



GOVERNMENT OF  
WESTERN AUSTRALIA

**2017-18**

# **ANNUAL REPORT ON STATE FINANCES**

**SEPTEMBER 2018**





**2017-18**

**Annual Report on  
State Finances**

SEPTEMBER 2018

2017-18 Annual Report on State Finances  
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# 2017-18 Annual Report on State Finances

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# Foreword

This *Annual Report on State Finances* (ARSF) provides detail on the State's public sector financial results for 2017-18. It includes disclosure of material differences between these outcomes and the forecasts contained in the recent 2018-19 Budget and the original 2017-18 Budget.

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

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

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

This ARSF contains information on the Western Australian whole-of-government (and its sub-sectors) for:

- the actual outturn for 2017-18, which is the focus of this report;
- movements in the 2017-18 outturn relative to the 2017-18 estimated outturn contained in the 2018-19 Budget, presented to the Legislative Assembly on 10 May 2018 (in Chapter 1);
- movements in the 2017-18 outturn relative to the 2017-18 Budget estimates, presented to the Legislative Assembly on 7 September 2017 (detailed in Appendix 4);
- material Special Purpose Accounts (Appendix 5);
- quarterly results for June 2018, completing the State's 2017-18 quarterly reporting series for 2017-18 (Appendix 6); and

- the Public Ledger outcomes for the year ending 30 June 2018, which includes the Consolidated Account, the Treasurer’s Advance Account, and the Treasurer’s Special Purpose Accounts (Appendix 7).

## Statement of Responsibility

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

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

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

- fairly represents the operating results and cash flows of the Government of Western Australia for the year ended 30 June 2018, and the public sector’s financial position at 30 June 2018; and
- has been prepared in accordance with Australian Accounting Standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, other applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and complies with statistical standards promulgated by the ABS.

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



MICHAEL BARNES  
UNDER TREASURER



MAGDA WITTEK  
MANAGER  
FINANCIAL REPORTING

21 September 2018



# Opinion of the Auditor General



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### ANNUAL REPORT ON STATE FINANCES – GOVERNMENT OF WESTERN AUSTRALIA

#### *Opinion*

I have audited the financial statements of the Government of Western Australia for the year ended 30 June 2018 which comprise an Operating Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement for General Government, Public Non-Financial Corporations, Total Non-Financial Public Sector, Public Financial Corporations and Total Public Sector, and Notes comprising a summary of significant accounting policies and other explanatory information (Appendix 1), the Comparison of Final Outcomes to Original Budget for the Year Ended 30 June 2018 for the General Government Sector and Total Public Sector (Appendix 4), and the Public Ledger (Appendix 7).

In my opinion, the financial statements

- (i) have been properly drawn up so as to present fairly, in all material respects, the operating results and cash flows of the Government of Western Australia for the year ended 30 June 2018 and the financial position at the end of that year; and
- (ii) have been prepared in accordance with Australian Accounting Standard AASB 1049 "Whole of Government and General Government Sector Financial Reporting", other applicable Australian Accounting Standards and the *Government Financial Responsibility Act 2000*.

#### *Basis for Opinion*

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Government of Western Australia in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Emphasis of Matter – Correction of overstated land valuations in previous years*

Attention is drawn to Note 3 (y) "Correction of overstated land valuations" of Appendix 1. The note explains an overstatement of \$3.9 billion in total public sector land values and related revaluation reserve. The affected balances have been restated at 1 July 2016 and 30 June 2017. My opinion is not modified in respect of this matter.

#### *Other Information*

The Under Treasurer is responsible for the other information. Other information comprises the information in the Annual Report on State Finances, but does not include the financial statements as defined above and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard for the year ended 30 June 2018.

***Responsibility of the Under Treasurer for the Financial Statements***

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

The Under Treasurer is also responsible for disclosing matters related to going concern, if applicable, and using the going concern basis of accounting, unless this is assessed as not appropriate.

***Auditor's Responsibility for the Audit of the Financial Statements***

As required by the *Government Financial Responsibility Act 2000*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Under Treasurer.
- Conclude on the appropriateness of the Under Treasurer's use of the going concern basis of accounting.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the agencies or business activities within the Western Australian Government to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit on State Finances. I remain solely responsible for my audit opinion.

I communicate with the Under Treasurer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

***Matters Relating to the Electronic Publication of the Audited Financial Statements***

This auditor's report relates to the financial statements of the Government of Western Australia for the year ended 30 June 2018 included on the Department of Treasury's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
25 September 2018



# Financial Results

## HIGHLIGHTS

- In 2017-18, Western Australia's domestic economy (as measured by State Final Demand) grew by a stronger than expected 1.3% – the first annual increase since 2012-13.
- The improving performance of the State's economy has contributed to higher than expected general government revenue in 2017-18 (up \$458 million relative to the estimated outturn contained in the 2018-19 Budget).
- At the same time, the Government's continuing strong focus on expenditure management has resulted in general government expenses in 2017-18 being \$251 million lower than estimated in the 2018-19 Budget. In turn, this has resulted in:
  - general government expense growth of 1.9% for 2017-18, the lowest rate of expense growth in Western Australia since 1994-95; and
  - underlying expense growth of just 0.2%, after abstracting from the one-off impacts of the Machinery of Government changes implemented from 1 July 2017 and the up-front cost of the Voluntary Targeted Separation Scheme.
- Reflecting these better than expected revenue and expense outcomes, the general government operating deficit for 2017-18 was \$618 million – less than half the \$1,327 million deficit estimated in the 2018-19 Budget.
- Total public sector net debt at 30 June 2018 was \$34.6 billion, a significant \$1.3 billion lower than the 2018-19 Budget estimate. This primarily reflects the improved general government operating deficit outcome, and a lower than expected Asset Investment Program for 2017-18.



Introduction<sup>1</sup>

The following table summarises the key financial outcomes for 2017-18. The final outcomes for 2017-18 represent a significant improvement on the estimates in the original 2017-18 Budget and 2017-18 Mid-year Review, and on the estimated outturn contained in the 2018-19 Budget.

<b>KEY BUDGET AGGREGATES</b>					
Western Australia					
	2016-17	2017-18			Actual
	Actual	Budget Estimate	MYR Revision	Estimated Outturn	
<b>GENERAL GOVERNMENT SECTOR</b>					
<b>Net Operating Balance (\$m)</b>	<b>-2,474</b>	<b>-2,340</b>	<b>-2,605</b>	<b>-1,327</b>	<b>-618</b>
Revenue (\$m)	26,913	28,457	28,193	28,874	29,332
Revenue Growth (%)	1.6	6.7	4.8	7.3	9.0 <sup>(a)</sup>
Expenses (\$m)	29,387	30,797	30,797	30,201	29,949
Expense Growth (%)	3.1	3.7	4.8	2.8	1.9 <sup>(b)</sup>
Net Debt at 30 June (\$m)	18,820	24,105	23,410	22,400	21,737
General Government Net Debt as a Share of Total Public Sector Net Debt (%)	58.9	63.8	62.7	62.3	62.8
<b>TOTAL PUBLIC SECTOR</b>					
Net Debt at 30 June (\$m)	31,964	37,810	37,354	35,951	34,606
Asset Investment Program (\$m)	5,137	6,001	5,550	5,522	5,052
Cash Surplus/Deficit (\$m)	-4,675	-4,682	-4,855	-3,468	-3,007

(a) Abstracting from the one-off impacts of the Machinery of Government changes, up-front Commonwealth infrastructure funding, and a number of revenue measures announced in the 2017-18 Budget, underlying revenue growth was 3.2% for 2017-18.

(b) Excluding the expense effect of Machinery of Government changes and implementing the Voluntary Targeted Separation Scheme, underlying expense growth was 0.2% in 2017-18.

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

Key economic parameters for 2017-18 are summarised in the following table.

<sup>1</sup> This chapter mainly focuses on variations in outcomes between the estimated outturn published in the State's 2018-19 Budget and the final outcomes for 2017-18, and where important, comparisons to the previous financial year (2016-17). Comparisons to the original 2017-18 Budget projections (presented to the Legislative Assembly on 7 September 2017) are available in Appendix 4: *Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2018*.

Table 2

**KEY ECONOMIC PARAMETERS**  
Western Australia

	2016-17	2017-18			Actual
	Actual	Budget Estimate	MYR Revision	Estimated Outturn	
<b>Demand and Output (%)</b> <sup>(a)(b)</sup>					
Household Consumption	1.1	1.25	0.75	1.75	1.5
Dwelling Investment	-22.5	-2.5	-3.5	-6.25	-5.2
Business Investment	-28.7	-12.0	-12.0	-7.0	0.1
Government Consumption	1.9	2.5	2.5	2.0	3.7
Government Investment	7.2	6.0	4.0	3.5	2.5
State Final Demand	-7.2	-1.5	-2.0	-0.25	1.3
Merchandise Exports	7.1	7.5	7.5	5.5	5.3
Merchandise Imports	-0.4	-3.25	-5.0	-3.5	n.a.
Net Exports <sup>(c)</sup>	14.6	12.0	15.0	10.0	n.a.
Gross State Product <sup>(d)</sup>	-2.7	3.0	2.5	2.5	n.a.
<b>Labour Market (%)</b>					
Population <sup>(a)(e)</sup>	0.7	1.0	1.0	1.0	n.a.
Employment <sup>(a)</sup>	-0.9	1.5	2.0	2.25	2.3
Unemployment Rate <sup>(f)</sup>	6.2	6.0	5.75	5.75	6.1
Participation Rate <sup>(f)</sup>	67.3	67.8	67.9	68.1	68.3
<b>Prices (%)</b> <sup>(a)</sup>					
Consumer Price Index	0.6	1.0	1.0	1.0	0.9
Wage Price Index	1.4	1.5	1.5	1.5	1.5
Perth Median House Price	-3.1	-1.3	-1.3	-0.1	-0.5
<b>Other Key Parameters</b> <sup>(f)</sup>					
Exchange Rate \$US/\$A (cents)	75.4	79.0	76.9	77.8	77.5
Iron Ore Price (\$US/t) (CFR)	68.8	67.2	65.7	68.3	68.8
Iron Ore Volumes (million dry tonnes)	793	817	820	813	826
Crude Oil Price (\$US/barrel)	49.7	51.6	59.5	62.1	63.7
<b>Interest Rate Assumptions (%)</b> <sup>(f)</sup>					
Public Bank Account Earnings	2.1	1.9	1.9	2.0	2.1
Consolidated Account Borrowings	3.1	3.0	3.0	3.1	3.0

(a) Annual growth.

(b) Based on 2016-17 annual State Accounts, updated with State Final Demand data published for the June quarter 2018. Actual data for 2017-18 for Gross State Product, merchandise imports, and net exports is not available from the Australian Bureau of Statistics (ABS) until 16 November 2018.

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

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

(e) Actual population figure for 2017-18 is not available from the ABS until 20 December 2018.

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

Note: Statistical outcomes sourced from the ABS are subject to periodic revision by that organisation.

## Results Compared to Estimated Outturn

## General Government Sector

## Operating Statement

An operating deficit of \$618 million was recorded for 2017-18, less than half the \$1.3 billion deficit estimated in the 2018-19 Budget. The stronger outcome reflects the combined impact of higher than expected revenue (up \$458 million) and lower than estimated expenses (down \$251 million).

The following table summarises general government sector operating revenue and expenses for 2017-18.

Table 3

<b>GENERAL GOVERNMENT</b>						
<b>Operating Statement</b>						
	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (5)=(4)-(3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>REVENUE</b>						
Taxation	8,604	8,606	8,495	8,495	8,601	106
Current grants and subsidies	8,091	8,255	8,401	8,317	8,529	212
Capital grants	513	968	643	1,306	1,263	-43
Sales of goods and services	2,261	2,417	2,454	2,452	2,456	3
Interest income	196	189	166	164	170	5
Revenue from public corporations						
Dividends	837	1,649	1,728	1,689	1,718	30
Tax equivalent income	534	572	601	613	677	64
Royalty income	5,272	5,211	5,132	5,221	5,231	9
Other	604	590	572	615	688	73
<b>Total</b>	<b>26,913</b>	<b>28,457</b>	<b>28,193</b>	<b>28,874</b>	<b>29,332</b>	<b>458</b>
<b>EXPENSES</b>						
Salaries	11,610	12,431	12,450	12,237	12,193	-44
Superannuation						
Concurrent costs	1,166	1,254	1,255	1,234	1,199	-35
Superannuation interest cost	156	201	193	210	177	-32
Other employee costs	322	373	400	348	359	11
Depreciation and amortisation	1,320	1,475	1,452	1,430	1,343	-87
Services and contracts	2,393	2,389	2,438	2,547	2,432	-115
Other gross operating expenses	5,808	6,039	6,022	5,780	5,852	71
Other interest	783	894	895	893	891	-2
Current transfers	5,280	5,237	5,188	5,022	5,061	40
Capital transfers	549	505	503	500	442	-58
<b>Total</b>	<b>29,387</b>	<b>30,797</b>	<b>30,797</b>	<b>30,201</b>	<b>29,949</b>	<b>-251</b>
<b>NET OPERATING BALANCE</b>	<b>-2,474</b>	<b>-2,340</b>	<b>-2,605</b>	<b>-1,327</b>	<b>-618</b>	<b>709</b>

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

The following table details key changes to the general government sector operating deficit for 2017-18 relative to the estimated outturn in the 2018-19 Budget (detail of key movements between the original 2017-18 Budget and the final outcome is available in Appendix 4 of this report).



Table 4

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2018-19 BUDGET ESTIMATED OUTTURN**

	\$m
<b>NET OPERATING BALANCE - ESTIMATED OUTTURN (2018-19 BUDGET)</b>	<b>-1,327</b>
<b>Revenue</b>	
Taxation, comprising:	
- Payroll tax	50.2
- Total duty on transfers	19.4
- Motor vehicle registrations	21.4
- All other taxes	14.8
<i>Sub-Total</i>	<i>105.7</i>
Commonwealth grants, comprising:	
- On-passed local government grants	146.7
- GST grants	29.7
- Housing grants	-143.2
- Disability services	-33.1
- Transport grants	79.7
- Health grants	78.9
- North West Shelf grants/condensate compensation	-26.8
- All other grants	36.4
<i>Sub-Total</i>	<i>168.4</i>
Revenue from public corporations	93.5
Royalty income	9.3
All other revenue	81.0
<b>TOTAL REVENUE</b>	<b>458.0</b>
<b>Expenses</b>	
2018-19 Budget underspend provision (reversal)	370.0
<i>Fully offset by:</i>	
Communities	
State contribution to National Disability Insurance Scheme	-102.3
Remote Indigenous Housing grant	-143.2
All other Communities expenses	-18.6
Education	-76.6
WA Health	-62.8
Primary Industries and Regional Development	-60.2
Main Roads depreciation	-34.5
Biodiversity, Conservation and Attractions	-25.2
Transport	-24.7
Mental Health Commission	-14.7
Mines, Industry Regulation and Safety	-14.0
Planning, Lands and Heritage	-12.4
Water and Environmental Regulation	-11.1
On-passed local government grants	146.7
RfR transfers to Western Australian Land Authority <sup>(a)</sup>	-21.0
Operating subsidies <sup>(a)</sup>	-24.5
Superannuation interest	-32.4
All other expenses	-89.8
<b>TOTAL EXPENSES</b>	<b>-251.3</b>
<b>TOTAL VARIANCE</b>	<b>709.3</b>
<b>NET OPERATING BALANCE - 2017-18 ANNUAL REPORT ON STATE FINANCES</b>	<b>-618</b>

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

Note: Column may not add due to rounding.

## Revenue

At \$29.3 billion, general government revenue for 2017-18 was \$458 million (or 1.6%) higher than the estimated outturn in the 2018-19 Budget. This mainly reflects the following factors:

- higher recurrent and capital grants from the Commonwealth (up \$168 million), reflecting the net impact of:
  - higher on-passed local government grants (up \$147 million), reflecting the Commonwealth Government’s decision to distribute part of the 2018-19 local government funding prior to 30 June 2018;
  - higher GST grants (up \$30 million), due to Commonwealth Budget estimates of a higher national GST pool, partially offset by a downward revision to Western Australia’s share of the national population;
  - lower grants for housing (down \$143 million), largely resulting from delays in reaching agreement with the Commonwealth on timeframes for the delivery of remote housing milestones. Agreement was reached in June 2018 and this funding was received in August 2018;
  - higher funding for health services (up \$79 million), reflecting final outcomes for National Health Reform funding (up \$55 million, due to higher than expected activity levels following data reconciliations), and higher National Partnership and other grants;
  - higher than anticipated transport grants (up \$80 million), mainly due to project milestones being met earlier than anticipated, including for the Armadale Road Duplication – Anstey to Tapper Roads, NorthLink WA – Central and Northern Sections, Great Northern Highway – Wyndham Spur and Maggie’s Jump Up and Wanneroo Road/Ocean Reef Road Grade Separation projects;
  - lower disability service related grants (down \$33 million), primarily due to slower than expected phasing into the National Disability Insurance Scheme (NDIS), the withholding of DisabilityCare Australia Fund payments pending the signing of a bilateral agreement, and delayed process of payments by the Commonwealth under the Pay Equity for the Social and Community Services Sector National Partnership Agreement; and
  - lower North West Shelf grants, including Commonwealth compensation for crude oil excise arrangements (down \$27 million), as a result of lower than forecast gas volumes and higher deductions, which more than offset the impact of higher than projected prices and a lower \$US/\$A exchange rate;
- higher taxation revenue (up \$106 million), mainly reflecting higher:
  - payroll tax (up \$50 million), primarily due to a stronger than anticipated recovery in payroll tax-intensive industries (such as mining), particularly in the June quarter 2018;

- total duty on transfers (up \$19 million), reflecting a higher than expected overall value of large one-off commercial transactions, with duty from these transactions more than offsetting weaker than expected revenue from the residential property market (the number and/or value of these high value commercial transactions tend to be infrequent and volatile within and between years); and
- motor vehicle registrations (up \$21 million), due to higher than budgeted growth in registrations of heavy vehicles and higher weight light vehicles;
- higher revenue from public corporations (up \$93 million), largely driven by revenue from the Insurance Commission of Western Australia (up \$91 million) following higher than expected investment returns; and
- higher revenue from other sources (up \$81 million), mainly reflecting:
  - recoups from disability sector organisations (up \$26 million) following a comprehensive acquittal process conducted during 2017-18, which found that third party actual services-based expenditure was less than the funding provided for both 2015-16 and 2016-17 (resulting in returned funds); and
  - returns of unspent Royalties for Regions project funds from the local government sector to the Department of Primary Industries and Regional Development (up \$15 million).

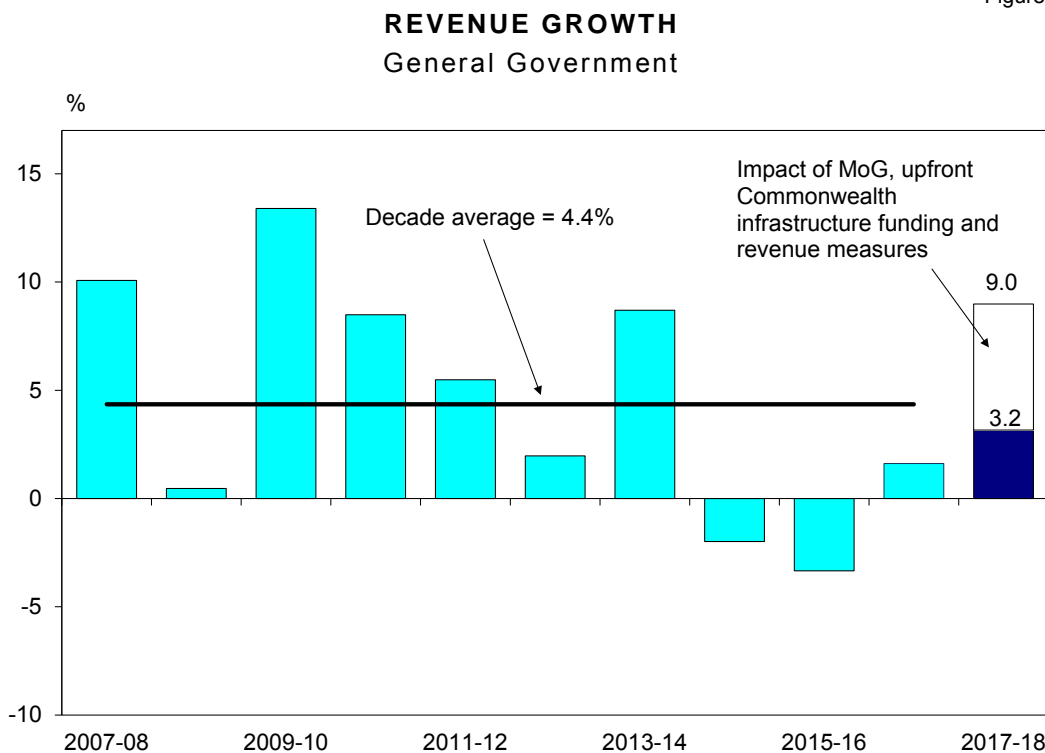
General government revenue grew by 9% (or \$2.4 billion) relative to 2016-17. This increase includes an additional \$702 million of Commonwealth infrastructure grants (announced in the 2018-19 Budget), higher GST grants (up \$305 million), and higher revenue from public corporations (up \$1 billion), largely reflecting the impact of the decision to defer interim dividend payments by electricity corporations and port authorities from 2016-17 to 2017-18 as part of 2017-18 Budget repair measures.

Abstracting from the one-off impacts of the Machinery of Government changes implemented from 1 July 2017<sup>2</sup>, upfront Commonwealth infrastructure funding and a number of revenue measures announced in the 2017-18 Budget, underlying general government revenue growth in 2017-18 was 3.2%.

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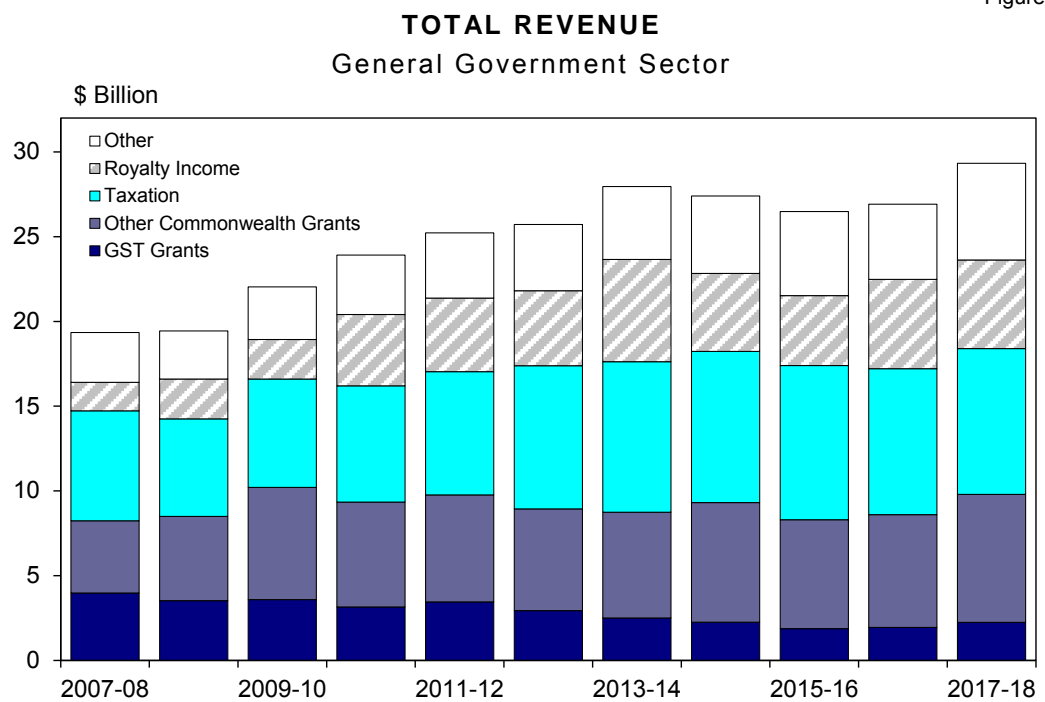
<sup>2</sup> A total of 41 government departments were reduced to 25 with effect from 1 July 2017. As part of these changes, the Rottneest Island Authority was transferred to the new Department of Biodiversity, Conservation and Attractions. This resulted in a reclassification from the public non-financial corporations sector to the general government sector and therefore increased revenue and expenses for the general government sector. Similarly, employees of the Housing Authority (a public non-financial corporation) were transferred to the Department of Communities, with the Housing Authority supported by a new service delivery agreement with the Department of Communities. This also had the effect of 'grossing up' general government sector revenue and expenses in 2017-18.

Figure 1



Royalties, taxation and other ‘own-source’ revenue accounted for two thirds of general government revenue in 2017-18, with the remaining third comprised of Commonwealth grants (including GST, which equated to just 8% of the State’s total revenue).

Figure 2

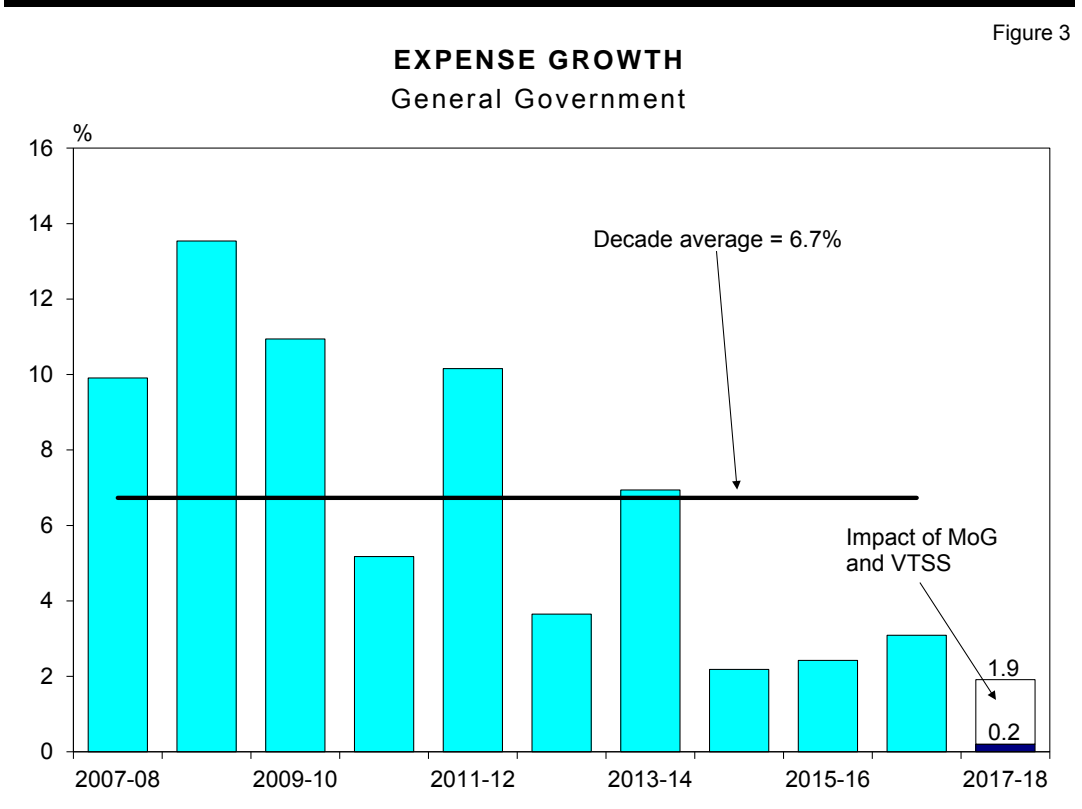


## Expenses

General government expenses totalled \$29.9 billion, \$251 million (or 0.8%) lower than the estimated outturn in the 2018-19 Budget.

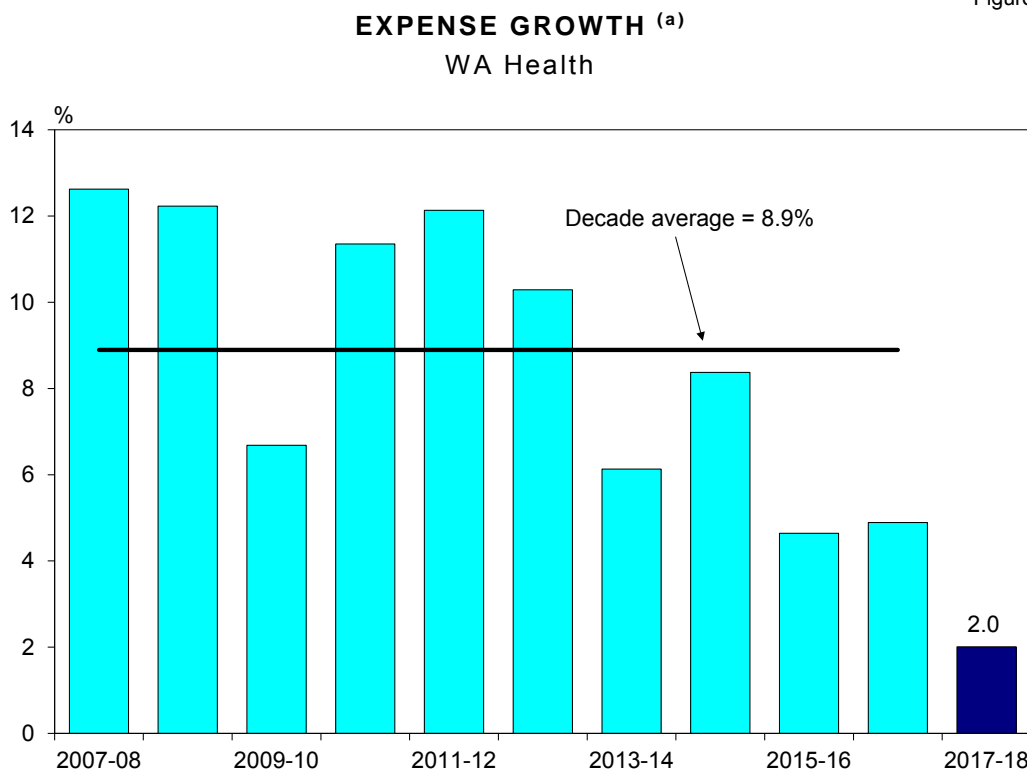
The 2017-18 expense outcome represents annual growth of just 1.9% (compared to the 2.8% expected in the 2018-19 Budget). This is the lowest rate of expense growth since 1994-95, and is significantly below the decade average (to 2016-17) of 6.7%.

Excluding the one-off impacts of the Machinery of Government changes and the Voluntary Targeted Separation Scheme (VTSS), underlying expense growth in 2017-18 was just 0.2%. This reflects the Government’s disciplined approach to expenditure management, including the impact of Budget repair measures (such as the \$1,000 wages policy) implemented by the Government since coming to Office.



Highlighting the impact of the Government’s focus on reining in recurrent spending, WA Health recorded expense growth of just 2% in 2017-18, down from 4.9% in 2016-17 and an average of 8.9% per annum over the decade to 2016-17.

Figure 4



(a) Total Cost of Service. Adjusted for consistent Machinery of Government arrangements.

As a result of very low quarterly expense growth outcomes in the first half of 2017-18, the 2018-19 Budget included a \$370 million global provision for yet-to-be identified underspending. The outcomes detailed below more than offset this provision:

- Communities (down \$264 million), reflecting:
  - lower remote housing grants (down \$130 million), due to delays in reaching agreement with the Commonwealth on timeframes for the delivery of remote housing milestones, noted earlier in the *Revenue* discussion;
  - a delay to 2018-19 of the State’s 2017-18 NDIS contributions to the National Disability Insurance Agency (forecast in the 2018-19 Budget to be \$102 million), due to ongoing negotiations regarding the classification of participants; and
  - lower ‘other’ expenses (down \$32 million), largely reflecting lower NDIS costs following the Government’s decision to transition to the Commonwealth-administered NDIS;
- Education (down \$77 million), mainly reflecting the capitalisation of some schools spending on equipment and minor building works, and lower overall depreciation expense due to end of year revisions in school building valuations;
- WA Health (down \$63 million), primarily due to lower than forecast high-cost drug expenses in major hospitals, and lower salary costs driven by the effective implementation of staffing control strategies adopted across the health system;

- Primary Industries and Regional Development (down \$60 million), largely due to:
  - underspends in various Royalties for Regions projects, including grants from the Agricultural Telecommunications Infrastructure Improvement Fund which are now expected to be made in 2018-19 and beyond;
  - lower than expected salaries expenses, primarily due to delays in filling vacancies; and
  - lower depreciation expenses for the Gascoyne Food Bowl Pipeline, Grains Innovation precinct and the State Barrier Fence;
- Main Roads depreciation expenses (down \$34 million), primarily reflecting the impact of annual infrastructure valuations;
- Biodiversity, Conservation and Attractions (down \$25 million), mainly reflecting lower than expected leave expenses and lower bushfire suppression costs (due to a relatively less demanding bushfire season in 2017-18), and delays with some Royalties for Regions projects;
- Transport (down \$25 million), largely due to lower than forecast expenditure for grant programs, mainly the Country Age Pension Fuel Card Scheme (due to lower than forecast demand), the Broome Boating Facilities Project (due to project scope changes and subsequent delays to construction) and a range of other grants; and
- Mental Health Commission (down \$15 million), mainly due to delays in commissioning community-based mental health Step Up/Step Down services.

Lower than expected expense outcomes were also achieved across several other agencies, including (but not limited to) Mines, Industry Regulation and Safety (down \$14 million), Planning, Lands and Heritage (down \$12 million) and Water and Environmental Regulation (down \$11 million).

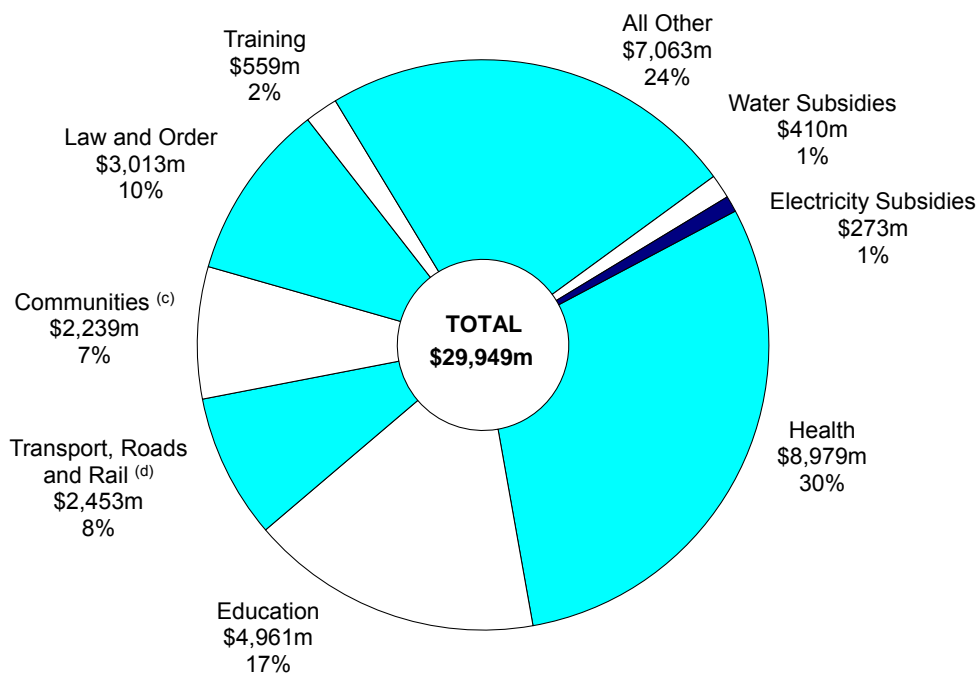
Other key movements contributing to the expense outcome in 2017-18 include:

- higher on-passed grants (up \$147 million), reflecting the Commonwealth Government's decision to bring forward part of its 2018-19 local government funding to 2017-18;
- lower superannuation interest costs (down \$32 million), mainly reflecting the impact of lower than forecast unfunded scheme liabilities following the actuary's end of year valuation (see *Balance Sheet* later in this chapter);
- lower operating subsidies (down \$25 million), primarily due to lower customer utilisation of Synergy's electricity concessions and rebates; and
- lower transfers of Royalties for Regions funding to the Western Australian Land Authority (down \$21 million), reflecting the re-timing of projects due to market conditions, reduced servicing requirements in Nambeelup, and project savings in Port Hedland hospital site remediation.

At 41%, salaries expenditure remains the single largest component of general government recurrent spending in 2017-18. Growth in salaries expenditure in 2017-18 was 5%, slightly down on estimated growth in the 2018-19 Budget of 5.4%. The year-on-year increase largely reflects the impact of the VTSS implementation costs (\$280 million in separation costs, see feature box later in this section) and the reclassification of salary spending under the Machinery of Government changes. Excluding these factors, underlying salaries growth in 2017-18 was just 1.2%, below the 2% growth recorded in 2016-17.

Figure 5

**GENERAL GOVERNMENT EXPENSES (a)(b)**  
2017-18



- (a) Segments may not add due to rounding.
- (b) Excludes valuation decrement expenses brought to account in some agencies. Valuation decrements represent the accounting remeasurement of assets on the balance sheet and are not a recurrent cost of providing services or a component of general government expenses.
- (c) The \$2.2 billion for the Department of Communities in this chart represents the general government portion of the Department's recurrent spending (with some expenditure from the former Housing Authority remaining within the public non-financial corporations sector for the purpose of whole-of government reporting).
- (d) Rail component reflects operating subsidies paid to the Public Transport Authority.



### Voluntary Targeted Separation Scheme (VTSS)

The VTSS was announced as part of the Government's Budget repair measures in the 2017-18 Budget released in September 2017. The scheme targeted 3,000 separations, originally planned to be finalised by 31 March 2018. It is the largest such scheme ever run in the Western Australian public sector and targets the general government sector's most significant cost component (employee expenses).

With estimated separation costs of around \$300 million to be paid from the Consolidated Account during 2017-18, gross savings of \$1,031 million were forecast to be achieved from the scheme, with agencies retaining 20% (\$205 million) to reinvest in workforce renewal. The 2017-18 Budget forecast total net savings of \$526 million over the then forward estimates period to 30 June 2021.

In February 2018, Cabinet approved an extension to the closing date for officers to exit the sector from 31 March 2018 until 30 June 2018 in order to give agencies the best possible chance to meet the separations target under the scheme and to permit adequate time for assessment of each application to ensure key positions and personnel were not lost to the sector. The extension of the deadline was accompanied with a reduction in the estimated savings in 2017-18 of \$65 million and a commensurate reduction in the net debt benefit of the scheme relative to the 2017-18 Budget forecast.

