* |
| *Total GFS adjustments to AASB 1049 net operating balance* | *-154* | *-101* | *-112* | *-116* | *-119* | *-122* |
| **GFS net operating balance** | **-241** | **108** | **83** | **104** | **115** | **130** |
| *Total public sector* | | | | | | |
| *AASB 1049 net operating balance* | *225* | *-238* | *-2,015* | *-1,242* | *46* | *1,042* |
| *Plus GFS revenue adjustments* | - | - | - | - | - | - |
| *Less GFS expense adjustments* | | | | | | |
| Capitalised interest | 42 | 25 | 30 | 33 | 33 | 31 |
| Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset | - | - | - | 88 | - | - |
| *Total GFS expense adjustments* | *42* | *25* | *30* | *121* | *33* | *31* |
| *Total GFS adjustments to AASB 1049 net operating balance* | *-42* | *-25* | *-30* | *-121* | *-33* | *-31* |
| **GFS net operating balance** | **183** | **-264** | **-2,045** | **-1,363** | **12** | **1,011** |

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Net Lending/-Borrowing

| | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|
| General government | | | | | | |
| *AASB 1049 net lending/-borrowing* | *-1,127* | *-1,629* | *-3,138* | *-1,335* | *-381* | *43* |
| *Plus* Net operating balance convergence difference (noted above) | - | - | - | -88 | - | - |
| **GFS net lending/-borrowing** | **-1,127** | **-1,629** | **-3,138** | **-1,423** | **-381** | **43** |
| Public non-financial corporations | | | | | | |
| *AASB 1049 net lending/-borrowing* | *-870* | *16* | *-51* | *22* | *-11* | *-185* |
| *Plus* Net operating balance convergence difference (noted above) | *-867* | *-918* | *-1,212* | *-962* | *-1,018* | *-1,111* |
| **GFS net lending/-borrowing** | **-1,737** | **-903** | **-1,263** | **-941** | **-1,029** | **-1,295** |
| Total non-financial public sector | | | | | | |
| *AASB 1049 net lending/-borrowing* | *-2,823* | *-2,507* | *-4,371* | *-2,242* | *-1,377* | *-1,221* |
| *Plus* Net operating balance convergence difference (noted above) | -42 | -25 | -30 | -121 | -33 | -31 |
| **GFS net lending/-borrowing** | **-2,865** | **-2,532** | **-4,401** | **-2,363** | **-1,410** | **-1,252** |
| Public financial corporations | | | | | | |
| *AASB 1049 net lending/-borrowing* | *-73* | *218* | *203* | *227* | *243* | *261* |
| *Plus* Net operating balance convergence difference (noted above) | *-154* | *-101* | *-112* | *-116* | *-119* | *-122* |
| **GFS net lending/-borrowing** | **-227** | **117** | **91** | **112** | **124** | **139** |
| Total public sector | | | | | | |
| *AASB 1049 net lending/-borrowing* | *-3,050* | *-2,390* | *-4,280* | *-2,130* | *-1,253* | *-1,082* |
| *Plus* Net operating balance convergence difference (noted above) | -42 | -25 | -30 | -121 | -33 | -31 |
| **GFS net lending/-borrowing** | **-3,092** | **-2,415** | **-4,309** | **-2,251** | **-1,286** | **-1,113** |

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Worth at 30 June

| | 2014 Actual $m | 2015 Budget Estimate $m | 2015 Mid-year Revision $m | 2016 Mid-year Revision $m | 2017 Mid-year Revision $m | 2018 Mid-year Revision $m |
|---|---|---|---|---|---|---|
| *General government* | | | | | | |
| *AASB1049 net worth* | *116,828* | *119,294* | *118,406* | *120,691* | *124,297* | *129,012* |
| *Plus* | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline loan asset | 88 | 88 | 88 | - | - | - |
| Provision for doubtful debts | | | | | | |
| General government sector | 216 | 208 | 216 | 216 | 216 | 216 |
| Impact on public corporations net worth | 42 | 25 | 15 | 16 | 17 | 17 |
| *Total GFS net worth adjustments* | *347* | *321* | *320* | *233* | *234* | *234* |
| **GFS net worth** | **117,174** | **119,615** | **118,726** | **120,924** | **124,531** | **129,245** |
| *Public non-financial corporations* | | | | | | |
| *AASB1049 net worth* | *50,651* | *51,513* | *52,183* | *53,760* | *55,425* | *57,041* |
| *Plus* | | | | | | |
| Impact of general government equity injections | -6,374 | -6,987 | -7,098 | -7,662 | -8,138 | -8,534 |
| Provision for doubtful debts | 33 | 15 | 15 | 16 | 17 | 17 |
| *Total GFS net worth adjustments* | *-6,340* | *-6,972* | *-7,083* | *-7,645* | *-8,121* | *-8,517* |
| **GFS net worth** | **44,310** | **44,541** | **45,100** | **46,114** | **47,304** | **48,525** |
| *Total non-financial public sector* | | | | | | |
| *AASB1049 net worth* | *116,828* | *119,294* | *118,406* | *120,691* | *124,297* | *129,012* |
| *Plus* | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline loan asset | 88 | 88 | 88 | - | - | - |
| Provision for doubtful debts | | | | | | |
| Total non-financial public sector | 250 | 222 | 232 | 233 | 233 | 233 |
| Impact on public corporations net worth | 9 | 11 | - | - | - | - |
| *Total GFS net worth adjustments* | *347* | *321* | *320* | *233* | *234* | *234* |
| **GFS net worth** | **117,174** | **119,615** | **118,726** | **120,924** | **124,531** | **129,245** |
| *Public financial corporations* | | | | | | |
| *AASB1049 net worth* | *1,786* | *1,936* | *1,917* | *2,021* | *2,137* | *2,268* |
| *Plus* | | | | | | |
| Provision for doubtful debts | 9 | 11 | - | - | - | - |
| *Total GFS net worth adjustments* | *9* | *11* | - | - | - | - |
| **GFS net worth** | **1,795** | **1,947** | **1,917** | **2,021** | **2,137** | **2,268** |
| *Total public sector* | | | | | | |
| *AASB1049 net worth* | *116,828* | *119,294* | *118,406* | *120,691* | *124,297* | *129,012* |
| *Plus* | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline loan asset | 88 | 88 | 88 | - | - | - |
| Provision for doubtful debts | 259 | 233 | 232 | 233 | 234 | 234 |
| *Total GFS net worth adjustments* | *347* | *321* | *320* | *233* | *234* | *234* |
| **GFS net worth** | **117,174** | **119,615** | **118,726** | **120,924** | **124,531** | **129,245** |

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Change in Net Worth

| | 2014 Actual $m | 2015 Budget Estimate $m | 2015 Mid-year Revision $m | 2016 Mid-year Revision $m | 2017 Mid-year Revision $m | 2018 Mid-year Revision $m |
|---|---|---|---|---|---|---|
| *General government* | | | | | | |
| *AASB1049 change in net worth* | *3,901* | *3,170* | *1,579* | *2,285* | *3,606* | *4,715* |
| *Plus* change in: | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline loan asset | - | - | - | -88 | - | - |
| Provision for doubtful debts | | | | | | |
| General government sector | 8 | - | - | - | - | - |
| Impact on public corporations net worth | -55 | 1 | -27 | 1 | 1 | - |
| *Total GFS change in net worth adjustments* | *-46* | *1* | *-27* | *-87* | *1* | - |
| **GFS change in net worth** | **3,854** | **3,171** | **1,552** | **2,198** | **3,607** | **4,715** |
| *Public non-financial corporations* | | | | | | |
| *AASB1049 change in net worth* | *1,956* | *1,434* | *1,532* | *1,577* | *1,665* | *1,616* |
| *Plus* change in: | | | | | | |
| Impact of general government equity injections | -528 | -593 | -724 | -563 | -477 | -395 |
| Provision for doubtful debts | 4 | 1 | -18 | 1 | 1 | - |
| *Total GFS change in net worth adjustments* | *-524* | *-592* | *-742* | *-563* | *-476* | *-395* |
| **GFS change in net worth** | **1,433** | **841** | **790** | **1,014** | **1,189** | **1,221** |
| *Total non-financial public sector* | | | | | | |
| *AASB1049 change in net worth* | *3,901* | *3,170* | *1,579* | *2,285* | *3,606* | *4,715* |
| *Plus* change in: | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline loan asset | - | - | - | -88 | - | - |
| Provision for doubtful debts | | | | | | |
| Total non-financial public sector | 12 | 1 | -18 | 1 | 1 | - |
| Impact on public corporations net worth | -59 | - | -9 | - | - | - |
| *Total GFS change in net worth adjustments* | *-46* | *1* | *-27* | *-87* | *1* | - |
| **GFS change in net worth** | **3,854** | **3,171** | **1,552** | **2,198** | **3,607** | **4,715** |
| *Public financial corporations* | | | | | | |
| *AASB1049 change in net worth* | *38* | *109* | *131* | *104* | *116* | *131* |
| *Plus* change in: | | | | | | |
| Provision for doubtful debts | -59 | - | -9 | - | - | - |
| *Total GFS change in net worth adjustments* | *-59* | - | *-9* | - | - | - |
| **GFS change in net worth** | **-21** | **109** | **122** | **104** | **116** | **131** |
| *Total public sector* | | | | | | |
| *AASB1049 change in net worth* | *3,901* | *3,170* | *1,579* | *2,285* | *3,606* | *4,715* |
| *Plus* change in: | | | | | | |
| Dampier to Bunbury Natural Gas Pipeline loan asset | - | - | - | -88 | - | - |
| Provision for doubtful debts | -46 | 1 | -27 | 1 | 1 | - |
| *Total GFS change in net worth adjustments* | *-46* | *1* | *-27* | *-87* | *1* | - |
| **GFS change in net worth** | **3,854** | **3,171** | **1,552** | **2,198** | **3,607** | **4,715** |

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Cash Surplus/-Deficit

| | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|
| *General government* | | | | | | |
| *AASB 1049 cash surplus/-deficit* | *-1,333* | *-1,622* | *-2,635* | *-1,829* | *-614* | *208* |
| *Less Acquisitions under finance leases and similar arrangements* | 109 | 216 | 372 | 5 | - | 423 |
| **GFS cash surplus/-deficit** | **-1,441** | **-1,838** | **-3,006** | **-1,834** | **-614** | **-214** |
| *Public non-financial corporations* | | | | | | |
| *AASB 1049 cash surplus/-deficit* | *-1,015* | *-1,299* | *-1,898* | *-642* | *-695* | *-1,337* |
| *Less Acquisitions under finance leases and similar arrangements* | 264 | 1 | 1 | - | - | 1 |
| **GFS cash surplus/-deficit** | **-1,279** | **-1,299** | **-1,899** | **-642** | **-695** | **-1,338** |
| *Total non-financial public sector* | | | | | | |
| *AASB 1049 cash surplus/-deficit* | *-2,348* | *-2,921* | *-4,532* | *-2,471* | *-1,309* | *-1,129* |
| *Less Acquisitions under finance leases and similar arrangements* | 372 | 216 | 373 | 5 | - | 423 |
| **GFS cash surplus/-deficit** | **-2,720** | **-3,137** | **-4,905** | **-2,476** | **-1,309** | **-1,552** |
| *Public financial corporations* | | | | | | |
| *AASB 1049 cash surplus/-deficit* | *-117* | *253* | *251* | *281* | *306* | *338* |
| *Less Acquisitions under finance leases and similar arrangements* | - | - | - | - | - | - |
| **GFS cash surplus/-deficit** | **-117** | **253** | **251** | **281** | **306** | **338** |
| *Total public sector* | | | | | | |
| *AASB 1049 cash surplus/-deficit* | *-2,465* | *-2,668* | *-4,282* | *-2,189* | *-1,003* | *-790* |
| *Less Acquisitions under finance leases and similar arrangements* | 372 | 216 | 373 | 5 | - | 423 |
| **GFS cash surplus/-deficit** | **-2,837** | **-2,884** | **-4,654** | **-2,195** | **-1,003** | **-1,214** |

## 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 position[1].

An LCA deficit of $5.6 billion is forecast for 2014-15, $2.4 billion higher than the budget-time projection of $3.2 billion. This revision is driven by larger than anticipated cash deficits for the general government sector and public non-financial corporations sectors, and by the impact of an increase in Keystart borrowing (impacting the LCA memorandum item) following lower than expected home loan draw downs in 2013-14.

For 2014-15, the larger LCA deficit is mainly driven by:

- the very significant downturn in the outlook for royalty revenue and tax collections since the 2014-15 Budget (impacting the general government sector cash position);
- the net impact of softer cash transactions for goods and services receipts and associated costs and lower projected sales of surplus assets (particularly land and housing inventories) in the public non-financial corporations sector; and
- a $1.2 billion forecast for Keystart borrowings in 2014-15, reflecting the Board's upper range of current borrowing projections (with a review of these forecasts expected to be reflected in 2015-16 Budget)[2].

Detailed financial projections are discussed in more detail in Chapter 1 of this report.

An LCA deficit of $1.8 billion is forecast for 2015-16 ($3.7 billion lower than the expected outturn for 2014-15). The lower LCA nomination for 2015-16 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 $806 million) and the general government sector (down $1.3 billion), mainly due to changes to the outlook discussed in Chapter 1; and
- lower memorandum items (down $1.3 billion), due mainly to moderating home lending activity relative to 2014-15.

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

2 Borrowings for home lending purposes are broadly net debt neutral for the State's balance sheet due to matching home lending assets. Should the LCA memorandum item for home lending borrowings be substantially revised (up or down) in the coming Budget, the overall impact on State balance sheet outcomes is broadly unchanged at a net aggregate level.

## LOAN COUNCIL ALLOCATION

Western Australia

| | 2014-15 | | |
|---|---|---|---|
| | Budget Estimate $m | Mid-year Revision $m | 2015-16 Nomination $m |
| General government cash surplus/deficit | 1,622 | 2,635 | 1,829 |
| Public non-financial corporations sector cash surplus/deficit | 1,299 | 1,898 | 642 |
| *Total non-financial public sector cash surplus/deficit* | *2,921* | *4,532* | *2,471* |
| Acquisitions under finance leases and simlar arrangements | 216 | 373 | 5 |
| *GFS cash surplus/deficit* | *3,137* | *4,905* | *2,476* |
| *Less:* Non-financial public sector net cash flow s from investments in financial assets for policy purposes | - | - | - |
| *Plus:* Memorandum items | 36 | 681 | -628 |
| **Loan Council Allocation** | **3,173** | **5,586** | **1,848** |
| *Tolerance Limit* (a) | | | *871* |

(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 estimates of general government operating revenue prepared on an accrual basis consistent with Australian Accounting Standards and Government Finance Statistics frameworks.

