



2016-17

# **GOVERNMENT MID-YEAR FINANCIAL PROJECTIONS STATEMENT**



December 2016





**2016-17**

**Government Mid-year  
Financial Projections Statement**

DECEMBER 2016

2016-17 Government Mid-year Financial Projections Statement  
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# 2016–17 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 (or Mid-year Review) 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 GFRA.

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 12 May 2016;
- 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).

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 cut-off date of 28 November 2016 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* and Chapter 3: *The Western Australian Economy*. These assumptions were finalised by Treasury, under my direction, on 28 November 2016.

A handwritten signature in black ink, appearing to read "M. Barnes". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Michael Barnes  
UNDER TREASURER

19 December 2016



# Financial Projections

## HIGHLIGHTS

- The general government operating deficit for 2016-17 is now estimated to be \$3,388 million, a \$527 million improvement on the \$3,914 million deficit forecast in the May Budget.
- This improvement predominantly reflects higher iron ore prices, partly offset by weaker than expected payroll tax and transfer duty revenue and the delayed receipt of Commonwealth funding for key road projects.
- The revenue benefit of higher iron ore prices is more than offset by lower GST grants by the end of the forward estimates period, with Western Australia's GST 'relativity' now forecast to reach 0.661 in 2019-20, down from 0.759 forecast in the 2016-17 Budget.
- Excluding the impact of potential new asset sales, total public sector net debt is now forecast to be \$483 million lower at \$39.7 billion by 30 June 2020, down from \$40.2 billion forecast at Budget-time.

## Introduction

A stronger revenue outlook in the short-term (driven primarily by higher iron ore prices) is projected to result in improved operating outcomes for the general government sector in 2016-17 and 2017-18 relative to Budget-time projections. However, the operating outcomes are weaker in the last two years of the forecast period, with downward revisions to payroll tax, transfer duty and GST grant revenue more than offsetting stronger mining revenue projections.

Expense growth is forecast to remain at historically low rates for most of the forward estimates period, reflecting the on-going success of savings measures introduced by the Government in recent years (see feature box below).

The following table summarises the key financial aggregates for the 2016-17 Mid-year Review.

Table 1

**KEY BUDGET AGGREGATES**  
Western Australia

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Budget Estimate	Mid-year Revision	Forward Estimate	Forward Estimate	Forward Estimate
<b>GENERAL GOVERNMENT SECTOR</b>						
<b>Net Operating Balance (\$m)</b>	<b>-2,021</b>	<b>-3,914</b>	<b>-3,388</b>	<b>-1,534</b>	<b>-376</b>	<b>521</b>
Revenue (\$m)	26,485	25,681	26,513	28,254	30,100	31,683
Revenue Growth (%)	-3.3	-3.1	0.1	6.6	6.5	5.3
Expenses (\$m)	28,506	29,596	29,901	29,788	30,476	31,162
Expense Growth (%)	2.4	3.7	4.9	-0.4	2.3	2.2
<b>TOTAL PUBLIC SECTOR</b>						
Net Debt at 30 June (\$m)	27,347	33,838	33,389	37,576	39,671	39,709
Asset Investment Program (\$m)	5,237	5,862	5,548	6,373	5,745	4,681
Cash Position (\$m)	-4,731	-5,526	-5,402	-3,572	-1,911	155
Gross Borrowings at 30 June (\$m)	51,852	53,424	52,371	55,489	59,983	61,528
<b>KEY FINANCIAL RATIOS <sup>(a)</sup></b>						
Cash Operating Surplus as a Share of Receipts (%)	-	-2.2	-2.1	3.0	4.9	6.3
Net Debt to Revenue (%)	69.8	91.2	83.3	91.5	91.0	87.4

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

The overall improvement in the revenue outlook, combined with changes in borrowing requirements, has resulted in lower net debt projections across the forward estimates period (relative to Budget), with net debt now forecast to reach \$39.7 billion by 30 June 2020 (down \$483 million since Budget-time).

Key assumptions underlying the Mid-year Review financial projections are shown in the following table (these assumptions were finalised on the 28 November 2016 cut-off date for this Mid-year Review). A detailed discussion of the economic outlook is available in Chapter 3: *The Western Australian Economy*.

Table 2

**KEY ASSUMPTIONS<sup>(a)</sup>**  
Western Australia

	2015-16 Actual <sup>(b)</sup>	2016-17 Mid-year Revision	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate
Real Gross State Product growth (%)	1.9 (1.0)	1.0 (1.25)	2.25 (2.5)	3.25 (2.5)	3.0
Real State Final Demand growth (%)	-4.0 (-4.25)	-6.0 (-3.75)	-1.75 (-0.25)	2.25 (1.0)	3.5 (3.25)
Employment growth (%)	0.3 (0.25)	-1.5 (0.25)	0.25 (0.75)	1.5	2.25 (2.0)
Unemployment rate (%) <sup>(c)</sup>	6.0 (6.25)	6.5 (6.75)	6.5	6.25 (6.25)	6.0 (5.75)
Wage Price Index growth (%)	1.9 (1.75)	1.5 (1.75)	1.75 (2.25)	2.5 (2.75)	3.0 (3.25)
Perth Consumer Price Index growth (%)	1.0 (1.25)	1.0 (1.25) <sup>(d)</sup>	1.75 (2.25)	2.25 (2.5)	2.5 (2.5)
Iron ore price (\$US/tonne CFR) <sup>(c)(e)</sup>	50.9	64.3 (47.7)	59.1 (49.2)	59.1 (51.6)	60.0 (54.0)
Iron ore volumes (million dry tonnes)	757 (765)	797 (782)	817 (803)	827 (814)	830 (817)
Crude oil price (\$US per barrel) <sup>(c)</sup>	43.4 (41.1)	48.3 (44.4)	52.8 (47.1)	54.7 (49.1)	56.1 (50.9)
Exchange rate (US cents) <sup>(c)</sup>	72.8 (73.3)	74.8 (75.7)	73.6 (74.7)	73.2 (73.8)	72.7 (73.0)
Population growth (%)	1.2 <sup>(f)</sup>	1.2 (1.3)	1.3 (1.5)	1.6 (1.7)	1.8 (1.9)
Interest rate assumptions (%):					
– Public Bank Account earnings <sup>(c)</sup>	2.4 (2.3)	1.8	1.5 (1.8)	1.5 (1.9)	1.5 (2.0)
– Consolidated Account borrowings <sup>(c)</sup>	3.5	3.1 (3.2)	3.0 (3.2)	3.0 (3.3)	3.2 (3.4)

(a) 2016-17 Budget assumptions shown in parentheses where the forecasts have changed since May 2016.

(b) Gross State Product and State Final Demand growth data are based on 2015-16 State Accounts data.

(c) Average over the year.

(d) The CPI forecast for 2016-17 was revised from 1.75% to 1.25% post-Budget on 10 August 2016.

(e) CFR is the benchmark 62% iron content delivered price to China, including cost and freight.

(f) Estimated actual.

## **Expenditure Management**

Savings measures and workforce reforms introduced by the Government in response to unprecedented write-downs in the State's revenue projections have been highly effective in limiting growth in general government expenditure in recent years, and are projected to continue to have a significant impact on expense growth over the forward estimates period.

Following historically low rates of expenditure growth in 2014-15 (2.2%) and 2015-16 (2.4%), general government expenditure is projected to increase by 4.9% in 2016-17 – still well below the average annual rate of growth of the last ten years of 7.3% – before increasing by an average 1.4% per annum over the outyears.

Measures contributing to these low rates of expenditure growth include:

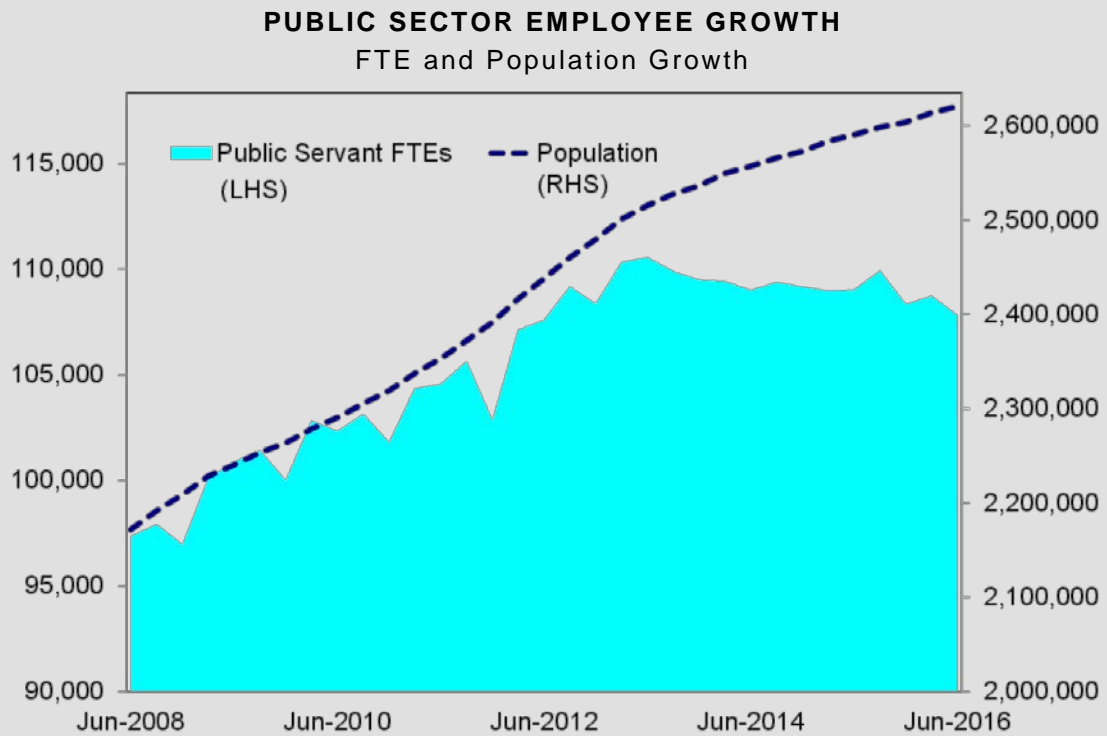
- the introduction of a new Public Sector Workforce Renewal Policy from 1 January 2015. This measure requires agencies to continually adjust and review the best mix of labour (and other inputs) to deliver required outputs and outcomes. Savings harvested from general government agencies under this policy total \$264 million in 2016-17, rising to \$405 million in 2017-18 and \$516 million in 2018-19;
- the 2014 Public Sector Wages Policy, which capped wage and conditions increases to projected growth in the Perth Consumer Price Index. This was revised in February 2016, so that wage and conditions increases are now capped at 1.5% per annum for agreements expiring on or after 1 June 2016;
- successive rounds of voluntary separations, including a separate scheme for the health sector during 2015-16 (which have resulted in the voluntary separation of over 4,000 employees);
- a freeze on recruitment processes from 21 December 2015 to 12 May 2016;
- enhanced leave liability management; and
- the implementation of Agency Expenditure Reviews (AERs) for most general government agencies. The AER process, first announced for eight agencies as part of the 2014-15 Mid-year Review, is a two stage process of rolling reviews that enable agencies to self-identify program-level savings up to predetermined targets. The AER program was expanded in the 2015-16 Mid-year Review, and again in the 2016-17 Budget.

A focus of Government measures has been the implementation of a range of public sector workforce reforms aimed at improving the efficiency of the public sector and limiting growth in salaries expenditure, which accounts for approximately 40% of total general government expenditure. Reflecting these measures, salaries grew by just 2.6% in 2015-16, the lowest for 17 years.

Historically low rates of salaries growth have been delivered through both a reduction in full-time equivalent (FTE) employee numbers and continued moderation in negotiated wage outcomes.

The chart below shows that growth in the State's public sector has been below that of the general population since 2011. Moreover, since 30 June 2013 the public sector has actually shrunk.

Figure 1



Source: ABS Catalogue 3101.0, Public Sector Commission and Treasury.

Over the five years since June 2011, the public sector workforce<sup>1</sup> has grown by 3,265 FTEs or 3.1%, which is less than the 11.3% increase in the Western Australian population over the same period. Most of the growth has occurred at the Department of Education (4,025 FTEs) and the Department of Health/Mental Health Commission (2,253 FTEs), with the rest of the public sector reducing by 3,013 FTEs.

During 2016-17 public sector employees will receive wage rises of between 1.5% and 2.5% depending on whether individual agreements have been renegotiated since the new 1.5% Public Sector Wages Policy took effect on 1 June 2016. In the next few years wage outcomes will continue to moderate as an increasing proportion of the public sector is covered by the 1.5% wages policy.

<sup>1</sup> The workforce data from the Public Sector Commission does not include sworn police officers.

## General Government Sector

### Operating Statement

A general government operating deficit of \$3.4 billion is forecast for 2016-17, a \$527 million improvement on the \$3.9 billion deficit estimated at the time of the 2016-17 Budget. This reflects an increase in revenue of \$832 million, due largely to higher iron ore prices, partly offset by higher expenses (up \$305 million), mainly due to increased activity and other costs in the health sector.

The projected deficit for 2017-18 has narrowed to \$1.5 billion, a \$359 million improvement since Budget-time, while the forecast operating balances for 2018-19 and 2019-20 have deteriorated by \$180 million and \$565 million respectively, mainly due to significantly lower GST grants in the last two outyears. Nonetheless, the general government operating balance is still expected to return to surplus in 2019-20.

The table below summarises the changes in general government revenue and expenses since the 2016-17 Budget estimates were finalised on 19 April 2016.

Table 3

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

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	Total \$m
<b>2016-17 BUDGET - NET OPERATING BALANCE</b>	<b>-3,914</b>	<b>-1,893</b>	<b>-197</b>	<b>1,086</b>	
<b>Revenue</b>					
Taxation	-391	-446	-493	-562	-1,891
- Payroll tax	-226	-270	-341	-398	-1,235
- Total duty on transfers	-135	-140	-123	-136	-534
- Land tax	-3	-3	-3	-3	-12
- Insurance duty	-9	-9	-10	-11	-39
- Vehicle licence duty	-4	-5	-5	-6	-21
- Government lotteries	-6	-11	-15	-15	-47
- Loan Guarantee Fees	-9	-9	-8	-3	-28
- Other taxes	1	2	12	9	23
Commonwealth grants	-210	105	-418	-694	-1,217
- GST grants	-25	-175	-520	-837	-1,556
- North West Shelf/condensate compensation	67	78	72	64	280
- Transport grants	-356	185	63	122	13
- National Health Reform	89	57	32	9	186
- Non-government schools	-24	-35	-38	-38	-136
- Local government on-passed grants	-4	-6	-9	-12	-32
- Other Commonwealth grants	44	3	-17	-2	28
Royalty income	1,339	938	801	617	3,695
- Iron ore	1,331	876	706	562	3,474
- Other royalties	7	63	96	55	221
Revenue from public corporations	41	-28	-42	-23	-52
Pharmaceutical Benefits Scheme - Hepatitis C vaccines	149	152	156	160	616
Lower base growth in sales of goods and services (matched by expense change)	-109	-147	-174	-239	-669
All other	13	7	-36	-56	-73
<b>TOTAL REVENUE</b>	<b>832</b>	<b>582</b>	<b>-206</b>	<b>-798</b>	<b>410</b>

Table 3 (cont.)

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

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	Total \$m
<b>Expenses</b>					
Health key changes:					
Activity-Based Funded services	137	70	52	56	316
Commissioning the Perth Children's Hospital	28	-	-	-	28
Aged Care Assessment Program (ACAP) Agreement	12	13	-	-	25
District Medical Workforce Investment Program	-	36	45	-	81
Access to primary care in remote and rural areas	5	6	6	6	23
Voluntary Separation Scheme extension	20	-9	-9	-9	-5
Pharmaceutical Benefits Scheme - Hepatitis C vaccines	149	152	156	160	616
Lower base growth in sales of goods and services	-109	-147	-174	-239	-669
Education key changes:					
Student enrolment forecasts	-9	-14	-28	-54	-104
Revised depreciation and building valuation methodology	-44	-48	-49	-47	-188
Government Regional Officer Housing rent	-19	-19	-18	-11	-67
Grains research and development	-	16	11	8	34
Essential and municipal services in remote Aboriginal communities	-	32	66	-	98
Broome-Cape Leveque road upgrade	3	18	18	26	65
Nicholson Road Grade Separation	8	18	-	-	27
Home Indemnity Insurance scheme	11	25	17	2	55
Police growth funding	-	35	-	-	35
Royalties for Regions - Kimberley Schools project	4	7	10	5	25
Revised prisoner population estimates	25	-	-	-	25
Magnetite Financial Assistance Program update	10	8	-	-	18
Criminal Injuries Compensation Act 2003	9	9	-	-	17
On-demand transport industry reforms	22	1	-3	-5	16
Yarloop clean-up costs	10	-	-	-	10
Public Transport Authority operating subsidy	-2	28	-3	-44	-20
Synergy operating subsidy	-18	-26	-18	-12	-73
On-passed Commonwealth non-government schools grants	-24	-35	-38	-38	-136
Other interest	8	-35	-69	-88	-184
Superannuation interest	10	2	5	10	28
All other	56	80	-2	40	173
<b>TOTAL EXPENSES</b>	<b>305</b>	<b>223</b>	<b>-26</b>	<b>-233</b>	<b>269</b>
<b>TOTAL VARIANCE</b>	<b>527</b>	<b>359</b>	<b>-180</b>	<b>-565</b>	<b>141</b>
<b>2016-17 MID-YEAR REVIEW - NET OPERATING BALANCE</b>	<b>-3,388</b>	<b>-1,534</b>	<b>-376</b>	<b>521</b>	

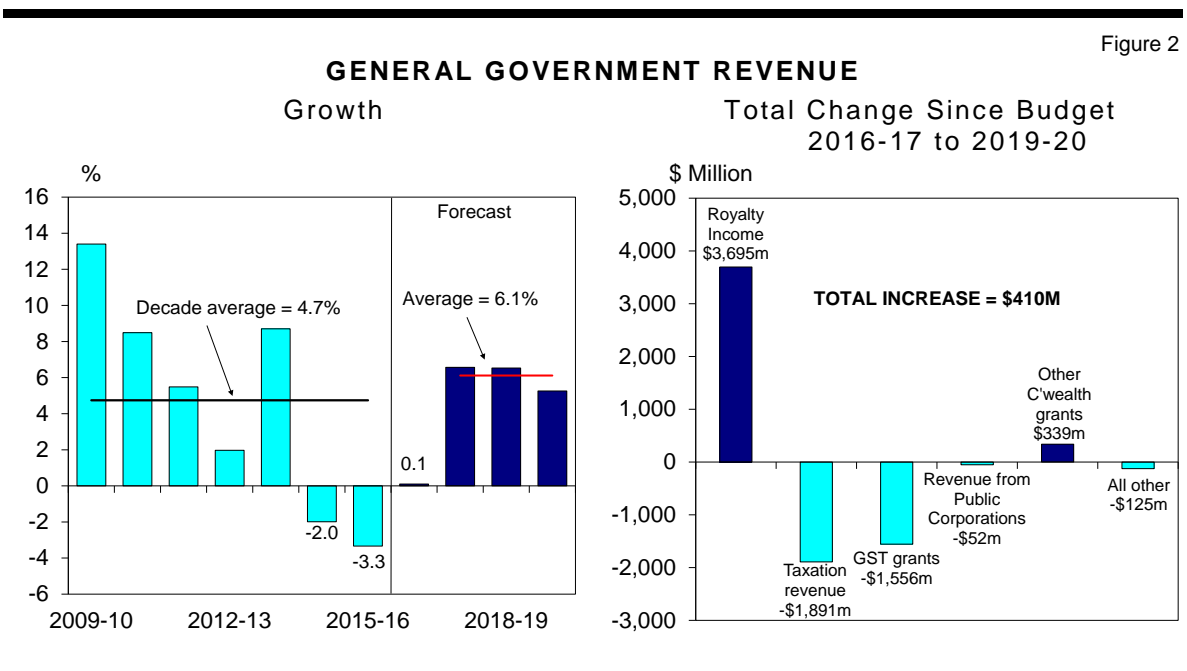
Note: Columns/rows may not add due to rounding.

## Revenue

After declining by 2% in 2014-15 and a further 3.3% in 2015-16, general government revenue is now expected to increase by 0.1% in 2016-17, compared with a forecast decline of 3.1% at the time of the Budget. This predominantly reflects improved iron ore prices, which are now estimated to average \$US64.3/tonne over 2016-17 compared with the \$US47.7 price assumption in the 2016-17 Budget.

Average annual revenue growth across the forward estimate years is now expected to be 6.1%, compared to 8.1% forecast at Budget-time. This mainly reflects large downward revisions to taxation and GST grant revenue more than offsetting higher royalty income across those years.

Further detail on the general government sector revenue estimates is available in Appendix 2: *General Government Operating Revenue*.



## 2016-17

Total revenue is estimated to be \$26.5 billion in 2016-17, an increase of \$832 million relative to the 2016-17 Budget forecast. The higher revenue estimate reflects the net impact of:

- substantially higher royalty income (up \$1.3 billion or 34.8%), largely due to the impact of a higher iron ore price, but also a slightly lower than anticipated \$US/\$A exchange rate and a modest upward revision to projected sales volumes;
- lower taxation revenue (down \$391 million or 4.4%), mainly due to:
  - a downward revision to payroll tax revenue (down \$226 million), reflecting weakness in monthly collections to date in 2016-17, and downward revisions to employment and wages growth; and



- lower duty on property transfers (down \$135 million), primarily due to lower than anticipated turnover in the residential property market and a declining median house price;
- lower Commonwealth grants revenue (down \$210 million), including:
  - lower GST revenue (down \$25 million), reflecting the impact of reduced population estimates for Western Australia in the Commonwealth’s May Budget and a reduction in the Commonwealth’s estimate of the national GST pool;
  - higher projected North West Shelf grants and condensate compensation (up \$67 million), due to an upward revision to oil and gas prices since the 2016-17 Budget;
  - lower grants for transport projects (down \$356 million), primarily due to changes in timing for the Perth Freight Link (down \$204 million), NorthLink WA (down \$118 million) and Great Northern Highway, Muchea to Wubin Stage 2 (down \$41 million) projects;
  - higher National Health Reform Agreement funding (up \$89 million), as a result of higher than expected activity levels in 2015-16, and revisions to activity growth parameters in the Commonwealth’s 2016-17 Budget; and
  - lower grants for non-government schools (down \$24 million), in line with the 2016-17 Commonwealth Budget estimates;
- higher than expected revenue from public corporations (up \$41 million), largely higher dividend revenue (up \$50 million), mainly due to key movements in:
  - Western Power (up \$55 million), primarily reflecting higher than anticipated assets ‘gifted’ by developers and a special dividend to reflect the final balance of land sale proceeds collected in 2015-16;
  - Synergy (up \$29 million), largely due to the sale of the Corporation’s share in the Mumbida Windfarm Joint Venture, partially offset by broader cost and demand updates;
  - Insurance Commission of Western Australia (down \$20 million), mainly reflecting a lower final dividend outcome for 2015-16 (recognised in 2016-17) due to lower than expected profit in 2015-16 (resulting from the combined impact of fixed asset write-downs, increased outstanding claims liabilities and lower than expected investment returns in the second half of 2015-16); and
  - Pilbara Ports Authority (down \$20 million), reflecting the extension of the price relief package to 30 June 2017 at Port Hedland’s Utah Point Bulk Handling Facility announced on 28 June 2016; and
- higher revenue from the Commonwealth for Direct Acting Antiviral drugs used in the treatment of patients with Hepatitis C which are now listed on the Pharmaceutical Benefits Scheme (\$149 million).

### Recent Trends in Major Taxes

Over half of all taxation revenue in 2015-16 (\$4.8 billion) was received from payroll tax and duty on property transfers. Revenue from both of these taxes has moderated in recent years due to softening labour market conditions and a slow-down in the residential property market.

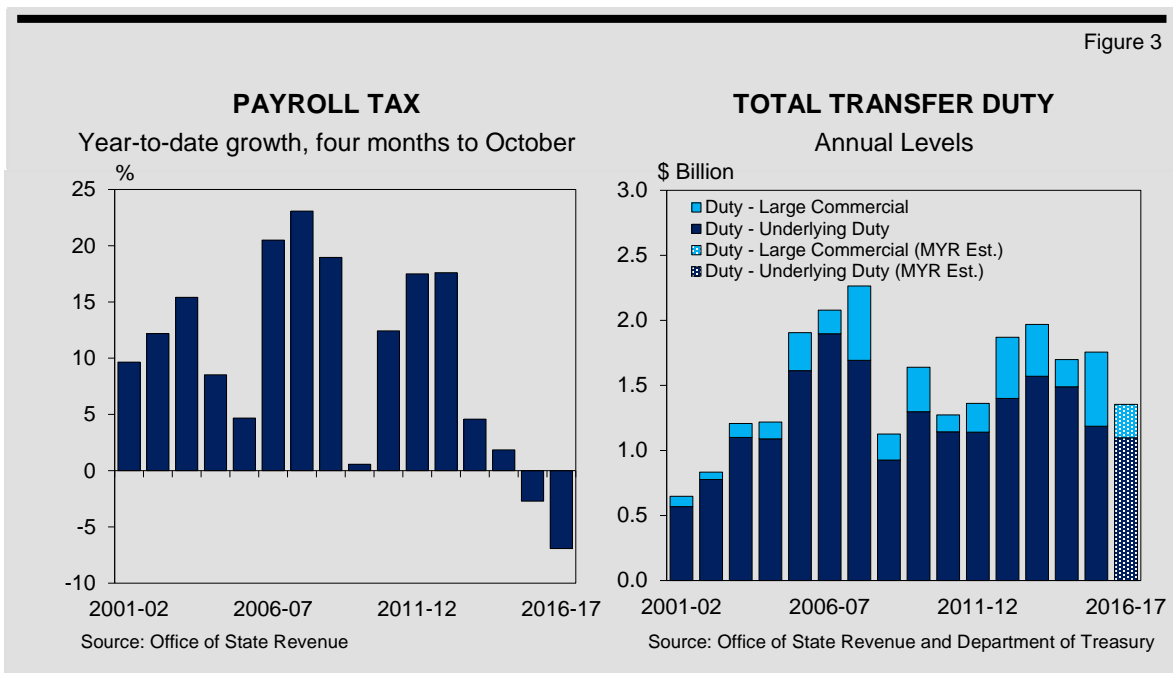
Growth in Western Australia's **payroll tax** collections has slowed significantly over recent years. After averaging 13.1% per annum in the decade to 2012-13, growth has averaged just 0.3% per annum over the three years since then. This included a fall of 2.8% (or \$100 million) in 2015-16, which was the first decline in payroll tax revenue in over two decades. This was despite the introduction of a diminishing exemption threshold from 1 July 2015 (as announced in the 2014-15 Mid-year Review). Abstracting from this measure, payroll tax would have fallen by a much larger 6.1% (or \$218 million) in 2015-16.

Collections are expected to fall by a further 5.5% in 2016-17, partly attributed to an increase in the exemption threshold to \$850,000 from 1 July 2016 (which is expected to detract 0.6 percentage points or \$21 million from growth). The large forecast decline is consistent with actual trends in payroll tax collections in the year to date (with collections in the four months to October 2016 down 6.9% relative to the same period a year earlier – see the chart below, left-hand panel).

The marked moderation in payroll tax growth has coincided with a tapering of business investment in Western Australia from its peak in 2012-13, which has adversely affected labour market conditions, particularly in the State's resource and related sectors (which comprise a significant portion of the payroll tax base). For example, employment in mining (the largest payroll tax paying industry) in August 2016 was 24,700 persons (or 20%) below its peak in August 2012, while wage growth in mining has slowed to less than a third of its pace over the same period.

Other compositional factors that have impacted payroll tax collections include that employment growth has predominantly been in part-time work (which typically generates less taxable income), and in less payroll tax-intensive industries (such as accommodation and food services, and health care and social assistance). Specifically, over the three years to 2015-16, part-time employment increased by almost 50,000 persons, while full-time employment fell by around 22,000 persons. These factors were exacerbated by a slowing of wage growth in the private sector to its lowest rate on record, with wage growth in payroll tax-intensive industries lower than overall growth.

Figure 3



Growth in payroll tax is expected to lift, albeit modestly, in 2017-18 and increase by an average of 4.2% per annum in 2018-19 and 2019-20. This path of growth is consistent with an improving employment outlook and gradually increasing wage growth.

Total **transfer duty** grew by 3.4% in 2015-16 compared to an estimated decline of 0.3% at Budget. This primarily reflected higher than expected duty from large commercial transactions following Budget cut-off.

When removing the impact of duty from these types of large commercial transactions (which are usually few in number and highly volatile), underlying transfer duty (primarily determined by residential property transfers) declined by 5.2% in 2014-15 and by 20.3% in 2015-16. In 2016-17, underlying duty is estimated to decline for a third consecutive year, by 7.5%. This is consistent with a three month year-ended decline in underlying duty collections of 8.9% in October 2016.

Recent declines in underlying transfer duty reflect weaker demand in the residential property market at a time when the supply of new dwellings has been strong. For instance, population growth has fallen from a peak of 3.5% in 2012-13 to an estimated 1.2% in 2015-16 (with net overseas migration falling from around 48,000 persons to about 15,000 persons over this period). At the same time, the number of dwellings completed in 2015-16 reached historical highs of over 32,000 dwellings.

Underlying transfer duty is forecast to recover modestly from 2017-18 as conditions in the housing market normalise but remain more subdued than in the past, reflecting a combination of modest population, employment and wage growth.

**2017-18 to 2019-20**

Across the outyears, general government revenue has been revised down by a total of \$421 million since the 2016-17 Budget. This mainly reflects the net impact of:

- higher royalty income (up \$2.4 billion or 18.5%), largely due to higher iron ore price assumptions across the entire forward estimates period;
- lower taxation revenue (down \$1.5 billion or 5.2%), consistent with the lower base for 2016-17, and the impact of downward revisions to population and wage growth in the outyears. Across the outyears, payroll tax has been revised down by \$1 billion, and total duty on transfers has been revised down by \$399 million;
- lower GST revenue (down \$1.5 billion or 11.3%), mainly reflecting the net impact of lower population growth forecasts and higher royalty income (both of which reduce Western Australia's GST share across the outyears), and reduced tax capacity relative to other States (which increases Western Australia's GST share);

Table 4

**PROJECTED GST RELATIVITIES FOR WESTERN AUSTRALIA<sup>(a)(b)</sup>**

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
2016-17 State Budget	0.376	0.300	0.303	0.411	0.631	0.759
2016-17 Mid-year Review	0.376	0.300	0.303	0.388	0.561	0.661

(a) This is the ratio of Western Australia's GST grant to Western Australia's population share of the GST.

(b) These relativity projections differ from those published in Commonwealth Budget Papers, which generally have not incorporated projected changes in the relative revenue raising capacity of the States and Territories.

- an increase in estimated North West Shelf grants and condensate compensation (up \$214 million), reflecting the stronger outlook for oil and gas prices noted earlier;
- higher grants for transport projects (up \$369 million), primarily due to project delays and updates to the timing of expected milestone payments for projects including NorthLink WA and Great Northern Highway (up \$113 million and \$48 million respectively), an additional \$129 million from the Commonwealth under the Northern Australia Roads and Beef Roads programs, and an additional \$18 million for the Ocean Reef Road – Wanneroo Road Grade Separation project;
- lower sales of goods and services (down a net \$217 million), largely reflecting the flow-on impact of lower base growth from 2015-16, higher Hepatitis C drug revenue (outlined above), and other movements in agency revenue;
- lower grants for non-government schools (down \$111 million), in line with Commonwealth Budget estimates;
- higher National Health Reform Agreement funding (up \$97 million), as a result of increased activity levels and associated growth parameters in the Commonwealth's 2016-17 Budget noted earlier;

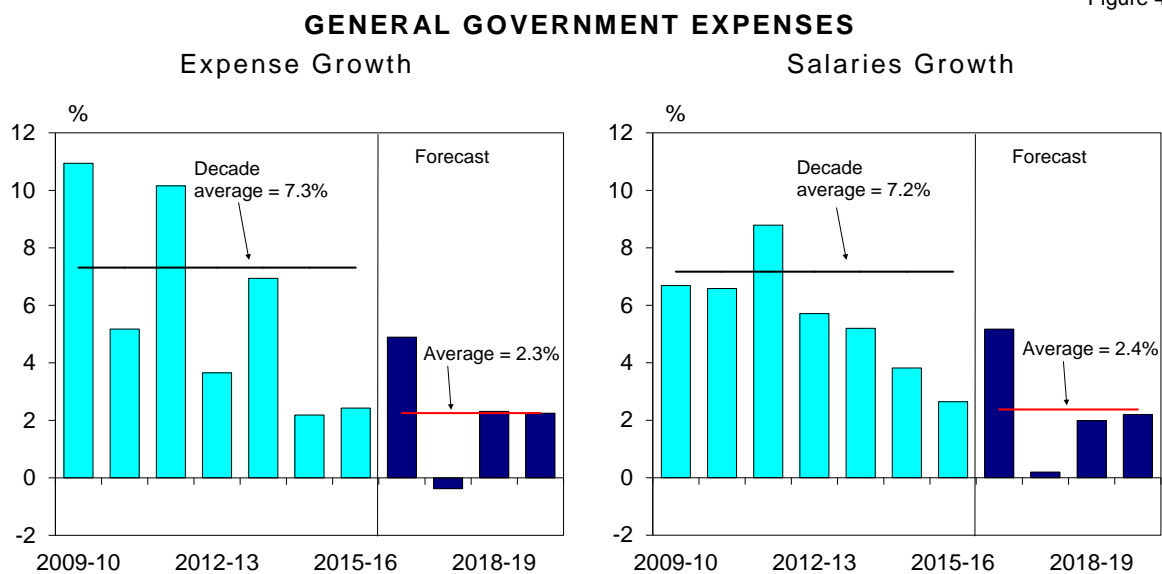
- lower revenue from public corporations (down \$93 million), primarily reflecting lower dividend and tax equivalent payments from Synergy (down \$87 million, due to deteriorations in its electricity and gas sales forecasts as a result of increased competition, declining demand and revised contractual arrangements); and
- higher anticipated traffic infringement revenue (up \$54 million), with 26 additional red light and speed cameras coming on line.

### Expenses

General government expenses are forecast to total \$29.9 billion in 2016-17, \$305 million (or 1%) higher than Budget. Reflecting a range of spending adjustments in this Mid-year Review, expense growth is expected to rise to 4.9% in 2016-17, compared to an estimated 3.7% at Budget-time. However, expense growth is forecast to average just 1.4% per annum over the forward estimate years, down slightly from the 2% forecast at Budget-time.

Salaries costs (accounting for around 40% of total general government expenses) are forecast to increase by 5.2% (or \$589 million) in 2016-17, up from 3.5% at Budget-time. This increase is largely driven by the 2016-17 salaries impact of higher WA Health activity-based costs and one-off voluntary separations (detailed below). Salaries growth is forecast to increase by an average of 1.5% per annum across the three outyears, mainly reflecting the continuing impact of existing Government savings measures.

Figure 4



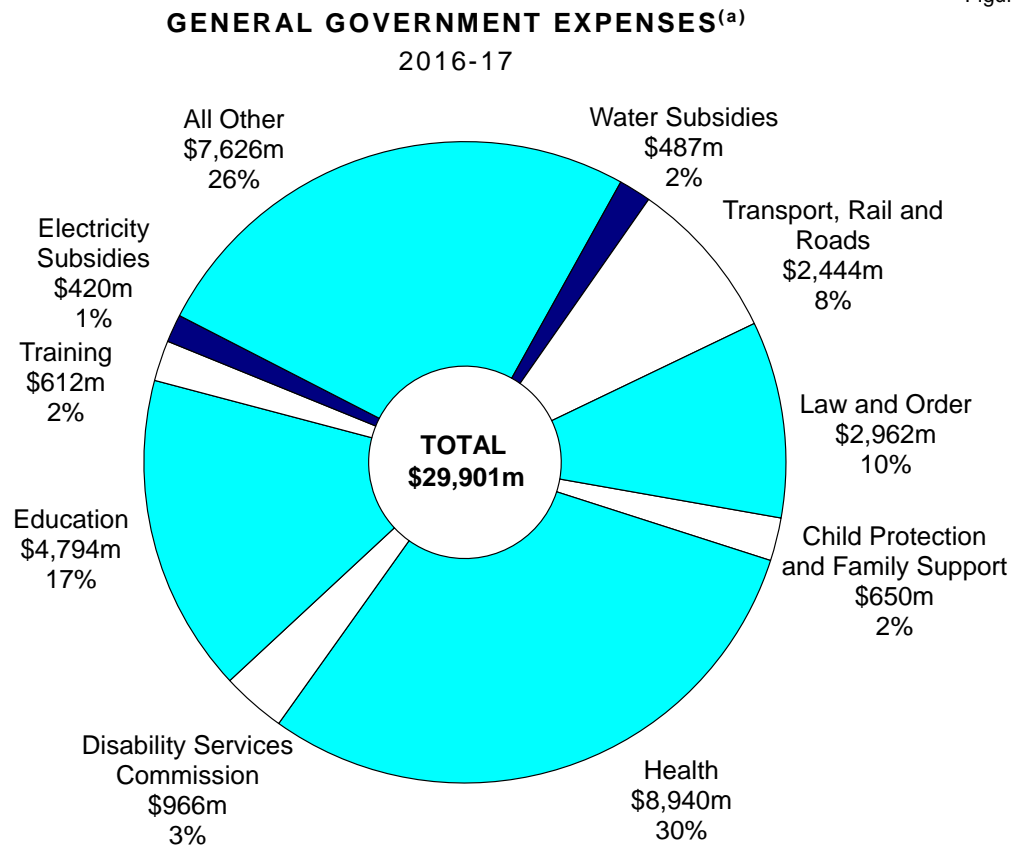
## **2016-17**

Significant movements in expenses in 2016-17 since Budget-time include:

- higher expenses for WA Health, largely reflecting:
  - additional expenditure of \$149 million related to the Pharmaceutical Benefits Scheme listing of Direct Acting Antiviral drugs for the treatment of patients with Hepatitis C (matched by equivalent revenue from the Commonwealth outlined earlier);
  - an extra \$137 million to accommodate revised activity and cost settings for activity-based public hospital services. This mainly reflects the flow-on impact of higher than expected activity and cost levels in 2015-16, and further increases in hospital activity expected in 2016-17;
  - additional expenditure of \$28 million to meet costs associated with delays to the Perth Children’s Hospital project, including additional project resources and support for the safe commissioning and opening of the new hospital; and
  - up to an extra \$20 million to extend voluntary separation scheme arrangements by up to an additional 200 full-time positions. The WA Health Agency Expenditure Review savings target has been increased by \$9 million per annum from 2017-18 to 2019-20 to offset the expense increase in 2016-17;
- an additional \$25 million to meet costs associated with higher than expected growth in the daily average prisoner population (DAPP) in 2016-17 (the DAPP in 2016-17 is now projected to be 6,345, up from 5,974 at the time of the 2016-17 Budget);
- an extra \$24 million towards the taxi industry Transition Assistance Package, as part of the Stage 1 On-demand Transport industry reforms announced on 19 May 2016, partly offset by a \$2 million reduction in costs associated with the Department of Transport’s regulatory function;
- lower Department of Education depreciation expenses (down \$44 million), reflecting changes to the Department’s building valuation and depreciation methodologies that came into effect at the end of 2015-16, and lower Government Regional Officer Housing rent expenses (down \$19 million), due to lower rental costs in regional areas;
- lower expenses for the five TAFE colleges (down \$42 million), driven by a correction to previously overestimated levels of commercial and international student revenue, and a reassessment of domestic fees and charges over the forward estimates period; and
- lower on-passed grants for non-government schools (down \$24 million), reflecting changes announced in the Commonwealth’s 2016-17 Budget (noted earlier in the revenue discussion).

Recurrent spending on the key frontline services of health, education and training, law and order, disabilities and child protection is estimated to total \$18.9 billion in 2016-17, or 63% of total government expenses (see figure below).

Figure 5



(a) Segments may not add due to rounding.

### ***2017-18 to 2019-20***

Relative to Budget, general government expenses are broadly unchanged over the period 2017-18 to 2019-20 (down by a total of \$36 million). This mainly reflects the net impact of:

- key expense movements for WA Health, including:
  - additional expenditure of \$468 million related to the Hepatitis C antiviral drugs noted earlier;
  - extra spending of \$178 million due to the outyear impact of revised activity and cost settings for public hospital services (outlined above); and
  - an additional \$81 million across 2017-18 and 2018-19 to continue the District Medical Workforce Investment program as part of the Southern Inland Health Initiative, funded by Royalties for Regions;

- an additional \$98 million for essential and municipal services in remote Aboriginal communities, with a further \$34 million to be funded from the Essential and Municipal Services Account held by the Housing Authority;
- \$62 million to seal 90 kilometres of the Cape Leveque Road to an all-weather standard, and \$18 million for the Nicholson Road Grade Separation project;
- higher Home Indemnity Insurance scheme expenditure (up \$44 million), mainly due to the Government's decision to extend temporary arrangements for the scheme by two years until November 2018;
- \$35 million additional growth funding for the Western Australia Police in 2017-18 to meet cost and demand pressures relating to critical frontline service delivery obligations and legislated requirements;
- an additional \$34 million will be spent by the Department of Agriculture and Food over 2017-18 to 2019-20 to establish a new grains research and development funding model and approach;
- key expense movements for the Department of Education, including:
  - lower expenditure (down \$95 million) resulting from a downward revision to student enrolment growth forecasts; and
  - lower Government Regional Officer Housing rent expense (down \$48 million) and lower depreciation expenses (down \$144 million), outlined earlier;
- lower interest costs across the sector (down \$192 million), mainly reflecting revised interest rate forecasts by the Western Australian Treasury Corporation;
- lower on-passed grants for non-government schools (down \$111 million), reflecting changes announced in the Commonwealth's 2016-17 Budget;
- lower training sector costs (down a net \$99 million) for the outyear impact of the 2016-17 change noted earlier; and
- lower operating subsidy payments to Synergy (down \$55 million), primarily due to the flow-on impacts of a reduction in Horizon Power's Tariff Equalisation Contribution as a result of lower operating expenses, and lower Synergy customer demand.

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



## Balance Sheet

The net worth<sup>2</sup> of the general government sector is forecast to increase from \$114.9 billion at 30 June 2016 to \$115.6 billion at 30 June 2020. This projection is \$4.7 billion lower than the 2016-17 Budget estimate, mainly reflecting a lower than expected net worth outcome for 30 June 2016 (which in turn included the impact of a \$2.6 billion downward revision to the estimated value of school buildings following a change in valuation methodology by the Department of Education). Excluding the flow-on impact of the 30 June 2016 outturn, the revised outlook to 30 June 2020 also includes:

- a \$2 billion decrease in financial assets, mainly for:
  - a lower value of the general government sector’s ownership interest in public corporations (down \$1 billion), largely driven by lower physical asset holdings within those entities (reflecting lower infrastructure investment); and
  - lower investments, loans and placements (down \$670 million), mainly reflecting changes in the amount of Public Bank Account cash on hand and the timing of transactions;
- a \$938 million increase in non-financial assets, mainly property, plant and equipment (up \$820 million), underpinned by forecast infrastructure spending; and
- a \$487 million decrease in liabilities, mainly due to:
  - a reduction in unfunded superannuation liabilities (down \$292 million), reflecting the net impact of:
    - an increase in salaries costs, which increases the associated superannuation contributions (up \$151 million over the forward estimates period); and
    - the impact of a higher discount rate used to value the liabilities<sup>3</sup> and estimate the return on superannuation assets (reducing net unfunded liabilities by \$413 million); and
  - lower deposits held (down \$151 million), mainly for a run-down in public corporation cash (banked with the general government sector) reflecting draw downs by public corporations for infrastructure spending.

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<sup>2</sup> 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 liabilities (including borrowings, unfunded superannuation liabilities, accounts payable, etc.).

<sup>3</sup> 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 2016-17. However, a rate of 2.7% has been used for 2016-17 based on the long term bond rate at Mid-year Review cut-off, compared with the Budget assumption of 2.5%. An increase in the bond rate means that unfunded liabilities decrease in value (and vice versa), while superannuation interest costs are generally higher.

Table 5

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	2016	2017	2018	2019	2020
	\$m	\$m	\$m	\$m	\$m
<b>2016-17 MID-YEAR REVIEW</b>					
Assets	147,566	149,424	153,522	158,662	162,368
Liabilities	32,700	37,329	41,761	45,638	46,802
<i>Net Worth</i>	<i>114,866</i>	<i>112,095</i>	<i>111,761</i>	<i>113,023</i>	<i>115,566</i>
<b>Net Debt</b>	<b>13,717</b>	<b>19,496</b>	<b>23,355</b>	<b>25,199</b>	<b>25,431</b>
<b>2016-17 BUDGET</b>					
Assets	151,553	153,637	157,300	162,691	167,461
Liabilities	32,631	37,682	41,836	45,595	47,220
<i>Net Worth</i>	<i>118,922</i>	<i>115,954</i>	<i>115,464</i>	<i>117,096</i>	<i>120,241</i>
<b>Net Debt</b>	<b>14,347</b>	<b>20,393</b>	<b>24,434</b>	<b>25,862</b>	<b>25,429</b>
<b>VARIANCE</b>					
Assets	-3,987	-4,213	-3,778	-4,029	-5,093
Liabilities	69	-354	-75	43	-418
<i>Net Worth</i>	<i>-4,056</i>	<i>-3,859</i>	<i>-3,703</i>	<i>-4,072</i>	<i>-4,675</i>
<b>Net Debt</b>	<b>-630</b>	<b>-897</b>	<b>-1,079</b>	<b>-664</b>	<b>3</b>

Note: Columns may not add due to rounding.

## Cash Flow Statement

Cash deficits are forecast for the general government sector for the period 2016-17 through to 2018-19, with a small surplus expected in 2019-20. The projected cash shortfall for 2016-17 is now \$4.2 billion, \$507 million smaller than the deficit forecast at Budget-time, largely reflecting the cash impact of the improved operating outcome for 2016-17 noted earlier, as well as lower infrastructure spending (down \$225 million, and discussed in more detail under Asset Investment Program later in this chapter).

The forecast general government cash deficit for 2017-18 has also narrowed, by \$105 million, since the 2016-17 Budget. However, the outlook for 2018-19 and 2019-20 has deteriorated by a total of \$1.3 billion. This largely reflects the cash impact of the forecast downturn in outyear revenue projections outlined earlier (in particular, lower GST grant revenue, payroll tax and transfer duty), combined with higher infrastructure spending (up \$472 million) across those years.

## Total Public Sector<sup>4</sup>

### Summary

Operating outcomes for the total public sector are broadly consistent with Budget-time projections. Operating deficits are in prospect to 2018-19, before a projected return to surplus in 2019-20. Compared to Budget, the forecast deficits in 2016-17 and 2017-18 have narrowed, while the deficit anticipated for 2018-19 has widened. This includes movements in the general government sector (discussed earlier), as well as changes for the public corporations (outlined below).

Net debt for the total public sector is expected to increase from \$27.3 billion at 30 June 2016 to \$39.7 billion at 30 June 2020 (\$483 million lower than Budget). The lower than previously anticipated outlook follows from the better than expected net debt outcome recorded in the 2015-16 *Annual Report on State Finances* and a modest improvement in the cash position for the four years to 2019-20.

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

Table 6						
<b>TOTAL PUBLIC SECTOR</b>						
Summary Financial Statement						
	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Budget	Mid-year	Forw ard	Forw ard	Forw ard
	\$m	\$m	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<b>OPERATING STATEMENT</b>						
Revenue	44,316	41,824	45,095	46,117	49,100	51,541
Expenses	46,875	46,060	49,063	48,007	49,789	51,247
<b>Net Operating Balance</b>	<b>-2,559</b>	<b>-4,237</b>	<b>-3,968</b>	<b>-1,890</b>	<b>-690</b>	<b>294</b>
<b>BALANCE SHEET AT 30 JUNE</b>						
Assets	190,366	192,680	188,207	191,522	197,881	202,540
Liabilities	75,499	76,726	76,111	79,761	84,857	86,973
<b>Net Worth</b>	<b>114,866</b>	<b>115,954</b>	<b>112,095</b>	<b>111,761</b>	<b>113,023</b>	<b>115,566</b>
<b>STATEMENT OF CASHFLOWS</b>						
Net Cash Flow s from Operating Activities	-195	-733	-747	1,743	2,813	3,739
Asset Investment Program	-5,237	-5,862	-5,548	-6,373	-5,745	-4,681
<b>Cash Position</b>	<b>-4,731</b>	<b>-5,526</b>	<b>-5,402</b>	<b>-3,572</b>	<b>-1,911</b>	<b>155</b>
<i>Memorandum Item: Net Debt at 30 June</i>	27,347	33,838	33,389	37,576	39,671	39,709

Note: Columns may not add due to rounding.

<sup>4</sup> The total public sector (also known as the whole-of-government) consolidates the general government sector (discussed above), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State's ports and the electricity and water utilities), and the public financial corporations sector (which includes agencies mainly engaged in financial activities such as the Western Australian Treasury Corporation, the Insurance Commission of Western Australia and Keystart).

## Operating Statement<sup>5</sup>

Mainly reflecting the stronger operating outlook for the general government sector in the near term (discussed earlier in this chapter), operating deficits for the total public sector are expected to be \$268 million lower in 2016-17 (at \$4 billion) and \$201 million lower in 2017-18 (at \$1.9 billion) relative to Budget. Total public sector operating outcomes in the last two years of the forward estimates period are forecast to be slightly weaker relative to Budget.