As part of the 2018-19 Budget and based on the VTSS progress and forecasts at that time, \$50 million of the \$300 million provision was repositioned into 2018-19 for anticipated delays in the payment and reimbursement of agencies for separations expected to occur towards the end of the 2017-18 financial year.

The VTSS is on track to deliver almost all of the original planned 3,000 separations but over a longer period. By 30 June 2018, a total of 2,311 separations had been finalised<sup>3</sup>. Separation costs in 2017-18 totalled \$280 million.

The VTSS is now closed except for some approved extensions for special groups. These targeted extensions are expected to result in around 600 separations across 2018-19 to 2021-22 and include:

- 150 non-operational police officers (expected to be finalised during 2018-19);
- 390 separations associated with the transition to the Commonwealth-run NDIS (to be finalised over the period 2018-19 to 2021-22); and
- 60 education sector separations (to be finalised by 31 December 2018).

Savings in 2017-18 were \$59.9 million with a further \$649.2 million flowing from centrally-funded separations across the current forward estimates period (\$159.7 million in 2018-19, \$161.3 million in 2019-20, \$162.9 million in 2020-21 and \$165.3 million in 2021-22), to bring total savings (excluding separation costs) to \$709.1 million.

As with previous separation programs run across the sector, agencies that self-funded separations (from within existing budget settings and resources) have been able to retain all savings to reinvest in service delivery.

<sup>3</sup> The 2,311 separations quoted in this report was finalised after the annual report of the Public Sector Commission was completed, and which reported 2,314 separations.

The agency allocation of the separations finalised by 30 June 2018 and subsequently lodged with the Public Sector Commission is shown in the following table.

Table 5

**COST AND SAVINGS OF SEPARATIONS BY AGENCY**  
Cessations at 30 June 2018

Agency	Total Separations Number	Total Cost Central and Self-funded \$m	2017-18 Savings \$m
Communities	338	41.414	8.454
Health	301	43.796	12.229
Education	273	28.573	6.816
Justice	228	26.702	5.831
Primary Industries and Regional Development	131	17.510	4.499
Mines, Industry Regulation and Safety	119	13.950	2.901
Western Australia Police Force	109	10.803	1.412
Local Government, Sport and Cultural Industries	88	9.312	1.805
Biodiversity, Conservation and Attractions	80	8.363	2.060
Planning, Lands and Heritage	64	8.385	2.089
Transport	63	5.971	1.219
Finance	61	7.986	0.858
Water and Environmental Regulation	53	8.378	2.232
Insurance Commission of Western Australia	53	5.593	-
Training and Workforce Development	41	4.435	1.541
Premier and Cabinet	37	3.786	0.469
Western Australian Land Information Authority (Landgate)	33	4.623	-
Fire and Emergency Services	31	4.890	0.627
Commissioner of Main Roads	26	3.932	0.688
Lotteries Commission (Lotterywest)	20	2.552	-
Jobs, Tourism, Science and Innovation	17	2.016	0.541
Metropolitan Redevelopment Authority	17	1.497	-
North Metropolitan TAFE	16	1.675	0.585
South Metropolitan TAFE	14	1.617	0.620
WorkCover Western Australia Authority	14	1.772	-
Treasury	12	1.320	0.420
Mental Health Commission	7	0.640	0.218
Public Transport Authority	6	0.505	0.168
Public Sector Commission	6	0.835	0.179
Legal Aid Commission of Western Australia	5	1.038	0.255
South Regional TAFE	5	0.767	0.231
Parliamentary Commissioner for Administrative Investigations (Ombudsman)	5	0.693	0.068
Central Regional TAFE	4	0.448	0.180
North Regional TAFE	4	0.472	0.181
Western Australian Health Promotion Foundation (Healthway)	3	0.240	0.001
Small Business Development Corporation	3	0.279	0.070
The National Trust of Australia (W.A.)	3	0.177	0.047
Metropolitan Cemeteries Board	2	0.115	-
Western Australian Electoral Commission	2	0.232	0.020
Equal Opportunity Commission	2	0.194	0.033
Health and Disability Services Complaints Office	2	0.145	0.061
Registrar, Western Australian Industrial Relations Commission	2	0.256	0.068
Office of the Director of Public Prosecutions	2	0.336	0.050
Commissioner for Children and Young People	2	0.270	0.052
Western Australian Sports Centre Trust (VenuesWest)	2	0.208	-
Chemistry Centre (WA)	1	0.284	0.067
Office of the Inspector of Custodial Services	1	0.137	-
Economic Regulation Authority	1	0.123	0.041
Office of the Information Commissioner	1	0.091	0.025
Western Australian Meat Industry Authority	1	0.222	-
<b>Total</b>	<b>2,311</b>	<b>279.6</b>	<b>59.9</b>

## Balance Sheet<sup>4</sup>

The net worth<sup>5</sup> of the general government sector (i.e. the extent to which total assets exceed total liabilities) decreased by \$3 billion over 2017-18, to stand at \$103.2 billion at 30 June 2018.

The outcome for 30 June 2018 was \$0.2 billion lower than the restated estimate in the 2018-19 Budget, reflecting the net impact of:

- lower general government sector holdings of non-financial assets (down \$1.1 billion), mainly property, plant and equipment (down \$716 million) and land (down \$364 million), largely reflecting revaluation decrements associated with accounting for Machinery of Government changes<sup>6</sup>, and lower than anticipated Asset Investment Program spending across the sector;
- higher holdings of liquid financial assets (up \$793 million), largely due to the impact on cash of the stronger than expected operating outcome (noted earlier);
- a weaker net asset position for the general government sector's ownership interest in the public non-financial corporations sector (down \$330 million), mainly driven by lower valuations of property, plant and equipment; and
- lower liabilities (down \$232 million), with lower than expected unfunded superannuation liabilities (down \$400 million reflecting a lower annual actuarial valuation, mainly driven by the impact of short term wage assumptions on the value of future entitlements), and lower than anticipated payables (down \$107 million, mainly related to the timing of payments). These were partially offset by higher deposits held on behalf of third parties (up \$121 million, mainly reflecting higher holdings on behalf of the Public Transport Authority due to lower than anticipated infrastructure spending) and higher 'other' employee benefits (up \$85 million, mainly reflecting higher annual and long service leave provisions for WA Health).

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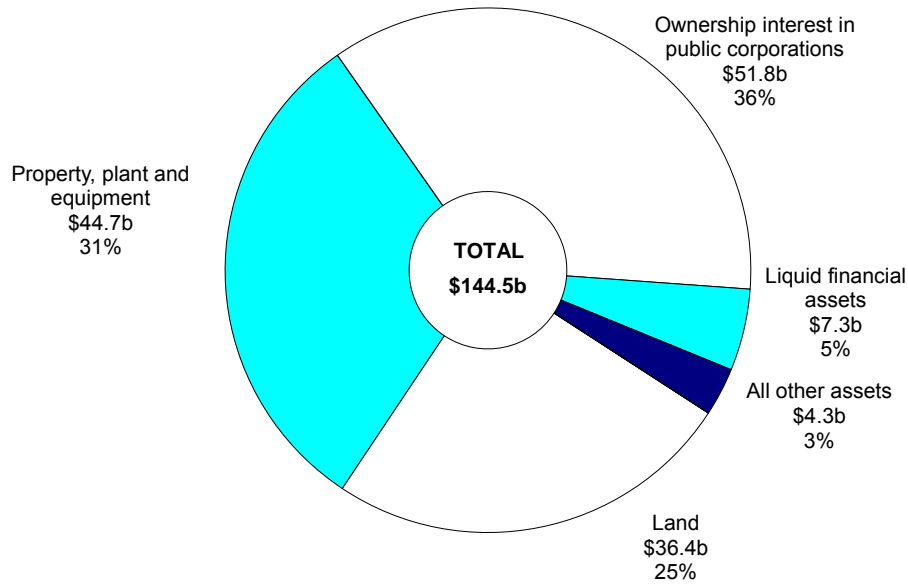
<sup>4</sup> Public corporation land values have been restated for prior periods in this ARSF. This reflects correction to overstated balances applying to these assets in the State's whole-of-government disclosures back to 30 June 1994 (the first year such disclosures were prepared). The impact of this restatement reduces all associated balances by \$3.8 billion at 30 June 2017 and for each of the forecast disclosures for 30 June 2018 prior to the final outturn reported in this ARSF.

<sup>5</sup> Net worth represents the difference between total assets and total liabilities. Net worth of the total public sector is equivalent to general government sector net worth. This is because the net worth of the public corporations is recorded as an asset on the general government sector balance sheet.

<sup>6</sup> A number of agencies were subject to Machinery of Government changes which took effect on 1 July 2017. In cases where a new agency has been created to replace previous reporting entities, asset revaluations are triggered for the year ending 30 June 2018, potentially bringing forward some valuation cycles that may have proceeded in a later year.

Figure 6

**ASSETS AT 30 JUNE 2018**  
General Government Sector

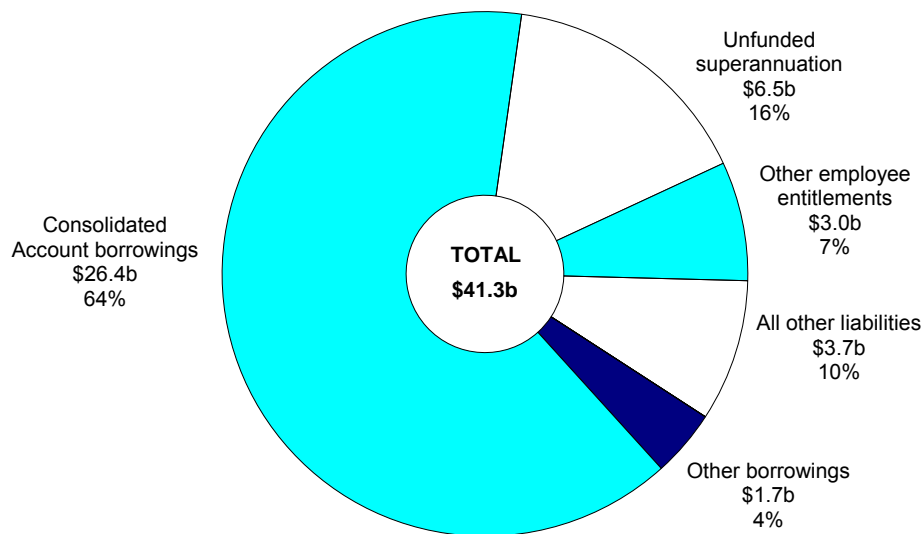


Note: Segments may not add due to rounding.

Borrowings by the Consolidated Account increased by \$4.2 billion through the year to reach \$26.4 billion at 30 June 2018 (in line with the Budget estimate), and remain the most significant component of liabilities held by the sector.

Figure 7

**LIABILITIES AT 30 JUNE 2018**  
General Government Sector



Note: Segments may not add due to rounding.

Further information on the general government sector balance sheet position relative to the original 2017-18 Budget forecasts can be found in Appendix 4: *Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2018*.

### **Cash Flow Statement**

A cash deficit of \$2 billion was recorded for the general government sector in 2017-18, a substantial \$613 million improvement relative to the \$2.6 billion cash deficit estimated in the 2018-19 Budget. This result is driven by stronger operating results (discussed earlier in terms of the accrual<sup>7</sup> operating balance), with net cash flows from operating activities recording a \$399 million surplus in 2017-18, a \$507 million turnaround from the \$108 million deficit estimated in the 2018-19 Budget. This is also a substantial improvement on operating cash deficits in the past two years.

Lower net purchases of non-financial assets (down \$106 million) relative to the 2018-19 Budget also contributed to the improved cash result, with lower Asset Investment Program spending by the sector (down \$188 million) more than offsetting lower than anticipated sales of non-financial assets (down \$83 million). Infrastructure spending movements since the 2018-19 Budget are outlined in the *Asset Investment* section later in this chapter.

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<sup>7</sup> The net cash flow from operating activities is the cash equivalent of the operating balance on the operating statement discussed earlier in this chapter. This cash flow aggregate is based on cash information only while the accrual operating balance includes non-cash transactions such as depreciation charges, and recognises costs (expenses) and benefits (revenue) as they occur rather than only when cash is paid or received.

## Total Public Sector<sup>8</sup>

### Summary

The total public sector recorded a \$1.6 billion operating deficit for 2017-18, significantly lower than the \$2.3 billion deficit estimated in the 2018-19 Budget. This improved outcome reflects the combined impact of:

- stronger than expected results for the general government sector (discussed earlier) and the public non-financial corporations (PNFC) sector (which recorded a \$458 million operating surplus in 2017-18, up \$74 million on the estimated outturn); and
- a weaker than forecast operating surplus for the public financial corporations (PFC) sector (down \$81 million).

Low expense growth outcomes were recorded across the public sector in 2017-18, with total expenses down \$557 million relative to the estimated outturn in the 2018-19 Budget.

Total public sector net debt at 30 June 2018 was \$34.6 billion, \$1.3 billion lower than the 2018-19 Budget estimate (of \$36 billion). This outcome mainly reflects a lower than expected cash deficit (down \$461 million), including the stronger operating outcome (\$251 million in cash terms) and lower than expected spending on infrastructure (down \$471 million). Net debt is discussed in a later section of this chapter.

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<sup>8</sup> The total public sector consolidates the general government, public non-financial corporations and public financial corporations sectors. The total public sector is also known as the whole-of-government. Detailed financial disclosures for each of these sectors are contained in Appendix 1: *Financial Statements*.

Table 6

**TOTAL PUBLIC SECTOR <sup>(a)</sup>**  
Summary Financial Aggregates

	2016-17		2017-18		Actual	Variation on EOT
	Actual Restated <sup>(a)</sup>	Budget Estimate Restated <sup>(a)</sup>	MYR Revision Restated <sup>(a)</sup>	Estimated Outturn Restated <sup>(a)</sup>		
	\$m	\$m (1)	\$m (2)	\$m (3)	\$m (4)	\$m (5)=(4)-(3)
<b>OPERATING STATEMENT</b>						
Revenue	44,172	47,025	45,443	45,704	45,819	115
Expenses	46,916	50,171	49,034	47,999	47,442	-557
<b>Net Operating Balance</b>	<b>-2,744</b>	<b>-3,146</b>	<b>-3,591</b>	<b>-2,295</b>	<b>-1,623</b>	<b>672</b>
<b>BALANCE SHEET</b>						
Assets	184,979	189,031	188,315	188,082	183,521	-4,561
Liabilities	78,753	84,038	84,959	84,692	80,285	-4,407
<b>Net Worth</b>	<b>106,226</b>	<b>104,993</b>	<b>103,357</b>	<b>103,390</b>	<b>103,236</b>	<b>-154</b>
<b>CASH FLOW STATEMENT</b>						
Change in net cash held	-927	-755	-916	342	-446	-788
Cash surplus/-deficit	-4,675	-4,682	-4,855	-3,468	-3,007	461
<b>Memorandum Item: Net Debt</b>	<b>31,964</b>	<b>37,810</b>	<b>37,354</b>	<b>35,951</b>	<b>34,606</b>	<b>-1,345</b>

(a) See Note 3(y): Correction of overstated land valuations.

Note: Columns may not add due to rounding.

## Net Operating Balance

A \$1.6 billion operating deficit was recorded by the total public sector in 2017-18, \$672 million lower than estimated in the 2018-19 Budget. The majority of this lower deficit result is due to the improved general government sector operating outcome detailed earlier in this chapter. Public corporation outcomes are discussed below.

Table 7

**TOTAL PUBLIC SECTOR OPERATING BALANCE**  
By Sector

	2016-17		2017-18		Actual	Variation on EOT
	Actual	Budget	MYR	Estimated		
	\$m	\$m (1)	\$m (2)	\$m (3)	\$m (4)	\$m (5)=(4)-(3)
<b>Net Operating Balance</b>						
General government sector	-2,474	-2,340	-2,605	-1,327	-618	709
Public non-financial corporations sector	480	573	489	384	458	74
Public financial corporations sector	164	345	324	401	320	-81
<i>less</i>						
General government dividend revenue	837	1,649	1,728	1,689	1,718	30
Public non-financial corporations dividend revenue <sup>(a)</sup>	78	75	70	64	64	-
<b>Total public sector net operating balance</b>	<b>-2,744</b>	<b>-3,146</b>	<b>-3,591</b>	<b>-2,295</b>	<b>-1,623</b>	<b>672</b>

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

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

### ***Public Non-Financial Corporations***

An operating surplus of \$458 million was recorded in the PNFC sector in 2017-18, \$74 million higher than the \$384 million surplus estimated in the 2018-19 Budget. Revenue was \$213 million (or 1%) lower than expected while expenses were \$287 million (or 1.4%) lower, mainly reflecting the net impact of:

- lower revenue (down \$244 million) and expenses (down \$232 million) for the Department of Communities (Housing Services) as a result of:
  - lower than expected sales from the Affordable Housing and Social Housing Investment Programs, broadly matched by an equivalent reduction in related expenses;
  - lower remote housing grants, and lower associated expenditure on services and contracts, primarily due to delays in reaching agreement with the Commonwealth on timeframes for the delivery of remote housing milestones; and
  - lower rental revenue and expenditure (reflecting the impact of a decline in market rents across the State);
- higher revenue (up \$191 million) and expenses (up \$193 million) for the Gold Corporation, largely due to higher than budgeted prices and volumes for gold, partially offset by lower than budgeted silver prices and volumes;
- lower revenue (down \$95 million) and expenses (down \$58 million) for Synergy, mainly due to:
  - reduced wholesale electricity volumes;
  - delay in the receipt of a development fee for the Warradarge Wind Farm which is instead forecast to be received in 2018-19 reflecting delays in reaching contractual close;
  - lower than anticipated salaries expenses, mainly due to higher than anticipated vacancies;
  - a reduced income tax equivalent expense following the application of offsets;
  - lower than anticipated depreciation expense as a consequence of movements in asset values; and
  - reduced costs as a result of lower electricity and gas sales volumes reflecting customer demand;
- lower revenue (down \$64 million) and expenses (down \$66 million) for Racing and Wagering Western Australia, largely reflecting lower betting turnover. Lower than expected betting revenue is broadly matched by reduced betting dividend payouts and other direct costs of sales;



- lower revenue (down \$30 million) and expenses (down \$64 million) for the Water Corporation, largely reflecting:
  - the impact on revenue from lower water consumption as a result of higher than average rainfall and lower than average temperatures;
  - lower operating expenses, driven primarily by lower employee costs;
  - the impact on borrowing costs of lower interest rates and a lower than expected level of borrowings; and
  - lower income tax equivalent expenditure as a result of lower than forecast customer revenue;
- higher revenue (up \$62 million) for the Pilbara Ports Authority, mainly due to the recognition of benefits from commercial dredging service arrangements;
- lower expenses (down \$31 million) for Western Power, mainly due to:
  - lower borrowing costs as a result of reduced borrowings and favourable outcomes from refinancing existing debt; and
  - lower operating expenditure due to ongoing business process improvements, including revised asset management strategies; and
- lower Royalties for Regions revenue (down \$21 million) for the Western Australian Land Authority (discussed earlier in this chapter).

### ***Public Financial Corporations***

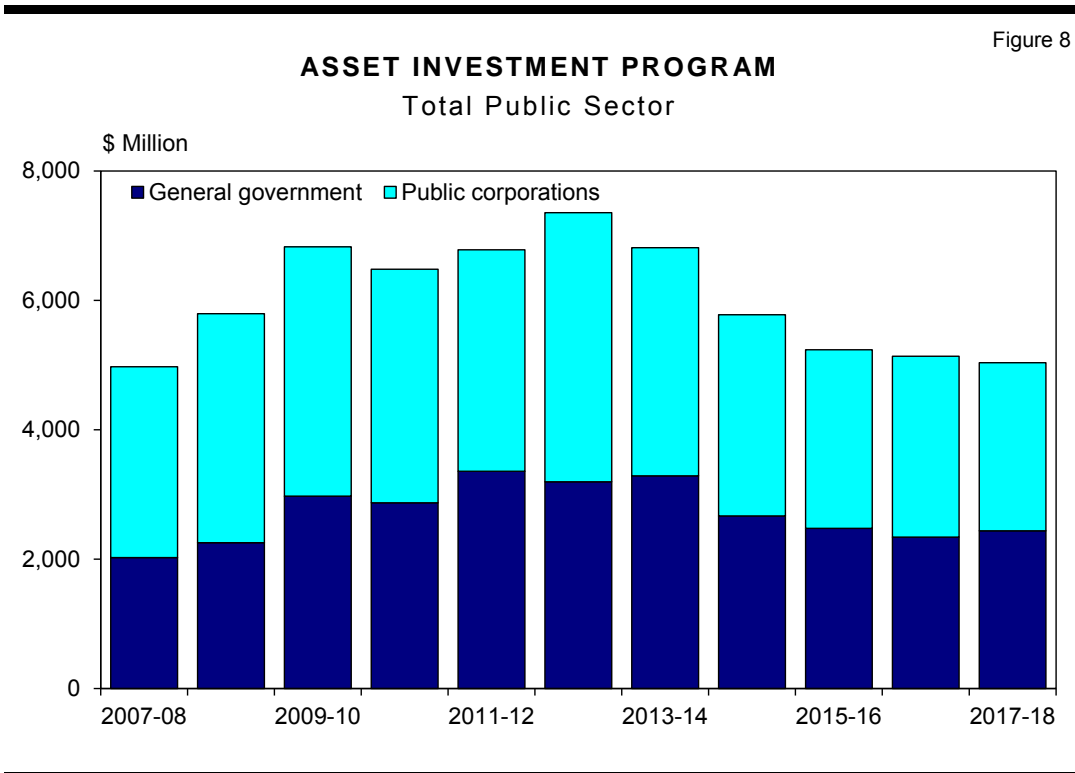
An operating surplus of \$320 million was recorded for the PFC sector in 2017-18, down \$81 million relative to the \$401 million surplus estimated in the 2018-19 Budget, largely due to:

- lower revenue for the Insurance Commission of Western Australia (down \$239 million), mainly reflecting the reclassification of investment gains from revenue to (non-cash) valuations, partly offset by lower expenses (down \$52 million) primarily due to lower claims expenses under the Catastrophic Injuries Support scheme;
- lower revenue (down \$11 million) and expenses (down \$55 million) for RiskCover, primarily due to actuarial adjustments to workers' compensation premiums and liabilities, and claims expenses; and
- higher revenue (up \$34 million) for the Western Australian Treasury Corporation, mainly due to stronger than expected investment performance, and lower expenses (down \$35 million) as a result of lower average interest rates and lower than expected levels of borrowing.

### Asset Investment

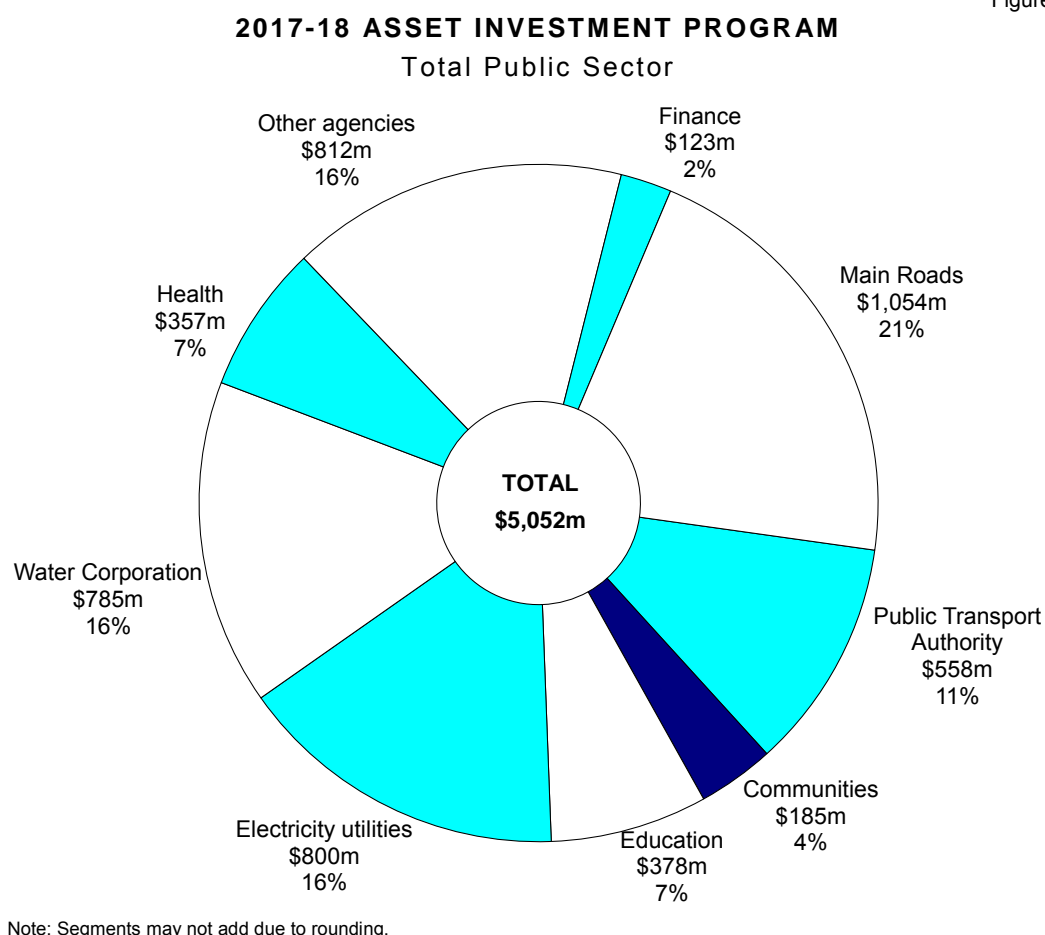
Infrastructure spending by the total public sector totalled \$5.1 billion in 2017-18. This is \$471 million lower than the estimated outturn in the 2018-19 Budget, but broadly in line with the outcome for 2016-17.

- General government sector infrastructure investment accounted for \$2.4 billion (or 48%) of the State’s Asset Investment Program in 2017-18. The largest component of spending was on roads (\$1.1 billion), with substantial spending also taking place on schools (\$378 million) and hospital infrastructure (\$357 million).
- Infrastructure investment by the State’s public corporations accounted for the remaining \$2.6 billion (or 52%) of the Asset Investment Program, with major areas of spending including electricity (\$800 million), water (\$785 million) and public transport (\$558 million).



The estimated outturn included in the 2018-19 Budget incorporated a \$400 million global provision for unidentified ‘slippage’ in agency programs. Actual infrastructure spending by general government agencies and public corporations was \$871 million lower than the estimated outturn, absorbing the full provision for underspending and resulting in an overall net underspend of \$471 million.

Figure 9



The lower than expected infrastructure spend in 2017-18 largely reflects the following outcomes:

- WA Health (down \$154 million), reflecting delays and timing changes associated with project design activity and procurement processes, mainly in relation to the Perth Children's Hospital (Development and ICT projects), Karratha Health Campus, King's Park Link Bridge, Fiona Stanley Hospital (capital costs under the Facilities Management Services Contract Asset Solution) and for Renal Dialysis and Support Services projects. A reclassification of some capital costs to recurrent expenditure also contributed to the lower outcome;
- Public Transport Authority (down \$123 million), primarily reflecting slower than expected progress with Forrestfield-Airport Link tunnelling work, a delay to the completion of the Matagarup Bridge (at Optus Stadium) and schedule changes across a range of other projects;
- Western Power (down \$102 million), largely due to lower customer-driven distribution investment reflecting fewer larger scale projects, project delays, and lower than expected asset replacement due to improved asset management strategies;

- Western Australian Land Authority (down \$85 million), driven by delays in various projects, reduced demand for land, and re-scoping and re-tendering of projects to achieve lower cost outcomes across the regional, metropolitan and industrial programs;
- the port authorities (down \$75 million), mainly due to lower spending by:
  - the Pilbara Ports Authority (down \$38 million), reflecting changes to Port Improvement Rate project schedules and delays with amendments to various agreements that slowed the timeline for handover of port areas at the Port of Ashburton to the Authority; and
  - the Fremantle Port Authority (down \$26 million), relating to slower than expected progress on various projects (including minor works), which are now expected to be completed during 2018-19;
- Water Corporation (down \$67 million), largely related to the timing of payments for works undertaken in 2017-18; and
- Communities (Housing Services), down \$55 million, primarily due to:
  - continued softness in the Western Australian housing market, which impacted the agency's development activities and shared equity expenditure; and
  - delay in the completion of the Broome Aboriginal Short Stay Accommodation Facility following severe storms in early 2018.

The following table summarises the material agency movements in infrastructure investment for 2017-18 across the total public sector.

Table 8

	INFRASTRUCTURE INVESTMENT					
	2016-17	2017-18				Variation on EOT \$m (5)=(4)-(3)
	Actual	Budget	MYR	Estimated	Actual	
\$m	Estimate	Revision	Outturn	\$m		
		\$m	\$m	\$m	\$m	
		(1)	(2)	(3)	(4)	
<i>General Government</i>						
Health	322	587	556	511	357	-154
Commissioner of Main Roads	979	1,468	1,047	1,018	1,054	36
Education	348	452	459	409	378	-30
Local Government, Sport and Cultural Industries	84	197	175	174	135	-39
Finance	148	165	150	149	123	-26
Provision for underspending	-	-500	-500	-100	-	100
Royalties for Regions underspending provision	-	-54	-28	-30	-	30
All Other	460	550	568	496	392	-105
<b>Total General Government</b>	<b>2,341</b>	<b>2,865</b>	<b>2,427</b>	<b>2,627</b>	<b>2,438</b>	<b>-188</b>
<i>Public Corporations</i>						
Communities (Housing Services)	425	311	232	234	179	-55
Water Corporation	720	765	764	852	785	-67
Public Transport Authority	631	877	758	681	558	-123
Port Authorities	60	196	191	169	94	-75
WA Land Authority	149	196	198	193	109	-85
Western Power	561	609	609	709	607	-102
Provision for AIP Slippage	-	-200	-	-	-	-
Provision for underspending	-	-250	-250	-300	-	300
All other	333	632	619	357	292	-66
<b>Total Public Corporations</b>	<b>2,879</b>	<b>3,136</b>	<b>3,122</b>	<b>2,896</b>	<b>2,624</b>	<b>-272</b>
Internal purchases between sectors	-83	-	-	-	-10	-10
<b>TOTAL PUBLIC SECTOR</b>	<b>5,137</b>	<b>6,001</b>	<b>5,550</b>	<b>5,522</b>	<b>5,052</b>	<b>-471</b>

## Balance Sheet

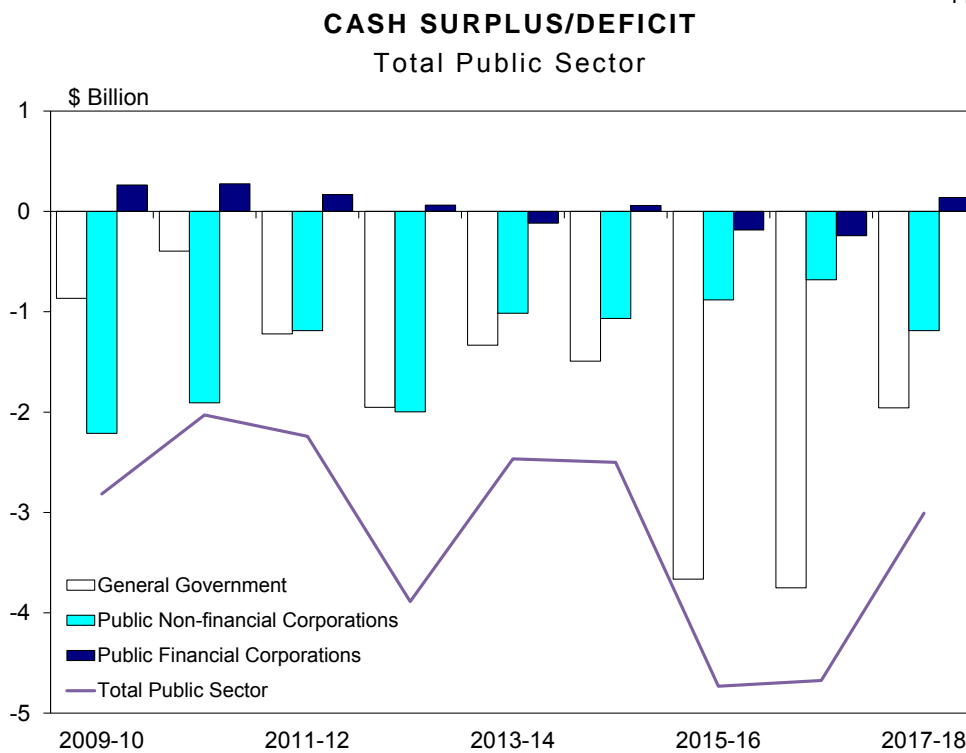
The net worth of the total public sector is identical to that of the general government sector (discussed earlier). This is because the net worth of public corporations is recorded as an asset on the general government sector balance sheet.

## Cash Flow Statement

A cash deficit of \$3 billion was recorded for the total public sector in 2017-18. This outcome represents a significant improvement on the \$4.7 billion cash deficit recorded in 2016-17, and is a \$461 million improvement on the \$3.5 billion cash deficit estimated in the 2018-19 Budget. This improvement reflects:

- the stronger than anticipated cash outcome for the general government sector (up \$613 million), primarily reflecting improved operating outcomes (discussed earlier);
- a stronger than expected cash outcome for the PNFC sector (up \$166 million), mainly due to lower than anticipated infrastructure spending; and
- a weaker cash outcome for the PFC sector (down \$317 million), due to the timing of cash flows arising from investments held by the Insurance Commission of Western Australia and lower than expected interest revenue collected by the sector.

Figure 10

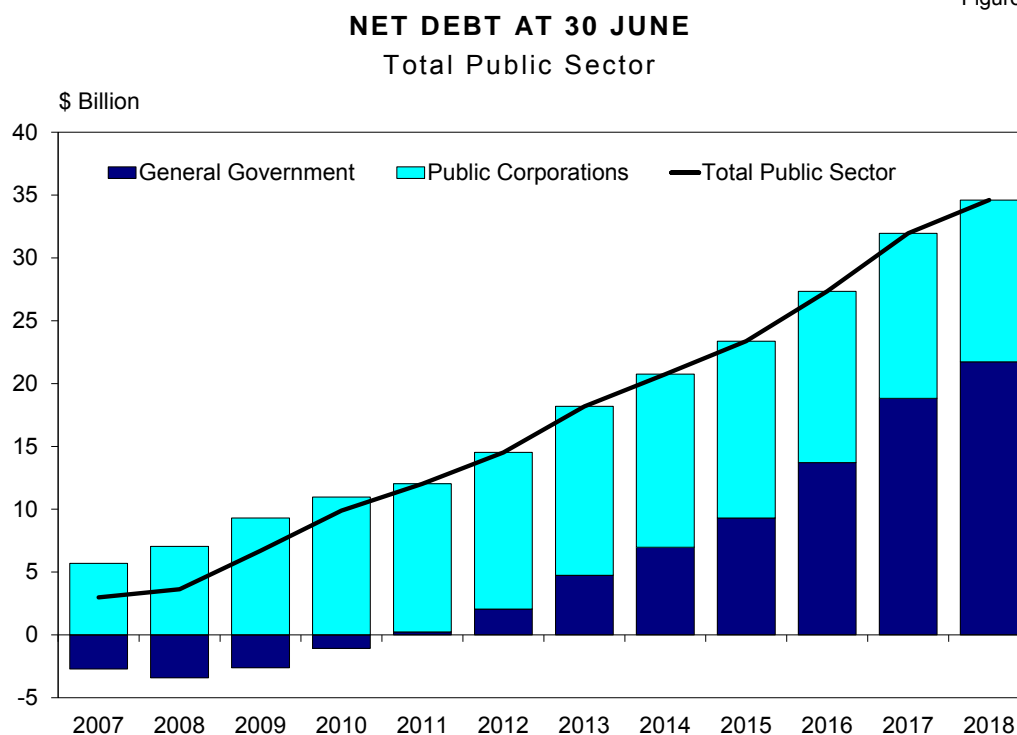


## Net Debt<sup>9</sup>

Total public sector net debt increased by \$2.6 billion during 2017-18, reaching \$34.6 billion at 30 June 2018. This outcome is \$1.3 billion lower than the \$36 billion estimate included in the 2018-19 Budget, reflecting the combined impact of stronger than anticipated operating cash results, lower than expected infrastructure spending, and the impact of non-cash increases in the value of liquid financial assets, mainly for the Western Australian Treasury Corporation and the Insurance Commission of Western Australia.

<sup>9</sup> Net debt consists of the State's gross debt liabilities (including deposits held, borrowings, finance leases, etc.), net of cash and other liquid assets (cash holdings and investments, loans and advances by government, etc.).

Figure 11



The increase in net debt for 2017-18 was driven by the general government sector (up \$2.9 billion), primarily reflecting borrowings required to support capital investment. Net debt of the general government sector reached \$21.7 billion at 30 June 2018, representing 62.8% of total public sector net debt.

Table 9

**TOTAL PUBLIC SECTOR NET DEBT**  
At 30 June

	2017	2018
	\$m	\$m
Consolidated Account borrowings	22,250	26,403
Other Public Bank Account net assets <sup>(a)</sup>	-3,710	-5,209
Western Power	7,236	7,208
Water Corporation	5,875	6,115
Public Transport Authority	1,822	2,040
Horizon Power	1,033	886
Housing Authority	870	818
Public financial corporations <sup>(b)</sup>	-3,317	-4,141
All other	-96	485
<b>Total Public Sector Net Debt at 30 June</b>	<b>31,964</b>	<b>34,606</b>

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

(b) Includes the Insurance Commission of Western Australia which holds significant liquid financial assets for the future payment of non-debt insurance claims.

The table below reconciles movements in net debt at 30 June 2018 since the 2018-19 Budget.