Table 2.1

## OPERATING REVENUE
### General Government

| | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|
| **TAXATION** | | | | | | |
| Taxes on employers' payroll and labour force | | | | | | |
| *Payroll tax* | *3,566* | *3,834* | *3,737* | *4,164* | *4,535* | *4,889* |
| Property taxes | | | | | | |
| *Land tax* | *661* | *755* | *750* | *826* | *909* | *1,009* |
| Transfer duty | 1,776 | 1,823 | 1,761 | 1,689 | 1,704 | 1,764 |
| Landholder duty | 193 | 123 | 121 | 118 | 119 | 121 |
| *Total duty on transfers* | *1,969* | *1,946* | *1,882* | *1,807* | *1,823* | *1,885* |
| Metropolitan Region Improvement Tax | 88 | 93 | 91 | 120 | 132 | 145 |
| Perth Parking Levy (a) | 40 | 48 | 48 | 59 | 59 | 60 |
| Emergency Services Levy | 258 | 274 | 274 | 282 | 295 | 308 |
| Loan guarantee fees | 119 | 125 | 122 | 126 | 128 | 133 |
| *Total other property taxes* | *504* | *539* | *535* | *586* | *613* | *647* |
| Taxes on provision of goods and services | | | | | | |
| Lotteries Commission | 147 | 155 | 155 | 162 | 170 | 178 |
| Video lottery terminals | - | 1 | 1 | 1 | 1 | 1 |
| Casino tax | 127 | 123 | 100 | 81 | 84 | 86 |
| Betting tax | 43 | 44 | 44 | 45 | 46 | 47 |
| Other | - | - | - | - | - | - |
| *Total taxes on gambling* | *317* | *322* | *299* | *289* | *301* | *312* |
| Insurance duty | 580 | 638 | 624 | 673 | 728 | 790 |
| Other | 32 | 25 | 25 | 24 | 24 | 25 |
| *Total taxes on insurance* | *611* | *663* | *649* | *697* | *752* | *815* |
| Taxes on use of goods and performance of activities | | | | | | |
| Vehicle licence duty | 385 | 442 | 369 | 408 | 447 | 490 |
| Permits - oversize vehicles and loads | 7 | 8 | 8 | 9 | 9 | 9 |
| Motor vehicle recording fee | 53 | 52 | 52 | 56 | 61 | 67 |
| Motor vehicle registrations | 728 | 834 | 834 | 878 | 924 | 971 |
| *Total motor vehicle taxes* | *1,173* | *1,336* | *1,263* | *1,350* | *1,441* | *1,537* |
| *Mining Rehabilitation Levy* (b) | *n.app.* | *45* | *45* | *51* | *58* | *58* |
| *Landfill Levy* (a) | *47* | *60* | *60* | *104* | *105* | *108* |
| **Total Taxation** | **8,849** | **9,500** | **9,220** | **9,875** | **10,536** | **11,260** |

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

## OPERATING REVENUE

General Government

| | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|
| **CURRENT GRANTS AND SUBSIDIES** | | | | | | |
| *General Purpose Grants* | | | | | | |
| GST grants | 2,507 | 2,215 | 2,267 | 1,842 | 1,957 | 2,399 |
| North West Shelf grants | 1,103 | 1,055 | 911 | 813 | 879 | 867 |
| Commonwealth compensation for changed crude oil excise arrangements | 65 | 58 | 50 | 45 | 48 | 48 |
| *Grants Through the State* | | | | | | |
| Schools assistance – non-government schools | 951 | 1,018 | 1,040 | 1,136 | 1,235 | 1,318 |
| Local government financial assistance grants | 168 | 179 | 173 | 176 | 179 | 189 |
| Local government roads | 107 | 111 | 107 | 107 | 107 | 112 |
| *National Specific Purpose Payment Agreement Grants* | | | | | | |
| National Schools | 469 | 528 | 528 | 598 | 665 | 665 |
| National Agreement for Skills and Workforce Development | 151 | 159 | 160 | 165 | 170 | 176 |
| National Disability Services | 146 | 155 | 155 | 164 | 173 | 183 |
| National Affordable Housing | 139 | 145 | 145 | 150 | 155 | 160 |
| *National Health Reform* | *1,518* | *1,730* | *1,745* | *1,919* | *2,134* | *2,189* |
| *Other Grants/National Partnerships* | | | | | | |
| Health | 484 | 363 | 325 | 323 | 304 | 303 |
| Housing | 15 | 15 | 15 | - | - | - |
| Transport | 52 | 70 | 65 | 78 | 82 | 61 |
| Other | 323 | 203 | 196 | 197 | 135 | 96 |
| **Total Current Grants and Subsidies** | **8,199** | **8,006** | **7,884** | **7,712** | **8,224** | **8,765** |
| **CAPITAL GRANTS** | | | | | | |
| *Grants Through the State* | | | | | | |
| Schools assistance – non-government schools | 22 | 30 | 32 | 35 | 38 | 41 |
| *Other Grants/National Partnerships* | | | | | | |
| Housing | 191 | 166 | 260 | 124 | 97 | 99 |
| Transport | 242 | 416 | 611 | 500 | 832 | 614 |
| Other | 92 | 66 | 97 | 38 | 27 | 3 |
| **Total Capital Grants** | **547** | **677** | **1,001** | **697** | **994** | **756** |

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

## OPERATING REVENUE

### General Government

| | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-year Revision $m | 2015-16 Mid-year Revision $m | 2016-17 Mid-year Revision $m | 2017-18 Mid-year Revision $m |
|---|---|---|---|---|---|---|
| **SALES OF GOODS AND SERVICES** | | | | | | |
| WA Health | 525 | 546 | 547 | 575 | 574 | 574 |
| Department of Transport | 167 | 168 | 172 | 169 | 173 | 176 |
| Department of Education | 149 | 152 | 154 | 156 | 157 | 157 |
| State Training Providers | 138 | 163 | 157 | 176 | 185 | 186 |
| Department of Training and Workforce Development | 42 | 58 | 56 | 59 | 59 | 59 |
| Western Australian Land Information Authority | 139 | 132 | 132 | 144 | 159 | 154 |
| Department of Parks and Wildlife | 36 | 44 | 39 | 40 | 41 | 40 |
| Department of the Attorney General | 109 | 107 | 114 | 113 | 114 | 116 |
| Department of Commerce | 93 | 82 | 104 | 104 | 88 | 80 |
| Department of Mines and Petroleum | 50 | 56 | 56 | 70 | 64 | 63 |
| All Other | 630 | 694 | 723 | 777 | 810 | 943 |
| **Total Sale of Goods and Services (a) (b)** | **2,078** | **2,203** | **2,256** | **2,383** | **2,423** | **2,549** |
| **INTEREST INCOME** | **194** | **210** | **187** | **212** | **243** | **255** |
| **REVENUE FROM PUBLIC CORPORATIONS** | | | | | | |
| Dividends | 901 | 938 | 1,226 | 976 | 1,036 | 1,133 |
| Tax Equivalent Regime | 602 | 530 | 491 | 543 | 617 | 602 |
| **Total Revenue from Public Corporations** | **1,503** | **1,468** | **1,717** | **1,520** | **1,653** | **1,736** |
| **ROYALTY INCOME** | **6,025** | **6,176** | **4,368** | **5,184** | **5,604** | **5,978** |
| **OTHER** | | | | | | |
| Lease rentals | 94 | 86 | 86 | 88 | 90 | 90 |
| Fines | 141 | 168 | 179 | 172 | 172 | 172 |
| Revenue not elsewhere counted | 326 | 190 | 199 | 204 | 143 | 166 |
| **Total Other (b)** | **561** | **444** | **464** | **464** | **405** | **428** |
| **TOTAL REVENUE** | **27,956** | **28,683** | **27,096** | **28,047** | **30,084** | **31,726** |

(a) The 2014-15 Budget included this revenue as goods and services income. However, the Australian Bureau of Statistics (ABS) advised that for Government Finance Statistics purposes, the levy should be classified as a tax. This revised treatment was reflected in the 2013-14 *Annual Report on State Finances* released on 23 September 2014. Comparative data from the 2014-15 Budget have been recast in this table for this classification change.

(b) From 1 July 2014 the Mining Rehabilitation Fund Levy became a compulsory levy (the Levy was a previously voluntary charge). The ABS has advised that this compulsory levy should be classified as a tax. The voluntary levy is classified as 'other revenue' in 2013-14 and has not been reclassified. This levy was included in the 2014-15 Budget as goods and services income. Comparative data from the 2014-15 Budget has been recast for this classification change.

Note: Columns may not add due to rounding.

APPENDIX 3

# Major Spending Changes

This appendix provides details of material changes in general government expenses and total public sector infrastructure spending since the 2014-15 Budget. The portfolio disclosures in this appendix are consistent with arrangements at the time of the Mid-year Review cut-off date, and do not reflect the change in ministerial portfolio responsibilities announced by the Premier on 8 December 2014.

Spending changes detailed in this appendix include:

- all material decisions made between the 14 April 2014 cut-off date for the 2014-15 Budget and the 3 December 2014 cut-off date for this Mid-year Review; and
- other changes of a material nature affecting agency spending over the forward estimates period[1]. These include the impact of issues such as variations in Commonwealth-funded programs, higher cost and demand for government services, and depreciation.

Changes relating 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, WA 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.

# Savings Measures

The following sector-wide savings measures have been reflected in this Mid-year Review and are discussed in Chapter 1. Specific agency financial impacts are shown in the agency disclosures later in this appendix.

## 1% General Government Efficiency Dividend

As previously announced, the Government has endorsed the implementation of a 1% general government efficiency dividend. The measure has been applied to general government sector appropriation-funded agencies from 1 October 2014 (with the exception of the Department of Education, which will have its efficiency dividend apply to central and regional office spending only). The measure also includes the Public Transport Authority and the Department of Regional Development (based on recurrent Royalties for Regions funding, but with the $1 billion expenditure cap for the program to remain unchanged). Savings from this measure total $424 million over the period 2014-15 to 2017-18, with specific agency impacts detailed in their respective tables.

## Ongoing General Government Procurement Savings

As previously announced, the Government has endorsed the continuation of the 15% reduction in non-essential general government procurement expenditure that was included in the 2014-15 Budget. The measure includes expenditure on consultants, staff travel, consumables and administration[2]. Savings from this measure total $412 million over the period 2015-16 to 2017-18, with specific agency impacts detailed in their respective tables.

## ICT Savings and Reform

The Government has endorsed a 15% annual reduction in certain agencies' ICT expenditure commencing from 1 January 2015. Sixteen agencies with historically high expenditure on ICT-related services are included in this measure. The portfolio impact tables in this appendix outline the individual savings of the affected agencies. Total savings from this measure are $110 million from 2014-15 to 2017-18, with $25 million of these savings being redirected to a new ICT Renewal and Reform Fund that will support agencies in developing more efficient and innovative ICT solutions.

[2] The procurement savings do not apply to contracts and services purchased from the not-for-profit sector, nor to direct purchases by schools or patient support services in the health sector.

## Public Sector Workforce Renewal

A new workforce renewal policy is to apply from 1 January 2015. Under this arrangement, public sector employees leaving through resignation or retirement are to be replaced with lower cost alternatives. This measure aims to address the impact of 'classification creep' and achieve significant salary savings. When an employee leaves an agency through resignation or retirement, the agency will only be able to retain 60% of the employee's ongoing salary. For defined front-line employees (police officers, teachers, nurses, medical practitioners, fire fighters, train drivers and child protection workers), the relevant agency will be able to retain 90% of the ongoing salary, in recognition of relative demand pressures and other limitations with these key occupations.

This measure is expected to improve the general government sector operating position by $67 million in 2014-15, and a total of nearly $1.3 billion over the four years to 2017-18. These savings are reflected as a global provision in this Mid-year Review (see *Provisions* at the end of this appendix), and will be reflected at an individual agency level in the 2015-16 Budget.

## Targeted Voluntary Separation Scheme

On 9 October 2014, the Government announced a new voluntary separation scheme for general government sector employees, with specific agencies to be targeted for the scheme. The financial impact of the scheme on agency budgets will be dependent on factors such as up-take by surplus staff, and the entitlements of separating employees. The allocation of separations to specific agencies is provided in following table.

This Mid-year Review includes a provision of $134 million for separation costs in 2014-15, with a further $49 million in projected accrued leave payments expensed in earlier years also expected to be paid in 2014-15 under the scheme. Consequential savings from 2015-16 are also provisioned in this Mid-year Review.

**TARGETED VOLUNTARY SEPARATIONS[(a)]**

| **Agency** | Separations Target |
|---|---|
| Health | 500 |
| Education | 200 |
| State Training Providers | 200 |
| Corrective Services | 100 |
| Agriculture and Food | 100 |
| Parks and Wildlife | 50 |
| Child Protection and Family Support | 40 |
| Western Australia Police (excludes sworn Police Officers) | 40 |
| Disability Services Commission | 30 |
| Attorney General | 30 |
| Transport | 30 |
| Finance | 30 |
| Main Roads | 20 |
| Commerce | 20 |
| Culture and the Arts | 10 |
| Unallocated | 100 |
| **Total** | **1,500** |

(a) There will be some flexibility to adjust these estimates (up or down) in light of any unforeseen circumstances.

## Asset Investment Program Savings

As announced on 9 October 2014, the Government has endorsed a further 5% reduction to most agencies' asset investment programs. This is in addition to the 5% reduction announced in the 2014-15 Budget. The decision primarily reflects lower than expected escalation in building costs, as well as final tender results typically coming in below pre-tender estimates for a variety of projects across the public sector. Estimated savings from the latest measure total $542 million from 2015-16 to 2017-18, with specific agency impacts detailed in their respective tables.

# Major Spending Changes (by Portfolio)

## PREMIER; MINISTER FOR STATE DEVELOPMENT; SCIENCE

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **PREMIER AND CABINET** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | -1.2 | -1.6 | -1.6 | -1.6 |
| Ongoing Procurement Savings | - | -0.8 | -0.8 | -0.8 |
| Strategic Assessment of the Perth and Peel Regions | 1.4 | 0.5 | - | - |
| **PUBLIC SECTOR COMMISSION** | | | | |
| **Expenses** | | | | |
| ICT Reform | -0.1 | -0.2 | -0.2 | -0.2 |
| **LOTTERIES COMMISSION** | | | | |
| **Asset Investment** | | | | |
| Software and Information Technology Infrastructure | 1.7 | 1.0 | 0.4 | 0.4 |
| **STATE DEVELOPMENT** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | - | -0.3 | -0.3 | -0.3 |
| Ongoing Procurement Savings | - | -0.3 | -0.3 | -0.3 |
| ICT Reform | -0.1 | -0.2 | -0.2 | -0.2 |
| **CHEMISTRY CENTRE** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.4 | -0.4 | -0.4 |

### Premier and Cabinet

#### Expenses

#### *Strategic Assessment of the Perth and Peel Regions (SAPPR)*

An additional $1.9 million will be spent over two years from 2014-15 by the Department of the Premier and Cabinet on studies and planning activities related to the SAPPR project. This project will assess the environmental impact of future land use development proposals in the Perth and Peel region, including the impact of urban, industrial and infrastructure projects.

### Lotteries Commission

#### Asset Investment

#### *Software and Information Technology Infrastructure*

Additional capital expenditure totalling $3.4 million has been approved for software and information technology infrastructure, mainly to upgrade and replace end-of-life technology.

# DEPUTY PREMIER; MINISTER FOR HEALTH; TRAINING AND WORKFORCE DEVELOPMENT

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **WA HEALTH** | | | | |
| **Expenses** | | | | |
| Changes to National Health Reform Agreement | - | - | - | - |
| Depreciation | -4.2 | -14.9 | -24.7 | 2.6 |
| Fiona Stanley Hospital Facilities Management | | | | |
| – Interest Expense | -6.5 | 1.9 | 1.6 | 1.5 |
| – Contract Negotiations | 16.7 | - | - | - |
| Multi-purpose Service Units | -26.2 | -26.2 | -26.2 | -26.2 |
| Aged Care Assessment Program | 0.7 | 1.5 | -10.0 | -10.0 |
| Efficiency Dividend | -31.6 | -42.9 | -43.5 | -43.6 |
| Ongoing Procurement Savings | - | -39.2 | -37.9 | -39.1 |
| **Asset Investment** | | | | |
| Fiona Stanley Hospital | | | | |
| – Facilities Management Lease Repayment | -23.0 | 15.9 | 3.5 | 5.4 |
| – Information and Communication Technology | 11.7 | - | - | - |
| Renal Dialysis and Support Services | 18.0 | 15.0 | 8.0 | 2.8 |
| Asset Investment Program Savings | - | -12.4 | -7.6 | -5.1 |
| **TRAINING AND WORKFORCE DEVELOPMENT** | | | | |
| **Expenses** | | | | |
| Alignment to 2014-15 Commonwealth Budget | -1.7 | 0.2 | 0.3 | -52.2 |
| Efficiency Dividend | -3.1 | -4.1 | -4.1 | -4.1 |
| Ongoing Procurement Savings | - | -2.4 | -2.3 | -2.3 |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -0.9 | -0.7 | - (a) |
| **STATE TRAINING PROVIDERS** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -6.7 | -6.9 | -6.6 |
| ICT Reform | - (a) | -0.1 | -0.1 | -0.1 |
| Update of Financial Projections | 8.4 | 0.9 | -6.5 | -27.3 |

(a) Amount less than $50,000.

## WA Health

### Expenses

#### *Changes to National Health Reform Agreement (NHRA)*

In its 2014-15 Budget, the Commonwealth Government announced a reduction in funding under the NHRA for public hospital services in Western Australia of approximately $300 million over the period 2015-16 to 2017-18. The State has met this shortfall through an increase in appropriation funding, with no change in overall expenditure.

#### *Depreciation*

Depreciation expense over the forward estimates has been updated to recognise a change in depreciation policy for plant and equipment assets, refinements to the depreciation expense associated with hospital closures, and the flow-on impact to depreciation from updates to the timing of capital expenditure in the Asset Investment Program.