Both the public non-financial corporations (PNFC) and public corporations (PFC) sectors are expected to be in an operating surplus position in each year of the forward estimates period. However, these surpluses are not sufficient to offset the general government operating deficit forecasts over the period 2016-17 to 2018-19.

### TOTAL PUBLIC SECTOR OPERATING BALANCE By Sector

Table 7

	2015-16 Actual \$m	2016-17 Budget Estimate \$m	2016-17 Mid-year Revision \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
<b>Net Operating Balance</b>						
General government sector	-2,021	-3,914	-3,388	-1,534	-376	521
Public non-financial corporations sector	892	577	352	611	715	807
Public financial corporations sector	72	202	174	217	231	223
<i>less</i>						
General government dividend revenue	1,415	984	1,034	1,109	1,177	1,187
Public non-financial corporations dividend revenue <sup>(a)</sup>	87	117	72	75	82	71
<b>Total public sector net operating balance</b>	<b>-2,559</b>	<b>-4,237</b>	<b>-3,968</b>	<b>-1,890</b>	<b>-690</b>	<b>294</b>

(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

Despite moderately weaker PNFC operating outcomes relative to the 2016-17 Budget, operating surpluses are still in prospect for the sector in each year of the forward estimates period. An operating surplus of \$352 million is projected in 2016-17, which is expected to increase to \$807 million by 2019-20.

<sup>5</sup> 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 collected between these sectors. Under Australian accounting standards, the dividend costs of the public corporations sectors are not classified as expenses, although the associated dividend income (mainly recorded by the general government sector) is recognised as revenue.

Relative to the 2016-17 Budget, both revenue and expenses are expected to increase over the four year period to 2019-20 by \$3.7 billion and \$4.1 billion respectively. This includes the impact of a \$5 billion upward revision to the Gold Corporation's precious metal sales estimates, and an associated increase in the cost of goods sold, due to higher gold price forecasts, movements in \$US/\$A exchange rate assumptions, and a review of likely sale transaction arrangements following a significant upward revision to results reported in the Corporation's 2015-16 annual report<sup>6</sup>.

For other agencies, revenue and expense forecasts have been revised down by a total of \$1.3 billion and \$861 million respectively over the forward estimates period relative to Budget. This reflects the net impact of:

- lower revenue (down \$484 million) and expenses (down \$191 million)<sup>7</sup> for Synergy, primarily due to reductions in projected electricity and gas sales, and corresponding reductions in cost of goods sold, as a result of lower customer demand;
- lower revenue (down \$269 million) and expenses (down \$252 million) for the Lotteries Commission, mainly due to revised sales projections. Revenue has been adjusted downwards to reflect the Commission's current operating environment, with a consequential decline in statutory grants expenses to the Departments of Health, Sport and Recreation, and Culture and the Arts, and the Commission's direct grants program;
- lower revenue (down \$152 million) and higher expenses (up \$192 million) for the Housing Authority, mainly due to:
  - lower rental revenue from the Government Regional Officer Housing (GROH) program, as a result of softer regional housing market activity, and lower agency demand for GROH properties. The decrease in GROH revenue is mostly offset by a reduction in the Authority's private leasing expenses for GROH;
  - lower dividend distributions from Keystart, largely due to the impact of the partial divestment of Keystart's loan book announced in September 2016;
  - increased expenditure on the provision of essential and municipal services for remote Aboriginal communities (up \$132 million), reflecting the Government's decision to continue providing key services to these communities, including power, water and sewerage, and services that would generally be provided by local governments in less remote locations (such as the management of refuse, roads, airstrips and fire prevention); and
  - changes in the timing of planned transfers of housing stock to community housing organisations, reflecting a reflow of expenditure from 2015-16 as a result of longer than expected process times and the completion of due diligence work;

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<sup>6</sup> Current accounting standards differentiate between exchanges/swaps of similar goods and all other forms of settlement. When a metals transaction is settled in metal ounces (i.e. a similar good), only the net amount (margin) is recognised as net revenue, whereas cash settlements are recorded as gross revenue and expense outcomes. The settlement method is at the customer's discretion and can result in very large variations when compared to forecasts.

<sup>7</sup> The expense change noted here represents costs incurred by Synergy outside the PNFC sector. Synergy's overall costs (including those paid to other electricity sector agencies in the public sector, particularly network costs paid to Western Power) are forecast to move broadly in line with the revenue impact noted above, with a largely profit-neutral impact on the Corporation.

- lower revenue (down \$130 million) and expenses (down \$274 million) for Western Power, primarily due to:
  - a downward revision in electricity network material sales and developer contributions due to subdued property market conditions resulting in fewer large scale housing developments;
  - a downward revision to network tariff revenue forecasts for 2017-18 to reflect the anticipated impact of revised regulatory arrangements;
  - lower interest costs reflecting downward revisions to forecast interest rates and lower forecast levels of borrowing; and
  - measures introduced as part of the Corporation’s 2017-18 Strategic Business Plan including efficiencies to reduce operating costs and the scaling back of the Corporation’s Asset Investment Program, which reduces forecast depreciation;
- the flow-on impact of fair value revaluations of physical assets<sup>8</sup> for the year ended 30 June 2016, which reduces forecast depreciation charges by \$264 million relative to Budget;
- lower revenue (down \$80 million) for the Fremantle Port Authority, largely due to a reduction in trade and revised revenue projections in line with market conditions. Expenses for the Authority have also been revised down \$62 million, due to:
  - reductions in operational expenditure in line with lower expected demand; and
  - lower interest expenses, asset maintenance and depreciation as a result of a \$38.4 million reduction in the Authority’s Asset Investment Program over the four years to 2019-20;
- a \$95 million decrease in Public Transport Authority revenue as a result of a lower forecast operating subsidy, due mainly to the impact of lower interest expenses (on the back of lower rates and lower borrowings following the cancellation of the MAX Light Rail project). The Authority’s expenses are forecast to increase by \$35 million, mainly reflecting a higher depreciation outlook;
- a \$63 million reduction in expenses for Horizon Power, largely due to savings in the cost of gas supply, transport and storage contracts, as well as lower interest costs, and a reduction in Independent Power Producer charges as part of Horizon Power’s Strategic Review initiatives;
- a \$47 million increase in expenses for the Metropolitan Redevelopment Authority, mainly in recognition of the allocation of developer contributions (already reflected in forecast revenue at the time of the Budget) to spending in 2018-19 and 2019-20 (up \$40 million);
- lower revenue (down \$45 million) for the Pilbara Ports Authority in 2016-17, reflecting the extension (from 1 July 2016 to 30 June 2017) of the price relief package at Port Hedland’s Utah Point Bulk Handling Facility, announced on 28 June 2016;

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<sup>8</sup> AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, on which the public sector consolidated accounts are based, requires the use of fair value asset valuation where practical. The accounts of some agencies present property, plant and equipment on a cost basis, consistent with accounting standards applying to agency financial reporting in their own accounts. Provision is made in the whole-of-government accounts for fair value adjustments to cost data for the property, plant and equipment holdings of agencies based on valuations provided by those agencies.

- lower revenue (down \$41 million) and expenses (down \$30 million) for the Forest Products Commission, mainly due to lower projected demand for its products from the construction sector and the flow-on impact of lower demand on operating costs;
- lower revenue (down \$38 million) and expenses (down \$55 million) for the Western Australian Land Authority (LandCorp), reflecting:
  - lower rent revenue from industrial land holdings, and lower GST refunds from the Commonwealth (arising from the application of specific GST rules available to State entities in respect of qualifying land/property sales); and
  - lower salaries and associated expenses, and lower tax equivalent payments (attributable to lower profitability due to market conditions).

### **Public Financial Corporations**

In net terms, PFC operating outcomes are around \$20 million to \$30 million lower per year than forecast at the time of the 2016-17 Budget. Nevertheless, operating surplus outcomes are forecast in each year of the forward estimates period.

Keystart's projected revenue and expenses have reduced by \$231 million and \$145 million respectively relative to Budget forecasts. This largely reflects:

- the \$1.35 billion partial divestment (through an equitable assignment arrangement) of loans to Bendigo and Adelaide Bank Ltd; and
- lower interest expenses from lower borrowings and reduced Trust Distribution payments to the Housing Authority.

#### **Keystart – Partial Divestment of the Loan Book**

Keystart provides low deposit home loans to Western Australians unable to meet the deposit requirements of mainstream lenders. Over time, the Keystart loan portfolio has grown in size. Prior to the recently announced partial divestment of Keystart's loan book, the agency had budgeted borrowings of \$4.3 billion in 2016-17.

A key principle behind Keystart is that it is a transitional scheme. When clients' financial circumstances improve, they are encouraged to refinance with a private mortgage provider. Consistent with this role, the Government's objectives for the divestment process were to reduce the State's gross debt, whilst ensuring Keystart's customers remain protected. Equitable assignment was identified as a way that these objectives could be achieved as it is a simple and low risk process for mortgage providers to refinance their loan books.

Following a competitive process, Keystart signed an agreement with the Bendigo and Adelaide Bank for the equitable assignment of approximately \$1.35 billion of Keystart's loan book. Following the equitable assignment, the Bendigo and Adelaide Bank will carry the risks and rewards associated with the loans, while Keystart will retain the legal title. For the assignment, Bendigo and Adelaide Bank paid a small premium on the face value of the loan book.

Under the terms of the transaction, Keystart's customers' existing loan terms and conditions are unchanged. As part of the arrangement, Keystart and the Bendigo and Adelaide Bank have signed an agreement for Keystart to remain as servicer of the loans, in exchange for a servicing fee. This will mean it will be 'business as usual' for Keystart customers who will continue to have contact with Keystart in the same way as before the transaction.

On completion, the divestment transaction will reduce gross debt by approximately \$1.35 billion, or 31% by value of Keystart's loan book. However, Keystart will continue to issue new loans during 2016-17, so the update to the outstanding borrowings of Keystart for 2016-17 (attributable to the divestment) is a reduction of \$1.14 billion. The overall level of credit risk that Keystart is exposed to will also reduce as a result of the transaction, as credit risk for the assigned loans has been transferred to the buyer.

The reduction in the size of the loan book also results in Keystart earning less revenue. This has a flow-on impact to the dividends that the Housing Authority receives from Keystart. Over the forward estimates period, the reduction in distributions by Keystart to the Housing Authority attributable to the divestment is \$65.2 million. However, this impact is partially offset by other movements since the 2016-17 Budget, which increase distributions to the Housing Authority by \$45 million, resulting in minimal overall net impact to Keystart dividends as part of this Mid-year Review.

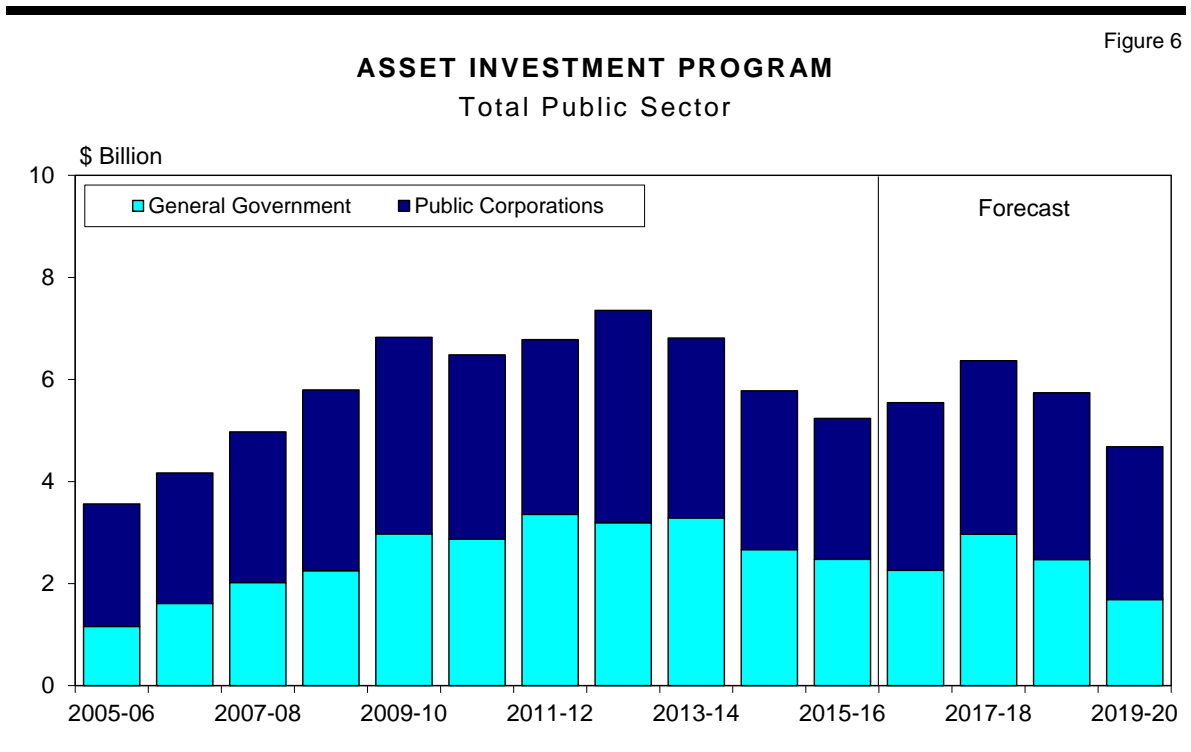
In addition, the loan guarantee fee charged by the Government on Western Australian Treasury Corporation borrowings will reduce over the forward estimates period and have an impact on the general government sector operating balance (reducing revenue by an estimated \$10.6 million, as borrowings by Keystart will reduce). However, the public sector's balance sheet will benefit from a corresponding reduction in the State's aggregate gross borrowings and risk associated with the borrowings.

Keystart will continue its support for first home buyers through its ongoing lending program. As Keystart continues to originate new loans, over time, its loan portfolio will grow again (with borrowings expected to increase to almost \$3.9 billion by 30 June 2020).



## Asset Investment Program

The State Government will invest an estimated \$5.5 billion in 2016-17 and a total of \$22.3 billion over the period 2016-17 to 2019-20 through its Asset Investment Program (AIP).

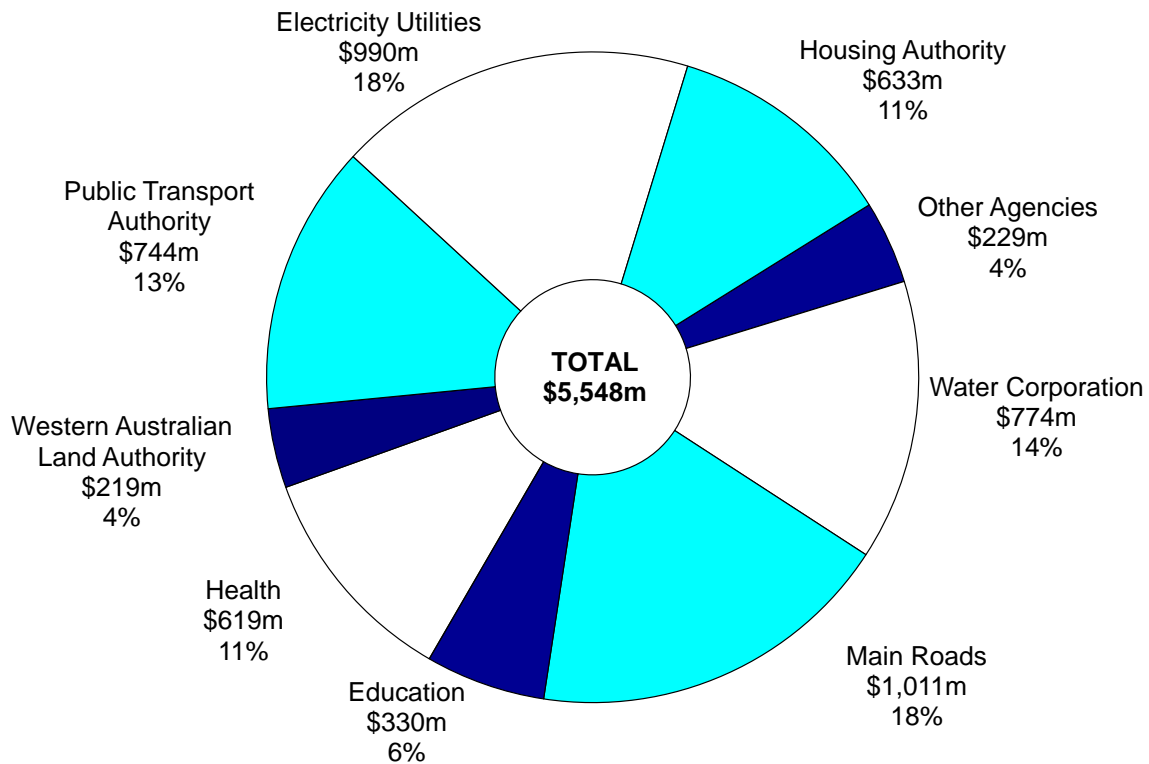


The general government sector's AIP is forecast to be \$2.3 billion in 2016-17 and \$9.4 billion over the four years to 2019-20, up \$596 million (or 6.8%) from Budget-time. Spending on road projects (\$4.4 billion), health (\$1.3 billion) and education (\$1.3 billion) comprises approximately 75% of general government infrastructure investment from 2016-17 to 2019-20.

The public non-financial corporations (PNFC) sector is projected to invest \$3.3 billion in 2016-17 and a total of \$12.9 billion over the forward estimates period, down \$1.1 billion (or 8%) relative to the 2016-17 Budget as a result of changes to the timing and scope of major transport projects (including the removal of \$427 million for the cancelled MAX Light Rail project), and a demand driven reduction in Western Power's infrastructure program. Major areas of infrastructure spending by the PNFC sector over the forward estimates period include Western Power (\$3.2 billion), Water Corporation (\$3.2 billion) and the Public Transport Authority (\$2.6 billion).

Figure 7

**ASSET INVESTMENT PROGRAM<sup>(a)</sup>**  
2016-17



(a) Segments may not add due to rounding.

In total, public sector infrastructure investment is forecast to decrease by \$522 million over the period 2016-17 to 2019-20 relative to the 2016-17 Budget. Major changes include:

- a \$681 million decrease in spending by the Public Transport Authority, largely reflecting:
  - the Government’s decision to not proceed with the MAX Light Rail project (down \$427 million); and
  - a net reduction of \$194 million in spending on the Forrestfield-Airport Link project due to changes to the timing of expenditure and revised project costs, following awarding of the Design, Construct and Maintain contract with the Salini Impregilo-NRW joint venture;
- a \$321 million reduction in spending by Western Power as a result of efficiencies identified as part of the Corporation’s Business Transformation Plan, as well as lower customer initiated works reflecting softer economic conditions;

- an increase of \$301 million in spending by WA Health, largely due to:
  - carry over of planned investment spending (and some additional new funding) from 2015-16 to 2016-17 and the outyears as a result of delays to the Perth Children’s Hospital (\$77 million) and associated projects, including the hospital’s Information and Communication Technology Project (\$49 million), Telethon Kids Institute (\$25 million) and the King’s Park Link Bridge (\$7 million);
  - an additional \$43 million to provide purpose built community housing accommodation for people with spinal cord injuries, including residents of the State Quadriplegic Centre; and
  - \$11 million for the construction of the Sarich Neuroscience Research Institute, which will accommodate four of the State’s leading neurological research organisations;
- an increase of \$172 million in investment by the Department of Education, including:
  - \$90 million to address student accommodation pressure in Perth’s western suburbs, including construction of a new City Beach Senior High School, additional accommodation at Carine Senior High School, and the relocation of the International School of Western Australia and the Japanese School in Perth from the original high school site;
  - \$31 million from works carried over from 2015-16, primarily due to ongoing project defect periods, delayed project tender outcomes, and changes to spending on the construction of Trade Training Centres and facilities reflecting timing changes in Commonwealth funding;
  - \$30 million to provide expanded permanent student accommodation and additional specialist facilities at Margaret River Senior High School; and
  - \$6 million for facilities upgrades to provide additional support for students with disabilities at up to 22 schools and education support centres;
- a \$164 million increase in spending by the Department of Finance, largely reflecting:
  - \$93 million on office fit-outs across the State Government’s office accommodation portfolio, including \$30 million for Fremantle’s Kings Square. These fit-outs are externally funded through negotiated lease incentives provided by landlords in order to attract long-term tenants;
  - \$41 million on the replacement of motor vehicles (funded by vehicle sales and agency leasing payments) to meet client agencies’ vehicle needs and to clear a backlog of replacement vehicles across the sector; and
  - \$24 million from spending carried over from 2015-16 for a number of projects including the St George Cathedral Heritage Precinct and Government Office Accommodation fit-out projects;

- a \$74 million increase in spending by Main Roads, reflecting the net impact of:
  - spending on the Perth Freight Link project, with \$298 million now expected to be incurred beyond 2019-20 due to project delays stemming from the Supreme Court of Western Australia’s decision in 2015 that the environmental approvals for the Roe 8 Highway extension were invalid. The State successfully appealed the finding and the contract for the Roe 8 section has subsequently been awarded;
  - a \$110 million increase to upgrade four sections of the Great Northern Highway, including replacement of the Bow River Bridge, upgrade of the Wyndham Spur and Maggie’s Jump Up sections between Victoria Highway and Wyndham Port, and reconstruction of the Highway between Ord River and Turkey Creek;
  - \$78 million (funded by Royalties for Regions) to seal the remaining section of the Goldfields Highway between Wiluna and Meekatharra, and to upgrade and realign the Northam – Pithara Road;
  - a \$72 million increase due to major project spending carried over from 2015-16, including the New Norcia Bypass (\$14 million), Great Eastern Highway (\$12 million), Mitchell Freeway (\$8 million), Great Northern Highway (\$8 million), and revisions to project cash flows for a range of other works over the forward estimates period;
  - a \$65 million increase to the provision for capitalised operating expenditure, which will allow for the annual estimate for capitalised expenditure to be maintained at a level commensurate with Main Roads’ average \$1.1 billion annual AIP across the forward estimates period;
  - \$25 million to commence the Ocean Reef Road – Wanneroo Road Grade Separation project to improve congestion and safety; and
  - \$14 million for the refurbishment and maintenance of the agency’s property holdings located throughout the State, including regional offices, works depots, materials laboratories and residential accommodation; and
- a \$52 million increase for the Regional Services Reform Unit, funded from the Royalties for Regions Regional Reform Fund, to upgrade essential and municipal services infrastructure in large and medium remote communities.

The 2016-17 Mid-year Review includes provisions for anticipated underspending that will emerge during the year arising from unexpected delays in works, and/or changes in the timing of cash payments. An amount of \$1 billion of yet to be identified slippage is allocated to 2016-17 (up from the \$600 million provision allocated at Budget-time).

Further detail of material changes in spending since Budget is available in Appendix 3: *Major Spending Changes*.

## Balance Sheet

Net worth of the total public sector is identical 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.

Total public sector net debt is discussed in more detail below.

## Cash Flow Statement

A cash deficit of \$5.4 billion is estimated for the total public sector in 2016-17, a \$124 million improvement relative to the 2016-17 Budget forecast. This mainly reflects a \$138 million decrease in net cash spending from investment in non-financial assets (i.e. the AIP net of sales of surplus land and other fixed assets).

Relative to Budget, a \$259 million deterioration in the total public sector cash position is in prospect for the years 2017-18 to 2019-20. This primarily reflects a \$352 million deterioration in net cash flows from operating activities (i.e. the cash equivalent of the operating balance), partly offset by lower net infrastructure investment (down \$93 million) for these years.

Over the four years to 2019-20, infrastructure spending is projected to total \$22.3 billion, compared with \$22.9 billion reported in the 2016-17 Budget (see earlier discussion of asset investment). At the same time, a net decrease of \$292 million in sales of non-financial assets is also in prospect (relative to the 2016-17 Budget), largely reflecting lower sales by the Western Australian Land Authority (down \$251 million) due to weaker property market conditions.

## Net Debt<sup>9</sup>

Net debt of the total public sector is forecast to increase from \$27.3 billion at 30 June 2016 to an estimated \$39.7 billion by 30 June 2020, \$483 million lower than forecast in the May Budget. This reflects the net impact across the forward estimates of a range of factors, including:

- the lower than expected net debt outturn at 30 June 2016 (down \$513 million), as reported in the 2015-16 *Annual Report on State Finances*;
- a net \$366 million deterioration in the operating cash position of the total public sector, representing the impact on cash of the operating changes in the general government, public non-financial and financial corporations sectors discussed earlier in this chapter;
- a \$522 million decrease in infrastructure spending since Budget, with targeted increases for specific projects (outlined in Appendix 3) more than offset by the cancellation of the MAX Light Rail project, updated (lower) estimates for the Forrestfield Airport Link and the Perth Freight Link projects, and the inclusion of a provision for a further \$400 million of underspending on the AIP;

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<sup>9</sup> Net debt is a balance sheet measure based on Government Finance Statistics concepts. It is calculated as the difference between financial liabilities that attract a debt servicing cost and liquid financial assets (including loans made by governments). 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.

- a \$292 million net decrease in sales of non-financial assets, driven largely by the Western Australian Land Authority, due to softening property market conditions predominantly in the metropolitan area (where increased competition and high vacancy rates are driving downward revisions to sales proceeds), but also across regional and industrial areas; and
- the recognition of \$216 million of finance leases related to the Eastern Goldfields Regional Prison (delayed from 2015-16).

The following table summarises changes in total public sector net debt projections since the 2016-17 Budget.

Table 8

**NET DEBT OF THE PUBLIC SECTOR AT 30 JUNE**

	2017	2018	2019	2020
	\$ m	\$ m	\$ m	\$ m
<b>2016-17 Budget - Total Public Sector Net Debt</b>	<b>33,838</b>	<b>38,258</b>	<b>40,040</b>	<b>40,193</b>
<i>Plus Improvement from the 2015-16 Outcome</i>	-513.5			
<i>Less change in net cash flows from operating activities and dividends paid</i>				
- general government	308.1	465.9	-218.8	-581.8
- public non-financial corporations	-316.7	-48.6	25.7	66.9
- public financial corporations	-5.2	-27.5	-21.4	-12.0
<i>Total public sector</i>	-13.9	389.7	-214.5	-526.9
<i>Plus purchases of non-financial assets <sup>(a)</sup></i>				
Update to underspend provision	-400.0	-	-	-
Western Power (including provisions) updates	-95.9	-99.8	-70.6	-60.7
Public Transport Authority				
MAX Light Rail Cancellation	-	-17.0	-64.0	-346.0
Forrestfield-Airport Link – Award of Design, Construct and Maintain Contract	196.0	-60.0	-247.0	-83.0
Main Roads				
Perth Freight Link Cashflow Update	-163.0	-207.5	78.9	-6.0
All other Main Roads	-71.3	303.2	107.9	32.0
Western Suburbs Secondary School Strategy	0.9	17.4	36.3	35.3
Reconfiguring the Western Australian Spinal Cord Injury Service	-	18.0	24.5	0.6
Roy Hill Port Hedland Power Supply Arrangements	21.6	3.3	-	-
All other <sup>(b)</sup>	197.3	280.9	181.5	-66.2
<i>Total purchase of non-financial assets</i>	-314.4	238.5	47.5	-494.0
<i>Less proceeds from sale of non-financial assets</i>				
Department of Lands (including sales administered on behalf of the Crown)	-25.6	-16.8	-22.9	-0.7
Land Authority	-49.4	-93.3	-91.5	-16.6
Metropolitan Redevelopment Authority	-13.0	-28.9	-14.2	50.7
Housing Authority	-62.5	58.2	-9.1	2.7
All other	-26.0	57.3	4.7	5.0
<i>Total sales of non-financial assets</i>	-176.6	-23.4	-133.1	41.0
<i>Plus all other financing</i>				
Eastern Goldfields Regional Prison - delayed finance lease recognition from 2015-16	216.0	-	-	-
All Other <sup>(c)</sup>	-27.0	-105.5	-81.6	-107.1
<i>Cumulative impact on net debt at 30 June</i>	-448.3	-681.7	-368.2	-483.5
<b>2016-17 Mid-year Review - Total Public Sector Net Debt</b>	<b>33,389</b>	<b>37,576</b>	<b>39,671</b>	<b>39,709</b>

(a) Material changes are outlined in Appendix 3: Major Spending Changes.

(b) Includes timing changes and other movements in agency infrastructure programs.

(c) Includes other movements in net debt attributable to issues such as revaluations of investment assets and debt liabilities, net acquisitions of financial assets for liquidity purposes, and some minor changes in the acquisition of non-financial assets under finance leases and similar arrangements, 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.

## Statement of Risks

### Forecasting Uncertainties

The inherent uncertainties associated with producing forecasts for an approximately \$250 billion economy and \$30 billion general government sector recurrent budget mean 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.

### Revenue Estimates

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

<b>APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES</b>		
2016-17		
	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±75	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	±75	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	±33	For each 1% increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Underlying transfer duty	±13	For each 1% increase/decrease in average property prices
• Prices	±9	For each 1% increase/decrease in transaction levels
• Transactions		
GST grants	±89	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 \$89 million of GST grants in net present value terms (the loss/gain will occur in later years due to the time lags in the Commonwealth 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*.



## **Royalty Income (\$5,181 million in 2016-17)**

### ***Exchange Rate***

The \$US/\$A exchange rate represents one of the largest risks to the royalty income forecasts as the majority of Western Australia's commodities are sold in international markets and priced in US dollars. Since the 2016-17 Budget cut-off, the \$US/\$A exchange rate has varied between a high of US77.9 cents and a low of US71.8 cents, a range of US6.1 cents.

### ***Iron Ore Prices***

Over the past decade, a tripling in iron ore production volumes has dramatically increased the importance of iron ore royalties as a source of revenue. This has coincided with the break-down of long-term pricing contracts over 2008 to 2010 and the subsequent emergence of new pricing mechanisms (e.g. index pricing and futures markets). As a consequence of these developments, iron ore price volatility is now the largest source of risk (both upside and downside) to the revenue estimates. In this regard, since the 2016-17 Budget cut-off, the iron ore price has ranged from a low of \$US47.9 to a high of \$US80.2 per tonne.

Chinese demand for iron ore represents a significant risk to royalty revenue. Stimulus measures announced in March 2016 have provided some support for steel and iron ore demand in 2016, and may continue to do so in the near term. However, the stimulus measures have encouraged further debt accumulation in sectors with already high levels of debt and overcapacity, including the construction and steel sectors. There is a risk that this may result in a sharp correction to steel and iron ore demand (and hence iron ore prices) in the future.

### ***Iron Ore Volumes***

A significant volume of low cost supply is expected to progressively enter the world iron ore market over the period to 2019-20. This is likely to put downward pressure on prices and may influence the decisions of Western Australian producers to reinvest. A number of small and large Western Australian iron ore miners will need to make decisions on whether to progress replacement mines as reserves at existing mines near exhaustion from the end of the decade.

## **State Taxes (\$8,536 million in 2016-17)**

### ***Total Duty on Transfers<sup>10</sup>***

Residential property transactions are the largest contributor to total transfer duty. Both residential property transactions and prices are susceptible to fluctuations in market sentiment and are therefore inherently volatile and difficult to forecast.

If the demand drivers of the residential property market (for instance, employment, wages and population growth) are softer than currently forecast, market sentiment could deteriorate further and aggravate the expected weakness in transaction volumes and prices. Similarly, potential increases in the cash rate (and increases in home loan rates independent of changes to the cash rate) over the next two years could limit the subdued recovery forecast for the residential property market in 2017-18 and beyond.

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<sup>10</sup> The sum of transfer duty and landholder duty.

A change in the number or size of high value commercial transactions, such as transfers of mining tenements or commercial property, also presents risks (both upside and downside) to the transfer duty outlook.

### ***Payroll Tax***

Payroll tax collections are forecast to decline by 5.5% in 2016-17 before strengthening moderately over the remainder of the forward estimates period. However, there is a possibility that the decline in payroll tax will be greater than expected in 2016-17 (see Chapter 3: *The Western Australian Economy*) and extend into 2017-18, coinciding with downside risk to the employment outlook and ongoing weakness in the payroll tax-intensive mining and construction industries.

### **Commonwealth Grants (\$8,257 million in 2016-17)**

#### ***Commonwealth 2016-17 Mid-year Economic and Fiscal Outlook***

The Commonwealth's *Mid-year Economic and Fiscal Outlook* (MYEFO) for 2016-17 is expected to be released on 19 December 2016, after finalisation of this Mid-year Review. In addition to the specific risks around Commonwealth funding detailed below, any changes in estimates of grants (through changes to the Commonwealth's own forecasting parameters and/or policy changes) are not factored into the State's financial forecasts unless these were known before the Mid-year Review cut-off date (28 November 2016).

Accordingly, there is a risk that the Commonwealth's revised MYEFO estimates may not be fully reflected in these Mid-year Review projections.

#### ***GST Grants***

Western Australia's GST grants are a function of the Commonwealth's national GST collections, the State's population share, and the Commonwealth Grants Commission's (CGC's) annual recommendations on the distribution of national GST collections among States and Territories.

Forecasts of national GST collections are based on the Commonwealth's 2016-17 Budget. There is a risk that GST collections could vary from those currently projected as they are dependent on national economic conditions.

States' and Territories' population shares over time are affected by their relative population growth rates. GST grant estimates in this Mid-year Review are based on the Commonwealth's population growth rates for the States and Territories used in its 2016-17 Budget.

The Commonwealth's population growth projections for Western Australia are higher than the projections used elsewhere in this Mid-year Review. Any significant changes to population growth could substantially alter Western Australia's GST grants. This represents a downside risk to the GST grant forecasts contained in this Mid-year Review.

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

For 2016-17, the GST revenue estimates incorporate the CGC's approved recommendation for Western Australia's GST share to be 30.3% of its population share of national GST collections.

For 2017-18 onwards, the Western Australian Treasury's projections of GST relativities take account of projected changes in economic circumstances that are expected to be reflected in the CGC's annual calculations. The projections have been prepared under the assumption that the CGC will continue to use the same methods in its calculations.

### ***Students First Funding for Schools***

Though not a signatory to the National Education Reform Agreement, Western Australia receives Students First funding that is equivalent to commitments under the Agreement. These arrangements are scheduled to expire on 31 December 2017. In April 2016, the Council of Australian Governments agreed that funding arrangements beyond 2017 should be resolved by early 2017. Consequently, there is a risk that funding from 2017-18 may differ from the current forward estimates.

### ***North West Shelf Grants***

North West Shelf grants are derived from sales of Liquefied Natural Gas (LNG), oil, condensate, liquefied petroleum gas and domestic gas. LNG generates the largest portion of the revenue from these commodities.

Most of the LNG from the North West Shelf is sold under contracts that are linked to the price of oil. Therefore, a large unanticipated movement in the oil price represents the most significant risk to North West Shelf grants. The oil price is expected to remain volatile over the forecast period (see Chapter 3: *The Western Australian Economy*).

### ***Expiring National Partnership Agreements***

Western Australia is currently party to around 36 National Partnership (NP) agreements with the Commonwealth Government. These agreements relate to the delivery of specific projects, improvements in service delivery and/or reform. A further nine 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. However, 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 the expiry of an NP, 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 periods (some more than once), without a longer term Commonwealth funding commitment. This creates Budget uncertainty for the State and significant uncertainty for service providers.

Given the uncertainty about expiring NPs, in most cases it is assumed there is 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<sup>11</sup>.

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<sup>11</sup> Due to their ongoing nature, funding is assumed to continue for the Home and Community Care NP (\$593 million from 2017-18 to 2019-20), the Natural Disaster Resilience NP (\$9 million from 2017-18 to 2019-20) and the Provision of Fire Services NP (\$4 million from 2017-18 to 2019-20).

### ***Perth Freight Link***

The timing and financial assumptions for the Perth Freight Link project do not take into account any changes that may occur when the final route for Section 2 (Roe Highway to High Street) is determined and a contract awarded. Revisions to project budget and timing for any Section 2 decision will be included in the 2017-18 Budget. At the time of the 28 November 2016 cut-off date for this Mid-year Review, negotiations on the timing of Commonwealth funding were still to be finalised.

### **Asset Sales**

The Government is pursuing a structured program of asset sales as part of a broader strategy to reduce the State's debt levels and provide funding for new infrastructure. The proceeds from asset sales will only be incorporated in the State's financial projections once a divestment is complete and associated transactions are finalised. Accordingly, future asset sales proceeds represent an upside risk to the debt projections contained in the 2016-17 Mid-year Review.

The land asset sales target reflected in the forward estimates (\$358 million over the period 2016-17 to 2019-20) has been adjusted for decisions to retain key properties (\$37 million). The remaining target is dependent on property market conditions.

### **Spending Risks**

Decisions made after the Mid-year Review cut-off date of 28 November 2016 are not reflected in this report. These include:

- a \$14 million contribution for the construction of facilities at Perth Airport to support expanded long-haul international flights;
- funding to establish a unit within the Department of Commerce to monitor and enforce the newly approved *Western Australian Building and Construction Industry Code of Conduct 2016*; and
- the allocation of Royalties for Regions spending provisioned in this program (see Appendix 6: *Royalties for Regions*), with more recent approvals not changing the overall spending profile detailed in this Mid-year Review.

These and any other post-Mid-year Review decisions with financial impacts will be detailed in the *Pre-election Financial Projections Statement* to be released 10 days after the Legislative Assembly is dissolved.

### **Interest Rates**

The projected Consolidated Account interest costs incorporated in this Mid-year Review are based on projections for Consolidated Account borrowings and the Western Australian Treasury Corporation's (WATC's) expected outlook for interest rates.

These interest rate expectations are anchored by an average of the Corporation's, and each of the 'Big 4' Australian bank's, expectations for the future path of the Reserve Bank of Australia's cash rate and Australian Government Bond 3-year and 10-year fixed rates. In addition, the WATC also produces a 'high' scenario to allow sensitivities to be calculated. The approach to producing the 'high' path is to add an increasing spread to the 'expected' path for each point across the interest rate maturity curve (i.e. 90 days, 180 days, 3 years, 5 years and 10 years) at each successive quarter<sup>12</sup>.

The table below provides a comparison of the interest rate outcomes under the 'expected' and 'high' interest rate paths. As indicated, average effective annual interest rates are between 5 and 68 basis points higher over 2016-17 to 2019-20, and annual Consolidated Account interest expenses would be around \$209 million higher by 2019-20, under the 'high' scenario.

Table 10

<b>CONSOLIDATED ACCOUNT INTEREST RATE SCENARIOS</b>				
	2016-17	2017-18	2018-19	2019-20
<b>'Most Likely' (%)</b>	<b>3.12</b>	<b>2.99</b>	<b>3.01</b>	<b>3.16</b>
'High' (%)	3.17	3.25	3.50	3.83
Variance (%)	0.05	0.26	0.49	0.68
Variance (\$m)	5.9	63.3	142.7	209.4

### Expiring Enterprise Bargaining Agreements

The 2016-17 Budget incorporated \$826 million in expense savings over 2015-16 to 2019-20 from the Government's revised wages policy that limits wage and conditions increases to 1.5% per annum for all Enterprise Bargaining Agreements expiring on or after 1 June 2016. To date, this policy has been successfully implemented, with 1.5% per annum wage rises being agreed with prison officers, health salaried officers, nurses and doctors.

Over the next year, a number of agreements expire including those for firefighters, public servants, police officers, hospital support workers, TAFE lecturers and teachers. Any outcomes in excess of 1.5% pose a potentially significant risk to the expense estimates contained in this Mid-year Review. However, the Government has indicated that should an arbitrated outcome above the wages policy occur, the relevant agency (or agencies) will be required to fund the associated cost from within existing approved salaries budgets.

<sup>12</sup> This equates to one standard deviation above the mean as estimated from historical interest rate volatility modelling and, provided that the timing and amounts of future borrowing are realised, this approach is expected to provide an upper bound for future budgeted interest costs.

## **Law and Order Spending**

### ***Workers' Compensation for Police Officers***

On 28 November 2016, the Government announced its intention to amend the *Workers' Compensation and Injury Management Act 1981* to include coverage for police officers as 'workers' under that legislation. As a result, Western Australia Police's annual funding contribution to RiskCover is expected to increase. No additional funding has been reflected in the forward estimates at this time, as consideration of how the agency intends to implement and administer the legislation will be considered as part of the 2017-18 Budget.

### ***Daily Average Prisoner Population***

The number of prisoners within Western Australian correctional facilities has been increasing at a rate higher than forecast at Budget-time, resulting in additional recurrent expenditure of \$25.4 million in 2016-17 being approved in this Mid-year Review. If growth continues above current forecasts, further spending may be required before the end of 2016-17.

An updated forecast of growth in prisoner numbers over the forward estimates period will be considered as part of the 2017-18 Budget.

### ***Custodial Estate Capacity***

In addition to adding over 500 beds to the estate through commissioning new facilities (including the Eastern Goldfields Regional Prison and Melaleuca Remand and Reintegration Facility) and a further 75 beds at Acacia Prison, the Department of Corrective Services has undertaken a number of initiatives to maximise current custodial estate capacity during 2016-17.

However, in the absence of further expansion, utilisation of total adult custodial beds is expected to reach capacity by the end of the forward estimates period based on current prisoner forecasts.

The Department continues to develop and implement short to medium term strategies to manage the growth in prison population.

## **Programs with Finite Funding**

A number of programs reflected in this Mid-year Review are only funded for 2016-17 or some other finite period ending during the forward estimates period. This is one factor in general government expenditure contracting by 0.4% in 2017-18, following growth of 4.9% in 2016-17.

Decisions on the future funding for such programs are not expected to be made until the 2017-18 Budget process (or later). Based on historical funding commitments, there is a high probability that additional funding will be provided for at least some of these programs as part of future Budgets.

Examples of programs in this category include:

- the annual Road Trauma Trust Account program, which has approximately \$100 million in spending per annum that is only approved on an annual basis (reflecting the need to continually review the effectiveness of individual spending initiatives in this program);

- funding of essential and municipal services to remote Aboriginal communities, with an additional \$66 million approved to be spent on these services in this Mid-year Review in each of 2017-18 and 2018-19;
- the \$25.4 million in additional funding to meet the costs associated with the increase in the State's prisoner population that was approved in this Mid-year Review for 2016-17 only (reflecting uncertainty over future prisoner numbers); and
- the Hardship Utility Grants program, which includes spending of around \$7 million per annum, and which is currently funded to 30 June 2018.

## **Health and Social Services**

### ***Completion and Commissioning of the Perth Children's Hospital***

There have been delays in the construction and commissioning of the Perth Children's Hospital (PCH), with practical completion and formal handover of the PCH facility to WA Health yet to occur. Unfettered access to the PCH facility is critical as it allows WA Health to perform commissioning activities, such as operational readiness testing and workforce training. Opening of the hospital is now expected to occur in 2017.

An estimate of the financial impact of the delays to construction and commissioning activities has been included in this Mid-year Review. However, any further delays to the project may result in additional cost pressures. This risk will continue to be closely monitored and managed as construction and commissioning approach completion.

### ***National Disability Insurance Scheme***

On 2 December 2016, it was announced that the State and Commonwealth Governments have agreed to finalise negotiations for a nationally consistent, but State-run, National Disability Insurance Scheme. Associated costs will be considered as part of continued negotiations.

### ***Mental Health (10 Year Plan)***

The Mental Health Commission released the Western Australian Mental Health, Alcohol and Other Drug Services Plan 2015-2025 in December 2015. The Plan will inform priorities in mental health, alcohol and other drug services over the next 10 years, such as the need for community support, treatment and bed-based services, services focused on prevention, and improvements in the current mix of acute and specialised care.

Any additional costs that may arise due to this initiative will be subject to the submission of business cases for consideration as part of future Budget processes.

### ***Compulsory Alcohol and Other Drugs Treatment Legislation***

The Minister for Mental Health released a Compulsory Alcohol and Other Drugs (CAOD) treatment exposure draft Bill for public consultation in December 2016. The proposed Bill is intended to provide a short-term protective function to individuals with a severe substance addiction. The service delivery model and options for the CAOD treatment are yet to be finalised.

It is expected that any costs associated with this initiative will be considered as part of a future Budget process.

## **Strategic Assessment of the Perth and Peel Regions**

The Strategic Assessment of the Perth and Peel Regions (SAPPR) represents a long-term policy commitment that is not currently funded. The draft SAPPR policy documents were released for public comment from 17 December 2015 to 13 May 2016 and outlined a series of proposed commitments in relation to matters of State and national environmental significance. The final SAPPR policy documents are currently being prepared and the final commitments relating to matters of national environmental significance are subject to negotiation with the Commonwealth ahead of final decisions by the State Government and Commonwealth Minister for Environment in 2017. It is expected that the long-term costs of the proposal will be considered as part of the 2017-18 Budget process.

## **Implementation of Agency Expenditure Reviews**

Since their implementation in 2015-16, Agency Expenditure Reviews (AERs) have proven to be a successful model for critically examining and redefining agency programs and reviewing expenditure. In aggregate, the AER process is expected to generate savings in excess of \$800 million by the end of the forward estimates period. This includes a total \$47 million downward adjustment to agency savings targets in this Mid-year Review. If agencies fail to identify sufficient or appropriate measures to achieve their remaining savings targets, there will be a corresponding deterioration in the general government operating balance and net debt estimates contained in this Mid-year Review.

## **Government Response to the Special Inquiry into the January 2016 Waroona Fire (Ferguson Report)**

The State Government has supported all 17 recommendations of the Ferguson Report, including the establishment of a Rural Fire Service (RFS) that will have responsibilities and powers relating to bushfire prevention, preparedness and response, and be able to employ staff and have an independent budget. Given the establishment, structure, operation and funding arrangements of the RFS are subject to further planning, the potential financial impacts of this initiative and other recommendations are still to be finalised.

## **Scitech Relocation Project**

In August 2016, the Premier announced that the Scitech Discovery Centre will relocate from its West Perth premises to the Perth Cultural Centre. The Department of Treasury's WA Museum project team has been assigned responsibility for development of a detailed business case for the Scitech relocation project, under the oversight of the WA Museum Steering Committee. The business case will examine relocation options with a view to enabling a funding decision on the recommended option as part of the 2018-19 Budget process. Interim planning costs will be met from the current capital works budget for the WA Museum project.



## 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 \$1.5 billion, or 5.7%, of general government revenue in 2016-17). Some GTEs also receive operating subsidies from the Consolidated Account (\$1.8 billion, or 5.9%, of general government expenses in 2016-17). GTEs undertake a significant proportion of the State's infrastructure investment (around 59% in 2016-17), with any required borrowings contributing to the State's debt levels.

Projections for GTEs are complicated by a number of issues. Some entities are subject to independent regulatory processes (such as the economic regulation of Western Power's network tariff pricing), others are impacted by Government determinations (generally affecting customer tariffs), and all are exposed to changing market conditions (cost and demand fluctuations).

Material risks to the operating outlook and infrastructure spending projections for the major GTEs include:

- Synergy's cost and demand outlook – Synergy's cost structure and the rapidly changing market in which it operates have the potential to place pressure on Synergy's financial performance over the forward estimates period;
- Synergy's Business Efficiency Program – Synergy has completed its Business Efficiency Program (announced in the 2015-16 Budget) and is due to report back to the Government on achievement of program savings as part of the 2017-18 Budget process. Non-realisation of savings will impact on Synergy's forecast profit, and consequently, the tax and dividend estimates contained in this Mid-year Review;
- Synergy's generation capacity cap – the Minister for Energy tabled a direction on 17 November 2016 requiring Synergy to reduce its conventional thermal electricity generation capacity cap by 380 megawatts by 1 October 2018. Compliance with this direction may impact the revenue Synergy derives from its electricity generation business unit (downside risk to the financial estimates contained in this Mid-year Review), but may also lower generation costs (upside risk);
- Southern Seawater Desalination Plant output – a \$20.6 million increase in the Water Corporation's operating expenditure in 2016-17 was approved in this Mid-year Review, primarily as a result of an increase in projected output from the Southern Seawater Desalination Plant from 80 gegalitres to 102 gegalitres in 2016-17. It is expected that output of between 80 gegalitres and 100 gegalitres will be required in each of the remaining years of the forward estimates period. Operating expenditure projections for the Corporation over this period are currently based on assumptions that output at the plant will not exceed 80 gegalitres;

- Western Power’s regulatory arrangements – Network Regulation Reform Bills were not passed in the last Parliamentary sitting in time to facilitate the transfer of Western Power’s regulation to the national regulatory framework. As such, the Minister for Energy is consulting on amendments to the State-based Electricity Networks Access Code 2004 (Access Code) to facilitate a three year fourth access arrangement (known as AA4) from 2017-18 to 2019-20, and a regulatory determination by the Economic Regulation Authority (ERA) targeted for 1 July 2018. Potential risks with this approach include regulatory and financial uncertainty prior to a regulatory determination (whereby Western Power will make expenditure decisions without certainty that this will be considered efficient and hence recoverable) and potential uncertainty over regulatory pricing during AA4 relative to current assumptions;
- Horizon Power’s demand and revenue forecasts – the Government is considering options for third party access to electricity infrastructure in the North West Interconnected System, with the objective of increasing competition and ultimately delivering better outcomes for consumers. This may have an impact on the State’s finances through increased competition which could reduce demand (and revenue) for Horizon Power;
- electricity tariffs – as part of the 2016-17 Budget, the Government approved a 3% electricity tariff increase in 2016-17, with assumed increases (for planning purposes) of 7% per annum from 2017-18. By way of illustration, if tariffs were to increase by 3% each year from 2017-18, total public sector net debt would increase by around \$250 million over the forward estimates period; and
- Electricity Market Review (EMR) – phase two of the EMR commenced in March 2015 and will give effect to the Government’s preferred reform options for the electricity sector. The reforms are intended to provide material benefits to the electricity industry and consumers in Western Australia. Noting that economic regulation of electricity networks will remain with the ERA for the time being, there remain potential risks associated with reforms to market operations, network access models, and retail competition that may impose additional costs or erode existing revenues (but also create additional opportunities) for the electricity GTEs.