Table 10

**SUMMARY OF TOTAL PUBLIC SECTOR NET DEBT VARIATIONS  
SINCE THE 2018-19 BUDGET**

	\$m
<b>NET DEBT AT 30 JUNE 2018 - 2018-19 BUDGET</b>	<b>35,951</b>
<i>Less change in net cash flows from operating activities and dividends paid</i>	
- General government	507.1
- Public non-financial corporations	65.7
- Public financial corporations	-321.6
<i>Total Public Sector</i>	<i>251.2</i>
<i>Plus purchases of non-financial assets</i>	
WA Health	-153.7
Western Power	-101.5
WA Land Authority	-84.7
Port Authorities	-74.6
Water Corporation	-67.4
Communities	-56.3
Removal of provision for underspending	400.0
All other	-332.3
<i>Total purchases of non-financial assets</i>	<i>-470.7</i>
<i>Less proceeds from sale of non-financial assets</i>	<i>-260.8</i>
<i>Plus: all other financing transactions</i>	
Net market gains on financial assets <sup>(a)</sup>	-199.0
All other financing <sup>(b)</sup>	
- General government	-50.5
- Public non-financial corporations	-131.7
- Public financial corporations	-503.0
<i>Cumulative impact on net debt at 30 June</i>	<i>-1,345</i>
<b>NET DEBT AT 30 JUNE 2018 - 2017-18 ANNUAL REPORT ON STATE FINANCES</b>	<b>34,606</b>

(a) Includes the impact from net gains on movements in financial assets and liabilities, particularly in the public financial corporations sector.

(b) Includes other valuation changes to applicable assets and liabilities, movements in nature of asset classes in the public financial corporations sector (which includes changes in the mix of assets that contribute to the calculation of net debt and asset classes outside the debt calculation), restatement of agency net debt assets/liabilities, net acquisition of financial assets for liquidity purposes, etc. These transactions have no associated cash flow reflected in other items in this table.

Note: Column may not add due to rounding.

## Financial Targets

The *Government Financial Responsibility Act 2000* requires that the Government report on performance against its medium-term financial targets each year in the *Annual Report on State Finances*.

The targets set out in the Government's 2017-18 Budget were to:

- progress towards a net operating surplus for the general government sector, measured by a reduction in the operating deficit outcome relative to the previous year;
- progress towards a cash surplus for the total public sector;



- maintain disciplined general government expense management by:
  - delivering public sector wages outcomes in line with Government wages policy; and
  - ensuring key service delivery agency recurrent spending outcomes are in line with budgeted expense limits in Resource Agreements; and
- reduce the proportion of total public sector net debt held by the general government sector.

An improvement in revenue collections and the Government's strong focus on expenditure management has seen a significantly improved operating outcome. This has resulted in four of the Government's five financial targets being achieved for 2017-18.

Consistent with expectations in the 2018-19 Budget, the target to reduce the proportion of total public sector net debt held by the general government sector was not met. It will take a period of continued spending restraint and a return to general government sector operating surpluses to achieve this target in future. The Government remains committed to this.

The following table summarises compliance with the Government's financial targets in 2017-18, with further detail in the section below.

Table 11

**2017-18 FINANCIAL TARGETS**  
Compliance

	Budget	Estimated Outturn	Actual
Progress towards a net operating surplus for the general government sector			
- General government net operating balance (\$m)	-2,340	-1,327	-618
- <b>Compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Progress towards a cash surplus for the total public sector			
- Total public sector cash surplus/deficit (\$m)	-4,682	-3,468	-3,007
- <b>Compliance</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>
Maintain disciplined general government expense management through:			
- delivering public sector wages outcomes in line with Government wages policy			
- <b>Compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
- ensuring key service delivery agency recurrent spending outcomes are in line with budgeted expense limits			
- <b>Compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Reduce the proportion of total public sector net debt held by the general government sector			
- General government net debt as a share of TPS net debt (%)	63.8	62.3	62.8
- <b>Compliance</b>	<b>No</b>	<b>No</b>	<b>No</b>

## Performance Against Financial Targets

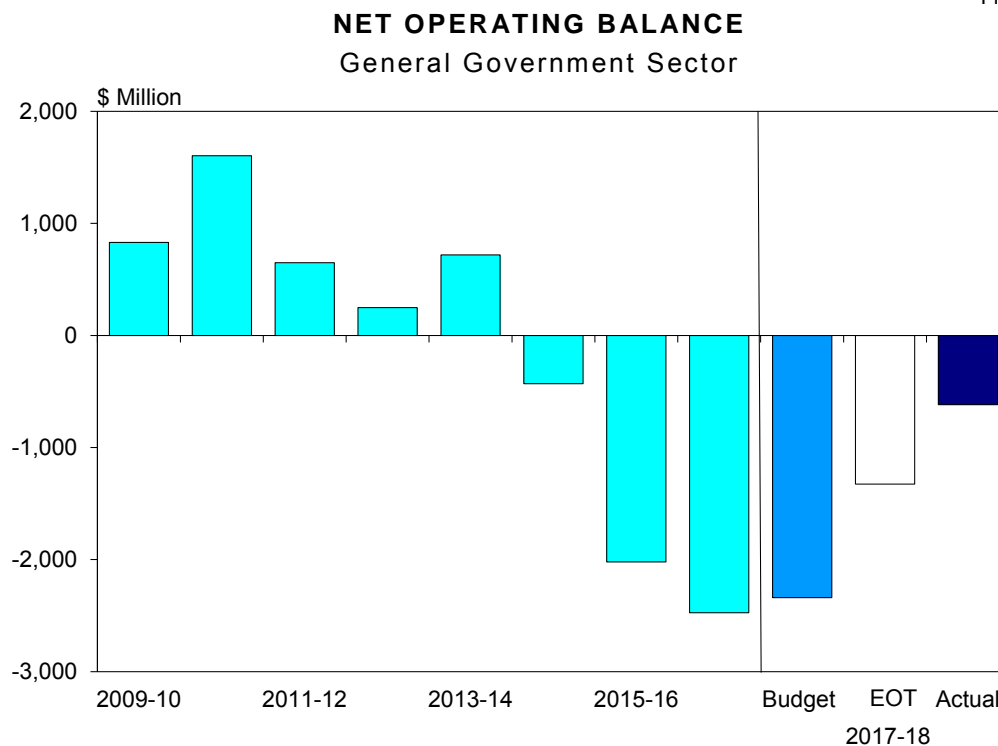
### Progress Towards a Net Operating Surplus for the General Government Sector

This target was met in 2017-18.

The net operating balance is an accrual based measure of the day-to-day operations of the general government sector (excluding capital spending on infrastructure). An operating surplus indicates that the Government can fully fund recurrent services over a financial year using revenue generated in that financial year.

The general government sector recorded an operating deficit of \$618 million in 2017-18, a substantial improvement on the \$2.5 billion deficit recorded in 2016-17. This outcome reflects a combination of stronger revenue collections (including as a result of the State’s domestic economy growing in 2017-18 for the first time in five years) and the lowest rate of expense growth (1.9%) since 1994-95.

Figure 12

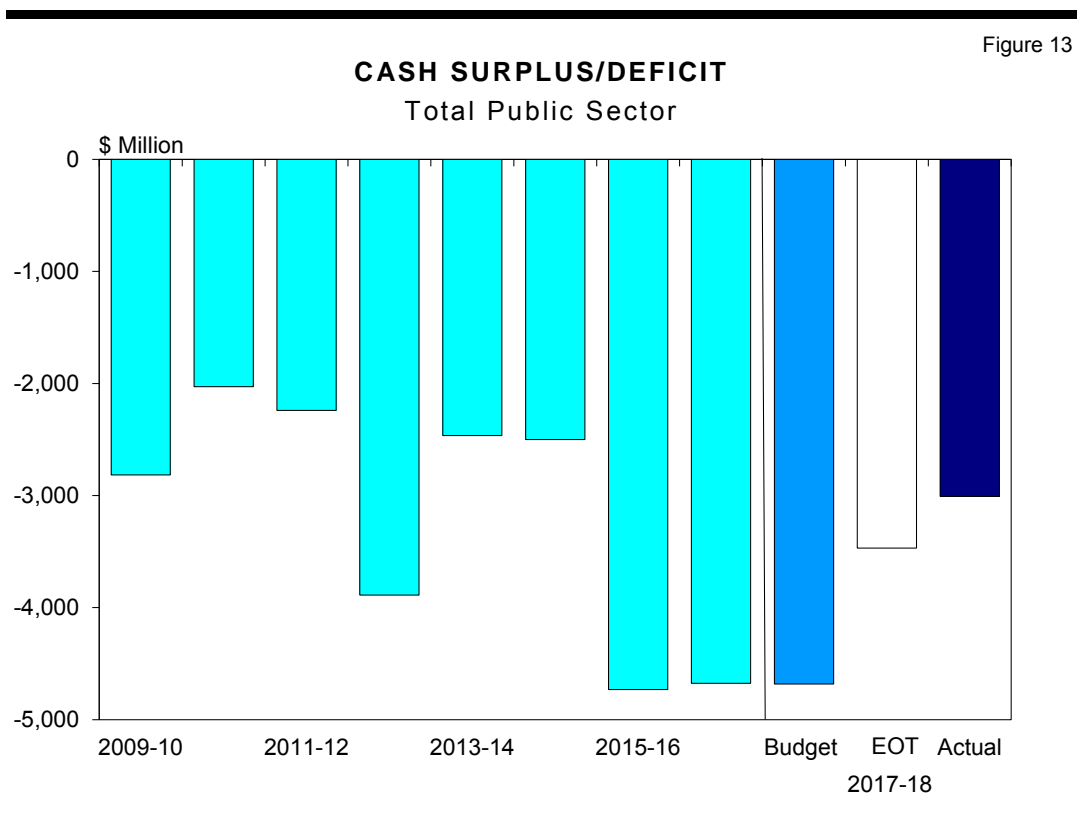


## Progress Towards a Cash Surplus for the Total Public Sector

This target was met in 2017-18.

The cash surplus/deficit of the total public sector takes into account the impact of both operating and investing activities across all sectors of government. It indicates the borrowing requirement of the public sector as a whole, which means achieving cash surpluses over the longer term in order to reduce debt levels.

The total public sector cash deficit of \$3 billion in 2017-18 was significantly lower than the \$4.7 billion cash deficit recorded in 2016-17. This improvement primarily reflects stronger general government sector operating outcomes, with a turnaround in the sector’s net cash flows from operating activities from a \$1.5 billion deficit in 2016-17 to a \$399 million surplus in 2017-18.



## Maintain Disciplined General Government Expense Management

This target was met in 2017-18, as measured by compliance with the Government’s wages policy for individual agreements finalised during the year, and recurrent costs of agencies being maintained within 2% of budgeted expense limits.

### *Deliver public sector wages outcomes in line with Government wages policy*

Public sector wage agreements settled in 2017-18 were all in line with the Government’s wages policy (limiting annual increases in wages to \$1,000).

Table 12

**INDUSTRIAL AGREEMENTS (a)**

<b>Agreement</b>	<b>Employees</b>	<b>Expiry Date</b>	<b>Status</b>
<i>Expired in 2016-17</i>			
Public Service and General Government Officers	31,845	12 Jun 2017	Agreement registered
Western Australia Police Officers <sup>(b)</sup>	6,442	30 Jun 2017	Agreement registered
Dental Officers	166	30 Jun 2017	Agreement registered
<i>Expired in 2017-18</i>			
Hospital Support Workers	4,452	4 Aug 2017	Agreement registered
Transit Officers	281	6 Oct 2017	Agreement registered
Disability Support Workers	40	21 Oct 2017	Agreement registered
Teachers	29,157	5 Dec 2017	Agreement registered
TAFE Lecturers	2,521	15 Dec 2017	Agreement registered
Metropolitan Cemeteries Board	83	31 Dec 2017	Agreement registered
National Park Rangers	128	31 Dec 2017	Agreement registered
Culture and the Arts	38	31 Dec 2017	Agreement registered
Perth Theatre Trust (Venues Management)	300	31 Dec 2017	Agreement registered
Botanic Gardens and Parks Authority	48	31 Dec 2017	Agreement registered
Main Roads	1,060	30 Jan 2018	Agreement registered
Prison Officers	2,275	10 Jun 2018	In-principle agreement

(a) Employee numbers sourced from each current agreement.

(b) The 2017 Western Australia Police Officer Industrial Agreement was settled within the \$1,000 wages policy, but also included a minor change to the calculation of time off in lieu.

***Ensure key service delivery agency recurrent spending outcomes are in line with budgeted expense limits in Resource Agreements***

Spending outcomes for the 15 largest appropriation-funded agencies in 2017-18 have remained within 2% of their approved expense limits, consistent with this target. Spending for the general government sector as a whole was \$847 million lower than forecast in the original 2017-18 Budget (when agency Resource Agreements were struck), and \$251 million lower than the estimated outturn in the 2018-19 Budget.

General government expenses grew by 1.9% in 2017-18, the lowest rate of expense growth in Western Australia since 1994-95. In underlying terms (i.e. abstracting from the one-off impacts of the Machinery of Government changes and the Voluntary Targeted Separation Scheme), expenses grew by just 0.2% in 2017-18.

---

**AGENCY RECURRENT SPENDING OUTCOMES (a)**

Table 13

	2017-18				
	Budget-time Resource Agreement	Functional Transfers <sup>(b)</sup>	Revised Limit	Outturn <sup>(c)</sup>	Variance
	\$m	\$m	\$m	\$m	%
WA Health	8,943	32	8,975	8,979	-
Education	5,020	22	5,042	4,961	-1.6
Communities	3,672	28	3,700	3,173	-14.3
Western Australia Police Force	1,528	4	1,532	1,505	-1.8
Justice	1,508	22	1,529	1,508	-1.4
Public Transport Authority	1,502	1	1,503	1,470	-2.2
Finance	1,435	2	1,437	1,339	-6.8
Commissioner of Main Roads	1,274	4	1,278	1,264	-1.2
Mental Health Commission	914	2	916	895	-2.3
Training and Workforce Development	583	9	592	559	-5.6
Primary Industries and Regional Development	528	15	544	472	-13.5
Biodiversity, Conservation and Attractions	421	7	428	395	-7.9
Transport	414	4	419	377	-10.0
Fire and Emergency Services	396	4	400	399	-0.3
Mines, Industry Regulation and Safety	299	14	312	279	-11.3

(a) The target is met when agencies' recurrent spending outcomes are no more than 2% higher than the amount specified in Resource Agreements signed for the Budget year.

(b) Detailed in Appendix 7: *Public Ledger*.

(c) Excludes valuation decrement expenses brought to account in some agencies. Valuation decrements represent the accounting remeasurement of assets on the balance sheet and are not a recurrent cost of providing services or a component of general government expenses.

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## Reduce the Proportion of Total Public Sector Net Debt Held by the General Government Sector

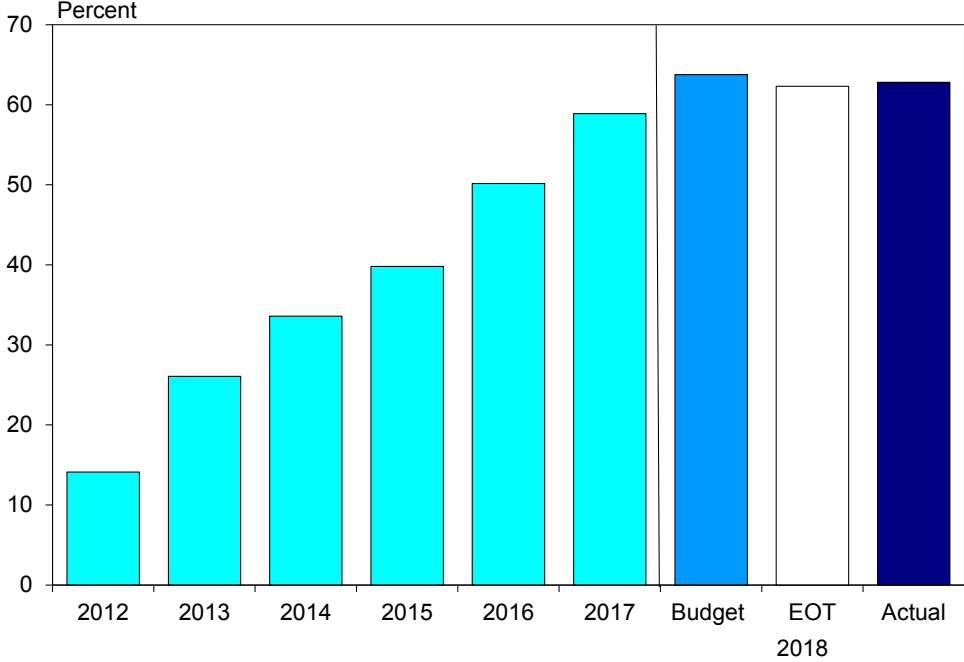
Consistent with expectations in both the 2017-18 and 2018-19 Budgets, this target was not met in 2017-18.

While lower than the original 2017-18 Budget forecast, general government sector net debt as a proportion of total public sector net debt grew by 3.9 percentage points throughout the year, to reach 62.8% at 30 June 2018 (up from 58.9% at 30 June 2017). This increase primarily reflects the additional borrowings needed to fund general government infrastructure investment in 2017-18.

Figure 14

**GENERAL GOVERNMENT NET DEBT AS A PERCENTAGE OF  
TOTAL PUBLIC SECTOR NET DEBT**

At 30 June



The only way to substantially reverse this trend and reduce the proportion of total public sector net debt held by the general government sector is to return the general government operating balance to a surplus position, which the Government is on track to do by 2020-21.

# Financial Statements

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## Introduction

Financial information presented in this appendix has been prepared in accordance with Australian Accounting Standards and pronouncements, in particular AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, and requirements under section 14A(3) of the *Government Financial Responsibility Act 2000*. The formats used in this report are the same as those used in 2017-18 and 2018-19 Budget Papers presented to the Legislative Assembly on 7 September 2017, facilitating comparisons between estimates and outturns.

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

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

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

Table 1.1

**GENERAL GOVERNMENT (a)**  
**Operating Statement**

	2016-17		2017-18			Variation on EOT \$m (4) - (3)	
	Notes	Restated	Budget	MYR	Estimated		
		Actual <sup>(b)</sup> \$m	Estimate \$m (1)	Revision \$m (2)	Outturn \$m (3)		Actual \$m (4)
<b>RESULTS FROM TRANSACTIONS</b>							
<b>REVENUE</b>							
Taxation		8,604	8,606	8,495	8,495	8,601	106
Current grants and subsidies		8,091	8,255	8,401	8,317	8,529	212
Capital grants		513	968	643	1,306	1,263	-43
Sales of goods and services		2,261	2,417	2,454	2,452	2,456	3
Interest income		196	189	166	164	170	5
Revenue from public corporations							
Dividends from other sectors		837	1,649	1,728	1,689	1,718	30
Tax equivalent income		534	572	601	613	677	64
Royalty income		5,272	5,211	5,132	5,221	5,231	9
Other		604	590	572	615	688	73
<b>Total</b>	5	26,913	28,457	28,193	28,874	29,332	458
<b>EXPENSES</b>							
Salaries		11,610	12,431	12,450	12,237	12,193	-44
Superannuation							
Concurrent costs		1,166	1,254	1,255	1,234	1,199	-35
Superannuation interest cost		156	201	193	210	177	-32
Other employee costs		322	373	400	348	359	11
Depreciation and amortisation	6	1,320	1,475	1,452	1,430	1,343	-87
Services and contracts		2,393	2,389	2,438	2,547	2,432	-115
Other gross operating expenses	7	5,808	6,039	6,022	5,780	5,852	71
Other interest	8	783	894	895	893	891	-2
Current transfers	9	5,280	5,237	5,188	5,022	5,061	40
Capital transfers	9	549	505	503	500	442	-58
<b>Total</b>		29,387	30,797	30,797	30,201	29,949	-251
<b>NET OPERATING BALANCE<sup>(c)</sup></b>	10	<b>-2,474</b>	<b>-2,340</b>	<b>-2,605</b>	<b>-1,327</b>	<b>-618</b>	<b>709</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-193	-8	-25	-47	-132	-85
Net actuarial gains/-loss - superannuation		659	-115	-341	-187	211	398
Provision for doubtful debts		-41	-13	-13	-14	-51	-38
Changes in accounting policy/adjustment of prior periods		143	-	-	-	-41	-41
<b>Total other economic flows</b>		<b>568</b>	<b>-136</b>	<b>-379</b>	<b>-248</b>	<b>-14</b>	<b>234</b>
<b>OPERATING RESULT</b>		<b>-1,905</b>	<b>-2,477</b>	<b>-2,983</b>	<b>-1,575</b>	<b>-631</b>	<b>943</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations <sup>(b)</sup>		-3,027	1,133	358	-287	-713	-425
Gains recognised directly in equity		15	-	-	-	-9	-8
Change in net worth of the public corporations sectors <sup>(b)</sup>		147	-397	-244	-974	-1,638	-664
All other		-	-	-	-	-	-
<b>Total all other movements in equity<sup>(b)</sup></b>		<b>-2,865</b>	<b>735</b>	<b>114</b>	<b>-1,262</b>	<b>-2,360</b>	<b>-1,097</b>
<b>TOTAL CHANGE IN NET WORTH<sup>(b) (d)</sup></b>	10	<b>-4,771</b>	<b>-1,741</b>	<b>-2,870</b>	<b>-2,837</b>	<b>-2,991</b>	<b>-154</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>		<b>-2,474</b>	<b>-2,340</b>	<b>-2,605</b>	<b>-1,327</b>	<b>-618</b>	<b>709</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,341	2,865	2,427	2,627	2,438	-188
Changes in inventories		-11	-1	2	-	-3	-2
Other movement in non-financial assets		240	469	469	468	513	45
<i>less:</i>							
Sales of non-financial assets		132	177	174	164	82	-83
Depreciation		1,320	1,475	1,452	1,430	1,343	-87
<b>Total net acquisition of non-financial assets</b>		<b>1,119</b>	<b>1,681</b>	<b>1,273</b>	<b>1,499</b>	<b>1,524</b>	<b>25</b>
<b>NET LENDING/-BORROWING</b>	10	<b>-3,592</b>	<b>-4,021</b>	<b>-3,878</b>	<b>-2,826</b>	<b>-2,141</b>	<b>685</b>

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

(b) See Note 3(y): *Correction of overstated land valuations*.

(c) Also known as the 'Net Result from Transactions'.

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

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

Table 1.2

**GENERAL GOVERNMENT (a)**  
Balance Sheet at 30 June

	Notes	2017		2018			Variation on EOT \$m (4) - (3)
		Restated Actual <sup>(b)</sup> \$m	Restated <sup>(b)</sup>			Actual \$m (4)	
			Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		778	707	788	773	862	89
Advances paid		717	731	715	743	741	-3
Investments, loans and placements		4,278	3,312	3,915	4,976	5,682	706
Receivables	11	3,099	2,946	3,066	3,108	3,212	104
Shares and other equity							
Investments in other public sector entities - equity method <sup>(b)</sup>		44,044	43,116	43,800	43,070	42,406	-664
Investments in other public sector entities - direct injections		9,019	9,319	8,949	8,886	9,377	492
Investments in other entities		51	47	45	45	48	3
Other financial assets		8	8	8	8	8	-
<i>Total financial assets<sup>(b)</sup></i>		<i>61,995</i>	<i>60,185</i>	<i>61,286</i>	<i>61,610</i>	<i>62,337</i>	<i>727</i>
<i>Non-financial assets</i>							
Land	12	37,269	37,558	37,433	36,771	36,406	-364
Property, plant and equipment	13,14	42,640	47,481	45,151	45,425	44,709	-716
Biological assets	16	8	2	4	4	3	-1
Inventories	17						
Land inventories <sup>(b)</sup>		-	7	8	8	-	-8
Other inventories		73	82	75	72	70	-2
Intangibles	18	680	643	697	695	627	-68
Assets classified as held for sale	19	111	33	88	88	125	37
Investment property	20	7	8	-	-	7	7
Other		665	457	242	245	248	3
<i>Total non-financial assets<sup>(b)</sup></i>		<i>81,453</i>	<i>86,271</i>	<i>83,699</i>	<i>83,309</i>	<i>82,196</i>	<i>-1,114</i>
<b>TOTAL ASSETS</b>		<b>143,447</b>	<b>146,456</b>	<b>144,985</b>	<b>144,919</b>	<b>144,532</b>	<b>-386</b>
<b>LIABILITIES</b>							
Deposits held		646	428	432	433	553	121
Advances received		376	360	360	360	360	-
Borrowings	21	23,572	28,067	28,035	28,099	28,109	9
Superannuation	22	7,043	6,962	7,083	6,941	6,541	-400
Other employee benefits	23	2,911	3,017	2,986	2,947	3,033	85
Payables		1,294	1,275	1,378	1,384	1,277	-107
Other liabilities	24	1,380	1,354	1,354	1,366	1,425	60
<b>TOTAL LIABILITIES</b>		<b>37,221</b>	<b>41,463</b>	<b>41,629</b>	<b>41,529</b>	<b>41,297</b>	<b>-232</b>
<b>NET ASSETS<sup>(b)</sup></b>		<b>106,226</b>	<b>104,993</b>	<b>103,357</b>	<b>103,390</b>	<b>103,236</b>	<b>-154</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		6,553	6,608	2,886	4,974	5,907	933
Other reserves <sup>(b)</sup>		99,673	98,385	100,470	98,416	97,329	-1,087
<b>NET WORTH<sup>(b)</sup></b>	10	<b>106,226</b>	<b>104,993</b>	<b>103,357</b>	<b>103,390</b>	<b>103,236</b>	<b>-154</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth<sup>(b)</sup></i>		<i>24,774</i>	<i>18,723</i>	<i>19,658</i>	<i>20,080</i>	<i>21,040</i>	<i>960</i>
<i>Net financial liabilities</i>		<i>28,290</i>	<i>33,712</i>	<i>33,091</i>	<i>31,875</i>	<i>30,744</i>	<i>-1,131</i>
<i>Net debt</i>							
Gross debt liabilities		24,594	28,855	28,828	28,892	29,022	130
less: liquid financial assets		5,773	4,750	5,418	6,492	7,285	793
less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<i>18,820</i>	<i>24,105</i>	<i>23,410</i>	<i>22,400</i>	<i>21,737</i>	<i>-663</i>

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

(b) See Note 3(y): *Correction of overstated land valuations*.at 1 July 2016 and 30 June 2017.

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

Table 1.3

**GENERAL GOVERNMENT**  
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated net gain on equity investments in other sector entities \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2016</i>	58,752	47,654	8,460	114,866
Correction of prior period balances (Note 3(y))	-113	-3,757	-	-3,869
<i>Restated balance at 1 July 2016</i>	<u>58,639</u>	<u>43,897</u>	<u>8,460</u>	<u>110,997</u>
Operating result	-	-	-1,905	-1,905
Other movements in equity	-3,027	147	15	-2,865
All other	17	-	-17	-
<i>Total change in net worth</i>	<u>-3,010</u>	<u>147</u>	<u>-1,907</u>	<u>-4,771</u>
<b>Balance at 30 June 2017</b>	<b><u>55,629</u></b>	<b><u>44,044</u></b>	<b><u>6,553</u></b>	<b><u>106,226</u></b>
<i>Balance at 1 July 2017</i>	55,629	44,044	6,553	106,226
Operating result	-	-	-631	-631
Other movements in equity	-713	-1,638	-9	-2,360
All other	6	-	-6	-
<i>Total change in net worth</i>	<u>-707</u>	<u>-1,638</u>	<u>-646</u>	<u>-2,991</u>
<b>Balance at 30 June 2018</b>	<b><u>54,923</u></b>	<b><u>42,406</u></b>	<b><u>5,907</u></b>	<b><u>103,236</u></b>

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

Table 1.4

**GENERAL GOVERNMENT (a)**  
**Cash Flow Statement**

	Notes	2016-17		2017-18		Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		8,463	8,617	8,507	8,502	8,567	65
Grants and subsidies received		8,529	9,247	9,037	9,613	9,773	160
Receipts from sales of goods and services		2,303	2,471	2,504	2,487	2,662	175
Interest receipts		193	182	161	159	158	-1
Dividends and tax equivalents		1,484	2,246	2,340	2,294	2,280	-15
Other		7,218	7,068	6,999	7,053	7,230	177
<i>Total cash received</i>		<b>28,191</b>	<b>29,831</b>	<b>29,548</b>	<b>30,109</b>	<b>30,670</b>	<b>561</b>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-13,141	-14,163	-14,174	-13,979	-13,801	178
Payments for goods and services		-8,608	-8,798	-8,866	-8,627	-8,759	-131
Interest paid		-758	-865	-866	-869	-860	8
Grants and subsidies paid		-5,389	-5,411	-5,347	-5,172	-5,125	47
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,836	-1,570	-1,628	-1,570	-1,727	-157
<i>Total cash paid</i>		<b>-29,732</b>	<b>-30,808</b>	<b>-30,883</b>	<b>-30,217</b>	<b>-30,271</b>	<b>-54</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	25	<b>-1,541</b>	<b>-977</b>	<b>-1,335</b>	<b>-108</b>	<b>399</b>	<b>507</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,341	-2,865	-2,427	-2,627	-2,438	188
Sales of non-financial assets		132	177	174	164	82	-83
<i>Total cash flows from investments in non-financial assets</i>		<b>-2,210</b>	<b>-2,688</b>	<b>-2,254</b>	<b>-2,462</b>	<b>-2,357</b>	<b>106</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		14	10	10	10	13	3
For liquidity purposes		83	65	37	34	76	42
<i>Cash paid</i>							
For policy purposes		-861	-599	-598	-585	-573	13
For liquidity purposes		-46	-14	-15	-14	-57	-44
<i>Total cash flows from investments in financial assets</i>		<b>-809</b>	<b>-538</b>	<b>-566</b>	<b>-555</b>	<b>-541</b>	<b>14</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,018</b>	<b>-3,225</b>	<b>-2,820</b>	<b>-3,017</b>	<b>-2,898</b>	<b>119</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		16	16	16	16	16	-
Borrowings		5,166	4,392	4,423	4,312	4,318	5
Deposits received		-	-	-	-	-	-
Other financing receipts		46	132	168	170	156	-14
<i>Total cash receipts from financing activities</i>		<b>5,227</b>	<b>4,540</b>	<b>4,608</b>	<b>4,499</b>	<b>4,490</b>	<b>-9</b>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-16	-
Borrowings repaid		-168	-311	-347	-176	-182	-6
Deposits paid		-	-	-	-	-	-
Other financing payments		-418	-289	-279	-275	-271	4
<i>Total payments for financing activities</i>		<b>-602</b>	<b>-616</b>	<b>-642</b>	<b>-468</b>	<b>-469</b>	<b>-2</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>4,626</b>	<b>3,924</b>	<b>3,966</b>	<b>4,031</b>	<b>4,020</b>	<b>-11</b>
<b>Net increase in cash and cash equivalents</b>		<b>66</b>	<b>-278</b>	<b>-189</b>	<b>906</b>	<b>1,521</b>	<b>615</b>
Cash and cash equivalents at the beginning of the year		4,773	4,415	4,839	4,839	4,839	-
Cash and cash equivalents at the end of the year	26	4,839	4,136	4,650	5,745	6,360	615
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-1,541	-977	-1,335	-108	399	507
Net cash flows from investing in non-financial assets		-2,210	-2,688	-2,254	-2,462	-2,357	106
<b>Cash surplus/-deficit</b>		<b>-3,751</b>	<b>-3,665</b>	<b>-3,588</b>	<b>-2,570</b>	<b>-1,958</b>	<b>613</b>

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

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

Table 1.5

**PUBLIC NON-FINANCIAL CORPORATIONS**  
**Operating Statement**

	Notes	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Restated Actual <sup>(a)</sup> \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>RESULTS FROM TRANSACTIONS</b>							
<b>REVENUE</b>							
Current grants and subsidies		2,121	1,986	1,948	1,962	1,891	-71
Capital grants		129	290	287	291	151	-140
Sales of goods and services		17,943	20,027	18,813	18,337	18,311	-26
Interest Income		145	136	131	129	139	10
Other		493	536	531	432	446	14
<b>Total</b>		<b>20,830</b>	<b>22,974</b>	<b>21,711</b>	<b>21,151</b>	<b>20,938</b>	<b>-213</b>
<b>EXPENSES</b>							
Salaries		1,147	1,102	1,112	1,092	1,044	-48
Superannuation							
Concurrent costs		115	111	112	110	99	-11
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		44	32	46	29	39	10
Depreciation and amortisation		2,074	2,226	2,130	2,115	2,015	-100
Services and contracts		912	824	818	818	848	31
Other gross operating expenses		13,564	15,622	14,475	14,063	13,908	-154
Other interest		861	837	805	805	779	-26
Tax equivalents		483	524	536	541	560	19
Current transfers		1,094	1,123	1,142	1,146	1,120	-26
Capital transfers		57	-	44	49	67	18
<b>Total</b>		<b>20,350</b>	<b>22,401</b>	<b>21,222</b>	<b>20,767</b>	<b>20,480</b>	<b>-287</b>
<b>NET OPERATING BALANCE<sup>(b)</sup></b>	10	<b>480</b>	<b>573</b>	<b>489</b>	<b>384</b>	<b>458</b>	<b>74</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		82	162	72	45	47	2
Net actuarial gains/-loss - superannuation		-23	-	-2	1	-6	-8
Provision for doubtful debts		-60	-36	-36	-36	-15	22
Changes in accounting policy/adjustment of prior periods		-1,068	-	-	-	-1,043	-1,043
<b>Total other economic flows</b>		<b>-1,069</b>	<b>125</b>	<b>34</b>	<b>10</b>	<b>-1,017</b>	<b>-1,027</b>
<b>OPERATING RESULT</b>		<b>-589</b>	<b>698</b>	<b>523</b>	<b>394</b>	<b>-559</b>	<b>-953</b>
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations <sup>(a)</sup>		130	336	-316	-1,023	-957	66
Gains recognised directly in equity		1,058	8	1,008	991	1,143	152
All other		-	-	-	-	-	-
<b>Total other non-owner movements in equity<sup>(a)</sup></b>		<b>1,187</b>	<b>345</b>	<b>692</b>	<b>-32</b>	<b>186</b>	<b>217</b>
<i>Movements in owner equity</i>							
Dividends		-713	-1,569	-1,618	-1,579	-1,560	19
Capital injections		870	519	69	58	444	386
<b>Total movements in owner equity</b>		<b>157</b>	<b>-1,050</b>	<b>-1,549</b>	<b>-1,521</b>	<b>-1,116</b>	<b>406</b>
<b>TOTAL CHANGE IN NET WORTH<sup>(a) (c)</sup></b>	10	<b>755</b>	<b>-7</b>	<b>-333</b>	<b>-1,159</b>	<b>-1,489</b>	<b>-330</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>		<b>480</b>	<b>573</b>	<b>489</b>	<b>384</b>	<b>458</b>	<b>74</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,874	3,129	3,115	2,889	2,621	-268
Changes in inventories		-437	79	79	149	-319	-468
Other movement in non-financial assets		131	164	122	56	84	28
<i>less:</i>							
Sales of non-financial assets		527	814	679	663	495	-168
Depreciation		2,074	2,226	2,130	2,115	2,015	-100
<b>Total net acquisition of non-financial assets</b>		<b>-33</b>	<b>332</b>	<b>508</b>	<b>316</b>	<b>-124</b>	<b>-440</b>
<b>NET LENDING/-BORROWING</b>	10	<b>514</b>	<b>241</b>	<b>-19</b>	<b>68</b>	<b>582</b>	<b>514</b>

(a) See Note 3(y): Correction of overstated land valuations.

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

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

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

Table 1.6

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

	2017		2018				Variation on EOT \$m (4) - (3)
	Notes	Restated Actual <sup>(a)</sup> \$m	Restated <sup>(a)</sup>			Actual \$m (4)	
			Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,750	1,125	1,172	1,234	1,441	207
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,034	4,513	4,623	4,607	4,648	41
Receivables		1,117	1,467	1,155	1,162	1,825	663
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		-	-	18	12	-	-12
Other financial assets		801	729	739	743	743	-
<b>Total financial assets</b>		<b>7,702</b>	<b>7,834</b>	<b>7,707</b>	<b>7,758</b>	<b>8,656</b>	<b>899</b>
<i>Non-financial assets</i>							
Land <sup>(a)</sup>		9,737	9,839	9,737	9,057	9,102	45
Property, plant and equipment		55,889	55,270	56,469	56,083	55,582	-502
Biological assets		326	325	317	317	329	12
<i>Inventories</i>							
Land inventories		1,966	2,134	2,070	2,023	1,902	-121
Other inventories		3,980	4,081	4,058	4,128	3,661	-468
Intangibles		432	421	413	423	451	28
Assets classified as held for sale		24	28	23	23	59	35
Investment property		59	115	109	105	70	-35
Other		138	129	108	108	158	49
<b>Total non-financial assets<sup>(a)</sup></b>		<b>72,552</b>	<b>72,342</b>	<b>73,304</b>	<b>72,269</b>	<b>71,313</b>	<b>-956</b>
<b>TOTAL ASSETS<sup>(a)</sup></b>		<b>80,254</b>	<b>80,176</b>	<b>81,012</b>	<b>80,026</b>	<b>79,969</b>	<b>-57</b>
<b>LIABILITIES</b>							
<i>Deposits held</i>							
Deposits held		-	-	-	-	-	-
<i>Advances received</i>							
Advances received		376	360	360	380	372	-8
<i>Borrowings</i>							
Borrowings		21,869	22,549	23,056	22,787	22,726	-61
<i>Superannuation</i>							
Superannuation		116	38	89	85	90	5
<i>Other employee benefits</i>							
Other employee benefits		391	389	356	354	354	-
<i>Payables</i>							
Payables		4,955	4,737	4,841	4,965	5,277	312
<i>Other liabilities</i>							
Other liabilities		1,495	1,769	1,591	1,561	1,586	25
<b>TOTAL LIABILITIES</b>		<b>29,202</b>	<b>29,841</b>	<b>30,293</b>	<b>30,133</b>	<b>30,406</b>	<b>273</b>
<b>NET ASSETS<sup>(a)</sup></b>		<b>51,052</b>	<b>50,335</b>	<b>50,719</b>	<b>49,894</b>	<b>49,563</b>	<b>-330</b>
<i>Of which:</i>							
Contributed equity		9,033	9,332	9,102	9,091	9,477	386
Accumulated surplus		19,337	19,095	20,209	20,102	18,344	-1,758
Other reserves <sup>(a)</sup>		22,682	21,907	21,408	20,700	21,742	1,041
<b>NET WORTH<sup>(a)</sup></b>	10	<b>51,052</b>	<b>50,335</b>	<b>50,719</b>	<b>49,894</b>	<b>49,563</b>	<b>-330</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth<sup>(a)</sup></i>		-72,552	-72,342	-73,304	-72,269	-71,313	956
<i>Net debt</i>							
Gross debt liabilities		22,245	22,909	23,416	23,167	23,099	-68
less: liquid financial assets		5,784	5,638	5,795	5,841	6,089	248
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>16,460</b>	<b>17,271</b>	<b>17,621</b>	<b>17,326</b>	<b>17,010</b>	<b>-316</b>

(a) See Note 3(y): Correction of overstated land valuations at 1 July 2016 and 30 June 2017.