### *Fiona Stanley Hospital Facilities Management Interest Expense*

The interest expense associated with the Fiona Stanley Hospital (FSH) Facilities Management contract will be reduced by $6.5 million in 2014-15 and increase by $5 million over the forward estimates. The changes reflect the impact of the phased opening of the FSH, the timing of the acquisition and commissioning of assets, the estimated value of the assets to be acquired and revisions in the useful life of these assets over the contract period.

### *Fiona Stanley Hospital Facilities Management Contract Negotiations*

The Government has approved an additional $16.7 million in 2014-15 to finalise the contract variation for the provision of pre-operational facilities management services by Serco at the FSH. This additional amount is due to the phased opening of the hospital in 2014-15.

The 2013-14 Mid-year Review identified that the State and Serco had reached an agreement for the provision of facilities management services at FSH between January 2014 and March 2015. It was also noted that as certain elements of the facilities management service were still subject to negotiation, there would be a risk of further costs associated with the issue. The additional $16.7 million is within the risk expectations set at that time.

### *Multi-purpose Service Units*

Annual expenditure (and equivalent Commonwealth funding) of $26.2 million for Multi-purpose Service Units has been removed from the budget estimates to reflect that the Commonwealth – State funding agreement is yet to be finalised. The expenditure for the Multi-purpose Service Units provides improved access to health and aged care services in rural communities and will be reinstated when the agreement is finalised and funding guaranteed.

### *Aged Care Assessment Program*

Additional expenditure of $0.7 million in 2014-15 and $1.5 million in 2015-16 indicates a marginal increase in the base allocation of $10 million for the Aged Care Assessment Program (ACAP), which is a Commonwealth-funded program delivered by the State. The signing of a new agreement with the Commonwealth has resulted in the ACAP expenditure estimates being reduced by $10 million in 2016-17 and 2017-18 as the latest agreement is for a two year period only.

### Asset Investment

#### *Fiona Stanley Hospital Facilities Management Lease Repayment*

The FSH Facilities Management contract lease repayments will be reduced by $23 million in 2014-15, increased by $15.9 million in 2015-16, $3.5 million in 2016-17 and $5.4 million in 2017-18. The changes to the repayment schedule reflect the impact of the phased opening of the FSH, and include updates to the timing and value of assets to be acquired, revisions to the useful life of assets and interest rate changes over the contract period.

#### *Fiona Stanley Hospital Information and Communication Technology*

An additional $11.7 million will be spent in 2014-15 to ensure the FSH information and communication technology (ICT) platform and systems are stabilised prior to Phase 3 opening. This expenditure will support the staged commissioning of the new hospital, support the reconfiguration and remediation of applications, and provide onsite help desk support to ICT users at the hospital.

#### *Renal Dialysis and Support Services*

A total of $43.8 million will be invested over the four years from 2014-15 to 2017-18 to expand the delivery of renal dialysis and support services. This includes 17 additional renal dialysis chairs and more patient accommodation in regional Western Australia. This investment is fully funded by the Commonwealth as part of the *Health and Hospitals Fund* allocations.

## Training and Workforce Development

### Expenses

#### *Alignment to 2014-15 Commonwealth Budget*

Projected spending on training has been revised down by $53.4 million over the forward estimates period. This primarily reflects the scheduled expiry of the National Partnership Agreement on Skills Reform (NPASR) in 2016-17, which results in a reduction in estimated Commonwealth grants of $52.2 million in 2017-18.

## State Training Providers

### Expenses

#### *Update of Financial Projections*

Total spending by the eleven State Training Providers will decrease by $24.5 million over the forward estimates period. This is being driven by an update of expenditure forecasts in line with expected training delivery and the expiry of the NPASR funding in 2016-17.

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

## MAJOR SPENDING CHANGES

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **REGIONAL DEVELOPMENT** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.5 | -0.4 | -0.3 |
| Efficiency Dividend | -1.9 | -3.5 | -4.2 | -4.6 |
| **LANDS** | | | | |
| **Expenses** | | | | |
| Redevelopment of the Claremont North East Precinct – Claremont Football Club | 1.5 | - | - | - |
| Compensation to the Thalanyji Native Title Holders | 11.5 | - | - | - |
| **WESTERN AUSTRALIAN LAND AUTHORITY** | | | | |
| **Expenses** | | | | |
| Operating Subsidy Savings | -1.9 | -1.4 | -1.4 | -1.5 |
| **Asset Investment** | | | | |
| Revised Financial Forecasts | -53.4 | 92.5 | 10.1 | -113.2 |
| Albany Middleton Beach Site Acquisition | 7.8 | 3.7 | - | - |
| Asset Investment Program Savings | - | -16.0 | -19.1 | -20.6 |
| **WESTERN AUSTRALIAN LAND INFORMATION AUTHORITY** | | | | |
| **Expenses** | | | | |
| Strata Titles Act Reform | 1.3 | 0.9 | 1.0 | 1.0 |
| Ongoing Procurement Savings | - | -0.7 | -0.8 | -0.9 |
| **Asset Investment** | | | | |
| Strata Titles Act Reform | 3.7 | 1.2 | - | - |

## Lands

### Expenses

#### *Redevelopment of the Claremont North East Precinct – Claremont Football Club*

An amount of $1.5 million will paid in 2014-15 to the Claremont Football Club for the maintenance, repair and renewal of the new Club premises.

#### *Compensation to the Thalanyji Native Title Holders*

The Government has offered compensation of $11.5 million under section 217(3) of the *Land Administration Act 1997* to the Buurabalayji Thalanyji Aboriginal Corporation for Onslow ‘Area 4’.

## Western Australian Land Authority (LandCorp)

### Expenses

#### *Operating Subsidy Savings*

On 9 October 2014, the Government announced that efficiency savings were to be achieved by a number of public corporations. This includes a 7.5% reduction in the general government operating subsidy to LandCorp in 2014-15, and a 10% reduction in the base operating subsidy in subsequent years, which is to be matched by lower operating costs in the Authority. LandCorp has implemented the full operating subsidy amount of $6.2 million over the forward estimates period, applied with varying percentages over the four years. Full allocation of these savings to LandCorp's specific activities is still being identified and will be considered as part of the 2015-16 Budget process.

### Asset Investment

#### *Revised Financial Forecasts*

The revised financial estimates reflect LandCorp's strategic direction in terms of land sales, acquisitions and development expenditure. Softening property market conditions, particularly in the regional and industry sectors, have led to the Authority implementing a range of measures such as deferring development expenditure and acquisitions on a number of projects in order to minimise impacts on the State's finances.

#### *Albany Middleton Beach Site Acquisition*

A total of $11.5 million (including $4.8 million from Royalties for Regions) will be spent across the forward estimates period to fund the acquisition of land and subsequent development of the former Esplanade Hotel site. This includes development works to Flinders Parade and associated infrastructure and landscaping improvements to the beachfront.

## Western Australian Land Information Authority (Landgate)

### Expenses

#### *Strata Titles Act Reform*

An additional $4.2 million will be spent over four years from 2014-15 to provide the legal and policy capacity to prioritise the delivery of reforms to the *Strata Titles Act 1985 (WA)*. The legislative changes to the Act will support flexible land tenure arrangements, provide a model for the renewal or replacement of old housing stock, and improve management provisions and dispute resolution processes associated with strata developments.

### Asset Investment

#### *Strata Titles Act Reform*

An additional $4.9 million will be spent over two years from 2014-15 for upgrades to Landgate's ICT infrastructure and software requirements to support reforms to the *Strata Titles Act 1985 (WA)*.

## MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **EDUCATION** | | | | |
| **Expenses** | | | | |
| Extension to the National Partnership Agreement on Universal Access to Early Childhood Education | 12.9 | 31.2 | - | - |
| School Chaplaincy Program | 3.8 | 7.6 | 7.6 | 7.6 |
| Efficiency Dividend | -1.5 | -2.1 | -2.2 | -2.3 |
| Ongoing Procurement Savings | - | -8.4 | -8.6 | -8.8 |
| ICT Reform | -5.2 | -10.6 | -10.9 | -11.1 |
| **Asset Investment** | | | | |
| Accommodation for Churchlands Senior High School | 0.3 | 2.6 | 26.1 | 9.8 |
| Trade Training Centres | 11.3 | 6.4 | - | - |
| Extension to the National Partnership Agreement on Universal Access to Early Childhood Education | 0.5 | - | - | - |
| Fremantle College | 0.3 | - | - | - |
| Asset Investment Program Savings | - | -9.0 | -5.1 | -4.4 |
| **EDUCATION SERVICES** | | | | |
| **Expenses** | | | | |
| Per Capita Grants to Non-Government Schools | - | 13.9 | - | - |
| **SCHOOL CURRICULUM AND STANDARDS AUTHORITY** | | | | |
| Efficiency Dividend | -0.3 | -0.3 | -0.3 | -0.3 |
| Ongoing Procurement Savings | - | -0.2 | - | - |
| **COUNTRY HIGH SCHOOL HOSTELS AUTHORITY** | | | | |
| Ongoing Procurement Savings | -0.5 | -0.5 | -0.5 | -0.5 |
| **ABORIGINAL AFFAIRS** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | - | -0.3 | -0.3 | -0.4 |
| Ongoing Procurement Savings | - | -0.2 | -0.2 | -0.2 |

## Education

### Expenses

#### *Extension to the National Partnership Agreement on Universal Access to Early Childhood Education*

An additional $44.1 million will be spent on continuing the provision of 15 hours per week of kindergarten to all age-eligible children in the 2015 school year. The State Government currently funds 11 hours per week of kindergarten to Western Australian children. The additional expenditure reflects a one year extension of Commonwealth funding for four additional hours of kindergarten.

#### *School Chaplaincy Program*

A total of $26.7 million will be spent to continue the Commonwealth Government's National Chaplaincy Program, which provides funding to allow government and non-government schools to have school chaplains. Under the arrangement, funds will be distributed from the Commonwealth directly to the Department, which will then allocate funding to service providers.

### Asset Investment

#### *Accommodation for Churchlands Senior High School*

A total of $38.8 million will be invested from 2014-15 to 2017-18 to increase the permanent capacity at Churchlands Senior High School by 500 students to cater for increased student enrolment growth. This will increase the school's capacity to 2,200 students in time for the 2018 school year.

#### *Trade Training Centres*

A total of $17.7 million will be invested over two years on five new Trade Training Centres announced as part of round five of the Commonwealth's Trade Training Centres program. The new Trade Training Centres will be located at Katanning, Halls Creek, Kullarri, Coodanup and Gilmore.

#### *Extension to the National Partnership Agreement on Universal Access to Early Childhood Education*

The Government will invest a further $500,000 in 2014-15 to build early childhood annexes at schools to assist in providing kindergarten to all age-eligible children.

*Fremantle College*

An initial investment of $250,000 has been allocated to investigate the infrastructure options for the proposed Fremantle College. It is envisaged that the current South Fremantle Senior High School (SHS) site will be redeveloped to accommodate students from both Hamilton SHS and South Fremantle SHS, with redevelopment costs to be met from the sale proceeds of the Hamilton SHS site. A business case will be presented for Government consideration as part of the 2015-16 Budget.

## Education Services

### Expenses

*Per Capita Grants to Non-Government Schools*

The Department will administer an additional $13.9 million in per capita grants to non-government schools in 2015-16, which will address indexation and enrolment growth in the non-government school sector.

# MINISTER FOR PLANNING; CULTURE AND THE ARTS

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **PLANNING** | | | | |
| **Expenses** | | | | |
| Strategic Assessment of the Perth and Peel Regions | 1.5 | 1.0 | - | - |
| Efficiency Dividend | -0.4 | -0.4 | -0.4 | -0.4 |
| Ongoing Procurement Savings | - | -1.7 | -1.2 | -1.4 |
| ICT Reform | -0.2 | -0.5 | -0.5 | -0.5 |
| **METROPOLITAN REDEVELOPMENT AUTHORITY** | | | | |
| **Asset Investment** | | | | |
| Revised Financial Forecasts | 5.0 | 9.7 | 4.5 | -0.4 |
| Asset Investment Program Savings | - | -2.6 | -1.4 | -0.5 |
| **WESTERN AUSTRALIAN PLANNING COMMISSION** | | | | |
| **Expenses** | | | | |
| Extension of the Metropolitan Region Improvement Tax | - | 5.3 | 6.2 | 7.1 |
| Rockingham Housing Project | 1.2 | - | - | - |
| Ongoing Procurement Savings | - | -0.2 | -0.2 | - |
| **Asset Investment** | | | | |
| Extension of the Metropolitan Region Improvement Tax | - | 5.3 | 6.2 | 7.2 |
| Asset Investment Program Savings | - | -1.8 | -1.8 | -1.7 |
| **CULTURE AND THE ARTS** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | -0.6 | -1.0 | -1.0 | -1.0 |
| Ongoing Procurement Savings | - | -2.0 | -2.0 | -1.7 |
| Perth International Arts Festival | 0.5 | - | - | - |
| Reduction in Own-source Revenue | -0.6 | -0.4 | -2.5 | -1.9 |
| Depreciation | - | 1.2 | -0.2 | -0.6 |

## Planning

### Expenses

#### *Strategic Assessment of the Perth and Peel Regions (SAPPR)*

An additional $2.5 million will be spent over two years from 2014-15 by the Department of Planning on studies and planning activities related to the SAPPR project. This project will assess the environmental impact of future land use development proposals in the Perth and Peel region, including the impact of urban, industrial and infrastructure projects.

## Metropolitan Redevelopment Authority

### Asset Investment

#### *Revised Financial Forecasts*

The Authority has revised the 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. The revisions reflect more accurate timelines of expenditure for development works, finalisation of contract negotiations and updated revenue projections (based on current market conditions).

## Western Australian Planning Commission

### Expenses

#### *Extension of the Metropolitan Region Improvement Tax*

An additional $18.6 million will be spent on planning activities over three years from 2015-16 reflecting the proposed State-wide extension of the Metropolitan Region Improvement Tax (MRIT) and associated Metropolitan Region Improvement Fund, creating a single Metropolitan and Regional Improvement Tax and related Metropolitan and Regional Improvement Fund. The implementation of the expanded MRIT from 1 July 2015 is subject to the passage of legislation.

#### *Rockingham Housing Project*

An additional $1.2 million will be spent in 2014-15 to recoup LandCorp for the remediation of a contaminated site in Rockingham.

### Asset Investment

#### *Extension of the MRIT*

The Commission's land acquisition program has been increased by $18.7 million over the period 2015-16 to 2017-18 to meet the State's statutory and planning obligations as a result of the proposed State-wide extension of the MRIT.

## Culture and the Arts

### Expenses

***Perth International Arts Festival***

An amount of $500,000 will be spent in 2014-15 in relation to the Perth International Arts Festival for 'The Giants' event by Royale Deluxe.

***Reduction in Own-source Revenue***

Expenditure has been revised downwards by $5.4 million over the forward estimates to reflect a corresponding reduction in own-source revenue, primarily due to the closure of the Perth Museum site in 2016-17 to allow for the construction of the new Museum, and for the outsourcing of the food and beverage function at Perth Theatre Trust venues.

***Depreciation***

Depreciation expenses on the portfolio's asset base have been revised upwards by $452,000 over the forward estimates following a review of building valuations.

# MINISTER FOR POLICE; TOURISM; ROAD SAFETY; WOMEN'S INTERESTS

**MAJOR SPENDING CHANGES**

| | 2014-15<br>$m | 2015-16<br>$m | 2016-17<br>$m | 2017-18<br>$m |
|---|---|---|---|---|
| **WESTERN AUSTRALIA POLICE** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | -8.9 | -12.4 | -13.0 | -13.2 |
| Ongoing Procurement Savings | - | -11.6 | -11.2 | -10.7 |
| ICT Reform | -3.5 | -7.1 | -7.3 | -7.5 |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -2.8 | -1.9 | -0.9 |
| **WESTERN AUSTRALIAN TOURISM COMMISSION** | | | | |
| **Expenses** | | | | |
| Royalties for Regions – Continuation of Events Funding | - | - | - | 10.0 |
| Efficiency Dividend | -0.5 | -0.6 | -0.5 | -0.5 |
| Ongoing Procurement Savings | - | -0.7 | -0.7 | -0.7 |

## Western Australian Tourism Commission

### Expenses

***Royalties for Regions – Continuation of Events Funding***

An amount of $10 million will be spent in 2017-18 to enable the Commission to continue delivering a balanced and diverse calendar of events that increases the international appeal of Western Australia.

# MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES; CHILD PROTECTION

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **MENTAL HEALTH COMMISSION** | | | | |
| **Expenses** | | | | |
| Office Accommodation Relocation | - | 3.4 | 1.7 | 1.8 |
| Efficiency Dividend | -4.7 | -6.4 | -6.7 | -7.0 |
| Ongoing Procurement Savings | - | -0.5 | -0.6 | -0.5 |
| **DISABILITY SERVICES COMMISSION** | | | | |
| **Expenses** | | | | |
| Disability Justice Centre: Reinstatement of Salary Funding | - | 2.5 | 2.6 | 2.6 |
| Efficiency Dividend | -5.1 | -7.2 | -7.7 | -7.7 |
| Ongoing Procurement Savings | - | -1.5 | -1.4 | -1.4 |
| **CHILD PROTECTION AND FAMILY SUPPORT** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | -4.1 | -5.5 | -5.7 | -5.8 |
| Ongoing Procurement Savings | - | -2.7 | -2.6 | -2.6 |
| ICT Reform | -0.8 | -1.6 | -1.6 | -1.7 |

## Mental Health Commission

### Expenses

#### *Office Accommodation Relocation*

An additional $6.9 million will be spent from 2015-16 to 2017-18 to co-locate the Drug and Alcohol Office and the Mental Health Commission following the amalgamation of the two entities. The co-location, to occur in new premises in East Perth, will result in additional fit-out, relocation and ongoing lease costs.

## Disability Services Commission

### Expenses

#### *Disability Justice Centre: Reinstatement of Salary Funding*

Around $7.7 million will be spent from 2015-16 to 2017-18 for staffing costs at the Disability Justice Centre (DJC) in Caversham. The DJC is expected to be operational by July 2015.

# ATTORNEY GENERAL; COMMERCE

## MAJOR SPENDING CHANGES

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **ATTORNEY GENERAL** | | | | |
| **Expenses** | | | | |
| Criminal Property Confiscations Grants | 1.9 | - | - | - |
| Old Treasury Building Relocation | 3.4 | 25.4 | 20.8 | 15.8 |
| Sale of the Integrated Courts Management System (ICMS) | 2.3 | 2.8 | 0.6 | 0.7 |
| Efficiency Dividend | -1.4 | -2.0 | -2.0 | -2.1 |
| Ongoing Procurement Savings | - | -4.8 | -5.0 | -5.3 |
| ICT Reform | -1.2 | -2.4 | -2.5 | -2.6 |
| **Asset Investment** | | | | |
| ICMS – Fines Enforcement Registry | 0.4 | 0.6 | - | - |
| Asset Investment Program Savings | - | -0.4 | -0.5 | -0.4 |
| **CORRUPTION AND CRIME COMMISSION** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | - | -0.3 | -0.3 | -0.3 |
| Ongoing Procurement Savings | - | -0.3 | -0.3 | -0.3 |
| ICT Reform | - (a) | -0.1 | -0.1 | -0.1 |
| **OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | - | -0.3 | -0.3 | -0.3 |
| **LEGAL AID COMMISSION** | | | | |
| **Expenses** | | | | |
| Commonwealth Grants | -1.6 | -0.1 | -0.1 | 0.2 |
| Efficiency Dividend | -0.3 | -0.4 | -0.4 | -0.4 |
| Ongoing Procurement Savings | - | -0.7 | -0.7 | -0.7 |
| **COMMERCE** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | -0.6 | -0.7 | -0.7 | -0.8 |
| Ongoing Procurement Savings | - | -1.3 | -1.3 | -1.3 |
| ICT Reform | -0.2 | -0.4 | -0.4 | -0.4 |
| Accommodation Funding | 0.9 | 0.7 | 0.9 | 2.0 |
| EnergySafety Division | 0.5 | 0.8 | 1.8 | 2.2 |
| Home Indemnity Insurance | -7.0 | 0.5 | 3.3 | 4.8 |
| WorkSafe Division | 2.0 | 2.1 | 2.1 | 2.2 |
| **REGISTRAR, WESTERN AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION** | | | | |
| **Expenses** | | | | |
| ICT Reform | - (a) | -0.1 | -0.1 | -0.1 |
| **WORKCOVER WESTERN AUSTRALIA AUTHORITY** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.7 | -0.8 | -0.8 |

(a) Amount less than $50,000.

## Attorney General

### Expenses

#### *Criminal Property Confiscations Grants*

An additional $1.9 million will be spent in 2014-15 to reflect increased grants for a number of purposes including law enforcement and the provision of services that address the impact and damage done by illegal activities. These grants are approved by the Attorney General and are paid to non-government and local government organisations from funds generated in the Confiscations Proceeds Account.

#### *Old Treasury Building Relocation*

A provisional allocation of $65.4 million from 2014-15 to 2017-18 has been approved for costs associated with the relocation of the State Administrative Tribunal, the Supreme Court (Civil) and the Department of the Attorney General to the Old Treasury Building Tower and St Georges Cathedral Heritage Precinct. The additional spending includes lease expenses, security, ICT and electricity costs.

#### *Sale of the Integrated Courts Management System (ICMS)*

An additional $6.4 million from 2014-15 to 2017-18 will be spent to reflect the provision of support and help desk services to the Australian Capital Territory (ACT) associated with the sale of the ICMS. This will be fully funded from revenue received from the ACT on a cost recovery basis.

### Asset Investment

#### *ICMS – Fines Enforcement Registry*

A total of $1 million will be invested over 2014-15 and 2015-16 for the completion of the Fines Enforcement Registry ICMS, funded by proceeds from the sale of the ICMS to the ACT.

## Legal Aid Commission

### Expenses

#### *Commonwealth Grants*

Spending will be reduced by a total of $1.5 million from 2014-15 to 2017-18 to reflect lower Commonwealth funding for programs associated with the provision of legal assistance services.

## Commerce

### Expenses

#### *Accommodation Funding*

An additional $4.5 million over the four years to 2017-18 has been approved to support the Department's office accommodation relocation and realignment to the Mason Bird Building in Cannington, and existing government office accommodation at the Westcentre (West Perth) and Gordon Stephenson House (Perth).

#### *EnergySafety Division*

Increased expenditure of $5.3 million over the four years to 2017-18 has been approved to ensure the EnergySafety Division is able to continue to deliver its regulatory services to Western Australia's electrical and gas industries, in accordance with its 2014-15 and 2015-16 Business Plan.

#### *Home Indemnity Insurance*

An expenditure reduction of $7 million in 2014-15, and an increase of $8.6 million over the three years to 2017-18, has been approved to reflect the Government's decision to extend the existing Home Indemnity Insurance scheme by a further two years, and revised data in relation to claims expenditure.

#### *WorkSafe Division*

Increased expenditure of $8.4 million over the four years to 2017-18 has been approved to ensure the WorkSafe Division is able to continue to deliver its regulatory functions in relation to occupational health and safety, and to meet Government commitments under the *Inter-Governmental Agreement for Regulatory and Operational Reform in Occupational Health and Safety*.

## MINISTER FOR MINES AND PETROLEUM; HOUSING

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **MINES AND PETROLEUM** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | -0.6 | -0.8 | -0.9 | -0.7 |
| Ongoing Procurement Savings | - | -2.5 | -2.5 | -2.5 |
| ICT Reform | - (a) | -0.1 | -0.1 | -0.1 |
| **HOUSING AUTHORITY** | | | | |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -11.3 | -10.0 | -22.2 |
| Other Infrastructure Movements | 20.6 | 72.4 | -5.6 | -48.7 |

(a) Amount less than $50,000.

## Housing Authority

### Asset Investment

#### *Other Infrastructure Movements*

Higher spending in 2014-15 and 2015-16 largely reflects a change in classification of Shared Equity spending from operating activities to infrastructure investment following finalisation of the Authority's 2013-14 annual report. This spending was classified to operating activities, along with Affordable Housing transactions, as part of the audit of the Authority's 2012-13 annual report. However, Shared Equity transactions should have been retained as infrastructure spending. This accounting change does not adjust the Authority's overall spending on these activities.

Lower spending in 2016-17 and 2017-18 reflects a decrease in land development activities due to softening housing market conditions, particularly in the Pilbara region.

# MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

## MAJOR SPENDING CHANGES

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **SPORT AND RECREATION** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | - | -0.4 | -0.3 | - |
| Ongoing Procurement Savings | - | -0.4 | -0.4 | -0.4 |
| **Asset Investment** | | | | |
| New Perth Stadium | -91.1 | -291.2 | -329.1 | -76.1 |
| **WESTERN AUSTRALIAN SPORTS CENTRE TRUST** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.5 | -0.5 | -0.5 |
| HBF Stadium – Naming Rights | 0.1 | 0.1 | 0.1 | - |
| nib Stadium – Operational Costs | 4.3 | 4.7 | 0.6 | - |
| Outsourcing of Catering Function | -2.5 | -4.2 | -4.2 | -4.2 |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -0.9 | -0.9 | -0.6 |
| **RACING GAMING AND LIQUOR** | | | | |
| **Expenses** | | | | |
| Gambling Tax Rebates – Casino | -24.2 | -48.0 | -50.0 | -52.0 |
| **RACING AND WAGERING WESTERN AUSTRALIA** | | | | |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -0.4 | -0.5 | -0.4 |
| **WESTERN AUSTRALIAN GREYHOUND RACING ASSOCIATION** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.3 | -0.3 | -0.3 |
| **Asset Investment** | | | | |
| New Cannington Complex | 11.0 | 2.0 | - | - |
| **BURSWOOD PARK BOARD** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.8 | -0.9 | -0.6 |

## Sport and Recreation

### Asset Investment

#### *New Perth Stadium*

The new Perth Stadium is being developed as a Public Private Partnership through a Design, Build, Finance and Maintain contract, with a 25 year term anticipated to commence in January 2018. Previous forecasts showed the acquisition of the stadium asset as infrastructure spending by the Department. These cash flows have been replaced by the cashflows reflecting a 60% capital contribution from the State and the private sector financing transactions associated with the stadium construction as detailed in the contract (see net debt discussion in Chapter 1).

## Western Australian Sports Centre Trust

### Expenses

#### *HBF Stadium – Naming Rights*

An amount of $267,000 over the three years to 2016-17 will be spent to meet costs associated with the naming rights agreement with HBF for Arena Joondalup (HBF Arena) and Challenge Stadium (HBF Stadium), including for the rebranding of existing venue equipment, stationery and uniforms. These costs are offset by additional revenue received as part of the naming rights agreement.

#### *nib Stadium – Operational Costs*

As a result of the Trust taking over the management of nib Stadium from September 2014, additional expenditure of $9.6 million over the three years to 2016-17, funded through an associated increase in external revenues, has been approved to recognise the commercial operations of nib Stadium over this period.

#### *Outsourcing of Catering Function*

A $15.2 million reduction in expenses over the four years to 2017-18 will be delivered as a result of the Trust outsourcing the catering function across several venues. The reduction in expenses is offset by a reduction in projected revenue for this function.

## Racing Gaming and Liquor (Administered)

### Expenses

#### *Gambling Tax Rebates - Casino*

As recently announced, gambling tax rebates paid to Crown Casino will reduce by $174.2 million over the forward estimates period as GST rebates ($228 million) will cease from 24 December 2014 and be replaced temporarily by a new rebate on international commission business (ICB, $54 million) until the associated State Agreement can be amended to provide for a minimum ICB payment. The change in GST rebates will be accompanied by lower casino tax rates (reducing revenue by an estimated $164 million, discussed in Chapter 1). The new arrangement is expected to improve the general government sector operating balance by a net $10 million over the four years to 2017-18.

## Western Australian Greyhound Racing Association

### Asset Investment

#### *New Cannington Complex*

An amount of $13 million over the two years to 2015-16 will be spent on the construction of a new greyhounds training, trialling and racing facility at Cannington.

# MINISTER FOR AGRICULTURE AND FOOD; FISHERIES

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **AGRICULTURE AND FOOD** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | -0.8 | -1.2 | -1.3 | -1.3 |
| Ongoing Procurement Savings | - | -3.0 | -3.0 | -2.9 |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -0.5 | -0.2 | -0.1 |
| **FISHERIES** | | | | |
| **Expenses** | | | | |
| Aquatic Biosecurity | -1.9 | - | - | - |
| Commercial Revenue Revisions | 1.2 | 1.2 | 1.2 | 1.2 |
| Recreational Fishing Initiatives Fund | 1.2 | - | - | - |
| Efficiency Dividend | -0.3 | -0.5 | -0.5 | -0.5 |
| Ongoing Procurement Savings | - | -2.1 | -2.1 | -2.0 |

## Fisheries

### Expenses

#### *Aquatic Biosecurity*

A reduction in expenditure of $1.9 million will be achieved in 2014-15 by streamlining the aquatic biosecurity program and ceasing lower priority research and compliance activities. This reflects a delay in cost recovery arrangements being finalised for this function.

#### *Commercial Revenue Revisions*

An additional $1.2 million per annum from 2014-15 will be spent on the delivery of commercial fishing compliance, research and policy functions, funded through higher forecast commercial licence revenue.

#### *Recreational Fishing Initiatives Fund*

An additional $1.2 million will be spent in 2014-15 to deliver agreed projects between the State and Recfishwest that will benefit the experience of recreational fishers in Western Australia, including an artificial reef structure at Rottnest Island and the enhancement of snapper stock.

# TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS

## MAJOR SPENDING CHANGES

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **TREASURY** | | | | |
| **Expenses** | | | | |
| Asset Sales Program | 2.0 | 2.1 | 2.1 | - |
| Efficiency Dividend | - | -0.4 | -0.4 | -0.4 |
| Office Accommodation – Old Treasury Building | - | 0.1 | 0.8 | 0.9 |
| **OFFICE OF THE AUDITOR GENERAL** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.2 | -0.2 | -0.2 |
| **INDEPENDENT MARKET OPERATOR** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.4 | -0.4 | -0.4 |
| **HORIZON POWER** | | | | |
| **Expenses** | | | | |
| Operating Subsidy for Electricity Tariffs | -3.1 | -3.2 | -2.5 | -4.9 |
| Operating Subsidy for Aboriginal and Remote Communities | -4.6 | -4.9 | -4.9 | -5.0 |
| **Asset Investment** | | | | |
| Royalties for Regions – Pilbara Underground Power Project | 23.1 | 26.9 | 24.0 | 26.0 |
| Advanced Metering Infrastructure | 11.4 | 14.4 | 8.2 | 0.2 |
| Customer Funded Works | 2.5 | 3.0 | 3.1 | 3.1 |
| Midwest and Norseman Network Augmentation | 4.6 | 1.0 | - | - |
| Pilbara Power Project | - | 1.7 | - | - |
| Onslow Power Infrastructure Project | 0.8 | 0.8 | - | - |
| Asset Investment Program Savings | - | -2.1 | -2.0 | -2.0 |
| **SYNERGY** | | | | |
| **Expenses** | | | | |
| Operating Subsidy for Electricity Tariffs | -22.2 | -54.5 | -145.9 | -155.4 |
| Operating Subsidy for Electricity Concessions and Rebates | -1.0 | -1.1 | -1.2 | -7.6 |
| Operating Subsidy Savings | -34.6 | -43.4 | -47.2 | -43.4 |
| **Asset Investment** | | | | |
| Generation | 4.7 | - | -2.1 | -46.7 |
| Retail | 18.7 | 0.5 | 0.3 | 0.3 |
| Asset Investment Program Savings | - | -3.4 | -3.1 | -4.8 |
| **WESTERN POWER NETWORKS** | | | | |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -25.0 | -28.4 | -30.7 |
| **WESTERN POWER PROVISIONS** | | | | |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -17.2 | -16.5 | -16.9 |

## Department of Treasury

### Expenses

#### *Asset Sales Program*

Following the announcement of the Government's asset sales program in August 2014, a total of $6.2 million will be spent between 2014-15 and 2016-17 on the implementation of the program, including the establishment of an Asset Sales Unit and the appointment of external consultant support.

#### *Office Accommodation – Old Treasury Building*

Additional lease costs of $1.8 million will be incurred between 2015-16 and 2017-18 when the Department relocates from Gordon Stephenson House to the Old Treasury Building Office Tower in 2016.

## Horizon Power

### Expenses

#### *Operating Subsidy for Electricity Tariffs*

The operating subsidy, which provides for the difference between the cost of providing electricity and the prices that are paid by consumers, will decrease by $13.8 million over the forward estimates period, reflecting changes to Horizon Power's forecasts for energy demand.

#### *Operating Subsidy for Aboriginal and Remote Communities*

The operating subsidy provided to Horizon Power for the provision of regulated services to Aboriginal and remote community towns has been revised down by $19.4 million over 2014-15 to 2017-18. This is primarily due to a reduction in operating costs and a lower demand for energy in these areas.