### ***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 through facilitation with the private sector. The planning for the procurement of the pipeline is not yet final and therefore uncertainty remains around the total cost.

### **Contingent Assets and Liabilities**

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 *2015-16 Annual Report on State Finances* (ARSF). There have been no material updates to the disclosures in the ARSF reported at 30 June 2016.

# Financial Strategy

## HIGHLIGHTS

- As was the case at the time of the 2016-17 Budget, most of the Government's financial targets are not expected to be met in the short-term, given ongoing revenue challenges.
- Financial target performance is forecast to improve by the end of the forward estimates period as revenue growth returns to more 'normal' levels and expense growth remains constrained through ongoing Government measures to contain public sector costs.
- The net debt to revenue ratio is forecast to remain well above the Government's 55% target limit across the forward estimates period. Future proceeds from the Government's asset sales program, which will only be reflected in the financial estimates when sales transactions are finalised, will significantly reduce this ratio.

## 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)<sup>1</sup> 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.

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<sup>1</sup> The TNPS is the consolidation of the general government sector (which includes agencies such as WA Health and Education 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 electricity and water utilities, the ports, and the Public Transport Authority). Public financial corporations (such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia) are excluded from the TNPS because their operations have a distortionary impact on many financial ratios used to measure public sector performance. TNPS financial ratios are a focus for credit rating agencies in assessing the State's finances.

The following table summarises compliance with the financial targets.

<b>2016-17 MID-YEAR REVIEW – FINANCIAL TARGET COMPLIANCE</b>					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Forecast	Forecast	Forecast	Forecast
Ensure expense growth does not exceed revenue growth					
- Current estimate (revenue growth minus expense growth)	-5.8	-4.8	6.9	4.2	3.0
- <b>2016-17 Mid-year Review compliance</b>	<b>No</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
- 2016-17 Budget compliance	No	No	Yes	Yes	Yes
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend					
- Current estimate	-52.2	-92.9	-5.4	36.9	106.8
- <b>2016-17 Mid-year Review compliance</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>Yes</b>
- 2016-17 Budget compliance	No	No	No	Yes	Yes
Maintain TNPS net debt at or below 55% of revenue					
- Current estimate	69.8	83.3	91.5	91.0	87.4
- <b>2016-17 Mid-year Review compliance</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
- 2016-17 Budget compliance	No	No	No	No	No
Maintain a TNPS cash operating surplus of at least 5% of receipts					
- Current estimate	-	-2.1	3.0	4.9	6.3
- <b>2016-17 Mid-year Review compliance</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>Yes</b>
- 2016-17 Budget compliance	No	No	No	Yes	Yes
Maintain the State's tax competitiveness					
- <b>2016-17 Mid-year Review compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
- 2016-17 Budget compliance	Yes	Yes	Yes	Yes	Yes

Despite the improvement in general government revenue projections in the near term (up a combined \$1.4 billion in 2016-17 and 2017-18 relative to Budget), the State's revenue performance remains weak. General government revenue is forecast to be \$1.4 billion (or 5.2%) lower in 2016-17 than the \$28 billion outcome recorded three years prior in 2013-14. As a result, only the tax competitiveness target is forecast to be met in 2016-17, consistent with expectations at the time of the 2016-17 Budget.

The operating outlook is expected to improve from 2017-18, with average revenue growth of 6.1% per annum to 2019-20. This in turn is driving improved performance against most targets towards the end of the forward estimates period.

However, the net debt to revenue ratio target is not expected to be met within the forward estimates period, with the 87.4% ratio forecast for 2019-20 well above the 55% target limit. A reduction in total non-financial public sector net debt of more than \$16 billion would be required to meet the target in that year (assuming revenue remains unchanged).

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

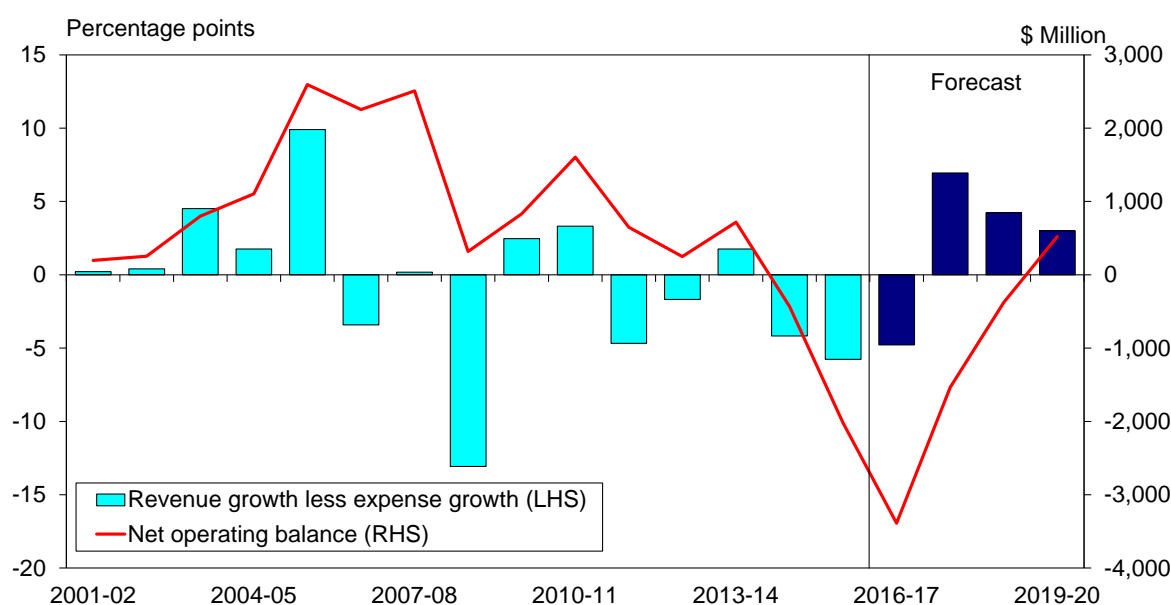
## Financial Targets

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

As foreshadowed at the time of the 2016-17 Budget, this target is not expected to be met in 2016-17. However, the target is expected to be met in each of the outyears, with an expected rebound in revenue growth, and expense growth remaining at low levels across the forward estimates period.

Figure 1

#### REVENUE GROWTH LESS EXPENSE GROWTH<sup>(a)</sup> AND OPERATING BALANCE General Government Sector



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

The revenue outlook in the near term has improved relative to the 2016-17 Budget. Nevertheless, revenue is still forecast to grow by just 0.1% in 2016-17. This compares to estimated expense growth of 4.9% in 2016-17 (up from 3.7% at Budget-time, mainly due to higher activity and other costs in the health sector). While higher than the 2.2% and 2.4% growth outcomes recorded in 2014-15 and 2015-16 respectively, expense growth in 2016-17 remains well below the 7.3% average over the previous decade.

The target is expected to be met from 2017-18, with stronger revenue growth across the outyears (as the domestic economy recovers and as Western Australia's GST grant increases from \$2 billion in 2016-17 to a projected \$5.2 billion in 2019-20) more than offsetting low levels of expense growth (reflecting the continuing and cumulating impact of previously announced savings measures).

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**

This target is now not expected to be met until 2019-20, one year later than forecast at Budget-time.

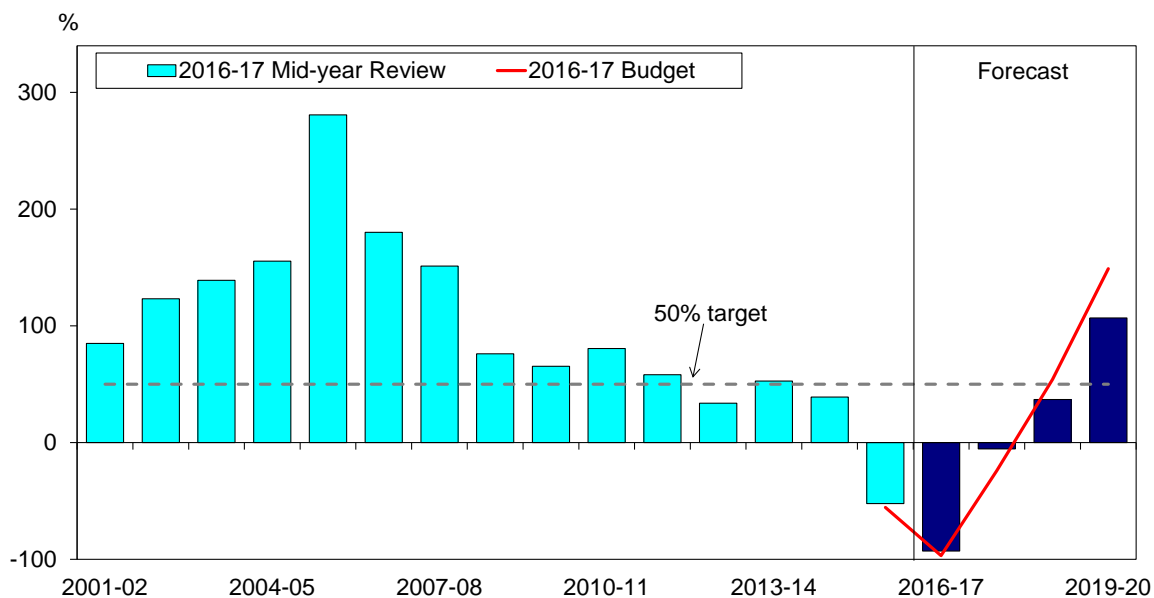
Forecast performance against the target in the period to 2017-18 reflects cash deficits from operating activities for the general government sector. These deficits are due to successive years of revenue contractions to 2015-16, and flat revenue growth in 2016-17.

A \$2.1 billion cash deficit from operating activities for the general government sector is expected for 2016-17 (compared to an estimated \$2.4 billion deficit in the 2016-17 Budget). This represents the second consecutive cash deficit from operating activities for the sector, following the \$1.3 billion deficit recorded in 2015-16. This trend is expected to continue into 2017-18, with a smaller \$160 million deficit in prospect (compared to the \$626 million deficit forecast in the 2016-17 Budget).

These deficit outcomes mean that borrowings are required to partially fund recurrent operations, with insufficient internally generated funds from day-to-day operating activities to support infrastructure spending.

Figure 2

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



While still below the 50% target, a significantly improved outlook is expected for 2018-19, with a forecast \$914 million cash surplus from operating activities representing 37% of the \$2.5 billion infrastructure program for that year. The target is forecast to be achieved in 2019-20.

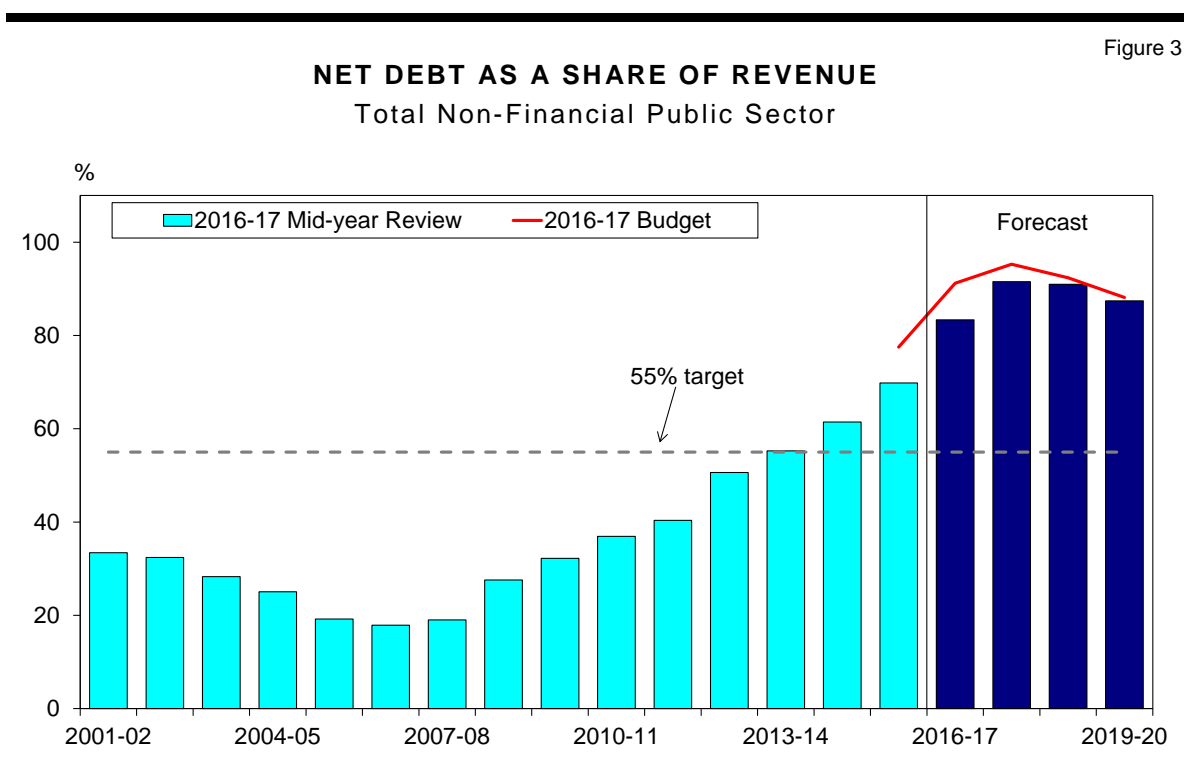
### Maintain the TNPS net debt to revenue ratio at or below 55%

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

However, relative to the 2016-17 Budget, the net debt to revenue ratio is a significant 7.9 percentage points lower in 2016-17. This reflects the combined impact of:

- a \$518 million lower than expected net debt outcome at 30 June 2017, primarily reflecting the cash impact of higher than budgeted general government revenue collections; and
- significantly higher than expected public non-financial corporations revenue (up \$2.4 billion), mainly reflecting higher Gold Corporation revenue (see discussion in Chapter 1).

The ratio is forecast to peak at 91.5% in 2017-18, before reducing to 87.4% by the end of the forward estimates period, with a stronger operating outlook and more modest levels of infrastructure spending in the later years of the forward estimates period.



These projections do not reflect any proceeds from future asset sales, such as the proposed partial divestment of Western Power announced on 30 November 2016. Subject to the outcome of the March 2017 State Election, such asset sale proceeds have the potential to materially reduce the net debt to revenue ratio.

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

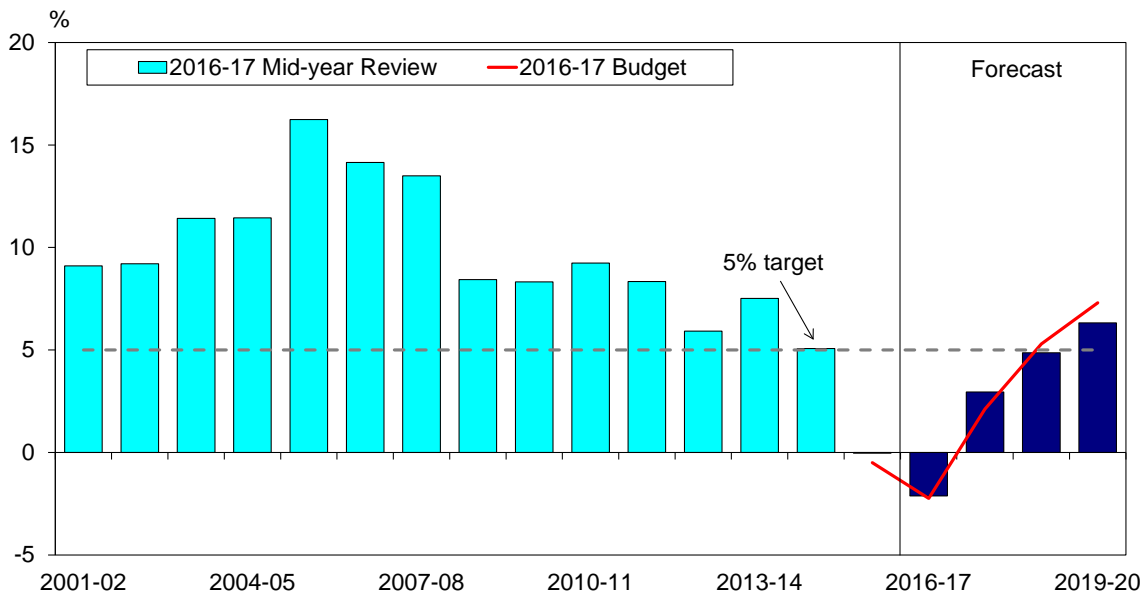
This target is not expected to be met until 2019-20.

Non-compliance with the target in 2016-17 reflects an expected \$966 million cash deficit from operating activities for the sector, reflecting the weak operating outlook for the general government sector discussed earlier.

A turnaround to surplus is expected in 2017-18, with a \$1.4 billion cash surplus from operating activities (a \$417 million improvement relative to Budget). Despite this improved outlook, the target is not expected to be met in 2017-18, as was the case at Budget-time.

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

Figure 4



The cash surplus from operating activities is expected to grow to \$2.4 billion and \$3.3 billion in 2018-19 and 2019-20 respectively. While these surpluses are lower than budgeted (by an aggregate \$708 million), outyear performance is projected to be bolstered by stronger revenue growth, and continued low rates of expense growth through the ongoing success of recent savings measures.



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

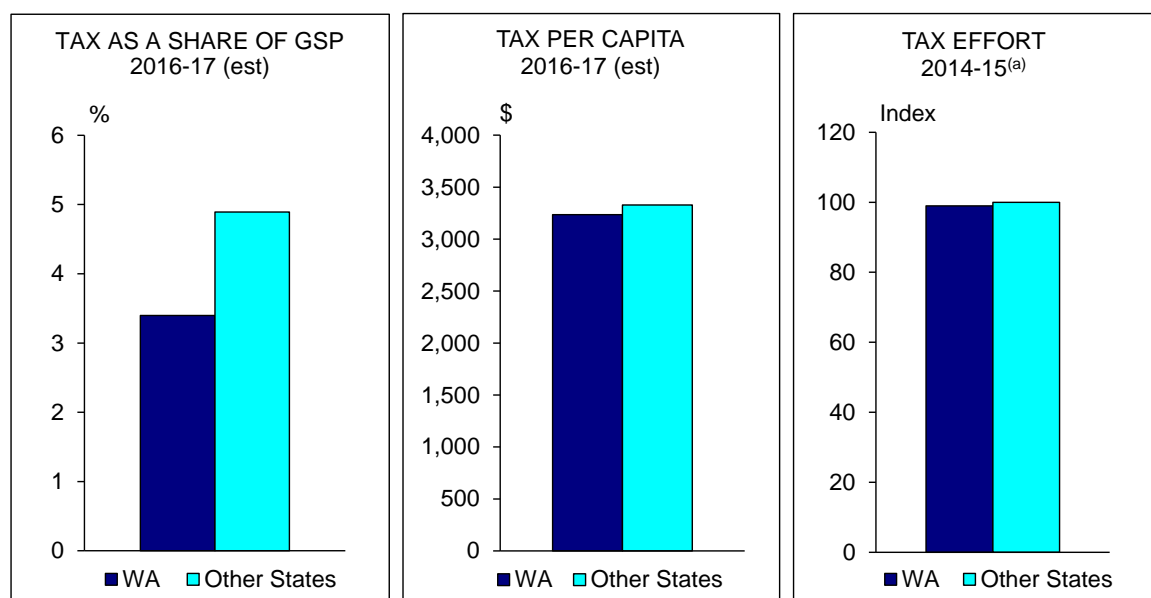
This target is expected to be met in 2016-17.

The competitiveness of Western Australia's tax system is assessed annually 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). 2014-15 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 that 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 significantly lower than the average of other States in 2016-17 (3.4% compared to an average of 4.9% estimated for other States).

Per capita tax revenue in Western Australia is also now expected to be lower than the average of other States in 2016-17, reflecting downward revisions since Budget to Western Australia's taxation revenue.

Based on the latest available data compiled by the CGC, Western Australia's tax 'effort' (i.e. its average tax rate) was 1% lower than the national average in 2014-15.



# The Western Australian Economy

## HIGHLIGHTS

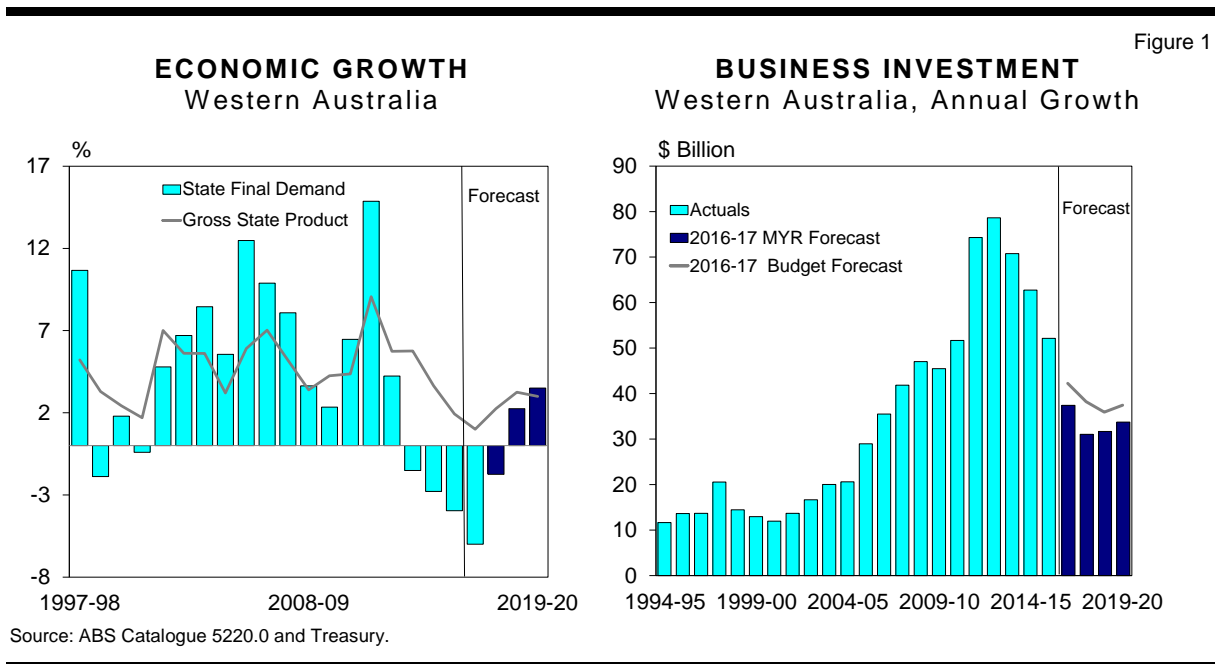
- The Western Australian economy, as measured by Gross State Product, grew by 1.9% in 2015-16. Growth was underpinned by a strong increase in net exports, which more than offset a decline in domestic economic activity.
- In real per capita terms, Western Australia's Gross State Product increased to a record high of \$98,012 per person in 2015-16. This was the highest of all jurisdictions and well above the national level of \$69,421 per person.
- Economic growth is forecast to remain positive in 2016-17, but to slow to 1%. This is down slightly from the 1.25% growth forecast in the 2016-17 Budget, and primarily reflects a more rapid fall in business investment than previously expected.
- This in turn is flowing through to a softer labour market, with employment now forecast to decline by 1.5% in 2016-17 and wages growth expected to slow to 1.5%.
- Net exports are forecast to increase strongly over the forecast period due to a ramp-up in LNG production and a decline in capital imports as resource projects continue to move into operation. This will underpin a gradual rise in overall economic growth over the forward estimates to 2.25% in 2017-18, 3.25% in 2018-19 and 3% in 2019-20.

## Western Australia

### Gross State Product

Economic growth in Western Australia was 1.9% in 2015-16, down from 3.6% in 2014-15 as large falls in mining construction continued to act as a drag on the State's domestic economic activity. Consistent with the transition from the construction to the production phase of major resource projects, net exports were the largest contributor to economic growth in 2015-16. This trend is expected to continue in the near term as major resource projects continue to increase production.

**Gross State Product (GSP)** growth is forecast to slow to 1% in 2016-17 (down slightly from 1.25% at Budget) as business investment continues to decline to more ‘normal’ levels and dwelling investment comes off its recent peak. Growth is then expected to lift to 2.25% in 2017-18 as the domestic economy begins to recover, and as net exports continue to grow strongly. In 2018-19, GSP growth is forecast to accelerate to 3.25% with business investment expected to increase modestly in that year. Forecast GSP growth eases slightly to 3% in 2019-20, with the major iron ore and LNG projects operating at, or close to, capacity.



**Business investment** is forecast to decline by 28.25% in 2016-17 (down from -19% at Budget) and by 17% in 2017-18 (down from -9.5%) in line with anticipated declines in capital expenditure on the construction of major LNG projects as they near completion (figure above, right-hand panel).

Table 1

**ECONOMIC FORECASTS**  
Western Australia, Annual Growth (%)

	2015-16 Actual	2016-17 Budget Estimate	2016-17 Mid-year Revision	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate
<b>Demand and Output <sup>(a)</sup></b>						
Household Consumption	1.4	1.75	1.25	1.75	2.5	3.0
Dwelling Investment	0.2	-8.75	-9.25	1.5	3.25	3.25
Business Investment	-16.9	-19.0	-28.25	-17.0	2.0	6.5
Government Consumption	3.0	3.25	4.5	1.75	3.75	2.75
Government Investment	-0.5	10.75	7.5	8.0	-6.5	-2.0
State Final Demand	-4.0	-3.75	-6.0	-1.75	2.25	3.5
Merchandise Exports	6.1	5.5	8.0	6.5	4.5	2.5
Merchandise Imports	-11.1	-6.25	-10.75	-4.75	1.5	3.0
Net Exports <sup>(b)</sup>	18.1	10.0	18.5	10.5	5.5	2.5
Gross State Product <sup>(c)</sup>	1.9	1.25	1.0	2.25	3.25	3.0
<b>Labour market</b>						
Employment	0.3	0.25	-1.5	0.25	1.5	2.25
Unemployment Rate <sup>(d)</sup>	6.0	6.75	6.5	6.5	6.25	6.0
Participation Rate <sup>(d)</sup>	68.3	68.0	66.8	66.2	66.0	66.2
<b>Population</b>						
Population	1.2 <sup>(e)</sup>	1.3	1.2	1.3	1.6	1.8
Working Age Population (15-64)	0.6	0.6	0.4	0.6	1.0	1.3
<b>Prices</b>						
Consumer Price Index	1.0	1.25 <sup>(f)</sup>	1.0	1.75	2.25	2.5
Wage Price Index	1.9	1.75	1.5	1.75	2.5	3.0
SFD Deflator	1.2	1.8	1.1	1.7	2.3	2.6
GSP Deflator	-6.1	-1.3	3.8	0.2	2.1	2.5
Median House Price	-2.9	-0.5	-0.5	1.3	2.7	1.0
<b>Other key parameters <sup>(d)</sup></b>						
Exchange Rate \$US/\$A (cents)	72.8	75.7	74.8	73.6	73.2	72.7
Iron Ore Price (\$US/t) cost and freight inclusive (CFR)	50.9	47.7	64.3	59.1	59.1	60.0
Crude Oil Price (\$US/barrel)	43.4	44.4	48.3	52.8	54.7	56.1

(a) Based on 2015-16 annual State Accounts data.

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

(c) Forecasts for ownership transfer costs, international trade in services and the balancing item are not separately reported.

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

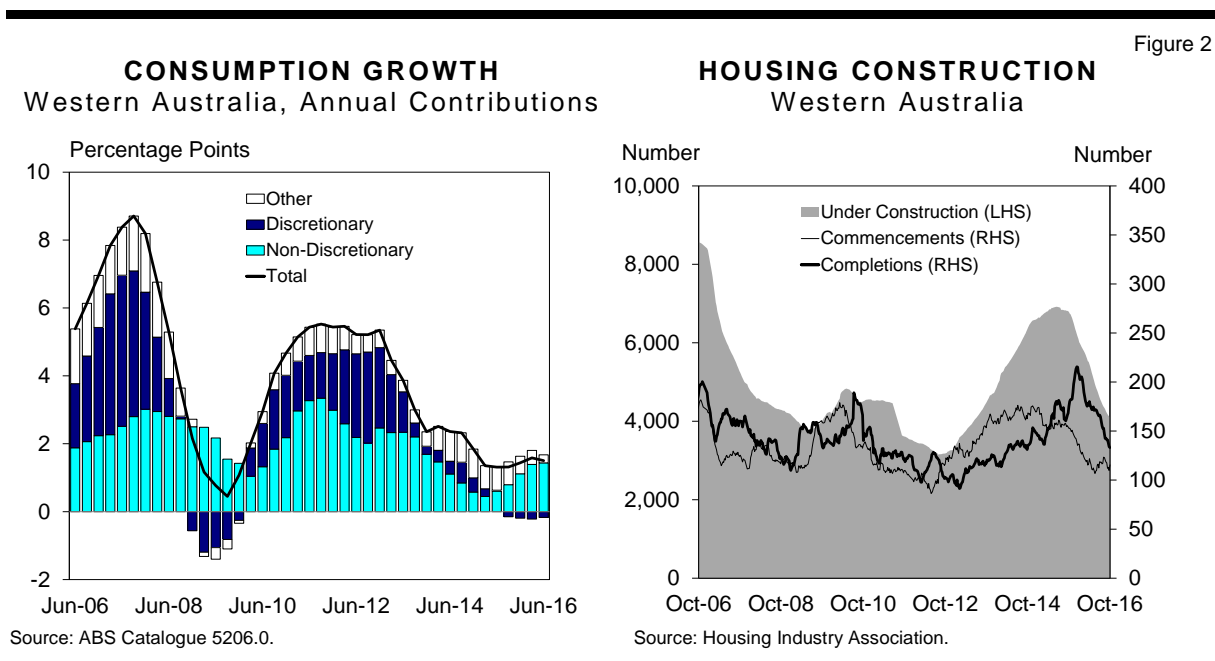
(e) Estimated actual.

(f) The CPI forecast for 2016-17 was revised from the 2016-17 Budget forecast of 1.75% to 1.25% post-Budget on 10 August 2016.

Business investment is forecast to resume growing in 2018-19 (a year earlier than previously expected), supported by the emergence of additional sustaining capital expenditure to maintain production and minimise underutilisation of capacity at existing iron ore and LNG facilities. Investment as a share of GSP is projected to fall from a peak of over 34% in 2012-13 to around 12% by the end of the forecast period, comparable to the average share from 1989-90 to 2004-05.

Growth in **household consumption** is expected to moderate from 1.4% in 2015-16 to 1.25% in 2016-17 (down from 1.75% at Budget), before gradually lifting across the forecast period. Consistent with recent trends, growth is expected to be underpinned by expenditure on non-discretionary services (such as those related to housing and health), with discretionary expenditure<sup>1</sup> anticipated to remain weak in the short-term (figure below, left-hand panel).

**Dwelling investment** is expected to contract by 9.25% in 2016-17 (down from -8.75% at Budget), reflecting the combined impact of softer demand and a supply overhang resulting from a record number of dwelling completions in recent years. This is consistent with large falls in leading indicators, such as building approvals and the number of dwellings under construction (figure below, right-hand panel). While this points to weak activity in the short-term, dwelling investment growth is expected to stabilise in 2017-18 as the number of dwelling completions per capita reaches cyclical lows.

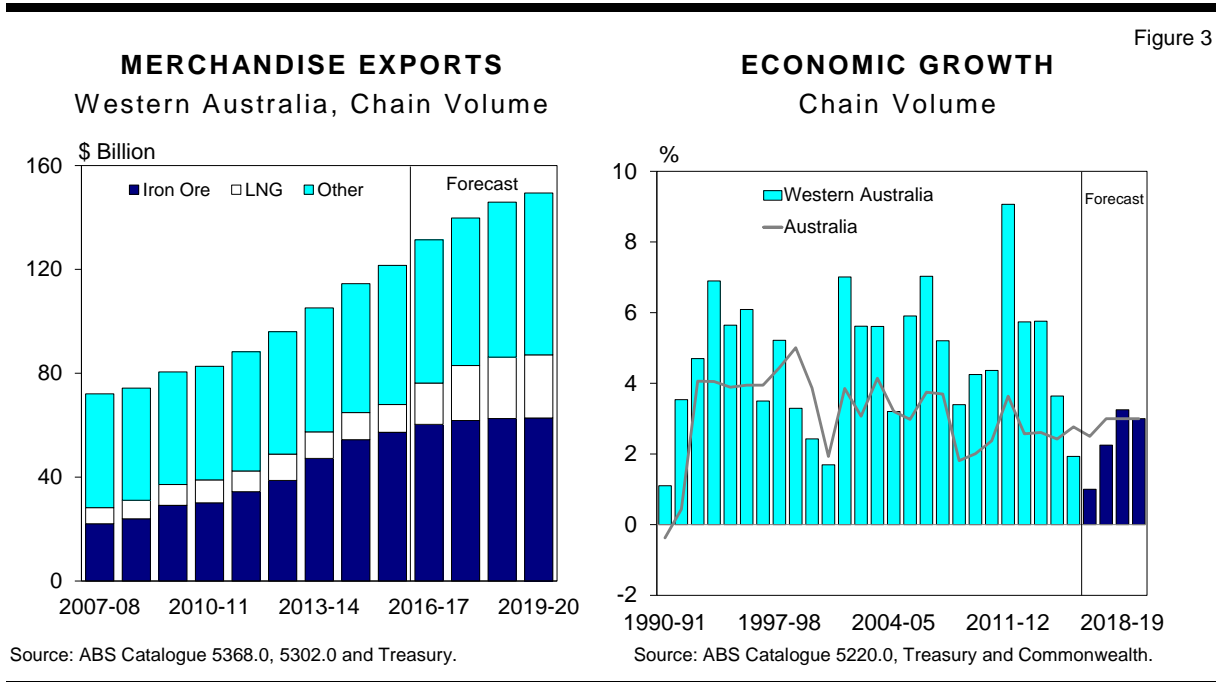


**Government consumption** is expected to lift by 4.5% in 2016-17, supported by a rise in State Government expenditure, before averaging around 3% per annum to 2019-20. **Public investment** is projected to lift strongly in 2016-17 and 2017-18 before declining in each year to 2019-20 in line with trends in the State Government’s Asset Investment Program outlined in Chapter 1: *Financial Projections*.

**Merchandise exports** expanded strongly in 2015-16, increasing by 6.1%. Higher iron ore and gold volumes are expected to result in stronger growth in merchandise exports from 2016-17 to 2018-19 than projected at Budget. In addition, higher export growth of 8% in 2016-17 is anticipated to be underpinned by a faster ramp up in production by some major LNG projects.

<sup>1</sup> 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.

Growth in merchandise exports is projected to moderate to 2.5% by 2019-20, as LNG and iron ore production reaches current expected capacity and exports of gold are expected to decline due to resource depletion. The total value of Western Australia’s exports is forecast to increase from around \$121.5 billion in 2015-16 to \$150.4 billion in 2019-20 (figure below, left-hand panel).



**Merchandise imports** are expected to decline in 2016-17 and 2017-18, as a reduction in business investment results in fewer imports of large capital goods required for the construction of major projects. Merchandise imports are anticipated to resume growing in 2018-19, in line with the projected pick-up in both consumption and business investment.

Overall, **net exports** are forecast to lift by an average of around 9% per annum from 2016-17 to 2019-20. This is expected to support positive economic growth in Western Australia across the forecast period, continuing the State’s trend of uninterrupted economic growth over the past 26 years (figure above, right-hand panel).

## Housing Market

The Perth median house price declined by 2.9% in 2015-16 reflecting weak demand (as population growth has slowed) combined with the record level of new housing supply completed in recent years. In the first half of 2016-17, supply has exceeded demand as evidenced by the high number of properties available for sale and rent. The rental vacancy rate of 6.6% in the three months to September 2016 is well above what is seen by industry commentators as market equilibrium (3%). Nevertheless, the rate of net additions (completions less demolitions) is expected to fall significantly. Consequently, towards the end of 2016-17, the number of dwelling completions per person is anticipated to fall sharply, helping to stabilise the market. As a result, the median house price is forecast to decline by a more modest 0.5% in 2016-17.

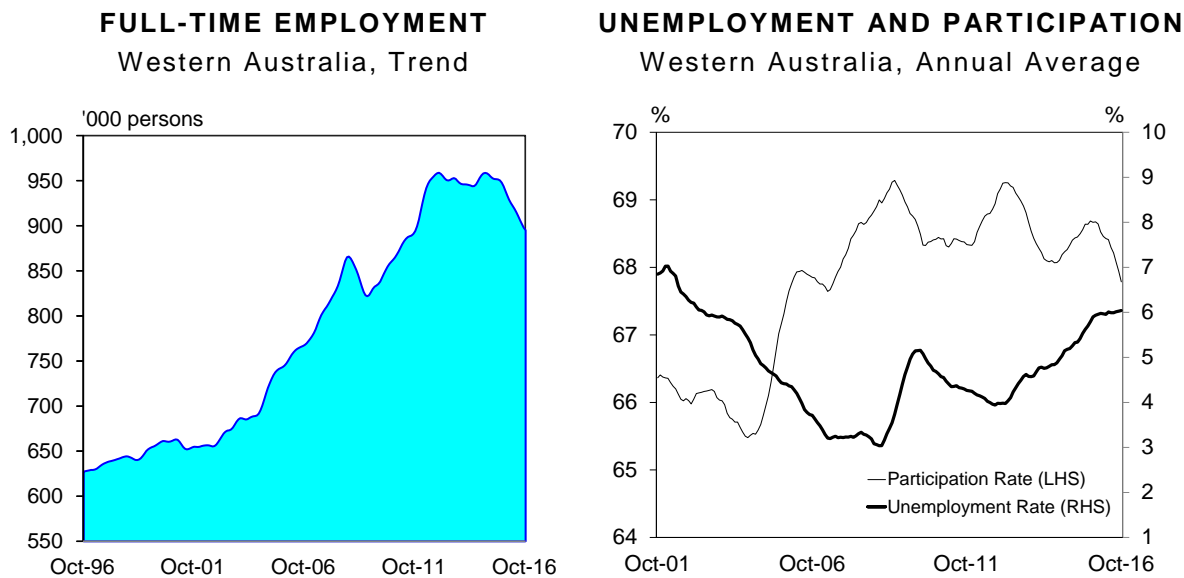
Over the forward estimates period, the median house price is forecast to slowly lift as the fall in dwelling investment in 2016-17 and modest net additions in coming years contain supply, and as demand lifts in line with a recovery in population growth and labour market conditions.

## Labour Market

Conditions in Western Australia’s labour market have slowed significantly over recent months. **Employment** declined by 0.4% in annual average terms to October 2016. This reflected a 4% decline in full-time employment over this period, which was partly offset by an 8.3% rise in part-time hiring.

With lead indicators yet to suggest a turning point in labour demand, employment is now forecast to decline by 1.5% in 2016-17 (down from 0.25% growth projected at Budget). Employment is subsequently expected to recover to reach a record 1.4 million persons by 2019-20 as a pick-up in domestic economic activity spurs hiring.

Figure 4



Source: ABS Catalogue 6202.0.

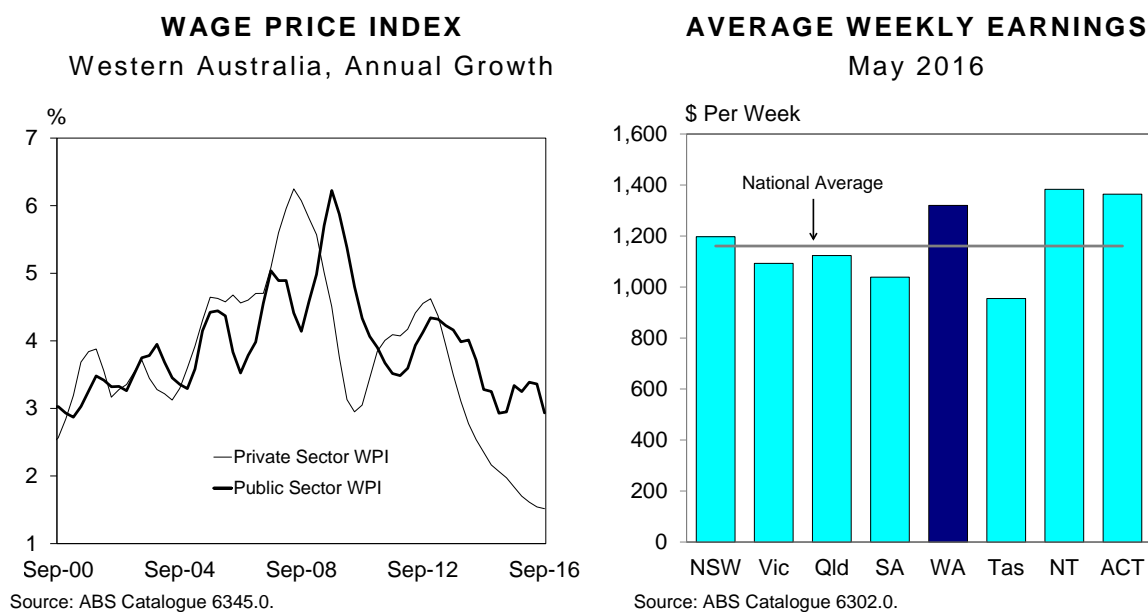


The weaker labour market is also reflected in a lower **participation rate**, which fell to an annual average of 67.8% in October 2016 (figure above, right-hand panel). This was entirely due to a decline in male workforce participation, which coincides with weakness in the male-dominated resource and construction industries. The participation rate is forecast to fall further to 66.8% in 2016-17 before averaging around 66.1% per annum over the following three years.

Despite the falls in employment over recent months, the decline in the participation rate has constrained the **unemployment rate** from rising to the degree expected. As a result, the forecast unemployment rate has been revised down slightly to 6.5% in 2016-17 (from 6.75% at Budget).

While the annual average unemployment rate has been fairly stable since the start of 2016 (figure above, right-hand panel), the underemployment rate increased to 9.5% in August 2016<sup>2</sup>, indicating that a larger portion of the workforce would prefer to work more hours. With employment growth expected to be modest in 2017-18, the unemployment rate is projected to remain at 6.5% before falling over the remaining forecast period as hiring improves.

Figure 5



**Wage** growth in Western Australia remains subdued, with growth in the Wage Price Index (WPI) moderating to 1.8% in the year to September 2016, consistent with growing spare capacity in the labour market, low inflation, and continued cost cutting by businesses. Notwithstanding this, real wages<sup>3</sup> grew by 1% in the year to September 2016, up from 0.7% in the year to September 2015.

Private sector WPI growth slowed to 1.5% in annual average terms in September 2016, while wage growth in the State’s public sector remains much stronger at 2.9% (figure above, left-hand panel).

<sup>2</sup> The August 2016 underemployment rate of 9.5% is the latest available seasonally adjusted data.

<sup>3</sup> Real wages provide a measure of the purchasing power of consumers, and are calculated as the difference between payments received (WPI) and increases in the general level of prices of goods and services (measured by increases in the Consumer Price Index).

The State's WPI growth is forecast to ease to 1.5% in 2016-17, reflecting soft domestic economic conditions and the continued implementation of the State's public sector wages policy<sup>4</sup>. Over the forward estimates period, WPI growth is projected to increase as economic activity gradually strengthens, but to remain below the long-run average of 3.7% per annum.

While wages growth is expected to soften further in the near term, wages in Western Australia remain at a high level relative to other States. For example, in May 2016, average weekly earnings<sup>5</sup> in Western Australia (\$1,320) were the highest of all States, and higher than nationally (\$1,161, see figure above, right-hand panel).

## Consumer Price Index

Growth in Perth's Consumer Price Index (CPI) moderated to just 0.8% in annual average terms to September 2016, due largely to declines in automotive fuel and rents. These falls were offset by a number of price increases, most notably to the Commonwealth's tobacco excise and health insurance premiums.

The Perth CPI is expected to grow by 1% in 2016-17 as prices of rents and telecommunications continue to place downward pressure on growth. In 2017-18, rent is expected to act as less of a drag on inflation, which accounts for the lift in forecast growth to 1.75%. In both years, tobacco is expected to be a major contributor to inflation, reflecting further increases to tobacco excise in these years.

Perth's CPI is projected to increase by 2.25% in 2018-19 (down from 2.5% forecast at Budget) as soft domestic economic conditions and spare capacity in the labour market are expected to cause a slower return to the middle of the RBA's target inflation band than normally assumed. Subdued inflation over the forecast period is also consistent with modest wage growth expectations (figure below, left-hand panel).

## Population

Population growth in Western Australia has continued to moderate since Budget, increasing by an annual average of 1.2% (or around 32,000 people) in the March quarter 2016. This primarily reflects a larger net outflow of people moving to other States. Net migration to Western Australia amounted to around 9,200 persons over the year to the March quarter 2016, the lowest rate since the year to March 1994.

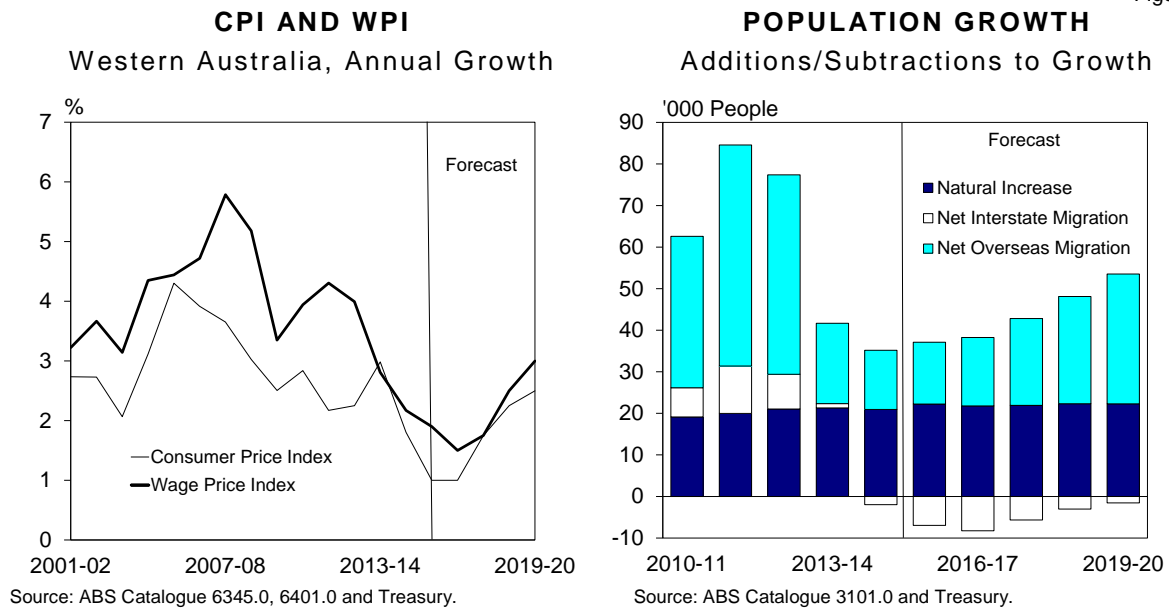
The State's population growth is expected to remain modest at 1.2% in 2016-17 and 1.3% in 2017-18, as subdued domestic demand contains migration and natural increase continues as the main driver of growth. Population growth is projected to gradually lift to 1.8% by 2019-20, as Western Australia's share of national net overseas migration increases and net interstate migration outflows begin to moderate, in line with improvements in the domestic economy (figure below, right-hand panel).

---

<sup>4</sup> The State Government's wages policy caps increases in public sector wages to 1.5% per annum.

<sup>5</sup> Average Weekly Earnings (AWE) is a measure of the average value of wages and salaries paid to employees by an employer at a point in time. Movements in AWE can be affected by changes in the level of earnings, as well as the composition of the labour force (such as movements between full-time and part-time employment, and across industries).

Figure 6



## Domestic Risks

A key risk to the economic outlook is the magnitude and timing of expected declines in business investment, which has flow-on implications for the timing of exports, and the outlook for labour demand and population growth.

The **business investment** forecasts are sensitive to the magnitude and timing of the wind down in expenditure on large LNG projects, which means that investment may differ from forecast. The forecasts assume that some prospective major projects will emerge across the forecast period. However, if this does not occur, the forecast return to growth in business investment (in 2018-19) may be delayed.

Changes in the timing of capital expenditure on major projects can flow through to delays in the commissioning and ramp-up of these projects to full capacity, particularly for complex LNG operations. Longer than expected delays could result in lower **export** volumes and lower than forecast growth in GSP within the forecast period.

Given the extent of the projected contractions in the State's domestic economy over the next two years, there is a risk that **employment** may fall by more than forecast in the near term, particularly given that employment in the construction industry is expected to moderate.

As a consequence of substantial spare capacity in the **housing market**, forecast declines in both dwelling investment and house prices in 2016-17 could be more pronounced if population growth is weaker than expected. In addition, potential rises in the cash rate (and increases in home loan rates independent of changes to the cash rate) could moderate the expected recovery in both dwelling investment and house prices.