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

Table 1.7

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Statement of Changes in Equity

	Contributed Equity \$m	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2016</i>	8,164	26,546	19,344	54,054
Correction of prior period balances (Note 3(y))	-	-3,757	-	-3,757
<i>Restated balance at 1 July 2016</i>	<u>8,164</u>	<u>22,789</u>	<u>19,344</u>	<u>50,297</u>
Operating result	-	-	-589	-589
Other movements in equity	-	130	1,058	1,187
All other	-	-236	236	-
<i>Total change in net worth</i>	-	-107	705	599
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	870	-	-	870
Dividends	-	-	-713	-713
<i>Total</i>	<u>870</u>	<u>-</u>	<u>-713</u>	<u>157</u>
<b>Balance at 30 June 2017</b>	<b><u>9,033</u></b>	<b><u>22,682</u></b>	<b><u>19,337</u></b>	<b><u>51,052</u></b>
<i>Balance at 1 July 2017</i>	9,033	22,682	19,337	51,052
Operating result	-	-	-559	-559
Other movements in equity	-	-957	1,143	186
All other	-	17	-17	-
<i>Total change in net worth</i>	-	-940	567	-373
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	444	-	-	444
Dividends	-	-	-1,560	-1,560
<i>Total</i>	<u>444</u>	<u>-</u>	<u>-1,560</u>	<u>-1,116</u>
<b>Balance at 30 June 2018</b>	<b><u>9,477</u></b>	<b><u>21,742</u></b>	<b><u>18,344</u></b>	<b><u>49,563</u></b>

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



Table 1.8

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

	2016-17		2017-18			Variation on EOT \$m (4) - (3)	
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		Actual \$m (4)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		2,250	2,279	2,226	2,243	2,048	-195
Receipts from sales of goods and services		17,976	20,286	19,113	18,590	18,366	-224
Interest receipts		151	141	131	129	135	6
Dividends and tax equivalents		87	65	78	78	78	-
Other		1,323	956	957	926	1,453	527
<i>Total cash received</i>		<b>21,787</b>	<b>23,727</b>	<b>22,505</b>	<b>21,965</b>	<b>22,078</b>	<b>113</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,387	-1,273	-1,265	-1,245	-1,234	11
Payments for goods and services		-12,922	-15,000	-13,910	-13,383	-13,210	173
Interest paid		-811	-788	-762	-763	-756	7
Grants and subsidies paid		-664	-687	-674	-692	-663	29
Tax equivalents		-516	-532	-568	-552	-516	37
Other payments		-3,109	-2,969	-2,942	-2,878	-3,202	-324
<i>Total cash paid</i>		<b>-19,409</b>	<b>-21,250</b>	<b>-20,121</b>	<b>-19,514</b>	<b>-19,581</b>	<b>-67</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,378</b>	<b>2,477</b>	<b>2,384</b>	<b>2,451</b>	<b>2,497</b>	<b>46</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,874	-3,129	-3,115	-2,889	-2,621	268
Sales of non-financial assets		527	814	679	663	495	-168
<i>Total cash flows from investments in non-financial assets</i>		<b>-2,347</b>	<b>-2,315</b>	<b>-2,437</b>	<b>-2,226</b>	<b>-2,126</b>	<b>100</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		133	37	37	43	100	57
<i>Cash paid</i>							
For policy purposes		-3	-32	-32	-21	-21	-
For liquidity purposes		-84	-45	-107	-107	-19	88
<i>Total cash flows from investments in financial assets</i>		<b>45</b>	<b>-39</b>	<b>-102</b>	<b>-85</b>	<b>60</b>	<b>145</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-2,302</b>	<b>-2,355</b>	<b>-2,538</b>	<b>-2,311</b>	<b>-2,065</b>	<b>245</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	20	13	-7
Borrowings		17,641	20,299	14,989	12,078	12,475	397
Deposits received		-	-	-	-	-	-
Other financing receipts		904	661	650	614	623	9
<i>Total cash received</i>		<b>18,545</b>	<b>20,960</b>	<b>15,639</b>	<b>12,711</b>	<b>13,110</b>	<b>399</b>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-16	-
Borrowings repaid		-17,450	-20,003	-14,468	-11,807	-12,201	-394
Deposits paid		-	-	-	-	-	-
Other financing payments		-49	-34	-47	-47	-51	-4
Dividends paid		-713	-1,569	-1,618	-1,579	-1,560	19
<i>Total cash paid</i>		<b>-18,228</b>	<b>-21,622</b>	<b>-16,149</b>	<b>-13,449</b>	<b>-13,827</b>	<b>-379</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>317</b>	<b>-662</b>	<b>-510</b>	<b>-737</b>	<b>-717</b>	<b>20</b>
<b>Net increase in cash and cash equivalents</b>		<b>394</b>	<b>-540</b>	<b>-665</b>	<b>-597</b>	<b>-285</b>	<b>312</b>
Cash and cash equivalents at the beginning of the year		1,781	1,902	2,174	2,174	2,174	-
Cash and cash equivalents at the end of the year		2,174	1,361	1,510	1,577	1,889	312
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,378	2,477	2,384	2,451	2,497	46
Net cash flows from investing in non-financial assets		-2,347	-2,315	-2,437	-2,226	-2,126	100
Dividends paid		-713	-1,569	-1,618	-1,579	-1,560	19
<b>Cash surplus/-deficit</b>		<b>-682</b>	<b>-1,408</b>	<b>-1,671</b>	<b>-1,354</b>	<b>-1,188</b>	<b>166</b>

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

Table 1.9

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

	Notes	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Restated Actual <sup>(a)</sup> \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>RESULTS FROM TRANSACTIONS</b>							
<b>REVENUE</b>							
Taxation		8,121	8,103	7,999	8,014	8,118	103
Current grants and subsidies		8,091	8,255	8,401	8,317	8,529	212
Capital grants		513	968	643	1,306	1,263	-43
Sales of goods and services		19,808	21,852	20,668	20,202	20,179	-23
Interest Income		307	292	268	268	284	16
Royalty income		5,272	5,211	5,132	5,221	5,231	9
Dividends and tax equivalents		252	203	244	247	340	93
Other		980	1,029	1,009	950	1,032	81
<b>Total</b>		<b>43,344</b>	<b>45,912</b>	<b>44,366</b>	<b>44,525</b>	<b>44,974</b>	<b>448</b>
<b>EXPENSES</b>							
Salaries		12,756	13,533	13,563	13,329	13,237	-92
Superannuation							
Concurrent costs		1,281	1,365	1,367	1,344	1,299	-45
Superannuation interest cost		156	201	193	210	177	-32
Other employee costs		225	249	295	226	261	35
Depreciation and amortisation		3,394	3,701	3,582	3,545	3,358	-187
Services and contracts		3,298	3,216	3,259	3,368	3,274	-94
Other gross operating expenses		18,925	21,006	19,839	19,201	19,113	-88
Other interest		1,609	1,697	1,671	1,673	1,645	-28
Other property expenses		-	-	-	-	-	-
Current transfers		3,927	4,066	4,071	3,899	3,975	76
Capital transfers		477	215	259	253	354	101
<b>Total</b>		<b>46,050</b>	<b>49,249</b>	<b>48,100</b>	<b>47,048</b>	<b>46,693</b>	<b>-354</b>
<b>NET OPERATING BALANCE<sup>(b)</sup></b>	10	<b>-2,706</b>	<b>-3,336</b>	<b>-3,734</b>	<b>-2,522</b>	<b>-1,720</b>	<b>803</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-111	154	48	-2	-85	-83
Net actuarial gains/-loss - superannuation		636	-115	-342	-185	204	390
Provision for doubtful debts		-102	-49	-49	-50	-66	-16
Changes in accounting policy/adjustment of prior periods		-864	-	-	-	-912	-912
<b>Total other economic flows</b>		<b>-440</b>	<b>-11</b>	<b>-344</b>	<b>-237</b>	<b>-859</b>	<b>-621</b>
<b>OPERATING RESULT</b>		<b>-3,147</b>	<b>-3,347</b>	<b>-4,078</b>	<b>-2,759</b>	<b>-2,578</b>	<b>181</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations <sup>(a)</sup>		-2,898	1,469	322	-928	-1,670	-743
Gains recognised directly in equity		1,073	8	1,007	991	1,134	143
Change in net worth of the public corporations sectors		201	129	-121	-141	123	264
All other		-	-	-	-	-	-
<b>Total all other movements in equity<sup>(a)</sup></b>		<b>-1,624</b>	<b>1,606</b>	<b>1,209</b>	<b>-78</b>	<b>-413</b>	<b>-335</b>
<b>TOTAL CHANGE IN NET WORTH<sup>(a) (c)</sup></b>	10	<b>-4,771</b>	<b>-1,741</b>	<b>-2,870</b>	<b>-2,837</b>	<b>-2,991</b>	<b>-154</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>		<b>-2,706</b>	<b>-3,336</b>	<b>-3,734</b>	<b>-2,522</b>	<b>-1,720</b>	<b>803</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,133	5,994	5,542	5,515	5,049	-467
Changes in inventories		-449	78	81	149	-321	-470
Other movement in non-financial assets		371	633	592	523	596	73
<i>less:</i>							
Sales of non-financial assets		576	990	852	827	566	-261
Depreciation		3,394	3,701	3,582	3,545	3,358	-187
<b>Total net acquisition of non-financial assets</b>		<b>1,441</b>	<b>2,013</b>	<b>1,781</b>	<b>1,815</b>	<b>1,400</b>	<b>-415</b>
<b>NET LENDING/-BORROWING</b>	10	<b>-3,792</b>	<b>-5,350</b>	<b>-5,515</b>	<b>-4,337</b>	<b>-3,119</b>	<b>1,218</b>

(a) See Note 3(y): Correction of overstated land valuations.

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

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

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

Table 1.10

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

	2017		2018			Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Notes	Restated Actual <sup>(a)</sup> \$m	Restated <sup>(a)</sup>				
			Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,916	1,439	1,561	1,606	1,777	172
Advances paid		341	371	355	363	368	5
Investments, loans and placements		8,309	7,823	8,535	9,579	10,327	748
Receivables		4,133	4,493	4,168	4,194	4,907	714
Shares and other equity							
Investments in other public sector entities - equity method		2,011	2,100	2,030	2,062	2,221	159
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		51	47	63	58	48	-10
Other financial assets		8	8	8	8	8	-
<b>Total financial assets</b>		<b>16,769</b>	<b>16,280</b>	<b>16,719</b>	<b>17,869</b>	<b>19,657</b>	<b>1,787</b>
<i>Non-financial assets</i>							
Land <sup>(a)</sup>		47,006	47,397	47,170	45,828	45,508	-320
Property, plant and equipment		98,530	102,751	101,619	101,508	100,291	-1,217
Biological assets		334	327	321	321	332	11
Inventories							
Land inventories <sup>(a)</sup>		1,966	2,142	2,078	2,031	1,902	-130
Other inventories		4,052	4,162	4,133	4,201	3,731	-470
Intangibles		1,112	1,064	1,110	1,119	1,079	-40
Assets classified as held for sale		135	61	111	111	183	72
Investment property		67	123	109	105	77	-28
Other		803	580	350	354	405	52
<b>Total non-financial assets<sup>(a)</sup></b>		<b>154,005</b>	<b>158,607</b>	<b>157,003</b>	<b>155,578</b>	<b>153,508</b>	<b>-2,070</b>
<b>TOTAL ASSETS<sup>(a)</sup></b>		<b>170,774</b>	<b>174,887</b>	<b>173,722</b>	<b>173,447</b>	<b>173,165</b>	<b>-282</b>
<b>LIABILITIES</b>							
Deposits held		29	32,480	29,041	27,149	24	-3
Advances received		376	360	360	360	360	-
Borrowings		45,441	50,616	51,091	50,887	50,835	-52
Superannuation		7,159	7,001	7,173	7,026	6,631	-395
Other employee benefits		3,301	3,405	3,342	3,302	3,386	85
Payables		6,170	6,094	6,168	6,276	6,427	151
Other liabilities		2,070	2,385	2,203	2,181	2,266	86
<b>TOTAL LIABILITIES</b>		<b>64,547</b>	<b>69,894</b>	<b>70,366</b>	<b>70,058</b>	<b>69,929</b>	<b>-128</b>
<b>NET ASSETS<sup>(a)</sup></b>		<b>106,226</b>	<b>104,993</b>	<b>103,357</b>	<b>103,390</b>	<b>103,236</b>	<b>-154</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		25,897	25,711	23,102	25,083	24,258	-826
Other reserves <sup>(a)</sup>		80,330	79,282	80,254	78,306	78,978	672
<b>NET WORTH<sup>(a)</sup></b>	10	<b>106,226</b>	<b>104,993</b>	<b>103,357</b>	<b>103,390</b>	<b>103,236</b>	<b>-154</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-47,778	-53,614	-53,647	-52,188	-50,273	1,916
<i>Net financial liabilities</i>		49,841	55,760	55,740	54,308	52,541	-1,767
<i>Net debt</i>							
Gross debt liabilities		45,846	51,009	51,480	51,274	51,219	-55
less: liquid financial assets		10,565	9,633	10,450	11,548	12,473	925
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>35,281</b>	<b>41,376</b>	<b>41,030</b>	<b>39,726</b>	<b>38,746</b>	<b>-979</b>

(a) See Note 3(y): Correction of overstated land valuations at 1 July 2016 and 30 June 2017.

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

Table 1.11

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated net gain on equity investments in other sector entities \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2016</i>	85,275	1,780	27,811	114,866
Correction of prior period balances (Note 3(y))	-3,869	-	-	-3,869
<i>Restated balance at 1 July 2016</i>	<u>81,405</u>	<u>1,780</u>	<u>27,811</u>	<u>110,997</u>
Operating result	-	-	-3,147	-3,147
Other movements in equity	-2,898	201	1,073	-1,624
All other	-189	30	159	-
<i>Total change in net worth</i>	<u>-3,087</u>	<u>231</u>	<u>-1,915</u>	<u>-4,771</u>
<b>Balance at 30 June 2017</b>	<b><u>78,318</u></b>	<b><u>2,011</u></b>	<b><u>25,897</u></b>	<b><u>106,226</u></b>
<i>Balance at 1 July 2017</i>	78,318	2,011	25,897	106,226
Operating result	-	-	-2,578	-2,578
Other movements in equity	-1,670	123	1,134	-413
All other	109	86	-195	-
<i>Total change in net worth</i>	<u>-1,561</u>	<u>209</u>	<u>-1,639</u>	<u>-2,991</u>
<b>Balance at 30 June 2018</b>	<b><u>76,757</u></b>	<b><u>2,221</u></b>	<b><u>24,258</u></b>	<b><u>103,236</u></b>

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

Table 1.12

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

	Notes	2016-17		2017-18		Variation on EOT \$m (4) - (3)	
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		Actual \$m (4)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		7,974	8,105	8,000	8,016	8,081	65
Grants and subsidies received		8,529	9,247	9,037	9,613	9,773	160
Receipts from sales of goods and services		19,883	22,165	21,017	20,489	20,411	-78
Interest receipts		311	289	263	263	267	4
Dividends and tax equivalents		343	210	232	240	282	42
Other		8,207	7,671	7,603	7,618	8,315	697
<i>Total cash received</i>		<b>45,247</b>	<b>47,688</b>	<b>46,152</b>	<b>46,239</b>	<b>47,128</b>	<b>890</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,528	-15,436	-15,439	-15,224	-15,035	189
Payments for goods and services		-20,833	-22,872	-21,841	-21,088	-21,016	71
Interest paid		-1,536	-1,621	-1,600	-1,607	-1,591	16
Grants and subsidies paid		-3,773	-3,803	-3,778	-3,596	-3,711	-116
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,452	-4,026	-4,063	-3,961	-4,439	-478
<i>Total cash paid</i>		<b>-45,123</b>	<b>-47,758</b>	<b>-46,721</b>	<b>-45,475</b>	<b>-45,792</b>	<b>-317</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>125</b>	<b>-70</b>	<b>-569</b>	<b>763</b>	<b>1,336</b>	<b>573</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,133	-5,994	-5,542	-5,515	-5,049	467
Sales of non-financial assets		576	990	852	827	566	-261
<i>Total cash flows from investments in non-financial assets</i>		<b>-4,557</b>	<b>-5,003</b>	<b>-4,690</b>	<b>-4,688</b>	<b>-4,482</b>	<b>206</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		14	10	10	10	13	3
For liquidity purposes		216	103	74	77	175	98
<i>Cash paid</i>							
For policy purposes		-13	-10	-10	-10	-16	-6
For liquidity purposes		-130	-59	-122	-120	-76	44
<i>Total cash flows from investments in financial assets</i>		<b>87</b>	<b>43</b>	<b>-48</b>	<b>-43</b>	<b>96</b>	<b>140</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-4,470</b>	<b>-4,960</b>	<b>-4,738</b>	<b>-4,732</b>	<b>-4,386</b>	<b>345</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		22,807	24,691	19,412	16,390	16,793	402
Deposits received		-	-	-	-	-	-
Other financing receipts		45	98	135	147	156	9
<i>Total cash received</i>		<b>22,851</b>	<b>24,789</b>	<b>19,547</b>	<b>16,538</b>	<b>16,949</b>	<b>411</b>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-16	-
Borrowings repaid		-17,617	-20,313	-14,815	-11,983	-12,383	-400
Deposits paid		-	-	-	-	-	-
Other financing payments		-413	-249	-261	-262	-264	-2
<i>Total cash paid</i>		<b>-18,047</b>	<b>-20,578</b>	<b>-15,093</b>	<b>-12,261</b>	<b>-12,663</b>	<b>-402</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>4,805</b>	<b>4,211</b>	<b>4,454</b>	<b>4,277</b>	<b>4,286</b>	<b>9</b>
<b>Net increase in cash and cash equivalents</b>		<b>460</b>	<b>-819</b>	<b>-853</b>	<b>309</b>	<b>1,236</b>	<b>927</b>
Cash and cash equivalents at the beginning of the year		6,552	6,316	7,012	7,012	7,012	-
Cash and cash equivalents at the end of the year		7,012	5,497	6,159	7,321	8,248	927
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		125	-70	-569	763	1,336	573
Net cash flows from investing in non-financial assets		-4,557	-5,003	-4,690	-4,688	-4,482	206
<b>Cash surplus/-deficit</b>		<b>-4,432</b>	<b>-5,073</b>	<b>-5,259</b>	<b>-3,925</b>	<b>-3,146</b>	<b>778</b>

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

Table 1.13

**PUBLIC FINANCIAL CORPORATIONS**  
Operating Statement

	Notes	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>RESULTS FROM TRANSACTIONS</b>							
<b>REVENUE</b>							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		1,129	1,396	1,396	1,486	1,231	-255
Interest Income		1,765	2,000	1,960	1,937	1,799	-138
Other		-	2	2	2	10	9
<b>Total</b>		<b>2,894</b>	<b>3,398</b>	<b>3,358</b>	<b>3,425</b>	<b>3,040</b>	<b>-384</b>
<b>EXPENSES</b>							
Salaries		55	59	59	62	59	-2
Superannuation							
Concurrent costs		5	6	5	5	6	-
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	3	3	3	2	-1
Depreciation and amortisation		5	5	6	5	4	-1
Services and contracts		11	10	10	10	10	-
Other gross operating expenses		1,013	1,126	1,126	1,121	966	-154
Other interest		1,579	1,785	1,750	1,733	1,540	-193
Tax equivalents		51	47	64	73	117	45
Current transfers		5	5	5	5	4	-
Capital transfers		5	6	6	7	11	4
<b>Total</b>		<b>2,730</b>	<b>3,053</b>	<b>3,034</b>	<b>3,024</b>	<b>2,721</b>	<b>-303</b>
<b>NET OPERATING BALANCE (a)</b>	10	<b>164</b>	<b>345</b>	<b>324</b>	<b>401</b>	<b>320</b>	<b>-81</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		298	-	16	16	196	180
Net actuarial gains/-loss - superannuation		2	-	2	2	2	-
Provision for doubtful debts		-	-	-	-	-	-
Changes in accounting policy/adjustment of prior periods		-84	-	-	-	-108	-108
<b>Total other economic flows</b>		<b>215</b>	<b>-</b>	<b>18</b>	<b>18</b>	<b>90</b>	<b>72</b>
<b>OPERATING RESULT</b>		<b>379</b>	<b>345</b>	<b>342</b>	<b>419</b>	<b>410</b>	<b>-9</b>
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		1	-61	-88	-88	1	89
Gains recognised directly in equity		83	-	85	85	107	22
All other		-	-	-	-	-	-
<b>Total other non-owner movements in equity</b>		<b>84</b>	<b>-61</b>	<b>-3</b>	<b>-3</b>	<b>108</b>	<b>111</b>
<i>Movements in owner equity</i>							
Dividends		-202	-155	-180	-174	-223	-49
Capital injections		-30	-	-140	-191	-86	105
<b>Total movements in owner equity</b>		<b>-232</b>	<b>-155</b>	<b>-320</b>	<b>-365</b>	<b>-309</b>	<b>57</b>
<b>TOTAL CHANGE IN NET WORTH (b)</b>	10	<b>231</b>	<b>129</b>	<b>19</b>	<b>51</b>	<b>209</b>	<b>159</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>		<b>164</b>	<b>345</b>	<b>324</b>	<b>401</b>	<b>320</b>	<b>-81</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4	7	7	7	3	-4
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		5	5	6	5	4	-1
<b>Total net acquisition of non-financial assets</b>		<b>-1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>-2</b>	<b>-3</b>
<b>NET LENDING/-BORROWING</b>	10	<b>165</b>	<b>344</b>	<b>323</b>	<b>399</b>	<b>321</b>	<b>-78</b>

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

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

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

Table 1.14

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

	Notes	2017		2018		Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		224	194	196	192	303	110
Advances paid		3,372	4,005	4,030	4,010	3,980	-30
Investments, loans and placements		57,333	62,065	62,958	62,827	59,075	-3,751
Receivables		633	891	662	657	705	48
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		2,050	1,835	2,248	2,249	1,806	-443
Other financial assets		6	11	6	6	5	-2
<b>Total financial assets</b>		<b>63,618</b>	<b>69,001</b>	<b>70,100</b>	<b>69,941</b>	<b>65,874</b>	<b>-4,067</b>
<i>Non-financial assets</i>							
Land		-	-	-	-	-	-
Property, plant and equipment		4	4	4	5	3	-1
Biological assets		-	-	-	-	-	-
<i>Inventories</i>							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		7	10	8	8	6	-2
Assets classified as held for sale		-	-	-	-	-	-
Investment property		196	248	-	-	-	-
Other		4	2	2	2	3	-
<b>Total non-financial assets</b>		<b>210</b>	<b>264</b>	<b>14</b>	<b>15</b>	<b>12</b>	<b>-3</b>
<b>TOTAL ASSETS</b>		<b>63,829</b>	<b>69,265</b>	<b>70,114</b>	<b>69,956</b>	<b>65,886</b>	<b>-4,070</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		3	3	3	3	3	-
Borrowings		57,609	62,695	63,504	63,251	59,214	-4,037
Superannuation		7	11	8	8	5	-3
Other employee benefits		11	10	13	12	11	-1
Payables		205	234	280	340	234	-106
Other liabilities		3,983	4,212	4,276	4,279	4,198	-81
<b>TOTAL LIABILITIES</b>		<b>61,817</b>	<b>67,165</b>	<b>68,084</b>	<b>67,894</b>	<b>63,665</b>	<b>-4,229</b>
<b>NET ASSETS</b>		<b>2,011</b>	<b>2,100</b>	<b>2,030</b>	<b>2,062</b>	<b>2,221</b>	<b>159</b>
<i>Of which:</i>							
Contributed equity		-14	-14	-154	-205	-100	105
Accumulated surplus		2,003	2,154	2,250	2,333	2,297	-36
Other reserves		22	-41	-66	-66	23	89
<b>NET WORTH</b>	10	<b>2,011</b>	<b>2,100</b>	<b>2,030</b>	<b>2,062</b>	<b>2,221</b>	<b>159</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-210	-264	-14	-15	-12	3
<i>Net debt</i>							
Gross debt liabilities		57,612	62,698	63,507	63,254	59,217	-4,037
less: liquid financial assets		60,929	66,264	67,184	67,029	63,358	-3,671
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>-3,317</b>	<b>-3,566</b>	<b>-3,676</b>	<b>-3,775</b>	<b>-4,141</b>	<b>-366</b>

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

Table 1.15

**PUBLIC FINANCIAL CORPORATIONS**  
Statement of Changes in Equity

	Contributed Equity \$m	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2016</i>	16	21	1,743	1,780
Operating result	-	-	379	379
Other movements in equity	-	1	83	84
<i>Total change in net worth</i>	-	1	462	463
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	-30	-	-	-30
Dividends	-	-	-202	-202
<i>Total</i>	-30	-	-202	-232
<b>Balance at 30 June 2017</b>	<b>-14</b>	<b>22</b>	<b>2,003</b>	<b>2,011</b>
<i>Balance at 1 July 2017</i>	-14	22	2,003	2,011
Operating result	-	-	410	410
Other movements in equity	-	1	107	108
<i>Total change in net worth</i>	-	1	517	518
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	-86	-	-	-86
Dividends	-	-	-223	-223
<i>Total</i>	-86	-	-223	-309
<b>Balance at 30 June 2018</b>	<b>-100</b>	<b>23</b>	<b>2,297</b>	<b>2,221</b>

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



Table 1.16

**PUBLIC FINANCIAL CORPORATIONS**  
Cash Flow Statement

	2016-17		2017-18		Actual \$m (4)	Variation on EOT \$m (4) - (3)	
	Notes	Actual \$m (1)	Budget Estimate \$m (2)	MYR Revision \$m (3)			Estimated Outturn \$m (3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		-	5	5	5	-	-5
Receipts from sales of goods and services		1,210	1,328	1,242	1,329	1,216	-113
Interest receipts		1,731	2,000	1,960	1,937	1,797	-140
Dividends and tax equivalents		-	-	-	-	-	-
Other		154	213	251	151	149	-2
<i>Total cash received</i>		3,095	3,546	3,458	3,422	3,162	-261
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-58	-64	-62	-65	-66	-1
Payments for goods and services		-815	-844	-845	-765	-753	12
Interest paid		-1,965	-1,788	-1,750	-1,733	-1,769	-36
Grants and subsidies paid		-1	-	-	-	-0	-
Tax equivalents		-132	-65	-45	-53	-46	7
Other payments		-152	-243	-157	-155	-150	6
<i>Total cash paid</i>		-3,122	-3,003	-2,859	-2,772	-2,784	-12
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-27</b>	<b>543</b>	<b>599</b>	<b>650</b>	<b>378</b>	<b>-273</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-4	-7	-7	-7	-3	4
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>		<b>-4</b>	<b>-7</b>	<b>-7</b>	<b>-7</b>	<b>-3</b>	<b>4</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		5,920	6,385	6,405	6,447	6,014	-433
<i>Cash paid</i>							
For policy purposes		-	-61	-99	-99	-99	-
For liquidity purposes		-7,548	-7,308	-7,433	-7,407	-7,173	234
<i>Total cash flows from investments in financial assets</i>		<b>-1,628</b>	<b>-984</b>	<b>-1,126</b>	<b>-1,059</b>	<b>-1,258</b>	<b>-199</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-1,632</b>	<b>-991</b>	<b>-1,133</b>	<b>-1,065</b>	<b>-1,260</b>	<b>-195</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		33,750	47,654	32,855	32,370	30,393	-1,977
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	13	13	-
<i>Total cash received</i>		33,750	47,654	32,855	32,383	30,406	-1,977
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-33,266	-46,997	-32,209	-31,747	-30,969	778
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	13	-	-	-
Dividends paid		-212	-145	-187	-187	-236	-49
<i>Total cash paid</i>		<b>-33,477</b>	<b>-47,142</b>	<b>-32,384</b>	<b>-31,934</b>	<b>-31,205</b>	<b>729</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>273</b>	<b>512</b>	<b>471</b>	<b>449</b>	<b>-799</b>	<b>-1,248</b>
<b>Net increase in cash and cash equivalents</b>		<b>-1,387</b>	<b>64</b>	<b>-63</b>	<b>34</b>	<b>-1,682</b>	<b>-1,716</b>
Cash and cash equivalents at the beginning of the year		5,395	4,326	4,008	4,008	4,008	-
Cash and cash equivalents at the end of the year		4,008	4,390	3,945	4,042	2,326	-1,716
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-27	543	599	650	378	-273
Net cash flows from investing in non-financial assets		-4	-7	-7	-7	-3	4
Dividends paid		-212	-145	-187	-187	-236	-49
<b>Cash surplus/-deficit</b>		<b>-243</b>	<b>391</b>	<b>404</b>	<b>456</b>	<b>139</b>	<b>-317</b>

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

Table 1.17

**TOTAL PUBLIC SECTOR <sup>(a)</sup>**  
**Operating Statement**

	Notes	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Restated Actual <sup>(b)</sup> \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>RESULTS FROM TRANSACTIONS</b>							
<b>REVENUE</b>							
Taxation		8,117	8,099	7,995	8,010	8,114	104
Current grants and subsidies		8,091	8,255	8,401	8,317	8,529	212
Capital grants		513	968	643	1,306	1,263	-43
Sales of goods and services		20,602	22,898	21,714	21,366	21,067	-299
Interest income		597	565	549	535	585	51
Royalty income		5,272	5,211	5,132	5,221	5,231	9
Other		979	1,028	1,009	949	1,031	82
<i>Total</i>	5	44,172	47,025	45,443	45,704	45,819	115
<b>EXPENSES</b>							
Salaries		12,811	13,592	13,622	13,390	13,297	-94
Superannuation							
Concurrent costs		1,287	1,371	1,373	1,349	1,305	-45
Superannuation interest cost		156	201	193	210	177	-32
Other employee costs		228	252	298	229	263	34
Depreciation and amortisation	6	3,399	3,706	3,588	3,550	3,362	-188
Services and contracts		3,309	3,216	3,259	3,368	3,285	-84
Other gross operating expenses	7	19,603	21,790	20,623	20,008	19,726	-282
Other interest	8	1,714	1,756	1,742	1,735	1,688	-47
Other property expenses		-	-	-	-	-	-
Current transfers	9	3,927	4,066	4,071	3,900	3,975	76
Capital transfers	9	482	221	265	260	365	105
<i>Total</i>		46,916	50,171	49,034	47,999	47,442	-557
<b>NET OPERATING BALANCE <sup>(c)</sup></b>	10	<b>-2,744</b>	<b>-3,146</b>	<b>-3,591</b>	<b>-2,295</b>	<b>-1,623</b>	<b>672</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		187	154	64	14	111	97
Net actuarial gains/-loss - superannuation		638	-115	-341	-184	206	390
Provision for doubtful debts		-102	-49	-49	-50	-66	-16
Changes in accounting policy/adjustment of prior periods		-1,008	-	-	-	-1,192	-1,192
<i>Total other economic flows</i>		-285	-11	-326	-220	-941	-721
<b>OPERATING RESULT</b>		<b>-3,030</b>	<b>-3,157</b>	<b>-3,917</b>	<b>-2,515</b>	<b>-2,563</b>	<b>-49</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations <sup>(b)</sup>		-2,896	1,408	-45	-1,398	-1,669	-271
Gains recognised directly in equity		1,155	8	1,092	1,076	1,241	165
All other		-	-	-	-	-	-
<i>Total all other movements in equity <sup>(b)</sup></i>		<i>-1,741</i>	<i>1,416</i>	<i>1,047</i>	<i>-322</i>	<i>-428</i>	<i>-105</i>
<b>TOTAL CHANGE IN NET WORTH <sup>(b) (d)</sup></b>	10	<b>-4,771</b>	<b>-1,741</b>	<b>-2,870</b>	<b>-2,837</b>	<b>-2,991</b>	<b>-154</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>		<b>-2,744</b>	<b>-3,146</b>	<b>-3,591</b>	<b>-2,295</b>	<b>-1,623</b>	<b>672</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,137	6,001	5,550	5,522	5,052	-471
Changes in inventories		-449	78	81	149	-321	-470
Other movement in non-financial assets		371	633	592	523	596	73
<i>less:</i>							
Sales of non-financial assets		576	991	852	827	567	-261
Depreciation		3,399	3,706	3,588	3,550	3,362	-188
<i>Total net acquisition of non-financial assets</i>		<i>1,085</i>	<i>2,015</i>	<i>1,782</i>	<i>1,817</i>	<i>1,398</i>	<i>-419</i>
<b>NET LENDING/-BORROWING</b>	10	<b>-3,829</b>	<b>-5,162</b>	<b>-5,373</b>	<b>-4,112</b>	<b>-3,021</b>	<b>1,091</b>

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

(b) See Note 3(y): *Correction of overstated land valuations*.

(c) Also known as the 'Net Result from Transactions'.

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

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

Table 1.18

**TOTAL PUBLIC SECTOR <sup>(a)</sup>**  
**Balance Sheet at 30 June**

	Notes	2017		2018			Variation on EOT \$m (4) - (3)
		Restated Actual <sup>(b)</sup> \$m	Restated <sup>(b)</sup>			Actual \$m (4)	
			Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		2,136	1,632	1,753	1,797	2,079	282
Advances paid		3,710	4,373	4,382	4,370	4,345	-25
Investments, loans and placements		18,613	17,501	18,565	19,698	16,733	-2,965
Receivables	11	4,190	4,753	4,272	4,303	4,976	673
Equity - Investments in other entities		2,101	1,882	2,311	2,307	1,854	-452
Other financial assets		14	19	15	15	13	-2
<i>Total financial assets</i>		<b>30,764</b>	<b>30,160</b>	<b>31,298</b>	<b>32,489</b>	<b>30,001</b>	<b>-2,488</b>
<i>Non-financial assets</i>							
Land <sup>(b)</sup>	12	47,006	47,397	47,170	45,828	45,508	-320
Property, plant and equipment	13, 14	98,534	102,755	101,623	101,513	100,294	-1,219
Biological assets	16	334	327	321	321	332	11
Inventories	17						
Land inventories <sup>(b)</sup>		1,966	2,142	2,078	2,031	1,902	-130
Other inventories		4,052	4,162	4,133	4,201	3,731	-470
Intangibles	18	1,119	1,073	1,118	1,127	1,085	-42
Assets classified as held for sale	19	135	61	111	111	183	72
Investment property	20	262	371	109	105	77	-28
Other		806	582	352	356	408	52
<i>Total non-financial assets <sup>(b)</sup></i>		<b>154,215</b>	<b>158,871</b>	<b>157,018</b>	<b>155,593</b>	<b>153,520</b>	<b>-2,072</b>
<b>TOTAL ASSETS <sup>(b)</sup></b>		<b>184,979</b>	<b>189,031</b>	<b>188,315</b>	<b>188,082</b>	<b>183,521</b>	<b>-4,561</b>
<b>LIABILITIES</b>							
Deposits held		26	31	26	26	23	-2
Advances received		376	360	360	360	360	-
Borrowings	21	56,021	60,925	61,668	61,430	57,379	-4,050
Superannuation	22	7,166	7,012	7,181	7,034	6,636	-398
Other employee benefits	23	3,313	3,415	3,354	3,314	3,398	84
Payables		6,235	6,174	6,288	6,455	6,473	18
Other liabilities	24	5,616	6,120	6,081	6,073	6,016	-57
<b>TOTAL LIABILITIES</b>		<b>78,753</b>	<b>84,038</b>	<b>84,959</b>	<b>84,692</b>	<b>80,285</b>	<b>-4,407</b>
<b>NET ASSETS <sup>(b)</sup></b>		<b>106,226</b>	<b>104,993</b>	<b>103,357</b>	<b>103,390</b>	<b>103,236</b>	<b>-154</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		27,900	27,865	25,352	27,416	26,555	-861
Other reserves <sup>(b)</sup>		78,326	77,128	78,005	75,973	76,680	707
<b>NET WORTH <sup>(b)</sup></b>	10	<b>106,226</b>	<b>104,993</b>	<b>103,357</b>	<b>103,390</b>	<b>103,236</b>	<b>-154</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-47,989	-53,878	-53,661	-52,203	-50,285	1,918
<i>Net financial liabilities</i>		50,089	55,760	55,972	54,510	52,139	-2,371
<i>Net debt</i>							
Gross debt liabilities		56,423	61,316	62,054	61,816	57,763	-4,053
less: liquid financial assets		24,459	23,506	24,700	25,865	23,157	-2,708
less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<b>31,964</b>	<b>37,810</b>	<b>37,354</b>	<b>35,951</b>	<b>34,606</b>	<b>-1,345</b>

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

(b) See Note 3(y): *Correction of overstated land valuations* at 1 July 2016 and 30 June 2017.