### Asset Investment

#### *Royalties for Regions – Pilbara Underground Power Project*

An additional $100 million will be spent over the four years to 2017-18 to underground the electricity distribution network to properties in Karratha, Roebourne and Onslow. This is funded from the Royalties for Regions program (75%), local councils (24%) and Horizon Power (1%).

### *Advanced Metering Infrastructure*

Horizon Power will invest a total of $34.1 million across 2014-15 to 2017-18 to replace all electricity meters in its service area with advanced meters that are Customer Code and Metering Code compliant. The Advanced Metering Infrastructure project installs the communication and information infrastructure to allow remote access, reading of meters in real time, and validating readings directly from a desktop computer.

### *Customer Funded Works*

Horizon Power receives funds from customers seeking connections to sub-divisions and commercial use. This work is fully funded through upfront payments from customers. Horizon Power has revised its customer driven works forecast, which results in additional expenditure of $11.7 million across 2014-15 to 2017-18.

### *Midwest and Norseman Network Augmentation*

Horizon Power will invest $5.7 million over 2014-15 and 2015-16 to undertake network augmentation works in Norseman and six Midwest towns, purchase land in Norseman and associated management costs.

### *Pilbara Power Project*

An additional $1.7 million will be spent in 2014-15 for an upgrade to network infrastructure related to the Pilbara Power Project (which involves the installation of new generation capacity to service towns in the Pilbara).

### *Onslow Power Infrastructure Project*

An additional $1.5 million will be spent over 2014-15 and 2015-16 for Horizon Power's management costs in relation to the provision of new power infrastructure in Onslow.

## Synergy

### Expenses

### *Operating Subsidy for Electricity Tariffs*

The operating subsidy, which provides for the difference between the cost of providing electricity and the prices that are paid by consumers, will decrease by $378 million over 2014-15 to 2017-18 despite higher than forecast demand for electricity. This reduction is due to a change in the method for recovering a number of costs, including ancillary services, network costs, and retail depreciation following the completion of a review into Synergy's cost-reflective tariffs (see feature box in Chapter 1).

### *Operating Subsidy for Electricity Concessions and Rebates*

The forecast value of electricity concessions and rebates has been revised down by $10.8 million over 2014-15 to 2017-18. This is due to lower than anticipated uptake of concessions and rebates, including the Cost of Living Assistance payment.

### *Operating Subsidy Savings*

The Government announced on 9 October 2014 that efficiency savings were to be achieved by a number of public corporations. This includes a 7.5% reduction in the general government operating subsidy to Synergy in 2014-15, and a 10% reduction in the base operating subsidy in subsequent years, which is to be matched by lower operating costs in the Corporation. Synergy has fully allocated the savings ($168.6 million) over the period to 2017-18, largely through a number of post-merger changes, such as reduced corporate overheads and lower gas transportation costs.

### Asset Investment

### *Generation*

Expenditure on Synergy's generation portfolio will reduce by $44.1 million over the period to 2017-18. This reflects a lower sustainable capital expenditure level associated with the early retirement of the Kwinana C Power Station and the use of less capital-intensive high efficiency and combined cycle gas turbines.

### *Retail*

An additional $19.8 million will be spent over 2014-15 to 2017-18 on Information Technology projects necessary to manage and build Synergy's relationship with its customers. A key project includes Synergy's Digital Strategy which will enable customers to access products and services directly from digital devices.

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

**MAJOR SPENDING CHANGES**

| | 2014-15<br>$m | 2015-16<br>$m | 2016-17<br>$m | 2017-18<br>$m |
|---|---|---|---|---|
| **LOCAL GOVERNMENT AND COMMUNITIES** | | | | |
| **Expenses** | | | | |
| Seniors Cost of Living Rebate | -21.4 | - | - | - |
| Ongoing Procurement Savings | - | -0.5 | -0.5 | -0.5 |
| Efficiency Dividend | -0.9 | -1.3 | -1.3 | -1.3 |
| ICT Reform | -0.1 | -0.1 | -0.1 | -0.1 |
| **METROPOLITAN CEMETERIES BOARD** | | | | |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -0.2 | -0.3 | -0.3 |

## Local Government and Communities

### Expenses

#### *Seniors Cost of Living Rebate*

Expenditure on the Seniors Cost of Living Rebate was reduced by $21.4 million in 2014-15 as a result of the Government's decision in June 2014 to halve the rebate. This followed the cessation of payments to Western Australia from the Commonwealth Government for pensioners and seniors concessions, totalling $25.4 million in 2014-15 and $107 million across the forward estimates period.

## MINISTER FOR ENVIRONMENT; HERITAGE

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **PARKS AND WILDLIFE** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | -1.3 | -1.9 | -1.9 | -1.9 |
| Ongoing Procurement Savings | - | -4.5 | -4.4 | -4.2 |
| Own-Source Revenue Reduction | -7.3 | -7.3 | -7.3 | -7.3 |
| Strategic Assessment of the Perth and Peel Regions | 0.5 | - | - | - |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -1.0 | -1.1 | -0.8 |
| **ENVIRONMENT REGULATION** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.5 | -0.5 | -0.5 |
| **BOTANIC GARDENS AND PARKS AUTHORITY** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.4 | -0.4 | -0.4 |
| **Asset Investment** | | | | |
| Minor Capital Works | 1.7 | - | - | - |
| **OFFICE OF THE ENVIRONMENTAL PROTECTION AUTHORITY** | | | | |
| **Expenses** | | | | |
| Strategic Assessment of the Perth and Peel Regions | 0.3 | 0.1 | - | - |
| **ZOOLOGICAL PARKS AUTHORITY** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -0.6 | -0.6 | -0.6 |

## Parks and Wildlife

### Expenses

#### *Own-Source Revenue Reduction*

Projected expenditure has been revised down by $7.3 million per annum over the forward estimates period to reflect lower than expected revenue from external sources (including the impact of factors such as environmental offsets and lower externally-sourced research grants).

#### *Strategic Assessment of the Perth and Peel Regions (SAPPR)*

An additional $500,000 will be spent in 2014-15 by the Department of Parks and Wildlife on studies and planning activities related to the SAPPR project. This project will assess the environmental impact of future land use development proposals in the Perth and Peel region, including the impact of urban, industrial and infrastructure projects.

## Botanic Gardens and Parks Authority

### Asset Investment

#### *Minor Capital Works*

An additional $1.7 million will be spent in 2014-15 for the completion of a range of minor capital works projects, including the completion of works on Saw Avenue, resurfacing of paths and refurbishment of toilets and other visitor facilities.

## Office of the Environmental Protection Authority

### Expenses

#### *Strategic Assessment of the Perth and Peel Regions (SAPPR)*

An additional $436,000 will be spent over two years from 2014-15 by the Office of the Environmental Protection Authority on studies and planning activities related to the SAPPR project. This project will assess the environmental impact of future land use development proposals in the Perth and Peel region, including the impact of urban, industrial and infrastructure projects.

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

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **FIRE AND EMERGENCY SERVICES** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | - | - | -0.3 | -0.3 |
| Ongoing Procurement Savings | - | -5.6 | -5.9 | -6.2 |
| Equalisation of Volunteers Insurance | 2.3 | 1.4 | 1.5 | 1.5 |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -1.1 | -1.2 | -0.5 |
| **CORRECTIVE SERVICES** | | | | |
| **Expenses** | | | | |
| Demand Growth (Daily Average Prisoner Population) | 14.8 | - | - | - |
| RiskCover Contributions | 9.0 | - | - | - |
| Efficiency Dividend | -5.7 | -7.8 | -8.4 | -8.5 |
| Ongoing Procurement Savings | - | -12.2 | -12.1 | -12.1 |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -0.6 | -0.5 | -0.6 |

## Fire and Emergency Services

### Expenses

#### *Equalisation of Volunteers Insurance*

An additional $6.7 million from 2014-15 to 2017-18 will be spent for a firefighter support package to protect and assist current volunteer and former career and volunteer firefighters. The package involves the introduction of presumptive legislation for firefighters who are diagnosed with prescribed cancers in certain circumstances, as well as the equalisation of insurance coverage for all volunteers operating under the emergency services Acts.

## Corrective Services

### Expenses

#### *Demand Growth (Daily Average Prisoner Population)*

An additional $14.8 million will be spent in 2014-15 to fund growth in the daily average prisoner population to 5,293 in 2014-15. The increased expenditure reflects the cost of additional prison officers and goods and services required to accommodate the increased prisoner numbers.

### *RiskCover Contributions*

An additional $9 million in 2014-15 has been provided to accommodate an increase in RiskCover insurance contributions, driven primarily by growth in the number and cost of workers' compensation claims within the agency.

## MINISTER FOR WATER; FORESTRY

**MAJOR SPENDING CHANGES**

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **WATER** | | | | |
| **Expenses** | | | | |
| Strategic Assessment of the Perth and Peel Regions | 0.4 | 0.2 | - | - |
| Efficiency Dividend | -0.5 | -0.6 | -0.7 | -0.7 |
| Ongoing Procurement Savings | - | -1.3 | -1.5 | -1.4 |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -0.9 | -0.6 | -0.6 |
| **WATER CORPORATION** | | | | |
| **Expenses** | | | | |
| Operating Subsidies (Parameter) | 7.2 | - | - | - |
| Operating Subsidy Savings | -33.2 | -44.6 | -46.6 | -47.0 |
| **Asset Investment** | | | | |
| Ground Water Replenishment | -5.0 | -4.5 | 3.6 | -18.2 |
| Repeal of *Clean Energy Act 2011* | -6.2 | -8.6 | -9.1 | - |
| Asset Investment Program Savings | - | -37.0 | -45.9 | -47.3 |

## Water

### Expenses

### *Strategic Assessment of the Perth and Peel Regions (SAPPR)*

An additional $621,000 will be spent over two years from 2014-15 by the Department of Water on studies and planning activities related to SAPPR project. This project will assess the environmental impact of future land use development proposals in the Perth and Peel region, including the impact of urban, industrial and infrastructure projects.

## Water Corporation

### Expenses

### *Operating Subsidies (Parameter)*

An increase in the value of the country water, sewerage and drainage operating subsidy reflects an increase in electricity costs (with Horizon Power moving to more cost-reflective prices subsequent to the 2014-15 Budget – $5.4 million), additional projects identified as eligible for an operating subsidy ($2.1 million), and revised inflation forecasts (reducing spending by $0.3 million).

### *Operating Subsidy Savings*

The Government announced on 9 October 2014 that efficiency savings were to be achieved by a number of public corporations. This includes a 7.5% reduction in the general government operating subsidy to the Water Corporation in 2014-15, and a 10% reduction in the base operating subsidy in subsequent years, which is to be matched by lower operating costs in the Corporation. Full allocation of these savings to the Water Corporation's specific activities is still being identified and will be considered by the Government as part of the 2015-16 Budget process.

## Asset Investment

### *Ground Water Replenishment*

The Water Corporation identified savings totalling $24.1 million in the cost of the Ground Water Replenishment project due to market conditions, design innovation and economies of scale delivered by constructing stages 1 and 2 concurrently.

### *Repeal of Clean Energy Act 2011*

As a result of the repeal of the Commonwealth *Clean Energy Act 2011* in July 2014, the Water Corporation has removed the impact of the cost of the carbon tax from its forecasts and adjusted expenditure accordingly, including the impacts on the cost of goods procured under its Asset Investment Program.

# MINISTER FOR TRANSPORT; FINANCE

## MAJOR SPENDING CHANGES

| | 2014-15 $m | 2015-16 $m | 2016-17 $m | 2017-18 $m |
|---|---|---|---|---|
| **TRANSPORT** | | | | |
| **Expenses** | | | | |
| Ongoing Procurement Savings | - | -4.7 | -4.8 | -4.8 |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -1.3 | -1.0 | -0.9 |
| **COMMISSIONER OF MAIN ROADS** | | | | |
| **Expenses** | | | | |
| Commonwealth Black Spot Program | - | 11.0 | 11.0 | - |
| Commonwealth Maintenance Program | -8.2 | -8.2 | -8.2 | -8.7 |
| ICT Reform | -1.0 | -2.1 | -2.1 | -2.2 |
| Ongoing Procurement Savings | - | -6.5 | -6.6 | -6.7 |
| Temporary Road Maintenance Savings | -37.7 | -55.1 | -60.0 | - |
| Works on Behalf of Third Parties | 52.5 | 44.2 | - | - |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -5.5 | -10.2 | -13.5 |
| Bussell Highway – Vasse to Newtown | 4.8 | 7.8 | - | - |
| Kwinana Freeway – Roe Highway to Russell Road Widening (Southbound) | 7.5 | - | - | - |
| Lloyd Street Midland Rail Underpass | 11.0 | 2.0 | - | - |
| Perth Freight Link | 25.9 | 124.0 | 391.0 | 449.1 |
| **PUBLIC TRANSPORT AUTHORITY** | | | | |
| **Expenses** | | | | |
| ANZAC Commemorative Events | 0.7 | - | - | - |
| Efficiency Dividend | -4.9 | -6.9 | -7.3 | -7.3 |
| ICT Reform | -2.0 | -4.1 | -4.2 | -4.3 |
| Nicholson Road Grade Separation Project | - | 18.0 | 10.0 | - |
| Revised Interest Expenses | -8.7 | -13.5 | -9.9 | -19.6 |
| Royalties for Regions – AvonLink Enhancement Project | 2.2 | 2.2 | 2.2 | - |
| **Asset Investment** | | | | |
| ANZAC Commemorative Events | 0.5 | - | - | - |
| Asset Investment Program Savings | - | -6.6 | -5.3 | -7.0 |
| New Perth Stadium Transport Project | - | -9.6 | -10.0 | -2.8 |
| **FREMANTLE PORT AUTHORITY** | | | | |
| **Asset Investment** | | | | |
| Revised Financial Forecasts | -32.1 | 0.7 | 32.3 | -4.5 |
| Asset Investment Program Savings | - | -2.9 | -1.3 | -0.6 |
| **MID WEST PORTS AUTHORITY** | | | | |
| **Asset Investment** | | | | |
| Ship Loading Infrastructure | 7.0 | - | - | - |
| Asset Investment Program Savings | - | -0.2 | -0.2 | -0.2 |
| **PILBARA PORTS AUTHORITY** | | | | |
| **Asset Investment** | | | | |
| Port Improvement Rate Capital Works Provision | - | 5.0 | - | - |
| Asset Investment Program Savings | - | -2.0 | -1.1 | -0.6 |
| **SOUTHERN PORTS AUTHORITY** | | | | |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -0.3 | -0.3 | -0.3 |
| **FINANCE** | | | | |
| **Expenses** | | | | |
| Efficiency Dividend | -0.9 | -1.2 | -1.4 | -1.4 |
| ICT Reform Savings | -0.7 | -1.4 | -1.4 | -1.4 |
| ICT Reform – ICT Renewal and Reform Fund | - | 8.1 | 8.3 | 8.5 |
| Ongoing Procurement Savings | - | -2.8 | -2.8 | -2.8 |
| **Asset Investment** | | | | |
| Asset Investment Program Savings | - | -7.6 | -6.8 | -6.4 |
| Office Accommodation – Old Treasury Building | 2.1 | 4.4 | 0.1 | - |

## Commissioner of Main Roads

### Expenses

#### *Commonwealth Black Spot Program*

Expenditure on the Commonwealth's Black Spot Program has increased by $22 million over two years to reflect updated Commonwealth funding contributions. The program targets road locations identified as having a poor safety record for crashes, by funding measures such as traffic signals and roundabouts at dangerous locations.

#### *Commonwealth Maintenance Program*

Spending on maintaining the national land transport network has been revised down in 2014-15 and each year of the forward estimates to align with the Commonwealth's formula-based funding allocation to the program under the National Partnership Agreement on Land Transport Infrastructure Projects. Allocations are reviewed annually in light of updated information provided by Main Roads, including changes to the network.

#### *Temporary Road Maintenance Savings*

As previously announced, a temporary 15% reduction has been applied to Main Roads' recurrent road maintenance expenditure for the period 2014-15 to 2016-17, totalling $152.8 million.

#### *Works on Behalf of Third Parties*

Additional spending totalling $96.7 million over two years is being undertaken to upgrade the road network on behalf of third parties. Spending includes works associated with the new Perth Stadium precinct ($85.7 million over two years) and minor upgrades to Great Northern Highway and the Ripon Hills and Marble Bar Roads, enabling better road access for a number of mining companies ($11 million in 2014-15).