The future path of **population growth** also creates an element of uncertainty that will affect the domestic demand outlook. For example, if migration to Western Australia slows more rapidly than expected, this will have implications for growth in consumer spending and dwelling investment.

## Global Outlook and Risks

According to the International Monetary Fund (IMF), the global economy is projected to expand by 3.1% in 2016, which is down slightly from 3.2% in 2015 and compares to an annual average of 3.5% over the previous 36 years. The IMF forecasts growth will rebound to 3.4% in 2017, underpinned by improved conditions in many oil exporting countries and a modest recovery in the US, and then steadily increase to 3.7% in 2020 underpinned by improving conditions across a range of emerging market and developing economies.

### **Advanced Economies**

Economic growth in advanced economies has generally been weak since the Global Financial Crisis (GFC). From 2008 to 2015, the combined Gross Domestic Product (GDP) from advanced countries has expanded on average by 1.1% per annum compared to 2.2% per annum in the eight years leading up to the crisis and 2.8% per annum between 1979 and 2008. The IMF projects that advanced economies as a group will continue to show little recovery, with GDP forecast to expand by around 1.8% per annum out to 2020.

The IMF is forecasting the US economy will grow by 1.6% in 2016, 2.2% in 2017 and an average of around 2% per annum out to 2020. The labour market has continued to improve at a steady rate, with the unemployment rate near pre-GFC lows of around 5%. However, the core working age (25-54 years) employment to population ratio is still significantly below what it was prior to the recession in the early 2000s. This indicates that the US economy, while steadily expanding, is still yet to reach its potential.

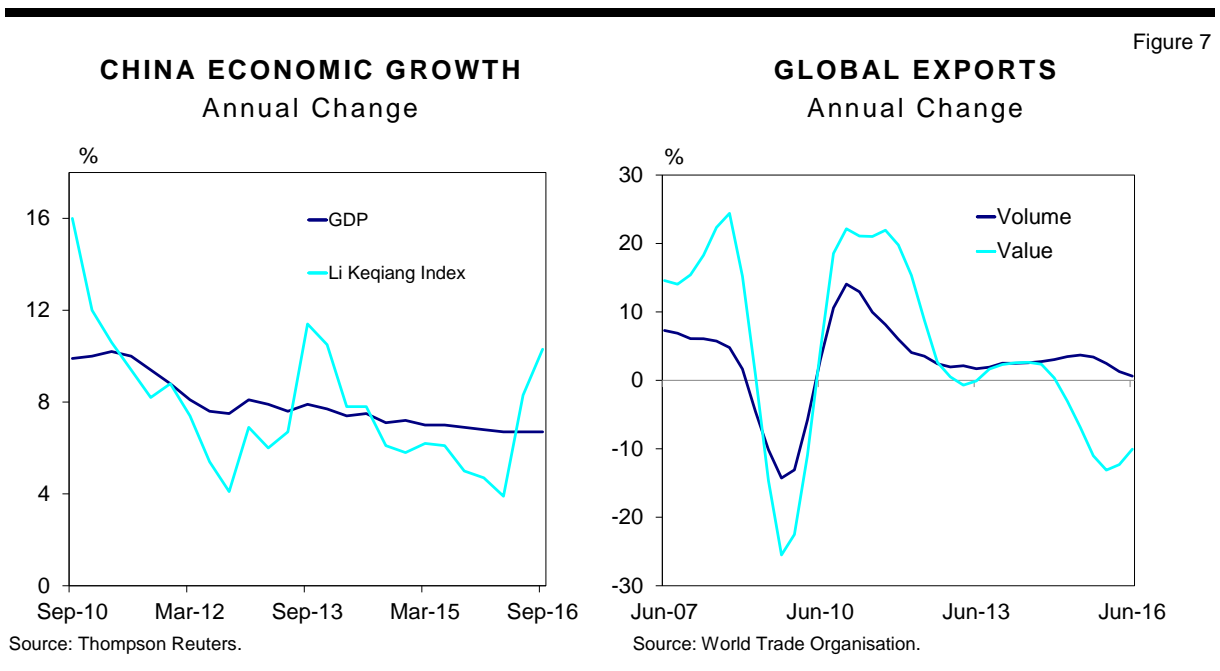
The euro area continues to suffer from the after effects of the GFC and subsequent European debt crisis, with unemployment still around 10% in September 2016. The IMF is forecasting GDP growth of 1.7% in 2016, followed by growth of around 1.5% per annum across the remainder of the forecast period. Weak domestic demand has been a major factor in the poor economic performance of the euro area, with the gradual economic recovery since the debt crisis supported by the emergence of a large trade surplus.

Relatively stronger growth is expected for most advanced East Asian economies except for Japan, where a declining population is contributing to low growth. However, unfavourable demographic trends and relatively elevated debt levels may pose challenges to other advanced East Asian jurisdictions over the medium-term.

## Emerging Markets

Potential rates of growth in the Chinese economy will decline over time as living standards in China converge with those experienced in the advanced economies. Reflecting this, the IMF is forecasting economic growth in China of 6.6% in 2016, dropping to 5.9% in 2020. This represents a substantial slowdown in economic growth from 10.6% in 2010. The Chinese economy is experiencing significant structural change as investment in fixed assets (such as houses, factories and transport infrastructure) becomes relatively less important and household consumption becomes relatively more important. This is being driven by a maturing economy and a slowing rate of migration from rural to urban areas.

Notwithstanding the long-term trend toward slower growth and a declining role for heavy industry, there has recently been a credit-fuelled cyclical rebound in Chinese economic activity. An increase in credit growth and sales of new property, starting in late 2015, was followed by an increase in new construction starts, and therefore demand for construction raw materials, in 2016. Official Chinese GDP figures tend to smooth out the business cycle. However, other metrics, such as the Li Keqiang Index (figure below, left-hand panel) show a robust rate of activity in 2016 after a very weak 2015<sup>6</sup>.



Populous emerging markets in South East Asia generally have relatively positive growth outlooks. India (7.6%), Vietnam (6.1%), the Philippines (6.4%) and Bangladesh (6.9%) are all projected to grow at relatively robust rates in 2016 and the IMF forecasts that all these countries will grow by at least 6% per annum to 2020. These countries are entering relatively commodity-intensive phases of growth and are also consumers of Australian education and tourism services.

<sup>6</sup> The Li Keqiang Index is a composite index of rail freight volumes, electricity consumption and credit growth. The index is named after the Premier of China who reportedly remarked that he often looks to these indicators when assessing economic activity.

## Global Risks

A persistent theme over the years following the GFC has been the almost perpetual downgrading of growth expectations, particularly in the major advanced economies. As noted in the IMF April 2016 *World Economic Outlook*, titled “Too Slow for Too Long”, there is a risk that low rates of growth in these countries will persist long into the future. In November 2016, the IMF warned that Australia has not been immune to the “New Mediocre”, evident throughout much of the world, particularly since the GFC. The IMF notes that growth has fallen short of expectations, with rises in underemployment and longer-term unemployment, while wage and inflation growth have been weak.

The victory of Mr Trump in the US presidential election has created uncertainty regarding future US trade policy. Any increase in US trade barriers poses a risk to the East Asian manufacturing countries who are Western Australia’s largest trading partners. International trade (figure above, right-hand panel) is already subdued in comparison to pre-GFC growth rates. Conversely, Mr Trump has also called for significant fiscal stimulus, including both tax cuts and infrastructure spending. If these proposals can be navigated through Congress and the Senate, this may be positive for global growth and industrial commodity demand.

**China** is by far the most important trading partner for Western Australia, accounting for over 50% of the State’s merchandise exports. Therefore changes in the country’s domestic economy can have a major impact on the State’s economic outlook. A key risk for the Chinese economy is the rapid accumulation of debt, particularly since the GFC<sup>7</sup>. Transitioning towards a more sustainable rate of debt accumulation will likely constrain growth over the medium-term. However, over the short-term there is an upside risk that Chinese authorities will continue with accommodative macroeconomic policies until there is greater political certainty following the five-yearly National Congress of the Chinese Communist Party scheduled for the second half of 2017.

**Europe** remains a significant potential source of economic and financial market volatility, as illustrated by the ‘Brexit’ vote in mid-2016. Although markets adjusted to the vote in a relatively orderly fashion, the formal process and negotiations by which the UK can leave the European Union will take years to finalise. The largest risk to Europe would be if other countries from within the Euro monetary union were to follow the UK’s precedent.

## Commodity Markets

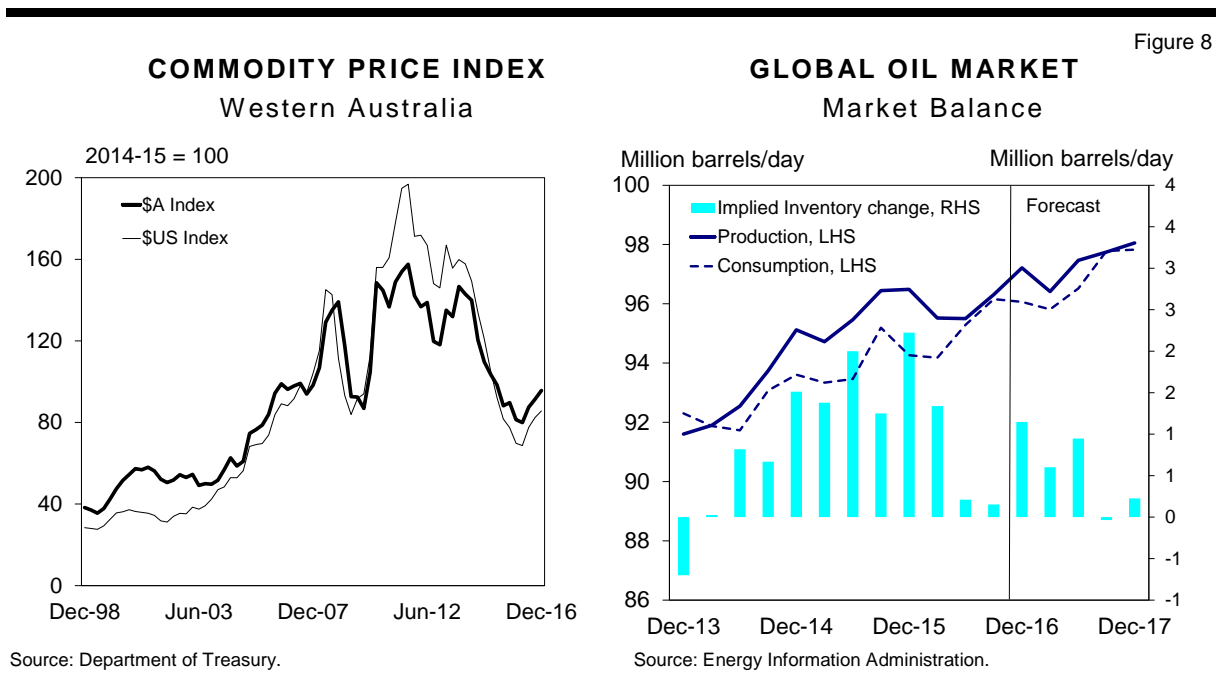
After trending down sharply from late 2013, commodity prices (as measured by an index of the commodities most relevant to Western Australia<sup>8</sup>) reached a low in early 2016 (figure below, left-hand panel). Commodity prices have since increased, supported primarily by a recovery in iron ore prices as a result of positive developments in China. Since Budget, price forecasts have been revised up for most commodities, including iron ore, gold, and oil and gas.

<sup>7</sup> According to the Bank for International Settlements, total non-financial debt, relative to GDP, increased by 113.6 percentage points between December 2008 and June 2016, to stand at 254.9%.

<sup>8</sup> A weighted index of prices of iron ore, gold, oil, LNG, copper, nickel, zinc and alumina. The index value for the December quarter of 2016 is an estimate.

## Oil Market

In recent years oil prices have been low due to strong growth in supply exceeding moderate growth in demand (figure below, right-hand panel). Since Budget, the outlook for the oil price has improved, notwithstanding significant volatility. A series of unplanned supply disruptions gave the oil price a lift in mid-2016. The oil price has subsequently been supported by the increased likelihood that the Organisation of the Petroleum Exporting Countries (OPEC) and some non-OPEC countries might act to limit output to support prices<sup>9</sup>.



Volatility is likely to remain a feature of the market over the forecast period. The risk of further unplanned disruptions remains elevated, due to political instability in key oil producing countries. Moreover, uncertainty will remain regarding the ability of OPEC members to limit output.

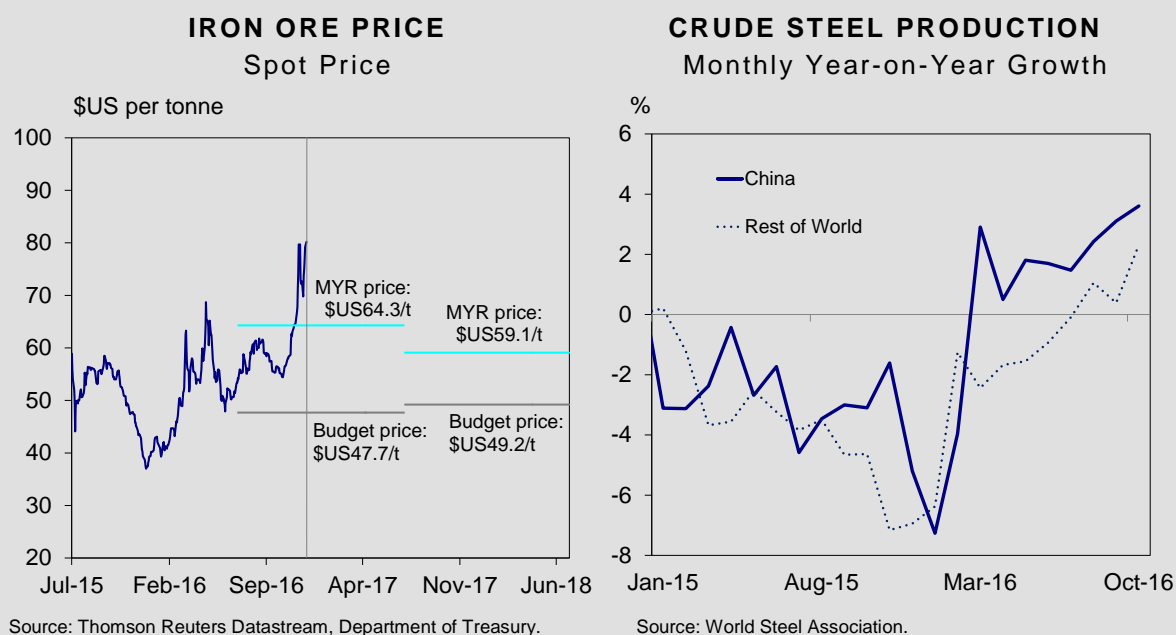
Over coming years, significant cutbacks in investment in oil production capacity, following a period of relatively low prices, are expected to have an impact on supply. This is expected to support a modest lift in the oil price across the forecast period from \$US48.3 per barrel in 2016-17 to \$US56.1 per barrel in 2019-20.

<sup>9</sup> On 30 November 2016, after the Mid-year Review cut-off date, OPEC announced that an agreement had been made amongst its members to limit output by around 1.2 million barrels a day for a period of six months starting on 1 January 2017. This was conditional on selected non-OPEC nations, including Russia, also agreeing to limit output by 0.6 million barrels per day.

### Iron Ore Market Volatility and Price Movements

In the 2016-17 Budget, the iron ore price was forecast to average \$US47.7 per tonne (/t) in 2016-17. However, since the Budget cut-off date (19 April 2016) the iron ore price has been higher than expected. The price has also been volatile, reaching a low of \$US47.9/t in early June 2016 and subsequently increasing to a high of \$US80.2/t at Mid-year Review cut-off (28 November 2016).

Figure 9



The generally higher iron ore prices this year have been primarily due to a stronger and longer lasting increase in demand for steel in China since March 2016 (right-hand panel of chart above). Stronger fundamentals have in turn encouraged significant speculative trading, potentially driving prices higher than fundamentals alone can explain.

Steel prices (and consequently iron ore prices) have been supported by an acceleration in credit growth and property transactions in China (which tend to lead construction activity). Reflecting this, steel production rebounded in March from low levels in the previous three months, and has remained broadly steady since, averaging 2.1% growth year-on-year from April to October.

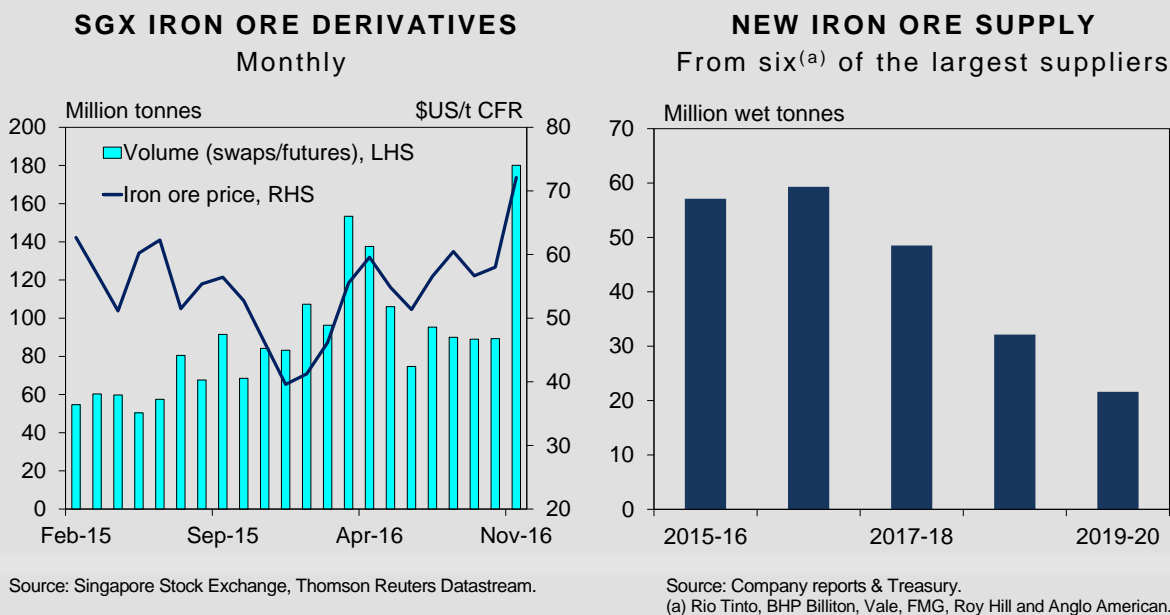
The increase in demand for steel has coincided with a moderation in expectations for growth in global iron ore supply. Many of the major iron ore producers, such as the Brazilian company Vale, have softened rhetoric regarding volume increases and instead have emphasised margins. Some analysts have also argued that Chinese domestic supply has been low in the second half of the year, although there is significant uncertainty regarding the actual production rates in China.

Speculative activity on derivative markets also appears to have been influencing iron ore prices. There are a number of indicators that suggest this is the case, including significant swings in price from day to day and spikes in the volume of trade on commodity exchanges.



Trends in November 2016 are a case in point. The spot price rose by \$US5.5/t in one day, from \$US74.2/t on 10 November to \$US79.7/t on 11 November 2016. By 15 November the price was back to \$US72.8/t. At the same time, the average volume of iron ore derivatives trade on the Singapore Stock Exchange on 8 to 10 November was around four times the average volume of trade since the start of 2015, and the total volume achieved in November was a record (left-hand panel below). Surges in the volumes of derivatives trade also prompted the Dalian Commodity Exchange in China to increase transaction fees several times this year.

Figure 10



Volatility appears to be a particular issue with financial and commodity markets in China. This is likely due to a combination of strict capital controls and underdeveloped capital markets which limit the availability of investment opportunities. This is exacerbated by the limited availability of reliable data which creates significant uncertainty regarding underlying economic activity.

Looking forward, leading indicators from China such as property prices and credit growth suggest some support for iron ore prices in the near term. However, the general consensus among forecasters is for the iron ore price to fall in 2017-18 in response to:

- significant additions of low cost supply entering the market (right-hand panel above), most recently from Roy Hill. Other new supply is scheduled to enter the market soon, most notably Vale’s 90 Mtpa S11D mine, although this may be partly offset by the closure of some of the company’s higher cost mines; and
- the recent increase in Chinese steel demand, which has been supported by a rebound in construction activity facilitated by rapid accumulation of debt. These drivers are not likely to be durable because debt levels are elevated and furthermore the most affected Chinese local governments have recently introduced measures to curb rising property prices.

The iron ore price assumptions in the 2016-17 Mid-year Review were estimated using the methodology first adopted in the 2015-16 Budget. That is, the starting point of the iron ore price forecasting methodology comprises 12 months of iron ore derivative contract prices, after which prices are derived by interpolating to the latest Consensus Economics' average long-run price.

The iron ore price assumptions in the 2016-17 Mid-year Review are significantly higher than assumed in the 2016-17 Budget, and as a consequence, iron ore royalty revenue has been revised up by \$1.3 billion in 2016-17. Over the forecast period, upward revisions to iron ore price assumptions are expected to contribute to a \$3.5 billion increase in estimated iron ore royalty revenue relative to Budget. Iron ore price assumptions have been revised up over the forward estimates as a result of higher forward contract prices.

Table 2

### IRON ORE ASSUMPTIONS

	2016-17	2017-18	2018-19	2019-20	Total
<b>Iron Ore Fines CFR (\$US/t)</b>					
2016-17 Budget	47.7	49.2	51.6	54.0	
2016-17 Mid-year Review	64.3	59.1	59.1	60.0	
Variance	16.6	9.9	7.6	6.0	
<b>Iron Ore Royalty Revenue (\$m)</b>					
2016-17 Budget	3,296.0	3,504.4	3,751.2	3,962.6	<b>14,514</b>
2016-17 Mid-year Review	4,627.2	4,380.0	4,456.8	4,524.4	<b>17,988</b>
Change in iron ore royalty revenue	1,331.2	875.6	705.5	561.8	<b>3,474</b>
GST offset from increased iron ore royalties <sup>(a)</sup>	-	-	-423.4	-718.0	<b>-1,141</b>
<b>Total change net of GST (\$m)</b>	<b>1,331.2</b>	<b>875.6</b>	<b>282.1</b>	<b>-156.2</b>	<b>2,333</b>

<sup>(a)</sup> For GST purposes, the Commonwealth Grants Commission reduces iron ore royalty revenues by the value of assistance under the Magnetite Financial Assistance Program. This item is treated as an expense elsewhere in this Mid-year Review and, as such, is not reflected in the total iron ore royalty revenues above. Note that much of the GST offset occurs outside of the forward estimates period.

The presence of volatility in iron ore prices (driven by uncertainty on the Chinese economic outlook and exacerbated by speculative activity) means that there is scope for significant movements in price between the 2016-17 Mid-year Review and the 2016-17 *Pre-election Financial Projections Statement* (to be released in early 2017). This creates the potential for sizeable variation in the iron ore royalty estimates between the two financial projection statements.

### Other Commodities

The gold price of \$US1,192 per ounce at the Mid-year Review cut-off has fallen from \$US1,254 per ounce at 2016-17 Budget cut-off. The gold price initially improved in line with increased global economic uncertainty relating to the 'Brexit' vote and the outcome of the US Presidential Election. However, recent indications of fiscal stimulus by the President-elect and an impending increase in US interest rates have resulted in a fall in the gold price since early November.

Industrial commodity prices more generally have increased since the 2016-17 Budget cut-off for broadly similar reasons to the iron ore price (i.e. increased Chinese demand for commodities as industrial and property construction growth has risen). For example, copper prices have risen 18.4% since Budget cut-off and nickel prices have risen 25.4%.



## APPENDIX 1

# Detailed Financial Projections

This appendix contains detailed financial projections for the various sectors of the total public sector defined by the Government Finance Statistics (GFS) framework. The tables in this section satisfy Uniform Presentation Framework (UPF) requirements applicable for all States, Territories and the Commonwealth, and are also consistent with Australian Accounting Standards, in particular, AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

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Table 1.1

**GENERAL GOVERNMENT**  
**Operating Statement**

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		9,069	8,927	8,536	8,758	9,119	9,503
Current grants and subsidies		7,407	7,687	7,844	8,794	10,498	11,790
Capital grants		895	779	413	1,005	652	406
Sales of goods and services		2,155	2,227	2,229	2,302	2,354	2,404
Interest income		192	167	182	170	175	186
Revenue from public corporations							
Dividends from other sector entities		1,415	984	1,034	1,109	1,177	1,187
Tax equivalent income		631	499	490	576	575	631
Royalty income		4,126	3,842	5,181	4,964	5,039	5,073
Other		594	568	604	576	510	505
<b>Total</b>	3	<b>26,485</b>	<b>25,681</b>	<b>26,513</b>	<b>28,254</b>	<b>30,100</b>	<b>31,683</b>
<b>EXPENSES</b>							
Salaries		11,383	11,819	11,972	11,995	12,233	12,503
Superannuation							
Concurrent costs		1,167	1,170	1,216	1,210	1,226	1,247
Superannuation interest cost		218	200	211	209	215	220
Other employee costs		370	401	369	370	376	380
Depreciation and amortisation		1,359	1,477	1,441	1,470	1,498	1,526
Services and contracts		2,195	2,356	2,410	2,361	2,398	2,466
Other gross operating expenses		5,518	5,549	5,664	5,543	5,798	5,925
Other interest		664	778	786	891	1,031	1,129
Current transfers	4	5,164	5,311	5,284	5,278	5,411	5,499
Capital transfers	4	469	535	548	461	288	266
<b>Total</b>	5	<b>28,506</b>	<b>29,596</b>	<b>29,901</b>	<b>29,788</b>	<b>30,476</b>	<b>31,162</b>
<b>NET OPERATING BALANCE</b>	6	<b>-2,021</b>	<b>-3,914</b>	<b>-3,388</b>	<b>-1,534</b>	<b>-376</b>	<b>521</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-148	7	-27	-4	5	42
Net actuarial gains - superannuation		-589	-154	254	-146	-159	-172
Provision for doubtful debts		-54	-4	-4	-4	-4	-4
Changes in accounting policy/adjustment of prior periods		110	-	-	-	-	-
<b>Total other economic flows</b>		<b>-679</b>	<b>-151</b>	<b>223</b>	<b>-155</b>	<b>-159</b>	<b>-134</b>
<b>OPERATING RESULT</b>		<b>-2,700</b>	<b>-4,066</b>	<b>-3,165</b>	<b>-1,689</b>	<b>-535</b>	<b>387</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-2,549	739	126	967	1,265	1,308
Gains recognised directly in equity		8	-	-	-	-	-
Change in net worth of the public corporations sectors		-1,192	359	268	388	533	849
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>-3,733</b>	<b>1,097</b>	<b>394</b>	<b>1,355</b>	<b>1,798</b>	<b>2,156</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-6,433</b>	<b>-2,968</b>	<b>-2,771</b>	<b>-334</b>	<b>1,262</b>	<b>2,543</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-2,021</b>	<b>-3,914</b>	<b>-3,388</b>	<b>-1,534</b>	<b>-376</b>	<b>521</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,475	2,484	2,259	2,972	2,477	1,689
Changes in inventories		15	-3	1	-	-	-
Other movement in non-financial assets		15	40	247	469	79	86
<i>Less:</i>							
Sales of non-financial assets		102	207	180	168	161	135
Depreciation		1,359	1,477	1,441	1,470	1,498	1,526
<b>Total net acquisition of non-financial assets</b>		<b>1,043</b>	<b>839</b>	<b>885</b>	<b>1,803</b>	<b>897</b>	<b>114</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-3,064</b>	<b>-4,753</b>	<b>-4,273</b>	<b>-3,337</b>	<b>-1,274</b>	<b>407</b>

Note: Columns may not add due to rounding.

Table 1.2

**GENERAL GOVERNMENT**  
**Balance Sheet at 30 June**

	Note	2016	2017	2017	2018	2019	2020
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		820	852	745	760	793	816
Advances paid		711	712	719	723	725	722
Investments, loans and placements		4,042	2,620	3,439	4,102	6,180	7,242
Receivables		2,921	2,560	2,830	2,731	2,750	2,779
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		47,654	49,403	47,922	48,310	48,843	49,691
Investments in other public sector entities - direct injections		8,180	9,058	8,940	9,231	9,502	9,770
Investments in other entities		48	38	44	46	56	71
Other financial assets		8	-	8	8	8	8
<b>Total financial assets</b>		<b>64,384</b>	<b>65,241</b>	<b>64,647</b>	<b>65,911</b>	<b>68,856</b>	<b>71,099</b>
<i>Non-financial assets</i>							
Land		38,551	39,232	38,688	39,097	39,653	40,583
Property, plant and equipment		43,256	47,629	44,509	47,375	49,046	49,680
Biological assets		4	-	4	4	4	4
<i>Inventories</i>							
Land inventories		113	93	112	120	120	119
Other inventories		84	80	85	85	85	85
Intangibles		650	612	656	639	602	524
Non-current assets held for sale		32	29	35	35	35	27
Investment property		8	-	8	8	8	8
Other		484	719	681	249	252	239
<b>Total non-financial assets</b>		<b>83,182</b>	<b>88,396</b>	<b>84,776</b>	<b>87,612</b>	<b>89,805</b>	<b>91,269</b>
<b>TOTAL ASSETS</b>		<b>147,566</b>	<b>153,637</b>	<b>149,424</b>	<b>153,522</b>	<b>158,662</b>	<b>162,368</b>
<b>LIABILITIES</b>							
Deposits held		518	835	554	389	248	288
Advances received		392	376	376	360	343	327
Borrowings		18,379	23,366	23,470	28,191	32,306	33,596
Unfunded superannuation		7,939	7,772	7,418	7,276	7,162	7,066
Other employee benefits		2,892	3,023	2,953	2,984	3,036	3,074
Payables		1,228	1,076	1,236	1,280	1,327	1,342
Other liabilities		1,352	1,234	1,322	1,281	1,217	1,108
<b>TOTAL LIABILITIES</b>		<b>32,700</b>	<b>37,682</b>	<b>37,329</b>	<b>41,761</b>	<b>45,638</b>	<b>46,802</b>
<b>NET ASSETS</b>		<b>114,866</b>	<b>115,954</b>	<b>112,095</b>	<b>111,761</b>	<b>113,023</b>	<b>115,566</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		8,460	7,494	8,540	6,851	6,312	6,694
Other reserves		106,406	108,460	103,555	104,910	106,711	108,872
<b>NET WORTH</b>	6	<b>114,866</b>	<b>115,954</b>	<b>112,095</b>	<b>111,761</b>	<b>113,023</b>	<b>115,566</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		31,684	27,559	27,319	24,149	23,218	24,297
<i>Net financial liabilities</i>		24,150	30,902	29,543	33,392	35,127	35,164
<i>Net debt</i>							
Gross debt liabilities		19,289	24,577	24,399	28,940	32,896	34,211
Less: liquid financial assets		5,572	4,184	4,903	5,584	7,698	8,780
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>13,717</b>	<b>20,393</b>	<b>19,496</b>	<b>23,355</b>	<b>25,199</b>	<b>25,431</b>

Note: Columns may not add due to rounding.



Table 1.3

**GENERAL GOVERNMENT**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		9,130	8,941	8,552	8,772	9,133	9,517
Grants and subsidies received		8,310	8,437	8,240	9,792	11,157	12,196
Receipts from sales of goods and services		2,294	2,239	2,273	2,364	2,398	2,460
Interest receipts		187	159	173	163	168	179
Dividends and tax equivalents		2,087	1,562	1,647	1,687	1,756	1,814
Other receipts		5,922	5,711	6,836	6,894	6,750	6,783
<i>Total cash received</i>		<i>27,929</i>	<i>27,050</i>	<i>27,721</i>	<i>29,671</i>	<i>31,361</i>	<i>32,949</i>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-13,374	-13,437	-13,611	-13,679	-13,906	-14,207
Payments for goods and services		-8,083	-8,190	-8,397	-8,320	-8,613	-8,846
Interest paid		-631	-737	-762	-868	-998	-1,109
Grants and subsidies paid		-5,485	-5,654	-5,645	-5,627	-5,579	-5,638
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,648	-1,439	-1,404	-1,338	-1,350	-1,345
<i>Total cash paid</i>		<i>-29,221</i>	<i>-29,456</i>	<i>-29,819</i>	<i>-29,831</i>	<i>-30,447</i>	<i>-31,145</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-1,291</b>	<b>-2,406</b>	<b>-2,098</b>	<b>-160</b>	<b>914</b>	<b>1,804</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,475	-2,484	-2,259	-2,972	-2,477	-1,689
Sales of non-financial assets		102	207	180	168	161	135
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,373</i>	<i>-2,278</i>	<i>-2,079</i>	<i>-2,804</i>	<i>-2,316</i>	<i>-1,554</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		140	10	10	10	10	10
For liquidity purposes		101	35	78	43	15	44
<i>Cash paid</i>							
For policy purposes		-798	-962	-970	-356	-314	-339
For liquidity purposes		-136	-	-11	-	-	-
<i>Total cash flows from investments in financial assets</i>		<i>-694</i>	<i>-917</i>	<i>-893</i>	<i>-303</i>	<i>-289</i>	<i>-286</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,067</b>	<b>-3,195</b>	<b>-2,972</b>	<b>-3,107</b>	<b>-2,605</b>	<b>-1,840</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		16	16	16	16	17	17
Borrowings		5,194	5,033	5,053	4,405	4,213	1,361
Deposits received		-	-	-	-	-	-
Other financing receipts		41	41	45	61	57	74
<i>Total cash receipts from financing activities</i>		<i>5,250</i>	<i>5,090</i>	<i>5,114</i>	<i>4,482</i>	<i>4,286</i>	<i>1,452</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-97	-166	-168	-79	-81	-82
Deposits paid		-	-	-	-	-	-
Other financing payments		-447	-466	-441	-260	-239	-265
<i>Total payments for financing activities</i>		<i>-560</i>	<i>-648</i>	<i>-625</i>	<i>-356</i>	<i>-337</i>	<i>-364</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>4,691</b>	<b>4,442</b>	<b>4,489</b>	<b>4,126</b>	<b>3,950</b>	<b>1,088</b>
<b>Net increase in cash and cash equivalents</b>		<b>333</b>	<b>-1,159</b>	<b>-581</b>	<b>859</b>	<b>2,259</b>	<b>1,052</b>
Cash and cash equivalents at the beginning of the year		4,440	5,019	4,773	4,192	5,051	7,309
Cash and cash equivalents at the end of the year		4,773	3,860	4,192	5,051	7,309	8,361
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-1,291	-2,406	-2,098	-160	914	1,804
Net cash flows from investing in non-financial assets		-2,373	-2,278	-2,079	-2,804	-2,316	-1,554
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-3,664</b>	<b>-4,684</b>	<b>-4,177</b>	<b>-2,964</b>	<b>-1,402</b>	<b>249</b>

Note: Columns may not add due to rounding.

Table 1.4

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Operating Statement

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		2,212	2,149	2,140	2,062	1,967	1,852
Capital grants		200	211	216	191	26	5
Sales of goods and services		19,170	16,885	19,389	18,682	19,804	20,574
Interest income		159	144	122	117	145	153
Other		651	610	540	569	572	665
<i>Total</i>		<b>22,392</b>	<b>19,999</b>	<b>22,407</b>	<b>21,621</b>	<b>22,515</b>	<b>23,249</b>
<b>EXPENSES</b>							
Salaries		1,191	1,210	1,262	1,214	1,234	1,242
Superannuation							
Concurrent costs		123	120	128	122	124	124
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		51	47	43	44	44	44
Depreciation and amortisation		1,988	2,121	2,069	2,129	2,161	2,183
Services and contracts		981	894	885	769	672	586
Other gross operating expenses		14,689	12,540	15,200	14,211	14,969	15,543
Other interest		807	901	843	843	883	903
Tax equivalents		527	475	458	545	541	596
Current transfers		1,072	1,114	1,098	1,133	1,165	1,208
Capital transfers		70	-	67	-	7	13
<i>Total</i>		<b>21,500</b>	<b>19,422</b>	<b>22,055</b>	<b>21,010</b>	<b>21,800</b>	<b>22,442</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>892</b>	<b>577</b>	<b>352</b>	<b>611</b>	<b>715</b>	<b>807</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		21	163	104	159	212	272
Net actuarial gains - superannuation		-23	-	-	-	-	-
Provision for doubtful debts		-16	-17	-21	-21	-22	-23
Changes in accounting policy/adjustment of prior periods		-686	-	-	-	-	-
<i>Total other economic flows</i>		<b>-704</b>	<b>146</b>	<b>84</b>	<b>138</b>	<b>189</b>	<b>249</b>
<b>OPERATING RESULT</b>		<b>189</b>	<b>723</b>	<b>436</b>	<b>749</b>	<b>904</b>	<b>1,056</b>
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-1,520	590	715	622	663	838
Gains recognised directly in equity		1,655	-54	50	-15	-5	-9
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<b>135</b>	<b>535</b>	<b>765</b>	<b>607</b>	<b>658</b>	<b>829</b>
<i>Movements in owner equity</i>							
Dividends		-1,273	-935	-1,006	-1,056	-1,121	-1,126
Capital injections		712	1,004	760	291	271	267
<i>Total movements in owner equity</i>		<b>-561</b>	<b>69</b>	<b>-245</b>	<b>-765</b>	<b>-850</b>	<b>-859</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-237</b>	<b>1,327</b>	<b>956</b>	<b>591</b>	<b>712</b>	<b>1,026</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>892</b>	<b>577</b>	<b>352</b>	<b>611</b>	<b>715</b>	<b>807</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,877	3,370	3,281	3,394	3,261	2,983
Changes in inventories		1,009	253	210	169	192	128
Other movement in non-financial assets		156	155	116	191	192	269
<i>Less:</i>							
Sales of non-financial assets		718	863	712	890	860	962
Depreciation		1,988	2,121	2,069	2,129	2,161	2,183
<i>Total net acquisition of non-financial assets</i>		<b>1,335</b>	<b>795</b>	<b>825</b>	<b>735</b>	<b>624</b>	<b>235</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>-442</b>	<b>-218</b>	<b>-473</b>	<b>-123</b>	<b>91</b>	<b>573</b>

Note: Columns may not add due to rounding.

Table 1.5

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2016	2017	2017	2018	2019	2020
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,267	1,547	1,314	1,212	1,034	1,292
Advances paid		-	-	-	-	-	-
Investments, loans and placements		5,072	5,477	4,472	4,749	4,895	4,951
Receivables		1,137	1,222	1,443	1,620	1,900	2,009
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		24	46	21	23	24	26
Other financial assets		849	785	800	736	649	533
<b>Total financial assets</b>		<b>8,349</b>	<b>9,076</b>	<b>8,050</b>	<b>8,340</b>	<b>8,502</b>	<b>8,811</b>
<i>Non-financial assets</i>							
Land		14,682	15,248	14,682	14,829	15,125	15,579
Property, plant and equipment		54,064	55,682	55,087	56,133	57,013	57,791
Biological assets		330	319	331	334	334	336
Inventories							
Land inventories		2,059	2,089	2,082	2,113	2,074	2,063
Other inventories		4,417	4,276	4,627	4,796	4,988	5,116
Intangibles		439	429	426	404	390	384
Non-current assets held for sale		28	36	28	28	28	28
Investment property		65	51	65	65	65	65
Other		144	163	120	105	106	106
<b>Total non-financial assets</b>		<b>76,229</b>	<b>78,293</b>	<b>77,448</b>	<b>78,807</b>	<b>80,124</b>	<b>81,469</b>
<b>TOTAL ASSETS</b>		<b>84,579</b>	<b>87,369</b>	<b>85,498</b>	<b>87,147</b>	<b>88,626</b>	<b>90,280</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		392	376	376	360	343	327
Borrowings		22,716	23,509	22,651	23,435	23,966	24,437
Unfunded superannuation		120	22	78	27	-	-
Other employee benefits		442	440	423	426	430	434
Payables		5,197	5,200	5,309	5,500	5,728	5,907
Other liabilities		1,657	1,435	1,651	1,797	1,845	1,837
<b>TOTAL LIABILITIES</b>		<b>30,525</b>	<b>30,982</b>	<b>30,489</b>	<b>31,546</b>	<b>32,313</b>	<b>32,941</b>
<b>NET ASSETS</b>		<b>54,054</b>	<b>56,387</b>	<b>55,009</b>	<b>55,601</b>	<b>56,313</b>	<b>57,339</b>
<i>Of which:</i>							
Contributed equity		8,164	9,055	8,924	9,215	9,486	9,754
Accumulated surplus		19,344	19,062	19,640	19,318	19,096	19,017
Other reserves		26,546	28,270	26,445	27,067	27,731	28,568
<b>NET WORTH</b>	6	<b>54,054</b>	<b>56,387</b>	<b>55,009</b>	<b>55,601</b>	<b>56,313</b>	<b>57,339</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-76,229	-78,293	-77,448	-78,807	-80,124	-81,469
<i>Net debt</i>							
Gross debt liabilities		23,108	23,885	23,027	23,795	24,310	24,763
Less: liquid financial assets		6,339	7,023	5,786	5,961	5,929	6,243
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>16,769</b>	<b>16,862</b>	<b>17,241</b>	<b>17,834</b>	<b>18,381</b>	<b>18,520</b>

Note: Columns may not add due to rounding.

Table 1.6

**PUBLIC NON-FINANCIAL CORPORATIONS**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		2,498	2,362	2,319	2,257	1,997	1,862
Receipts from sales of goods and services		19,335	17,210	19,570	18,983	20,042	20,823
Interest receipts		148	144	131	119	147	154
Dividends and tax equivalents		69	117	117	65	69	58
Other receipts		1,416	953	900	979	979	1,038
<i>Total cash received</i>		<b>23,465</b>	<b>20,786</b>	<b>23,038</b>	<b>22,402</b>	<b>23,234</b>	<b>23,935</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,402	-1,414	-1,469	-1,404	-1,414	-1,430
Payments for goods and services		-14,316	-11,965	-14,682	-13,387	-14,021	-14,439
Interest paid		-836	-838	-803	-793	-834	-872
Grants and subsidies paid		-761	-803	-795	-818	-835	-862
Tax equivalents		-609	-472	-507	-544	-547	-594
Other payments		-2,991	-2,910	-2,644	-2,855	-2,966	-3,135
<i>Total cash paid</i>		<b>-20,915</b>	<b>-18,402</b>	<b>-20,900</b>	<b>-19,802</b>	<b>-20,617</b>	<b>-21,332</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,550</b>	<b>2,385</b>	<b>2,138</b>	<b>2,600</b>	<b>2,617</b>	<b>2,603</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,877	-3,370	-3,281	-3,394	-3,261	-2,983
Sales of non-financial assets		718	863	712	890	860	962
<i>Total cash flows from investments in non-financial assets</i>		<b>-2,159</b>	<b>-2,507</b>	<b>-2,569</b>	<b>-2,504</b>	<b>-2,401</b>	<b>-2,021</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		332	14	38	39	25	24
<i>Cash paid</i>							
For policy purposes		-3	-	-3	-21	-17	-31
For liquidity purposes		-359	-37	-72	-33	-28	-12
<i>Total cash flows from investments in financial assets</i>		<b>-31</b>	<b>-24</b>	<b>-37</b>	<b>-15</b>	<b>-19</b>	<b>-19</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-2,190</b>	<b>-2,531</b>	<b>-2,606</b>	<b>-2,519</b>	<b>-2,420</b>	<b>-2,040</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		12,583	30,172	24,826	20,916	20,473	20,590
Deposits received		-	-	-	-	-	-
Other financing receipts		894	1,010	1,016	410	391	446
<i>Total cash received</i>		<b>13,477</b>	<b>31,182</b>	<b>25,842</b>	<b>21,326</b>	<b>20,863</b>	<b>21,036</b>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-12,283	-29,504	-24,029	-20,411	-20,058	-20,152
Deposits paid		-	-	-	-	-	-
Other financing payments		-45	-30	-37	-34	-34	-36
Dividends paid		-1,273	-935	-1,006	-1,056	-1,120	-1,125
<i>Total cash paid</i>		<b>-13,617</b>	<b>-30,485</b>	<b>-25,087</b>	<b>-21,518</b>	<b>-21,229</b>	<b>-21,330</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-140</b>	<b>698</b>	<b>755</b>	<b>-191</b>	<b>-366</b>	<b>-293</b>
<b>Net increase in cash and cash equivalents</b>		<b>221</b>	<b>551</b>	<b>287</b>	<b>-110</b>	<b>-168</b>	<b>270</b>
Cash and cash equivalents at the beginning of the year		1,560	1,854	1,781	2,067	1,957	1,789
Cash and cash equivalents at the end of the year		1,781	2,405	2,067	1,957	1,789	2,059
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,550	2,385	2,138	2,600	2,617	2,603
Net cash flows from investing in non-financial assets		-2,159	-2,507	-2,569	-2,504	-2,401	-2,021
Dividends paid		-1,273	-935	-1,006	-1,056	-1,120	-1,125
<b>Cash surplus/deficit</b>	6	<b>-882</b>	<b>-1,058</b>	<b>-1,437</b>	<b>-960</b>	<b>-904</b>	<b>-543</b>

Note: Columns may not add due to rounding.

Table 1.7

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
**Operating Statement**

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		8,564	8,409	8,034	8,238	8,577	8,938
Current grants and subsidies		7,407	7,687	7,844	8,794	10,498	11,790
Capital grants		895	779	413	1,005	652	406
Sales of goods and services		20,900	18,630	21,168	20,534	21,698	22,510
Interest income		325	280	269	259	296	315
Royalty income		4,126	3,842	5,181	4,964	5,039	5,073
Dividend and tax equivalents		334	191	133	159	172	167
Other		1,111	1,029	1,041	1,039	970	1,068
<b>Total</b>		<b>43,662</b>	<b>40,848</b>	<b>44,083</b>	<b>44,992</b>	<b>47,903</b>	<b>50,266</b>
<b>EXPENSES</b>							
Salaries		12,574	13,029	13,234	13,209	13,468	13,745
Superannuation							
Concurrent costs		1,291	1,290	1,344	1,332	1,350	1,371
Superannuation interest cost		218	200	211	209	215	220
Other employee costs		255	257	255	258	262	265
Depreciation and amortisation		3,348	3,598	3,510	3,599	3,659	3,709
Services and contracts		3,169	3,253	3,298	3,133	3,074	3,057
Other gross operating expenses		19,744	17,575	20,355	19,239	20,237	20,927
Other interest		1,446	1,648	1,594	1,707	1,890	2,008
Current transfers		3,683	3,947	3,923	4,014	4,261	4,489
Capital transfers		338	325	400	270	269	273
<b>Total</b>		<b>46,064</b>	<b>45,120</b>	<b>48,124</b>	<b>46,971</b>	<b>48,686</b>	<b>50,064</b>
<b>NET OPERATING BALANCE</b>	6	<b>-2,401</b>	<b>-4,273</b>	<b>-4,041</b>	<b>-1,979</b>	<b>-783</b>	<b>202</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-127	170	77	155	216	314
Net actuarial gains - superannuation		-612	-154	254	-146	-159	-172
Provision for doubtful debts		-69	-21	-25	-26	-26	-27
Changes in accounting policy/adjustment of prior periods		-602	-	-	-	-	-
<b>Total other economic flows</b>		<b>-1,410</b>	<b>-5</b>	<b>307</b>	<b>-17</b>	<b>31</b>	<b>115</b>
<b>OPERATING RESULT</b>		<b>-3,811</b>	<b>-4,278</b>	<b>-3,735</b>	<b>-1,995</b>	<b>-752</b>	<b>317</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-4,069	1,328	841	1,590	1,929	2,145
Gains recognised directly in equity		1,663	-55	50	-16	-6	-9
Change in net worth of the PFC sector		-216	36	73	87	91	90
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>-2,622</b>	<b>1,309</b>	<b>963</b>	<b>1,662</b>	<b>2,014</b>	<b>2,226</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-6,433</b>	<b>-2,968</b>	<b>-2,771</b>	<b>-334</b>	<b>1,262</b>	<b>2,543</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-2,401</b>	<b>-4,273</b>	<b>-4,041</b>	<b>-1,979</b>	<b>-783</b>	<b>202</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,232	5,854	5,541	6,365	5,737	4,672
Changes in inventories		1,024	251	211	169	193	128
Other movement in non-financial assets		171	195	363	660	271	354
<i>Less:</i>							
Sales of non-financial assets		701	1,069	893	1,058	1,021	1,097
Depreciation		3,348	3,598	3,510	3,599	3,659	3,709
<b>Total net acquisition of non-financial assets</b>		<b>2,378</b>	<b>1,633</b>	<b>1,710</b>	<b>2,537</b>	<b>1,521</b>	<b>348</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-4,779</b>	<b>-5,906</b>	<b>-5,752</b>	<b>-4,516</b>	<b>-2,304</b>	<b>-146</b>

Note: Columns may not add due to rounding.