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

Table 1.19

**TOTAL PUBLIC SECTOR**  
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2016</i>	85,312	29,555	114,866
Correction of prior period balances (Note 3(y))	-3,869	-	-3,869
<i>Restated balance at 1 July 2016</i>	<u>81,442</u>	<u>29,555</u>	<u>110,997</u>
Operating result	-	-3,030	-3,030
Other movements in equity	-2,896	1,155	-1,741
All other	-219	219	-
<i>Total change in net worth</i>	<u>-3,116</u>	<u>-1,655</u>	<u>-4,771</u>
<b>Balance at 30 June 2017</b>	<b><u>78,326</u></b>	<b><u>27,900</u></b>	<b><u>106,226</u></b>
<i>Balance at 1 July 2017</i>	78,326	27,900	106,226
Operating result	-	-2,563	-2,563
Other movements in equity	-1,669	1,241	-428
All other	23	-23	-
<i>Total change in net worth</i>	<u>-1,646</u>	<u>-1,345</u>	<u>-2,991</u>
<b>Balance at 30 June 2018</b>	<b><u>76,680</u></b>	<b><u>26,555</u></b>	<b><u>103,236</u></b>

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

Table 1.20

**TOTAL PUBLIC SECTOR (a)**  
**Cash Flow Statement**

	Notes	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (4) - (3)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		7,971	8,010	7,991	8,007	8,077	71
Grants and subsidies received		8,529	9,247	9,037	9,613	9,773	160
Receipts from sales of goods and services		20,788	23,159	21,909	21,492	21,346	-146
Interest receipts		609	619	592	573	604	31
Dividends and tax equivalents		-	-	-	-	-	-
Other		8,355	7,880	7,849	7,764	8,460	696
<b>Total cash received</b>		<b>46,252</b>	<b>48,915</b>	<b>47,378</b>	<b>47,449</b>	<b>48,260</b>	<b>811</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,586	-15,499	-15,501	-15,289	-15,101	188
Payments for goods and services		-21,342	-23,382	-22,337	-21,526	-21,489	37
Interest paid		-2,068	-1,738	-1,718	-1,712	-1,899	-187
Grants and subsidies paid		-3,773	-3,798	-3,774	-3,591	-3,712	-121
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,596	-4,169	-4,206	-4,103	-4,511	-478
<b>Total cash paid</b>		<b>-46,366</b>	<b>-48,586</b>	<b>-47,536</b>	<b>-46,222</b>	<b>-46,782</b>	<b>-560</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	25	<b>-114</b>	<b>328</b>	<b>-158</b>	<b>1,227</b>	<b>1,478</b>	<b>251</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,137	-6,001	-5,550	-5,522	-5,052	471
Sales of non-financial assets		576	991	852	827	567	-261
<b>Total cash flows from investments in non-financial assets</b>		<b>-4,561</b>	<b>-5,010</b>	<b>-4,697</b>	<b>-4,695</b>	<b>-4,485</b>	<b>210</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		14	10	10	10	13	3
For liquidity purposes		6,136	6,487	6,479	6,524	6,189	-334
<i>Cash paid</i>							
For policy purposes		-13	-10	-10	-10	-16	-6
For liquidity purposes		-7,678	-7,367	-7,555	-7,527	-7,249	278
<b>Total cash flows from investments in financial assets</b>		<b>-1,541</b>	<b>-880</b>	<b>-1,075</b>	<b>-1,003</b>	<b>-1,063</b>	<b>-60</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-6,102</b>	<b>-5,890</b>	<b>-5,773</b>	<b>-5,698</b>	<b>-5,548</b>	<b>150</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		16,150	27,344	18,043	20,391	18,015	-2,376
Deposits received		-	-	-	-	-	-
Other financing receipts		45	37	36	49	57	9
<b>Total cash received</b>		<b>16,195</b>	<b>27,381</b>	<b>18,079</b>	<b>20,439</b>	<b>18,072</b>	<b>-2,367</b>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-16	-
Borrowings repaid		-10,477	-22,309	-12,801	-15,360	-14,181	1,179
Deposits paid		-	-	-	-	-	-
Other financing payments		-413	-249	-249	-249	-251	-2
<b>Total cash paid</b>		<b>-10,906</b>	<b>-22,574</b>	<b>-13,066</b>	<b>-15,625</b>	<b>-14,448</b>	<b>1,177</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>5,289</b>	<b>4,807</b>	<b>5,014</b>	<b>4,814</b>	<b>3,624</b>	<b>-1,190</b>
<b>Net increase in cash and cash equivalents</b>		<b>-927</b>	<b>-755</b>	<b>-916</b>	<b>342</b>	<b>-446</b>	<b>-788</b>
Cash and cash equivalents at the beginning of the period		11,946	10,640	11,019	11,019	11,019	-
Cash and cash equivalents at the end of the period	26	11,019	9,886	10,103	11,361	10,573	-788
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-114	328	-158	1,227	1,478	251
Net cash flows from investing in non-financial assets		-4,561	-5,010	-4,697	-4,695	-4,485	210
<b>Cash surplus/-deficit</b>		<b>-4,675</b>	<b>-4,682</b>	<b>-4,855</b>	<b>-3,468</b>	<b>-3,007</b>	<b>461</b>

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

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

## Notes to the Financial Statements

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### **NOTE 1: MISSION STATEMENT THE GOVERNMENT OF WESTERN AUSTRALIA**

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

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

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

The Government's mission comprises four key goals, to:

- achieve sustainable finances, including responsible financial management and better public sector service delivery;
- grow and diversify the economy, create jobs and support skills development;
- promote strong and safe communities, and support for families; and
- ensure that Western Australia has liveable and affordable communities, and that the environment is protected and enhanced.

As part of the Government's objective to return the State's finances to sustainable position, a new set of financial targets was detailed in the Government Financial Strategy Statement in the 2017-18 Budget (see Budget Paper No. 3: *Economic and Fiscal Outlook*, page 54). The targets include a focus on reducing the general government sector operating deficits, with the 2017-18 Budget projecting an operating surplus outcome in 2020-21, and on reducing the proportion of total public sector net debt held by the general government sector. In line with section 14A (3)(bb) of the *Government Financial Responsibility Act 2000*, performance against the 2017-18 Budget financial targets for the year ending 30 June 2018 is discussed in the Financial Results of this report.

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

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## NOTE 2: STATEMENT OF COMPLIANCE

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### Compliance Framework

The financial statements of the general government sector and the total public sector for the year ended 30 June 2018 have been prepared in accordance with applicable Australian Accounting Standards (AAS) and Interpretations, in particular AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

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

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

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## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### (a) General Statement

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

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

### (b) Reporting Entity

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

The general government sector is a component of the Government of Western Australia reporting entity. The purpose of the general government sector financial statements is to provide users with information about the Government's stewardship of central government, and accountability for the resources entrusted to it. The statements also provide information about the financial position, changes in net assets/liabilities, performance and cash flows of the general government sector.

The statistical framework classifies the sub-sectors in accordance with the principles and rules contained in the ABS' *Australian System of Government Finance Statistics: Concepts, Sources and Methods, Australia 2015* (ABS GFS Manual). The entities forming part of each sector are referred to as agencies in these financial statements and Note 35: *Composition of sectors* contains a full list of agencies forming each of the sectors listed below.

### ***General government sector***

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

### ***Public non-financial corporation sector***

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

### ***Public financial corporation sector***

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

### ***Control***

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

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

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

Specific details of agencies controlled by the Government and consolidated in the public sector are shown in Note 35: *Composition of sectors*. A detailed list of other entities nominally referred to as public sector agencies that are not included in the consolidated financial statements, is also shown in Note 35. Exclusion of these agencies is based on the criteria of control noted above.



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

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

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

### **(c) Basis of Preparation**

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

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

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

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

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

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

### **(d) Accounting Judgements, Estimates and Assumptions**

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

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 15: *Fair value measurements*);
- superannuation expense and liability (refer to Note 22: *Unfunded superannuation*);
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 23: *Other employee benefits*); and
- provisions for outstanding insurance claims (refer Note 24: *Other liabilities*).

#### **(e) Presentation and Rounding of Amounts**

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

#### **(f) Foreign Currency**

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

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

#### **(g) Basis of Consolidation**

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

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

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

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

### **(h) Revenue Recognition**

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

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

#### ***Taxation revenue***

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

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

#### ***Grants and subsidies revenue***

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

#### ***Sale of goods and services***

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

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

### ***Interest income***

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

### ***Revenue from public corporations***

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

### ***Royalty income***

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

### **(i) Expense Recognition**

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

#### ***Salaries***

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

#### ***Superannuation***

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

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

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

#### ***Superannuation interest cost***

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

***Depreciation and amortisation***

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

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

***Other interest***

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

Borrowing costs are recognised immediately as an expense, even when they are directly attributable to the acquisition, construction or production of a qualifying asset.

***Current and capital transfers***

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

**(j) Other Economic Flows**

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

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

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

***Impairment – non-financial assets***

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

**Net actuarial gains (or losses) – Superannuation**

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

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

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

***Subsequent recognition and measurement***

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

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

***Revaluations***

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

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

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

***Land***

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

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

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

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

### ***Buildings***

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

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

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

### ***Infrastructure***

The fair value of Infrastructure - Road Network, has been determined by reference to the current depreciated replacement cost (existing use basis) as the assets are specialised and no market evidence of value is available. The replacement cost is determined by Main Roads every three years by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost Index) to ensure asset values do not materially differ from fair value. The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2018 is based on the current depreciated replacement cost determined at 30 June 2018 by Main Roads and the ABS Road and Bridge Construction Cost Index has been applied to ensure asset values do not materially differ from fair value. When Infrastructure – Road Network is revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

### ***Plant, equipment and other assets***

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

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

### ***Depreciation***

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

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

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

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

<b>CLASS OF ASSET</b>	<b>DEPRECIATION YEARS</b>
<i>Buildings</i>	20 – 80 years
<i>Infrastructure – Road network</i>	
Seals	12 – 19 years
Pavements and drainage	15 – 50 years
Road furniture	25 – 40 years
Bridges	60 – 100 years
Earthworks	Up to 173 years
<i>Infrastructure – Water, storage and distribution</i>	
Pipelines and fittings	30 – 110 years
Drains and channels	20 – 150 years
Dams and reservoirs	50 – 120 years
<i>Infrastructure – Electricity generation and transmission</i>	2 – 50 years
<i>Infrastructure – Other</i>	
Public transport	5 – 75 years
Harbour and ports	10 – 100 years
<i>Plant, equipment and other</i>	3 – 100 years

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



***Disposal***

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

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

**(l) Infrastructure assets financed by the private sector**

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

These Public Private Partnerships are recognised as a leased asset with a finance lease liability on achievement of commercial acceptance of each phase of works.

**(m) Biological Assets**

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

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

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

**(n) Investment Properties*****Initial recognition and measurement***

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

***Subsequent recognition and measurement***

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

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

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

#### **(o) Intangible Assets**

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

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

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

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

#### **(p) Assets Held for Sale**

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

#### **(q) Impairment of Assets**

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

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

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

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

#### **(r) Leases**

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

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

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

#### **(s) Inventories**

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

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

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

#### **(t) Cash and Cash Equivalents**

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

#### **(u) Financial Instruments**

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

- cash and cash equivalents;

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

### ***Fair value of financial instruments***

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

### ***Receivables***

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

### ***Investments***

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

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

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

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

### ***Loans and advances***

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

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

### ***Payables***

Payables are recognised when the public sector becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are usually settled within 30 days.

### ***Borrowings***

With the exclusion of finance leases, borrowings are predominantly conducted by the Western Australian Treasury Corporation, which operates within the capital markets as the central borrowing authority of the public sector.

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

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

### ***Derivatives***

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

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

### **(v) Provisions**

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

### ***Superannuation***

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

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

- Defined Benefit Plans:
  - Pension Scheme, which was closed to new members on 15 August 1986; and
  - Gold State Superannuation (GSS) Scheme, which was closed to new members on 29 December 1995; and
- Defined Contribution Plans:
  - West State Superannuation (WSS) Scheme which was closed to new members on 16 April 2007; and
  - GESB Super Scheme which commenced on 16 April 2007.

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

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

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

Actuarial gains and losses of the defined benefits superannuation plans are immediately recognised in the Operating Statement.

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

The value of unfunded liabilities reported in the ARSF will differ to the liabilities reported by GESB due to the application of different accounting standards which result in the application of different measurement methodologies<sup>1</sup>.

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

See also Note 3(i): *Expense recognition*.

### ***Other employee benefits***

#### *Annual Leave and Long Service Leave*

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

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

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

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

#### *Other compensated absences*

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

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<sup>1</sup> Since 2016-17, GESB has valued and reported unfunded superannuation liabilities in accordance with the requirements of AASB 1056: *Superannuation Entities*, while for the purposes of the *Annual Report on State Finances*, the liabilities will continue to be valued in line with AASB 119: *Employee Benefits*. The two standards allow for the use of different discount factors which will result in a different valuation for the two entities. In addition, GESB reports an employer-sponsored receivable (being the difference between the defined benefit liability and the assets available to meet the liability). The employer sponsored receivable is not reciprocated in a separately identifiable payable in the *Annual Report on State Finances*.

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

### ***Other provisions***

#### *Employment On-costs*

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

#### *Decommissioning, Restoration and Rehabilitation*

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

### **(w) Future Impact of Australian Accounting Standards Not Yet Operative**

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

- *AASB 9: Financial Instruments*. This Standard supersedes *AASB 139: Financial Instruments: Recognition and Measurement* introducing a number of changes to accounting treatments. This standard becomes operative for reporting periods beginning on or after 1 January 2018. The Department of Treasury is assessing the recognition of expected credit losses which will increase the amount of impairment losses recognised in the Operating Statement.
- *AASB 15: Revenue from Contracts with Customers*. This Standard establishes the principles that shall be applied to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of the Standard is currently 1 January 2019 after being amended by AASB 2016-17. The full impact of this Standard is still being assessed.
- *AASB 16: Leases*. This Standard becomes effective for reporting periods beginning on or after 1 January 2019 and introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Whilst the full impact of this Standard is still being assessed, the total public sector currently has commitments for \$2 billion worth of non-cancellable operating leases which will mostly be brought onto the Balance Sheet (refer to Note 29: *Expenditure commitments*). Interest and depreciation expense will increase and rental expense will decrease.



- *AASB 1058: Income of Not-for-Profit Entities*. This Standard applies from reporting periods beginning on or after 1 January 2019 and clarifies and simplifies the income recognition requirements that apply to not for profit entities, more closely reflecting the economic reality of not for profit entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an agency. The full impact of this Standard is still being assessed.
- *AASB 1059: Service Concession Arrangements: Grantors*. This Standard is effective from 1 January 2019 and addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. The full impact of this Standard is still being assessed.
- *AASB 2010–7: Amendments to Australian Accounting Standards Arising From AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]*. This Standard becomes effective for reporting periods beginning on or after 1 January 2018 and makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. Other than the exposures to AASB 9 noted above, the total public sector will not be significantly impacted by the application of the Standard.
- *AASB 2014–5: Amendments to Australian Accounting Standards arising from AASB 15*. This Standard becomes effective for reporting periods beginning on or after 1 January 2018 and makes consequential amendments to Australian Accounting Standards and Interpretations as a result of issuing AASB 15. The full impact of this Standard is still being assessed.
- *AASB 2014–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*. This Standard gives effect to the consequential amendments to Australian Accounting Standards (including interpretations) arising from the issuance of AASB 9 (December 2014). This Standard becomes effective for reporting periods beginning on or after 1 January 2018. The full impact of this Standard is still being assessed.
- *AASB 2015–8: Amendments to Australian Accounting Standards – Effective Date of AASB 15*. This Standard becomes effective on or after 1 January 2018 and makes amendments to the effective date of AASB 15: *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. There is no financial impact arising from this Standard.

- AASB 2016–3: *Amendments to Australian Accounting Standards – Clarifications to AASB 15*. This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and provides further transitional provisions to AASB 15. This Standard becomes effective for reporting periods beginning on or after 1 January 2018 and the full impact of is still being assessed.
- AASB 2016–7: *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not for Profit Entities*. This Standard amends the mandatory effective date (application date) of AASB 15 for not for profit entities so that AASB 15 is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018. There is no financial impact from the application of this Standard.
- AASB 2016–8: *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for Profit Entities [AASB 9 and AASB 15]*. This Standard becomes effective for reporting periods beginning on or after 1 January 2019 and provides guidance to assist not for profit entities in applying AASB 9 and AASB 15 to particular transactions and other events. There is no financial impact from the application of this Standard.

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

### **(x) Comparative Figures**

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

### **(y) Correction of overstated land valuations**

Since the release of the 2016-17 *Annual Report on State Finances* on 20 September 2017, it has become evident that the fair value of land for a number of public-non-financial agencies has been overstated in whole-of-government financial disclosures for some time.

The prior period comparatives in the ARSF have been restated at 1 July 2016 and 30 June 2017 to correct the overstatement in land values in previous years (which is thought to impact the State's balance sheet as far back as 30 June 1994). The overstatement arises from the incorrect inclusion of land inventory at fair value within the property plant and equipment land account balance. The land inventory is also separately recorded in land inventory at the lower of cost or net realisable value. The previous years' overstatement is \$3.9 billion on the public sector's land value (\$45.5 billion at 30 June 2018) and associated revaluation reserve. The opening balances at 1 July 2016 and 30 June 2017 have been restated.

The following tables summarises the impacts for the financial statements of the whole-of-government and its subsectors.

## General Government

	1 July 2016 \$m	Change \$m	Restated 1 July 2016 \$m	2016-17 Published Actual \$m	Change \$m	2016-17 Restated Actual \$m
<b>BALANCE SHEET</b>						
<i>Financial Assets</i>						
Shares and other equity						
Investments in other public sector entities - equity method	47,654	-3,757	43,897	47,909	-3,864	44,044
<b>Total financial assets</b>	<b>64,384</b>	<b>-3,757</b>	<b>60,627</b>	<b>65,859</b>	<b>-3,864</b>	<b>61,995</b>
<i>Non-financial assets</i>						
Inventories						
Land inventories	113	-113	-	98	-98	-
<b>Total non-financial assets</b>	<b>83,182</b>	<b>-113</b>	<b>83,070</b>	<b>81,551</b>	<b>-98</b>	<b>81,453</b>
<b>TOTAL ASSETS</b>	<b>147,566</b>	<b>-3,869</b>	<b>143,697</b>	<b>147,410</b>	<b>-3,963</b>	<b>143,447</b>
<b>NET ASSETS</b>	<b>114,866</b>	<b>-3,869</b>	<b>110,997</b>	<b>110,189</b>	<b>-3,963</b>	<b>106,226</b>
Other Reserves	106,406	-3,869	102,537	103,636	-3,963	99,673
<b>NET WORTH</b>	<b>114,866</b>	<b>-3,869</b>	<b>110,997</b>	<b>110,189</b>	<b>-3,963</b>	<b>106,226</b>
<i>Net financial worth</i>	31,684	-3,757	27,927	28,638	-3,864	24,774
<b>OPERATING STATEMENT</b>						
<i>All other movements in equity</i>						
<i>Items that will not be reclassified to operating result</i>						
Revaluations				-3,042	14	-3,027
Change in net worth of the public corporations sectors				254	-108	147
<i>Total all other movements in equity</i>				<b>-2,772</b>	<b>-93</b>	<b>-2,865</b>
<b>TOTAL CHANGE IN NET WORTH</b>				<b>-4,677</b>	<b>-93</b>	<b>-4,771</b>

## Public Non-Financial Corporations

	1 July 2016 \$m	Change \$m	Restated 1 July 2016 \$m	2016-17 Published Actual \$m	Change \$m	2016-17 Restated Actual \$m
<b>BALANCE SHEET</b>						
<i>Non-financial assets</i>						
Land	14,682	-3,757	10,925	13,601	-3,864	9,737
<b>Total non-financial assets</b>	<b>76,229</b>	<b>-3,757</b>	<b>72,473</b>	<b>76,416</b>	<b>-3,864</b>	<b>72,552</b>
<b>TOTAL ASSETS</b>	<b>84,579</b>	<b>-3,757</b>	<b>80,822</b>	<b>84,119</b>	<b>-3,864</b>	<b>80,254</b>
<b>NET ASSETS</b>	<b>54,054</b>	<b>-3,757</b>	<b>50,297</b>	<b>54,917</b>	<b>-3,864</b>	<b>51,052</b>
Other Reserves	26,546	-3,757	22,789	26,547	-3,864	22,682
<b>NET WORTH</b>	<b>54,054</b>	<b>-3,757</b>	<b>50,297</b>	<b>54,917</b>	<b>-3,864</b>	<b>51,052</b>
<i>Net financial worth</i>	-76,229	3,757	-72,473	-76,416	3,864	-72,552
<b>OPERATING STATEMENT</b>						
<i>All other movements in equity</i>						
<i>Items that will not be reclassified to operating result</i>						
Revaluations				237	-108	130
<i>Total all other movements in equity</i>				<b>1,295</b>	<b>-108</b>	<b>1,187</b>
<b>TOTAL CHANGE IN NET WORTH</b>				<b>863</b>	<b>-108</b>	<b>755</b>

## Total Non-Financial Public Sector

	1 July 2016 \$m	Change \$m	Restated 1 July 2016 \$m	2016-17 Published Actual \$m	Change \$m	2016-17 Restated Actual \$m
<b>BALANCE SHEET</b>						
<i>Non-financial assets</i>						
Land	53,233	-3,757	49,476	50,870	-3,864	47,006
Inventories						
Land inventories	2,172	-113	2,059	2,065	-98	1,966
<b>Total non-financial assets</b>	<b>159,412</b>	<b>-3,869</b>	<b>155,543</b>	<b>157,967</b>	<b>-3,963</b>	<b>154,005</b>
<b>TOTAL ASSETS</b>	<b>176,235</b>	<b>-3,869</b>	<b>172,366</b>	<b>174,736</b>	<b>-3,963</b>	<b>170,774</b>
<b>NET ASSETS</b>	<b>114,866</b>	<b>-3,869</b>	<b>110,997</b>	<b>110,189</b>	<b>-3,963</b>	<b>106,226</b>
Other Reserves	87,055	-3,869	83,186	84,292	-3,963	80,330
<b>NET WORTH</b>	<b>114,866</b>	<b>-3,869</b>	<b>110,997</b>	<b>110,189</b>	<b>-3,963</b>	<b>106,226</b>
<b>OPERATING STATEMENT</b>						
<i>All other movements in equity</i>						
<i>Items that will not be reclassified to operating result</i>						
Revaluations				-2,804	-93	-2,898
<i>Total all other movements in equity</i>				<b>-1,531</b>	<b>-93</b>	<b>-1,624</b>
<b>TOTAL CHANGE IN NET WORTH</b>				<b>-4,677</b>	<b>-93</b>	<b>-4,771</b>

### Total Public Sector

	1 July 2016 \$m	Change \$m	Restated 1 July 2016 \$m	2016-17 Published Actual \$m	Change \$m	2016-17 Restated Actual \$m
<b>BALANCE SHEET</b>						
<i>Non-financial assets</i>						
Land	53,233	-3,757	49,476	50,870	-3,864	47,006
Inventories						
Land inventories	2,172	-113	2,059	2,065	-98	1,966
<i>Total non-financial assets</i>	159,740	-3,869	155,870	158,178	-3,963	154,215
<b>TOTAL ASSETS</b>	190,366	-3,869	186,496	188,942	-3,963	184,979
<b>NET ASSETS</b>	114,866	-3,869	110,997	110,189	-3,963	106,226
Other Reserves	85,312	-3,869	81,442	82,289	-3,963	78,326
<b>NET WORTH</b>	114,866	-3,869	110,997	110,189	-3,963	106,226
<b>OPERATING STATEMENT</b>						
<i>All other movements in equity</i>						
<i>Items that will not be reclassified to operating result</i>						
Revaluations				-2,803	-93	-2,896
<i>Total all other movements in equity</i>				-1,648	-93	-1,741
<b>TOTAL CHANGE IN NET WORTH</b>				-4,677	-93	-4,771

The equivalent adjustments have been applied to the 2017-18 Budget and subsequent updated forecasts for 2017-18 (contained in the 2017-18 Mid-year Review and 2018-19 Budget) to remove the overstated value of land in these estimates.

The following tables summarise the adjustments to the forecasts.

### General Government

	30 June 2018							
	Budget Estimate \$m	Change \$m	Budget Estimate Restated \$m	MYR Revision \$m	Estimated Outturn \$m	Change \$m	MYR Revision Restated \$m	Estimated Outturn Restated \$m
<b>BALANCE SHEET</b>								
<i>Financial assets</i>								
Shares and other equity								
Investments in other public sector entities - equity method	46,872	-3,757	43,116	47,665	46,934	-3,864	43,800	43,070
<i>Total financial assets</i>	63,942	-3,757	60,185	65,151	65,474	-3,864	61,286	61,610
<i>Non-financial assets</i>								
Inventories								
Land inventories	120	-113	7	107	107	-98	8	8
<i>Total non-financial assets</i>	86,383	-113	86,271	83,797	83,408	-98	83,699	83,309
<b>TOTAL ASSETS</b>	150,325	-3,869	146,456	148,948	148,881	-3,963	144,985	144,919
<b>NET ASSETS</b>	108,863	-3,869	104,993	107,319	107,352	-3,963	103,357	103,390
Other Reserves	102,254	-3,869	98,385	104,433	102,378	-3,963	100,470	98,416
<b>NET WORTH</b>	108,863	-3,869	104,993	107,319	107,352	-3,963	103,357	103,390
<i>Net financial worth</i>	22,479	-3,757	18,723	23,522	23,945	-3,864	19,658	20,080

### Public Non-Financial Corporations

	30 June 2018							
	Budget Estimate \$m	Change \$m	Budget Estimate Restated \$m	MYR Revision \$m	Estimated Outturn \$m	Change \$m	MYR Revision Restated \$m	Estimated Outturn Restated \$m
<b>BALANCE SHEET</b>								
<i>Non-financial assets</i>								
Land	13,595	-3,757	9,839	13,601	12,921	-3,864	9,737	9,057
<i>Total non-financial assets</i>	76,099	-3,757	72,342	77,169	76,133	-3,864	73,304	72,269
<b>TOTAL ASSETS</b>	83,933	-3,757	80,176	84,876	83,891	-3,864	81,012	80,026
<b>NET ASSETS</b>	54,091	-3,757	50,335	54,583	53,758	-3,864	50,719	49,894
Other Reserves	25,664	-3,757	21,907	25,272	24,565	-3,864	21,408	20,700
<b>NET WORTH</b>	54,091	-3,757	50,335	54,583	53,758	-3,864	50,719	49,894
<i>Net financial worth</i>	-76,099	3,757	-72,342	-77,169	-76,133	3,864	-73,304	-72,269

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**Total Non-Financial Public Sector**


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	30 June 2018							
	Budget Estimate \$m	Change \$m	Budget Estimate Restated \$m	MYR Revision \$m	Estimated Outturn \$m	Change \$m	MYR Revision Restated \$m	Estimated Outturn Restated \$m
<b>BALANCE SHEET</b>								
<i>Non-financial assets</i>								
Land	51,153	-3,757	47,397	51,034	49,692	-3,864	47,170	45,828
Inventories								
Land inventories	2,254	-113	2,142	2,177	2,130	-98	2,078	2,031
<i>Total non-financial assets</i>	162,476	-3,869	158,607	160,966	159,540	-3,963	157,003	155,578
<b>TOTAL ASSETS</b>	178,757	-3,869	174,887	177,685	177,410	-3,963	173,722	173,447
<b>NET ASSETS</b>	108,863	-3,869	104,993	107,319	107,352	-3,963	103,357	103,390
Other Reserves	83,152	-3,869	79,282	84,217	82,269	-3,963	80,254	78,306
<b>NET WORTH</b>	108,863	-3,869	104,993	107,319	107,352	-3,963	103,357	103,390

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**Total Public Sector**


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	30 June 2018							
	Budget Estimate \$m	Change \$m	Budget Estimate Restated \$m	MYR Revision \$m	Estimated Outturn \$m	Change \$m	MYR Revision Restated \$m	Estimated Outturn Restated \$m
<b>BALANCE SHEET</b>								
<i>Non-financial assets</i>								
Land	51,153	-3,757	47,397	51,034	49,692	-3,864	47,170	45,828
Inventories								
Land inventories	2,254	-113	2,142	2,177	2,130	-98	2,078	2,031
<i>Total non-financial assets</i>	162,740	-3,869	158,871	160,980	159,555	-3,963	157,018	155,593
<b>TOTAL ASSETS</b>	192,900	-3,869	189,031	192,278	192,044	-3,963	188,315	188,082
<b>NET ASSETS</b>	108,863	-3,869	104,993	107,319	107,352	-3,963	103,357	103,390
Other Reserves	80,998	-3,869	77,128	81,968	79,936	-3,963	78,005	75,973
<b>NET WORTH</b>	108,863	-3,869	104,993	107,319	107,352	-3,963	103,357	103,390

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## NOTE 4: GOVERNMENT PURPOSE CLASSIFICATION / CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT

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The following allocation of expenses and assets is consistent with the ABS' Government Purpose Classification presented in the 2017-18 and 2018-19 Budgets, and for the new Classification of the Functions of Government (COFOG) which was introduced to the GFS framework this year. Prior period comparators for the new COFOG framework are not available. A more detailed dissection of general government expenses, consistent with the Uniform Presentation Framework requirements, is contained in Appendix 3: *Other Uniform Presentation Framework Information*.

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### GOVERNMENT PURPOSE CLASSIFICATION

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#### General Government

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	2018	2017
	\$m	\$m
<b>EXPENSES</b>		
General public services	374	506
Public order and safety	3,397	3,357
Education	7,245	7,058
Health	8,917	8,672
Social security and welfare	2,225	2,171
Housing and community amenities	1,787	1,526
Recreation and culture	875	832
Fuel and energy	306	470
Agriculture, forestry, fishing and hunting	380	361
Mining and mineral resources other than fuels; manufacturing and construction	242	228
Transport and communications	2,343	2,342
Other economic affairs	609	663
Other purposes	1,249	1,202
<b>TOTAL EXPENSES</b>	<b>29,949</b>	<b>29,387</b>
<b>ASSETS AT 30 JUNE</b>		
General public services	8,235	7,063
Public order and safety	3,852	3,943
Education	13,166	13,254
Health	8,378	8,434
Social security and welfare	274	270
Housing and community amenities	4,664	4,779
Recreation and culture	7,156	6,348
Fuel and energy	13	13
Agriculture, forestry, fishing and hunting	404	397
Mining and mineral resources other than fuels; manufacturing and construction	1,571	1,472
Transport and communications	44,835	44,113
Other economic affairs	200	297
<i>plus</i> Investments in other public sector entities	51,784	53,064
<b>TOTAL ASSETS</b>	<b>144,532</b>	<b>143,447</b>

Note: Columns may not add due to rounding.

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**GOVERNMENT PURPOSE CLASSIFICATION**


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Total Public Sector

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	2018	2017
	\$m	\$m
<b>EXPENSES</b>		
General public services	89	258
Public order and safety	3,326	3,284
Education	7,088	6,902
Health	8,851	8,614
Social security and welfare	2,203	2,145
Housing and community amenities	3,581	3,289
Recreation and culture	3,574	3,513
Fuel and energy	3,105	3,118
Agriculture, forestry, fishing and hunting	473	451
Mining and mineral resources other than fuels; manufacturing and construction	224	227
Transport and communications	3,333	3,301
Other economic affairs	9,549	9,680
Other purposes	2,046	2,133
<b>TOTAL EXPENSES</b>	<b>47,442</b>	<b>46,916</b>
<b>ASSETS AT 30 JUNE</b>		
General public services	7,567	6,482
Public order and safety	3,863	3,954
Education	13,166	13,254
Health	8,378	8,434
Social security and welfare	273	269
Housing and community amenities	47,504	43,989
Recreation and culture	7,633	7,099
Fuel and energy	19,454	23,441
Agriculture, forestry, fishing and hunting	788	777
Mining and mineral resources other than fuels; manufacturing and construction	1,571	1,472
Transport and communications	56,492	55,571
Other economic affairs	16,832	20,236
<b>TOTAL ASSETS</b>	<b>183,521</b>	<b>184,979</b>

Note: Columns may not add due to rounding.

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**CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT**


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 General Government
 

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	2018
	\$m
<b>EXPENSES</b>	
General public services	1,624
Public order and safety	3,425
Economic affairs	1,313
Environmental protection	392
Housing and community amenities	1,419
Health	8,917
Recreation, culture and religion	693
Education	7,460
Social protection	2,391
Transport	2,316
<b>TOTAL EXPENSES</b>	<b>29,949</b>
<b>ASSETS AT 30 JUNE</b>	
General public services	8,235
Public order and safety	3,859
Economic affairs	1,766
Environmental protection	3,921
Housing and community amenities	4,685
Health	8,378
Recreation, culture and religion	3,618
Education	13,217
Social protection	233
Transport	44,835
<i>plus</i> Investments in other public sector entities	51,784
<b>TOTAL ASSETS</b>	<b>144,532</b>

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**CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT**


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Total Public sector

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	2018
	\$m
<b>EXPENSES</b>	
General public services	2,020
Public order and safety	3,345
Economic affairs	13,242
Environmental protection	387
Housing and community amenities	3,217
Health	8,860
Recreation, culture and religion	3,394
Education	7,276
Social protection	2,367
Transport	3,333
<b>TOTAL EXPENSES</b>	<b>47,442</b>
<b>ASSETS AT 30 JUNE</b>	
General public services	14,473
Public order and safety	3,859
Economic affairs	31,720
Environmental protection	3,921
Housing and community amenities	47,120
Health	8,390
Recreation, culture and religion	4,096
Education	13,217
Social protection	232
Transport	56,492
<b>TOTAL ASSETS</b>	<b>183,521</b>

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## NOTE 5: OPERATING REVENUE

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

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## NOTE 6: DEPRECIATION AND AMORTISATION EXPENSE

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### General Government

	2018	2017
	\$m	\$m
<i>Depreciation</i>		
Buildings	518	505
Infrastructure	388	384
Plant, equipment and other	343	339
<i>Total</i>	<i>1,249</i>	<i>1,228</i>
<i>Amortisation</i>		
Intangible assets	94	92
<i>Total</i>	<i>94</i>	<i>92</i>
<b>Total depreciation and amortisation expenses</b>	<b>1,343</b>	<b>1,320</b>

### Total Public Sector

	2018	2017
	\$m	\$m
<i>Depreciation</i>		
Buildings	687	690
Infrastructure	1,654	1,707
Plant, equipment and other	813	802
<i>Total</i>	<i>3,154</i>	<i>3,199</i>
<i>Amortisation</i>		
Intangible assets	208	200
<i>Total</i>	<i>208</i>	<i>200</i>
<b>Total depreciation and amortisation expenses</b>	<b>3,362</b>	<b>3,399</b>

Note: Columns may not add due to rounding.

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**NOTE 7: OTHER GROSS OPERATING EXPENSES**


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**General Government**


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	2018	2017
	\$m	\$m
Services purchased from non-government agencies	2,026	1,921
Health sector specific expenses	1,339	1,339
Other	1,263	1,236
Education sector specific expenses	657	729
Operating leases	567	582
<b>Total</b>	<b>5,852</b>	<b>5,808</b>

**Total Public Sector**


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	2018	2017
	\$m	\$m
Gold Corporation inventories	8,785	8,832
Other	2,308	2,273
Services purchased from non-government agencies	2,039	1,933
Betting dividends payouts	1,717	1,675
Health sector specific expenses	1,339	1,339
Electricity, gas and other direct costs	1,443	1,324
Insurance claims expenses	850	898
Education sector specific expenses	657	729
Operating leases	588	598
<b>Total</b>	<b>19,726</b>	<b>19,603</b>

Note: Columns may not add due to rounding.

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**NOTE 8: OTHER INTEREST**


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**General Government**


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	2018	2017
	\$m	\$m
Interest on borrowings	818	744
Finance charges on finance leases	73	38
<b>Total</b>	<b>891</b>	<b>783</b>
Less: Capitalised interest on borrowings	-	-
<b>Total other interest</b>	<b>891</b>	<b>783</b>

**Total Public Sector**


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	2018	2017
	\$m	\$m
Interest on borrowings	1,526	1,585
Finance charges on finance leases	162	130
<b>Total</b>	<b>1,688</b>	<b>1,715</b>
Less: Capitalised interest on borrowings	-	1
<b>Total other interest</b>	<b>1,688</b>	<b>1,714</b>

Note: Columns may not add due to rounding.

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## NOTE 9: TRANSFER EXPENSES

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

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

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### TRANSFER EXPENSES (a)

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General Government		
	2018	2017
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	356	278
Local government on-passing	169	262
Private and not-for-profit sector	1,381	1,422
Private and not-for-profit sector on-passing	1,233	1,172
Other sectors of government	1,922	2,147
<b>Total Current Transfers</b>	<b>5,061</b>	<b>5,280</b>
<i>CAPITAL TRANSFERS</i>		
Local government	55	138
Local government on-passing	113	163
Private and not-for-profit sector	107	103
Private and not-for-profit sector on-passing	17	16
Other sectors of government	151	129
<b>Total Capital Transfers</b>	<b>442</b>	<b>549</b>
Total Public Sector		
	2018	2017
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	365	281
Local government on-passing	169	262
Private and not-for-profit sector	2,177	2,186
Private and not-for-profit sector on-passing	1,233	1,172
Other sectors of government	31	26
<b>Total Current Transfers</b>	<b>3,975</b>	<b>3,927</b>
<i>CAPITAL TRANSFERS</i>		
Local government	56	138
Local government on-passing	113	163
Private and not-for-profit sector	178	165
Private and not-for-profit sector on-passing	17	16
<b>Total Capital Transfers</b>	<b>365</b>	<b>482</b>

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

Note: Columns may not add due to rounding.

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## NOTE 10: CONVERGENCE DIFFERENCES

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

The following tables detail convergence differences reflected in the 30 June 2018 results.