### Asset Investment

#### *Bussell Highway – Vasse to Newtown*

The private developers of the Vasse Newtown residential and commercial development east of Busselton are contributing $12.6 million over two years to allow construction of a Vasse bypass road to facilitate access to the development from Bussell Highway.

#### *Kwinana Freeway – Roe Highway to Russell Road Widening (Southbound)*

An additional $7.5 million will be spent on the current widening of Kwinana Freeway to extend this project southbound from Armadale Road to Russell Road. Jointly funded by the State and Commonwealth, this extension will better integrate with the extension works proposed for Roe Highway as part of the Perth Freight Link project.

### *Lloyd Street Midland Rail Underpass*

Funding contributions have been secured from the Commonwealth ($10 million) and the City of Swan ($3 million) towards the $80 million cost of constructing the Lloyd Street, Midland rail underpass. The underpass will provide emergency vehicles with unimpeded access to the new Midland Health campus when it opens in late 2015. Main Roads has also reallocated an amount of $9 million that was to be expensed but is now to be capitalised for the project.

### *Perth Freight Link*

Additional spending totalling $990 million to 2017-18 (and a further $467 million in 2018-19) has been approved to construct the Perth Freight Link. The project comprises an extension of Roe Highway from Kwinana Freeway to Stock Road (including a 1km pinch point widening between Tonkin Highway and Welshpool Road), upgrades to Stock Road and Leach Highway, extending Leach Highway along High Street between Carrington Street and Stirling Highway (previously approved as part of the 2013-14 Mid-year Review) and upgrades to Stirling Highway.

When completed, the Perth Freight Link will provide a strategic urban transport corridor that facilitates the seamless movement of road freight between Fremantle, Perth Airport and the Kewdale industrial precinct, and northwards to Muchea. The project incorporates the introduction of a heavy vehicle (Austroads Vehicle Classes 3 and above) user charge applying to the 85km road freight route from Fremantle to Muchea, including the Gateway WA and NorthLink WA road infrastructure enhancement projects.

Together with expenditure of $118 million approved as part of the 2013-14 Mid-year Review for the Leach Highway (High Street) extension, the Perth Freight Link has an estimated total cost of $1,575 million, jointly funded by the Commonwealth ($925 million) and the State ($650 million). Construction is anticipated to be completed by 2018-19.

## Public Transport Authority

### Expenses

### *ANZAC Commemorative Events*

Additional operating subsidy of $652,000 will be paid to the Authority in 2014-15 to fund activities to commemorate the 100th anniversary of the ANZAC campaign.

### *Nicholson Road Grade Separation Project*

An amount of $36 million will be spent between 2014-15 and 2016-17 to construct a grade separation at the Nicholson Road rail crossing. Additional expenditure of $28 million will be funded by the Commonwealth Government ($18 million) and an increase in the Authority’s operating subsidy ($10 million). The remaining costs of the project ($8 million) will be met by reprioritising existing expenditure.

#### *Revised Interest Expenses*

The operating subsidy paid to the Authority will be reduced by $51.7 million between 2014-15 and 2017-18 to reflect lower revised interest expenses. The reduction in interest costs reflects lower than expected interest rates, as well as lower borrowings for asset investment due to efficiency savings in the Authority's Asset Investment Program.

#### *Royalties for Regions – AvonLink Enhancement Project*

An additional $6.6 million has been allocated between 2014-15 and 2016-17 to continue AvonLink train services. This includes trialling service improvements such as higher frequencies on weekdays, and new services on weekends and for special events.

### Asset Investment

#### *ANZAC Commemorative Events*

Additional capital expenditure of $500,000 was incurred to construct a depot to accommodate buses used in the Albany Convoy Commemorative Event.

#### *New Perth Stadium Transport Project*

Elements of the new Perth Stadium Transport Project, including the bus hub, have been included in the stadium Design, Build, Finance and Maintain contract to better align design and construction schedules. Previous forecasts showed the acquisition of these assets as infrastructure spending by the Authority. These cash flows have been updated to reflect a 60% capital contribution from the State and the private sector financing transactions associated with the stadium (see Department of Sport and Recreation in this appendix, and the net debt discussion in Chapter 1).

## Fremantle Port Authority

### Asset Investment

#### *Revised Financial Forecasts*

The Fremantle Port Authority has revised its financial forecasts pertaining to current business operations which results in a reduction of $3.6 million over four years to its Asset Investment Program.

## Mid West Ports Authority

### Asset Investment

#### *Ship Loading Infrastructure*

An additional $7.0 million will be spent in 2014-15 for the replacement of ship loading infrastructure at the Port of Geraldton.

## Pilbara Ports Authority

### Asset Investment

#### *Port Improvement Rate Capital Works Provision*

The Government has approved a $5 million increase in the Authority's capital works provision in 2015-16 reflecting higher than budgeted Port Improvement Rate (PIR) revenue collected in 2013-14. Expenditure on projects funded by PIR revenue is subject to approval on a case-by-case basis.

## Finance

### Expenses

#### *ICT Savings and Reform – ICT Renewal and Reform Fund*

This Mid-year Review includes a provision for additional spending of $25 million over three years, commencing in 2015-16, for the operation of the ICT Renewal and Reform Fund (IRRF). The aim of the IRRF is to provide an incentive mechanism through a discretionary funding source for agencies to work together and test innovative new ICT approaches and assist with developing leadership capability to drive ICT reform across the public sector.

### Asset Investment

#### *Office Accommodation – Old Treasury Building*

An additional $6.6 million will be spent from 2014-15 to 2016-17 for the fit-out and relocation of the Department of Treasury from Gordon Stephenson House (GSH) to the Old Treasury Building Office Tower, and the relocation of a part of the Department of Finance to GSH.

# PROVISIONS

MAJOR SPENDING CHANGES

| | 2014-15<br>$m | 2015-16<br>$m | 2016-17<br>$m | 2017-18<br>$m |
|---|---|---|---|---|
| **Expenses** | | | | |
| Public Sector Workforce Renewal | -67.0 | -228.9 | -398.8 | -577.1 |
| Targeted Voluntary Separation Scheme | 134.0 | -120.0 | -120.0 | -120.0 |
| Allocation of Program Evaluation Savings | 15.1 | 50.0 | 50.0 | 50.0 |
| **Asset Investment** | | | | |
| Provision for Underspending | -700.0 | - | - | - |

## Provisions

### Expenses

#### *Public Sector Workforce Renewal*

A provision has been included in this Mid-year Review for the Public Sector Workforce Renewal initiative announced in this Mid-year Review (details outlined earlier in this appendix).

#### *Targeted Voluntary Separation Scheme*

A provision has been included in this Mid-year Review for the targeted voluntary separation scheme for general government sector employees announced on 9 October 2014 (details outlined earlier in this appendix).

#### *Allocation of Program Evaluation Savings*

The 2013-14 Budget Fiscal Action Plan included a $50 million annual savings provision from 2014-15 for yet-to-be identified program evaluation savings. The Government's decision to implement ICT savings and reform (detailed at the beginning of this appendix) includes $15.1 million in 2014-15, growing to around $32 million by 2017-18. This, together with extension of the 2014-15 Budget measure for a 15% reduction in non-essential procurement spending from 2015-16 onwards, combine to exceed the aggregate program evaluation savings provisions[3].

### Asset Investment

#### *Provision for Underspending*

Consistent with previous years, this Mid-year Review includes a provision for yet-to-be identified slippage in agency infrastructure spending that is expected to emerge over the remainder of the year. A total $700 million underspending provision has been incorporated in the forecasts in 2014-15, with $350 million allocated to the general government sector and $350 million to the public non-financial corporations sector (representing 9.6% of unadjusted agency spending forecasts for the year).

[3] A residual $35 million provision for program evaluation savings written into the estimates at the time of the 2013-14 Budget remains in these Mid-year Review projections.

APPENDIX 4

# 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 recoverable advances') 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 2014-15 must remain within the $638.4 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 2014-15, 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 2014-15 Treasurer's Advance is $271.1 million.

Table 4.1

**TREASURER'S ADVANCE**

| | 2013-14 Actual $m | 2014-15 Projection (a) $m |
|---|---|---|
| **AUTHORISED LIMIT** | 595.7 | 638.4 |
| *Total projected to be drawn against Treasurer's Advance authorisation* | *373.9* | *271.1* |
| Comprising: | | |
| Net recoverable advances as at 30 June | 7.0 | 20.0 |
| Approved Excesses and New Items | | |
| – recurrent | 299.0 | 203.0 |
| – capital | 67.9 | 48.1 |

(a) Detailed disclosure of the final audited outcome for 2014-15 will be available in the 2014-15 *Annual Report on State Finances*, to be released by 28 September 2015.

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 2014-15 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 2014-15. 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 2015.

Section 25 of the FMA allows appropriations originally allocated in the 2014-15 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 2014-15 Budget include:

- $9 million of recurrent appropriation that was provisioned in Treasury has been transferred to WA Health ($7.1 million) and to the Housing Authority ($1.9 million) for Component II funding for the Sustainable Funding and Contracting with the Not-for-Profit Sector Initiative;
- $0.5 million of recurrent appropriation has been transferred from the Department of Child Protection and Family Support to the Department of Local Government and Communities for the provision of corporate services; and
- $0.2 million of recurrent appropriation has been transferred from the Department of Treasury to the Department of Finance for support of accommodation costs at Gordon Stephenson House.

Table 4.2

## TRANSFERS, EXCESSES AND NEW ITEMS

| Item | Appropriation | Transfers [a] | Treasurer's Advance: New Items | Treasurer's Advance: Excesses | Draw on Treasurer's Advance to date [b] |
|---|---|---|---|---|---|
| | | $m | $m | $m | $m |
| | **Recurrent Appropriations** | | | | |
| | Legislative Council | | | | |
| 1 | Delivery of services | - | - | 0.3 | - |
| | Premier and Cabinet | | | | |
| 6 | Administered Grants, Subsidies and Other Transfer Payments | - | - | 20.0 | - |
| | WA Health | | | | |
| 13 | Delivery of services | 7.1 | - | - | - |
| | Lands | | | | |
| 25 | Delivery of services | - | - | 13.0 | - |
| | Education Services | | | | |
| 29 | Administered Grants, Subsidies and Other Transfer Payments | - | - | 0.1 | - |
| | Planning | | | | |
| 34 | Delivery of services | - | - | 1.4 | - |
| | Culture and the Arts | | | | |
| 36 | Delivery of services | - | - | 0.3 | - |
| | Child Protection and Family Support | | | | |
| 45 | Delivery of services | -0.5 | - | - | - |
| | Attorney General | | | | |
| 46 | Delivery of services | - | - | 2.3 | - |
| | Parliamentary Inspector of the Corruption and Crime Commission | | | | |
| 52 | Delivery of services | - | - | - [c] | - |
| | Housing Authority | | | | |
| 58 | Delivery of services | 1.9 | - | - | - |
| | Western Australia Sports Centre Trust | | | | |
| 62 | Delivery of services | - | - | 0.2 | - |
| | Treasury | | | | |
| 69 | Delivery of services | -0.2 | - | 1.6 | - |
| 91 | Administered Grants, Subsidies and Other Transfer Payments | -9.0 | - | 1.3 | - |
| New | Provision for Targeted Voluntary Separation Scheme | - | 134.0 | - | - |
| | Economic Regulation Authority | | | | |
| 92 | Delivery of services | - | - | 1.5 | - |
| | Local Government and Communities | | | | |
| 94 | Delivery of services | 0.5 | - | - | - |
| | Parks and Wildlife | | | | |
| 96 | Delivery of services | - | - | 0.3 | - |
| | Office of the Environmental Protection Authority | | | | |
| 99 | Delivery of services | - | - | 0.3 | - |

Note: Columns may not add due to rounding.

Table 4.2 (cont.)

## TRANSFERS, EXCESSES AND NEW ITEMS

| | Transfers [a] | Treasurer's Advance | | Draw on Treasurer's Advance to date [b] |
|---|---|---|---|---|
| | | New Items | Excesses | |
| Item Appropriation | $m | $m | $m | $m |
| Heritage Council of Western Australia | | | | |
| 102 Delivery of services | - | - | 0.6 | - |
| Fire and Emergency Services | | | | |
| 104 Delivery of services | - | - | 2.3 | - |
| Corrective Services | | | | |
| 106 Delivery of services | - | - | 18.0 | - |
| Small Business Development Corporation | | | | |
| 108 Delivery of services | - | - | 1.3 | - |
| Commissioner of Main Roads | | | | |
| 112 Delivery of services | - | - | 4.3 | - |
| Finance | | | | |
| 113 Delivery of services | 0.2 | - | - | - |
| *Total Recurrent* | *-* | *134.0* | *69.0* | *-* |
| **Capital Appropriations** | | | | |
| Child Protection and Family Support | | | | |
| 132 Capital Appropriation | - | - | 0.4 | - |
| Attorney General | | | | |
| 133 Capital Appropriation | - | - | 2.6 | - |
| Treasury | | | | |
| 145 Regional Power Corporation (Horizon Power) | - | - | 1.1 | - |
| 147 WA Health | - | - | 8.0 | - |
| New Western Australia Land Authority | - | 9.1 | - | - |
| Transport | | | | |
| 162 Capital Appropriation | - | - | 2.5 | - |
| Commissioner of Main Roads | | | | |
| 163 Capital Appropriation | - | - | 22.3 | - |
| Finance | | | | |
| 165 Capital Appropriation | - | - | 2.1 | - |
| *Total Capital* | *-* | *9.1* | *39.0* | *-* |
| **TOTAL** | **-** | **143.1** | **108.0** | **-** |

(a) Authorised under section 25 of the FMA.
(b) Mid-year Review cut-off date, 3 December 2014.
(c) Amount less than $50,000.

Note: Columns may not add due to rounding.

APPENDIX 5

# Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* (FMA) or by specific legislation (e.g. the Fiona Stanley Hospital Construction Account and the Royalties for Regions Fund). Accounts established by legislation 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 outlines the purpose of the account.

This appendix contains information on key SPAs. It is not an exhaustive list of all SPAs, but covers the major/material SPAs in existence in 2014-15 (or expected to be established this year as a consequence of forecasts included in this Mid-year Review). The forecast SPA balances (and transactions in and out of these accounts) form part of the overall consolidated projections for 2014-15 outlined elsewhere in this Mid-year Review.

The SPA balances detailed in this appendix provide a funding source for particular initiatives. 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 this way, these SPA balances are no different from other funding sources, including new borrowings.

Changes to forecast receipts and payments in 2014-15 reflect movements in the financial projections detailed in Chapter 1 of this Mid-year Review. Variations in account balances for the 2013-14 outturn (relative to the expected outturn detailed in the 2014-15 Budget) were disclosed in the 2013-14 *Annual Report on State Finances* released on 23 September 2014.

# Fiona Stanley Hospital Construction Account

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

Funds from the account have almost been fully drawn down to pay for construction work, with the new facility achieving practical completion in December 2013 and commencing phased operation in October 2014. Projected receipts include appropriation for remaining works ($10 million) and minimal interest earnings on the account balance. A small cash balance is expected to remain at the end of 2014-15 to provide for project close-out activities. Following final completion, any remaining funds will be returned to the Consolidated Account.

Table 5.1

**FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT**

| | 2013-14<br>$m | 2014-15<br>$m |
|---|---|---|
| *Balance at 1 July* | *104* | *9* |
| Receipts | 17 | 10 |
| Payments | 112 | 18 |
| **Closing Balance** | **9** | **1** |

Note: Columns may not add due to rounding.

# Perth Children’s Hospital Account

This SPA was established in October 2010 to hold money for the construction and start-up of the Perth Children’s Hospital. The hospital is expected to achieve practical completion in the second half of 2015.

A total of $645 million (or 55%) of the construction costs was funded from one-off royalty revenue and Consolidated Account surplus outcomes recorded over the period from 2009-10 to 2011-12 (including $70 million from the 2011-12 year, paid into the Account in 2013-14). The remaining 45% of the hospital’s funding, including receipts of $350 million as part of the 2014-15 Budget, represent Consolidated Account capital contributions to meet the scheduled construction work. Funds are drawn from the SPA and paid to WA Health as payments for construction work fall due.

Table 5.2

**PERTH CHILDREN’S HOSPITAL ACCOUNT**

| | 2013-14<br>$m | 2014-15<br>$m |
|---|---|---|
| *Balance at 1 July* | *277* | *94* |
| Receipts | 182 | 350 |
| Payments | 365 | 391 |
| **Closing Balance** | **94** | **52** |

Note: Columns may not add due to rounding.