Table 1.8

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Balance Sheet at 30 June

	Note	2016	2017	2017	2018	2019	2020
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,599	1,623	1,541	1,618	1,615	1,855
Advances paid		319	336	343	363	381	395
Investments, loans and placements		9,111	8,094	7,908	8,848	11,072	12,190
Receivables		3,934	3,669	4,349	4,405	4,698	4,823
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		1,780	2,073	1,853	1,940	2,032	2,122
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		73	84	65	69	80	97
Other financial assets		8	-	8	8	8	8
<i>Total financial assets</i>		<b>16,823</b>	<b>15,879</b>	<b>16,067</b>	<b>17,251</b>	<b>19,886</b>	<b>21,491</b>
<i>Non-financial assets</i>							
Land		53,233	54,480	53,370	53,926	54,779	56,162
Property, plant and equipment		97,320	103,312	99,596	103,508	106,060	107,471
Biological assets		334	319	335	338	339	340
<i>Inventories</i>							
Land inventories		2,172	2,182	2,193	2,233	2,193	2,182
Other inventories		4,501	4,356	4,711	4,881	5,073	5,201
Intangibles		1,090	1,041	1,082	1,043	992	909
Non-current assets held for sale		60	65	63	63	63	56
Investment property		73	51	73	73	73	73
Other		629	882	801	354	357	344
<i>Total non-financial assets</i>		<b>159,412</b>	<b>166,688</b>	<b>162,224</b>	<b>166,419</b>	<b>169,929</b>	<b>172,738</b>
<b>TOTAL ASSETS</b>		<b>176,235</b>	<b>182,567</b>	<b>178,291</b>	<b>183,670</b>	<b>189,816</b>	<b>194,230</b>
<b>LIABILITIES</b>							
Deposits held		28	57	32	32	32	32
Advances received		392	376	376	360	343	327
Borrowings		41,095	46,875	46,120	51,626	56,272	58,033
Unfunded superannuation		8,059	7,794	7,496	7,304	7,162	7,066
Other employee benefits		3,335	3,463	3,376	3,410	3,466	3,508
Payables		6,303	6,167	6,623	6,837	7,107	7,287
Other liabilities		2,157	1,880	2,171	2,340	2,410	2,411
<b>TOTAL LIABILITIES</b>		<b>61,369</b>	<b>66,613</b>	<b>66,196</b>	<b>71,909</b>	<b>76,792</b>	<b>78,663</b>
<b>NET ASSETS</b>		<b>114,866</b>	<b>115,954</b>	<b>112,095</b>	<b>111,761</b>	<b>113,023</b>	<b>115,566</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		27,811	26,563	28,188	26,176	25,415	25,718
Other reserves		87,055	89,391	83,907	85,585	87,608	89,848
<b>NET WORTH</b>	6	<b>114,866</b>	<b>115,954</b>	<b>112,095</b>	<b>111,761</b>	<b>113,023</b>	<b>115,566</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-44,546	-50,734	-50,129	-54,657	-56,906	-57,172
<i>Net financial liabilities</i>		46,399	52,891	52,047	56,667	59,018	59,391
<i>Net debt</i>							
Gross debt liabilities		41,515	47,308	46,529	52,018	56,648	58,392
Less: liquid financial assets		11,029	10,053	9,792	10,829	13,068	14,441
Less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<b>30,486</b>	<b>37,255</b>	<b>36,737</b>	<b>41,189</b>	<b>43,579</b>	<b>43,951</b>

Note: Columns may not add due to rounding.

Table 1.9

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		8,621	8,413	8,040	8,243	8,582	8,943
Grants and subsidies received		8,310	8,437	8,240	9,792	11,157	12,196
Receipts from sales of goods and services		21,204	18,972	21,390	20,896	21,979	22,814
Interest receipts		309	271	269	255	291	308
Dividends and tax equivalents		274	272	252	151	157	153
Other receipts		7,015	6,337	7,410	7,512	7,375	7,480
<i>Total cash received</i>		<i>45,733</i>	<i>42,701</i>	<i>45,601</i>	<i>46,848</i>	<i>49,542</i>	<i>51,894</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,776	-14,850	-15,080	-15,083	-15,321	-15,637
Payments for goods and services		-21,693	-19,377	-22,325	-20,921	-21,845	-22,501
Interest paid		-1,440	-1,543	-1,530	-1,634	-1,808	-1,957
Grants and subsidies paid		-3,711	-4,071	-4,096	-4,163	-4,394	-4,613
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,127	-3,818	-3,535	-3,663	-3,764	-3,904
<i>Total cash paid</i>		<i>-45,747</i>	<i>-43,659</i>	<i>-46,567</i>	<i>-45,464</i>	<i>-47,131</i>	<i>-48,613</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-14</b>	<b>-957</b>	<b>-966</b>	<b>1,384</b>	<b>2,411</b>	<b>3,282</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,232	-5,854	-5,541	-6,365	-5,737	-4,672
Sales of non-financial assets		701	1,069	893	1,058	1,021	1,097
<i>Total cash flows from investments in non-financial assets</i>		<i>-4,532</i>	<i>-4,785</i>	<i>-4,648</i>	<i>-5,307</i>	<i>-4,717</i>	<i>-3,575</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		140	10	10	10	10	10
For liquidity purposes		433	49	116	82	40	68
<i>Cash paid</i>							
For policy purposes		-16	-10	-10	-10	-10	-10
For liquidity purposes		-496	-37	-83	-33	-28	-12
<i>Total cash flows from investments in financial assets</i>		<i>61</i>	<i>11</i>	<i>33</i>	<i>49</i>	<i>12</i>	<i>56</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-4,471</b>	<b>-4,774</b>	<b>-4,615</b>	<b>-5,259</b>	<b>-4,704</b>	<b>-3,520</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		17,777	35,205	29,879	25,321	24,685	21,952
Deposits received		-	-	-	-	-	-
Other financing receipts		49	35	42	38	40	43
<i>Total cash received</i>		<i>17,825</i>	<i>35,240</i>	<i>29,922</i>	<i>25,359</i>	<i>24,726</i>	<i>21,995</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-12,380	-29,670	-24,196	-20,491	-20,139	-20,234
Deposits paid		-	-	-	-	-	-
Other financing payments		-391	-432	-423	-228	-186	-184
<i>Total cash paid</i>		<i>-12,787</i>	<i>-30,117</i>	<i>-24,635</i>	<i>-20,735</i>	<i>-20,342</i>	<i>-20,435</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>5,038</b>	<b>5,123</b>	<b>5,286</b>	<b>4,624</b>	<b>4,384</b>	<b>1,560</b>
<b>Net increase in cash and cash equivalents</b>		<b>553</b>	<b>-608</b>	<b>-294</b>	<b>749</b>	<b>2,091</b>	<b>1,322</b>
Cash and cash equivalents at the beginning of the year		5,999	6,872	6,552	6,258	7,007	9,098
Cash and cash equivalents at the end of the year		6,552	6,264	6,258	7,007	9,098	10,419
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-14	-957	-966	1,384	2,411	3,282
Net cash flows from investing in non-financial assets		-4,532	-4,785	-4,648	-5,307	-4,717	-3,575
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-4,546</b>	<b>-5,742</b>	<b>-5,613</b>	<b>-3,924</b>	<b>-2,306</b>	<b>-294</b>

Note: Columns may not add due to rounding.

Table 1.10

**PUBLIC FINANCIAL CORPORATIONS**  
Operating Statement

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		982	1,190	1,193	1,355	1,430	1,510
Interest income		1,776	2,031	1,897	2,013	2,246	2,404
Other		-	1	1	-	-	-
<b>Total</b>		<b>2,758</b>	<b>3,222</b>	<b>3,091</b>	<b>3,368</b>	<b>3,676</b>	<b>3,914</b>
<b>EXPENSES</b>							
Salaries		53	57	57	58	60	62
Superannuation							
Concurrent costs		5	6	6	6	6	6
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		6	7	7	7	7	7
Services and contracts		11	11	11	10	11	11
Other gross operating expenses		835	1,094	1,097	1,212	1,287	1,372
Other interest		1,663	1,812	1,696	1,818	2,031	2,189
Tax equivalents		104	24	32	31	34	35
Current transfers		5	5	5	5	5	5
Capital transfers		2	1	5	3	3	3
<b>Total</b>		<b>2,686</b>	<b>3,020</b>	<b>2,917</b>	<b>3,151</b>	<b>3,445</b>	<b>3,691</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>72</b>	<b>202</b>	<b>174</b>	<b>217</b>	<b>231</b>	<b>223</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-4	-	-	-	-	-
Net actuarial gains - superannuation		1	-	-	-	-	-
Provision for doubtful debts		2	-	-	-	-	-
Changes in accounting policy/adjustment of prior periods		-168	-	-	-	-	-
<b>Total other economic flows</b>		<b>-169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING RESULT</b>		<b>-97</b>	<b>202</b>	<b>174</b>	<b>217</b>	<b>231</b>	<b>223</b>
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-107	-	-	-1	-1	-2
Gains recognised directly in equity		191	-	-	-	-	-
All other		-	-	-	-	-	-
<b>Total other non-owner movements in equity</b>		<b>84</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-1</b>	<b>-2</b>
<i>Movements in owner equity</i>							
Dividends		-230	-166	-101	-128	-138	-132
Capital injections		13	-	-	-	-	-
<b>Total movements in owner equity</b>		<b>-216</b>	<b>-166</b>	<b>-101</b>	<b>-128</b>	<b>-138</b>	<b>-132</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-229</b>	<b>36</b>	<b>73</b>	<b>87</b>	<b>91</b>	<b>90</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>72</b>	<b>202</b>	<b>174</b>	<b>217</b>	<b>231</b>	<b>223</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5	8	8	7	8	9
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>Less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		6	7	7	7	7	7
<b>Total net acquisition of non-financial assets</b>		<b>-2</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>74</b>	<b>201</b>	<b>174</b>	<b>216</b>	<b>231</b>	<b>222</b>

Note: Columns may not add due to rounding.



Table 1.11

**PUBLIC FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2016	2017	2017	2018	2019	2020
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		275	24	260	267	275	283
Advances paid		4,413	4,390	3,495	3,802	3,957	3,992
Investments, loans and placements		52,977	55,309	53,686	56,779	61,654	63,562
Receivables		873	446	868	859	853	852
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,471	1,833	1,611	1,773	1,951	2,152
Other financial assets		11	7	11	11	11	11
<b>Total financial assets</b>		<b>60,020</b>	<b>62,009</b>	<b>59,931</b>	<b>63,491</b>	<b>68,700</b>	<b>70,851</b>
<i>Non-financial assets</i>							
Land		-	-	-	-	-	-
Property, plant and equipment		4	6	4	4	4	4
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		8	10	7	8	8	9
Non-current assets held for sale		87	-	-	-	-	-
Investment property		224	406	242	264	287	310
Other		5	2	2	2	2	2
<b>Total non-financial assets</b>		<b>328</b>	<b>424</b>	<b>255</b>	<b>278</b>	<b>301</b>	<b>325</b>
<b>TOTAL ASSETS</b>		<b>60,347</b>	<b>62,433</b>	<b>60,186</b>	<b>63,769</b>	<b>69,001</b>	<b>71,176</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		3	3	3	3	3	3
Borrowings		54,523	56,303	54,090	57,233	61,975	63,592
Unfunded superannuation		8	11	10	12	13	15
Other employee benefits		10	10	10	10	10	10
Payables		284	139	185	158	135	136
Other liabilities		3,739	3,894	4,034	4,413	4,834	5,299
<b>TOTAL LIABILITIES</b>		<b>58,567</b>	<b>60,360</b>	<b>58,333</b>	<b>61,829</b>	<b>66,969</b>	<b>69,054</b>
<b>NET ASSETS</b>		<b>1,780</b>	<b>2,073</b>	<b>1,853</b>	<b>1,940</b>	<b>2,032</b>	<b>2,122</b>
<i>Of which:</i>							
Contributed equity		16	3	16	16	16	16
Accumulated surplus		1,743	1,800	1,816	1,905	1,998	2,089
Other reserves		21	271	20	19	18	16
<b>NET WORTH</b>	6	<b>1,780</b>	<b>2,073</b>	<b>1,853</b>	<b>1,940</b>	<b>2,032</b>	<b>2,122</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-328	-424	-255	-278	-301	-325
<i>Net debt</i>							
Gross debt liabilities		54,526	56,306	54,093	57,236	61,977	63,595
Less: liquid financial assets		57,665	59,723	57,441	60,848	65,886	67,837
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>-3,139</b>	<b>-3,417</b>	<b>-3,347</b>	<b>-3,612</b>	<b>-3,908</b>	<b>-4,242</b>

Note: Columns may not add due to rounding.

Table 1.12

**PUBLIC FINANCIAL CORPORATIONS**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		-	5	5	5	5	5
Receipts from sales of goods and services		1,114	1,267	1,270	1,342	1,414	1,513
Interest receipts		1,724	2,031	1,897	2,013	2,246	2,404
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		145	149	149	156	164	174
<b>Total cash received</b>		<b>2,982</b>	<b>3,453</b>	<b>3,321</b>	<b>3,516</b>	<b>3,829</b>	<b>4,095</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-58	-62	-61	-62	-64	-66
Payments for goods and services		-757	-844	-848	-876	-911	-953
Interest paid		-1,866	-1,812	-1,702	-1,818	-2,031	-2,189
Grants and subsidies paid		-	-	-	-1	-	-
Tax equivalents		-63	-106	-106	-33	-32	-34
Other payments		-207	-239	-239	-250	-263	-278
<b>Total cash paid</b>		<b>-2,952</b>	<b>-3,063</b>	<b>-2,956</b>	<b>-3,039</b>	<b>-3,301</b>	<b>-3,520</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>31</b>	<b>390</b>	<b>365</b>	<b>477</b>	<b>528</b>	<b>576</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5	-8	-8	-7	-8	-9
Sales of non-financial assets		-	-	-	-	-	-
<b>Total cash flows from investments in non-financial assets</b>		<b>-4</b>	<b>-8</b>	<b>-7</b>	<b>-7</b>	<b>-7</b>	<b>-8</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		4,417	7,198	5,681	4,471	4,706	4,912
<i>Cash paid</i>							
For policy purposes		-	-	-	-1	-1	-2
For liquidity purposes		-3,962	-7,361	-4,923	-4,989	-5,096	-5,217
<b>Total cash flows from investments in financial assets</b>		<b>455</b>	<b>-163</b>	<b>757</b>	<b>-520</b>	<b>-391</b>	<b>-306</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>451</b>	<b>-171</b>	<b>750</b>	<b>-527</b>	<b>-399</b>	<b>-314</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		30,883	47,301	42,995	40,465	39,666	37,944
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<b>Total cash received</b>		<b>30,883</b>	<b>47,301</b>	<b>42,995</b>	<b>40,465</b>	<b>39,666</b>	<b>37,944</b>
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-29,000	-47,333	-43,873	-40,164	-39,520	-37,917
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-211	-166	-146	-118	-125	-118
<b>Total cash paid</b>		<b>-29,211</b>	<b>-47,500</b>	<b>-44,019</b>	<b>-40,282</b>	<b>-39,646</b>	<b>-38,036</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,671</b>	<b>-198</b>	<b>-1,024</b>	<b>182</b>	<b>20</b>	<b>-92</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,153</b>	<b>21</b>	<b>91</b>	<b>133</b>	<b>149</b>	<b>169</b>
Cash and cash equivalents at the beginning of the year		3,242	3,648	5,395	5,485	5,618	5,767
Cash and cash equivalents at the end of the year		5,395	3,669	5,485	5,618	5,767	5,936
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		31	390	365	477	528	576
Net cash flows from investing in non-financial assets		-4	-8	-7	-7	-7	-8
Dividends paid		-211	-166	-146	-118	-125	-118
<b>Cash surplus/deficit</b>	<b>6</b>	<b>-185</b>	<b>216</b>	<b>211</b>	<b>352</b>	<b>395</b>	<b>449</b>

Note: Columns may not add due to rounding.

Table 1.13

**TOTAL PUBLIC SECTOR**  
**Operating Statement**

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		8,560	8,406	8,031	8,234	8,573	8,934
Current grants and subsidies		7,407	7,687	7,844	8,794	10,498	11,790
Capital grants		895	779	413	1,005	652	406
Sales of goods and services		21,583	19,496	22,034	21,550	22,777	23,656
Interest income		635	584	552	532	590	615
Royalty income		4,126	3,842	5,181	4,964	5,039	5,073
Other		1,110	1,029	1,041	1,038	969	1,068
<i>Total</i>		<i>44,316</i>	<i>41,824</i>	<i>45,095</i>	<i>46,117</i>	<i>49,100</i>	<i>51,541</i>
<b>EXPENSES</b>							
Salaries		12,627	13,086	13,290	13,268	13,527	13,807
Superannuation							
Concurrent costs		1,296	1,296	1,350	1,338	1,356	1,377
Superannuation interest cost		218	200	211	209	215	220
Other employee costs		257	259	258	260	265	268
Depreciation and amortisation		3,354	3,605	3,517	3,606	3,666	3,716
Services and contracts		3,179	3,253	3,298	3,133	3,074	3,057
Other gross operating expenses		20,279	18,356	21,133	20,123	21,184	21,945
Other interest		1,643	1,733	1,677	1,784	1,969	2,093
Current transfers		3,683	3,947	3,924	4,015	4,261	4,489
Capital transfers		340	326	405	272	272	276
<i>Total</i>		<i>46,875</i>	<i>46,060</i>	<i>49,063</i>	<i>48,007</i>	<i>49,789</i>	<i>51,247</i>
<b>NET OPERATING BALANCE</b>	6	<b>-2,559</b>	<b>-4,237</b>	<b>-3,968</b>	<b>-1,890</b>	<b>-690</b>	<b>294</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-131	170	77	155	216	314
Net actuarial gains - superannuation		-610	-154	254	-146	-159	-172
Provision for doubtful debts		-68	-21	-25	-26	-26	-27
Changes in accounting policy/adjustment of prior periods		-743	-	-	-	-	-
<i>Total other economic flows</i>		<i>-1,552</i>	<i>-5</i>	<i>307</i>	<i>-17</i>	<i>31</i>	<i>115</i>
<b>OPERATING RESULT</b>		<b>-4,111</b>	<b>-4,242</b>	<b>-3,662</b>	<b>-1,907</b>	<b>-659</b>	<b>408</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-4,176	1,328	840	1,589	1,927	2,144
Gains recognised directly in equity		1,854	-55	50	-16	-6	-9
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>-2,322</i>	<i>1,274</i>	<i>890</i>	<i>1,573</i>	<i>1,921</i>	<i>2,135</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-6,433</b>	<b>-2,968</b>	<b>-2,771</b>	<b>-334</b>	<b>1,262</b>	<b>2,543</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-2,559</b>	<b>-4,237</b>	<b>-3,968</b>	<b>-1,890</b>	<b>-690</b>	<b>294</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,237	5,862	5,548	6,373	5,745	4,681
Changes in inventories		1,024	251	211	169	193	128
Other movement in non-financial assets		171	195	363	660	271	354
<i>Less:</i>							
Sales of non-financial assets		701	1,070	893	1,058	1,021	1,097
Depreciation		3,354	3,605	3,517	3,606	3,666	3,716
<i>Total net acquisition of non-financial assets</i>		<i>2,376</i>	<i>1,634</i>	<i>1,711</i>	<i>2,538</i>	<i>1,522</i>	<i>349</i>
<b>NET LENDING/-BORROWING</b>	6	<b>-4,935</b>	<b>-5,871</b>	<b>-5,679</b>	<b>-4,428</b>	<b>-2,211</b>	<b>-56</b>

Note: Columns may not add due to rounding.

Table 1.14

**TOTAL PUBLIC SECTOR**  
**Balance Sheet at 30 June**

	Note	2016	2017	2017	2018	2019	2020
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,873	1,646	1,800	1,884	1,889	2,137
Advances paid		4,729	4,723	3,835	4,162	4,335	4,385
Investments, loans and placements		18,322	13,650	13,755	12,258	14,462	15,655
Receivables		4,140	3,626	4,643	4,660	4,915	5,031
Equity - Investments in other entities		1,544	1,917	1,676	1,842	2,031	2,249
Other financial assets		18	7	18	19	19	19
<i>Total financial assets</i>		30,626	25,567	25,727	24,825	27,651	29,476
<i>Non-financial assets</i>							
Land		53,233	54,480	53,370	53,926	54,779	56,162
Property, plant and equipment		97,324	103,317	99,600	103,511	106,063	107,475
Biological assets		334	319	335	338	339	340
Inventories							
Land inventories		2,172	2,182	2,193	2,233	2,193	2,182
Other inventories		4,501	4,356	4,711	4,881	5,073	5,201
Intangibles		1,097	1,051	1,089	1,051	1,001	918
Non-current assets held for sale		147	65	63	63	63	56
Investment property		297	457	315	337	360	383
Other		634	884	803	356	359	347
<i>Total non-financial assets</i>		159,740	167,112	162,480	166,697	170,230	173,063
<b>TOTAL ASSETS</b>		<b>190,366</b>	<b>192,680</b>	<b>188,207</b>	<b>191,522</b>	<b>197,881</b>	<b>202,540</b>
<b>LIABILITIES</b>							
Deposits held		27	56	31	31	31	31
Advances received		392	376	376	360	343	327
Borrowings		51,852	53,424	52,371	55,489	59,983	61,528
Unfunded superannuation		8,068	7,805	7,506	7,315	7,176	7,081
Other employee benefits		3,345	3,474	3,386	3,420	3,476	3,518
Payables		6,370	6,202	6,664	6,853	7,099	7,279
Other liabilities		5,446	5,388	5,776	6,292	6,750	7,209
<b>TOTAL LIABILITIES</b>		<b>75,499</b>	<b>76,726</b>	<b>76,111</b>	<b>79,761</b>	<b>84,857</b>	<b>86,973</b>
<b>NET ASSETS</b>		<b>114,866</b>	<b>115,954</b>	<b>112,095</b>	<b>111,761</b>	<b>113,023</b>	<b>115,566</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,555	28,362	30,004	28,081	27,413	27,808
Other reserves		85,312	87,592	82,091	83,680	85,610	87,759
<b>NET WORTH</b>	6	<b>114,866</b>	<b>115,954</b>	<b>112,095</b>	<b>111,761</b>	<b>113,023</b>	<b>115,566</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-44,873	-51,158	-50,385	-54,936	-57,207	-57,497
<i>Net financial liabilities</i>		46,417	53,075	52,061	56,778	59,238	59,746
<i>Net debt</i>							
Gross debt liabilities		52,271	53,856	52,779	55,881	60,357	61,886
Less: liquid financial assets		24,924	20,018	19,389	18,304	20,686	22,177
Less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		27,347	33,838	33,389	37,576	39,671	39,709

Note: Columns may not add due to rounding.

Table 1.15

**TOTAL PUBLIC SECTOR**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		8,556	8,318	7,946	8,144	8,479	8,834
Grants and subsidies received		8,310	8,437	8,240	9,792	11,157	12,196
Receipts from sales of goods and services		21,979	19,942	22,359	21,924	23,065	23,963
Interest receipts		667	642	593	581	650	643
Dividends and tax equivalents		-	-	-	-	-	-
Other		7,156	6,482	7,555	7,662	7,533	7,648
<i>Total cash received</i>		<b>46,668</b>	<b>43,821</b>	<b>46,692</b>	<b>48,103</b>	<b>50,883</b>	<b>53,284</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,834	-14,912	-15,141	-15,145	-15,385	-15,703
Payments for goods and services		-22,112	-19,924	-22,873	-21,483	-22,428	-23,090
Interest paid		-1,940	-1,695	-1,658	-1,765	-1,951	-2,076
Grants and subsidies paid		-3,711	-4,066	-4,092	-4,159	-4,389	-4,608
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,266	-3,958	-3,675	-3,808	-3,917	-4,068
<i>Total cash paid</i>		<b>-46,863</b>	<b>-44,555</b>	<b>-47,440</b>	<b>-46,360</b>	<b>-48,070</b>	<b>-49,545</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-195</b>	<b>-733</b>	<b>-747</b>	<b>1,743</b>	<b>2,813</b>	<b>3,739</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,237	-5,862	-5,548	-6,373	-5,745	-4,681
Sales of non-financial assets		701	1,070	893	1,058	1,021	1,097
<i>Total cash flows from investments in non-financial assets</i>		<b>-4,536</b>	<b>-4,793</b>	<b>-4,655</b>	<b>-5,315</b>	<b>-4,724</b>	<b>-3,584</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		140	10	10	10	10	10
For liquidity purposes		4,850	7,246	5,797	4,552	4,746	4,980
<i>Cash paid</i>							
For policy purposes		-16	-10	-10	-10	-10	-10
For liquidity purposes		-4,457	-7,398	-5,006	-5,022	-5,124	-5,229
<i>Total cash flows from investments in financial assets</i>		<b>516</b>	<b>-152</b>	<b>791</b>	<b>-470</b>	<b>-377</b>	<b>-249</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-4,020</b>	<b>-4,944</b>	<b>-3,864</b>	<b>-5,784</b>	<b>-5,101</b>	<b>-3,832</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		18,612	17,475	18,667	19,892	19,479	17,690
Deposits received		-	-	-	-	-	-
Other financing receipts		49	35	42	37	39	42
<i>Total cash received</i>		<b>18,660</b>	<b>17,510</b>	<b>18,708</b>	<b>19,929</b>	<b>19,518</b>	<b>17,731</b>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-11,333	-11,972	-13,862	-14,762	-14,787	-15,946
Deposits paid		-	-	-	-	-	-
Other financing payments		-391	-432	-423	-228	-186	-184
<i>Total cash paid</i>		<b>-11,740</b>	<b>-12,419</b>	<b>-14,301</b>	<b>-15,006</b>	<b>-14,990</b>	<b>-16,147</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>6,921</b>	<b>5,091</b>	<b>4,408</b>	<b>4,923</b>	<b>4,528</b>	<b>1,585</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,706</b>	<b>-587</b>	<b>-204</b>	<b>881</b>	<b>2,240</b>	<b>1,491</b>
Cash and cash equivalents at the beginning of the year		9,239	10,519	11,946	11,742	12,623	14,863
Cash and cash equivalents at the end of the year		11,946	9,932	11,742	12,623	14,863	16,354
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-195	-733	-747	1,743	2,813	3,739
Net cash flows from investing in non-financial assets		-4,536	-4,793	-4,655	-5,315	-4,724	-3,584
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-4,731</b>	<b>-5,526</b>	<b>-5,402</b>	<b>-3,572</b>	<b>-1,911</b>	<b>155</b>

Note: Columns may not add due to rounding.

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## NOTE 1: STATEMENT OF COMPLIANCE

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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*.

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## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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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. The financial projections of the consolidated general government (centrally funded agencies such as the Department of Education and WA Health) and the public non-financial corporations (such as water and electricity utilities, and the ports) are also presented as the total non-financial public sector.

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.

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

*(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 2015-16 *Annual Report on State Finances (ARSF)*, which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2015-16 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 audited.

*(d) Comparative figures*

Comparative information for 2015-16 is based on the audited actual data presented in the 2015-16 ARSF.

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### NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

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

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### NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

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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 UPF disclosure requirements.

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#### TRANSFER EXPENSES <sup>(a)</sup> General Government

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local government	413	206	230	218	216	233
Local government on-passing	85	177	173	180	188	197
Private and not-for-profit sector	1,319	1,560	1,545	1,589	1,757	1,873
Private and not-for-profit sector on-passing	1,110	1,191	1,167	1,216	1,271	1,332
Other sectors of government	2,237	2,177	2,169	2,074	1,979	1,864
<i>Total Current Transfers</i>	<i>5,164</i>	<i>5,311</i>	<i>5,284</i>	<i>5,278</i>	<i>5,411</i>	<i>5,499</i>
<i>CAPITAL TRANSFERS</i>						
Local government	88	107	108	52	40	33
Local government on-passing	54	108	108	112	116	121
Private and not-for-profit sector	111	92	101	88	88	88
Private and not-for-profit sector on-passing	15	17	17	17	18	19
Other sectors of government	200	211	216	191	26	5
<i>Total Capital Transfers</i>	<i>469</i>	<i>535</i>	<i>548</i>	<i>461</i>	<i>288</i>	<i>266</i>

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

Note: Columns may not add due to rounding.

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

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	206	453	363	365	421	464
Public order and safety	3,372	3,397	3,465	3,398	3,355	3,377
Education	7,017	7,244	7,149	7,302	7,465	7,685
Health	8,306	8,471	8,810	8,764	9,175	9,360
Social security and welfare	2,114	2,344	2,345	2,267	2,354	2,393
Housing and community amenities	2,043	1,667	1,662	1,579	1,646	1,686
Recreation and culture	789	803	829	844	823	821
Fuel and energy	464	489	476	342	245	187
Agriculture, forestry, fishing and hunting	386	371	396	384	355	329
Mining and mineral resources other than fuels; manufacturing; and construction	216	234	230	236	201	199
Transport and communications	2,003	2,276	2,300	2,278	2,378	2,532
Other economic affairs	620	690	706	738	624	581
Other purposes	968	1,156	1,170	1,292	1,435	1,547
<b>Total General Government Expenses</b>	<b>28,506</b>	<b>29,596</b>	<b>29,901</b>	<b>29,788</b>	<b>30,476</b>	<b>31,162</b>
<i>Purchases of new non-financial assets</i>						
General public services	191	122	198	134	109	135
Public order and safety	167	169	215	133	70	63
Education	326	310	347	391	341	237
Health	385	517	597	398	207	76
Social security and welfare	32	25	29	22	11	6
Housing and community amenities	151	24	38	30	249	330
Recreation and culture	110	218	200	164	209	108
Fuel and energy	1	2	2	2	1	1
Agriculture, forestry, fishing and hunting	27	30	28	26	19	17
Mining and mineral resources other than fuels; manufacturing; and construction	8	10	15	1	1	1
Transport and communications	1,032	1,278	1,054	1,619	1,231	695
Other economic affairs	46	80	86	52	30	20
Other purposes	-	-300	-550	-	-	-
<b>Total Purchases of Non-financial Assets</b>	<b>2,475</b>	<b>2,484</b>	<b>2,259</b>	<b>2,972</b>	<b>2,477</b>	<b>1,689</b>

(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 may be different to agency totals in the Asset Investment Program.

Note: Columns may not add due to rounding.

## NOTE 6: CONVERGENCE DIFFERENCES

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

The following tables detail all convergence differences in the forward estimates.



## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Operating Balance

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB 1049 net operating balance	-2,021	-3,914	-3,388	-1,534	-376	521
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Total GFS Expense adjustments	88	-	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	-88	-	-	-	-	-
<b>GFS net operating balance</b>	<b>-2,109</b>	<b>-3,914</b>	<b>-3,388</b>	<b>-1,534</b>	<b>-376</b>	<b>521</b>
<u>Public non-financial corporations</u>						
AASB 1049 net operating balance	892	577	352	611	715	807
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	31	19	12	15	17	15
Dividends	1,273	935	1,006	1,056	1,121	1,126
Total GFS expense adjustments	1,304	954	1,018	1,071	1,138	1,141
Total GFS adjustments to AASB 1049 net operating balance	-1,304	-954	-1,018	-1,071	-1,138	-1,141
<b>GFS net operating balance</b>	<b>-411</b>	<b>-377</b>	<b>-666</b>	<b>-460</b>	<b>-424</b>	<b>-334</b>
<u>Total non-financial public sector</u>						
AASB 1049 net operating balance	-2,401	-4,273	-4,041	-1,979	-783	202
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	31	19	12	15	17	15
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Total GFS expense adjustments	119	19	12	15	17	15
Total GFS adjustments to AASB 1049 net operating balance	-119	-19	-12	-15	-17	-15
<b>GFS net operating balance</b>	<b>-2,520</b>	<b>-4,291</b>	<b>-4,053</b>	<b>-1,994</b>	<b>-800</b>	<b>187</b>
<u>Public financial corporations</u>						
AASB 1049 net operating balance	72	202	174	217	231	223
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dividends	230	166	101	128	138	132
Total GFS expense adjustments	230	166	101	128	138	132
Total GFS adjustments to AASB 1049 net operating balance	-230	-166	-101	-128	-138	-132
<b>GFS net operating balance</b>	<b>-158</b>	<b>36</b>	<b>73</b>	<b>89</b>	<b>93</b>	<b>91</b>
<u>Total public sector</u>						
AASB 1049 net operating balance	-2,559	-4,237	-3,968	-1,890	-690	294
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	31	19	12	15	17	15
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Total GFS expense adjustments	119	19	12	15	17	15
Total GFS adjustments to AASB 1049 net operating balance	-119	-19	-12	-15	-17	-15
<b>GFS net operating balance</b>	<b>-2,678</b>	<b>-4,255</b>	<b>-3,980</b>	<b>-1,905</b>	<b>-707</b>	<b>278</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Lending

	2015-16 Actual \$m	2016-17 Budget Estimate \$m	2016-17 Mid-year Revision \$m	2017-18 Mid-year Revision \$m	2018-19 Mid-year Revision \$m	2019-20 Mid-year Revision \$m
<i><u>General government</u></i>						
AASB 1049 net lending/-borrowing	-3,064	-4,753	-4,273	-3,337	-1,274	407
Plus Net operating balance convergence difference (noted above)	-88	-	-	-	-	-
<b>GFS net lending/-borrowing</b>	<b>-3,152</b>	<b>-4,753</b>	<b>-4,273</b>	<b>-3,337</b>	<b>-1,274</b>	<b>407</b>
<i><u>Public non-financial corporations</u></i>						
AASB 1049 net lending/-borrowing	-442	-218	-473	-123	91	573
Plus Net operating balance convergence difference (noted above)	-1,304	-954	-1,018	-1,071	-1,138	-1,141
<b>GFS net lending/-borrowing</b>	<b>-1,746</b>	<b>-1,172</b>	<b>-1,491</b>	<b>-1,194</b>	<b>-1,048</b>	<b>-569</b>
<i><u>Total non-financial public sector</u></i>						
AASB 1049 net lending/-borrowing	-4,779	-5,906	-5,752	-4,516	-2,304	-146
Plus Net operating balance convergence difference (noted above)	-119	-19	-12	-15	-17	-15
<b>GFS net lending/-borrowing</b>	<b>-4,898</b>	<b>-5,925</b>	<b>-5,764</b>	<b>-4,531</b>	<b>-2,321</b>	<b>-162</b>
<i><u>Public financial corporations</u></i>						
AASB 1049 net lending/-borrowing	74	201	174	216	231	222
Plus Net operating balance convergence difference (noted above)	-230	-166	-101	-128	-138	-132
<b>GFS net lending/-borrowing</b>	<b>-156</b>	<b>35</b>	<b>73</b>	<b>88</b>	<b>93</b>	<b>91</b>
<i><u>Total public sector</u></i>						
AASB 1049 net lending/-borrowing	-4,935	-5,871	-5,679	-4,428	-2,211	-56
Plus Net operating balance convergence difference (noted above)	-119	-19	-12	-15	-17	-15
<b>GFS net lending/-borrowing</b>	<b>-5,054</b>	<b>-5,890</b>	<b>-5,691</b>	<b>-4,443</b>	<b>-2,229</b>	<b>-71</b>

Note: Columns may not add due to rounding.

**AASB 1049 TO GFS CONVERGENCE DIFFERENCES**  
Net Worth at 30 June

	2016	2017	2017	2018	2019	2020
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net worth	114,866	115,954	112,095	111,761	113,023	115,566
<i>Plus</i>						
Provision for doubtful debts						
General government sector	263	235	262	262	262	262
Impact on public corporations net worth	31	18	21	25	33	41
Total GFS net worth adjustments	293	253	284	287	295	303
<b>GFS net worth</b>	<b>115,160</b>	<b>116,207</b>	<b>112,379</b>	<b>112,048</b>	<b>113,319</b>	<b>115,870</b>
<u>Public non-financial corporations</u>						
AASB1049 net worth	54,054	56,387	55,009	55,601	56,313	57,339
<i>Plus</i>						
Impact of general government equity injections	-7,674	-8,642	-8,630	-8,956	-9,243	-9,542
Provision for doubtful debts	31	17	21	25	33	41
Total GFS net worth adjustments	-7,643	-8,626	-8,609	-8,931	-9,210	-9,501
<b>GFS net worth</b>	<b>46,411</b>	<b>47,761</b>	<b>46,400</b>	<b>46,670</b>	<b>47,103</b>	<b>47,839</b>
<u>Total non-financial public sector</u>						
AASB1049 net worth	114,866	115,954	112,095	111,761	113,023	115,566
<i>Plus</i>						
Provision for doubtful debts						
Total non-financial public sector	293	252	284	287	295	303
Impact on public corporations net worth	-	2	-	-	-	-
Total GFS net worth adjustments	293	253	284	287	295	303
<b>GFS net worth</b>	<b>115,160</b>	<b>116,207</b>	<b>112,379</b>	<b>112,048</b>	<b>113,319</b>	<b>115,870</b>
<u>Public financial corporations</u>						
AASB1049 net worth	1,780	2,073	1,853	1,940	2,032	2,122
<i>Plus</i>						
Provision for doubtful debts	-	2	-	-	-	-
Total GFS net worth adjustments	-	2	-	-	-	-
<b>GFS net worth</b>	<b>1,780</b>	<b>2,075</b>	<b>1,853</b>	<b>1,941</b>	<b>2,032</b>	<b>2,122</b>
<u>Total public sector</u>						
AASB1049 net worth	114,866	115,954	112,095	111,761	113,023	115,566
<i>Plus</i>						
Provision for doubtful debts	293	253	284	287	295	303
Total GFS net worth adjustments	293	253	284	287	295	303
<b>GFS net worth</b>	<b>115,160</b>	<b>116,207</b>	<b>112,379</b>	<b>112,048</b>	<b>113,319</b>	<b>115,870</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Change in Net Worth

	2016	2017	2017	2018	2019	2020
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 change in net worth	-6,433	-2,968	-2,771	-334	1,262	2,543
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-	-	-	-	-
Provision for doubtful debts						
General government sector	27	-	-	-	-	-
Impact on public corporations net worth	6	-	-9	4	8	8
Total GFS change in net worth adjustments	-55	-	-10	4	8	8
<b>GFS change in net worth</b>	<b>-6,488</b>	<b>-2,968</b>	<b>-2,781</b>	<b>-330</b>	<b>1,270</b>	<b>2,551</b>
<u>Public non-financial corporations</u>						
AASB1049 change in net worth	-237	1,327	956	591	712	1,026
Plus change in:						
Impact of general government equity injections	-782	-955	-957	-326	-287	-298
Provision for doubtful debts	6	-	-9	4	8	8
Total GFS change in net worth adjustments	-776	-955	-966	-322	-279	-290
<b>GFS change in net worth</b>	<b>-1,014</b>	<b>372</b>	<b>-11</b>	<b>270</b>	<b>433</b>	<b>736</b>
<u>Total non-financial public sector</u>						
AASB1049 change in net worth	-6,433	-2,968	-2,771	-334	1,262	2,543
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-	-	-	-	-
Provision for doubtful debts						
Total non-financial public sector	33	-	-10	4	8	8
Total GFS change in net worth adjustments	-55	-	-10	4	8	8
<b>GFS change in net worth</b>	<b>-6,488</b>	<b>-2,968</b>	<b>-2,781</b>	<b>-330</b>	<b>1,270</b>	<b>2,551</b>
<u>Public financial corporations</u>						
AASB1049 change in net worth	-229	36	73	87	91	90
Total GFS change in net worth adjustments	-	-	-	-	-	-
<b>GFS change in net worth</b>	<b>-229</b>	<b>36</b>	<b>73</b>	<b>87</b>	<b>91</b>	<b>90</b>
<u>Total public sector</u>						
AASB1049 change in net worth	-6,433	-2,968	-2,771	-334	1,262	2,543
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-	-	-	-	-
Provision for doubtful debts	33	-	-10	4	8	8
Total GFS change in net worth adjustments	-55	-	-10	4	8	8
<b>GFS change in net worth</b>	<b>-6,488</b>	<b>-2,968</b>	<b>-2,781</b>	<b>-330</b>	<b>1,270</b>	<b>2,551</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Cash Surplus/-Deficit

	2015-16 Actual \$m	2016-17 Budget Estimate \$m	2016-17 Mid-year Revision \$m	2017-18 Mid-year Revision \$m	2018-19 Mid-year Revision \$m	2019-20 Mid-year Revision \$m
<u>General government</u>						
AASB 1049 cash surplus/-deficit	-3,664	-4,684	-4,177	-2,964	-1,402	249
Less Acquisitions under finance leases and similar arrangements	-	79	291	469	61	86
<b>GFS cash surplus/-deficit</b>	<b>-3,664</b>	<b>-4,763</b>	<b>-4,468</b>	<b>-3,433</b>	<b>-1,463</b>	<b>164</b>
<u>Public non-financial corporations</u>						
AASB 1049 cash surplus/-deficit	-882	-1,058	-1,437	-960	-904	-543
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>-882</b>	<b>-1,058</b>	<b>-1,437</b>	<b>-960</b>	<b>-904</b>	<b>-543</b>
<u>Total non-financial public sector</u>						
AASB 1049 cash surplus/-deficit	-4,546	-5,742	-5,613	-3,924	-2,306	-294
Less Acquisitions under finance leases and similar arrangements	-	79	291	469	61	86
<b>GFS cash surplus/-deficit</b>	<b>-4,546</b>	<b>-5,821</b>	<b>-5,905</b>	<b>-4,393</b>	<b>-2,367</b>	<b>-379</b>
<u>Public financial corporations</u>						
AASB 1049 cash surplus/-deficit	-185	216	211	352	395	449
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>-185</b>	<b>216</b>	<b>211</b>	<b>352</b>	<b>395</b>	<b>449</b>
<u>Total public sector</u>						
AASB 1049 cash surplus/-deficit	-4,731	-5,526	-5,402	-3,572	-1,911	155
Less Acquisitions under finance leases and similar arrangements	-	79	291	469	61	86
<b>GFS cash surplus/-deficit</b>	<b>-4,731</b>	<b>-5,605</b>	<b>-5,694</b>	<b>-4,041</b>	<b>-1,972</b>	<b>69</b>

Note: Columns may not add due to rounding.

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## NOTE 7: LOAN COUNCIL ALLOCATIONS

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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 deficit position<sup>1</sup>.

An LCA deficit of \$4.4 billion is forecast for 2016-17, \$750 million lower than the \$5.2 billion Budget-time projection of \$5.2 billion. This reduction in deficit is driven by the net impact of:

- lower memorandum items due to lower forecast borrowings for Keystart (down \$921 million), mainly reflecting the partial divestment of Keystart's loan book (see feature box in Chapter 1);
- higher non-cash acquisitions under finance leases and similar arrangements (up \$212 million), primarily reflecting the delay in handover of the Eastern Goldfields Regional Prison from 2015-16; and
- a lower than projected cash deficit for the total non-financial public sector (down \$129 million), with a smaller deficit for the general government sector (down \$507 million), partly offset by a larger cash deficit for the public non-financial corporations sector (up \$379 million).

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

An LCA deficit of \$4 billion is forecast for 2017-18 (a \$357 million reduction relative to the 2016-17 estimated outturn). The lower LCA nomination for 2017-18 reflects the following factors:

- a lower cash deficit for the total non-financial public sector (down \$1.7 billion compared with the estimate for 2016-17), primarily reflecting a smaller deficit for the general government sector (down \$1.2 billion), as the revenue outlook begins to improve from 2017-18, and an almost \$0.5 billion lower public non-financial corporations sector deficit largely reflecting movements in forecast cash flows for operating activities;
- a \$300 million increase in new borrowings for home lending by Keystart (following the partial divestment of its loan book in 2016-17 noted above); and
- higher non-cash acquisitions under finance leases and similar arrangements (up \$178 million), largely reflecting the expected completion of the Perth Stadium in 2017-18.

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<sup>1</sup> For the purposes of LCAs, deficits are positive and surpluses are negative.

**LOAN COUNCIL ALLOCATIONS**  
Western Australia

	2016-17		2017-18 Nomination
	Budget Estimate	Mid-year Revision	
General government cash surplus/deficit	4,684	4,177	2,964
Public non-financial corporations sector cash surplus/deficit	1,058	1,437	960
<i>Total non-financial public sector cash surplus/deficit</i>	<i>5,742</i>	<i>5,613</i>	<i>3,924</i>
Acquisitions under finance leases and similar arrangements	79	291	469
<i>GFS cash surplus/deficit</i>	<i>5,821</i>	<i>5,905</i>	<i>4,393</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-
Plus: Memorandum items <sup>(a)</sup>	-669	-1,502	-347
<b>Loan Council Allocation</b>	<b>5,153</b>	<b>4,403</b>	<b>4,046</b>
<i>Tolerance Limit</i> <sup>(b)</sup>			937

(a) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the funding of more than emerging costs under public sector superannuation schemes).

(b) The tolerance limit is defined as 2% total non-financial public sector receipts and reflects a band of variability above and below the original LCA nomination.

Note: Columns may not add due to rounding.





## APPENDIX 2

# General Government Operating Revenue

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

Table 2.1

**OPERATING REVENUE**  
General Government

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<b>TAXATION</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,502	3,536	3,310	3,334	3,456	3,617
Property taxes						
<i>Land tax</i>	948	896	893	915	961	1,007
Transfer duty	1,338	1,387	1,253	1,297	1,378	1,438
Landholder duty	419	101	101	100	101	103
<i>Total duty on transfers</i>	1,756	1,489	1,354	1,397	1,480	1,541
Metropolitan Region Improvement Tax	98	98	99	108	113	119
Perth Parking Levy	57	58	58	60	60	60
Emergency Services Levy	307	323	323	337	344	350
Loan guarantee fees	134	150	142	153	165	181
<i>Total other property taxes</i>	596	629	621	658	683	710
Taxes on provision of goods and services						
Lotteries Commission	163	170	164	166	172	176
Video lottery terminals	-	1	1	1	1	1
Casino tax	65	68	68	70	71	71
Betting tax	42	45	45	46	47	48
<i>Total taxes on gambling</i>	270	283	277	283	291	296
Insurance duty	592	656	647	686	726	768
Other	24	20	20	22	23	23
<i>Total taxes on insurance</i>	615	676	667	708	749	791
Taxes on use of goods and performance of activities						
Vehicle licence duty	346	350	346	350	356	362
Permits - oversize vehicles and loads	7	8	8	8	8	8
Motor vehicle recording fee	60	56	56	56	56	57
Motor vehicle registrations	874	907	907	944	976	1,010
<i>Total motor vehicle taxes</i>	1,286	1,321	1,317	1,359	1,397	1,437
<i>Mining Rehabilitation Levy</i>	28	27	27	27	27	27
<i>Landfill Levy</i>	69	70	70	76	76	76
<b>Total Taxation</b>	<b>9,069</b>	<b>8,927</b>	<b>8,536</b>	<b>8,758</b>	<b>9,119</b>	<b>9,503</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<b>CURRENT GRANTS AND SUBSIDIES</b>						
General Purpose Grants						
GST grants	1,881	2,035	2,011	2,731	4,178	5,166
North West Shelf grants	616	457	520	565	531	532
Commonwealth compensation for changed crude oil excise arrangements	29	25	29	31	29	29
Grants Through the State						
Schools assistance – non-government schools	1,110	1,191	1,167	1,216	1,271	1,332
Local government financial assistance grants	85	177	173	180	188	197
Local government roads	54	108	108	112	116	121
National Specific Purpose Payment Agreement Grants						
National Agreement for Skills and Workforce						
Development	157	163	161	165	168	172
National Disability Services	147	165	163	169	177	185
National Affordable Housing	143	148	147	150	153	156
Students First	558	604	598	736	878	929
National Health Reform	1,844	1,956	2,045	2,170	2,315	2,477
Other Grants/National Partnerships						
Health	422	308	306	315	294	295
Housing	16	15	19	1	1	-
Transport	69	77	93	76	63	63
Other	275	259	305	176	135	136
<b>Total Current Grants and Subsidies</b>	<b>7,407</b>	<b>7,687</b>	<b>7,844</b>	<b>8,794</b>	<b>10,498</b>	<b>11,790</b>
<b>CAPITAL GRANTS</b>						
Grants Through the State						
Schools assistance – non-government schools	15	17	17	17	18	19
Other Grants/National Partnerships						
Housing	163	131	145	84	-	-
Transport	698	596	224	894	633	387
Other	18	36	27	10	1	-
<b>Total Capital Grants</b>	<b>895</b>	<b>779</b>	<b>413</b>	<b>1,005</b>	<b>652</b>	<b>406</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	\$m	\$m	\$m	\$m	\$m
<b>SALES OF GOODS AND SERVICES</b>						
WA Health	632	598	766	780	801	829
Department of Transport	171	174	165	157	161	173
Department of Education	158	163	167	169	172	176
State Training Providers/TAFE Colleges	130	155	131	128	124	126
Department of Training and Workforce Development	54	55	51	51	53	53
Western Australian Land Information Authority	123	133	123	129	138	154
Department of Parks and Wildlife	40	42	42	42	43	43
Department of the Attorney General	101	108	107	111	108	108
Department of Commerce	99	97	95	95	93	79
Department of Mines and Petroleum	54	69	64	70	70	69
All Other	594	633	518	567	591	595
<b>Total Sale of Goods and Services</b>	<b>2,155</b>	<b>2,227</b>	<b>2,229</b>	<b>2,302</b>	<b>2,354</b>	<b>2,404</b>
<b>INTEREST INCOME</b>	<b>192</b>	<b>167</b>	<b>182</b>	<b>170</b>	<b>175</b>	<b>186</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>						
Dividends	1,415	984	1,034	1,109	1,177	1,187
Tax Equivalent Regime	631	499	490	576	575	631
<b>Total Revenue from Public Corporations</b>	<b>2,047</b>	<b>1,483</b>	<b>1,524</b>	<b>1,685</b>	<b>1,752</b>	<b>1,818</b>
<b>ROYALTY INCOME</b>	<b>4,126</b>	<b>3,842</b>	<b>5,181</b>	<b>4,964</b>	<b>5,039</b>	<b>5,073</b>
<b>OTHER</b>						
Lease rentals	92	93	95	95	94	92
Fines	206	199	206	214	205	199
Revenue not elsew here counted	297	276	303	267	212	214
<b>Total Other</b>	<b>594</b>	<b>568</b>	<b>604</b>	<b>576</b>	<b>510</b>	<b>505</b>
<b>TOTAL REVENUE</b>	<b>26,485</b>	<b>25,681</b>	<b>26,513</b>	<b>28,254</b>	<b>30,100</b>	<b>31,683</b>

Note: Columns may not add due to rounding.