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### AASB 1049 TO GFS CONVERGENCE DIFFERENCES

#### Net Operating Balance

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	2018	2017
	\$m	\$m
<b>General government</b>		
<i>AASB 1049 net operating balance</i>	-618	-2,474
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>	-	-
<i>Total GFS expense adjustments</i>	-	-
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-	-
<b>GFS net operating balance</b>	<b>-618</b>	<b>-2,474</b>
<b>Public non-financial sector</b>		
<i>AASB 1049 net operating balance</i>	458	480
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Capitalised interest	-	1
Dividends	1,560	713
<i>Total GFS expense adjustments</i>	1,560	714
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-1,560	-714
<b>GFS net operating balance</b>	<b>-1,102</b>	<b>-233</b>
<b>Total non-financial public sector</b>		
<i>AASB 1049 net operating balance</i>	-1,720	-2,706
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Capitalised interest	-	1
<i>Total GFS expense adjustments</i>	-	1
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-	-1
<b>GFS net operating balance</b>	<b>1,720</b>	<b>2,707</b>

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

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	2018	2017
	\$m	\$m
<b>Public financial sector</b>		
<i>AASB 1049 net operating balance</i>	320	164
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Dividends	223	202
<i>Total GFS expense adjustments</i>	223	202
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-223	-202
<b>GFS net operating balance</b>	<b>97</b>	<b>-38</b>
<b>Total public sector</b>		
<i>AASB 1049 net operating balance</i>	-1,623	-2,744
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Capitalised interest	-	1
<i>Total GFS expense adjustments</i>	-	1
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-	-1
<b>GFS net operating balance</b>	<b>-1,623</b>	<b>-2,745</b>

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<b>AASB 1049 TO GFS CONVERGENCE DIFFERENCES</b>		
Net Lending/-Borrowing		
	2018	2017
	\$m	\$m
<b>General government</b>		
<i>AASB 1049 net lending/-borrowing</i>	-2,141	-3,592
<i>Plus Net operating balance convergence differences (noted above)</i>	-	-
<b>GFS net lending/-borrowing</b>	<b>-2,141</b>	<b>-3,592</b>
<b>Public non-financial corporations</b>		
<i>AASB 1049 net lending/-borrowing</i>	582	514
<i>Plus Net operating balance convergence differences (noted above)</i>	-1,560	-714
<b>GFS net lending/-borrowing</b>	<b>-978</b>	<b>-200</b>
<b>Total non-financial public sector</b>		
<i>AASB 1049 net lending/-borrowing</i>	-3,119	-3,792
<i>Plus Net operating balance convergence differences (noted above)</i>	-	-1
<b>GFS net lending/-borrowing</b>	<b>-3,119</b>	<b>-3,793</b>
<b>Public financial corporations</b>		
<i>AASB 1049 net lending/-borrowing</i>	321	165
<i>Plus Net operating balance convergence differences (noted above)</i>	-223	-202
<b>GFS net lending/-borrowing</b>	<b>99</b>	<b>-37</b>
<b>Total public sector</b>		
<i>AASB 1049 net lending/-borrowing</i>	-3,021	-3,829
<i>Plus Net operating balance convergence differences (noted above)</i>	-	-1
<b>GFS net lending/-borrowing</b>	<b>-3,021</b>	<b>-3,830</b>

**AASB 1049 TO GFS CONVERGENCE DIFFERENCES**  
Net Worth

	2018 \$m	Restated (a) 2017 \$m
<b>General government</b>		
<i>AASB 1049 net worth</i>	103,236	106,226
<i>Plus</i>		
Provision for doubtful debts		
General government sector	265	266
Impact on public corporations net worth	87	84
<i>Total GFS net worth adjustments</i>	352	350
<b>GFS net worth</b>	<b>103,588</b>	<b>106,576</b>
<b>Public non-financial corporations</b>		
<i>AASB 1049 net worth</i>	49,563	51,052
<i>Plus</i>		
Impact of general government equity injections	-8,959	-8,487
Provision for doubtful debts	87	84
<i>Total GFS net worth adjustments</i>	-8,872	-8,403
<b>GFS net worth</b>	<b>40,691</b>	<b>42,649</b>
<b>Total non-financial public sector</b>		
<i>AASB 1049 net worth</i>	103,236	106,226
<i>Plus</i>		
Total non-financial public sector	352	350
Impact on public corporations net worth	-	-
<i>Total GFS net worth adjustments</i>	352	350
<b>GFS net worth</b>	<b>103,587</b>	<b>106,576</b>
<b>Public financial corporations</b>		
<i>AASB 1049 net worth</i>	2,221	2,011
<i>Plus</i>		
Impact of general government equity injections	-	-
<i>Total GFS net worth adjustments</i>	-	-
<b>GFS net worth</b>	<b>2,221</b>	<b>2,011</b>
<b>Total public sector</b>		
<i>AASB 1049 net worth</i>	103,236	106,226
<i>Plus</i>		
Provision for doubtful debts	352	350
<i>Total GFS net worth adjustments</i>	352	350
<b>GFS net worth</b>	<b>103,587</b>	<b>106,576</b>

(a) See Note 3(y): Correction of overstated land valuations.



**AASB 1049 TO GFS CONVERGENCE DIFFERENCES**  
Change in Net Worth

	2018 \$m	Restated (a) 2017 \$m
<b>General government</b>		
<i>AASB 1049 change in net worth</i>	-2,991	-4,771
<i>Plus change in:</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-
Provision for doubtful debts		
General government sector	-1	4
Impact on public corporations net worth	3	53
<i>Total GFS change in net worth adjustments</i>	2	56
<b>GFS change in net worth</b>	<b>-2,989</b>	<b>-4,715</b>
<b>Public non-financial corporations</b>		
<i>AASB 1049 change in net worth</i>	-1,489	755
<i>Plus change in:</i>		
Impact of general government equity injections	-472	-813
Provision for doubtful debts	3	53
<i>Total GFS change in net worth adjustments</i>	-469	-760
<b>GFS change in net worth</b>	<b>-1,958</b>	<b>-5</b>
<b>Total non-financial public sector</b>		
<i>AASB 1049 change in net worth</i>	-2,991	-4771
<i>Plus change in:</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-
Provision for doubtful debts		
Total non-financial public sector	2	56
Impact of public corporations net worth	-	-
<i>Total GFS change in net worth adjustments</i>	2	56
<b>GFS change in net worth</b>	<b>-2,989</b>	<b>-4,715</b>
<b>Public financial corporations</b>		
<i>AASB 1049 change in net worth</i>	209	231
<i>Plus change in:</i>		
Provision for doubtful debts	-	-
<i>Total GFS change in net worth adjustments</i>	-	-
<b>GFS change in net worth</b>	<b>209</b>	<b>231</b>
<b>Total public sector</b>		
<i>AASB 1049 change in net worth</i>	-2991	-4,771
<i>Plus change in:</i>		
Provision for doubtful debts	2	56
<i>Total GFS change in net worth adjustments</i>	2	56
<b>GFS change in net worth</b>	<b>-2,989</b>	<b>-4,715</b>

(a) See Note 3(y): *Correction of overstated land valuations.*

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**NOTE 11: RECEIVABLES**


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**General Government**


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	2018	2017
	\$m	\$m
Receivables	3,477	3,365
Provision for impairment of receivables	-265	-266
<b>Total receivables</b>	<b>3,212</b>	<b>3,099</b>
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	266	263
Doubtful debts expense recognised in the income statement	168	42
Amounts written off during the year	-169	-36
Amounts recovered during the year	-	-3
<b>Balance at the end of year</b>	<b>265</b>	<b>266</b>
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	391	1,595
More than 3 Months but less than 6 months	81	238
More than 6 months but less than 1 year	494	193
More than 1 year	284	451
<b>Total</b>	<b>1,251</b>	<b>2,477</b>
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	111	91
Impairment loss	-3	-2
<b>Carrying amount at the end of year</b>	<b>108</b>	<b>89</b>

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**Total Public Sector**


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	2018	2017
	\$m	\$m
Receivables	5,328	4,539
Provision for impairment of receivables	-352	-350
<b>Total receivables</b>	<b>4,976</b>	<b>4,190</b>
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	350	293
Doubtful debts expense recognised in the income statement	202	115
Amounts written off during the year	-199	-55
Amounts recovered during the year	-1	-3
<b>Balance at the end of year</b>	<b>352</b>	<b>350</b>
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	613	1,804
More than 3 months but less than 6 months	124	276
More than 6 months but less than 1 year	501	201
More than 1 year	361	459
<b>Total</b>	<b>1,599</b>	<b>2,741</b>
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	712	337
Impairment loss	-107	-84
<b>Carrying amount at the end of year</b>	<b>605</b>	<b>253</b>

Note: Columns may not add due to rounding.

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**NOTE 12: LAND**


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**General Government**


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	2018	Restated <sup>(a)</sup> 2017
	\$m	\$m
Land, at fair value <sup>(b)</sup>	12,866	13,448
Land under roads, at fair value <sup>(c)</sup>	23,540	23,821
<b>Total</b>	<b>36,406</b>	<b>37,269</b>

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**Total Public Sector**


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	2018	Restated <sup>(a)</sup> 2017
	\$m	\$m
Land, at fair value <sup>(b)</sup>	21,967	23,186
Land under roads, at fair value <sup>(c)</sup>	23,540	23,821
<b>Total</b>	<b>45,508</b>	<b>47,006</b>

(a) See Note 3(y): *Correction of overstated land valuations.*

(b) Land valuations are provided by the Western Australian Land Information Authority (Valuation Services Branch) each financial year with an effective date of 1 July. The valuation is based on information on the stock of land at 30 June 2017. Land vested in local authorities of \$2,000 million (2017: \$2,047 million) is not recognised in the consolidated Balance Sheet, as it is not under State public sector control.

(c) Land under roads valuations are provided by the Western Australian Land Information Authority (Valuation Services Branch) each financial year with an effective date of 1 July. The valuation is based on information on the stock of land at 30 June 2017.

Note Columns may not add due to rounding.

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## NOTE 13: OTHER PROPERTY, PLANT AND EQUIPMENT

### General Government

	2018	2017
	\$m	\$m
Buildings, at fair value <sup>(a)</sup>	19,857	18,496
Accumulated depreciation and impairment losses	-280	-302
<i>Total</i>	<i>19,576</i>	<i>18,194</i>
Electricity generation and transmission, at fair value <sup>(b)</sup>	1	1
Accumulated depreciation	-	-
<i>Total</i>	<i>1</i>	<i>1</i>
Road networks, at fair value <sup>(c)</sup>	29,849	28,933
Accumulated depreciation	-11,219	-10,778
<i>Total</i>	<i>18,630</i>	<i>18,155</i>
Other infrastructure, at fair value	1,491	963
Accumulated depreciation	-239	-347
<i>Total</i>	<i>1,252</i>	<i>616</i>
Plant, equipment and other, at fair value	4,403	3,886
Accumulated depreciation and impairment losses	-1,596	-1,376
<i>Total</i>	<i>2,806</i>	<i>2,510</i>
Fixed assets under construction	2,444	3,164
<b>Total Property, Plant and Equipment</b>	<b>44,709</b>	<b>42,640</b>

### Total Public Sector

	2018	2017
	\$m	\$m
Buildings, at fair value <sup>(a)</sup>	27,429	26,378
Accumulated depreciation and impairment losses	-1,028	-1,034
<i>Total</i>	<i>26,401</i>	<i>25,344</i>
Electricity generation and transmission, at fair value <sup>(b)</sup>	20,253	20,181
Accumulated depreciation	-5,103	-4,760
<i>Total</i>	<i>15,150</i>	<i>15,421</i>
Road networks, at fair value <sup>(c)</sup>	29,849	28,933
Accumulated depreciation	-11,219	-10,778
<i>Total</i>	<i>18,630</i>	<i>18,155</i>
Water storage and distribution, at fair value <sup>(d)</sup>	29,930	29,552
Accumulated depreciation	-11,715	-11,334
<i>Total</i>	<i>18,215</i>	<i>18,218</i>
Other infrastructure, at fair value	17,495	16,386
Accumulated depreciation	-9,790	-9,370
<i>Total</i>	<i>7,705</i>	<i>7,016</i>
Plant, equipment and other, at fair value	16,247	15,520
Accumulated depreciation and impairment losses	-7,407	-6,887
<i>Total</i>	<i>8,839</i>	<i>8,633</i>
Fixed assets under construction	5,353	5,746
<b>Total Property, Plant and Equipment</b>	<b>100,294</b>	<b>98,534</b>

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

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

(c) Road infrastructure comprising roads, bridges and road furniture was valued at fair value by the Commissioner of Main Roads' Engineer at 30 June 2018.

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

Note: Columns may not add due to rounding.

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

### General Government

	Land	Land under Roads	Buildings	Electricity generation and transmission	Road networks	Other infra- structure	Plant, equip & other	Fixed Assets under Construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>30 June 2018</b>									
<i>Carrying amount at beginning of year</i>	13,448	23,821	18,194	1	18,155	616	2,510	3,164	79,909
Assets classified as held for sale	-33	-	-4	-	-	-	-	-	-37
Additions	59	-	542	-	-	53	272	1,994	2,921
Disposals	-62	-	-9	-	-51	-1	-46	-6	-176
Transfers in/-out	158	30	1,646	-	571	628	400	-2,679	753
Revaluation increments/-decrements	-707	-310	-268	-	298	1	12	-	-974
Depreciation	-	-	-518	-	-344	-44	-343	-	-1,249
Other	2	-	-6	-	-	-	1	-29	-32
<b>Carrying amount at end of year</b>	<b>12,866</b>	<b>23,540</b>	<b>19,576</b>	<b>1</b>	<b>18,630</b>	<b>1,252</b>	<b>2,806</b>	<b>2,444</b>	<b>81,115</b>
<b>Restated 30 June 2017 <sup>(b)</sup></b>									
<i>Carrying amount at beginning of year</i>	14,168	24,382	18,210	1	19,251	555	2,499	2,741	81,807
Assets classified as held for sale	-91	-	-17	-	-	-	-	-	-108
Additions	103	-	410	-	-	7	257	1,881	2,658
Disposals	-55	-	-10	-	-55	-1	-85	-1	-206
Transfers in/-out	-26	1	445	-	614	19	222	-1,381	-106
Revaluation increments/-decrements	-696	-562	-323	-	-1,292	58	-13	-	-2,829
Depreciation	-	-	-505	-	-364	-20	-339	-	-1,228
Other	45	-	-15	-	-	-2	-31	-76	-79
<b>Carrying amount at end of year</b>	<b>13,448</b>	<b>23,821</b>	<b>18,194</b>	<b>1</b>	<b>18,155</b>	<b>616</b>	<b>2,510</b>	<b>3,164</b>	<b>79,909</b>

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

### Total Public Sector

	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Water storage and distribution \$m	Other Infra- structure \$m	Plant, equip & other \$m	Fixed Assets under Construction \$m	Total \$m
<b>30 June 2018</b>										
<i>Carrying amount at beginning of year</i>	23,185	23,821	25,344	15,421	18,155	18,218	7,016	8,633	5,746	145,540
Assets classified as held for sale	-33	-	-31	-32	-	-	-	-	-	-97
Additions	91	-	576	29	-	70	67	323	4,351	5,506
Disposals	-219	-	-191	-21	-51	-6	-2	-90	-6	-587
Transfers in/-out	72	30	1,743	647	571	396	844	758	-4,708	353
Revaluation increments/-decrements	-1,128	-310	-346	-373	298	-41	144	28	-	-1,729
Depreciation	-	-	-687	-526	-344	-421	-364	-813	-	-3,154
Other	-1	-	-6	5	-	-	-	2	-29	-29
<b>Carrying amount at end of year</b>	<b>21,967</b>	<b>23,540</b>	<b>26,401</b>	<b>15,150</b>	<b>18,630</b>	<b>18,215</b>	<b>7,705</b>	<b>8,839</b>	<b>5,353</b>	<b>145,802</b>
<b>Restated 30 June 2017<sup>(b)</sup></b>										
<i>Carrying amount at beginning of year</i>	25,094	24,382	24,988	15,295	19,251	18,313	6,815	7,643	5,019	146,800
Assets classified as held for sale	-92	-	-43	-	-	-	-	-	-	-135
Additions	164	-	644	14	-	90	16	346	4,320	5,594
Disposals	-168	-	-101	-6	-55	-2	-4	-122	-1	-459
Transfers in/-out	81	1	661	537	614	297	398	749	-3,518	-180
Revaluation increments/-decrements	-1,937	-562	-102	296	-1,292	-73	147	850	-	-2,672
Depreciation	-	-	-690	-583	-364	-407	-353	-802	-	-3,199
Other	44	-	-15	-131	-	-	-2	-32	-74	-210
<b>Carrying amount at end of year</b>	<b>23,185</b>	<b>23,821</b>	<b>25,344</b>	<b>15,421</b>	<b>18,155</b>	<b>18,218</b>	<b>7,016</b>	<b>8,633</b>	<b>5,746</b>	<b>145,540</b>

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

(b) See Note 3(y): *Correction of overstated land valuations.*

Note: Columns may not add due to rounding.

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## NOTE 15: FAIR VALUE MEASUREMENTS

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### General Government

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#### Assets measured at fair value

	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>	Fair value at end of period
	\$m	\$m	\$m	\$m
<b>30 June 2018</b>				
Assets classified as held for sale (Note 19)	-	34	91	125
Land (Note 12,14)	9	4,245	8,613	12,866
Land under roads (Note 12,14)	-	-	23,540	23,540
Buildings (Note 13,14)	38	562	18,977	19,576
Electricity generation and transmission (Note 13,14)	-	-	1	1
Road networks (Note 13,14)	-	-	18,630	18,630
Other infrastructure (Note 13,14)	-	-	1,252	1,252
Plant, equipment and other (Note 13,14)	-	370	2,437	2,806
Biological assets (Note 16)	-	2	1	3
Investment property (Note 20)	-	7	-	7
<b>Total</b>	<b>46</b>	<b>5,219</b>	<b>73,542</b>	<b>78,807</b>

	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>	Fair value at end of period
	\$m	\$m	\$m	\$m
<b>Restated 30 June 2017<sup>(d)</sup></b>				
Assets classified as held for sale (Note 19)	-	27	85	111
Land (Note 12,14)	9	4,409	9,031	13,448
Land under roads (Note 12,14)	-	-	23,821	23,821
Buildings (Note 13,14)	39	431	17,724	18,194
Electricity generation and transmission (Note 13,14)	-	-	1	1
Road networks (Note 13,14)	-	-	18,155	18,155
Other infrastructure (Note 13,14)	-	-	616	616
Plant, equipment and other (Note 13,14)	-	364	2,146	2,510
Biological assets (Note 16)	-	8	-	8
Investment property (Note 20)	-	7	-	7
<b>Total</b>	<b>48</b>	<b>5,246</b>	<b>71,578</b>	<b>76,872</b>

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

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

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

(d) See Note 3(y): *Correction of overstated land valuations*.

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

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### Measurement of fair values

#### *Transfers between Level 1, 2 and 3*

There were no material transfers between fair value hierarchy levels for agencies with significant asset values within the general government sector for the periods ending 30 June 2018 and 30 June 2017.

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## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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### *Valuation techniques to derive Level 2 fair values*

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

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

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



## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

### General Government

#### Fair value measurements using significant unobservable inputs (Level 3) <sup>(a) (b)</sup>

	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
<b>30 June 2018</b>										
<i>Fair value at start of period</i>	85	9,031	23,821	17,724	1	18,155	616	2,146	-	-
Additions	5	287	30	2,707	-	575	168	675	-	-
Revaluation increments/-decrements recognised in All other movements in equity	-	-575	-310	-274	-	298	1	6	-	-
Transfers from/-to Level 2	-	-38	-	-2	-	-	-	2	1	-
Transfers between asset classes	1	4	-	-518	-	-	513	-	-	-
Disposals	-1	-42	-	-31	-	-56	-1	-46	-	-
Depreciation	-	-	-	-501	-	-344	-44	-344	-	-
Other	1	-54	-	-127	-	-	-	-1	-	-
<b>Fair value at end of period</b>	<b>91</b>	<b>8,613</b>	<b>23,540</b>	<b>18,977</b>	<b>1</b>	<b>18,630</b>	<b>1,252</b>	<b>2,437</b>	<b>1</b>	<b>-</b>
<b>Restated 30 June 2017 <sup>(c)</sup></b>										
<i>Fair value at start of period</i>	12	9,350	24,382	17,728	1	19,251	461	2,134	-	-
Additions	83	117	11	814	-	675	18	479	-	-
Revaluation increments/-decrements recognised in All other movements in equity	-9	-376	-562	-275	-	-1,292	156	-14	-	-
Transfers from/-to Level 2	-	-8	-	-1	-	-	-	-	-	-
Transfers between asset classes	-	-	-	-	-	-	-	-	-	-
Disposals	-1	-34	-10	-74	-	-116	-1	-85	-	-
Depreciation	-	-	-	-438	-	-364	-16	-339	-	-
Other	-	-18	-	-30	-	-	-2	-30	-	-
<b>Fair value at end of period</b>	<b>85</b>	<b>9,031</b>	<b>23,821</b>	<b>17,724</b>	<b>1</b>	<b>18,155</b>	<b>616</b>	<b>2,146</b>	<b>-</b>	<b>-</b>

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

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

(c) See Note 3(y): *Correction of overstated land valuations*.

Note: Columns may not add due to rounding.

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## **NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**

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### **Valuation processes**

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as assets held for sale as the State's Treasurer's Instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

### **Valuation techniques to derive Level 3 fair values**

There were no significant changes in valuation methodologies within the general government sector for the period ending 30 June 2018.

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

- Fair value for restricted-use land is based on comparison with market evidence for land with low level utility (high restricted-use land). The relevant comparators of land with low level utility is selected by Valuation Services and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.
- Fair value for current-use land assets, is measured firstly by establishing the opportunity cost of public purpose land, which is termed the hypothetical alternate land use value. This approach assumes unencumbered land use based upon potential highest and best alternative use as represented by surrounding land uses and market analysis. Fair value of the land is then determined on the assumption that the site is rehabilitated to a vacant marketable condition. This requires costs associated with rehabilitation to be deducted from the hypothetical alternate land use value of the land. Costs may include building demolition, clearing, planning approvals and time allowances associated with realising that potential. In some instances the legal, physical, economic and socio political restrictions on a land results in a minimal or negative current use land value. In this situation the land value adopted is the higher of the calculated rehabilitation amount or the amount determined on the basis of comparison to market corroborated evidence of land with low level utility. Land of low level utility is considered to be grazing land on the urban fringe of the metropolitan area with no economic farming potential or foreseeable development or redevelopment potential at the measurement date.

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## **NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**

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- Fair value for existing use specialised buildings, other infrastructure, road networks, and plant, equipment and ‘other’ is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. the current replacement cost). Current replacement cost is the current cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.
- Current replacement cost for road networks is determined every three years by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost index or rates obtained by professional estimators specialising in road infrastructure works) to ensure asset values do not materially differ from fair value.
- Fair value for assets classified as held for sale or for distribution to owners has been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

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

### ***Selection of land with similar approximate utility***

Fair value for restricted-use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by Valuation Services.

### ***Difference between hypothetical alternate land use value and current-use land value***

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

### ***Selection of land adjoining road reserve***

The fair value of road infrastructure comprising of land under roads is determined by comparison with the unimproved land values for land tax purposes maintained by Valuation Services.

### ***Consumed economic benefit/obsolescence of assets***

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

### ***Effective age***

The effective age is determined by Valuation Services for buildings and by the Department of Education’s valuer for its building sub-classes, after taking into account factors such as planned routine maintenance, building improvements and upgrades.

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## **NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**

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

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

### ***Average installation costs – transportable***

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

### ***Residual value of 25% of current replacement cost***

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

### ***Historical cost per cubic metre – Road networks***

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

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

### ***Application of a cost construction index to historical cost***

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

### ***Historical cost per library and artwork collection***

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

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## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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

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

General Government <sup>(a)</sup>		
Asset Measured at Fair Value	Valuation Technique(s)	Unobservable inputs
Assets classified as held for sale	Current Replacement Cost Market Approach	Consumed economic benefit/obsolescence of asset Selection of land with similar approximate utility
Land	Market Approach  Value in Use	Selection of land with similar approximate utility Selection of land with restricted utility Difference between hypothetical alternate land use value and current use land value
Land under roads	Market Approach	Selection of land adjoining road reserve
Buildings	Current Replacement Cost	Effective Age Percentage rate add-on cost Average installation costs Residual value of 25% of current replacement cost Consumed economic benefit/obsolescence of asset
Road networks	Current Replacement Cost	Historical cost per cubic metre (m <sup>3</sup> )
Other infrastructure	Current Replacement Cost	Consumed economic benefit/obsolescence of asset Application of a cost of construction index to historical cost
Plant, equipment and other	Current Replacement Cost	Historical cost per library and artwork collection

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

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### Basis of valuation

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

### Amendments to AASB 136

Mandatory application of AASB 2016-4: *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* has no financial impact for the general government sector as all agencies within the sector is classified as not-for-profit and regularly revalues specialised buildings, property, plant, equipment and ‘other’ and infrastructure assets. Therefore, the fair value of the recoverable amount of such assets is expected to be materially the same as the fair value determined under AASB 13: *Fair Value Measurement*.

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## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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### Total Public Sector

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#### Assets measured at fair value

	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>	Fair value at end of period
	\$m	\$m	\$m	\$m
<b>30 June 2018</b>				
Assets classified as held for sale (Note 19)	-	92	91	183
Land (Note 12,14)	9	10,999	10,960	21,967
Land under roads (Note 12,14)	-	-	23,540	23,540
Buildings (Note 13,14)	38	6,245	20,118	26,401
Electricity generation and transmission (Note 13,14)	-	-	15,150	15,150
Road networks (Note 13,14)	-	-	18,630	18,630
Water storage and distribution (Note 13,14)	-	-	18,215	18,215
Other infrastructure (Note 13,14)	-	-	7,705	7,705
Plant, equipment and other (Note 13,14)	-	1,540	7,299	8,839
Biological assets (Note 16)	-	2	330	332
Investment property (Note 20)	-	77	-	77
<b>Total</b>	<b>46</b>	<b>18,956</b>	<b>122,039</b>	<b>141,042</b>

	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>	Fair value at end of period
	\$m	\$m	\$m	\$m
<b>Restated 30 June 2017<sup>(d)</sup></b>				
Assets classified as held for sale (Note 19)	-	51	85	135
Land (Note 12,14)	9	11,841	11,336	23,185
Land under roads (Note 12,14)	-	-	23,821	23,821
Buildings (Note 13,14)	39	6,371	18,934	25,344
Electricity generation and transmission (Note 13,14)	-	-	15,421	15,421
Road networks (Note 13,14)	-	-	18,155	18,155
Water storage and distribution (Note 13,14)	-	-	18,218	18,218
Other infrastructure (Note 13,14)	-	-	7,016	7,016
Plant, equipment and other (Note 13,14)	-	1,549	7,084	8,633
Biological assets (Note 16)	-	8	326	334
Investment property (Note 20)	-	67	196	262
<b>Total</b>	<b>48</b>	<b>19,886</b>	<b>120,591</b>	<b>140,525</b>

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

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

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

(d) See Note 3(y): *Correction of overstated land valuations.*

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

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### Measurement of fair values

#### *Transfers between Level 1, 2 and 3*

There were no material transfers between fair value hierarchy levels for agencies with significant asset values within the general government sector for the periods ending 30 June 2018 and 30 June 2017.

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**NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**

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*Valuation techniques to derive Level 2 fair values*

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

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

- Total public sector Level 2 assets classified as held for sale, land, buildings, other infrastructure and investment property, are derived using the market approach. The fair values of these assets have been derived using sale prices of comparable assets to determine the price per square metre for land and buildings, with adjustments made for differences in key attributes.
- The fair values of Level 2 biological assets are derived using the market rates less costs to sell.
- Assets classified as held for sale have been written down to fair value less cost to sell. Fair value has been determined by reference to market evidence of sales process of comparable assets.
- The fair values of Level 2 plant, equipment and 'other' are derived using the market approach. These assets include rollingstock and buses, which are owned by the Public Transport Authority. Market evidence of sales prices of rollingstock and bus contracts held by the Public Transport Authority are used to determine price per railcar and bus respectively. It should be noted that rollingstock is classified as both Level 2 and Level 3 on the fair value hierarchy as market information is available for urban railcars. However, regional rollingstock has been valued by an independent third party as no observable inputs are available.

## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

### Total Public Sector

#### Fair value measurements using significant unobservable inputs (Level 3) <sup>(a)</sup>

	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Water storage and distribution \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
<b>30 June 2018</b>											
<i>Fair value at start of period</i>	85	11,336	23,821	18,934	15,421	18,155	18,218	7,016	7,084	326	196
Additions	5	204	30	2,686	676	575	466	397	998	-	-
Revaluation increments/-decrements recognised in All other movements in equity	-	-442	-310	-247	-373	298	-41	144	23	3	-
Lease incentives paid	-	-	-	-	-	-	-	-	-	-	4
Transfers from/-to Level 2	-	-38	-	-2	-	-	-	-	2	1	-
Proceeds from sale of Investment property	-	-	-	-	-	-	-	-	-	-	-216
Transfers between asset classes	1	4	-	-519	-	-	-	514	-	-	-
Disposals	-1	-47	-	-63	-21	-56	-6	-2	-89	-	-
Realised gain on disposal of Investment property	-	-	-	-	-	-	-	-	-	-	16
Depreciation	-	-	-	-548	-526	-344	-421	-364	-719	-	-
Other	1	-56	-	-123	-27	-	-	-	-	-	-
<b>Fair value at end of period</b>	<b>91</b>	<b>10,960</b>	<b>23,540</b>	<b>20,118</b>	<b>15,150</b>	<b>18,630</b>	<b>18,215</b>	<b>7,705</b>	<b>7,299</b>	<b>330</b>	<b>-</b>
	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Water storage and distribution \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
<b>Restated 30 June 2017 <sup>(c)</sup></b>											
<i>Fair value at start of period</i>	12	11,725	24,382	18,931	15,295	19,251	18,313	6,721	6,175	330	224
Additions	83	230	11	864	557	675	387	401	991	-	-
Revaluation increments/-decrements recognised in Operating Result <sup>(b)</sup>	-	-	-	-	-	-	-	-	-	-4	-29
Revaluation increments/-decrements recognised in All other movements in equity	-9	-482	-562	-256	296	-1,292	-73	244	781	-	-
Transfers from/-to Level 2	-	-82	-	-2	-	-	-	-	-1	-	-
Disposals	-1	-37	-10	-83	-6	-116	-2	-7	-122	-	-
Depreciation	-	-	-	-491	-590	-364	-407	-341	-710	-	-
Other	-	-18	-	-30	-131	-	-	-2	-31	-	-
<b>Fair value at end of period</b>	<b>85</b>	<b>11,336</b>	<b>23,821</b>	<b>18,934</b>	<b>15,421</b>	<b>18,155</b>	<b>18,218</b>	<b>7,016</b>	<b>7,084</b>	<b>326</b>	<b>196</b>

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

(b) Represents gains or losses for the period included in the Operating Result for assets held at the end of the reporting period, under 'Net gains on assets/liabilities'.

(c) See Note 3(y): *Correction of overstated land valuations*.

Note: Columns may not add due to rounding.



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## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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### Valuation processes

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as the State's Treasurer's Instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

### Valuation techniques to derive Level 3 fair values

There were no significant changes in valuation techniques during the period. In addition, the following valuation techniques have been identified for public corporations with significant Level 3 asset values within the total public sector.

- Fair value for restricted-use land is based on comparison with market evidence for land with low level utility (high restricted-use land). The relevant comparators of land with low level utility is selected by Valuation Services and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.
- Fair value for existing use specialised buildings, electricity generation and transmission, water storage and distribution, other infrastructure, road networks, and plant, equipment and 'other' is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. the current replacement cost). Current replacement cost is the current cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.
- Fair value for existing use specialised infrastructure assets is calculated by reference to the historical cost indexed by a combination of the following price indices as published by the ABS:
  - Producer Price Index for building construction in Western Australia (approximately 81% weighting).
  - Labour Price Index for total hourly rates of pay excluding bonuses using the index covering Australia; private industry; electricity, gas, water and waste supply; and all occupations (approximately 15% weighting).
  - Consumer Price Index for all groups in Perth (approximately 4% weighting).

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## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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- Fair value for biological assets is determined using the discounted cash flow method to measure fair values of standing timber and plantations. The valuation model for standing timber considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for Sandalwood Plantations of 19 years, standing timber Plantations of 38 years, and for Esperance pine Plantations 23 years. The expected net cash flows are discounted using a risk adjusted discounted rate, including for standing timber Sandalwood the Order in Council period.

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

### *Historical cost of electricity infrastructure per square kilometre*

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

### *Freight, Railway and Bus Infrastructure*

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

<b>Unobservable input</b>	<b>Input from independent valuation report obtained in</b>
Replacement cost per kilometre of rail network	2015
Replacement cost per cubic metre of railway ballast	2015
Replacement cost per sleeper (other rail)	2016
Replacement cost per sleeper (freight)	2015
Replacement cost per kilometre of overhead railway traction wiring	2016
Railway station replacement cost per square metre floor area	2016
Replacement cost per kilometre of rail line (freight)	2015
Replacement cost per kilometre of rail line (other rail)	2016
Replacement cost per railway signalling system	2016
Railway tunnel replacement cost per metre	2016
Replacement cost per square metre floor area (bus stations)	2018
Replacement cost per individual bus infrastructure items	2018
Replacement cost per individual systems infrastructure items	2017
Replacement cost per kilometre of systems infrastructure cabling	2017

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**NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**

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***Estimated variables associated with biological assets***

The unobservable variables are mainly represented by estimated future timber market price per cubic metre and estimated average volume per annum, discounted at the rate for 2018 provided by an independent valuation obtained by the Forest Products Commission.

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

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

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**NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**


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**Total Public Sector <sup>(a)</sup>**


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<b>Asset Measured at Fair Value</b>	<b>Valuation Technique(s)</b>	<b>Unobservable inputs</b>
Assets classified as held for sale	Current Replacement Cost	Consumed economic benefit/obsolescence of asset
	Market Approach	Selection of land with similar approximate utility
Land	Market Approach	Selection of land with similar approximate utility Selection of land with restricted utility
	Value in Use	Difference between hypothetical alternate land use value and current use land value
Land under roads	Market Approach	Selection of land adjoining road reserve
Buildings	Current Replacement Cost	Effective Age Percentage rate add-on cost Average installation costs Residual value of 25% of current replacement cost Application of a cost of construction index to historical cost Consumed economic benefit/obsolescence for asset
Electricity generation and transmission	Current Replacement Cost	Consumed economic benefit/obsolescence of electricity infrastructure Historical cost of electricity infrastructure per km <sup>2</sup>
Road networks	Current Replacement Cost	Historical cost per cubic metre (m <sup>3</sup> )
Water storage and distribution	Current Replacement Cost	Consumed economic benefit/ obsolescence of asset
Other infrastructure	<i>Freight Network Infrastructure</i> - Current Replacement Cost	Consumed economic benefit/ obsolescence of asset Replacement cost per kilometre of network Replacement cost per kilometre of rail Replacement cost per cubic metres of ballast Replacement cost per sleeper
	<i>Railway Infrastructure</i> - Current Replacement Cost	Consumed economic benefit/ obsolescence of asset Replacement cost per individual tunnel Replacement cost per station structure Replacement cost per kilometre of rail line Replacement cost per signal Replacement cost per sleeper Replacement cost per kilometre of overhead traction wiring
	<i>Systems Infrastructure</i> - Current Replacement Cost	Consumed economic benefit/obsolescence of asset Replacement cost per individual items Replacement cost per kilometre of cabling
	<i>Bus Infrastructure</i> - Current Replacement Cost	Consumed economic benefit/ obsolescence of asset Replacement cost per square metre floor area (m <sup>2</sup> ) Replacement cost per individual items
Plant, equipment and other	Current Replacement Cost	Consumed economic benefit/ obsolescence of asset

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**NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**


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Total Public Sector <sup>(a)</sup>


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Asset Measured at Fair Value	Valuation Technique(s)	Unobservable inputs
Biological assets	<i>Standing Timber (Native Forests)</i> - Discounted Cash Flow	Estimated future timber market prices (gross profit) per cubic metre Estimated average volume per annum Estimated management costs per cubic metre to sell the volume
	<i>Standing Timber (Sandlewood)</i> - Discounted Cash Flow	Estimated future timber market prices based on AUS/USD forward exchange rates provided by Western Australian Treasury Corporation Weighted average price for products Estimated average volume per annum Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon
	<i>Standing Timber (Plantations)</i> - Discounted Cash Flow	The area stocked Estimated future timber market prices per cubic metre Future wood flow projections
	<i>Sandalwood Plantations</i> - Discounted Cash Flow	Estimated future timber market prices based on AUS/USD forward exchange rates to 2037 provided by Western Australian Treasury Corporation. The weighted average price for products Estimated average volume per annum Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon
	<i>Esperance pine Plantations</i> - Discounted Cash Flow	The area stocked Estimated future timber average market prices per hectare Estimated average volume per annum Estimated cost per hectare to harvest, produce and sell the volume over the forecast horizon

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

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### Basis of valuation

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

### Amendments to AASB 136

Mandatory application of AASB 2016-4: *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* has no financial impact for the total public sector as all included agencies that hold fair value non-financial assets are classified as not-for-profit and regularly revalues specialised buildings, property, plant, equipment and ‘other’ and infrastructure assets. Therefore, the fair value of the recoverable amount of such assets is expected to be materially the same as the fair value determined under AASB 13: *Fair Value Measurement*.

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**NOTE 16: BIOLOGICAL ASSETS (a)**


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 General Government
 

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	2018	2017
	\$m	\$m
Livestock and other	3	8
<b>Total Biological Assets</b>	<b>3</b>	<b>8</b>

**Reconciliation of Biological Assets**

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

<b>30 June 2018</b>	<b>Standing Trees \$m</b>	<b>Livestock and Other \$m</b>	<b>Total \$m</b>
<i>Carrying amount at beginning of year</i>	-	8	8
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	-4	-4
<b>Carrying amount at end of year</b>	<b>-</b>	<b>3</b>	<b>3</b>
<b>30 June 2017</b>	<b>Standing Trees \$m</b>	<b>Livestock and Other \$m</b>	<b>Total \$m</b>
<i>Carrying amount at beginning of year</i>	-	4	4
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	4	4
<b>Carrying amount at end of year</b>	<b>-</b>	<b>8</b>	<b>8</b>

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**NOTE 16: BIOLOGICAL ASSETS <sup>(a)</sup> (CONT.)**


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Total Public Sector

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	2018	2017
	\$m	\$m
Native and plantation standing trees <sup>(b)</sup>	329	326
Livestock and other	3	8
<b>Total Biological Assets</b>	<b>332</b>	<b>334</b>

**Reconciliation of Biological Assets**

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

<b>30 June 2018</b>	<b>Standing Trees \$m</b>	<b>Livestock and Other \$m</b>	<b>Total \$m</b>
<i>Carrying amount at beginning of year</i>	326	8	334
Gain/-loss from changes in fair value	-2	-	-2
Purchases	6	-	6
Other	-1	-4	-6
<b>Carrying amount at end of year</b>	<b>329</b>	<b>3</b>	<b>332</b>
<b>30 June 2017</b>	<b>Standing Trees \$m</b>	<b>Livestock and Other \$m</b>	<b>Total \$m</b>
<i>Carrying amount at beginning of year</i>	330	4	334
Gain/-loss from changes in fair value	-7	-	-7
Purchases	5	-	5
Other	-2	4	2
<b>Carrying amount at end of year</b>	<b>326</b>	<b>8</b>	<b>334</b>

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

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

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

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**NOTE 17: INVENTORIES**


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**General Government**


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	2018	Restated(a) 2017
	\$m	\$m
<i>Other Inventories</i>		
Other materials and stores	63	59
Other	7	14
<i>Total Other inventories</i>	70	73
<b>Total Inventories</b>	<b>70</b>	<b>73</b>

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**Total Public Sector**


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	2018	Restated(a) 2017
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development	1,902	1,966
<i>Total Land inventories</i>	1,902	1,966
<i>Other Inventories</i>		
Precious metals	3,336	3,633
Power station fuel stocks	44	44
Other materials and stores	322	341
Other	29	34
<i>Total Other inventories</i>	3,731	4,052
<b>Total Inventories</b>	<b>5,633</b>	<b>6,018</b>

(a) See Note 3(y): *Correction of overstated land valuations.*

Note: Columns may not add due to rounding.