## Perth Parking Licensing Account

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

Receipts consist of application fees, licence fees, penalties and money appropriated by Parliament. 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*.

Higher receipts are forecast for 2014-15 compared to 2013-14 mainly as a result of an increase in licence fees for all fee-liable Perth Parking Management Area parking bays, announced in the 2014-15 Budget. The additional revenue is to be used to assist in funding construction of the $209 million Perth Busport.

Table 5.3

**PERTH PARKING LICENSING ACCOUNT**

| | 2013-14 $m | 2014-15 $m |
|---|---|---|
| *Balance at 1 July* | *70* | *55* |
| Receipts | 40 | 48 |
| Payments | 54 | 88 |
| **Closing Balance** | **55** | **15** |

Note: Columns may not add due to rounding.

## Road Trauma Trust Account

This account was established to provide for road safety initiatives. Receipts reflect prescribed penalties paid during the year, other funds collected under the *Road Traffic Act 1974*, and interest revenue earned on the account balance.

Key initiatives funded from the account in 2014-15 include:

- improvements to metropolitan intersections to reduce the incidence and severity of vehicle crashes;
- continuation of the electronic school zone sign project;
- safety improvements to sections of the Wubin-Mullewa Road and the Coalfields and Albany Regional Highways;
- strategic traffic enforcement and increased breath and drug testing by Western Australia Police;
- community and school education programs; and
- continued support for 'Roadwise' (the Local Government and Community Road Safety Program).

Table 5.4

**ROAD TRAUMA TRUST ACCOUNT**

| | 2013-14 $m | 2014-15 $m |
|---|---|---|
| *Balance at 1 July* | *65* | *72* |
| Receipts | 89 | 104 |
| Payments | 81 | 101 |
| **Closing Balance** | **72** | **75** |

Note: Columns may not add due to rounding.

# Royalties for Regions Fund

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

Payments from the fund also include transfers to the Western Australian Future Fund, transfers to agencies that deliver some parts of the program, and transfers to the Southern Inland Health Initiative SPA, disclosed separately below. Accordingly, aggregate payments from the Royalties for Regions Fund can exceed the $1 billion spending cap imposed as part of the 2014-15 Budget. However, portions of the transfers are retained in the Future Fund, the Southern Inland Health Initiative SPA and agency accounts and remain unspent, consistent with the $1 billion expenditure cap applying to the program.

Details of the Royalties for Regions program are available in Appendix 6 of this Mid-year Review.

Table 5.5

**ROYALTIES FOR REGIONS FUND**

| | 2013-14 $m | 2014-15 $m |
|---|---|---|
| *Balance at 1 July* | *881* | *940* |
| Receipts | 1,489 | 1,148 |
| Payments | 1,430 | 1,088 |
| **Closing Balance** | **940** | **1,000** |

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 paid into this account are sourced from the Royalties for Regions Fund (see earlier disclosure) and are drawn from the SPA to support improved access to core health services through the provision of additional resources, improvements to local hospitals and health facilities, and telehealth services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions.

Table 5.6

**ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE**

| | 2013-14<br>$m | 2014-15<br>$m |
|---|---|---|
| *Balance at 1 July* | *211* | *273* |
| Receipts | 106 | 5 |
| Payments | 44 | 97 |
| **Closing Balance** | **273** | **182** |

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 utilise 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 are drawn from the SPA as payments for the stadium and related transport infrastructure construction work fall due.

Table 5.7

**THE NEW PERTH STADIUM ACCOUNT**

| | 2013-14<br>$m | 2014-15<br>$m |
|---|---|---|
| *Balance at 1 July* | *95* | *47* |
| Receipts | 15 | 145 |
| Payments | 63 | 91 |
| **Closing Balance** | **47** | **102** |

Note: Columns may not add due to rounding.

## Waste Avoidance and Resource Recovery Account

The Waste Avoidance and Resource Recovery (WARR) Account was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* to hold revenue allocated from the landfill levy. The purpose of the account is to fund programs and other waste management initiatives approved by the Minister for Environment on the advice of the Waste Authority of Western Australia. This includes implementing initiatives related to the management, reduction, reuse, recycling, monitoring or measurement of waste.

Forecast receipts in 2014-15 reflect an additional $4.2 million as a result of an increase in landfill levy rates announced in the 2014-15 Budget, to take effect on 1 January 2015.

Table 5.8

**WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT**

| | 2013-14<br>$m | 2014-15<br>$m |
|---|---|---|
| *Balance at 1 July* | *18* | *16* |
| Receipts | 11 | 16 |
| Payments | 14 | 19 |
| **Closing Balance** | **16** | **13** |

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 $1.0 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 Fund. Receipts for 2014-15 include the Royalties for Regions 'seed capital' contribution ($247 million) and forecast interest receipts ($30 million).

The Future Fund is projected to accumulate $1.3 billion in funds by 30 June 2018 and, on current projections, a total of $4.6 billion by 30 June 2032.

Table 5.9

**WESTERN AUSTRALIAN FUTURE FUND**

| | 2013-14<br>$m | 2014-15<br>$m |
|---|---|---|
| *Balance at 1 July* | *306* | *596* |
| Receipts | 290 | 277 |
| Payments | - | - |
| **Closing Balance** | **596** | **873** |

Note: Columns may not add due to rounding.

APPENDIX 6

# Royalties for Regions

Forecast spending by Royalties for Regions in 2014-15 is estimated to be $1 billion, unchanged from the 2014-15 Budget estimate. This is a $75 million (or 7.0%) decrease on the $1,075 million spent in 2013-14.

An update of the projections for individual initiatives that make up the Royalties for Regions program is shown below. Notable changes to the program since the 2014-15 Budget include:

- the carryover of expenditure from 2013-14 into 2014-15 and subsequent years, caused by delays in the progress of projects. Expenditure in 2014-15 and the forward estimate years has also been rescheduled to reflect updated timing of expenditure of individual projects; and
- the Government's efficiency dividend and procurement savings measures have been identified as a whole-of-program measure. Any impacts at program level will be disclosed in the 2015-16 Budget.

The following table summarises projected balances in the Royalties for Regions Fund over the forward estimates period. Payments from the fund also include transfers to the Western Australian Future Fund, transfers to agencies that deliver some parts of the program, and transfers to the Southern Inland Health Initiative Special Purpose Account (SPA). Accordingly, aggregate payments from the Royalties for Regions Fund can exceed the $1 billion spending cap imposed as part of the 2014-15 Budget. However, portions of the transfers are retained in the Future Fund, the Southern Inland Health Initiative SPA and agency accounts and remain unspent, consistent with the $1 billion expenditure cap applying to the program.

Table 6.1

**ROYALTIES FOR REGIONS FUND**

| | 2013-14<br>$m | 2014-15<br>$m | 2015-16<br>$m | 2016-17<br>$m | 2017-18<br>$m |
|---|---|---|---|---|---|
| *Balance at 1 July* | *881* | *940* | *1,000* | *1,000* | *1,000* |
| Receipts | 1,489 | 1,148 | 1,015 | 916 | 1,000 |
| Payments | 1,430 | 1,088 | 1,015 | 916 | 1,000 |
| **Balance at 30 June** | **940** | **1,000** | **1,000** | **1,000** | **1,000** |

Note: Columns may not add due to rounding.

With the sharp decline in estimated royalty income since the 2014-15 Budget, receipts into the Royalties for Regions Fund are now forecast to be 26.3% of royalty income in 2014-15 (up from 18.6% at budget-time), 19.6% in 2015-16 (up from 14.6%), 16.3% in 2016-17 (up from 12.4%) and 16.7% in 2017-18 (up from 13.1%).

While the percentage of mining royalties in 2014-15 (based on the 2014-15 Mid-year Review) exceeds 25% of the forecast royalty income for the year, the appropriation for the current budget year (authorised by section 6(1) of the *Royalties for Region Act 2009*) is set at budget-time, and is not reduced if the percentage exceeds 25% during the financial year.

Table 6.2

## ROYALTIES FOR REGIONS EXPENDITURE

| INITIATIVE | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-Year Revision $m | 2015-16 Mid-Year Revision $m | 2016-17 Mid-Year Revision $m | 2017-18 Mid-Year Revision $m | **Total Five Years $m** |
|---|---|---|---|---|---|---|---|
| **COUNTRY LOCAL GOVERNMENT FUND (CLGF)** | | | | | | | |
| Administration of CLGF | 0.1 | 1.0 | 1.0 | 1.0 | 1.0 | 0.9 | **4.0** |
| Regional Centres Development Plan | - | 5.0 | 1.2 | 5.0 | 5.0 | 4.8 | **16.0** |
| Regional Groupings and Individuals | 42.3 | 50.0 | 50.3 | - | - | - | **92.6** |
| Local Government Facilitation | 0.8 | 0.6 | 0.7 | - | - | - | **1.4** |
| Support to Regional Groupings of Local Governments | 0.3 | - | - | - | - | - | **0.3** |
| Capacity Building - Regional Governance Services and Asset Management Tools | 1.0 | 2.0 | 2.2 | 4.9 | 4.8 | - | **12.9** |
| **TOTAL - COUNTRY LOCAL GOVERNMENT FUND** | **44.4** | **58.5** | **55.4** | **10.9** | **10.8** | **5.7** | **127.2** |
| **REGIONAL COMMUNITY SERVICES FUND** | | | | | | | |
| **Regional Community Programs and Schemes** | | | | | | | |
| Country Age Pension Fuel Card | 24.1 | 28.5 | 28.5 | 30.4 | 34.2 | 34.6 | **151.8** |
| Volunteer Fuel Card | - | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | **7.4** |
| Regional Workers Incentives | 61.1 | 39.1 | 39.2 | 26.3 | 27.1 | 27.6 | **181.2** |
| Regional Police Incentives | 1.8 | 2.5 | 2.0 | 2.8 | 2.8 | 1.2 | **10.5** |
| Fire Crew Protection | - | 3.7 | 4.9 | 4.4 | 3.0 | - | **12.3** |
| Boarding Away From Home | 1.1 | 1.6 | 2.0 | 1.7 | 1.8 | 2.0 | **8.6** |
| Community Resource Centres | 12.5 | 13.2 | 11.9 | 13.2 | 14.0 | 14.0 | **65.5** |
| Wild Dogs Management Plan | 1.0 | 0.7 | 1.0 | 0.5 | - | - | **2.4** |
| Performing Arts Regional Tours Boost | - (a) | 0.3 | 0.4 | 0.3 | 0.3 | - | **1.0** |
| Creative Regions Program | - | 2.0 | 2.5 | 6.8 | 7.3 | 7.3 | **24.0** |
| Community Pool Revitalisation | - | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | **13.2** |
| Regional Visitor Centres | - | 0.3 | 0.3 | 1.3 | 1.3 | 1.3 | **4.2** |
| Caravan and Camping | 3.6 | 14.6 | 15.2 | 11.2 | 10.7 | 2.8 | **43.6** |
| WA Regional Small Business Awards | - | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | **0.8** |
| Community Sporting and Recreation Facilities Fund | 10.3 | - | 4.1 | - | - | - | **14.4** |
| Supporting Community Sport | 0.4 | 0.8 | 0.9 | 0.8 | 0.7 | 0.5 | **3.3** |
| Foodbank | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | **1.1** |
| Better Beginnings - Early Literacy | 0.8 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | **4.1** |
| Responsible Parenting Support Services | 9.6 | 10.5 | 10.5 | - | - | - | **20.1** |
| Rangelands Reform Program | - | 0.2 | 0.4 | 0.4 | - | - | **0.8** |
| Orange School Bus Initiatives | 2.5 | - | - | - | - | - | **2.5** |
| New Kimberley National Parks | 0.1 | 1.0 | 1.0 | 1.2 | 1.2 | - | **3.5** |
| Great Kimberley Marine Park | 3.1 | 1.8 | 1.8 | 2.5 | 7.6 | - | **15.0** |
| Royal Agricultural Society Show Concessions - Free entry for Children | 0.5 | 0.8 | 1.1 | - | - | - | **1.6** |
| DFES Helicopter | - | 5.0 | 5.3 | 5.0 | 5.0 | 5.0 | **20.3** |
| Exploration Incentive Scheme | 23.6 | - | 0.6 | - | - | - | **24.2** |
| Public Sector Regional Leadership | 0.5 | 0.7 | 0.8 | 0.6 | - | - | **2.0** |
| Regional Buy Local Initiatives | 0.5 | 3.0 | 1.0 | 2.5 | 3.0 | 3.5 | **10.6** |
| Regional Events Program | 10.9 | 11.6 | 11.9 | 11.9 | 10.0 | 10.0 | **54.8** |
| Kimberley Science and Conservation Strategy | 1.7 | 2.2 | 3.1 | - | - | - | **4.8** |
| Marine Parks Management | 1.5 | 5.3 | 5.5 | 6.5 | 0.1 | - | **13.6** |
| Support for Racecourse Infrastructure Grants Program | 4.4 | 1.0 | 1.0 | - | - | - | **5.4** |
| **Regional Community Programs and Schemes Subtotal** | **175.6** | **156.8** | **163.3** | **136.6** | **136.6** | **116.3** | **728.5** |
| **Regional Health Programs** | | | | | | | |
| Fitzroy Kids Health | - | 0.1 | 0.2 | 0.1 | 0.1 | - | **0.4** |
| Regional (Kalgoorlie Esperance) Telehealth | - | 2.5 | 1.4 | 2.1 | 2.2 | 2.3 | **8.0** |
| Wheatbelt Renal Dialysis | - | 0.8 | 0.8 | 0.8 | 1.0 | 0.9 | **3.5** |
| Rural Palliative Care Program | - | 1.0 | 1.0 | 1.3 | 1.3 | 0.5 | **4.0** |
| Patient Assisted Travel Scheme | 9.7 | 10.1 | 10.1 | 10.3 | 10.6 | 10.9 | **51.6** |
| Royal Flying Doctor Service | 12.1 | 4.0 | 4.0 | 4.0 | 4.0 | - | **24.1** |
| Rural Generalist (Practice) Pathways | 2.0 | 3.0 | 3.1 | - | - | - | **5.1** |
| St John Ambulance Services in Country WA | 7.5 | 8.6 | 7.9 | 8.0 | 4.7 | - | **28.1** |
| Pilbara Cardiovascular Screen Program | 0.2 | 0.5 | 0.6 | - | - | - | **0.9** |
| Ear Health | - | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | **6.0** |
| Regional Patient Accommodation Facility | 2.5 | 2.5 | 2.5 | - | - | - | **5.0** |
| Regional Men's Health | 0.5 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | **3.7** |
| **Regional Health Programs Subtotal** | **34.6** | **35.4** | **34.0** | **28.9** | **26.1** | **16.8** | **140.4** |

Source: Department of Regional Development.