## Major Spending Changes

Spending changes detailed in this appendix include:

- all material decisions made between the 19 April 2016 cut-off date for the 2016-17 Budget and the 28 November 2016 cut-off date for this Mid-year Review; and
- other changes of a material nature affecting agency spending over the forward estimates period. 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.

In this Mid-year Review, forecasts for recurrent expenditure on Government Regional Officer Housing (GROH) have been revised downwards across the forward estimates period for a number of agencies. These revised forecasts reflect lower rental costs in regional centres, rather than any change in Government policy. The financial impact for each agency is reflected in the respective Major Spending Changes table in this appendix.

Funds previously allocated to the Royalties for Regions (RfR) program (through global expense provisions) have been allocated to a number of specific projects as part of this Mid-year Review. As such, these funding decisions have no additional impact on whole-of-government financial projections relative to the 2016-17 Budget. These previously allocated funds have been used as the source of funding for most of the RfR projects detailed in this appendix. However, there are three new initiatives to be funded by the Royalties for Regions Regional Reform Fund (and detailed below under the Department for Regional Development) where spending will impact whole-of-government financial projections.

## Major Spending Changes (by Portfolio)

**PREMIER; MINISTER FOR TOURISM; SCIENCE**

<b>MAJOR SPENDING CHANGES</b>					Table 1
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	
<b>PREMIER AND CABINET</b>					
<b>Expenses</b>					
Yarloop Clean-up Costs	10.0	-	-	-	
Premier's Science Fellowship Program	-	0.4	0.8	1.1	
Shark Hazard Mitigation Strategy – Clever Buoy and Drone Trial	0.3	-	-	-	
Western Australia Symphony Orchestra Trip to China	0.2	-	-	-	
Historic Heart Project	0.1	-	-	-	
<b>GOLD CORPORATION</b>					
<b>Asset Investment</b>					
Additional Asset Investment	2.8	-	-	-	
<b>LOTTERIES COMMISSION</b>					
<b>Asset Investment</b>					
New Office Accommodation Lease Agreement	4.8	-	-	-	
<b>WESTERN AUSTRALIAN TOURISM COMMISSION</b>					
<b>Expenses</b>					
Destination Marketing	-	8.2	-	-	
Events Funding	2.1	-	-	-	
Western Australian Visitor Centre	-	1.2	-	-	

**Premier and Cabinet****Expenses*****Yarloop Clean-up Costs***

An additional \$10 million will be spent in 2016-17 to meet further costs associated with the Yarloop bushfire. The expenditure extends the Government's commitment to rebuilding the Yarloop Township and includes works such as demolition, waste removal and site remediation, environmental services and cleaning public open spaces, traffic management and security.

***Premier's Science Fellowship Program***

An amount of \$2.3 million will be spent between 2017-18 and 2019-20 to establish the Premier's Science Fellowship Program which will build on the success of the current Western Australian Fellowship program and will closely align with the State's Science Priority Areas. The Program aims to attract leading researchers and scientists to Western Australia.

***Shark Hazard Mitigation Strategy – Clever Buoy and Drone Trial***

A total of \$338,000 will be spent in 2016-17 to conduct a trial of 'Clever Buoy' technology and Drone technology as part of the State's Shark Hazard Mitigation Strategy (a further \$250,000 is being provided for the 'Clever Buoy' trial from the Innovation Fund).

***Western Australian Symphony Orchestra trip to China***

A further \$195,000 in 2016-17 was approved for the Western Australian Symphony Orchestra's tour of Abu Dhabi and Beijing. The tour included representation at the prestigious Beijing Music Festival (\$55,000 was also provided by other agencies).

***Historic Heart Project***

An amount of \$125,000 in 2016-17 will be spent as part of public beautification works to the east of Barrack Street. The works will leverage off private sector investment and expenditure by various other government agencies to enhance the vibrancy of the city (\$125,000 is also being provided by other agencies).

**Gold Corporation****Asset Investment*****Additional Asset Investment***

An additional \$2.8 million will be spent in 2016-17 to upgrade the Enterprise Resource Planning system, silver refining equipment and minor asset replacements.

**Lotteries Commission****Asset Investment*****New Office Accommodation Lease Agreement***

An additional \$4.8 million has been approved in 2016-17 to reflect a change in accounting treatment for the landlord's contribution to fitout costs (totalling \$6.5 million) associated with Lotteries' new office accommodation in Subiaco. The expenditure relates to fixtures, fittings and furnishings, network and communication costs.

**Western Australian Tourism Commission****Expenses*****Destination Marketing***

An additional \$8.2 million in 2017-18 will be used to promote Western Australia, particularly in Asian markets and interstate, to help grow visitor expenditure to \$12 billion by 2020. This will bring the total marketing budget to \$46.4 million in 2017-18 (and a total of \$163.8 million across the whole forward estimates period).

***Events Funding***

An additional \$2.1 million will be spent in 2016-17 on events funding, with the aim of delivering an internationally competitive calendar of events that increases the appeal of Western Australia as a tourism destination. This brings the total events budget to \$127.1 million across the forward estimates period.

***Western Australian Visitor Centre***

Additional funding of \$1.2 million in 2017-18 has been approved to continue the Western Australian Visitor Centre located in the Perth central business district.



## DEPUTY PREMIER; MINISTER FOR POLICE; ROAD SAFETY; TRAINING AND WORKFORCE DEVELOPMENT; WOMEN'S INTERESTS

MAJOR SPENDING CHANGES

Table 2

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>WESTERN AUSTRALIA POLICE</b>				
<b>Expenses</b>				
Growth Funding	-	35.0	-	-
Revised Government Regional Officer Housing Expenses	-	-6.1	-7.3	-5.7
Methamphetamine Enforcement Action Plan	3.1	-	-	-
Road Trauma Trust Account – Operation Metaphor	2.6	-	-	-
Western Suburbs Police Station	-	-1.7	-	-
<b>Asset Investment</b>				
Western Suburbs Police Station	-0.4	- (a)	-8.9	-7.5
Armadale Courthouse and Police Complex	-	-	5.2	12.0
<b>ROAD SAFETY COMMISSION</b>				
<b>Expenses</b>				
Community Education to Improve Road Safety Outcomes	2.5	-	-	-
Community Education to Inform Road Safety Outcomes - Cyclists	1.1	-	-	-
Establishment of a Road Safety Intelligence Centre	0.4	-	-	-
<b>TRAINING AND WORKFORCE DEVELOPMENT/TAFE COLLEGES</b>				
<b>Expenses</b>				
Future Skills WA – Student Fee Contribution and Concessions	2.9	5.7	5.9	6.6
Update of Financial Projections	-42.1	-25.9	-37.3	-35.6
Revised Government Regional Officer Housing Expenses	-1.1	-1.8	-2.6	-3.2

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

### Western Australia Police

#### Expenses

##### *Growth Funding*

An additional \$35 million has been approved in 2017-18 to meet cost and demand pressures relating to frontline service delivery obligations and legislated requirements.

##### *Methamphetamine Enforcement Action Plan*

An additional \$3.1 million will be spent in 2016-17 to detect, disrupt and dismantle the distribution of methamphetamine by organised crime groups.

##### *Road Trauma Trust Account – Operation Metaphor*

A total of \$2.6 million will be spent in 2016-17 to deploy additional traffic enforcement in regional areas as part of the Government's road safety strategy to reduce serious and fatal crashes on regional roads.

### ***Western Suburbs Police Station***

Recurrent expenditure will be reduced by \$1.7 million in 2017-18 (along with a \$16.8 million reduction in asset investment – see below) as a result of the cancellation of the Western Suburbs Police Station project.

### **Asset Investment**

#### ***Western Suburbs Police Station***

Asset investment spending will reduce by \$16.8 million between 2016-17 and 2019-20 as a result of the cancellation of the Western Suburbs Police Station project. Western Australia Police has revised its Metropolitan Police Operating Strategy and will continue to deliver police activities from the Cottesloe and Wembley Police Stations rather than build a new combined Western Suburbs Police Station.

#### ***Armadale Courthouse and Police Complex***

Asset investment spending of \$17.2 million (over 2018-19 to 2019-20) has been allocated to commence construction of the Armadale Courthouse and Police Complex, which has an estimated total cost of \$78.8 million. The new complex will replace the current Armadale courthouse and police station facilities and will consist of a shared custody facility.

### **Road Safety Commission**

#### **Expenses**

##### ***Community Education to Improve Road Safety Outcomes***

An additional \$2.5 million will be spent in 2016-17 to increase community education campaigns targeting key contributors to road trauma.

##### ***Community Education to Inform Road Safety Outcomes - Cyclists***

An additional \$1.1 million will be spent in 2016-17 to implement a community education campaign targeting cyclists/motorists and cyclists/pedestrian safety.

##### ***Establishment of a Road Safety Intelligence Centre***

An additional \$385,000 will be spent in 2016-17 to establish an Intelligence Centre at the Road Safety Commission. This Centre will become the centralised hub for collecting, sharing and evaluating road safety data.

### **Training and Workforce Development/TAFE Colleges**

#### **Expenses**

##### ***Future Skills WA – Student Fee Contribution and Concessions***

An additional \$21.1 million will be spent over the forward estimates period on vocational education and training, reflecting a change to student fee contribution rates and concession fee discounts under the Future Skills WA policy.

From 1 January 2017, annual course fee increases will be capped in line with the Consumer Price Index, and the concessional fee discount will be increased from 50% to 70% for eligible students.

***Update of Financial Projections***

A \$141 million reduction in expenses is driven by a correction to previously overestimated levels of commercial and international student revenue, and a reassessment of domestic fees and charges over the forward estimates period by the TAFE colleges.

## MINISTER FOR HOUSING; RACING AND GAMING

### MAJOR SPENDING CHANGES

Table 3

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>HOUSING AUTHORITY</b>				
<b>Expenses <sup>(a)</sup></b>				
Essential and Municipal Services – Remote Aboriginal Communities	-	31.8	66.0	-
<b>Asset Investment</b>				
Carnarvon Independent Living Units	4.1	-	-	-
<b>RACING, GAMING AND LIQUOR</b>				
<b>Expenses</b>				
GST Gambling (Race Betting) Tax Rebate (Administered)	0.5	0.5	0.6	1.5
VIP (Professional Punters Tax) Rebate (Administered)	-0.9	-	-	-
<b>GAMING AND WAGERING COMMISSION OF WA</b>				
<b>Expenses</b>				
Racing Bets Levy	-0.2	-0.1	- <sup>(b)</sup>	1.3

(a) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.

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

## Housing Authority

### Expenses

#### *Essential and Municipal Services – Remote Aboriginal Communities*

An additional \$66 million per annum will be spent in 2017-18 and 2018-19 on the provision of essential and municipal services for Western Australian remote Aboriginal communities. Of the expenditure in 2017-18, \$34.2 million will be drawn from the remaining balance of the Essential and Municipal Services Special Purpose Account.

### Asset Investment

#### *Carnarvon Independent Living Units*

Capital funding of \$4.1 million (\$3 million of which is from the Royalties for Regions program) has been approved to construct 15 modern independent living units in Carnarvon to increase the supply of affordable rental accommodation for aged residents on low incomes.

## Racing, Gaming and Liquor

### Expenses

#### *GST Gambling (Race Betting) Tax Rebate (Administered)*

A total of \$3.1 million in additional rebate payments will be made to Racing and Wagering Western Australia (RWVA) from 2016-17 to 2019-20, as a result of higher than estimated race betting revenue collections by RWVA.

***VIP (Professional Punters Tax) Rebate (Administered)***

A reduction in rebate payments of \$0.9 million to RWWA will occur in 2016-17 due to lower than expected betting revenue collections from the professional punter market.

**Gaming and Wagering Commission of WA**

**Expenses**

***Racing Bets Levy***

An overall increase of \$1 million in payments will be made to RWWA from 2016-17 to 2019-20. The increase in payments flows from a corresponding increase in revenue collections over the same period.

## MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

### MAJOR SPENDING CHANGES

Table 4

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>EDUCATION</b>				
<b>Expenses</b>				
Revised Depreciation and Building Valuation Methodology	-43.5	-48.0	-48.6	-47.4
Revised Forecast Student Enrolment Growth	-9.2	-13.8	-27.6	-53.8
Revised Government Regional Officer Housing Expenses	-18.9	-19.1	-18.2	-10.6
Realignment of Published Budget Parameters	-	-5.4	3.2	-12.2
Depreciation Expense – Universal Access to Early Childhood Education	-	-6.9	0.1	0.1
Depreciation Expense – Margaret River Senior High School	-	-	-	0.2
<b>Asset Investment</b>				
Western Suburbs Secondary School Strategy	0.9	17.4	36.3	35.3
Margaret River Senior High School	0.5	6.5	20.0	3.0
Universal Access to Early Childhood Education – Reclassification of Funds	-	7.0	-	-
Support for Students with Disabilities	6.0	-	-	-
Mount Hawthorn Primary School Expansion	-	1.5	2.0	-
<b>COUNTRY HIGH SCHOOLS HOSTELS AUTHORITY</b>				
<b>Asset Investment</b>				
Moora Residential College Upgrade	-	5.7	3.0	-
<b>EDUCATION SERVICES</b>				
<b>Expenses</b>				
Low Interest Loan Scheme	-1.4	-2.1	-2.8	-2.0
Per Capita Grants to Non-Government Schools (Administered)	-	1.6	-	-

## Education

### Expenses

#### *Revised Depreciation and Building Valuation Methodology*

Depreciation expenses have been reduced by \$187.5 million over the period 2016-17 to 2019-20 to reflect changes to the Department's building valuation and depreciation methodologies.

#### *Revised Forecast Student Enrolment Growth*

Recurrent expenses have been reduced by \$104.4 million over 2016-17 to 2019-20, to reflect the latest school enrolment growth forecasts following the Semester 2, 2016 student enrolment census.

#### *Realignment of Published Budget Parameters*

The Department's published total cost of service has been reduced by \$14.4 million over 2016-17 to 2019-20 to bring it into alignment with the agency's cost and demand model over the forward estimates period.

***Depreciation Expense – Universal Access to Early Childhood Education***

The reallocation of \$7 million Commonwealth Universal Access to Early Childhood Education (UAECE) recurrent funds to increased asset investment in early childhood education facilities in the 2017 and 2018 school years (see Asset Investment below) will generate an increase in depreciation expense of \$350,000 over 2017-18 to 2019-20.

***Depreciation Expense – Margaret River Senior High School***

The approval of investment in upgraded and expanded facilities at Margaret River Senior High School (see below) will lead to an increase in depreciation expense of \$188,000 in 2019-20.

**Asset Investment*****Western Suburbs Secondary School Strategy***

An additional \$89.9 million will be invested from 2016-17 to 2019-20 to deliver the Western Suburbs Secondary School Strategy, comprising the:

- construction of Stage 1 of a new City Beach Senior High School (on the site of the old City Beach Senior High School), including surrounding works;
- construction of permanent accommodation for 300 additional students at Carine Senior High School, as well as facilities to support a gifted and talented program; and
- relocation of the International School of Western Australia and the Japanese School in Perth from the original high school site.

***Margaret River Senior High School***

An amount of \$30 million has been approved from 2016-17 to 2019-20 to fund the expansion of permanent student accommodation by 430 enrolments, and the construction of additional specialist facilities, including an onsite gymnasium and an additional science block, at Margaret River Senior High School.

***Universal Access to Early Childhood Education – Reclassification of Funds***

Commonwealth UAECE funding of \$7 million will be redirected to asset investment in 2017-18 to enable the construction of new facilities and permanent student accommodation to support early childhood education.

***Support for Students with Disabilities***

A total of \$6 million will be invested in 2016-17, across 22 schools and education support centres, on improvements to play areas and facilities for students with disabilities.

***Mount Hawthorn Primary School Expansion***

An additional \$3.5 million will be invested over 2017-18 and 2018-19 to deliver an expansion of permanent student accommodation at Mount Hawthorn Primary School.

## **Country High Schools Hostels Authority**

### **Asset Investment**

#### ***Moora Residential College Upgrade***

Previously unallocated Royalties for Regions funding of \$8.7 million in 2018-19 has been allocated to the refurbishment and upgrade of the Moora Residential College.

### **Education Services**

#### **Expenses**

#### ***Low Interest Loan Scheme***

Operating costs associated with the Low Interest Loan Scheme (including interest and fair valuation expenses) are forecast to reduce by \$8.4 million over the forward estimates period, reflecting a downward revision to interest rates applying to the Department's borrowings from the Western Australian Treasury Corporation.

#### ***Per Capita Grants to Non-Government Schools (Administered)***

An increase of \$1.6 million to the total funding for non-government schools per capita grants in 2017-18 has been approved to enable per-student funding to be indexed by 1.5% in the 2017 school year.



## MINISTER FOR HEALTH; CULTURE AND THE ARTS

Table 5

### MAJOR SPENDING CHANGES

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>WA HEALTH</b>				
<b>Expenses</b>				
Pharmaceutical Benefits Scheme – Hepatitis C	148.7	152.1	155.9	159.7
Hospital Services – Revised Activity and Cost Settings	137.3	69.9	52.3	56.1
Royalties for Regions – District Medical Workforce Investment Program	-	36.3	44.8	-
Depreciation Update	-7.1	-17.5	-21.3	-12.3
Improving Access to Primary Care in Rural and Remote Areas Initiative	5.4	5.7	5.8	6.0
Perth Children's Hospital	28.4	-	-	-
Essential Vaccines National Partnership Agreement	-	-	-	17.3
Royalties for Regions – Royal Flying Doctors Service – Western Operations Expansion of Capacity	7.9	2.8	-	-
Queen Elizabeth II Medical Centre Parking	1.5	1.9	1.9	1.9
Voluntary Separation Scheme Extension	20.4	-8.6	-8.6	-8.6
Aged Care Assessment Program Agreement	12.3	12.8	-	-
Queen Elizabeth II Medical Centre Hospital Avenue Project (Recurrent)	0.9	-	-	-
Medical Accounts Assessment System (MAAS)	-0.4	-	-	-
<b>Asset Investment</b>				
Reconfiguring the Western Australian Spinal Cord Injury Service	-	18.0	24.5	0.6
Royalties for Regions – Murchison Health – Meekatharra Health Campus and Mount Magnet Nursing Post	1.0	10.3	3.8	-
Perth Children's Hospital Information and Communications Technology	9.5	-	-	-
Sarich Neuroscience Research Institute	7.3	-	-	-
New Helipad at Royal Perth Hospital	0.5	3.9	2.4	-
Queen Elizabeth II Medical Centre Hospital Avenue Capital Project	3.5	-	-	-
Fiona Stanley Information and Communications Technology	1.6	-	-	-
Medical Accounts Assessment System (MAAS)	0.4	-	-	-
Joondalup Health Campus Mental Health Unit Anti-Ligature Point Rectification	0.9	-	-	-
Kalamunda District Community Hospital Critical Infrastructure Upgrade	1.4	0.5	-	-
Auspman (Pharmacy Manufacturing Unit)	4.8	-	-	-
Reallocation from existing Asset Investment Program	-7.1	-0.5	-	-
<b>ANIMAL RESOURCES AUTHORITY</b>				
<b>Asset Investment</b>				
Autoclave	-	1.1	-	-
<b>CULTURE AND THE ARTS</b>				
<b>Expenses</b>				
Western Australian Museum	2.0	4.7	1.7	0.7
Perth Theatre Trust	1.7	-	-	-

## **WA Health**

### **Expenses**

#### ***Pharmaceutical Benefits Scheme – Hepatitis C***

The Commonwealth Government listed Direct Acting Antiviral drugs for the treatment of patients with Hepatitis C on the Pharmaceutical Benefits Scheme in March 2016. In recognition of this listing, additional expenditure of \$616.4 million from 2016-17 to 2019-20 has been approved, which will be financed through revenue received from the Commonwealth.

#### ***Hospital Services – Revised Activity and Cost Settings***

An additional \$315.5 million will be spent across the forward estimates period to reflect revised activity and cost settings for activity-based funded public hospital services. The revisions reflect the flow-on impacts of higher than expected 2015-16 activity and cost, and updated age-weighted population growth rates for the period 2017-18 to 2019-20.

Hospital activity is expected to increase by 1.9% in 2016-17 and 2.3% each year (on average) over the period 2017-18 to 2019-20.

To drive improved performance in hospital services, the State Price settings continue to be based on the 2016-17 Budget policy, with the growth in the unit cost of providing health services in Western Australian hospitals linked to the Government's 1.5% wages policy and a 1% efficiency requirement from 2017-18.

The revised settings provide expense growth of 3.5% per annum (on average) over the budget and forward estimates period for activity-based funded hospital services. In 2016-17, approved hospital expenditure is budgeted to increase by \$171.1 million (or 3.4%) relative to 2015-16.

#### ***Royalties for Regions – District Medical Workforce Investment Program***

An additional \$81.1 million will be spent from 2017-18 to 2018-19 to continue the District Medical Workforce Investment program as part of the Southern Inland Health Initiative. Expenditure will support emergency, acute and maternity services, community services to avoid unnecessary hospitalisation, and retention of General Practitioners in the Southern Inland region.

#### ***Depreciation Update***

Depreciation expenses will decrease by a net \$58.2 million over 2016-17 to 2019-20. This reflects changes in depreciation methodology, revisions post-capitalisation for Fiona Stanley Hospital and Midland Health Campus, and revised timelines for completion of the Perth Children's Hospital.

#### ***Improving Access to Primary Care in Rural and Remote Areas Initiative***

Under the Memorandum of Understanding with the Commonwealth, an additional \$22.9 million will be spent across 2016-17 to 2019-20. This will allow rural and regional hospital sites to access Commonwealth funding for the provision of non-admitted primary care services, through the Medical Benefits Schedule, and supports improved local access to primary health care.

***Perth Children's Hospital***

Additional expenditure of \$20.1 million has been approved for 2016-17, along with approval for a carryover of \$8.3 million from 2015-16, to meet the costs associated with delays to the Perth Children's Hospital project. This spending will provide additional project resources and supports the safe commissioning and opening of the new hospital.

***Essential Vaccines National Partnership Agreement***

Additional expenditure of \$17.3 million will be spent in 2019-20 to continue the Essential Vaccines National Partnership Agreement, which supports the health and wellbeing of Western Australians through the cost-effective delivery of immunisation programs.

***Royalties for Regions – Royal Flying Doctors Service – Western Operations Expansion of Capacity***

An additional \$10.7 million will be spent from 2016-17 to 2017-18 to expand the capacity of the Royal Flying Doctors Service.

***Queen Elizabeth II Medical Centre Parking***

Additional expenditure of \$7.2 million over 2016-17 to 2019-20 has been approved to support concessional parking arrangements for staff at the Queen Elizabeth II Medical Centre, including the Perth Children's Hospital.

***Voluntary Separation Scheme Extension***

As part of continued management of WA Health's workforce cost pressure, up to an additional \$20.4 million will be spent in 2016-17 to extend WA Health's voluntary separation scheme arrangements by up to an additional 200 full-time equivalent staff. The Department's Agency Expenditure Review (AER) savings target will be increased by \$8.6 million per annum from 2017-18 to 2019-20 to offset the appropriation and expense limit increase provided in 2016-17 to extend the Voluntary Separation Scheme.

***Aged Care Assessment Program Agreement***

An additional \$25.1 million will be spent across 2016-17 and 2017-18 to support access to aged care services for frail and elderly Western Australians under the Aged Care Assessment Program with the Commonwealth.

***Queen Elizabeth II Medical Centre Hospital Avenue Project (Recurrent)***

An additional \$922,000 will be spent in 2016-17 to cover the demolition costs associated with works required to upgrade the access road between Queen Elizabeth II Medical Centre, Sir Charles Gairdner Hospital and the new Perth Children's Hospital.

***Medical Accounts Assessment System (MAAS)***

An amount of \$350,000 has been reclassified from recurrent appropriation to capital appropriation to provide funding for the replacement MAAS project, which will allow WA Health to continue to process invoices and recover revenue against the Medical Benefits Scheme.

## **Asset Investment**

### ***Reconfiguring the Western Australian Spinal Cord Injury Service***

Up to \$43 million will be spent from 2017-18 to 2019-20 to provide purpose-built community housing accommodation for persons with spinal cord injury, including for the residents of the existing State Quadriplegic Centre.

### ***Royalties for Regions – Murchison Health – Meekatharra Health Campus and Mount Magnet Nursing Post***

An additional \$15 million will be spent from 2016-17 to 2018-19 to enhance health care facilities at the Meekatharra Health Campus and Mount Magnet Nursing Post as part of the North West Health Initiative.

### ***Perth Children’s Hospital Information and Communication Technology***

Additional capital investment of \$9.5 million in 2016-17 has been allocated to support the deployment of Information and Communication Technology systems at the Perth Children’s Hospital.

### ***Sarich Neuroscience Research Institute***

An amount of \$7.3 million will be spent in 2016-17 on the construction of the Sarich Neuroscience Research Institute, which will accommodate four of the State’s premier neurological research organisations.

### ***New Helipad at Royal Perth Hospital***

Up to \$6.8 million will be spent from 2016-17 to 2018-19 to construct a new helipad to accommodate the larger and heavier helicopters required for compliance with the revised Civil Aviation Safety Authority guidelines for the Emergency Rescue Helicopter Service.

### ***Queen Elizabeth II Medical Centre Hospital Avenue Capital Project***

Capital expenditure of \$3.5 million in 2016-17 has been approved to upgrade the access road between Queen Elizabeth II Medical Centre, Sir Charles Gairdner Hospital (SCGH) and the Perth Children’s Hospital, in order to mitigate the likelihood of future congestion issues.

### ***Fiona Stanley Information and Communications Technology***

Additional investment of \$1.6 million has been approved in 2016-17 for clinical data storage and service management software for Fiona Stanley Hospital.

### ***Medical Accounts Assessment System (MAAS)***

An amount of \$2.2 million has been reallocated from within the WA Health Asset Investment Program (AIP) over 2016-17 and 2017-18 for the new MAAS. Together with the reclassification of \$350,000 from recurrent appropriation to capital appropriation, the total cost of replacing the existing MAAS is \$2.5 million.

### ***Joondalup Health Campus Mental Health Unit Anti-Ligature Point Rectification***

Reallocation of \$865,000 from within the WA Health AIP in 2016-17 has been approved to ensure the Joondalup Health Campus Facility meets the contemporary anti-ligature point facility standards to mitigate the risk of self-harm for patients.

***Kalamunda District Community Hospital Critical Infrastructure Upgrade***

Reallocation of \$1.9 million from within the WA Health AIP (\$1.4 million in 2016-17 and \$0.5 million in 2017-18) has been approved for urgent upgrades of essential building infrastructure at the Kalamunda District Community Hospital.

***Auspman (Pharmacy Manufacturing Unit)***

Reallocation of \$4.8 million from within the WA Health AIP in 2016-17 has been approved to allow for the relocation and fit-out of the Auspman pharmacy manufacturing unit currently located at Princess Margaret Hospital to SCGH.

***Reallocation from existing Asset Investment Program***

Reallocation of \$7.6 million to support the initiatives noted above has been made from within the Department's existing budget settings. As outlined above, this includes spending allocated for anti-ligature point rectification works at Joondalup Health Campus, building infrastructure upgrades at Kalamunda Hospital, and the relocation and installation of the Auspman pharmacy manufacturing unit from Princess Margaret Hospital to SCGH.

**Animal Resources Authority****Asset Investment*****Autoclave***

To minimise the risk of disease entry into the Animal Resources Authority's facility areas, \$1.1 million will be spent in 2017-18 on a replacement autoclave unit.

**Culture and the Arts****Expenses*****Western Australian Museum***

A \$9.1 million expense limit increase has been approved from 2016-17 to 2019-20 as a result of an increase in grant and fee income.

***Perth Theatre Trust***

An amount of \$1.7 million in 2016-17 has been approved to implement a new ticketing model to complement venue management functions. Implementation costs are expected to be partially offset over the forward estimates period through additional revenue.

## TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS

### MAJOR SPENDING CHANGES

Table 6

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>TREASURY</b>				
<b>Expenses</b>				
Bell Group Legislation (Administered)	8.1	-	-	-
Agency Expenditure Reviews (AERs) Project Team	0.4	-	-	-
<b>HORIZON POWER</b>				
<b>Expenses <sup>(a)</sup></b>				
Operating Subsidy for Electricity Concessions, Rebates and Remote Communities	-2.4	-2.9	-3.6	-4.0
Operating Subsidy for Electricity Tariffs	7.0	-	-	-
<b>Asset Investment</b>				
Roy Hill Port Hedland Power Supply Arrangements	21.6	3.3	-	-
<b>SYNERGY</b>				
<b>Expenses <sup>(a)</sup></b>				
Operating Subsidy for Electricity Tariffs	-17.5	-25.5	-18.3	-11.6
<b>WESTERN POWER</b>				
<b>Asset Investment</b>				
Asset Investment Reduction	-95.9	-99.8	-70.6	-60.7

(a) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.

## Treasury

### Expenses

#### *Bell Group Legislation (Administered)*

The *Bell Group Companies (Finalisation of Matters and Distribution of Proceeds) Act 2015* came into operation in November 2015 as a mechanism to provide for the earlier return of moneys to Bell Group creditors, which includes the Insurance Commission of Western Australia. On 16 May 2016, the High Court of Australia determined that the Act was constitutionally invalid in its entirety. Accordingly, a total of up to \$5.3 million will be spent in 2016-17 to pay the Administrator's costs and to facilitate the winding up of the Administrator's operations. Additionally, an amount of up to \$2.8 million will be spent to meet costs associated with reimbursing the legal expenses of the creditors incurred during the High Court of Australia proceedings, the Administrator's legal costs and the examination summons proceedings.

#### *Agency Expenditure Reviews (AERs) Project Team*

An amount of \$408,000 will be spent in 2016-17 to establish a dedicated AER project team in Treasury to coordinate and manage the third tranche of AERs across the general government sector.

## **Horizon Power**

### **Expenses**

#### ***Operating Subsidy for Electricity Concessions, Rebates and Remote Communities***

The operating subsidy for electricity concessions, rebates and remote communities has been revised down by \$12.9 million over 2016-17 to 2019-20. This reflects that Horizon Power has negotiated cheaper power purchase agreements for these communities and reduced its operating expenditure as part of its Strategic Review, as well as the impact of a reduction in the cost of diesel.

#### ***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 increase by \$7 million in 2016-17 following a downward revision to contestable electricity tariffs relative to those in the 2016-17 Budget. This revision led to an increase in the Tariff Equalisation Contribution (TEC) due to Horizon Power as a result of the Uniform Tariff Policy. However, as the 2016-17 TEC had already been gazetted and could not be changed, and to compensate Horizon Power for the lost revenue, a one-off operating subsidy is instead being paid.

### **Asset Investment**

#### ***Roy Hill Port Hedland Power Supply Arrangements***

An amount of \$25 million will be invested over 2016-17 to 2017-18 to procure and construct transmission infrastructure and upgrade Horizon Power's network to supply Roy Hill Infrastructure Pty Ltd's port facilities in Port Hedland.

### **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 \$72.9 million over 2016-17 to 2019-20. The decrease is primarily due to reductions in Horizon Power's TEC (which has a flow-on impact on Synergy's operating subsidy), and downward revisions to Synergy's customer demand forecasts.

## **Western Power**

### **Asset Investment**

#### ***Asset Investment Reduction***

Western Power's AIP has been revised down by \$327 million from 2016-17 onwards, due mainly to:

- improved business efficiency and optimised asset investment decisions as a result of its Business Transformation Plan, with key aspects of the plan including:
  - improved asset management strategies which balance the competing interests of network risk minimisation, commercial sustainability and customer needs; and
  - outsourcing its light vehicle fleet which ensures better asset utilisation and removes the ongoing requirement to purchase new vehicles; and
- lower customer initiated work consistent with economic conditions and energy consumption growth forecasts.

Notwithstanding this revision, Western Power's AIP still totals \$3.2 billion over the period 2016-17 to 2019-20, representing 14.3% of the State Government's total infrastructure investment program.



## MINISTER FOR STATE DEVELOPMENT; TRANSPORT; INNOVATION

### MAJOR SPENDING CHANGES

Table 7

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>STATE DEVELOPMENT</b>				
<b>Expenses</b>				
Royalties for Regions – Agrifoods Marketing	3.5	2.5	2.1	-
<b>TRANSPORT</b>				
<b>Expenses</b>				
On-demand Transport Industry Reforms	21.7	1.3	-2.9	-4.5
Depreciation and Amortisation Update	4.4	4.4	4.4	4.4
Whole-of-Government Digital Services Portal	0.5	-	-	-
Yarloop Rail Platform Works	0.1	-	-	-
<b>Asset Investment</b>				
Royalties for Regions – Transforming Bunbury's Waterfront Stage 2 (Jetty Road)	0.1	5.8	4.0	-
Royalties for Regions – Jurien Bay Harbour Southern Precinct Stage 2	-	1.0	7.5	-
<b>FREMANTLE PORT AUTHORITY</b>				
<b>Asset Investment</b>				
Revised Financial Forecasts	-26.6	-2.9	12.5	-21.4
<b>MAIN ROADS</b>				
<b>Expenses</b>				
Services and Contracts Expense – Professional Services Update	-18.8	-19.5	-20.2	-20.9
Broome-Cape Leveque Road Upgrade	3.0	18.0	18.0	26.0
Nicholson Road Grade Separation	8.5	18.1	-	-
Commonwealth Heavy Vehicle Safety and Productivity Program	1.8	4.5	-	-
Commonwealth Bridges Renewal Program	0.7	2.5	-	-
<b>Asset Investment</b>				
Perth Freight Link Cashflow Update	-163.0	-207.5	78.9	-6.0
Capitalised Operational Costs Update	15.4	16.0	16.5	17.1
Royalties for Regions – Goldfields Highway	-	4.0	15.0	41.0
Great Northern Highway – Bow River Bridge	1.0	22.0	15.5	-
Great Northern Highway – Wyndham Spur Stage 2	5.5	24.8	-	-
Royalties for Regions – Northam-Pithara Road	6.5	2.4	17.6	-
Great Northern Highway – Maggie's Jump Up	7.0	16.0	2.8	-
Ocean Reef Road – Wanneroo Road Grade Separation	7.0	10.0	8.0	-
Great Northern Highway – Ord River North	1.0	6.0	8.6	-
Buildings and Equipment Program Update	3.4	3.5	3.6	3.8
Minor Works Program Update	-7.3	-	-	-
Wanneroo Road Duplication Stage 3 – Joondalup Drive to Flynn Drive	5.0	-	-	-
Woolworths and Hale Road Intersection Upgrade	0.3	-	-	-

Table 7 (cont.)

**MAJOR SPENDING CHANGES**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>PUBLIC TRANSPORT AUTHORITY</b>				
<b>Expenses<sup>(a)</sup></b>				
Revised Interest Expenses	-10.3	-16.1	-34.2	-63.4
Operating Subsidy for Lower Transperth Fare Revenue	16.5	18.5	19.4	20.1
Revision to Agency Expenditure Review Savings Target	7.0	7.0	7.0	7.0
MAX Light Rail Cancellation – Planning and Interest Expenses	-5.0	-0.3	-1.7	-8.9
Forrestfield-Airport Link – Award of Design, Construct and Maintain Contract – Increased Interest Expenses	3.5	6.7	4.4	-2.3
Transperth Bus Service Tender Savings	-6.5	-	-	-
<b>Asset Investment</b>				
Forrestfield-Airport Link – Award of Design, Construct and Maintain Contract	196.0	-60.0	-247.0	-83.0
MAX Light Rail Cancellation	-	-17.0	-64.0	-346.0
Replacement of Destroyed Buses	-	-	2.0	-
Elizabeth Quay Bus Station Fire Suppression System	1.3	-	-	-
<b>OFFICE OF THE GOVERNMENT CHIEF INFORMATION OFFICER</b>				
<b>Expenses</b>				
GovNext ICT Service Broker	2.4	2.6	-	-
Whole-of-Government Digital Services Portal	2.3	-	-	-
Office of the Government Chief Information Officer – Operational Requirements	0.9	1.0	-	-

(a) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.

**State Development****Expenses*****Royalties for Regions – Agrifoods Marketing***

An additional \$8.1 million will be spent over the period 2016-17 to 2018-19, funded through the ‘Seizing the Opportunity Agriculture’ program, to promote the Western Australian Agrifood industry into Asia. This new initiative is centred around a digital online marketing campaign promoting local, export ready Agrifood producers and to encourage new investment into the Western Australian Agrifood industry.

**Transport****Expenses*****On-demand Transport Industry Reforms***

As part of the Stage 1 On-demand Transport industry reforms, a \$27.5 million Transition Assistance Package was approved for the taxi industry. The Package will assist taxi plate owners to adapt their business to new market conditions, and support those owners who are experiencing severe financial hardship as a result of the reforms. The Package consists of three main initiatives: the Hardship Fund (\$6 million over 2 years), Innovation Assistance (\$1.5 million over 2 years delivered by the Small Business Development Corporation), and the Transition Adjustment Assistance Grant (\$20 million in 2016-17).

A new cost model has also been developed to enable the Department to forecast the operational cost of its regulatory function and to move toward full cost recovery. Under the new model, the Department's expenses have been reduced by \$11.9 million over the forward estimates period.

#### ***Depreciation and Amortisation Update***

Additional depreciation and amortisation of \$4.4 million per annum from 2016-17 onwards has been approved to reflect increases in the agency's asset base, including the Augusta Boat Harbour, Port Geographe Reconfiguration and the Exmouth Boat Harbour Extension.

#### ***Whole-of-Government Digital Services Portal***

An amount of \$460,000 will be spent in 2016-17 on Stage 1 of the development of a new single whole-of-government Digital Services Portal in collaboration with the Office of the Government Chief Information Officer and the Department of Commerce. It is to be a common, user friendly front end portal for accessing government digital information and services.

#### ***Yarloop Rail Platform Works***

Subject to the completion of a business case and final scoping, \$100,000 will be spent in 2016-17 on the raising of the Yarloop rail platform and associated works.

### **Asset Investment**

#### ***Royalties for Regions – Transforming Bunbury's Waterfront Stage 2 (Jetty Road)***

An amount of \$9.9 million from the Royalties for Regions Regional Infrastructure and Headworks Fund has been allocated to the Jetty Road redevelopment, as part of the Transforming Bunbury's Waterfront project (Stage 2).

#### ***Royalties for Regions – Jurien Bay Harbour Southern Precinct Stage 2***

Spending of \$8.5 million, funded from the Royalties for Regions Regional Infrastructure and Headworks Fund, has been approved to undertake Stage 2 of the Jurien Bay Harbour Southern Precinct project. This funding will provide for the site preparation works and utilities installation required to facilitate further development on Department-owned land at the southern end of the Jurien Bay Harbour.

### **Fremantle Port Authority**

#### **Asset Investment**

#### ***Revised Financial Forecasts***

Fremantle Port Authority's AIP has been reduced by \$38.4 million over the four years to 2019-20 as a result of revised financial forecasts that reflect current and forecast future market conditions for some services. The reduced AIP is sufficient to maintain asset service levels, customer contracts and identified commercial opportunities.

## **Main Roads**

### **Expenses**

#### ***Services and Contracts Expense – Professional Services Update***

Operational expenditure has been reduced by \$79.3 million across the forward estimates period to offset approved increases to Main Roads' rolling AIP for Buildings and Equipment and Capitalised Operational Costs (as detailed under Asset Investment below).

#### ***Broome-Cape Leveque Road Upgrade***

A total of \$65 million will be invested from 2016-17 to 2019-20 to seal 90km of the Cape Leveque Road to an all-weather standard. This will reduce flooding, support better access and safety for local communities and increase tourism and business opportunities between Broome and Cape Leveque. The project will be jointly funded by the Commonwealth and State on an 80:20 basis under the Commonwealth's Northern Australia Roads Program.

#### ***Nicholson Road Grade Separation***

Expenditure will increase by \$26.6 million from 2016-17 to 2017-18 to reflect contract payments for the Nicholson Road Grade Separation project. Main Roads is managing the construction contract on behalf of the Public Transport Authority. There has been no change to the overall project budget.

#### ***Commonwealth Heavy Vehicle Safety and Productivity Program***

A total of \$12.5 million will be spent on 14 projects recently approved under the Commonwealth Heavy Vehicle Safety and Productivity Program. The Commonwealth will contribute \$6.3 million towards the projects, with the State's contribution met through the reprioritisation of approved expenditure. The projects will improve freight productivity and safety through road upgrades and construction of heavy vehicle rest areas and parking.

#### ***Commonwealth Bridges Renewal Program***

A total of \$6.4 million will be spent on two bridge replacement projects recently approved under the Commonwealth Bridges Renewal Program in the Shires of Donnybrook-Balingup and Boyup Brook. The Commonwealth will provide half of the funding requirement, with the remaining contribution to be met by the State from reallocating approved expenditure.

### **Asset Investment**

#### ***Perth Freight Link Cashflow Update***

As a result of project delays, \$297.6 million of Perth Freight Link project investment has been deferred beyond the forward estimates period. The project has been delayed due to the Supreme Court of Western Australia finding on 16 December 2015 that the environmental approval previously obtained for the Roe 8 Highway extension was invalid. The State successfully appealed the finding, and the contract for Roe 8 has now been awarded.

#### ***Capitalised Operational Costs Update***

Expenditure will increase by \$65 million from 2016-17 to 2019-20 to maintain Main Roads' annual capitalised expenditure at a level commensurate with its \$1.1 billion annual average AIP.

***Royalties for Regions – Goldfields Highway***

A total of \$60 million will be invested from 2017-18 to 2019-20 to seal the last remaining unsealed section of the Goldfields Highway. The works include upgrades to 180km of road between Wiluna and Meekatharra, and will improve local accessibility, safety and freight productivity. Funding for the project will be provided from the Royalties for Regions program.

***Great Northern Highway – Bow River Bridge***

A total of \$38.5 million will be invested over 2016-17 to 2018-19 to replace the Bow River Bridge on the Great Northern Highway. The works include replacement of the current single-lane bridge with a new two-lane bridge, road realignments and other upgrades to improve flood resilience and safety. The project will be jointly funded by the Commonwealth and State on an 80:20 basis under the Commonwealth's Northern Australia Roads Program.

***Great Northern Highway – Wyndham Spur Stage 2***

Additional investment of \$30.3 million has been approved to undertake improvement works on the Wyndham Spur section of the Great Northern Highway between Victoria Highway and the Port of Wyndham. The works include 18.6km of road widening and realignments to improve flood resilience, road access and freight safety and efficiency. The project will be jointly funded by the Commonwealth and State on an 80:20 basis under the Commonwealth's Northern Australia Roads Program.

***Royalties for Regions – Northam-Pithara Road***

Investment of \$26.5 million has been approved from 2016-17 to 2018-19 to upgrade and realign the Northam-Pithara Road. Works include widening 23km of the road between Ballidu and Pithara, and realigning the 2.3km southern section adjoining Great Eastern Highway in Northam. State funding of \$22.4 million has been provided for the project, including Royalties for Regions funding of \$18.4 million, with additional Commonwealth funding of \$4.1 million provided through the Heavy Vehicle Safety and Productivity Program.

***Great Northern Highway – Maggie's Jump Up***

Expenditure of \$25.8 million over 2016-17 to 2018-19 has been approved to realign and construct an additional passing lane on the 'Maggie's Jump Up' section of Great Northern Highway between Victoria Highway and the Port of Wyndham. The works will improve safety and efficiency on this section of the road network, and will be jointly funded by the Commonwealth and State on an 80:20 basis under the Commonwealth's Northern Australia Roads Program.

***Ocean Reef Road – Wanneroo Road Grade Separation***

Additional investment of \$25 million has been approved to commence the Ocean Reef Road – Wanneroo Road Grade Separation project, to improve congestion and safety. The Commonwealth has committed \$20 million to the project. Final project costs will be considered as part of the 2017-18 Budget.

### ***Great Northern Highway – Ord River North***

A total of \$15.6 million will be invested between 2016-17 and 2018-19 to reconstruct, realign and construct new passing lanes on an 8km section of the Great Northern Highway between Ord River and Turkey Creek. The works will improve reliability and safety for the cattle supply chain. The project will be jointly funded by the Commonwealth and State on an 80:20 basis under the Commonwealth's Northern Australia Beef Roads Program.

### ***Buildings and Equipment Program Update***

Additional investment of \$14.3 million from 2016-17 to 2019-20 has been approved to enable Main Roads to maintain an appropriate level of refurbishment and maintenance of its property holdings located throughout the State, including regional offices, works depots, materials laboratories and residential accommodation.

### ***Minor Works Program Update***

Expenditure on the Minor Works program has been reduced by \$7.3 million in order to fully offset reductions to estimated revenue from land sales in 2016-17.

### ***Wanneroo Road Duplication Stage 3 – Joondalup Drive to Flynn Drive***

A total of \$10 million will be spent to commence construction of a second carriageway on Wanneroo Road between Joondalup Drive and Flynn Drive, to reduce congestion and improve road safety. Main Roads will reallocate \$5 million of existing approved asset investment to this project. Final project costs will be considered as part of the 2017-18 Budget.

### ***Woolworths and Hale Road Intersection Upgrade***

The State and Commonwealth Governments will support the Shire of Kalamunda, on a 50:50 basis up to a combined total of \$600,000 in 2016-17, to upgrade the Hale Road intersection at the Forrestfield Forum and Marketplace to improve road safety. The State contribution will be met from reallocating existing approved asset investment.

## **Public Transport Authority**

### **Expenses**

#### ***Revised Interest Expenses***

The operating subsidy paid to the Authority will be reduced by \$123.9 million from 2016-17 to 2019-20, due to the impact of lower interest rates on the Authority's debt servicing costs.

#### ***Operating Subsidy for Lower Transperth Fare Revenue***

The operating subsidy paid to the Authority will increase by \$74.6 million between 2016-17 and 2019-20, due to lower patronage and consequential revenue forecasts relative to the 2016-17 Budget.

***Revision to Agency Expenditure Review Savings Target***

An additional operating subsidy of \$28 million will be paid to the Authority over 2016-17 to 2019-20, reflecting a revision to the Authority's AER savings target. However, with the operating subsidy paid to the Public Transport Authority forecast to grow from \$777 million in 2015-16 to \$884 million in 2019-20, the Government will continue to work with the Authority in 2017-18 to realise savings through the AER process.

***MAX Light Rail Cancellation – Planning and Interest Expenses***

Expenditure will reduce by \$16 million over 2016-17 to 2019-20 due to the decision to not proceed with the MAX Light Rail project. This reduction comprises a \$5 million reduction in planning costs in 2016-17, and \$11 million in avoided interest expenses over the remainder of the forward estimates period due to lower borrowing requirements (see the related item in Asset Investment below).

***Forrestfield-Airport Link – Award of Design, Construct and Maintain Contract – Increased Interest Expenses***

The operating subsidy paid to the Authority will increase by \$12.3 million over 2016-17 to 2019-20 as a result of awarding the Forrestfield-Airport Link design, construct and maintain contract. This funding is required to meet the increased interest expenses associated with revised timing of asset investment for the project (see the related item in Asset Investment below).

***Transperth Bus Service Tender Savings***

There has been a \$6.5 million reduction in expenditure in 2016-17 as a result of lower than budgeted Transperth bus service contract tender outcomes.

**Asset Investment*****Forrestfield-Airport Link – Award of Design, Construct and Maintain Contract***

The timing and total cost of asset investment associated with the Forrestfield-Airport Link project has been revised, following award of the design, construct and maintain contract with the Salini Impregilo-NRW joint venture. Changes include an increase in expenditure of \$94 million in 2015-16 and a \$100 million reduction in the estimated total cost of the project. The decision to award the contract occurred after the 19 April 2016 cut-off date for the 2016-17 Budget and was announced on 28 April 2016.

***MAX Light Rail Cancellation***

The Authority's AIP has been reduced by \$427 million over 2017-18 to 2019-20 as a result of not proceeding with the MAX Light Rail project.

***Replacement of Destroyed Buses***

An amount of \$2 million will be spent in 2018-19 to replace four Transperth buses destroyed in four separate fire incidents in the last five years, with the expenditure primarily funded from insurance proceeds.

***Elizabeth Quay Bus Station Fire Suppression System***

An additional \$1.3 million will be spent to upgrade the fire suppression system at Elizabeth Quay Bus Station, funded from insurance proceeds.

## **Office of the Government Chief Information Officer**

### **Expenses**

#### ***GovNext ICT Service Broker***

An amount of \$5 million will be spent over 2016-17 to 2017-18 implementing the GovNext ICT Service Broker initiative, which aims to provide specialist technical resources to support the implementation and ongoing operations of the GovNext ICT program until 30 June 2018. The GovNext ICT program will assist agencies to migrate to cloud-based ICT services, reduce the cost of operating and maintaining ICT systems, and connect all agencies into a single Government-wide network.

#### ***Whole-of-Government Digital Services Portal***

An amount of \$2.3 million will be spent in 2016-17 on Stage 1 of the development of a program to deliver a new single whole-of-government Digital Services Portal in collaboration with the Departments of Commerce and Transport. It is to be a common, user-friendly front-end portal for accessing Government digital information and services.