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**NOTE 18: INTANGIBLE ASSETS**


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**General Government**


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	2018	2017
	\$m	\$m
Computer software	1216	858
Accumulated amortisation and impairment losses	-734	-498
<i>Total</i>	<b>482</b>	<b>360</b>
Software in progress	62	172
Other	146	377
Accumulated amortisation and impairment losses	-63	-228
<i>Total</i>	<b>83</b>	<b>148</b>
<b>Total Intangible Assets</b>	<b>627</b>	<b>680</b>

**Reconciliation of Intangibles**

	Computer Software	Software in progress	Other	Total
	\$m	\$m	\$m	\$m
<b>30 June 2018</b>				
<i>Carrying amount at beginning of year</i>	360	172	148	680
Additions	34	52	3	89
Disposals	-8	-	-	-9
Transfers in/-out	188	-161	-63	-36
Impairment losses	-3	-	-	-3
Amortisation	-87	-	-7	-94
Accumulated amortisation written back	4	-	2	6
Other	-4	-	-	-4
<b>Carrying amount at end of year</b>	<b>482</b>	<b>62</b>	<b>83</b>	<b>627</b>

	Computer Software	Software in progress	Other	Total
	\$m	\$m	\$m	\$m
<b>30 June 2017</b>				
<i>Carrying amount at beginning of year</i>	373	155	122	650
Additions	18	72	3	93
Disposals	-21	-	-3	-24
Transfers in/-out	44	-52	48	40
Impairment losses	-	-3	-5	-8
Amortisation	-70	-	-21	-92
Accumulated amortisation written back	19	-	2	22
Other	-3	-1	2	-2
<b>Carrying amount at end of year</b>	<b>360</b>	<b>172</b>	<b>148</b>	<b>680</b>

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**NOTE 18: INTANGIBLES ASSETS (CONT.)**


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**Total Public Sector**


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	2018	2017
	\$m	\$m
Computer software	2,385	1,914
Accumulated amortisation and impairment losses	-1,574	-1,248
<i>Total</i>	<i>811</i>	<i>667</i>
Software in progress	80	182
Renewable Energy Certificates	49	30
Other	253	506
Accumulated amortisation and impairment losses	-109	-266
<i>Total</i>	<i>145</i>	<i>240</i>
<b>Total Intangible Assets</b>	<b>1,085</b>	<b>1,119</b>

**Reconciliation of Intangibles**

	Computer Software	Software in progress	Renewable Energy Certificate	Other	Total
	\$m	\$m	\$m	\$m	\$m
<b>30 June 2018</b>					
<i>Carrying amount at beginning of year</i>	667	182	30	240	1,119
Additions	59	62	123	3	247
Disposals	-17	-	-105	-24	-146
Transfers in/-out	294	-163	-	-61	70
Impairment losses	-3	-	-	-	-3
Amortisation	-192	-	-	-16	-208
Accumulated amortisation written back	8	-	-	3	11
Other	-4	-	-	-	-4
<b>Carrying amount at end of year</b>	<b>811</b>	<b>80</b>	<b>49</b>	<b>145</b>	<b>1,085</b>

	Computer Software	Software in progress	Renewable Energy Certificate	Other	Total
	\$m	\$m	\$m	\$m	\$m
<b>30 June 2017</b>					
<i>Carrying amount at beginning of year</i>	680	178	43	196	1,097
Additions	41	81	111	27	259
Disposals	-29	-	-124	-5	-158
Transfers in/-out	128	-73	-	53	109
Impairment losses	-	-3	-	-10	-13
Amortisation	-173	-	-	-27	-200
Accumulated amortisation written back	25	-	-	3	28
Other	-5	-1	-	2	-4
<b>Carrying amount at end of year</b>	<b>667</b>	<b>182</b>	<b>30</b>	<b>240</b>	<b>1,119</b>

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

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


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**General Government**


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	2018	2017
	\$m	\$m
Land	113	94
Other	12	18
<b>Total</b>	<b>125</b>	<b>111</b>

Assets held for sale primarily relates to: a transfer of land held for sale from the former Department of Agriculture to the Department of Primary Industries and Regional Development (\$72 million), the Commissioner of Main Roads (\$12 million land and buildings held for sale and \$2 million of land sold during the year), WA Health (\$12 million buildings sold during the year), the Department of Fire and Emergency Services (\$8 million land sold during the year, relating to the former FESA House site), the Department of Planning, Lands and Heritage (\$8 million land held for sale), and the Department of Transport (\$8 million property, plant and equipment held for sale, relating to the Welshpool Vehicle Examination Centre).

**Reconciliation of assets classified as held for sale**

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

	Land	Other	Total
	\$m	\$m	\$m
<b>30 June 2018</b>			
<i>Carrying amount at beginning of year</i>	94	18	111
Assets reclassified as held for sale	26	11	37
Assets sold	-14	-15	-29
Impairment losses	-2	-	-2
Transfers out/other	9	-2	7
<b>Carrying amount at end of year</b>	<b>113</b>	<b>12</b>	<b>125</b>
<b>30 June 2017</b>			
<i>Carrying amount at beginning of year</i>	29	3	32
Assets reclassified as held for sale	92	17	109
Assets sold	-20	-2	-22
Revaluation increment/-decrement	-4	-	-4
Impairment losses	-1	-	-1
Transfers out/other	-3	-	-3
<b>Carrying amount at end of year</b>	<b>94</b>	<b>18</b>	<b>111</b>

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

Note: Columns may not add due to rounding.

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

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Total Public Sector

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	2018	2017
	\$m	\$m
Land	116	94
Other	68	41
<b>Total</b>	<b>183</b>	<b>135</b>

In addition to those disclosed for the general government sector, assets held for sale by the total public sector primarily comprise of: Synergy (\$34 million assets held for sale, relating to its Albany and Grasmere wind farm assets), and the Department of Communities (Housing Authority) (\$22 million rental properties held for sale, during the year there was \$28 million sold).

**Reconciliation of assets classified as held for sale**

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

	Land	Other	Total
	\$m	\$m	\$m
<b>30 June 2018</b>			
<i>Carrying amount at beginning of year</i>	94	41	135
Assets reclassified as held for sale	26	71	97
Write down less cost to sell	-	-3	-3
Assets sold	-15	-43	-57
Impairment losses	-2	-	-2
Transfers out/other	12	1	13
<b>Carrying amount at end of year</b>	<b>116</b>	<b>68</b>	<b>183</b>

	Land	Other	Total
	\$m	\$m	\$m
<b>30 June 2017</b>			
<i>Carrying amount at beginning of year</i>	29	118	147
Assets reclassified as held for sale	93	43	136
Write down less cost to sell	-	-2	-2
Assets sold	-20	-118	-138
Revaluation increment/-decrement	-4	-	-4
Impairment losses	-1	-	-1
Transfers out/other	-3	-	-3
<b>Carrying amount at end of year</b>	<b>94</b>	<b>41</b>	<b>135</b>

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

Note: Columns may not add due to rounding.

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**NOTE 20: INVESTMENT PROPERTIES (a)**


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**General Government**


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	2018	2017
	\$m	\$m
<i>Carrying amount at beginning of year</i>	7	8
Revaluation increments/-decrements	-	-1
<b>Carrying amount at end of year</b>	<b>7</b>	<b>7</b>

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**Total Public Sector**


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	2018	2017
	\$m	\$m
<i>Carrying amount at beginning of year</i>	262	297
Additions	39	1
Revaluation increments/-decrements	-23	-33
Transfers to property held for sale /-disposals <sup>(b)</sup>	-207	-3
Transfers to buildings	2	-
Other	4	-
<b>Carrying amount at end of year</b>	<b>77</b>	<b>262</b>

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

(b) The Insurance Commission sold the Westralia Square property at 141 St Georges Terrace on 27 October 2017.

Note: Columns may not add due to rounding.

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## NOTE 21: BORROWINGS

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### General Government

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	2018	2017
	\$m	\$m
Finance leases - secured <sup>(a)</sup>	1,184	771
Domestic and foreign borrowings <sup>(b)</sup>	26,924	22,801
<b>Total <sup>(c)</sup></b>	<b>28,109</b>	<b>23,572</b>

## (a) Finance Leases

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Amounts payable under finance leases are as follows.

	2018	2017
	\$m	\$m
Minimum lease payments due:		
- not later than one year	100	101
- later than one year and not later than five years	248	308
- later than five years	858	394
Minimum lease payments	<b>1,206</b>	<b>803</b>
Future finance charges	-22	-32
<b>Total finance lease liabilities</b>	<b>1,184</b>	<b>771</b>
Amounts expected to be settled:		
- not later than one year	92	90
- later than one year	1,092	681
<b>Total</b>	<b>1,184</b>	<b>771</b>

(b) Foreign currency borrowings - the general government sector had no foreign currency borrowings at the reporting date or at the same time last year.

## (c) Borrowings - maturity profile

	2018	2017
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	3,556	2,528
- later than one year and not later than five years	14,952	13,218
- later than five years	9,601	7,826
<b>Total</b>	<b>28,109</b>	<b>23,572</b>

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**NOTE 21: BORROWINGS (CONT.)**


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**Total Public Sector**


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	2018	2017
	\$m	\$m
Finance leases - secured <sup>(a)</sup>	1,971	1,589
Domestic and foreign borrowings <sup>(b)</sup>	55,408	54,431
<b>Total <sup>(c)</sup></b>	<b>57,379</b>	<b>56,021</b>

**(a) Finance Leases**

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Amounts payable under finance leases are as follows.

	2018	2017
	\$m	\$m
Minimum lease payments due:		
- not later than one year	140	138
- later than one year and not later than five years	528	474
- later than five years	1,325	1,009
Minimum lease payments	<b>1,993</b>	<b>1,622</b>
Future finance charges	-22	-32
<b>Total finance lease liabilities</b>	<b>1,971</b>	<b>1,589</b>
Amounts expected to be settled:		
- not later than one year	133	128
- later than one year	1,838	1,462
<b>Total</b>	<b>1,971</b>	<b>1,589</b>

(b) Foreign currency borrowings - at 30 June 2018, the total public sector reported no foreign currency borrowing at Australian dollar equivalents with the amounts in United States dollars (30 June 2017: \$357 million).

At the reporting date, all foreign currency borrowings have either been hedged, swapped, covered forward specifically or invested in the foreign currency market. Consequently, any gain or loss on the transaction of the foreign currency borrowing is matched by a corresponding loss or gain made on the foreign currency contract or the foreign currency investment.

**(c) Borrowings - maturity profile**

	2018	2017
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	17,343	17,688
- later than one year and not later than five years	22,595	21,834
- later than five years	17,441	16,499
<b>Total</b>	<b>57,379</b>	<b>56,021</b>

Note: Columns may not add due to rounding.

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## NOTE 22: UNFUNDED SUPERANNUATION

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### General Government

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	2018	2017
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	1,964	2,093
Gold State Super Scheme	3,748	4,087
Judges' Pension Scheme	469	444
Parliamentary Superannuation Scheme	191	197
<i>Total Defined Benefit superannuation schemes</i>	<i>6,372</i>	<i>6,821</i>
Defined contribution superannuation scheme: West State Superannuation Scheme	169	222
<b>Total</b>	<b>6,541</b>	<b>7,043</b>

The superannuation liability for the general government sector at 30 June 2018 was \$6.541 million (30 June 2017: \$7,043 million). The liability represents 98.6% (30 June 2017: 98.3%) of the whole-of-government total superannuation liability of \$6,637 million at 30 June 2018 (30 June 2017: \$7,166 million).

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

### Total Public Sector

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	2018	2017
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,060	2,216
Gold State Super Scheme	3,748	4,087
Judges' Pension Scheme	469	444
Parliamentary Superannuation Scheme	191	197
<i>Total Defined Benefit superannuation schemes</i>	<i>6,468</i>	<i>6,944</i>
Defined contribution superannuation scheme: West State Superannuation Scheme	169	222
<b>Total</b>	<b>6,637</b>	<b>7,166</b>

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

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

Employees who do not qualify for membership to the various defined benefit plan schemes become non-contributory members of the defined contribution plan, compliant with the Commonwealth's *Superannuation Guarantee (Administration) Act 1992*. The untaxed West State Superannuation scheme and its taxed successor scheme GESB Super, are, accumulation funds that are also administered by GESB. Since 30 March 2012, existing members of both the West State Superannuation and the GESB Super schemes, and new employees, have been able to choose their preferred superannuation fund provider.

The public sector has no further obligation to the defined contribution plan if there are insufficient assets to pay employees the benefits relating to their services rendered in current and prior periods, except for, the unfunded portion of the West State Superannuation scheme for which the unfunded West State Super benefits are being amortised over the period to 30 June 2021. The then Government agreed to amortise the unfunded liability over 20 years from 1 July 2001, when GESB introduced Member Investment Choice from the same date. The liability has been determined as the present value of the amortisation payments, discounted at market yields at the reporting date.

Note: Columns may not add due to rounding.

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## NOTE 22: UNFUNDED SUPERANNUATION (CONT.)

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

	2018	2017
	%	%
Discount rate (gross of tax) <sup>(a)</sup>	2.6	2.6
Salary rate <sup>(b)</sup>	4.2	4.2
Inflation (pensions)	2.5	2.5

(a) The discount rate is based on the average term of liabilities.

(b) Assumed rate of salary inflation is 1.5% per annum for the first three years and 4.2% per annum thereafter.

Major categories of defined benefit plan assets as a percentage of total fund assets are as follows <sup>(c)</sup>.

	Class 1 <sup>(d)</sup> 2018	Class 2 <sup>(e)</sup> 2018	Class 3 <sup>(f)</sup> 2018	Total 2018
	%	%	%	%
Equities	54	-	-	54
Cash and Investment funds	9	4	-	13
Others	-	29	5	33

	Class 1 <sup>(d)</sup> 2017	Class 2 <sup>(e)</sup> 2017	Class 3 <sup>(f)</sup> 2017	Total 2017
	%	%	%	%
Equities	54	-	-	54
Cash and Investment funds	9	3	-	12
Others	-	29	5	34

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

(d) Quoted in active markets.

(e) Significant observable inputs.

(f) Unobservable inputs.

Movement in net liability.

	2018	2017
	\$m	\$m
Net liability/(asset) in balance sheet at end of prior year	6,944	7,790
Expense recognised in profit and loss	368	344
Employer contributions	-637	-558
Remeasurements	-207	-634
<b>Net liability/(asset) in balance sheet at end of year</b>	<b>6,468</b>	<b>6,944</b>

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

	2018	2017
	\$m	\$m
Total defined benefit obligations	9,425	9,861
Scheme assets	-2,957	-2,917
<b>Net liability<sup>(g)</sup></b>	<b>6,468</b>	<b>6,944</b>

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

	2018	2017
Not later than one year	25	23
Later than one year	6,443	6,921
<b>Total</b>	<b>6,468</b>	<b>6,944</b>

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

## NOTE 22: UNFUNDED SUPERANNUATION (CONT.)

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

	Pension Scheme 2018 \$m	Gold State Super Scheme <sup>(b)</sup> 2018 \$m	Judges' Pension Scheme 2018 \$m	Parliamentary Superannuation Scheme 2018 \$m	Total 2018 \$m
Gross accrued benefits	2,152	6,613	469	191	9,425
Net market value of plan assets	-92	-2,865	-	-	-2,957
<b>Net liability</b>	<b>2,060</b>	<b>3,748</b>	<b>469</b>	<b>191</b>	<b>6,468</b>

	Pension Scheme 2017 \$m	Gold State Super Scheme <sup>(b)</sup> 2017 \$m	Judges' Pension Scheme 2017 \$m	Parliamentary Superannuation Scheme 2017 \$m	Total 2017 \$m
Gross accrued benefits	2,304	6,916	444	197	9,861
Net market value of plan assets	-88	-2,828	-	-	-2,917
<b>Net liability</b>	<b>2,216</b>	<b>4,087</b>	<b>444</b>	<b>197</b>	<b>6,944</b>

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

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

	2018 \$m	2017 \$m
Total employer current service cost	196	195
Net interest cost	172	150
Recognised actuarial -gains/losses	-207	-634
<b>Total</b>	<b>161</b>	<b>-290</b>

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

	2018 \$m	2017 \$m
Fair value plan assets at beginning of year	2,917	2,857
Employer contributions	637	558
Actual participant contributions	10	52
Actual benefit payments	-859	-805
Interest income	72	59
<i>Expected plan assets at end of year</i>	<i>2,778</i>	<i>2,721</i>
Return in excess of interest income	179	196
<b>Fair value of plan assets at end of year</b>	<b>2,957</b>	<b>2,917</b>

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

## NOTE 22: UNFUNDED SUPERANNUATION (CONT.)

Reconciliation of the fair value of defined benefit superannuation obligations at the beginning and at the end of the year are set out in the following table.

	2018	2017
	\$m	\$m
Defined benefit obligation at beginning of year	9,861	10,647
Employer service cost plus operating costs	194	193
Interest cost	246	206
Actual participant contributions	10	52
Actual benefit payments	-859	-805
<i>Expected defined benefit obligations at end of year</i>	<i>9,452</i>	<i>10,293</i>
Actuarial -gain/loss on liabilities	-28	-431
<b>Defined benefit obligation at end of year</b>	<b>9,425</b>	<b>9,861</b>

Reconciliation of actuarial -gain/loss on assets and liabilities are set out below.

	2018	2017
	\$m	\$m
Actuarial -gain/loss due to demographic assumptions	-	193
Actuarial -gain/loss due to financial assumptions	87	-597
Actuarial -gain/loss arising from experience	-115	-39
Return in excess of interest income	-179	-192
<b>Amount recognised during year in 'other economic flows'</b>	<b>-207</b>	<b>-634</b>

Liabilities for defined benefit scheme at 30 June for the last five years are as follows.

	2018	2017	2016	2015	2014
	\$m	\$m	\$m	\$m	\$m
Total defined benefit obligations	9,425	9,861	10,647	10,325	10,483
Actual assets	-2,957	-2,917	-2,857	-2,936	-2,820
<b>Deficit/-surplus</b>	<b>6,468</b>	<b>6,944</b>	<b>7,790</b>	<b>7,389</b>	<b>7,663</b>

Sensitivity analysis for the defined benefit obligation is presented on the following scenarios <sup>(h)</sup>.

<i>Sensitivity to discount rate</i>	2018	2018
	+1.0	-1.0
	percentage	percentage
	point	point
	discount	discount
Discount rate	3.6	1.6
Defined benefit obligation (\$m)	8,678	10,200
Changes in obligation (\$m)	-703	819
Percentage changes in obligation	-8.0	9.0
<i>Sensitivity to discount rate</i>	2017	2017
	+1.0	-1.0
	percentage	percentage
	point	point
	discount	discount
Discount rate	3.6	1.6
Defined benefit obligation (\$m)	9,069	10,687
Changes in obligation (\$m)	-747	871
Percentage changes in obligation	-8.0	9.0

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

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**NOTE 22: UNFUNDED SUPERANNUATION (CONT.)**


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<i>Sensitivity to future salary increase</i>	2018	2018
	+1.0% future salary	-1.0% future salary
Future salary increases	2.5% for the first three years and 5.2% thereafter	0.5% for the first four years and 3.2% thereafter
Defined benefit obligation (\$m)	9,738	9,064
Changes in obligation (\$m)	357	-317
Percentage changes in obligation	4.0	-3.0
<i>Sensitivity to future salary increase</i>	2017	2017
	+1.0% future salary	-1.0% future salary
Future salary increases	3.0% for the first year, 2.5% for the next three years and 5.2% thereafter	1.0% for the first year, 0.5% for the next three years and 3.2% thereafter
Defined benefit obligation (\$m)	10,200	9,473
Changes in obligation (\$m)	384	-343
Percentage changes in obligation	4.0	-4.0
<i>Sensitivity to pension indexation rate</i>	2018	2018
	+1.0% pension indexation	-1.0% pension indexation
Pension increases	3.5	1.5
Defined benefit obligation (\$m)	9,908	8,928
Changes in obligation (\$m)	527	-454
Percentage changes in obligation	6.0	-5.0
<i>Sensitivity to pension indexation rate</i>	2017	2017
	+1.0% pension indexation	-1.0% pension indexation
Pension increases	3.5	1.5
Defined benefit obligation (\$m)	10,363	9,347
Changes in obligation (\$m)	547	-469
Percentage changes in obligation	6.0	-5.0
<i>Sensitivity to mortality</i>	2018	2018
	1 year increase in future life expectancy	1 year decrease in future life expectancy
Defined benefit obligation (\$m)	9,545	9,244
Changes in obligation (\$m)	163	-138
Percentage changes in obligation	2.0	-1.0
<i>Sensitivity to mortality</i>	2017	2017
	1 year increase in future life expectancy	1 year decrease in future life expectancy
Defined benefit obligation (\$m)	9,987	9,671
Changes in obligation (\$m)	171	-145
Percentage changes in obligation	2.0	-2.0

(h) Sensitivity figures do not include Gold State Super Scheme reserves amounting to \$44 million (30 June 2017 \$46 million).

Note: Columns may not add due to rounding.

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**NOTE 23: OTHER EMPLOYEE BENEFITS**


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**General Government**


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	2018	2017
	\$m	\$m
Annual leave	890	849
Long service leave	1,679	1,630
Other	465	432
<b>Total</b>	<b>3,033</b>	<b>2,911</b>

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

	2018	2017
	\$m	\$m
Within 12 months of reporting date	697	679
More than 12 months after reporting date	193	170
<b>Total</b>	<b>890</b>	<b>849</b>

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

	2018	2017
	\$m	\$m
Within 12 months of reporting date	608	306
More than 12 months after reporting date	1,070	1,324
<b>Total</b>	<b>1,679</b>	<b>1,630</b>

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**Total Public Sector**


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	2018	2017
	\$m	\$m
Annual leave	1,022	991
Long service leave	1,873	1,852
Other	503	470
<b>Total</b>	<b>3,399</b>	<b>3,313</b>

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

	2018	2017
	\$m	\$m
Within 12 months of reporting date	801	786
More than 12 months after reporting date	221	204
<b>Total</b>	<b>1,022</b>	<b>991</b>

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

	2018	2017
	\$m	\$m
Within 12 months of reporting date	706	366
More than 12 months after reporting date	1,167	1,486
<b>Total</b>	<b>1,873</b>	<b>1,852</b>

Note: Columns may not add due to rounding.

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## NOTE 24: OTHER LIABILITIES

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### General Government

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	2018	2017
	\$m	\$m
<b>Total</b>		
Insurance claims	18	14
Interest payable	169	148
Other provisions	50	52
Other liabilities	1,188	1,165
<b>Total Other Liabilities</b>	<b>1,425</b>	<b>1,380</b>

#### Reconciliation of Other Provisions

##### 30 June 2018

	Employment on-costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	17	8	28	52
Additional provisions recognised	11	2	1	14
Amounts used	-3	-6	-	-8
Other	-6	-	-2	-8
<b>Carrying amount at end of year</b>	<b>19</b>	<b>4</b>	<b>27</b>	<b>50</b>

##### 30 June 2017

	Employment on-costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	19	2	26	47
Additional provisions recognised	6	-6	7	18
Amounts used	-4	-	-5	-9
Unused amounts reversed	-4	-	-	-4
<b>Carrying amount at end of year</b>	<b>17</b>	<b>8</b>	<b>28</b>	<b>52</b>

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

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## NOTE 24: OTHER LIABILITIES (CONT.)

### Total Public Sector

	2018 \$m	2017 \$m
<b>Total</b>		
Insurance claims <sup>(a)</sup>	3,258	3,039
Interest payable	541	546
Other provisions	799	810
Other liabilities	1,417	1,220
<b>Total Other Liabilities</b>	<b>6,016</b>	<b>5,616</b>

#### Reconciliation of Other Provisions

##### 30 June 2018

	Employment on-costs	Decommissioning costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	27	336	52	395	810
Additional provisions recognised	14	1	14	250	279
Amounts used	-5	-18	-16	-218	-257
Unused amounts reversed	-1	-4	-1	-42	-49
Unwinding of the discount	-	-	-	9	9
Other	-9	12	-	2	5
<b>Carrying amount at end of year</b>	<b>25</b>	<b>328</b>	<b>50</b>	<b>395</b>	<b>799</b>

##### 30 June 2017

	Employment on-costs	Decommissioning costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	29	460	51	427	967
Additional provisions recognised	8	-	16	104	128
Amounts used	-6	-6	-14	-93	-119
Unused amounts reversed	-4	-	-2	-22	-28
Unwinding of the discount	-	13	-	8	21
Other	-	-131	-	-28	-160
<b>Carrying amount at end of year</b>	<b>27</b>	<b>336</b>	<b>52</b>	<b>395</b>	<b>810</b>

	2018 \$m	2017 \$m
(a) Insurance claims		
The liabilities for outstanding insurance claims comprise:		
Third Party Insurance Fund	2,274	2,147
Government Insurance Fund	47	32
RiskCover	533	569
Motor Vehicle (Catastrophic Injuries) Fund	303	185
Other	102	106
<i>Total</i>	<i>3,258</i>	<i>3,039</i>
Liability for outstanding claims (undiscounted)	3,912	3,517
Discount to present value	-654	-478
<i>Total Liability for outstanding claims (undiscounted)</i>	<i>3,258</i>	<i>3,039</i>

	2018 %	2017 %
Claims expected to be paid:		
Not later than one year		
Inflation rate	1.72	1.77
Discount rate	1.90	1.60
Later than one year		
Inflation rate	2.56	2.57
Discount rate	2.10	2.45

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

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

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General Government

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	2018	2017
	\$m	\$m
Surplus /-deficit for period	-618	-2,474
Non-cash movements		
Depreciation	1,343	1,320
Increase/-decrease in accrual in employees benefits	-232	-209
-Increase/decrease in inventories	3	11
-Increase/decrease in receivables	-118	-204
-Increase/decrease in prepayments and other assets	-2	-181
Increase/-decrease in payables	-17	8
Increase/-decrease in other liabilities and accruals	45	74
Net GST receipts/-payments	47	35
Other non-cash net asset transfers	8	13
Adjustment for other non-cash items	-61	66
<b>Net cash flows from operating activities as shown in the Cash Flow Statement</b>	<b>399</b>	<b>-1,541</b>

Total Public Sector

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	2018	2017
	\$m	\$m
Surplus /-deficit for period	-1,623	-2,744
Non-cash movements		
Depreciation	3,362	3,399
Premium discount amortisation	-255	-349
Increase/-decrease in accrual in employees benefits	-322	-332
-Increase/decrease in inventories	321	556
-Increase/decrease in receivables	-818	-112
-Increase/decrease in prepayments and other assets	-20	-168
Increase/-decrease in payables	238	-339
Increase/-decrease in other liabilities and accruals	400	219
Net GST receipts/-payments	73	-34
Other non-cash net asset transfers	-11	-138
Adjustment for other non-cash items	133	-72
<b>Net cash flows from operating activities as shown in the Cash Flow Statement</b>	<b>1,478</b>	<b>-114</b>

Note: Columns may not add due to rounding.

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## NOTE 26: CLOSING CASH BALANCES

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

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

General Government		
	2018	2017
	\$m	\$m
Cash assets as per the Balance Sheet	862	778
Investments included as cash on the Cash Flow Statement	5,498	4,061
<b>Total closing cash balance</b>	<b>6,360</b>	<b>4,839</b>
Total Public Sector		
	2018	2017
	\$m	\$m
Cash assets as per the Balance Sheet	2,079	2,136
Investments included as cash on the Cash Flow Statement	8,494	8,883
<b>Total closing cash balance</b>	<b>10,573</b>	<b>11,019</b>

Note: Columns may not add due to rounding.

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## NOTE 27: RESTRICTED FINANCIAL ASSETS

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There are restrictions on the uses of specific purpose Commonwealth grants. Funding received and not yet spent total \$191 million (2017: \$629 million).

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## NOTE 28: MONEYS HELD IN TRUST

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Moneys held in a trustee capacity are not controlled by the State and are excluded from assets and liabilities. An amount of \$434 million was held as at 30 June 2018, compared with \$423 million at 30 June 2017.

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## NOTE 29: EXPENDITURE COMMITMENTS

### General Government

#### Capital expenditure commitments (a)

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

	2018	2017
	\$m	\$m
Not later than one year	1,226	1,370
Later than one year and not later than five years	502	1,228
Later than five years	52	75
<b>Total</b>	<b>1,780</b>	<b>2,673</b>

#### Operating leases expenditure commitments

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

	2018	2017
	\$m	\$m
Not later than one year	159	213
Later than one year and not later than five years	368	435
Later than five years	451	684
<b>Total</b>	<b>978</b>	<b>1,332</b>

Operating lease expenses for the year amounted to \$681 million (2016-17: \$698 million).

#### Finance lease expenditure commitments

	2018	2017
	\$m	\$m
Not later than one year	-	22
Later than one year and not later than five years	-	174
Later than five years	-	688
<b>Total</b>	<b>-</b>	<b>884</b>

The Western Australian Sports Centre Trust was appointed as the governance agency for Optus Stadium and has capitalised the costs associated with the stadium (Optus Stadium officially opened on 21 January 2018).

#### Other commitments

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

	2018	2017
	\$m	\$m
Not later than one year	2,857	3,111
Later than one year and not later than five years	6,459	6,091
Later than five years	8,991	7,881
<b>Total</b>	<b>18,307</b>	<b>17,083</b>

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

- major health infrastructure totalling \$173 million (30 June 2017: \$406 million) including spending for the WA Country Health Service Southern Inland Initiative program, Newman hospital redevelopment, ongoing costs associated with the Perth Children's Hospital, North Metropolitan Health Service's medical equipments and relocation of Fremantle Dental and country hospital upgrades at Newman, Esperance, Kalgoorlie and Karratha Health Campus;
- school infrastructure of \$529 million (30 June 2017: \$574 million) for the building of new schools, and additions and improvements to primary and high schools;
- road infrastructure spending of \$652 million (30 June 2017: \$1.1 billion), including the Northlink Stage 2: Perth Darwin National Highway from Reid Highway to Ellenbrook (\$176 million), Northlink Stage 3: Perth Darwin National Highway from Ellenbrook to Muchea (\$120 million), Mitchell Freeway Southbound Widening from Cedric Street to Vincent Street (\$38 million), Design and Construct of Wyndham Spur (Stage 2) and Maggies Jump Up (\$29 million) and Design and Construct of the Kwinana Freeway Northbound Widening from Russel Road to Freight Rail (\$26 million); and
- spending on the New State Museum \$252 million (30 June 2017: \$343 million).

Note: Columns may not add due to rounding.

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## NOTE 29: EXPENDITURE COMMITMENTS (CONT.)

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### Total Public Sector

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**Capital expenditure commitments <sup>(b)</sup>**

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

	2018	2017
	\$m	\$m
Not later than one year	2,190	2,674
Later than one year and not later than five years	1,135	2,169
Later than five years	109	134
<b>Total</b>	<b>3,434</b>	<b>4,977</b>

**Operating leases expenditure commitments**

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

	2018	2017
	\$m	\$m
Not later than one year	332	395
Later than one year and not later than five years	900	1,047
Later than five years	804	1,476
<b>Total</b>	<b>2,037</b>	<b>2,918</b>

Operating lease expenses for the year amounted to \$786 million (30 June 2017: \$813 million).

**Finance lease expenditure commitments**

	2018	2017
	\$m	\$m
Not later than one year	-	22
Later than one year and not later than five years	-	174
Later than five years	-	688
<b>Total</b>	<b>-</b>	<b>884</b>

The Western Australian Sports Centre Trust was appointed as the governance agency for Optus Stadium and has capitalised the costs associated with the stadium (Optus Stadium officially opened on 21 January 2018).

**Other commitments**

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

	2018	2017
	\$m	\$m
Not later than one year	4,705	5,030
Later than one year and not later than five years	12,111	12,180
Later than five years	20,380	20,988
<b>Total</b>	<b>37,196</b>	<b>38,198</b>

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

- rail and bus infrastructure of \$786 million (30 June 2017: \$1.2 billion), including the new Forrestfield-Airport Link (\$618 million), additional purchases of buses, coaches and railcars (\$61 million), and miscellaneous projects;
- waste and wastewater projects of \$280 million (30 June 2017: \$338 million) including the Perth Groundwater Replenishment scheme and Woodman Point Wastewater Treatment Plant upgrade;
- housing infrastructure of \$95 million (30 June 2017: \$137 million), including dwelling construction and upgrades, land development and redevelopment, crisis accommodation program, joint venture land development, new living and affordable housing;
- future purchase of renewable energy certificates by Synergy – \$119 million (30 June 2017: \$94 million);
- capital expenditure by Pilbara Port Authority – \$96 million (30 June 2017: \$53 million), for the Channel Marker Replacement Program and Berth 3 Deck Replacement; and
- transmission and distribution capital expenditure by Western Power associated with customer-funded work, asset replacements, undergrounding and information technology initiatives – \$155 million (30 June 2017: \$156 million).

Note: Columns may not add due to rounding.

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### NOTE 30: CONTINGENT ASSETS AND LIABILITIES

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

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

#### 1. Quantifiable Contingent Assets and Liabilities at 30 June

The following material contingent assets and liabilities have been identified across the public sector.

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#### QUANTIFIABLE CONTINGENT ASSETS AND LIABILITIES AT 30 JUNE

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	2018	2017
	\$m	\$m
<i>Contingent Assets</i>		
General government <sup>(a)</sup>	22	8
Public non-financial corporations <sup>(b)</sup>	20	-
<b>Total</b>	<b>42</b>	<b>8</b>
<i>Contingent Liabilities</i>		
Contingent liabilities under guarantees, warranties, indemnities and sureties <sup>(c)</sup>	311	302
Other contingent liabilities <sup>(d)</sup>	562	549
Contingent liabilities in relation to public universities' superannuation liabilities <sup>(e)</sup>	82	89
<b>Total</b>	<b>955</b>	<b>940</b>

Note: Columns may not add due to rounding.

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#### (a) Quantifiable Contingent Assets – General Government Sector

A range of agencies have a number of small quantifiable contingent assets totalling \$22 million (30 June 2017: \$8 million).

#### (b) Quantifiable Contingent Assets – Public Non-financial Corporations Sector

Synergy (Electricity Generation and Retail Corporation) has contingent assets of \$18 million (30 June 2017: nil), attributed to a contractual dispute with a supplier where the resolution of the dispute is expected to be favourable. Another smaller contingent asset makes up the balance for the sector.

### **(c) Contingent Liabilities Under Guarantees, Warranties, Indemnities and Sureties**

#### ***Public Trustee Common Fund***

Deposits in the Public Trustee's Common Fund include balances held on behalf of third parties at 30 June each year. Guarantees for balances held in the Common Fund at 30 June 2018 totalled \$299 million (30 June 2017: \$285 million).

#### ***Water Corporation***

The Water Corporation issues bank guarantees in the normal course of business to guarantee the performance of the Water Corporation under contracts. At 30 June 2018, the value of these guarantees was \$12 million (30 June 2017: \$10 million).

### **(d) Other Contingent Liabilities**

#### ***Asbestos Injuries Compensation Fund***

On 16 October 2015, the Commonwealth Treasurer and all State and Territory Treasurers agreed on an approach for sharing the default risk of the Asbestos Injuries Compensation Fund (AICF). Each State's and Territory's share of the total default risk will reflect the proportion of claims paid in each jurisdiction since the inception of the Fund (after the Commonwealth takes responsibility for one-third of the default risk as it has agreed to do). According to the latest available information, in the 12 months to 31 March 2018, approximately 17% of all filed claims were in Western Australia, which equates to an estimated contingent liability of \$36.3 million. The arrangement for sharing the default risk will not have an immediate financial impact and a loan default scenario would only occur if James Hardie Pty Ltd, which is directly responsible for the AICF, went into receivership and was no longer able to contribute the Fund to pay for compensation claims.

#### ***Commissioner of Main Roads***

Claims have been lodged by owners of property acquired for road construction purposes and services provided under roadwork contracts. A contingent liability of \$250 million at 30 June 2018 (30 June 2017: \$259 million) reflects the difference between the owners' claims and estimated settlement prices determined by Main Roads in accordance with independent valuations, and also includes claims that have been submitted by contractors in relation to services provided under roadwork contracts.

### ***Western Australian Planning Commission***

Under the operation of the Metropolitan, Peel and Greater Bunbury Region Schemes, reservations exist on properties that may result in compensation being paid to the landholder or the property being acquired for the Western Australian Planning Commission's (WAPC) estate. The Commission, on an annual basis, sets such compensation and acquisition priorities. In some cases, the landholder disputes the compensation offered by the WAPC, either through arbitration or through Court action. Resolving such disputes forms part of the ordinary business of the WAPC and any additional payments that arise are managed within the resources of the Metropolitan Region Improvement Fund and the Regional Land Acquisition appropriation. The current estimate of this liability is approximately \$85 million (30 June 2017: \$17 million).

### ***Department of Justice***

The Department of Justice (which includes the former Department of the Attorney General) is subject to claims regarding criminal injuries with a number of these yet to be assessed, a number of criminal injuries compensation court appeals, and claims against the Department from the general public and offenders. The current estimate of this liability is approximately \$60 million (30 June 2017: \$53 million).

### ***WA Health***

WA Health has contingent liabilities of \$37 million (30 June 2017: \$17 million), which mainly comprises of the South Metropolitan Health Service's facilities management matters under negotiation, which is an ongoing part of contract management processes invoking formal contractual dispute mechanisms. These matters have not progressed to the 'litigation in process' stage. A portion of the liability also applies to the Department for other jurisdictions' charges for patients transferred to hospitals outside of Western Australia.

### ***Home Indemnity Insurance***

The contingent liability for Home indemnity Insurance (HII) is administered by the Department of Mines, Industry Regulation and Safety (which includes the former Department of Commerce). HII has been assessed to be the future claims liability (FCL) at 30 June 2018. The FCL is an estimation of the future claims costs which will arise as a result of events which will occur in the future for currently in-force HII policies. In accordance with the actuary's annual report, the future claims liability has been assessed at an approximate value of \$20 million (30 June 2017: \$23 million). An unquantifiable contingent liability for HII is disclosed later in this note.

### ***Public Transport Authority***

There are four separate claims that have been lodged by third parties, two with the State Administrative Tribunal and two with the Supreme Court, in relation to taking orders for the acquisition of land for the construction of public transport infrastructure. The four separate plaintiffs' claims are for a total of \$13 million (30 June 2017: nil) and the claims are scheduled to be heard at later dates.

### ***Synergy (Electricity Generation and Retail Corporation)***

Synergy is currently in a contractual dispute with a supplier, and the timing until resolution and the financial impacts of the dispute are uncertain. As such, a contingent liability of \$12 million (30 June 2017: nil) is disclosed, representing the Corporation's estimated exposure from the dispute at 30 June 2018.

### ***Department of Jobs, Tourism, Science and Innovation***

As the responsible Minister under the *Industry and Technology Development Act 1998*, the Minister for State Development, Jobs and Trade (or his predecessors) is a signatory to an Investment Security Guarantee (ISG) between the Minister, the General Manager of the Forest Products Commission (FPC) and timber processors. Under the ISG, the Minister is liable to pay compensation in the event of certain circumstances where the FPC is unable to supply contracted amounts of timber. The total contingent liability for this ISG at 30 June 2018 was \$12 million, unchanged from last year.