Table 6.2 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

| INITIATIVE | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-Year Revision $m | 2015-16 Mid-Year Revision $m | 2016-17 Mid-Year Revision $m | 2017-18 Mid-Year Revision $m | **Total Five Years $m** |
|---|---|---|---|---|---|---|---|
| **Aboriginal Initiatives** | | | | | | | |
| Regional Youth Justice Strategy Kimberley and Pilbara Expansion | 13.5 | 15.0 | 15.0 | 15.0 | 15.0 | - | **58.5** |
| Clontarf Colleges | 1.3 | 1.4 | 1.4 | 1.4 | 1.5 | - | **5.5** |
| WA Indigenous Tourism Operators Committee | 0.3 | - | - | - | - | - | **0.3** |
| Aboriginal Tourism Development Program | - | 1.2 | 0.3 | 1.2 | 1.2 | 1.2 | **3.7** |
| Aboriginal Justice Program - Enhanced Driver Training and for Regional and Remote Communities | 0.6 | 1.5 | 1.2 | 1.6 | 2.2 | 0.9 | **6.5** |
| Aboriginal Justice Program - Enhanced Services for Victims of Within Regional and Remote Communities | 0.3 | 1.1 | 1.2 | 1.3 | 1.1 | 1.1 | **4.9** |
| Remote Area Essential Services Program | 30.0 | - | - | - | - | - | **30.0** |
| Aboriginal Community Critical Response Fund | 1.1 | - | 2.5 | 2.5 | 2.5 | 1.2 | **9.7** |
| NorthWest Drug and Alcohol Support Program | 6.4 | 5.8 | 6.8 | 5.6 | 5.6 | - | **24.5** |
| Improving Water Quality in Remote Aboriginal Communities | 4.4 | 1.6 | 3.0 | - | - | - | **7.4** |
| Governance and Leadership Development Program | - | 1.0 | 0.4 | 1.1 | 0.9 | - | **2.3** |
| Indigenous Visitor Hostels | 8.7 | 2.8 | 4.2 | 1.8 | 1.8 | 1.6 | **18.1** |
| Jigalong Essential Services Pilot | 0.4 | 4.0 | 9.0 | 0.6 | - | - | **10.0** |
| Remote Indigenous Health Clinics | 3.7 | 8.4 | 5.7 | 5.8 | - | - | **15.1** |
| **Aboriginal Initiatives Subtotal** | **70.7** | **43.6** | **50.5** | **37.9** | **31.6** | **5.9** | **196.7** |
| **Regional Strategic Projects** | | | | | | | |
| Regional Strategic Projects | 38.1 | 30.7 | 41.3 | 20.3 | 14.8 | 14.8 | **129.4** |
| **Regional Strategic Projects Subtotal** | **38.1** | **30.7** | **41.3** | **20.3** | **14.8** | **14.8** | **129.4** |
| **Seizing the Opportunity Agriculture** | | | | | | | |
| Seizing the Opportunity Agriculture | - | 51.5 | 48.9 | 83.5 | 108.5 | 59.0 | **300.0** |
| **Seizing the Opportunity Agriculture Subtotal** | **-** | **51.5** | **48.9** | **83.5** | **108.5** | **59.0** | **300.0** |
| **TOTAL - REGIONAL COMMUNITY SERVICES FUND** | **319.1** | **317.9** | **338.0** | **307.2** | **317.7** | **212.9** | **1,494.9** |
| **REGIONAL INFRASTRUCTURE AND HEADWORKS FUND** | | | | | | | |
| **Regional Capital Works Initiative** | | | | | | | |
| Regional Capital Works Initiative | 15.4 | 9.0 | 12.1 | 1.7 | - | - | **29.3** |
| **Regional Capital Works Initiative Subtotal** | **15.4** | **9.0** | **12.1** | **1.7** | **-** | **-** | **29.3** |
| **Pilbara Cities Initiative** | | | | | | | |
| Karratha Health Campus | 0.6 | 14.3 | 14.3 | 70.0 | 80.0 | 39.9 | **204.9** |
| Pilbara Health Partnership | 8.0 | 7.0 | 8.5 | 1.8 | - | - | **18.3** |
| Pilbara Underground Power | - | - | 0.9 | - | - | - | **0.9** |
| Pilbara Water Opportunities | - | - | - (a) | - | - | - | **- (a)** |
| Northern Towns Development Fund | 4.4 | 5.5 | 12.0 | - | - | - | **16.4** |
| Pilbara Cities Strategic Infrastructure | 168.9 | 147.3 | 138.7 | 141.5 | 101.6 | 141.3 | **691.9** |
| Pilbara Cities Community Projects | 17.0 | 14.1 | 16.6 | 8.0 | 24.9 | 12.0 | **78.5** |
| Pilbara Fabrication and Services Common Use Facility | 0.9 | - | 2.3 | - | - | - | **3.2** |
| The Quarter | - | - | 0.5 | 5.3 | 0.3 | - | **6.0** |
| **Pilbara Cities Initiative Subtotal** | **199.8** | **188.3** | **193.8** | **226.6** | **206.7** | **193.2** | **1,020.1** |
| **Regional Housing** | | | | | | | |
| Affordable Housing for Workers | 54.1 | 41.2 | 41.2 | 55.2 | 30.0 | 51.0 | **231.5** |
| **Regional Housing Subtotal** | **54.1** | **41.2** | **41.2** | **55.2** | **30.0** | **51.0** | **231.5** |
| **East Kimberley Revitalisation** | | | | | | | |
| Ord-East Kimberley Expansion Project - Phase 2 (Asset Investment) | 51.9 | - | - | - | - | - | **51.9** |
| Kununurra Courthouse | 17.0 | 8.7 | 12.9 | - | - | - | **29.9** |
| **East Kimberley Revitalisation Subtotal** | **68.9** | **8.7** | **12.9** | **-** | **-** | **-** | **81.8** |
| **West Kimberley Revitalisation** | | | | | | | |
| China Town Redevelopment | - | 2.0 | 2.0 | 8.0 | - | - | **10.0** |
| West Kimberley Transitional Housing Program | 0.1 | 13.5 | 13.5 | 13.5 | 5.9 | - | **33.0** |
| West Kimberley Strategic Development Unit | - | 0.4 | 0.2 | 0.4 | 0.2 | - | **0.9** |
| Fitzroy Crossing Courthouse | - (a) | 4.7 | 2.0 | 2.9 | - | - | **4.9** |
| Broome Boating Facility | 1.1 | - | - | - | - | - | **1.1** |
| Broome Wharf Extension of Life | 1.0 | - | 2.0 | - | - | - | **3.0** |
| Broome Road Industrial Area | - | 8.0 | 6.1 | 8.8 | - | - | **14.9** |
| **West Kimberley Revitalisation Subtotal** | **2.3** | **28.6** | **25.9** | **33.6** | **6.1** | **-** | **67.9** |

Source: Department of Regional Development.

Table 6.2 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

| INITIATIVE | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-Year Revision $m | 2015-16 Mid-Year Revision $m | 2016-17 Mid-Year Revision $m | 2017-18 Mid-Year Revision $m | Total Five Years $m |
|---|---|---|---|---|---|---|---|
| **Goldfields Esperance Revitalisation** | | | | | | | |
| Goldfields Esperance Revitalisation | - | 5.0 | 10.0 | 20.0 | 47.2 | 15.0 | **92.2** |
| Northern Goldfields Office and Administration Centre | 4.6 | - | - | - | - | - | **4.6** |
| Hopetoun Community Centre | 2.0 | - | - | - | - | - | **2.0** |
| Kalgoorlie-Boulder Community High School | - | 4.0 | 5.0 | 20.0 | 20.0 | - | **45.0** |
| Great Eastern Highw ay Passing Lanes | - | - | - | 2.0 | 12.0 | 12.0 | **26.0** |
| Goldfields Arts Centre | - | 5.0 | 2.7 | 3.2 | 0.3 | - | **6.2** |
| **Goldfields Esperance Revitalisation Subtotal** | **6.6** | **14.0** | **17.7** | **45.2** | **79.5** | **27.0** | **176.0** |
| **Southern Investment Initiative** | | | | | | | |
| Southern Investment Initiative | - | 15.0 | 15.0 | 20.0 | 63.4 | 336.8 | **435.2** |
| **Southern Investment Initiative Subtotal** | **-** | **15.0** | **15.0** | **20.0** | **63.4** | **336.8** | **435.2** |
| **Gascoyne Revitalisation** | | | | | | | |
| Gascoyne Development Plan | 16.6 | 26.1 | 26.9 | 12.2 | - [(a)] | - | **55.6** |
| Exmouth Health Clinic | 0.9 | 4.5 | 5.2 | 1.7 | - | - | **7.8** |
| Carnarvon Health Campus | 1.6 | 16.8 | 15.4 | 3.2 | - | - | **20.1** |
| Coral Bay Seasonal Staff Accommodation | 0.1 | 0.6 | 0.6 | 0.2 | 0.1 | - | **1.1** |
| Exmouth Boat Harbour | - | 5.4 | 5.4 | 14.6 | - | - | **20.0** |
| **Gascoyne Revitalisation Subtotal** | **19.2** | **53.4** | **53.5** | **31.8** | **0.1** | **-** | **104.7** |
| **Mid West Revitalisation** | | | | | | | |
| Midw est Investment Plan | 42.1 | 28.2 | 21.7 | 48.4 | 39.7 | 51.6 | **203.4** |
| Brand Highw ay - Greenough River Bridge | 1.5 | - | - | - | - | - | **1.5** |
| Midw est Unit | 0.6 | 1.0 | 0.8 | 0.8 | 0.4 | - | **2.5** |
| **Mid West Revitalisation Subtotal** | **44.2** | **29.2** | **22.5** | **49.1** | **40.1** | **51.6** | **207.4** |
| **Regional Health Infrastructure** | | | | | | | |
| Esperance Health Campus | 1.2 | 15.6 | 12.6 | 3.8 | - | - | **17.6** |
| North West Health Initiative | - | 1.0 | 1.0 | 5.0 | 40.0 | 80.0 | **126.0** |
| Busselton Health Campus | 12.7 | - | - | - | - | - | **12.7** |
| Busselton ICT | 0.8 | 4.2 | 9.8 | - | - | - | **10.7** |
| **Regional Health Infrastructure Subtotal** | **14.8** | **20.8** | **23.4** | **8.8** | **40.0** | **80.0** | **167.0** |
| **Southern Inland Health Initiative** | | | | | | | |
| District Medical Workforce Investment Program | 20.9 | 54.9 | 43.9 | 67.0 | 22.7 | - | **154.5** |
| District Hospital Investment Program (Operating) | 7.9 | 24.1 | 13.5 | 46.0 | 94.8 | - | **162.3** |
| Primary Health Centres Demonstration Program | 0.9 | 2.5 | 2.4 | 15.3 | 24.4 | - | **43.0** |
| Small Hospital and Nursing Post Refurbishment Program | 2.4 | 43.5 | 21.0 | 47.0 | 32.0 | - | **102.4** |
| Telehealth Investment Program (Operating) | 1.9 | 9.9 | 6.4 | 11.9 | 11.6 | - | **31.8** |
| Residential Aged and Dementia Care Investment Program | 0.1 | 10.0 | 4.0 | 10.0 | 5.9 | - | **20.0** |
| Renal Dialysis Service Expansion | 0.2 | 1.2 | 1.2 | 2.4 | 3.2 | - | **7.0** |
| **Southern Inland Health Initiative Subtotal** | **34.3** | **146.1** | **92.5** | **199.6** | **194.6** | **-** | **521.0** |
| **Regional Skills and Training** | | | | | | | |
| Regional Skills and Training Initiative | 76.6 | 25.6 | 29.2 | 12.4 | - | - | **118.1** |
| **Regional Skills and Training Subtotal** | **76.6** | **25.6** | **29.2** | **12.4** | **-** | **-** | **118.1** |
| **Regional Schools** | | | | | | | |
| Regional Schools Plan | 42.5 | - | 6.3 | - | - | - | **48.8** |
| Relocation of Year 7 Students | 23.5 | 14.9 | 15.5 | - | - | - | **39.0** |
| Regional Residential College Upgrades | 3.5 | 11.4 | 12.3 | 17.3 | - | - | **33.1** |
| **Regional Schools Subtotal** | **69.5** | **26.3** | **34.1** | **17.3** | **-** | **-** | **120.8** |
| **Portlink Inland Freight Corridor** | | | | | | | |
| Portlink Inland Freight Corridor Planning | 1.3 | 2.7 | 1.4 | 1.2 | - | - | **3.9** |
| **Portlink Inland Freight Corridor Subtotal** | **1.3** | **2.7** | **1.4** | **1.2** | **-** | **-** | **3.9** |
| **Regional Development - Water and NRM Initiatives** | | | | | | | |
| Regional Development Water and NRM Initiatives | 10.6 | 21.2 | 21.5 | 13.0 | - | - | **45.1** |
| Natural Resources Investment Program | - | - | - | 6.4 | 6.4 | 6.4 | **19.2** |
| Peel Recycled Water Scheme | 0.1 | - | - | - | - | - | **0.1** |
| Regional Natural Resource Management - State Barrier Fence | - | 3.2 | 1.5 | 3.2 | 2.8 | - | **7.4** |
| **Regional Development - Water and NRM Initiatives Subtotal** | **10.7** | **24.4** | **23.0** | **22.6** | **9.2** | **6.4** | **71.8** |

Source: Department of Regional Development.

Table 6.2 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

| INITIATIVE | 2013-14 Actual $m | 2014-15 Budget Estimate $m | 2014-15 Mid-Year Revision $m | 2015-16 Mid-Year Revision $m | 2016-17 Mid-Year Revision $m | 2017-18 Mid-Year Revision $m | Total Five Years $m |
|---|---|---|---|---|---|---|---|
| **Regional Centres Development Plan (SuperTowns)** | | | | | | | |
| SuperTowns Development Planning Fund | - | - | - (a) | - | - | - | - (a) |
| **Regional Centres Development Plan (SuperTowns) Subtotal** | **-** | **-** | **- (a)** | **-** | **-** | **-** | **- (a)** |
| **Regional Infrastructure Projects** | | | | | | | |
| Regional Mobile Communications Project | 13.3 | - | 4.3 | - | - | - | **17.6** |
| Regional Telecommunications Project - Stage 2 | - | 5.0 | 5.0 | 10.0 | 10.0 | 20.0 | **45.0** |
| Community Safety Network (Operating) | 8.5 | 25.5 | 34.4 | 12.1 | 5.1 | 4.1 | **64.3** |
| Recreational Boating Facilities Scheme (Operating) | 3.7 | 4.3 | 4.3 | 4.5 | 1.7 | - | **14.2** |
| Regional Airports Development Scheme | 4.0 | 8.2 | 7.0 | 1.6 | - | - | **12.6** |
| Ravensthorpe Heavy Haulage Route | 1.0 | - | 6.5 | - | - | - | **7.5** |
| Regions Infill Sewerage | 4.9 | - | - | - | - | - | **4.9** |
| Conservation Parks Infrastructure and Roads | 9.3 | 1.8 | 3.2 | - | - | - | **12.5** |
| SuperTowns - Avon Train | 0.4 | - | - | - | - | - | **0.4** |
| Avonlink Enhancement Project | - | 2.0 | 2.2 | 2.2 | 2.2 | - | **6.6** |
| Bunbury to Albany Gas Pipeline | - | 9.0 | 9.0 | 10.5 | - | - | **19.5** |
| Living Lakes | 0.3 | 2.0 | 0.8 | 1.0 | 2.0 | 2.0 | **6.1** |
| Collie Water Plan (Operating) | 0.3 | - | 0.1 | - | - | - | **0.4** |
| Road Coach Capital Replacement Program | - | 5.0 | 5.0 | 5.2 | 4.9 | - | **15.1** |
| Regional Bus Acquisition | - | - | 3.4 | - | - | - | **3.4** |
| **Regional Infrastructure Projects Subtotal** | **45.8** | **62.9** | **85.1** | **47.2** | **25.9** | **26.1** | **230.1** |
| **TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND** | **663.4** | **696.0** | **683.2** | **772.3** | **695.6** | **772.1** | **3,586.6** |
| **NEW REGIONAL AND STATEWIDE INITIATIVES** | | | | | | | |
| New Regional and Statewide Initiatives (Operating) | - | 16.0 | 28.9 | 29.5 | 65.9 | 55.5 | **179.8** |
| Statewide Regional Blueprint Initiatives | - | 2.0 | 2.0 | 8.0 | 35.0 | 79.0 | **124.0** |
| 1% Efficiency Dividend (c) | - | - | -1.9 | -3.5 | -4.2 | -4.6 | **-14.2** |
| 15% Procurement Reduction (c) | - | - | -0.5 | -0.5 | -0.4 | -0.3 | **-1.7** |
| **TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES** | **-** | **18.0** | **28.5** | **33.5** | **96.2** | **129.6** | **287.9** |
| **Administering the Royalties for Region Fund** | **48.0** | **52.3** | **53.7** | **52.6** | **56.2** | **56.2** | **266.6** |
| **Over Programing Provision** | **-** | **-142.9** | **-158.8** | **-176.5** | **-176.5** | **-176.5** | **-688.2** |
| **TOTAL - ROYALTIES FOR REGIONS FUND** | **1,074.9** | **1,000.0** | **1,000.0** | **1,000.0** | **1,000.0** | **1,000.0** | **5,074.9** |
| **FUTURE FUND CONTRIBUTION (b)** | **262.5** | **246.8** | **246.8** | **197.1** | **-** | **-** | **706.4** |

(a) Amount less than $50,000.

(b) Total Royalties for Regions Future Fund contributions are forecast to be $1,004.1 million over the period 2012-13 to 2015-16.

(c) Government savings measures in this Mid-year Review may impact on the composition of the RfR program. The detailed impact of these savings is not known at this time, and will be disclosed in the 2015-16 Budget.

Note: Columns/rows may not add due to rounding

Source: Department of Regional Development.

2014-15 GOVERNMENT MID-YEAR FINANCIAL PROJECTIONS STATEMENT