#### ***Office of the Government Chief Information Officer – Operational Requirements***

An additional \$1.9 million will be spent over 2016-17 and 2017-18 to meet increased operating costs resulting from the Office undertaking additional functions and projects, including taking on the coordination of the Government's Innovation Strategy.



## ATTORNEY GENERAL; MINISTER FOR COMMERCE

### MAJOR SPENDING CHANGES

Table 8

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>ATTORNEY GENERAL</b>				
<b>Expenses</b>				
<i>Criminal Injuries Compensation Act 2003</i>	8.6	8.9	-	-
Enhanced Fines Enforcement Measures – Criminal Enforcement Team Extension	-	2.0	-	-
<b>CORRUPTION AND CRIME COMMISSION</b>				
<b>Asset Investment</b>				
Office Accommodation	8.5	8.3	-	-
<b>LEGAL AID COMMISSION</b>				
<b>Expenses</b>				
Business Plan Realignment	-3.7	-3.8	-5.0	-5.0
<b>COMMERCE</b>				
<b>Expenses</b>				
Home Indemnity Insurance	11.1	24.8	17.1	2.4
Royalties for Regions – Regional Telecommunications Project Stage 2	-	5.0	15.0	-
Western Australian Defence Program Initiatives	1.2	1.6	1.2	-
Ex-Gratia Payment – Residential Properties at Mullaloo	1.6	-	-	-
Whole-of-Government Digital Services Portal	0.2	-	-	-

### Attorney General

#### Expenses

##### *Criminal Injuries Compensation Act 2003*

An additional \$17.5 million will be spent from 2016-17 to 2017-18 to meet the anticipated increased costs of award payments made in accordance with the *Criminal Injuries Compensation Act 2003*. Further funding from 2018-19 will be subject to an evaluation of the current arrangements.

##### *Enhanced Fines Enforcement Measures – Criminal Enforcement Team Extension*

An amount of \$2 million will be spent in 2017-18 to continue the Enhanced Fines Enforcement Measures project, while evaluation of this project is being completed. This project funds a Criminal Enforcement Team to implement a range of enforcement sanctions to enhance the recovery of outstanding fines or infringements.

## **Corruption and Crime Commission**

### **Asset Investment**

#### *Office Accommodation*

An additional \$16.8 million will be spent in 2016-17 and 2017-18 for the design and fit-out costs of a new office accommodation building located in the Perth CBD fringe. This will be funded from lease incentives of \$9.8 million, and internal funds of \$7 million.

### **Legal Aid Commission**

#### **Expenses**

#### *Business Plan Realignment*

Expenditure will be reduced by \$17.3 million over the four years to 2019-20 to reflect the Commission's revised revenue and expenditure forecasts.

### **Commerce**

#### **Expenses**

#### *Home Indemnity Insurance*

Expenditure on the State's Home Indemnity Insurance scheme is projected to increase by \$55.4 million over the forward estimates period due to the decision to extend the scheme by a further two years until 2018-19, and as a result of a revised actuarial assessment of the State's current and projected claims exposure under the scheme. Increased expenditure will be partially offset by additional premium revenues of \$41.5 million over the same period.

#### *Royalties for Regions – Regional Telecommunications Project Stage 2*

An additional \$20 million will be spent over two years from 2017-18 to address mobile telephone and data coverage gaps in small communities and at strategic locations in regional Western Australia.

#### *Western Australian Defence Program Initiatives*

An additional \$4 million in expenditure has been approved over three years from 2016-17 to enhance the capacity and specialised knowledge within the Department of Commerce to deliver defence program initiatives, following the Commonwealth Government's naval shipbuilding program announcements.

#### *Ex-Gratia Payment – Residential Properties at Mullaloo*

An amount of \$1.6 million will be spent in 2016-17 on an ex-gratia payment for damage caused by no fault subsidence at two residential properties in Mullaloo.

#### *Whole-of-Government Digital Services Portal*

An amount of \$200,000 will be spent in 2016-17 on Stage 1 of a program to deliver a new single whole-of-government Digital Services Portal in collaboration with the Office of the Government Chief Information Officer and Department of Transport.

## MINISTER FOR ENVIRONMENT; HERITAGE

### MAJOR SPENDING CHANGES

Table 9

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>PARKS AND WILDLIFE</b>				
<b>Expenses</b>				
Depreciation	6.8	8.3	9.8	9.8
Royalties for Regions – William Bay and Denmark Tourist Infrastructure Renewal	-	-	6.0	3.3
<b>Asset Investment</b>				
Royalties for Regions – Parks and Wildlife Headquarters – Stage 2	6.2	4.7	-	-
<b>ENVIRONMENT REGULATION</b>				
<b>Expenses</b>				
Industry Revenue – Expenses Update	-2.6	-3.8	-4.2	-3.6
Container Deposit Scheme	0.6	0.6	0.6	-
<b>ZOOLOGICAL PARKS AUTHORITY</b>				
<b>Expenses</b>				
Open Range Zoo	0.2	-	-	-

### Parks and Wildlife

#### Expenses

##### *Depreciation*

Depreciation expenses will increase by \$34.7 million over the forward estimates period following a review of the final financial outcomes for 2015-16. Actual depreciation expenses have increased significantly in recent years, mainly due to the finalisation of projects funded by the Royalties for Regions program.

##### *Royalties for Regions – William Bay and Denmark Tourist Infrastructure Renewal*

An amount of \$9.3 million will be spent over 2018-19 to 2019-20 to revitalise the William Bay National Park. Planned works include purpose-built trails, sealed roads, interpretation nodes and construction of visitor amenities such as lookouts and picnic tables.

#### Asset Investment

##### *Royalties for Regions – Parks and Wildlife Headquarters – Stage 2*

An additional \$10.9 million will be spent from 2016-17 to 2017-18 on Stage 2 works for the Department's new headquarters at Bunbury. The additional works will include a visitor centre, meeting and training facilities, public display space and public toilets.

## **Environment Regulation**

### **Expenses**

#### ***Industry Revenue – Expenses Update***

Industry revenue from regulatory fees has been revised downwards by a total of \$14.3 million over the forward estimates period due to softer economic conditions, and following revisions to forecasts based on final 2015-16 results. Expenses have also been reduced by a corresponding amount.

#### ***Container Deposit Scheme***

An amount of \$1.7 million will be spent over 2016-17 to 2018-19 to introduce a container deposit scheme for drink bottles and cans, to help improve recycling and reduce littering in Western Australia.

## **Zoological Parks Authority**

### **Expenses**

#### ***Open Range Zoo***

An amount of \$150,000 will be spent in 2016-17 to facilitate planning works for an open range zoo.

## MINISTER FOR EMERGENCY SERVICES; FISHERIES; CORRECTIVE SERVICES; VETERANS

### MAJOR SPENDING CHANGES

Table 10

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>FIRE AND EMERGENCY SERVICES</b>				
<b>Expenses</b>				
Automated Vehicle Location System	0.7	0.2	0.2	0.2
Computer Aided Dispatch System	-	0.1	3.9	4.8
<b>Asset Investment</b>				
Replacement of the Computer Aided Dispatch System	7.5	8.4	2.2	-
<b>FISHERIES</b>				
<b>Expenses</b>				
Commercial Access Fees	1.2	1.8	2.5	3.2
Royalties for Regions – South Coast Aquaculture Development Zone	1.1	0.1	0.1	-
<b>Asset Investment</b>				
Albany Multi-species Mollusc Hatchery	1.3	-	-	-
<b>CORRECTIVE SERVICES</b>				
<b>Expenses</b>				
Depreciation Expenses	6.9	6.9	6.9	6.9
Demand Growth – Increase in the Daily Average Prisoner Population	25.4	-	-	-
Revised Government Regional Officer Housing Expenses	-1.6	-3.9	-0.2	-2.4

### Fire and Emergency Services

#### Expenses

##### *Automated Vehicle Location System*

An additional \$1.3 million will be spent from 2016-17 to 2019-20 to meet the costs associated with the delivery of the Automated Vehicle Location system to front line operational vehicles primarily based in the metropolitan area. The system will allow identification of vehicle locations anywhere in the State and will be used as a tool to further protect fire crews in high risk bushfire areas.

##### *Computer Aided Dispatch System*

Following the replacement of the Computed Aided Dispatch (CAD) system, \$8.8 million will be spent from 2017-18 to 2019-20 for ongoing operating costs that include support, maintenance and depreciation.

#### Asset Investment

##### *Replacement of the Computer Aided Dispatch System*

An amount of \$18 million over three years to 2018-19 will be spent on replacing the Department's outdated CAD system. The new system will meet changes in communication standards for emergency services and will improve the Department's ability to respond to fire and emergency situations.

## **Fisheries**

### **Expenses**

#### ***Commercial Access Fees***

Revenue from commercial access fees is projected to increase by \$15.6 million from 2016-17 to 2019-20. Over half of this increase (\$8.7 million) will be spent on commercial fisheries and aquaculture management, including funding to support the peak industry body.

#### ***Royalties for Regions – South Coast Aquaculture Development Zone***

Funding of \$1.3 million over 2016-17 to 2018-19 has been allocated to aquaculture development within the waters of the South Coast.

### **Asset Investment**

#### ***Albany Multi-species Mollusc Hatchery***

Funding of \$1.3 million, previously provided for unspecified aquaculture development zones, will be transferred from recurrent to capital in 2016-17 to assist in the construction of the Albany Multi-species Mollusc Hatchery.

## **Corrective Services**

### **Expenses**

#### ***Depreciation Expenses***

Depreciation expenses will increase by \$27.6 million from 2016-17 to 2019-20, mainly reflecting an adjustment to the recognition of asset depreciation for custodial facilities, software development amortisation, and accelerated depreciation of surrendered leases.

#### ***Demand Growth – Increase in the Daily Average Prisoner Population***

An additional \$25.4 million will be spent in 2016-17 to fund higher than expected growth in the daily average prisoner population to 6,345 (relative to 5,974 at Budget-time). The increased expenditure reflects the cost of additional prison officers and goods and services required to accommodate the increased prisoner numbers.

## MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY

### MAJOR SPENDING CHANGES

Table 11

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>WATER</b>				
<b>Expenses</b>				
Royalties for Regions – Watering Western Australia	0.7	6.6	7.9	14.8
National Water Infrastructure Development Fund – Feasibility Studies	2.6	3.7	-	-
Peel Integrated Water Initiative – Phase 1	1.2	1.1	-	-
<b>SPORT AND RECREATION</b>				
<b>Expenses</b>				
Western Australian Institute of Sport Funding Gap	1.0	-	-	-
Royalties for Regions – Regional Athlete Support Program	0.7	1.6	1.7	1.7
KidSport	0.5	-	-	-
SilverSport Pilot Program Expansion	0.3	-	-	-
<b>WESTERN AUSTRALIAN SPORTS CENTRE TRUST (VENUESWEST)</b>				
<b>Expenses</b>				
Perth Motorplex – Transition Costs and Management Arrangements	6.1	5.6	-	-
<b>Asset Investment</b>				
Perth Motorplex – Transition Costs and Management Arrangements	0.7	-	-	-
<b>FOREST PRODUCTS COMMISSION</b>				
<b>Expenses<sup>(a)</sup></b>				
Royalties for Regions – A Vision for the Western Australian Forest Industry	0.3	0.3	-	-
<b>Asset Investment</b>				
Acquisition of Land for Relocation of Plantation Operations	2.1	-	1.3	-

(a) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.

## Water

### Expenses

#### *Royalties for Regions – Watering Western Australia*

An amount of \$30 million from the Royalties for Regions Regional Infrastructure and Headworks Fund will be spent over the forward estimates period on the Watering Western Australia initiative. The program aims to increase the availability of non-drinking water for regional communities and farms, and improve the health of waterways in the Avon.

***National Water Infrastructure Development Fund – Feasibility Studies***

An amount of \$6.3 million will be spent over 2016-17 to 2017-18 on conducting seven water infrastructure feasibility studies in Western Australia. The funding is provided by the Commonwealth through the National Water Infrastructure Development Fund agreement, with the Department responsible for undertaking water supply planning work on phase 3 of the Ord-East Kimberley Expansion project. The Department is also responsible for distributing the remainder of funds to Government and private sector proponents to undertake other studies.

***Peel Integrated Water Initiative – Phase 1***

An amount of \$2.3 million, provided by the Peel Development Commission and funded through the Royalties for Regions program, will be spent over two years to 2017-18 to deliver phase 1 of the Peel Integrated Water Initiative. This project aims to improve water quality and overall water resource management within the Peel Food Zone and Peel Business Park, and provide sustainable water supply options to support future economic growth in the region.

**Sport and Recreation**

**Expenses**

***Western Australian Institute of Sport Funding Gap***

An additional \$957,000 will be provided in 2016-17 to assist the Western Australian Institute of Sport in meeting high performance sport objectives associated with the 2016-20 Olympic Games cycle.

***Royalties for Regions – Regional Athlete Support Program***

An amount of \$5.7 million will be spent from 2016-17 to 2019-20 to continue providing regionally based talented athletes with access to quality training and development opportunities, facilities and competitions, and access to a travel subsidy grant program.

***KidSport***

An additional \$500,000 will be spent on the KidSport program in 2016-17 to meet additional demand. KidSport provides financial assistance towards club fees for eligible Western Australian children to enable participation in community sport and recreation activities.

***SilverSport Pilot Program Expansion***

An additional \$270,000 will be spent in 2016-17 to expand the SilverSport program. This program provides eligible seniors with financial assistance towards the cost of sporting club memberships or physical activity program fees.



## **Western Australian Sports Centre Trust (VenuesWest)**

### **Expenses**

#### ***Perth Motorplex – Transition Costs and Management Arrangements***

Additional recurrent expenditure of \$11.7 million over 2016-17 and 2017-18 has been approved for costs associated with transitioning Perth Motorplex to VenuesWest following the withdrawal of a private sector operator from the management of the venue. These costs are expected to be mostly offset by income made from operating the venue.

### **Asset Investment**

#### ***Perth Motorplex – Transition Costs and Management Arrangements***

Additional capital expenditure of \$716,000 has been approved to secure access to the assets, proprietary software and business systems at Perth Motorplex required to operate the business.

## **Forest Products Commission**

### **Expenses**

#### ***Royalties for Regions – A Vision for the Western Australian Forest Industry***

An amount of \$500,000 over 2016-17 and 2017-18, funded from Royalties for Regions, has been approved to develop a vision for the future of the forest industry in regional Western Australia.

### **Asset Investment**

#### ***Acquisition of Land for Relocation of Plantation Operations***

The Forest Products Commission will spend \$3.4 million in 2016-17 and 2018-19 to acquire substitute land to support timber supply following a change of land use within the fire-damaged area of the McLarty plantation.

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

Table 12

### MAJOR SPENDING CHANGES

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>REGIONAL DEVELOPMENT</b>				
<b>Expenses</b>				
Royalties for Regions Regional Reform Fund – Kimberley Schools Project	4.0	6.5	9.8	4.7
Revision to Agency Expenditure Review Savings Target	-	5.6	4.1	4.1
Royalties for Regions – Essential Expansion of Aged Care for the Kalgoorlie Community	9.4	0.4	-	-
Royalties for Regions – Albany Centennial Park	5.8	-	-	-
Royalties for Regions – Essential Expansion of Aged Care for the Esperance Community	1.4	1.6	-	-
Royalties for Regions – Laverton Community Hub	-	2.6	-	-
Royalties for Regions – Albany Student Accommodation	2.2	-	-	-
Royalties for Regions – Drug and Alcohol Detoxification and Rehabilitation Program	1.7	-	-	-
Royalties for Regions – Karratha Enterprise Hub	1.0	1.0	-	-
Royalties for Regions – Remote and Rural Women’s Network	0.3	0.5	0.3	-
Royalties for Regions – Jawun Indigenous Corporate Partnership Program	0.3	0.3	0.3	-
Royalties for Regions – Mid West Coastal Nodes	0.3	-	-	-
Royalties for Regions – Margaret River Region Lighthouse Precincts Redevelopment	0.2	-	-	-
Royalties for Regions – National Heavy Vehicle Driver Training Institute	0.1	-	-	-
<b>Asset Investment</b>				
Royalties for Regions – North-West Aboriginal Housing Initiative	-	20.0	20.0	60.0
Royalties for Regions Regional Reform Fund – Remote Aboriginal Community Infrastructure Upgrade Program	-	2.0	25.0	25.0
<b>GOLDFIELDS ESPERANCE DEVELOPMENT COMMISSION</b>				
<b>Expenses</b>				
Revision to Agency Expenditure Review Savings Target	-	-(a)	-(a)	-(a)
<b>MID WEST DEVELOPMENT COMMISSION</b>				
<b>Expenses</b>				
Royalties for Regions – Mid West Unit	-	0.3	0.3	0.3
<b>PILBARA DEVELOPMENT COMMISSION</b>				
<b>Expenses</b>				
Royalties for Regions – Murujuga Tourism Business Case	0.2	-	-	-
<b>SOUTH WEST DEVELOPMENT COMMISSION</b>				
<b>Expenses</b>				
Bunbury Marine Facilities – Engineering, Environmental and Planning Studies	0.8	0.2	-	-
Withers Urban Renewal Strategy	0.7	-	-	-
<b>LANDS</b>				
<b>Expenses</b>				
Land Asset Sales Program Divestment Fund	-	8.0	8.0	8.3
Royalties for Regions – Bushfire Mitigation	0.7	5.0	5.0	4.3
Crown Land Administration	1.6	2.0	1.8	1.8
Gift of the ANZAC House Site to the Returned and Services League of Australia WA Branch (Administered)	5.0	-	-	-
Balanggarra/Wyndham Indigenous Land Use Agreement	0.3	-	-	-

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**MAJOR SPENDING CHANGES**

Table 12 (cont.)

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>WESTERN AUSTRALIAN LAND AUTHORITY (LANDCORP)</b>				
<b>Expenses<sup>(b)</sup></b>				
Royalties for Regions – Former Port Hedland Hospital	6.8	0.8	-	-
Operating Subsidy Payment	3.0	3.0	-	-
<b>Asset Investment</b>				
Revised Financial Forecasts	-79.8	11.1	39.0	-2.2
Royalties for Regions – Transforming Bunbury's Waterfront – Stage 2	0.4	5.8	4.6	-
Royalties for Regions – Port Hedland Spoilbank Marina	-	-	-22.0	21.8
<b>WESTERN AUSTRALIAN LAND INFORMATION AUTHORITY (LANDGATE)</b>				
<b>Expenses</b>				
Revised Financial Forecasts	6.1	-	-	-
<b>Asset Investment</b>				
National Register of Foreign Ownership of Land Titles	1.2	0.6	-	-

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

(b) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.

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**Regional Development**
**Expenses*****Royalties for Regions Regional Reform Fund – Kimberley Schools Project***

An amount of \$25 million will be spent over the four years to 2019-20 on the Kimberley Schools Project to customise, intensify and better support existing strategies to accelerate student progress in Kimberley schools and communities.

***Revision to Agency Expenditure Review Savings Target***

The Department's expense limit has been increased by \$13.8 million over 2017-18 to 2019-20, following a revision to the methodology used in calculating its AER savings target. The savings target was initially set at \$6.5 million in 2017-18 and \$4.9 million in 2018-19 and 2019-20. The revised target is \$878,000 in 2017-18, \$766,000 in 2018-19 and \$773,000 in 2019-20, and is now based on only the Department's operational expenditure.

***Royalties for Regions – Essential Expansion of Aged Care for the Kalgoorlie Community***

A contribution of \$9.8 million will be provided over 2016-17 to 2017-18 to construct a 45 unit self-care/independent living village for aged pensioners of the Goldfields-Esperance region.

***Royalties for Regions – Albany Centennial Park***

An amount of \$5.8 million will be provided in 2016-17 to complete the redevelopment of the eastern precinct of the Centennial Park Sporting Complex in Albany. The complex includes a grandstand, new oval and playing fields, shared clubrooms and lighting upgrade.

***Royalties for Regions – Essential Expansion of Aged Care for the Esperance Community***

A contribution of \$3 million will be provided over 2016-17 to 2017-18 to construct a 34 bed residential aged care facility in Esperance, with capacity to provide accommodation and care for up to 17 people living with dementia.

***Royalties for Regions – Laverton Community Hub***

A contribution of \$2.6 million will be provided in 2017-18 to complete the Laverton Community Hub. The Hub includes a replacement swimming pool, and a new multi-purpose building incorporating kitchens, change rooms, a gym and an outdoor hard surface sports court.

***Royalties for Regions – Albany Student Accommodation***

A contribution of \$2.2 million in 2016-17 will be made, in addition to the \$8.8 million provided in 2015-16, to provide affordable student accommodation in Albany. The project will see the construction of a 40-bed facility on the old Albany Primary School site on Serpentine Road, and will be available to students attending local higher education institutions.

***Royalties for Regions – Drug and Alcohol Detoxification and Rehabilitation Program***

An additional contribution of \$1.7 million will be provided in 2016-17 to increase the capacity of drug and alcohol detoxification and rehabilitation programs in the Goldfields-Esperance region.

***Royalties for Regions – Karratha Enterprise Hub***

A contribution of \$2 million will be provided over 2016-17 and 2017-18 to establish the Karratha Enterprise Hub, which aims to minimise barriers to business start-ups in the West Pilbara region, as well as deliver enhanced business support for assisting micro and small businesses.

***Royalties for Regions – Remote and Rural Women’s Network***

An amount of \$1 million will be provided over the three years to 2018-19 to the Remote and Rural Women’s Network to assist the network to transition into a modern, relevant and dynamic organisation.

***Royalties for Regions – Jawun Indigenous Corporate Partnership Program***

An amount of \$850,000 will be provided over three years to 2018-19 to increase the capacity and effectiveness of Western Australian Indigenous organisations, empower Indigenous leaders, and promote innovation and systems change in Indigenous regions.

***Royalties for Regions – Mid West Coastal Nodes***

A contribution of \$307,000 will be provided in 2016-17, in addition to \$765,000 provided in 2015-16, to construct basic eco-friendly and contemporary facilities for freedom camping at four coastal nodes across the Mid West and Wheatbelt regions. The nodes will offer basic facilities such as eco toilets, designated camp areas, signage, rubbish bins and walkways.

***Royalties for Regions – Margaret River Region Lighthouse Precincts Redevelopment***

A contribution of \$168,000 will be provided in 2016-17, in addition to the \$1.3 million provided in 2015-16, to the Margaret River Region Lighthouse Precincts Redevelopment project to improve the infrastructure and product offering at the two Lighthouses in the Margaret River region. The investment will contribute to capital works on eight buildings across the two sites to increase visitor capacity, develop new interpretation services and add new attractions such as a cafe, playground and lookout.

***Royalties for Regions – National Heavy Vehicle Driver Training Institute***

An amount of \$101,000 will be provided in 2016-17, in addition to the \$189,000 provided in 2015-16, to the Karratha-based National Heavy Vehicle Driver Training Institute. The Institute provides newly licensed heavy vehicle drivers with 160 hours of road freight transport experience prior to commencing traineeships with local, state and national transport companies.

**Asset Investment*****Royalties for Regions – North-West Aboriginal Housing Initiative***

As part of a \$200 million package for the North-West Aboriginal Housing Fund, an amount of \$100 million will be provided over 2017-18 to 2019-20, funded from the Regional Reform Fund (\$39 million) and the Royalties for Regions Fund (\$61 million). This Fund will provide more housing options for Aboriginal families with the aim of improving school and work outcomes. The residual \$100 million spending under this package will be in the form of grants expensed by the Housing Authority, funded from within the Authority's existing recurrent grants program.

***Royalties for Regions Regional Reform Fund – Remote Aboriginal Community Infrastructure Upgrade Program***

An amount of \$52 million will be provided over 2017-18 to 2019-20 from the Regional Reform Fund Special Purpose Account to upgrade essential and municipal service infrastructure in medium and large remote communities.

**Goldfields Esperance Development Commission****Expenses*****Revision to Agency Expenditure Review Savings Target***

The Commission's expense limit has been increased by \$79,000 over 2017-18 to 2019-20, following a revision to the methodology used in calculating the Commission's AER savings target.

**Mid West Development Commission****Expenses*****Royalties for Regions – Mid West Unit***

An additional \$850,000 will be spent over 2017-18 to 2019-20 to complete the implementation of the Mid West Investment Plan.

## **Pilbara Development Commission**

### **Expenses**

#### ***Royalties for Regions – Murujuga Tourism Business Case***

An amount of \$150,000 will be spent in 2016-17 as part of the Murujuga Tourism Business Case to develop a feasibility study, site layout and landscape concept plan as part of the Burrup tourism concept.

## **South West Development Commission**

### **Expenses**

#### ***Bunbury Marine Facilities – Engineering, Environmental and Planning Studies***

An additional \$1 million will be spent over 2016-17 and 2017-18 on engineering, environmental and planning studies to assist in the upgrade of the Bunbury Marine Facilities precinct, which will enable the construction of a new safe harbour and marina.

#### ***Withers Urban Renewal Strategy***

Funding of \$672,000 has been approved in 2016-17 to meet the implementation costs of the Withers Urban Renewal Strategy. The Strategy is a collaborative project between the Commission, City of Bunbury and community organisations to revitalise the Bunbury suburb of Withers.

## **Lands**

### **Expenses**

#### ***Land Asset Sales Program Divestment Fund***

An amount of \$24.3 million will be spent from 2017-18 to 2019-20 to continue to assess and bring to market State land identified in the Land Asset Sales Program as underutilised or surplus to State Government needs.

#### ***Royalties for Regions – Bushfire Mitigation***

An amount of \$15 million in Royalties for Regions funds from 2016-17 to 2019-20 will be spent to mitigate extreme bushfire (and other) risks on State-owned land in regional townsites.

#### ***Crown Land Administration***

A total of \$7.3 million from 2016-17 to 2019-20 will be spent on Crown land administration resources and the ongoing sustainability of the Department. This includes increased spending on accommodation, information management and ICT support, and is estimated to generate an additional \$13.6 million in revenue.

***Gift of the ANZAC House Site to the Returned and Services League of Australia WA Branch (Administered)***

A \$5 million expense will be incurred in 2016-17 when the ANZAC House site in St George's Terrace is transferred to the Returned and Services League of Australia WA Branch (RSL), under conditional freehold tenure, which will allow the RSL to redevelop the site into new headquarters. The site is currently vested under the Central Court complex and will be excised and its management order removed in order to facilitate the transfer to the RSL. Originally estimated at \$3.4 million, the final value of the land transferred is \$5 million.

***Balangarra/Wyndham Indigenous Land Use Agreement***

Subject to the registration of the Balangarra/Wyndham Indigenous Land Use Agreement, an amount of \$312,000 will be paid in 2016-17 for compensation to determined Native Title holders under the *Land Administration Act 1997*.

**Western Australian Land Authority (LandCorp)**

**Expenses**

***Royalties for Regions – Former Port Hedland Hospital***

An additional \$7.6 million will be spent over 2016-17 and 2017-18 on the demolition and site remediation of the former Port Hedland hospital site.

***Operating Subsidy Payment***

A deficit shortfall of \$3 million for the Australian Marine Complex – Common User Facility in 2016-17 and 2017-18 is now forecast due to the softening in economic conditions. The facility supports the development of the State's shipbuilding, resources, marine and defence industries. The subsidy is partly returned to the Consolidated Account by LandCorp in the form of dividend and tax equivalent payments.

**Asset Investment**

***Revised Financial Forecasts***

LandCorp's AIP has been reduced by \$31.9 million over the forward estimates period, following revisions to its financial estimates resulting from changes to land sales and development expenditure. Softening property market conditions across all sectors have led LandCorp to implement a range of initiatives to mitigate the financial impact. These include deferral of development expenditure and continuation of sales as part of its overall divestment strategy.

***Royalties for Regions – Transforming Bunbury's Waterfront – Stage 2***

A total of \$10.8 million will be spent over the three years to 2018-19 to fund the redevelopment of Casuarina Drive. The funding will facilitate the creation of a waterfront promenade and landscaped public spaces along Casuarina Drive, and provide car park expansions, coastal erosion protection and a dune-top boardwalk along the ocean side of the road to BP Beach.

***Royalties for Regions – Port Hedland Spoilbank Marina***

Spending on the Port Hedland Spoilbank Marina project will reduce by \$22 million in 2018-19 following a substantial change in scope of the project. This reduction in spending will be offset by increased expenditure of \$21.8 million in 2019-20 and \$200,000 in 2020-21. A total of \$112 million will be spent by LandCorp from 2018-19 to 2020-21 to fund the project.

**Western Australian Land Information Authority (Landgate)**

**Expenses**

***Revised Financial Forecasts***

Expenditure will increase by \$6.1 million in 2016-17 as a result of a greater than anticipated take-up of Voluntary Separation Offers associated with Landgate's Transform program, and due to other savings initiatives anticipated for 2016-17 not yet being realised.

**Asset Investment**

***National Register of Foreign Ownership of Land Titles***

A total of \$1.8 million will be spent over 2016-17 and 2017-18 to implement the Commonwealth Government's National Register of Foreign Ownership of Land Titles. The register seeks to identify land held by foreign investors and to improve transparency of foreign investment in Australia.



## MINISTER FOR PLANNING; DISABILITY SERVICES

### MAJOR SPENDING CHANGES

Table 13

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>WESTERN AUSTRALIAN PLANNING COMMISSION</b>				
<b>Asset Investment</b>				
Acquisition of Land	8.0	-	-	-
<b>DISABILITY SERVICES COMMISSION</b>				
<b>Expenses</b>				
Revision to Agency Expenditure Review Savings Target	-	1.6	1.9	2.2

### Western Australian Planning Commission

#### Asset Investment

##### *Acquisition of Land*

An amount of \$8 million has been approved to purchase LandCorp land in Alkimos that has been reserved for a future high school site.

### Disability Services Commission

#### Expenses

##### *Revision to Agency Expenditure Review Savings Target*

Following changes to the methodology used in calculating the savings target, the Commission's AER savings target has been reduced by \$5.6 million, from \$37.1 million to \$31.5 million, over the period 2017-18 to 2019-20.

**MINISTER FOR MENTAL HEALTH; CHILD PROTECTION**

Table 14

**MAJOR SPENDING CHANGES**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>MENTAL HEALTH COMMISSION</b>				
<b>Expenses</b>				
Mental Health Hospital Services	9.5	9.7	10.0	10.4
State-wide Specialist Aboriginal Mental Health Services	-	9.9	-	-
<b>CHILD PROTECTION AND FAMILY SUPPORT</b>				
<b>Expenses</b>				
Earlier Intervention and Family Support Strategy	-	3.1	5.7	6.2
National Affordable Housing Agreement Homelessness Services	-	3.7	3.8	3.9
Hardship Utility Grant Scheme	-	7.2	-	-
Royalties for Regions – Broome Aboriginal Short Stay Accommodation	-	1.4	2.5	2.6
National Partnership Agreement on Homelessness – State Funded Services	-	2.5	-	-
Women’s Safety Package – National Initiatives Program	1.0	0.7	0.5	0.1
Youth Drop-in Centres	0.9	0.3	-	-
National Outcome Standards for Perpetrator Interventions	0.3	0.1	-	-
<b>Asset Investment</b>				
Residential Care Property Replacement	0.8	-	-	-

**Mental Health Commission****Expenses*****Mental Health Hospital Services***

An additional \$39.6 million will be spent from 2016-17 to 2019-20 on inpatient mental health hospital services (which is reflected in payments to WA Health for the delivery of those services). The increase in expenditure is the result of revised activity-based funding settings under the Independent Hospital Pricing Authority’s 2016-17 classification and pricing framework.

***State-wide Specialist Aboriginal Mental Health Services***

An additional \$9.9 million will be spent in 2017-18 to continue the delivery of the State-wide Specialist Aboriginal Mental Health Services to improve access to culturally appropriate mental health services.

**Child Protection and Family Support****Expenses*****Earlier Intervention and Family Support Strategy***

The Earlier Intervention and Family Support Strategy aims to more effectively focus the Department’s workforce and services to divert families from the statutory child protection system and safely reduce the number of children entering out-of-home care.

As part of this Strategy, an additional \$15 million will be spent over 2017-18 to 2019-20 on an Aboriginal In-home Practical Support Pilot Service. This will provide intensive, targeted and culturally responsive support to Aboriginal families with children at risk of entering out-of-home care.

***National Affordable Housing Agreement Homelessness Services***

Additional expenditure of \$11.4 million between 2017-18 and 2019-20 has been approved to maintain existing levels of State-funded homelessness services under the National Affordable Housing Agreement.

***Hardship Utility Grant Scheme***

An additional \$7.2 million has been allocated in 2017-18 for the Hardship Utility Grant Scheme. This will bring total grant funding to assist households in financial hardship to pay their utility bills to \$8.8 million in 2017-18.

***Royalties for Regions – Broome Aboriginal Short Stay Accommodation***

A total of \$6.5 million will be spent from 2017-18 to 2019-20 to operate an Aboriginal Short Stay Accommodation facility in Broome, providing Aboriginal people visiting Broome with a safe and secure living arrangement and improved access to support services.

***National Partnership Agreement on Homelessness – State-Funded Services***

An additional \$2.5 million has been approved in 2017-18 to maintain existing levels of State-funded homelessness services under the National Partnership Agreement on Homelessness.

***Women’s Safety Package – National Initiatives Program***

A total of \$2.3 million will be spent from 2016-17 to 2019-20 on family and domestic violence initiatives as part of the Commonwealth Government’s Women’s Safety Package.

***Youth Drop-in Centres***

An additional \$1.2 million will be spent over 2016-17 and 2017-18 to provide funding for youth drop-in centres in areas of high need for a period of 12 months. The responsibility for funding these services was recently transferred to the Department for Child Protection and Family Support from the Department of Corrective Services.

***National Outcome Standards for Perpetrator Interventions***

An additional \$449,000 will be spent over 2016-17 and 2017-18 on the implementation of the National Outcome Standards for Perpetrator Interventions as part of the National Plan to Reduce Violence against Women and their Children 2010-2022.

This involves the development and implementation of a national reporting and accountability framework and is funded by the Commonwealth Government under the National Partnership on National Outcome Standards for Perpetrator Interventions.

**Asset Investment**

***Residential Care Property Replacement***

An additional \$750,000 will be spent in 2016-17 to purchase a new residential care home in the metropolitan area to replace an existing property that is no longer suitable.

## MINISTER FOR MINES AND PETROLEUM; FINANCE; SMALL BUSINESS

### MAJOR SPENDING CHANGES

Table 15

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>MINES AND PETROLEUM</b>				
<b>Expenses</b>				
Magnetite Financial Assistance Program (Administered)	9.8	7.9	-	-
Savings to Offset External Revenue Shortfall	-4.0	-	-	-
<b>MINERALS RESEARCH INSTITUTE OF WESTERN AUSTRALIA</b>				
<b>Expenses</b>				
Revised Financial Forecasts	-5.3	-2.4	0.3	-1.1
<b>FINANCE</b>				
<b>Expenses</b>				
First Home Owner Grant (Administered)	3.6	3.2	3.2	3.1
New Public Sector Offices for Fremantle	-	0.7	1.0	4.7
<b>Asset Investment</b>				
Lease Incentive for Office Fit-outs	39.7	19.8	3.5	30.1
New Public Sector Offices for Fremantle	-	-	-	4.0
State Fleet Acquisition	11.0	11.0	11.0	8.2

### Mines and Petroleum

#### Expenses

##### *Magnetite Financial Assistance Program (Administered)*

The estimated expenditure of the Magnetite Financial Assistance Program, which provides a rebate of 50% of royalty payments to eligible companies, has been revised up by \$17.6 million over 2016-17 and 2017-18 due to the revised iron ore price assumptions.

##### *Savings to Offset External Revenue Shortfall*

Expenditure will be reduced by \$4 million in 2016-17 to partially offset an external revenue shortfall of \$5 million associated with the resource industry slowdown. Savings will be achieved through the implementation of new payables and payment processes, recruitment management and adjustments to non-essential components of the Resource Access and Geoscience information work programs.

### Minerals Research Institute of Western Australia

#### Expenses

##### *Revised Financial Forecasts*

The agency has revised down its expenditure forecast by \$8.4 million over the forward estimates period, primarily to reflect a reduction in industry sponsorship for research projects.

## **Finance**

### **Expenses**

#### ***First Home Owner Grant (Administered)***

First Home Owner Grant expenditure administered by the Department is projected to be \$13.1 million higher across the forward estimates period, due to a slightly higher than anticipated uptake in First Home Owner Grants for new homes in 2016-17, which has a flow-through impact for expenditure projections in the outyears.

#### ***New Public Sector Offices for Fremantle***

An amount of \$6.4 million will be spent from 2017-18 to 2019-20 on relocation costs and associated outgoings related to the relocation of 1,500 public servants to new office accommodation space at Fremantle's Kings Square.

### **Asset Investment**

#### ***Lease Incentives for Office Fit-outs***

Additional funding of \$93.1 million will be available from 2016-17 to 2019-20 for office fit-outs within the State Government's office accommodation portfolio, including \$30 million for Fremantle's Kings Square. These fit-outs are externally funded through negotiated lease incentives provided by landlords in order to attract long-term tenants.

#### ***New Public Sector Offices for Fremantle***

In addition to lease incentives (detailed above), capital funding of \$4 million has been approved in 2019-20 on office fit-outs associated with the new office accommodation space at Fremantle's Kings Square.

#### ***State Fleet Acquisition***

An additional \$41.2 million will be spent between 2016-17 and 2019-20 on the replacement of motor vehicles in order to meet client agencies' vehicle needs and to clear a backlog of replacement vehicles across the sector. The acquisitions will be largely funded through sale proceeds from the vehicles being replaced.

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

### MAJOR SPENDING CHANGES

Table 16

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>LOCAL GOVERNMENT AND COMMUNITIES</b>				
<b>Expenses</b>				
National Partnership on the National Quality Agenda for Early Childhood Education and Care	1.6	1.5	-	-

### Local Government and Communities

#### Expenses

#### *National Partnership on the National Quality Agenda for Early Childhood Education and Care*

An amount of \$3.1 million has been provided by the Commonwealth as a result of the extension of the National Partnership on the National Quality Agenda for Early Childhood Education and Care (ECEC) to 2017-18. This will be spent on implementing and maintaining the Agenda to improve educational and developmental outcomes for children attending ECEC services provided by the State.

## MINISTER FOR AGRICULTURE AND FOOD

Table 17

### MAJOR SPENDING CHANGES

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>AGRICULTURE AND FOOD</b>				
<b>Expenses</b>				
<i>Biosecurity and Agriculture Management Act 2007 – Declared Pest Control Activities</i>	1.0	2.5	2.7	2.9
Building Western Australian Grains Research and Development Capacity	-	15.7	11.0	7.7
Potato Marketing Corporation Closure Costs	1.2	-	-	-
Royalties for Regions – Implementing the Western Australian Wild Dog Action Plan	1.0	3.9	5.6	6.2
<b>Asset Investment</b>				
Royalties for Regions – Implementing the Western Australian Wild Dog Action Plan	0.7	1.0	3.9	7.3

## Agriculture and Food

### Expenses

#### *Biosecurity and Agriculture Management Act 2007 – Declared Pest Control Activities*

Additional expenditure of \$9.1 million over the four years to 2019-20 has been approved to match levied rates on properties for declared pest control activities in accordance with the legislative requirements of the *Biosecurity and Agriculture Management Act 2007*.

#### *Building Western Australian Grains Research and Development Capacity*

An amount of \$34.4 million over the three years to 2019-20, plus the utilisation of \$20 million of Royalties for Regions funding already provided to the Department, will be spent to establish a new grains research and development funding model and approach.

#### *Potato Marketing Corporation Closure Costs*

Additional expenditure of \$1.2 million in 2016-17 has been approved to fund the costs associated with the closure of the Potato Marketing Corporation.

#### *Royalties for Regions – Implementing the Western Australian Wild Dog Action Plan*

Recurrent expenditure will increase by \$16.7 million over the four years to 2019-20 to support the revitalisation of Western Australia's livestock industries and help landowners control wild dogs in pastoral and agricultural regions.



## Asset Investment

### *Royalties for Regions – Implementing the Western Australian Wild Dog Action Plan*

Additional capital expenditure of \$12.9 million over the four years to 2019-20 has been approved in accordance with the Wild Dog Action Plan. This includes upgrades and extensions to the State Barrier Fence in the southern agricultural area.

## Provisions

Table 18				
<b>MAJOR SPENDING CHANGES</b>				
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>PROVISIONS</b>				
<b>Expenses</b>				
Provision for Spending of Additional Red Light and Speed Camera Revenue	3.0	6.0	6.0	4.4
<b>Asset Investment</b>				
Revised Provision for Underspending	-400.0	-	-	-
Provision for Spending of Additional Red Light and Speed Camera Revenue	7.1	13.9	14.1	10.2

## Expenses

### *Provision for Spending of Additional Red Light and Speed Camera Revenue*

A \$65 million provision (for the years 2016-17 to 2019-20), of which \$19.4 million is forecast to be expensed, has been included in this Mid-year Review to reflect spending of additional Road Trauma Trust Account revenue generated from the roll out of 26 additional speed and red light cameras. This spending will be allocated to specific projects in future Budget processes.

## Asset Investment

### *Revised 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 \$1 billion underspending provision has been incorporated in the forecasts (\$400 million higher than the provision included in the 2016-17 Budget).

### *Provision for Spending of Additional Red Light and Speed Camera Revenue*

As noted above, \$65 million provision (for the years 2016-17 to 2019-20), of which \$45.2 million is forecast to be capitalised, has been included in this Mid-year Review to reflect the spending of additional Road Trauma Trust Account revenue generated from the roll out of 26 additional speed and red light cameras. This spending will be allocated to specific projects in future budget processes.



## The Treasurer's Advance

Under the *Financial Management Act 2006* (FMA), the Treasurer's Advance provides the Treasurer with authorisation to make short-term recoverable advances to agencies for the temporary financing of works and services. In addition, new or supplementary funding can be provided during the year for extraordinary or unforeseen matters (known as 'excesses and new items'), up to an approved limit. The total amount forecast to be drawn against recoverable advances, excesses and new items is \$353.1 million, which is within the \$632.4 million limit for 2016-17, authorised by the FMA<sup>1</sup>.

Table 4.1 shows the projected position of the Treasurer's Advance at 30 June 2017.

<b>TREASURER'S ADVANCE</b>		Table 4.1
	2015-16 Actual	2016-17 Projection <sup>(a)</sup>
	\$m	\$m
<b>AUTHORISED LIMIT</b>	<b>645.2</b>	<b>632.4</b>
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	511.8	353.1
Comprising		
Net recoverable advances as at 30 June	10.2	20.0
Overdraw n Special Purpose Accounts	10.4	-
Excesses and New Items		
- recurrent	261.5	227.6
- capital	229.7	105.5

(a) Detailed disclosure of the final audited outcome for 2016-17 will be available in the 2016-17 *Annual Report on State Finances*, due to be released by 28 September 2017.

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 2016-17 and the expected impact of these on the Treasurer's Advance under the authority of section 27 of the FMA.

<sup>1</sup> Section 29 of the FMA authorises the Treasurer's Advance limit to be equivalent to 3% of the total amount appropriated for the previous year by the Appropriation Acts. For 2016-17, the \$632.4 million limit represents 3% of the total \$21.1 billion appropriated by Appropriation Bills 1 and 2 in the 2015-16 Budget.

The projections shown in Table 4.2 are subject to movements in agencies' appropriations through the remainder of 2016-17. 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 2017.

Section 25 of the FMA allows appropriation originally allocated in the 2016-17 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 2016-17 Budget include:

- \$4 million of recurrent appropriation from the Department of Finance to a number of agencies in response to recent updates to government procurement policy;
- \$0.5 million of recurrent appropriation provisioned in the Department of Treasury to the Department of Local Government and Communities for the Chinese New Year 2017 Activation Project;
- \$0.5 million of recurrent appropriation from the Department of Agriculture and Food to the Department of State Development to expand agribusiness in Western Australia;
- \$0.3 million of recurrent appropriation from the Department of Treasury to the Department of the Premier and Cabinet to coordinate and administer the Anzac Day Trust Account; and
- \$0.2 million of recurrent appropriation from the Mental Health Commission to the Department of the Premier and Cabinet to develop a communications plan for the Western Australian Meth Strategy.

## 2016-17 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2

Item	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Treasurer's Advance		Draw n against Treasurer's Advance to date <sup>(b)</sup> \$m
				Approved Excesses \$m	Revised Appropriation Limit \$m	
<b>Recurrent Appropriations</b>						
Premier and Cabinet						
Item 5: Delivery of Services	169.6	0.3	-	10.5	180.4	-
Item 6: Administered Grants, Subsidies and Other Transfer Payments	15.8	0.3	-	-	16.1	-
WA Tourism Commission						
Item 10: Delivery of Services	65.1	0.1	-	2.1	67.3	-
Chemistry Centre (WA)						
Item 11: Delivery of Services	6.5	-	-	0.7	7.1	-
Western Australia Police						
Item 12: Delivery of Services	1,293.6	0.4	-	7.4	1301.4	-
Training and Workforce Development						
Item 14: Delivery of Services	350.5	0.1	-	1.8	352.4	-
Lands						
Item 25: Delivery of Services	48.1	-	-	1.9	50.0	-
Education						
Item 28: Delivery of Services	3,969.6	0.4	-	-	3,970.0	-
Schools Curriculum and Standards Authority						
Item 31: Delivery of Services	35.6	-	-	0.4	36.0	-
WA Health						
Item 35: Delivery of Services	4,919.6	0.5	-	115.4	5035.6	-
Culture and the Arts						
Item 36: Delivery of Services	36.0	0.1	-	1.3	37.5	-
Item 38: Library Board of Western Australia	29.2	-	-	0.5	29.7	-
Item 39: Perth Theatre Trust	9.0	-	-	0.1	9.1	-
Treasury						
Item 41: Delivery of Services	53.0	-	-	0.1	53.1	-
<i>Operating Subsidy Payments</i>						
Item 42: Bunbury Water Corporation	0.7	-	-	- <sup>(a)</sup>	0.7	-
Item 43: Busselton Water Corporation	0.6	-	-	- <sup>(a)</sup>	0.7	-
Item 48: Regional Power Corporation (Horizon Power)	44.1	-	-	4.8	48.9	-
Item 51: Western Australian Land Authority	36.3	-	-	3.0	39.3	-

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

Table 4.2 (cont.)

**2016-17 TRANSFERS, EXCESSES AND NEW ITEMS**

Item	Budget \$m	Transfers <sup>(a)</sup> \$m	Treasurer's Advance			Revised Appropriation Limit \$m	Draw n against Treasurer's Advance to date <sup>(b)</sup> \$m
			New Items \$m	Approved Excesses \$m			
<i>Grants, Subsidies and Transfer Payments</i>							
Item 53: Attorney General	4.8	-	-	1.2		6.0	-
Item 54: Goods and Services Tax (GST) Admin Costs	74.7	-	-	0.2		74.9	-
Item 56: Metropolitan Redevelopment Authority	26.1	-0.5	-	-		25.6	-
Item 64: All Other Grants, Subsidies and Transfer Payments	6.3	-0.3	-	0.6		6.6	-
New Item: Bell Group Administration Wind Up and Associated Costs	-	-	8.1	-		8.1	3.9
New Item: Department of Transport	-	-	0.1	-		0.1	-
<i>State Development</i>							
Item 67: Delivery of Services	37.0	0.5	-	-		37.5	-
<i>Finance</i>							
Item 69: Delivery of Services	176.2	-4.0	-	1.4		173.5	-
<i>Attorney General</i>							
Item 73: Delivery of Services	248.8	0.2	-	1.3		250.4	-
<i>Commissioner for Equal Opportunity</i>							
Item 75: Delivery of Services	3.5	-	-	0.1		3.6	-
<i>Commerce</i>							
Item 80: Delivery of Services	56.9	0.1	-	0.3		57.3	-
<i>Parks and Wildlife</i>							
Item 83: Delivery of Services	206.9	0.1	-	-		207.0	-
<i>Zoological Parks Authority</i>							
Item 87: Delivery of Services	11.2	-	-	0.2		11.3	-
<i>Fire and Emergency Services</i>							
Item 91: Delivery of Services	17.7	0.1	-	-		17.7	-
<i>Fisheries</i>							
Item 93: Delivery of Services	49.6	0.1	-	-		49.7	-
<i>Corrective Services</i>							
Item 94: Delivery of Services	877.0	0.1	-	29.6		906.8	-
<i>Water</i>							
Item 96: Delivery of Services	69.3	0.1	-	1.8		71.2	-
<i>Sports and Recreation</i>							
Item 97: Delivery of Services	42.8	-	-	0.3		43.0	-

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

## 2016-17 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2 (cont.)

Item	Budget \$m	Treasurer's Advance			Revised Appropriation Limit \$m	Drawn against Treasurer's Advance to date <sup>(b)</sup> \$m
		Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m		
Western Australian Sports Centre Trust						
Item 100: Delivery of Services	51.0	-	-	0.7	51.6	-
Agriculture and Food						
Item 101: Delivery of Services	114.7	-0.3	-	0.7	115.1	-
Transport						
Item 104: Delivery of Services	59.9	0.3	-	-	60.2	-
Commissioner of Main Roads						
Item 106: Delivery of Services	318.2	-	-	3.0	321.2	-
Local Government and Communities						
Item 107: Delivery of Services	99.8	0.5	-	-	100.3	-
Racing, Gaming and Liquor						
Item 109: Delivery of Services	5.2	-	-	0.8	6.1	-
Planning						
Item 111: Delivery of Services	47.5	0.1	-	-	47.7	-
Disability Services Commission						
Item 114: Delivery of Services	711.9	0.2	-	-	712.1	-
Mental Health Commission						
Item 115: Delivery of Services	668.7	-0.2	-	17.5	686.0	-
Child Protection and Family Support						
Item 119: Delivery of Services	582.5	0.1	-	-	582.7	-
Mines and Petroleum						
Item 120: Delivery of Services	83.1	0.2	-	-	83.4	-
Mines and Petroleum						
Item 121: Administered Grants, Subsidies and Other Transfer Payments	29.4	-	-	9.8	39.2	-
<b>Total Recurrent</b>		-	<b>8.2</b>	<b>219.4</b>		<b>3.9</b>

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

Table 4.2 (cont.)

**2016-17 TRANSFERS, EXCESSES AND NEW ITEMS**

Item	Budget \$m	Transfers <sup>(a)</sup> \$m	Treasurer's Advance			Revised Appropriation Limit \$m	Draw n against Treasurer's Advance to date <sup>(b)</sup> \$m
			New Items \$m	Excesses \$m			
<b>Capital Appropriations</b>							
Chemistry Centre (WA)							
Item 125: Capital Appropriation	1.5	-	-	0.3	1.8	-	-
Western Australia Police							
Item 126: Capital Appropriation	44.0	-	-	9.5	53.5	-	-
Education							
Item 129: Capital Appropriation	155.4	-	-	4.6	160.0	-	-
Treasury							
<i>Government Equity Contributions</i>							
Item 136: Animal Resources Authority	0.5	-	-	0.3	0.8	-	-
Item 139: Electricity Networks Corporation (Western Power)	96.4	-	-	21.2	117.5	-	-
Item 142: Regional Power Corporation (Horizon Power)	1.1	-	-	0.8	1.9	-	-
New Item: Forest Products Commission	-	-	2.1	-	2.1	-	-
Registrar, Western Australian Industrial Relations Commission							
Item 151: Capital Appropriation	1.3	-	-	0.8	2.1	0.8	0.8
Fisheries							
Item 157: Capital Appropriation	1.0	-	-	1.3	2.3	-	-
Water							
Item 159: Capital Appropriation	10.1	-	-	1.3	11.4	-	-
Western Australian Sports Centre Trust							
Item 160: Capital Appropriation	3.4	-	-	0.7	4.2	-	-
Child Protection and Family Support							
Item 168: Capital Appropriation	0.7	-	-	1.6	2.3	-	-
Commissioner of Main Roads							
New Item: Capital Appropriation	-	-	61.0	-	61.0	-	-
<b>Total Capital</b>		<b>-</b>	<b>63.1</b>	<b>42.4</b>			<b>0.8</b>
<b>TOTAL</b>		<b>-</b>	<b>71.3</b>	<b>261.7</b>			<b>4.7</b>

(a) Authorised under section 25 of the FMA.

(b) Mid-year Review cut-off date, 28 November 2016.

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

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



# Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* (FMA) or by 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 with forecast balances in 2016-17. The forecast SPA balances (and transactions in and out of these accounts) form part of the overall consolidated projections for 2016-17 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 2016-17 reflect movements in the financial projections of this Mid-year Review. Variations in account balances for the 2015-16 outturn (relative to the expected outturn outlined in the 2016-17 Budget) were disclosed in the 2015-16 *Annual Report on State Finances* released on 22 September 2016.

## Essential and Municipal Services Account

This account was established in 2015-16 to set aside the Commonwealth's final \$90 million contribution for essential and municipal services for remote Aboriginal communities in Western Australia. Key services to be funded from this SPA include power, water and sewerage, and services that would generally be provided by local governments in less remote locations (such as the management of refuse, roads, airstrips and fire prevention).

A total of \$25.6 million is forecast to be spent in 2016-17 by the Housing Authority at a number of remote communities. This follows expenditure of \$27 million in 2015-16 from this SPA.

As part of this Mid-year Review, approval was given for the remaining \$34 million balance of this SPA to be spent in 2017-18 (see Appendix 3).

<b>ESSENTIAL AND MUNICIPAL SERVICES ACCOUNT</b>			Table 5.1
	2015-16 \$m	2016-17 \$m	
<i>Balance at 1 July</i>	-	63	
Receipts	90	-	
Payments	27	26	
<b>Closing Balance</b>	<b>63</b>	<b>34</b>	

Note: Columns may not add due to rounding.

## Fiona Stanley Hospital Construction Account

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

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. Final invoicing and completion of project close-out activities are expected to occur by the end of 2016-17.

<b>FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT</b>			Table 5.2
	2015-16 \$m	2016-17 \$m	
<i>Balance at 1 July</i>	20	20	
Receipts	-(a)	-	
Payments	-	20	
<b>Closing Balance</b>	<b>20</b>	<b>-</b>	

(a) Amount less than \$0.5 million.  
Note: Columns may not add due to rounding.

## Forrestfield-Airport Link Account

This SPA was established in May 2016 to support the construction of the Forrestfield-Airport Link. Forecast receipts for 2016-17 reflect the Commonwealth's contribution of \$490 million announced in April 2016, and projected interest revenue of \$7 million on the account balance through the year. The Commonwealth's funding was received in June 2016, and appropriated to the Public Transport Authority to be held in the account from July 2016. Funds are to be drawn down by the Authority for project payments as works progress.

<b>FORRESTFIELD-AIRPORT LINK ACCOUNT</b>			Table 5.3
	2015-16 \$m	2016-17 \$m	
<i>Balance at 1 July</i>	-	-	
Receipts	-	497	
Payments	-	305	
<b>Closing Balance</b>	<b>-</b>	<b>192</b>	

Note: Columns may not add due to rounding.

## Metropolitan Region Improvement Fund

This account was established in December 1959 under the *Metropolitan Region Improvement Tax Act 1959* to provide funds for the management of the Metropolitan Region Scheme. Receipts are sourced from Metropolitan Region Improvement Tax (MRIT) collections. Funds from the account are used on parks and recreation areas, the purchase of land for future roads, railways and other public purpose reservations, and to compensate owners for compulsory land acquisitions.

Receipts for the Fund in 2016-17 mainly reflect MRIT collections (\$98 million), proceeds from the sale of land and buildings (\$20 million), and rental and interest revenue (\$14 million). Payments from the Fund in 2016-17 are mainly for the acquisition of land and buildings (\$41 million), associated service delivery costs (\$26 million) and works in progress on a range of smaller infrastructure projects (\$1 million). Higher draw downs in 2015-16 reflect the purchase of Western Australian Land Authority land at Neerabup and Alkimos (detailed in the 2015-16 Mid-year Review).

Table 5.4

<b>METROPOLITAN REGION IMPROVEMENT FUND</b>		
	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	262	293
Receipts	154	134
Payments	123	69
<b>Closing Balance</b>	<b>293</b>	<b>358</b>

Note: Columns may not add due to rounding.

## Mining Rehabilitation Fund

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

Receipts reflect forecast levy contributions from mining operators. Funds can be used to undertake rehabilitation activities where a tenement operator fails to meet rehabilitation obligations, and all other options available to recover funds from the operator have been exhausted. Interest earnings are used to support administration of the Fund and for rehabilitation works at abandoned mine sites (up to an approved limit of \$5 million per year).

Table 5.5

<b>MINING REHABILITATION FUND</b>		
	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	35	63
Receipts	29	29
Payments	1	1
<b>Closing Balance</b>	<b>63</b>	<b>91</b>

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 opening of the Perth Children’s Hospital.

Funds are drawn from the SPA and paid to WA Health as payments for construction work fall due. A small cash balance is expected to remain at the end of 2016-17 to cover costs associated with project close-out activities.

<b>PERTH CHILDREN’S HOSPITAL ACCOUNT</b>			Table 5.6
	2015-16 \$m	2016-17 \$m	
<i>Balance at 1 July</i>	187	122	
Receipts	44	-	
Payments	109	120	
<b>Closing Balance</b>	<b>122</b>	<b>2</b>	

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 licence fees, penalties and money appropriated by the Parliament.

Funds drawn from the account are spent on the Central Area Transit system, the Free Transit Zone, improving public transport access, enhancing the pedestrian environment, supporting bicycle access and for administration of the *Perth Parking Management Act 1999*. Lower spending in 2016-17 (relative to 2015-16) reflects the completion of works on the Perth Busport.

<b>PERTH PARKING LICENSING ACCOUNT</b>			Table 5.7
	2015-16 \$m	2016-17 \$m	
<i>Balance at 1 July</i>	13	11	
Receipts	57	58	
Payments	59	43	
<b>Closing Balance</b>	<b>11</b>	<b>26</b>	

Note: Columns may not add due to rounding.

## Perth Stadium Account

This SPA was established in October 2011 to set aside funds to be used for the construction of the Perth Stadium and its surrounding sports precinct, including associated transport infrastructure. All infrastructure is expected to be completed by the end of 2017 for the stadium to be ready for operations by the start of the 2018 AFL season. All available funds in the SPA will be utilised as part of the funding to support construction.

Forecast receipts of \$370 million in 2016-17 reflect appropriation funding for the project. Funds are drawn from the SPA as payments for the stadium, the sports precinct, and related transport infrastructure construction works fall due. Forecast payments of \$382 million in 2016-17 reflect payments totalling \$239 million for stadium and sports precinct works (largely being delivered under a Design-Build-Finance-Maintain Public Private Partnership procurement model) and a further \$142 million for related transport infrastructure.

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**PERTH STADIUM ACCOUNT**

Table 5.8

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	121	36
Receipts	265	370
Payments	350	382
<b>Closing Balance</b>	<b>36</b>	<b>25</b>

Note: Columns may not add due to rounding.

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## Road Trauma Trust Account

This account was established to provide for road safety initiatives. Receipts reflect prescribed penalties paid during the year, other funds collected under the *Road Traffic (Administration) Act 2008*, and interest revenue earned on the account balance.

Estimated payments from the account in 2016-17 total \$177 million, a significant increase on the \$113 million spent in 2015-16. Key initiatives in 2016-17 include:

- improvements to regional roads (to reduce single vehicle run-off road crashes) and to metropolitan intersections (to reduce the incidence and severity of vehicle crashes);
- enhanced traffic enforcement and increased alcohol and drug testing by Western Australia Police;
- continuation of the electronic school zone sign project;
- implementation of the Alcohol Interlock Scheme;
- community education advertising campaigns; and
- the ongoing operational cost of the Road Safety Commission.

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**ROAD TRAUMA TRUST ACCOUNT**

Table 5.9

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	94	95
Receipts	115	116
Payments	113	177
<b>Closing Balance</b>	<b>95</b>	<b>34</b>

Note: Columns may not add due to rounding.

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## Royalties for Regions Fund

The Royalties for Regions (RfR) 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.

Receipts reflect interest on Fund balances and the statutory funding for the program based on 25% of royalty forecasts at the time of the 2016-17 Budget, adjusted for the \$1 billion cap on the Fund balance. Payments from the Fund include transfers to agencies that deliver some parts of the program.

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

<b>ROYALTIES FOR REGIONS FUND</b>			Table 5.10
	2015-16 \$m	2016-17 \$m	
<i>Balance at 1 July</i>	1,000	870	
Receipts	950	732	
Payments	1,080	602	
<b>Closing Balance</b>	<b>870</b>	<b>1,000</b>	

Note: Columns may not add due to rounding.

## Royalties for Regions Regional Reform Fund

This SPA was approved as part of the 2015-16 Budget to receive \$150 million, transferred from the RfR Fund, commencing in 2014-15. The account will fund strategic reform initiatives in regional Western Australia designed to support Government objectives over time. The first focus area will centre on regional Aboriginal reform initiatives. Funds will be allocated to specific projects once the most effective and efficient mode of delivery has been determined. In 2016-17, \$4 million has been allocated to the Kimberley Schools Project. The \$50 million contribution for 2016-17, projected at the time of the 2015-16 Budget, has been deferred to 2017-18 to accommodate movements in the cash flows for other RfR projects within the agreed funding level established for the Fund (further detail on the RfR program is available in Appendix 6).

<b>ROYALITES FOR REGIONS REGIONAL REFORM FUND</b>			Table 5.11
	2015-16 \$m	2016-17 \$m	
<i>Balance at 1 July</i>	50	100	
Receipts	50	-	
Payments	-	4	
<b>Closing Balance</b>	<b>100</b>	<b>96</b>	

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 RfR Fund and are drawn from the SPA to support improved access to core health services through providing additional resources and improvements to local hospitals and health facilities, aged care and telehealth services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions.

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Table 5.12

**ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE**

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	2015-16	2016-17
	\$m	\$m
<i>Balance at 1 July</i>	219	156
Receipts	3	-
Payments	66	21
<b>Closing Balance</b>	<b>156</b>	<b>135</b>

Note: Columns may not add due to rounding.

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## Waste Avoidance and Resource Recovery Account

The Waste Avoidance and Resource Recovery Account was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* to hold revenue allocated from the landfill levy. The purpose of the account is to fund programs and other initiatives related to the management, reduction, reuse, recycling, monitoring or measurement of waste.

Lower receipts in 2016-17 (relative to 2015-16) reflect lower forecast volumes of waste generation and increased diversion away from landfill to recycling and stockpiling.

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Table 5.13

**WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT**

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	2015-16	2016-17
	\$m	\$m
<i>Balance at 1 July</i>	21	30
Receipts	27	18
Payments	17	18
<b>Closing Balance<sup>(a)</sup></b>	<b>30</b>	<b>31</b>

(a) The closing balance of \$30 million at 30 June 2016 has been restated from the \$31 million reported in the 2015-16 *Annual Report on State Finances*. The restatement incorporates a minor movement in receipts finalised for the Department of Environment Regulation's annual report for 2015-16, which revises the closing value at 30 June 2016 after rounding.

Note: Columns may not add due to rounding.

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## Western Australian Future Fund

The Western Australian Future Fund was established 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.

The Future Fund received \$933 million in 'seed capital' from the Royalties for Regions Fund and \$105 million in interest receipts over the period 2012-13 to 2015-16. From 2016-17 onwards, 1% of the State's annual royalty revenue will be paid into the Fund annually (\$38 million in 2016-17 based upon the Budget-time royalty forecast on which the year's appropriation was based). Interest receipts in 2016-17 are forecast to be \$34 million.

The Future Fund is projected to accumulate \$1.4 billion in funds by 30 June 2020 and, on current projections, a total in the order of \$3.5 billion by 30 June 2032.

<b>WESTERN AUSTRALIAN FUTURE FUND</b>		Table 5.14
	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	879	1,044
Receipts	165	73
Payments	-	-
<b>Closing Balance</b>	<b>1,044</b>	<b>1,116</b>

Note: Columns may not add due to rounding.



## Royalties for Regions

Forecast spending by Royalties for Regions in 2016-17 is estimated to be \$876 million, an increase of \$4 million from the 2016-17 Budget estimate. The 2015-16 spend of \$941 million exceeded the estimated actual in the 2016-17 Budget by \$72 million.

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 2016-17 Budget include:

- the carryover of \$85 million in expenditure from 2015-16 to 2016-17 and the forward estimate years, caused by delays in the progress of projects;
- the expenditure program in 2016-17 and the forward estimate years being adjusted to reflect updated timing of expenditure on individual projects; and
- additional projects approved since Budget, as detailed in Appendix 3.

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 and Regional Reform Fund, transfers to agencies that deliver some parts of the program, and transfers to the Southern Inland Health Initiative Special Purpose Account. Accordingly, aggregate payments from the Royalties for Regions Fund can differ from the spending program established as part of this Mid-year Review.

<b>ROYALTIES FOR REGIONS SPECIAL PURPOSE ACCOUNT</b>					
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
<i>Balance at 1 July</i>	1,000	870	1,000	1,000	1,000
Receipts	950	732	947	994	1,000
Payments	1,080	602	947	994	1,000
Balance at 30 June	870	1,000	1,000	1,000	1,000

Note: Columns may not add due to rounding.

Table 6.1

The total expenditure program for Royalties for Regions is funded through payments from the Royalties for Regions Special Purpose Account (as detailed above), payments from the Southern Inland Health Initiative Special Purpose Account, the Regional Reform Fund and from Royalties for Regions funds disbursed to agencies in previous years.

Royalty forecasts have been revised up over the forward estimates period since the 2016-17 Budget. As a result, receipts into the Royalties for Regions Fund are forecast to decrease to 20.3% of forecast royalty income in 2017-18 (down from 22.2%), 20.4% (down from 23.2%) in 2018-19, and 20.3% (down from 22.4%) in 2019-20. The proportion of receipts paid into the Fund in these years is less than the 25% funding formula due to the statutory \$1 billion cap on Fund balances for the year.

Table 6.2

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2015-16 Actual \$m	2016-17 Budget Estimate \$m	2016-17 Mid-Year Revision \$m	2017-18 Mid-Year Revision \$m	2018-19 Mid-Year Revision \$m	2019-20 Mid-Year Revision \$m	Total Four Years \$m
<b>COUNTRY LOCAL GOVERNMENT FUND</b>							
Administration of CLGF	0.7	-	0.3	-	-	-	0.3
Regional Centres Development Plan	2.6	4.2	5.3	4.0	4.0	-	13.3
Capacity Building - Regional Governance Services and Asset Management Tools	1.6	5.1	4.4	3.1	-	-	7.5
<b>TOTAL - COUNTRY LOCAL GOVERNMENT FUND</b>	<b>4.9</b>	<b>9.3</b>	<b>10.0</b>	<b>7.1</b>	<b>4.0</b>	-	<b>21.1</b>
<b>REGIONAL COMMUNITY SERVICES FUND</b>							
<b>Regional Community Programs and Schemes</b>							
Country Age Pension Fuel Card	28.7	34.0	34.0	34.6	35.3	36.2	140.1
Volunteer Fuel Card	0.3	1.8	3.2	1.8	1.8	1.9	8.7
Regional Police Incentives	2.0	2.8	2.8	1.2	-	-	4.0
Regional Workers Incentives	23.8	26.7	26.7	27.2	28.1	28.9	110.9
Fire Crew Protection	2.7	4.0	6.3	1.2	-	-	7.6
Modernising the Framework for WA's Crown Land	0.7	1.0	0.8	0.6	-	-	1.3
Boarding Away From Home	1.1	1.8	1.8	2.0	2.0	-	5.8
Remote Rural and Regional Women's Network	-	-	0.3	0.5	0.3	-	1.0
Community Resource Centres	13.1	14.0	13.9	14.0	14.0	14.0	55.9
Wild Dogs Management Plan	0.8	0.8	0.8	-	-	-	0.8
Wild Dogs Action Plan	-	-	1.2	2.7	6.1	10.0	19.9
Performing Arts Regional Tours Boost	0.4	0.3	0.2	-	-	-	0.2
Creative Regions Program	4.8	7.3	7.3	9.4	-	-	16.7
Black Diggers Perth International Arts Festival	_(a)	-	-	-	-	-	-
Breath Film Production	1.5	-	-	-	-	-	-
Western Australian Regional Film Fund	-	6.0	6.0	4.0	3.0	3.0	16.0
Albany Entertainment Centre	0.5	0.7	0.7	0.5	0.5	-	1.6
Regional Tourism Marketing Campaign	4.3	6.7	6.7	-	-	-	6.7
Centennial Park - Albany	-	-	5.8	-	-	-	5.8
Community Pool Revitalisation	3.3	3.3	3.3	3.3	-	-	6.6
Regional Visitor Centres	1.2	1.3	1.3	1.4	-	-	2.7
Caravan and Camping	11.9	11.9	12.3	5.1	-	-	17.4
Potato Marketing Board	-	14.0	14.0	-	-	-	14.0
WA Regional Small Business Awards	0.2	0.2	0.2	0.2	-	-	0.4
Regional Athlete Support Program	-	-	1.6	1.6	1.7	1.7	6.6
Supporting Community Sport	0.6	0.9	0.2	0.3	-	-	0.5
Regional School Breakfast and Nutritional Education Program	0.2	0.2	0.2	0.2	-	-	0.4
Better Beginnings - Early Literacy	0.7	0.9	0.9	1.0	-	-	1.9
Responsible Parenting Support Services	9.2	6.0	6.0	4.4	-	-	10.4
Bushfire Mitigation on Crown Land Regional Townsites	-	-	0.7	5.0	5.0	4.3	15.0
Rangelands Reform Program	0.4	-	-	-	-	-	-
Public Recreation and Joint Management Arrangements for the Ningaloo Coast	0.3	0.7	0.7	2.4	2.4	-	5.6
New Kimberley National Parks	0.8	2.1	3.3	-	-	-	3.3
Great Kimberley Marine Park	1.9	8.0	6.7	5.8	-	-	12.5
Royal Agricultural Society Show Concessions - Free entry for Children	0.1	-	_(a)	-	-	-	0.0
Dirk Hartog 400th Anniversary Commemorations	0.6	0.2	0.2	-	-	-	0.2
Enhanced Prescribed Burning Program	3.8	5.2	5.2	5.5	5.5	-	16.2
South West Emergency Rescue Helicopter Service	8.9	13.3	12.0	9.0	-	-	21.0
Exploration Incentive Scheme	-	-	-	10.0	10.0	10.0	30.0
Public Sector Regional Leadership	_(a)	-	-	-	-	-	-
Regional Buy Local Initiatives	0.2	0.3	0.3	-	-	-	0.3
Regional Events Program	9.7	10.0	10.0	10.0	10.0	-	30.0
Kimberley Science and Conservation Strategy	0.4	0.8	0.9	-	-	-	0.9
Marine Parks Management	1.2	3.0	1.953	1.8	2.0	0.6	6.3
<b>Regional Community Programs and Schemes Subtotal</b>	<b>140.3</b>	<b>190.4</b>	<b>200.4</b>	<b>166.8</b>	<b>127.6</b>	<b>110.5</b>	<b>605.3</b>

Table 6.2 (cont.)

**ROYALTIES FOR REGIONS EXPENDITURE**

INITIATIVE	2015-16 Actual \$m	2016-17 Budget Estimate \$m	2016-17 Mid-Year Revision \$m	2017-18 Mid-Year Revision \$m	2018-19 Mid-Year Revision \$m	2019-20 Mid-Year Revision \$m	Total Four Years \$m
<b>Regional Health Programs</b>							
Better Health for Fitzroy Kids	0.1	0.1	0.1	-	-	-	0.1
Goldfields Emergency Telehealth	0.8	2.2	1.9	2.7	1.8	-	6.3
Wheatbelt Renal Dialysis	-	0.9	0.1	1.3	1.4	0.7	3.5
Rural Palliative Care Program	1.3	1.3	1.3	0.5	-	-	1.8
Patient Assisted Travel Scheme	10.5	10.7	10.7	11.0	11.3	11.6	44.6
Royal Flying Doctor Service	4.0	-	-	-	-	-	-
Royal Flying Doctor Service - Western Operations							
Expansion of Capacity	12.5	-	7.9	2.8	-	-	10.7
Rural Generalist (Practice) Pathways	-(a)	-	-	-	-	-	-
Forward to Fellowship	0.5	-	-	-	-	-	-
St John Ambulance Services in Country WA	8.0	-	-	-	-	-	-
Ear, Eye and Oral Health	1.1	1.5	1.5	2.0	-	-	3.5
Subacute Mental Health Services in Karratha	-	6.7	0.6	4.1	2.6	2.5	9.7
Subacute Mental Health Services in Bunbury	-	5.3	0.6	4.1	2.3	2.1	9.1
Regional Men's Health	1.0	0.8	0.8	0.8	0.8	0.8	3.2
<b>Regional Health Programs Subtotal</b>	<b>39.7</b>	<b>29.4</b>	<b>25.4</b>	<b>29.3</b>	<b>20.2</b>	<b>17.6</b>	<b>92.5</b>
<b>Aboriginal Initiatives</b>							
Regional Youth Justice Strategy Kimberley and Pilbara Expansion	11.5	7.5	7.7	-	-	-	7.7
Expansion of Clontarf Foundation Program	1.4	1.5	1.5	-	-	-	1.5
Aboriginal Tourism Development Program	1.1	1.2	1.2	1.2	1.2	-	3.5
Enhanced Driver Training and Education for Regional and Remote Communities	0.9	1.6	1.3	2.4	-	-	3.7
Enhanced Services for Victims of Crime Within Regional and Remote Communities	0.7	1.1	1.1	1.1	1.1	-	3.2
Aboriginal Community Critical Response Fund	0.2	3.0	1.7	2.2	2.2	1.0	7.0
NorthWest Drug and Alcohol Support Program	5.5	5.6	5.6	6.1	6.3	6.5	24.5
Improving Water Quality in Remote Aboriginal Communities	0.4	-	-	-	-	-	-
Governance and Leadership Development Program	0.3	0.9	0.9	1.0	0.1	-	2.0
Indigenous Visitor Hostels	1.7	1.8	1.9	1.9	1.7	1.7	7.1
Jigalong Essential Services Pilot	2.9	-	-	-	-	-	-
Remote Indigenous Health Clinics	2.0	2.4	2.4	5.0	1.5	-	8.9
Jawun Indigenous Corporate Partnership Program	-	-	0.3	0.3	0.3	-	0.9
<b>Aboriginal Initiatives Subtotal</b>	<b>28.7</b>	<b>26.7</b>	<b>25.5</b>	<b>21.1</b>	<b>14.2</b>	<b>9.2</b>	<b>70.0</b>
<b>Regional Operational Strategic Projects</b>							
Regional Strategic Projects	2.8	1.5	1.6	1.7	-	-	3.2
Regional Grants Scheme	7.7	10.1	11.5	17.8	1.2	10.0	40.5
Community Chest Grants Scheme	1.2	3.9	4.0	5.0	0.1	2.5	11.5
Action Agenda Projects	3.3	-	-	-	-	-	-
<b>Regional Strategic Projects Subtotal</b>	<b>14.9</b>	<b>15.5</b>	<b>17.1</b>	<b>24.5</b>	<b>1.3</b>	<b>12.5</b>	<b>55.3</b>
<b>Kimberley School Project (\$25 million)</b>							
Kimberley School Project	-	-	4.0	6.5	9.8	4.7	25.0
<b>Kimberley School Project</b>	<b>-</b>	<b>-</b>	<b>4.0</b>	<b>6.5</b>	<b>9.8</b>	<b>4.7</b>	<b>25.0</b>
<b>Seizing the Opportunity Agriculture (\$403.8 million)</b>							
Seizing the Opportunity Agriculture	-	-	-	-	25.0	25.0	50.0
WA Open for Business	-	2.7	2.7	6.0	5.7	5.6	20.0
Infrastructure Audit and Infrastructure Investment Fund	0.7	10.0	10.0	27.6	15.8	12.8	66.2
Food Industry Innovation	0.1	1.7	1.5	1.6	1.3	-	4.4
Northern Beef Industry Strategy	4.1	3.7	4.0	2.8	2.4	-	9.2
Sheep Industry Business Innovation	2.6	3.3	3.5	2.8	-	-	6.2
Boosting Biosecurity Defences	7.0	7.5	6.5	3.7	-	-	10.1
Help Grain Growers to Better Manage Risk	1.4	3.6	3.2	4.9	-	-	8.0
Agricultural Sciences Research and Development	3.9	9.5	9.1	7.1	4.7	0.7	21.6
Boost Grains Research and Development Support	3.7	7.4	6.9	8.6	-	-	15.5
Asia Market Development	1.9	3.6	2.2	1.9	-	-	4.1
Water for Food	12.4	9.9	9.4	22.7	33.9	28.7	94.7
Muresk Institute Agricultural Degree	4.0	2.3	2.6	1.8	-	-	4.4
Brand WA	0.2	0.5	4.0	2.5	2.1	-	8.6
<b>Seizing the Opportunity Agriculture</b>	<b>42.0</b>	<b>65.9</b>	<b>65.4</b>	<b>93.9</b>	<b>90.9</b>	<b>72.9</b>	<b>323.1</b>
<b>TOTAL - REGIONAL COMMUNITY SERVICES FUND</b>	<b>265.6</b>	<b>327.9</b>	<b>337.7</b>	<b>342.1</b>	<b>263.9</b>	<b>227.4</b>	<b>1,171.1</b>

Table 6.2 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2015-16 Actual \$m	2016-17 Budget Estimate \$m	2016-17 Mid-Year Revision \$m	2017-18 Mid-Year Revision \$m	2018-19 Mid-Year Revision \$m	2019-20 Mid-Year Revision \$m	Total Four Years \$m
<b>REGIONAL INFRASTRUCTURE AND HEADWORKS FUND</b>							
<b>Pilbara Cities Initiative</b>							
Karratha Health Campus	11.6	76.7	49.9	104.7	32.7	1.3	188.6
Pilbara Health Partnership	2.5	3.3	3.3	3.4	3.5	3.5	13.6
Northern Towns Development Fund	7.4	0.4	4.0	3.6	3.7	3.8	15.1
The Quarter	0.5	0.3	5.4	-	-	-	5.4
<b>Pilbara Cities Strategic Infrastructure</b>							
Main Street Jetty Extension	3.4	-	-	-	-	-	-
Regional Health Administrative Accommodation	0.0	-	0.1	-	-	-	0.1
Combined Pilbara Water Projects - West Canning Basin Sandfire	1.5	0.5	0.7	-	-	-	0.7
Karratha Water Recycling Scheme	6.8	-	0.2	-	-	-	0.2
Karratha City of the North Project	9.6	-	-	-	-	-	-
Port Hedland Water Front Revitalisation - Spoilbank Marina	-	-	-	-	1.3	70.5	71.8
Fortescue River Crossing Marble Bar Road Bridge	8.8	2.9	0.4	-	-	-	0.4
Karratha City Centre Infrastructure Works Project - Stage1	2.8	0.3	-	-	-	-	-
Karratha City Centre Infrastructure Works Project - Stage 2a	31.6	28.8	22.0	25.0	-	-	47.0
Pilbara Underground Power - Stage 2	23.8	24.0	24.4	16.0	0.8	-	41.2
Pilbara Cities Strategic Infrastructure Recurrent	-	-	-	1.0	59.1	8.0	68.1
Karratha City of the North Project	20.9	2.8	2.9	-	-	-	2.9
South Hedland and CBD Revitalisation - Stage 2	1.8	0.9	1.4	0.4	0.3	0.3	2.3
Newman Town Centre Revitalisation - Stage 3	1.1	5.5	6.4	1.6	-	-	7.9
Former Port Hedland Hospital Site	0.1	1.1	8.9	0.8	-	-	9.7
Pilbara Aboriginal Town Based Reserves (\$20 million)	-	0.7	0.7	1.0	6.0	12.3	20.0
Pilbara Education Partnership (\$50 million)	15.3	6.2	8.2	2.1	7.3	2.1	19.7
Pilbara Economic Diversification Framework (\$30 million)	6.9	7.0	6.1	7.1	1.9	3.1	18.1
<b>Pilbara Cities Community Projects</b>							
Paraburdoo Childcare Centre	-	0.5	0.5	-	-	-	0.5
Millstream Chichester National Park Eco Retreat	0.0	-	0.1	-	-	-	0.1
Martumili Artists Infrastructure Project	0.6	-	-	-	-	-	-
Karratha Arts & Community Precinct	-	4.0	4.0	5.0	5.0	-	14.0
Pilbara Cities Community Projects Phase 2	-	-	-	0.9	21.2	15.2	37.3
Pilbara Place Making and Place Activation Framework (\$25 million)	8.5	-	-	3.0	8.0	0.5	11.5
<b>Pilbara Cities Initiative Subtotal</b>	<b>165.5</b>	<b>165.8</b>	<b>149.5</b>	<b>175.5</b>	<b>150.7</b>	<b>120.5</b>	<b>596.2</b>
<b>East Kimberley Revitalisation (\$343.6 million)</b>							
Kununurra Courthouse	1.0	6.0	6.1	2.2	-	-	8.3
<b>East Kimberley Revitalisation Subtotal</b>	<b>1.0</b>	<b>6.0</b>	<b>6.1</b>	<b>2.2</b>	<b>-</b>	<b>-</b>	<b>8.3</b>
<b>West Kimberley Revitalisation (\$65.7 million)</b>							
China Town Redevelopment	10.0	-	-	-	-	-	-
West Kimberley Transitional Housing Program	1.4	5.9	8.0	-	-	-	8.0
Fitzroy Crossing Courthouse	2.1	-	0.2	-	-	-	0.2
Broome Road Industrial Area	8.6	-	-	-	-	-	-
<b>West Kimberley Revitalisation Subtotal</b>	<b>22.1</b>	<b>5.9</b>	<b>8.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.2</b>

Table 6.2 (cont.)

**ROYALTIES FOR REGIONS EXPENDITURE**

INITIATIVE	2015-16 Actual \$m	2016-17 Budget Estimate \$m	2016-17 Mid-Year Revision \$m	2017-18 Mid-Year Revision \$m	2018-19 Mid-Year Revision \$m	2019-20 Mid-Year Revision \$m	Total Four Years \$m
<b>Goldfields Esperance Revitalisation (\$198 million)</b>							
Goldfields Esperance Revitalisation	-	-	-	14.2	32.6	12.0	58.8
Goldfields Esperance Revitalisation Unit	0.2	1.0	1.0	1.0	0.6	-	2.5
Revitalisation of Kalgoorlie's Central Hannan Precinct	8.0	-	-	-	-	-	-
Norseman Airfield Upgrade	1.5	-	-	-	-	-	-
Growing the Capacity of Drug and Alcohol Detoxification and Rehabilitation Program	1.0	1.7	1.7	-	-	-	1.7
Killarney Retirement Living	-	4.4	9.4	0.4	-	-	9.8
Expansion of Aged Care for the Esperance Community	-	1.4	1.4	1.6	-	-	3.0
Laverton Community Hub	5.4	5.0	-	2.6	-	-	2.6
Kalgoorlie-Boulder Community High School	16.8	14.0	14.0	6.7	2.8	-	23.5
Ray Finlayson Sporting Complex	6.0	-	-	-	-	-	-
Boulder City Station Rail Development	0.4	3.3	0.2	3.1	-	-	3.3
Great Eastern Highway Passing Lanes	-	14.0	5.0	31.0	-	-	36.0
Goldfields Arts Centre	1.3	0.3	0.3	-	-	-	0.3
<b>Goldfields Esperance Revitalisation Subtotal</b>	<b>40.5</b>	<b>45.2</b>	<b>33.1</b>	<b>60.6</b>	<b>36.0</b>	<b>12.0</b>	<b>141.6</b>
<b>Southern Investment Initiative - Growing Our South (\$600 million)</b>							
Southern Investment Initiative	-	-	-	-	95.8	109.7	205.5
Growing Our South Unit	1.7	2.5	2.2	2.5	4.9	3.4	13.1
William Bay and Denmark Tourist Infrastructure Renewal	-	-	-	-	6.0	3.3	9.3
Jurien Bay Harbour Southern Precinct	-	-	-	1.0	7.5	-	8.5
Northam Pithara Road	-	-	-	0.8	17.6	-	18.4
Margaret River Main Street Redevelopment	5.5	-	-	-	-	-	-
Denmark East Development Precinct	7.6	-	-	-	-	-	-
Revitalisation of Manjimup Town Centre	22.3	-	-	-	-	-	-
Katanning SuperTown Heritage Centre Project	15.7	-	-	-	-	-	-
Bremer Bay Town Centre and Trail Project	1.7	-	-	-	-	-	-
Transforming Bunbury's Waterfront (Stage 1)	12.6	8.6	8.6	3.7	-	-	12.3
Transforming Bunbury's Waterfront (Stage 2)	-	0.2	0.5	11.6	8.6	-	20.7
Transform Peel - Phase 1	-	4.3	4.3	21.8	23.2	-	49.3
Busselton Foreshore Redevelopment (Tourism Accommodation Precinct)	4.5	-	-	-	-	-	-
Affordable Student Housing	8.8	2.2	2.2	-	-	-	2.2
Seniors Housing Wheatbelt	20.0	-	-	-	-	-	-
South West Ageing in Place Pilot	2.0	-	-	-	-	-	-
Torndirrup National Park Visitor Infrastructure	1.2	-	-	-	-	-	-
Supporting Ageing in the Bush	20.2	-	-	-	-	-	-
Margaret River Perimeter Road	5.9	8.0	7.1	45.3	-	-	52.3
<b>Southern Investment Initiative - Growing Our South Subtotal</b>	<b>129.7</b>	<b>25.8</b>	<b>24.9</b>	<b>86.7</b>	<b>163.7</b>	<b>116.4</b>	<b>391.6</b>
<b>Statewide Regional Blueprint Initiatives (\$642.7 million)</b>							
Statewide Regional Blueprint Initiatives	-	2.4	0.3	2.4	136.3	243.0	382.0
Statewide Regional Blueprint Initiatives Administration	-	-	0.1	0.6	2.4	3.3	6.4
Margaret River Region Lighthouse Precincts Redevelopment	1.3	-	0.2	-	-	-	0.2
Mid West Coastal Nodes	0.8	0.3	0.3	-	-	-	0.3
South Coast Aquaculture Development Zone	-	0.9	1.2	0.1	0.1	-	1.3
<b>Statewide Regional Blueprint Initiatives Subtotal</b>	<b>2.1</b>	<b>3.6</b>	<b>2.0</b>	<b>3.1</b>	<b>138.7</b>	<b>246.3</b>	<b>390.2</b>
<b>Gascoyne Revitalisation (\$191.1 million)</b>							
Gascoyne Development Plan	0.8	3.5	0.5	0.4	1.9	-	2.8
Carnarvon Independent Living Units	-	-	3.0	-	-	-	3.0
Denham Timber Jetty Replacement	1.6	0.0	-	-	-	-	-
Exmouth Health Clinic	0.8	-	-	-	-	-	-
Carnarvon Health Campus	7.9	-	-	-	-	-	-
Coral Bay Seasonal Staff Accommodation	0.1	0.8	0.1	0.5	0.1	0.2	0.8
Exmouth Boat Harbour	4.0	11.2	13.3	-	-	-	13.3
<b>Gascoyne Revitalisation Subtotal</b>	<b>15.2</b>	<b>15.5</b>	<b>16.8</b>	<b>0.9</b>	<b>2.0</b>	<b>0.2</b>	<b>19.9</b>

Table 6.2 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2015-16 Actual	2016-17 Budget Estimate	2016-17 Mid-Year Revision	2017-18 Mid-Year Revision	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Mid West Revitalisation (\$223 million)</b>							
Midwest Investment Plan	-	1.8	0.5	10.5	20.7	48.1	79.8
Batavia Coast Marina 2	0.9	0.5	1.3	-	-	-	1.3
Foodbank Geraldton	0.1	-	-	-	-	-	-
Ballinyoo Bridge	0.1	-	-	-	-	-	-
Geraldton Cemetery Board Capital Works	1.3	0.1	0.1	-	-	-	0.1
Landor Road - Upgrade and Seal of Meekatharra to Carnarvon Route	3.0	-	-	-	-	-	-
Kalbarri Skywalk and National Park Infrastructure	0.3	18.2	17.8	1.9	-	-	19.7
Beresford Foreshore Coastal Protection and Enhancement Project	11.8	-	-	-	-	-	-
Murchison Health Services	-	-	1.0	10.3	0.8	-	12.0
Lot 601 Marine Terrace	5.6	-	-	-	-	-	-
Monsignor Hawes	1.0	-	-	-	-	-	-
Wubin - Mullewa Road	0.3	-	-	-	-	-	-
Dongara Road Alignment	0.1	0.8	-	0.2	0.5	-	0.7
Murchison Radio-Astronomy Observatory Power Supply Project	6.6	-	1.6	-	-	-	1.6
Durack Student Services Interactive Hub	0.2	1.1	1.8	-	-	-	1.8
Midwest Unit	0.7	0.5	0.6	0.3	0.3	0.3	1.4
<b>Mid West Revitalisation Subtotal</b>	<b>32.0</b>	<b>23.0</b>	<b>24.6</b>	<b>23.1</b>	<b>22.2</b>	<b>48.4</b>	<b>118.4</b>
<b>North West Aboriginal Housing Initiative (\$100 million)</b>							
North West Aboriginal Housing Initiative	-	-	-	20.0	20.0	60.0	100.0
<b>North West Aboriginal Housing Initiative Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20.0</b>	<b>20.0</b>	<b>60.0</b>	<b>100.0</b>
<b>Essential and Municipal Services Improvement in Remote Aboriginal Communities (\$52 million)</b>							
Essential and Municipal Services Improvement in Remote Aboriginal Communities	-	-	-	2.0	25.0	25.0	52.0
<b>Essential and Municipal Services Improvement in Remote Aboriginal Communities Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.0</b>	<b>25.0</b>	<b>25.0</b>	<b>52.0</b>
<b>Regional Health Infrastructure</b>							
Esperance Health Campus	8.8	-	-	-	-	-	-
Laverton Health Centre	-	0.5	0.5	8.0	8.0	3.0	19.5
Busselton ICT	0.5	-	2.7	-	-	-	2.7
<b>Regional Health Infrastructure Subtotal</b>	<b>9.3</b>	<b>0.5</b>	<b>3.2</b>	<b>8.0</b>	<b>8.0</b>	<b>3.0</b>	<b>22.2</b>
<b>North West Health Initiative</b>							
District Hospitals Upgrade Program	-	5.0	1.0	27.2	35.9	52.4	116.5
Carnarvon Residential Aged Care Program	-	7.4	1.0	6.8	9.0	0.4	17.2
Enhanced Technology Program	-	-	4.2	4.5	4.0	3.8	16.4
<b>North West Health Initiative Subtotal</b>	<b>-</b>	<b>12.4</b>	<b>6.2</b>	<b>38.5</b>	<b>48.9</b>	<b>56.6</b>	<b>150.1</b>
<b>Southern Inland Health Initiative (\$600.6 million)</b>							
District Medical Workforce Investment Program	33.0	34.6	37.4	43.5	0.9	-	81.8
District Hospital Investment Program	15.6	69.1	60.0	51.1	34.5	6.8	152.4
Primary Health Centres Demonstration Program	1.0	10.1	7.8	8.9	12.2	1.5	30.3
Small Hospital and Nursing Post Refurbishment Program	16.3	57.1	38.7	21.3	11.9	-	71.9
Telehealth Investment Program	4.6	7.6	8.3	6.9	6.3	-	21.4
Residential Aged and Dementia Care Investment Program	0.9	10.0	15.1	9.0	0.4	0.4	25.0
Renal Dialysis Service Expansion	0.4	1.7	1.0	1.9	2.4	0.9	6.1
<b>Southern Inland Health Initiative Subtotal</b>	<b>71.8</b>	<b>190.3</b>	<b>168.3</b>	<b>142.5</b>	<b>68.4</b>	<b>9.6</b>	<b>388.9</b>
<b>Regional Skills and Training</b>							
Regional Skills and Training Initiative	7.5	0.3	2.3	0.4	0.4	-	3.1
Peel Workforce Development Centre	0.1	0.1	0.1	0.1	0.1	-	0.4
Regional Work Camp Enhancement Program	1.5	-	0.2	-	-	-	0.2
<b>Regional Skills and Training Subtotal</b>	<b>9.1</b>	<b>0.5</b>	<b>2.6</b>	<b>0.5</b>	<b>0.6</b>	<b>-</b>	<b>3.7</b>

Table 6.2 (cont.)

**ROYALTIES FOR REGIONS EXPENDITURE**

INITIATIVE	2015-16 Actual \$m	2016-17 Budget Estimate \$m	2016-17 Mid-Year Revision \$m	2017-18 Mid-Year Revision \$m	2018-19 Mid-Year Revision \$m	2019-20 Mid-Year Revision \$m	Total Four Years \$m
<b>Regional Schools</b>							
Carnarvon Community College	-	4.0	4.4	11.7	26.5	7.5	50.2
Cape Naturaliste College	-	-	-	-	-	6.0	6.0
Regional Schools Plan	0.3	-	-	-	-	-	-
Relocation of Year 7 Students - Regional Capital Works	0.2	-	-	-	-	-	-
Regional Residential College Upgrades	8.5	-	5.7	5.7	3.0	-	14.4
<b>Regional Schools Subtotal</b>	<b>9.1</b>	<b>4.0</b>	<b>10.1</b>	<b>17.4</b>	<b>29.5</b>	<b>13.5</b>	<b>70.5</b>
<b>Regional Development - Water and NRM Initiatives</b>							
Regional Development Water and NRM Initiatives	12.5	2.1	4.2	-	-	-	4.2
Managing Western Australia's Natural Resources: Supporting Community Involvement	2.8	6.2	6.2	6.2	4.0	-	16.4
Regional Natural Resource Management - State Barrier Fence	0.7	2.5	2.5	2.0	1.2	-	5.7
<b>Regional Development - Water and NRM Initiatives Subtotal</b>	<b>16.0</b>	<b>10.8</b>	<b>12.9</b>	<b>8.2</b>	<b>5.1</b>	<b>-</b>	<b>26.3</b>
<b>Regional Housing</b>							
Affordable Housing for Workers	13.9	20.2	15.5	8.7	8.7	-	32.9
Social Housing Project	17.7	19.6	67.6	-	-	-	67.6
Government Regional Officer Housing Boost	5.2	-	-	-	-	-	-
Broome Aboriginal Short Stay Accommodation Facility	3.2	11.0	11.0	8.3	2.5	2.6	24.4
<b>Regional Housing Subtotal</b>	<b>40.0</b>	<b>50.8</b>	<b>94.1</b>	<b>17.0</b>	<b>11.2</b>	<b>2.6</b>	<b>124.8</b>
<b>Regional Infrastructure Projects</b>							
Regional Capital Works Initiative	2.6	2.0	1.1	10.0	3.5	-	14.6
Action Agenda Projects	0.5	1.1	-	-	-	-	-
Regional Mobile Communications Project	-(a)	-	-	-	-	-	-
Regional Telecommunications Project - Stage 2	11.1	10.0	10.7	18.5	21.5	-	50.7
Community Safety Network	16.4	18.7	18.5	9.0	1.0	-	28.4
Recreational Boating Facilities Scheme	3.8	3.3	3.3	0.7	-	-	4.0
Regional Airports Development Scheme	1.8	2.1	2.1	-	-	-	2.1
Doppler Radar Project	-(a)	0.2	0.3	0.2	-	-	0.5
Sealing Goldfields Highway	-	-	-	4.0	15.0	41.0	60.0
Middleton Beach Hotel Site	-	0.2	1.5	-	-	-	1.5
Parks and Wildlife Headquarters	0.5	4.6	10.9	11.7	5.8	-	28.4
Conservation Parks Infrastructure and Roads	1.8	-	-	-	-	-	-
Avonlink Enhancement Project	2.3	2.1	2.0	-	-	-	2.0
Jurien Bay to Cervantes Cycle Path	-	0.6	0.6	-	-	-	0.6
Gascoyne River Low Level Bridge	9.0	-	-	-	-	-	-
Bunbury to Albany Gas Pipeline	-	3.0	3.0	3.0	13.5	-	19.5
Living Lakes	-(a)	1.0	0.4	2.0	1.4	-	3.8
Revitalising Waterways of Geopraphe Bay	1.0	2.7	2.7	2.2	1.2	-(a)	6.2
Regional Estuaries Initiative	1.2	6.1	5.2	5.7	4.6	3.3	18.8
Watering WA	-	-	0.7	6.6	7.9	14.8	30.0
Collie Water Plan	-(a)	-	-	-	-	-	-
Portlink Inland Freight Corridor Planning	0.4	-	-	-	-	-	-
Road Coach Capital Replacement Program	9.1	4.5	6.0	-	-	-	6.0
<b>Regional Infrastructure Projects Subtotal</b>	<b>61.7</b>	<b>62.2</b>	<b>68.8</b>	<b>73.6</b>	<b>75.4</b>	<b>59.1</b>	<b>277.0</b>
<b>TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND</b>	<b>625.2</b>	<b>622.2</b>	<b>631.4</b>	<b>679.8</b>	<b>805.5</b>	<b>773.2</b>	<b>2,889.9</b>
<b>NEW REGIONAL AND STATEWIDE INITIATIVES</b>							
New Regional and Statewide Initiatives Administration	-	25.1	12.4	32.1	118.0	160.4	322.8
	45.0	50.9	48.6	47.7	49.5	50.4	196.2
<b>TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES</b>	<b>45.0</b>	<b>75.9</b>	<b>61.0</b>	<b>79.8</b>	<b>167.5</b>	<b>210.8</b>	<b>519.1</b>
<b>Over Programming Provision</b>	<b>0.0</b>	<b>-163.3</b>	<b>-164.0</b>	<b>-166.3</b>	<b>-186.1</b>	<b>-181.7</b>	<b>-698.2</b>
<b>TOTAL - ROYALTIES FOR REGIONS FUND (b)</b>	<b>940.8</b>	<b>872.0</b>	<b>876.0</b>	<b>942.5</b>	<b>1,054.8</b>	<b>1,029.7</b>	<b>3,903.0</b>
<b>Future Fund Contribution (c)</b>	<b>125.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Regional Reform Fund Special Purpose Account Transfer (d)</b>	<b>50.0</b>	<b>50.0</b>	<b>-</b>	<b>50.0</b>	<b>-</b>	<b>-</b>	<b>50.0</b>

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

(b) Columns and Rows may not add due to rounding.

(c) Total Royalties for Regions Future Fund contributions are \$932.7 million ending in 2015-16.

(d) Total Royalties for Regions contributions are forecast to be \$150 million.

Source: Department of Regional Development.