### ***Department of Mines, Industry Regulation and Safety***

Mining companies that are currently under administration owe royalties of approximately \$6 million, unchanged from last year. Action is being taken to recover the funds that were due in the quarter they went into administration. In the event that these funds are not collected, a bad debt expense may arise.

### ***Various Agencies***

Other quantifiable contingent liabilities include various legal and contractual claims against individual agencies totalling \$29 million (30 June 2017: \$126 million), as reported in the annual reports of those agencies.

### **(e) Contingent Liabilities in Relation to Public Universities' Superannuation Liabilities**

The *State Superannuation Act 2000* (SSA) repealed the *Government Employees Superannuation Act 1987* and the *Superannuation and Family Benefits Act 1938*. The schemes operating under those Acts continue under the SSA. The State guarantees the benefits payable under those schemes. Entitlements for State government employees under this guarantee are recognised as part of unfunded superannuation liabilities on the face of the balance sheet. However, public university employees are not employees of the State for the purposes of this *Annual Report on State Finances* (in recognition of the national control of higher education institutions exercised by the Commonwealth).

The guarantee for public universities' superannuation liabilities is \$82 million based on the actuarially assessed value of these entitlements at 30 June 2018 (30 June 2017: \$89 million).

## **2. Non-quantifiable Contingent Assets**

### ***Bell Recovery Action***

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

The Commission also has a potential exposure to cost of litigation and indemnities associated with funding the Liquidator's action. Due to the uncertainty of litigation outcomes, it is not practical to estimate the potential financial effect of these indemnities upon the Commission at the end of the reporting period.

### ***Other – litigation in progress***

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

## **3. Non-quantifiable Contingent Liabilities**

### ***Contaminated Sites***

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

### ***Forest Products Commission (FPC)***

The FPC has identified a potential shortfall of current pine resources that would be available to meet future contracted supply commitments. For the year ending 30 June 2018, there is a high degree of uncertainty regarding the likelihood, timing and amount of any potential shortfall and the Commission is therefore unable to determine a reliable estimate of the amount of any potential obligation that may arise in the future. The Commission is undertaking further analysis in order to develop and implement mitigation strategies, if necessary, and will continue to monitor the need for further disclosure, or a provision, at future reporting dates.



### ***Home Indemnity Insurance***

In addition to the quantified HII liability noted earlier, the State, through the Minister for Mines and Petroleum; Commerce and Industrial Relations; Electoral Affairs; Asian Engagement, previously entered into Deeds of Indemnity with private insurers QBE and Calliden (now Great Lakes Australia) that provided cover for large losses under the HII scheme resulting from the death, insolvency or disappearance of a builder or building group.

The Heads of Agreements with private insurers covering the previous HII arrangement, where the State reinsured private sector insurers for losses against any builder failure exceeding \$10 million, expired on 30 June 2013. These were subsequently extended until 31 October 2013 to allow the Government to consider long term options.

Since 1 November 2013, the State has wholly underwritten the provision of new HII policies to provide cover on an emerging cost basis for financial loss resulting from the death, insolvency or disappearance of a builder or building group. This arrangement was extended until 30 June 2020 to provide additional time to develop a longer term market based HII solution. From 1 July 2015, premiums for HII policies have been paid into the Home Indemnity Insurance Reinsurance Account administered by the Department of Mines, Industry Regulation and Safety, with any claims arising from these policies being met from the Account rather than on an emerging cost basis.

### ***James Point Proprietary Limited***

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

### ***Native Title claims***

The *Commonwealth Native Title Act 1993*, as amended, creates a liability for the States for any compensation in regards to loss or impairment of native title right and interests that occurred after 31 October 1975. There are 83 native title applications currently outstanding.

### ***Perth Airport Pty Ltd***

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

### ***Southern Ports Authority Bulk Loader***

The Southern Ports Authority has a contract to load bulk nickel for BHP Billiton Nickel West. This contract has encountered difficulty since 8 October 2011 as the bulk loader is no longer fit for purpose and deemed to be unviable. BHP Billiton Nickel West currently does not export its bulk nickel from Esperance. However, this situation may change. The bulk loader is currently not operational and will require repairs to render it operational. The status of the Authority's obligations is not determined and insufficient information is currently available to determine the financial impact, if any, in the event of a claim under the contract arrangements.

The Authority also has a contract with a power company at the Esperance port that contains a minimum electricity purchase quantity. Following the shipment of a major customer at Esperance port in June 2018, it is forecast that the Authority will not meet the minimum purchase quantity under the contract, unless significant trade replacement occurs. If the Authority does not meet its minimum purchase quantity, the supplier is entitled to recover a shortfall charge. The financial effect of any shortfall charge is not yet known due to the uncertainties surrounding the timing and quantum of any trade replacement. A potential customer announced on 13 June 2018 that it will be acquiring the assets of the departing major customer. However, as at 30 June 2018, the timing and volume of trade replacement is not yet known.

### ***Synergy (Electricity Generation and Retail Corporation)***

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

### ***Removal of Statutory Limitation Periods for Civil Litigation by Victims of Child Sexual Abuse – the Civil Liability Legislation Amendment (Child Sexual Abuse Actions) Act 2018***

The *Civil Liability Legislation Amendment (Child Sexual Abuse Actions) Act 2018* to remove statutory limitation periods for victims of historical child sexual abuse came into operation on 1 July 2018. The removal of statutory limitation periods potentially exposes organisations in which abuse occurred (including State-based institutions) to claims for damages and compensation. The implementation of this reform represents an unquantified liability to the State that will be assessed and funded on an emerging basis, in line with the settlement of resulting claims.

### ***Western Australian Government Participation in the National Redress Scheme for Institutional Child Sexual Abuse***

In response to the recommendation made by the Royal Commission into Institutional Responses to Child Sexual Abuse, the Commonwealth Government has established a National Redress Scheme for Institutional Child Sexual Abuse (the Scheme). The Western Australian Government publicly announced its decision to join the Scheme on 27 June 2018 and the legislation to facilitate the State's involvement in the scheme is expected to be passed by Parliament in late 2018. The Scheme will be open for 10 years and the State's financial contributions to the Scheme are expected to be significant. The Government has committed to the full-funding of these future claims, which is to be reflected in the 2018-19 Mid-year Review.

### ***State-wide Building Cladding Audit***

In September 2017 the Department of Mines, Industry Regulation and Safety contacted all government departments and agencies regarding the risk presented by combustible building cladding and requested that they undertake audits of their respective portfolios. The audits are due for completion by 31 December 2018, following which agencies will report the outcomes and any planned remedial actions and/or risk mitigation measures. While the audits are still in progress, a number of State-owned buildings have been identified as requiring remedial action. The nature and costs of any remediation are uncertain and cannot be quantified at this time.

### ***Other***

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

A range of significant infrastructure projects have reached or are reaching completion (such as the Perth Children's Hospital and Optus Stadium). There may be claims that arise in relation to works or activities associated with such projects. Claims will generally be subject to a period of negotiation and may either be withdrawn, subsequently settled (at a value agreed between the two parties), or proceed to some alternative process for resolution such as through legal action. Where costs are negotiated and claims settled, these are reflected in the financial statements.

Contingent liabilities may arise from time to time under certain conditions under various statutes. The circumstances for such potential future liabilities are varied and may be subject to quantification and further detail if and when provisions under an Act give rise to a potential obligation.

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**NOTE 31: FINANCIAL INSTRUMENTS**

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**(a) Financial Risk Management Objectives and Policies**

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

***Credit risk***

Credit risk in relation to financial assets is the risk that a third party will not meet its obligation in accordance with agreed terms. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Balance Sheet. Credit risk in relation to cash assets and fixed interest securities is mitigated by investing in counter-parties that have acceptable credit ratings. Credit risk concentration is minimised in relation to financial assets and hedging instruments, and public sector agencies do not have significant exposures to any concentrations of credit risk. Generally, agencies exposures are to a large number of customers or highly rated counter-parties and their credit risks are very low. There is a high degree of geographically-based concentrations of recognised financial assets in Australia. Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 11: *Receivables*.

***Liquidity risk***

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

***Currency risk***

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

***Market risk***

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

***Interest rate risk***

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The interest rate risk by class of recognised financial asset and financial liability at 30 June 2018 is shown in the tables below. The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets or liabilities. For ‘floating’ instruments, the rate is the current market rate. The bands reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

**(b) Fair Value of Financial Assets and Liabilities**

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

**(c) Derivative Financial Instruments**

The public sector limits dealings in derivatives to only those counter-parties that are recognised financial intermediaries and possess a credit rating of ‘A’ or better. The public sector does not have a material exposure to any individual counter-party. The following table provides details of outstanding derivatives used for hedging purposes at 30 June 2018.

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**NOTE 31: FINANCIAL INSTRUMENTS (CONT.)**


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**General Government**


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*Categories of Financial Instruments*

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

	2018	2017
	\$m	\$m
<b>Financial Assets</b>		
Cash and deposits	862	778
Receivables	2,868	2,871
Investments, loans and placements	5,682	4,278
Advances paid	741	717
Shares and other equity	51,832	56,928
Other financial assets	8	8
<b>Financial Liabilities</b>		
Deposits held	553	646
Advances received	360	376
Borrowings	28,109	23,572
Payables	1,277	1,294
Other employee benefits	125	116
Other financial liabilities	967	996

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

<i>Fair Values</i>	Notional face	Net fair	Credit
	Value	Value	Exposure
	2018	2018	2018
	\$m	\$m	\$m
Interest rate contracts	-	-	-
Forward exchange contracts	2	-	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
<b>Total</b>	<b>2</b>	<b>-</b>	<b>-</b>

<i>Fair Values</i>	Notional face	Net fair	Credit
	Value	Value	Exposure
	2017	2017	2017
	\$m	\$m	\$m
Interest rate contracts	-	-	-
Forward exchange contracts	1	-	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>

Note: Columns may not add due to rounding.

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**NOTE 31: FINANCIAL INSTRUMENTS (CONT.)**


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**Total Public Sector**


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*Categories of Financial Instruments*

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

	2018	2017
	\$m	\$m
<b>Financial Assets</b>		
Cash and deposits	2,079	2,136
Receivables	4,813	3,997
Investments, loans and placements	16,733	18,631
Advances paid	4,345	3,710
Shares and other equity	1,854	2,101
Other financial assets	8	14
<b>Financial Liabilities</b>		
Deposits held	23	26
Advances received	360	376
Borrowings	57,379	56,021
Payables	6,470	6,085
Guarantees	311	302
Other employee benefits	146	135
Other financial liabilities	3,886	3,641

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

<i>Fair Values</i>	Notional face	Net fair	Credit
	Value	Value	Exposure
	2018	2018	2018
	\$m	\$m	\$m
Interest rate contracts	13,687	355	581
Forward exchange contracts	13	9	-
Futures contracts	-	-	-
Commodity contracts	269	69	2
<b>Total</b>	<b>13,970</b>	<b>433</b>	<b>584</b>

<i>Fair Values</i>	Notional face	Net fair	Credit
	Value	Value	Exposure
	2017	2017	2017
	\$m	\$m	\$m
Interest rate contracts	14,312	497	736
Forward exchange contracts	4	1	-
Futures contracts	-	-2	-
Commodity contracts	480	50	-
<b>Total</b>	<b>14,796</b>	<b>547</b>	<b>736</b>

Note: Columns may not add due to rounding.

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## NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

### General Government

#### General Government

#### *Interest rate risk exposure*

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

30 June 2018

	Fixed Interest Maturing in							Total carrying amount	Weighted average effective interest rate
	Floating interest rate	up to 3 months	3 to 12 months	1 year to 5 years	Over 5 years	Total Fixed interest rate	Non-interest bearing		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m		
<b>Financial assets</b>									
Cash and deposits	328	105	6	37	-	148	386	862	1.5
Receivables <sup>(a)</sup>	4	-	0	0	0	0	2,864	2,868	0.4
Investments, loans and placements	26	2,148	1,272	1,811	398	5,628	28	5,682	2.1
Advances paid:									
Non-government schools	-	8	23	124	145	299	-	299	5.5
Other advances	-	-	7	18	12	37	404	441	4.4
Shares and other equity	-	-	-	-	-	-	51,832	51,832	-
Other financial assets	-	-	-	-	-	-	8	8	-
<b>Total financial assets</b>	<b>358</b>	<b>2,261</b>	<b>1,308</b>	<b>1,990</b>	<b>555</b>	<b>6,112</b>	<b>55,522</b>	<b>61,992</b>	
<b>Financial liabilities</b>									
Deposits held	-	219	119	157	35	530	23	553	1.9
Advances received	-	-	-	-	-	-	360	360	-
Borrowings	620	21	2,904	14,952	9,601	27,478	10	28,109	3.3
Payables <sup>(b)</sup>	-	-	-	-	-	-	1,277	1,277	-
Other employee benefits	-	-	-	-	-	-	125	125	-
Other financial liabilities	-	-	-	-	-	-	967	967	-
<b>Total financial liabilities</b>	<b>620</b>	<b>240</b>	<b>3,023</b>	<b>15,109</b>	<b>9,636</b>	<b>28,008</b>	<b>2,762</b>	<b>31,391</b>	

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

(b) The amount of payables excludes GST payable to the Australian Taxation Office (statutory payable).

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



## NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

### General Government

30 June 2017

#### Fixed Interest Maturing in

	Floating interest rate	up to 3 months	3 to 12 months	1 year to 5 years	Over 5 years	Total Fixed interest rate	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Financial assets</b>									
Cash and deposits	316	117	7	33	-	157	306	778	1.5
Receivables <sup>(a)</sup>	5	-	1	1	-	2	2,864	2,871	2.4
Investments, loans and placements	56	449	2,332	1,077	329	4,188	35	4,278	2.0
Advances paid:									
Non-government schools	-	8	23	118	129	278	-	278	5.8
Other advances	-	-	5	17	11	33	407	439	3.7
Shares and other equity	-	-	-	-	-	-	56,928	56,928	-
Other financial assets	-	-	-	-	-	-	8	8	-
<b>Total financial assets</b>	<b>377</b>	<b>574</b>	<b>2,368</b>	<b>1,245</b>	<b>469</b>	<b>4,656</b>	<b>60,548</b>	<b>65,581</b>	
<b>Financial liabilities</b>									
Deposits held	-	65	346	159	50	620	26	646	2.0
Advances received	-	-	-	-	-	-	376	376	-
Borrowings	42	339	1,912	13,218	7,826	23,294	235	23,572	3.2
Payables <sup>(b)</sup>	-	-	-	-	-	-	1,294	1,294	-
Other employee benefits	-	-	-	-	-	-	116	116	-
Other financial liabilities	-	-	-	-	-	-	996	996	-
<b>Total financial liabilities</b>	<b>42</b>	<b>403</b>	<b>2,259</b>	<b>13,377</b>	<b>7,875</b>	<b>23,914</b>	<b>3,043</b>	<b>26,999</b>	

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

(b) The amount of payables excludes GST payable to the Australian Taxation Office (statutory payable).

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

## NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

### Total Public Sector

#### *Interest rate risk exposure*

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

30 June 2018

	Fixed Interest Maturing in					Total Fixed interest rate \$m	Non-interest bearing \$m	Total carrying amount \$m	Weighted average effective interest rate %
	Floating interest rate \$m	up to 3 months \$m	3 to 12 months \$m	1 year to 5 years \$m	Over 5 years \$m				
<b>Financial assets</b>									
Cash and deposits	1,366	258	6	37	14	315	399	2,079	1.8
Receivables <sup>(a)</sup>	4	168	1	-	-	169	4,640	4,813	1.6
Investments, loans and placements	677	4,744	3,792	3,495	1,198	13,229	2,827	16,733	2.2
Advances paid:									
Homebuyers	3,980	-	-	-	-	-	-	3,980	4.7
Non-government schools	-	8	23	124	145	299	-	299	5.5
Other	-	-	7	18	12	37	29	66	4.4
Shares and other equity	-	-	-	-	-	-	1,854	1,854	-
Other financial assets	-	-	-	-	-	-	8	8	-
<b>Total financial assets</b>	<b>6,026</b>	<b>5,177</b>	<b>3,829</b>	<b>3,673</b>	<b>1,369</b>	<b>14,049</b>	<b>9,757</b>	<b>29,832</b>	
<b>Financial liabilities</b>									
Deposits held	-	-	-	-	-	-	23	23	-
Advances received	-	-	17	70	273	360	-	360	4.6
Borrowings	644	10,939	5,134	22,595	17,441	56,109	627	57,379	2.8
Payables <sup>(b)</sup>	10	950	-	-	-	950	5,510	6,470	0.3
Guarantees <sup>(c)</sup>	-	-	-	-	-	-	311	311	-
Other employee benefits	-	-	-	-	-	-	146	146	-
Other financial liabilities	-	-	-	-	-	-	3,886	3,886	-
<b>Total financial liabilities</b>	<b>654</b>	<b>11,889</b>	<b>5,150</b>	<b>22,665</b>	<b>17,714</b>	<b>57,419</b>	<b>10,503</b>	<b>68,576</b>	

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

(b) The amount of payables excludes GST payable to the Australian Taxation Office (statutory payable).

(c) Includes guarantees warranties, indemnities and sureties. See Note 30: *Contingent Assets and Liabilities*.

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

## NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

### Total Public Sector

30 June 2017

	Fixed Interest Maturing in					Total Fixed interest rate \$m	Non-interest bearing \$m	Total carrying amount \$m	Weighted average effective interest rate %
	Floating interest rate \$m	up to 3 months \$m	3 to 12 months \$m	1 year to 5 years \$m	Over 5 years \$m				
<b>Financial assets</b>									
Cash and deposits	1,383	370	7	33	-	409	344	2,136	1.9
Receivables <sup>(a)</sup>	14	-	3	1	-	4	3,979	3,997	2.1
Investments, loans and placements	848	6,393	4,286	3,248	1,870	15,797	1,986	18,631	2.4
Advances paid:									
Homebuyers	3,372	-	-	-	-	-	-	3,372	4.8
Non-government schools	-	8	23	118	129	278	-	278	5.8
Other	-	-	5	17	11	33	28	60	3.7
Shares and other equity	-	-	-	-	-	-	2,101	2,101	-
Other financial assets	-	-	-	-	-	-	14	14	-
<b>Total financial assets</b>	<b>5,618</b>	<b>6,770</b>	<b>4,325</b>	<b>3,416</b>	<b>2,009</b>	<b>16,520</b>	<b>8,452</b>	<b>30,590</b>	
<b>Financial liabilities</b>									
Deposits held	-	-	-	-	-	-	26	26	-
Advances received	-	-	16	69	291	376	-	376	4.6
Borrowings	1,130	13,642	734	21,834	16,499	52,709	2,182	56,021	3.3
Payables <sup>(b)</sup>	-	689	-	-	10	699	5,386	6,085	0.4
Guarantees <sup>(c)</sup>	-	-	-	-	-	-	302	302	-
Other employee benefits	-	-	-	-	-	-	135	135	-
Other financial liabilities	-	-	-	-	-	-	3,641	3,641	-
<b>Total financial liabilities</b>	<b>1,130</b>	<b>14,331</b>	<b>750</b>	<b>21,902</b>	<b>16,800</b>	<b>53,784</b>	<b>11,672</b>	<b>66,586</b>	

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

(b) The amount of payables excludes GST payable to the Australian Taxation Office (statutory payable).

(c) Includes guarantees, warranties, indemnities and sureties. See Note 30: *Contingent Assets and Liabilities*.

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

## NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

### General Government

	30 June 2018					30 June 2017				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets</b>										
Cash and deposits	433	-4	-4	4	4	433	-4	-4	4	4
Receivables	4	-	-	-	-	5	-	-	-	-
Investments, loans and placements	2,174	-22	-22	22	22	505	-5	-5	5	5
Advances paid	8	-	-	-	-	8	-	-	-	-
<b>Financial Liabilities</b>										
Deposits held	219	2	2	-2	-2	65	1	1	-1	-1
Borrowings	641	6	6	-6	-6	381	4	4	-4	-4
<b>Total Increase/-Decrease</b>		<b>-18</b>	<b>-18</b>	<b>18</b>	<b>18</b>		<b>-5</b>	<b>-5</b>	<b>5</b>	<b>5</b>

### Total Public Sector

	30 June 2018					30 June 2017				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets</b>										
Cash and deposits	1,623	-16	-16	16	16	1,752	-18	-18	18	18
Receivables	172	-2	-2	2	2	14	-	-	-	-
Investments, loans and placements	5,420	-54	-54	54	54	7,241	-72	-72	72	72
Advances paid	3,987	-40	-40	40	40	3,380	-34	-34	34	34
<b>Financial Liabilities</b>										
Borrowings	11,583	116	116	-116	-116	14,772	148	148	-148	-148
Payables	960	10	10	-10	-10	689	7	7	-7	-7
<b>Total Increase/-Decrease</b>		<b>13</b>	<b>13</b>	<b>-13</b>	<b>-13</b>		<b>31</b>	<b>31</b>	<b>-31</b>	<b>-31</b>

Note: Columns may not add due to rounding.

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**NOTE 31: FINANCIAL INSTRUMENTS (CONT.)**


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**General Government**


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	Carrying	Fair value measurement at end of reporting		
	amount as at	period using:		
	30 June	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>
2018	\$m	\$m	\$m	\$m
<b>Financial Assets</b>				
Investments, loans and placements	5,667	930	4,720	17
Shares and other equity	51,346	16	-	51,330
Other financial assets	8	-	-	8
<b>Financial Liabilities</b>				
Borrowings	-	-	-	-
<hr/>				
	Carrying	Fair value measurement at end of reporting		
	amount as at	period using:		
	30 June	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>
2017	\$m	\$m	\$m	\$m
<b>Financial Assets</b>				
Investments, loans and placements	4,263	237	4,001	26
Shares and other equity	56,979	3	12	56,964
Other financial assets	8	-	-	8
<b>Financial Liabilities</b>				
Borrowings	4	-	-	4

**Total Public Sector**


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	Carrying	Fair value measurement at end of reporting		
	amount as at	period using:		
	30 June	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>
2018	\$m	\$m	\$m	\$m
<b>Financial Assets</b>				
Investments, loans and placements	15,135	3,464	10,711	959
Shares and other equity	1,857	1,808	18	32
Other financial assets	8	-	-	8
<b>Financial Liabilities</b>				
Borrowings	54,687	43,147	11,540	-
Payables	3,907	3,907	-	-
<hr/>				
	Carrying	Fair value measurement at end of reporting		
	amount as at	period using:		
	30 June	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>
2017	\$m	\$m	\$m	\$m
<b>Financial Assets</b>				
Investments, loans and placements	14,404	1,971	11,672	760
Shares and other equity	2,124	2,050	37	36
Other financial assets	8	-	-	8
<b>Financial Liabilities</b>				
Borrowings	51,317	39,446	11,868	4
Payables	3,584	3,584	-	-

- (a) Assets/liabilities valued using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Assets/liabilities valued using inputs based on observable market data (either directly using prices or indirectly derived from prices).
- (c) Assets/liabilities valued using inputs not based on observable market data.

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

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## **NOTE 32: OTHER DISAGGREGATED INFORMATION**

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

The total public sector (or whole-of-government) includes agencies classified into general government, public non-financial corporation and public financial corporation sectors in accordance with the Australian Bureau of Statistics' (ABS') coverage for Government Finance Statistics purposes. Details of the classification of State agencies are provided in Note 35: *Composition of Sectors*.

### **(b) Information by Sectors**

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

## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

### Operating Statement for the year ended 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	Restated <sup>(a)</sup>		Restated <sup>(a)</sup>						Restated <sup>(a)</sup>	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>RESULTS FROM TRANSACTIONS</b>										
<b>REVENUE</b>										
Taxation	8,601	8,604	-	-	-	-	-487	-487	8,114	8,117
Current grants and subsidies	8,529	8,091	1,891	2,121	-	-	-1,891	-2,121	8,529	8,091
Capital grants	1,263	513	151	129	-	-	-151	-129	1,263	513
Sales of goods and services	2,456	2,261	18,311	17,943	1,231	1,129	-931	-731	21,067	20,602
Interest Income	170	196	139	145	1,799	1,765	-1,523	-1,509	585	597
Revenue from public corporations										
Dividends	1,718	837	-	-	-	-	-1,718	-837	-	-
Tax equivalent income	677	534	-	-	-	-	-677	-534	-	-
Royalty income	5,231	5,272	-	-	-	-	-	-	5,231	5,272
Other	688	604	446	493	10	0	-113	-118	1,031	979
<b>Total</b>	<b>29,332</b>	<b>26,913</b>	<b>20,938</b>	<b>20,830</b>	<b>3,040</b>	<b>2,894</b>	<b>-7,491</b>	<b>-6,466</b>	<b>45,819</b>	<b>44,172</b>
<b>EXPENSES</b>										
Salaries	12,193	11,610	1,044	1,147	59	55	-	-	13,297	12,811
Superannuation										
Concurrent costs	1,199	1,166	99	115	6	5	-	-	1,305	1,287
Superannuation interest cost	177	156	-	-	-	-	-	-	177	156
Other employee costs	359	322	39	44	2	2	-137	-141	263	228
Depreciation and amortisation	1,343	1,320	2,015	2,074	4	5	-	-	3,362	3,399
Services and contracts	2,432	2,393	848	912	10	11	-6	-6	3,285	3,309
Other gross operating expenses	5,852	5,808	13,908	13,564	966	1,013	-1,000	-781	19,726	19,603
Other interest	891	783	779	861	1,540	1,579	-1,523	-1,509	1,688	1,714
Tax equivalents	-	-	560	483	117	51	-677	-534	-	-
Current transfers	5,061	5,280	1,120	1,094	4	5	-2,210	-2,452	3,975	3,927
Capital transfers	442	549	67	57	11	5	-155	-129	365	482
<b>Total</b>	<b>29,949</b>	<b>29,387</b>	<b>20,480</b>	<b>20,350</b>	<b>2,721</b>	<b>2,730</b>	<b>-5,708</b>	<b>-5,551</b>	<b>47,442</b>	<b>46,916</b>
<b>NET OPERATING BALANCE</b>	<b>-618</b>	<b>-2,474</b>	<b>458</b>	<b>480</b>	<b>320</b>	<b>164</b>	<b>-1,782</b>	<b>-914</b>	<b>-1,623</b>	<b>-2,744</b>

(a) See Note 3(y): Correction of overstated land valuations.

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

## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

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

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2018	Restated <sup>(a)</sup> 2017	2018	Restated <sup>(a)</sup> 2017	2018	2017	2018	2017	2018	Restated <sup>(a)</sup> 2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>Other economic flows - included in the operating result</i>										
Net gains on assets/liabilities	-132	-193	47	82	196	298	-	-	111	187
Net actuarial gains - superannuation	211	659	-6	-23	2	2	-	-	206	638
Provision for doubtful debts	-51	-41	-15	-60	-	-	-	-	-66	-102
Changes in accounting policy/adjustment of prior periods	-41	143	-1,043	-1,068	-108	-84	-	-	-1,192	-1,008
<i>Total other economic flows</i>	-14	568	-1,017	-1,069	90	215	-	-	-941	-285
<b>OPERATING RESULT</b>	<b>-631</b>	<b>-1,905</b>	<b>-559</b>	<b>-589</b>	<b>410</b>	<b>379</b>	<b>-1,782</b>	<b>-914</b>	<b>-2,563</b>	<b>-3,030</b>
<i>All other movements in equity</i>										
<i>Items that will not be reclassified to operating result</i>										
Revaluations	-713	-3,027	-957	130	1	1	-	-	-1,669	-2,896
Gains recognised directly in equity	-9	15	1,143	1,058	107	83	-	-	1,241	1,155
Change in net worth of the public corporations sectors	-1,638	147	-	-	-	-	1,638	-147	-	-
All other	-	-	-	-	-	-	-	-	-	-
<i>Total all other movements in equity</i>	<b>-2,360</b>	<b>-2,865</b>	<b>186</b>	<b>1,187</b>	<b>108</b>	<b>84</b>	<b>1,638</b>	<b>-147</b>	<b>-428</b>	<b>-1,741</b>
<i>Movements in owner equity</i>										
Dividends	-	-	-1,560	-713	-223	-202	1,782	914	-	-
Capital injections	-	-	444	870	-86	-30	-358	-839	-	-
<i>Total movements in owner equity</i>	<b>-</b>	<b>-</b>	<b>-1,116</b>	<b>157</b>	<b>-309</b>	<b>-232</b>	<b>1,424</b>	<b>75</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET WORTH</b>	<b>-2,991</b>	<b>-4,771</b>	<b>-1,489</b>	<b>755</b>	<b>209</b>	<b>231</b>	<b>1,280</b>	<b>-986</b>	<b>-2,991</b>	<b>-4,771</b>
<b>KEY FISCAL AGGREGATES</b>										
<b>NET OPERATING BALANCE</b>	<b>-618</b>	<b>-2,474</b>	<b>458</b>	<b>480</b>	<b>320</b>	<b>164</b>	<b>-1,782</b>	<b>-914</b>	<b>-1,623</b>	<b>-2,744</b>
<i>Less Net acquisition of non-financial assets</i>										
Purchase of non-financial assets	2,438	2,341	2,621	2,874	3	4	-10	-83	5,052	5,137
Changes in inventories	-3	-11	-319	-437	-	-	-	-	-321	-449
Other movement in non-financial assets	513	240	84	131	-	-	-	-	596	371
<i>less:</i>										
Sales of non-financial assets	82	132	495	527	-	-	-10	-83	567	576
Depreciation	1,343	1,320	2,015	2,074	4	5	-	-	3,362	3,399
<i>Total net acquisition of non-financial assets</i>	<b>1,524</b>	<b>1,119</b>	<b>-124</b>	<b>-33</b>	<b>-2</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>1,398</b>	<b>1,085</b>
<b>NET LENDING/-BORROWING</b>	<b>-2,141</b>	<b>-3,592</b>	<b>582</b>	<b>514</b>	<b>321</b>	<b>165</b>	<b>-1,782</b>	<b>-914</b>	<b>-3,021</b>	<b>-3,829</b>

(a) See Note 3(y): Correction of overstated land valuations.

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



## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

### Balance Sheet as at 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	Restated <sup>(a)</sup>		Restated <sup>(a)</sup>						Restated <sup>(a)</sup>	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>										
<i>Financial assets</i>										
Cash and deposits	862	778	1,441	1,750	303	224	-527	-616	2,079	2,136
Advances paid	741	717	-	-	3,980	3,372	-375	-379	4,345	3,710
Investments, loans and placements	5,682	4,278	4,648	4,034	59,075	57,333	-52,673	-47,032	16,733	18,613
Receivables	3,212	3,099	1,825	1,117	705	633	-765	-659	4,976	4,190
Shares and other equity										
Investments in other public sector entities - equity method	42,406	44,044	-	-	-	-	-42,406	-44,044	-	-
Investments in other public sector entities - direct injections	9,377	9,019	-	-	-	-	-9,377	-9,019	-	-
Investments in other entities	48	51	-	-	1,806	2,050	-	-	1,854	2,101
Other financial assets	8	8	743	801	5	6	-743	-801	13	14
<i>Total financial assets</i>	<i>62,337</i>	<i>61,995</i>	<i>8,656</i>	<i>7,702</i>	<i>65,874</i>	<i>63,618</i>	<i>-106,867</i>	<i>-102,551</i>	<i>30,001</i>	<i>30,764</i>
<i>Non-financial assets</i>										
Land	36,406	37,269	9,102	9,737	-	-	-	-	45,508	47,006
Property, plant and equipment	44,709	42,640	55,582	55,889	3	4	-	-	100,294	98,534
Biological assets	3	8	329	326	-	-	-	-	332	334
Inventories										
Land inventories	-	-	1,902	1,966	-	-	-	-	1,902	1,966
Other inventories	70	73	3,661	3,980	-	-	-	-	3,731	4,052
Intangibles	627	680	451	432	6	7	-	-	1,085	1,119
Assets held for sale	125	111	59	24	-	-	-	-	183	135
Investment property	7	7	70	59	-	196	-	-	77	262
Other	248	665	158	138	3	4	-	-	408	806
<i>Total non-financial assets</i>	<i>82,196</i>	<i>81,453</i>	<i>71,313</i>	<i>72,552</i>	<i>12</i>	<i>210</i>	<i>-</i>	<i>-</i>	<i>153,520</i>	<i>154,215</i>
<b>TOTAL ASSETS</b>	<b>144,532</b>	<b>143,447</b>	<b>79,969</b>	<b>80,254</b>	<b>65,886</b>	<b>63,829</b>	<b>-106,867</b>	<b>-102,551</b>	<b>183,521</b>	<b>184,979</b>

(a) See Note 3(y): Correction of overstated land valuations.

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

## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

### Balance Sheet as at 30 June (cont.)

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>LIABILITIES</b>										
Deposits held	553	646	-	-	-	-	-530	-620	23	26
Advances received	360	376	372	376	3	3	-375	-379	360	376
Borrowings	28,109	23,572	22,726	21,869	59,214	57,609	-52,670	-47,029	57,379	56,021
Superannuation	6,541	7,043	90	116	5	7	-	-	6,636	7,166
Other employee benefits	3,033	2,911	354	391	11	11	-	-	3,398	3,313
Payables	1,277	1,294	5,277	4,955	234	205	-315	-219	6,473	6,235
Other liabilities	1,425	1,380	1,586	1,495	4,198	3,983	-1,193	-1,241	6,016	5,616
<b>TOTAL LIABILITIES</b>	<b>41,297</b>	<b>37,221</b>	<b>30,406</b>	<b>29,202</b>	<b>63,665</b>	<b>61,817</b>	<b>-55,083</b>	<b>-49,488</b>	<b>80,285</b>	<b>78,753</b>
<b>NET ASSETS</b>	<b>103,236</b>	<b>106,226</b>	<b>49,563</b>	<b>51,052</b>	<b>2,221</b>	<b>2,011</b>	<b>-51,784</b>	<b>-53,064</b>	<b>103,236</b>	<b>106,226</b>
<i>Of which:</i>										
Contributed equity	-	-	9,477	9,033	-100	-14	-9,377	-9,019	-	-
Accumulated surplus	5,907	6,553	18,344	19,337	2,297	2,003	7	7	26,555	27,900
Other reserves	97,329	99,673	21,742	22,682	23	22	-42,414	-44,051	76,680	78,326
<b>NET WORTH</b>	<b>103,236</b>	<b>106,226</b>	<b>49,563</b>	<b>51,052</b>	<b>2,221</b>	<b>2,011</b>	<b>-51,784</b>	<b>-53,064</b>	<b>103,236</b>	<b>106,226</b>

(a) See Note 3(y): Correction of overstated land valuations.

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

## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

### Statement of Changes in Equity for the year ended 30 June

	Restated Equity at 1 July 2017 <sup>(a)</sup> \$m	Change in net worth \$m	Contributed capital \$m	Dividends \$m	Other \$m	Equity at 30 June 2018 \$m
<b>General Government Sector</b>						
Accumulated surplus/(deficit)	6,553	-631	-	-	-15	5,907
Reserves	55,629	-713	-	-	6	54,923
Accumulated net gain on equity investments in other sector entities	44,044	-1,638	-	-	-	42,406
<b>Total</b>	<b>106,226</b>	<b>-2,982</b>	<b>-</b>	<b>-</b>	<b>-9</b>	<b>103,236</b>
<b>Public Non Financial Corporations sector</b>						
Accumulated surplus/(deficit)	19,337	-559	-	-1,560	1,126	18,344
Contributed equity	9,033	-	444	-	-	9,477
Reserves	22,682	-957	-	-	17	21,742
<b>Total</b>	<b>51,052</b>	<b>-1,516</b>	<b>444</b>	<b>-1,560</b>	<b>1,143</b>	<b>49,563</b>
<b>Public Financial Corporations sector</b>						
Accumulated surplus/(deficit)	2,003	410	-	-223	107	2,297
Contributed Equity	-14	-	-86	-	-	-100
Reserves	22	1	-	-	-	23
<b>Total</b>	<b>2,011</b>	<b>411</b>	<b>-86</b>	<b>-223</b>	<b>107</b>	<b>2,221</b>
<b>Inter-sector eliminations</b>						
Accumulated surplus/(deficit)	7	-1,782	-	1,782	-	7
Contributed Equity	-9,019	-	-358	-	-	-9,377
Reserves	-7	-	-	-	-	-7
Accumulated net gain on equity investments in other sector entities	-44,044	1,638	-	-	-	-42,406
<b>Total</b>	<b>-53,064</b>	<b>-144</b>	<b>-358</b>	<b>1,782</b>	<b>-</b>	<b>-51,784</b>
<b>Total Public Sector</b>						
Accumulated surplus/(deficit)	27,900	-2,563	-	-	1,218	26,555
Contributed Equity	-	-	-	-	-	-
Reserves	78,326	-1,669	-	-	23	76,680
<b>Total</b>	<b>106,226</b>	<b>-4,232</b>	<b>-</b>	<b>-</b>	<b>1,241</b>	<b>103,236</b>

(a) See Note 3(y): *Correction of overstated land valuations.*

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

## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

### Cash Flow Statement for the year ended 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>										
<i>Cash received</i>										
Taxes received	8,567	8,463	-	-	-	-	-490	-492	8,077	7,971
Grants and subsidies received	9,773	8,529	2,048	2,250	-	-	-2,048	-2,250	9,773	8,529
Receipts from sales of goods and services	2,662	2,303	18,366	17,976	1,216	1,210	-898	-702	21,346	20,788
Interest receipts	158	193	135	151	1,797	1,731	-1,486	-1,467	604	609
Dividends and tax equivalents	2,280	1,484	78	87	-	-	-2,357	-1,572	-	-
Other	7,230	7,218	1,453	1,323	149	154	-371	-340	8,460	8,355
<i>Total cash received</i>	<i>30,670</i>	<i>28,191</i>	<i>22,078</i>	<i>21,787</i>	<i>3,162</i>	<i>3,095</i>	<i>-7,650</i>	<i>-6,822</i>	<i>48,260</i>	<i>46,252</i>
<i>Cash Paid</i>										
Wages, salaries and supplements, and superannuation	-13,801	-13,141	-1,234	-1,387	-66	-58	-	-	-15,101	-14,586
Payments for goods and services	-8,759	-8,608	-13,210	-12,922	-753	-815	1,232	1,002	-21,489	-21,342
Interest paid	-860	-758	-756	-811	-1,769	-1,965	1,486	1,467	-1,899	-2,068
Grants and subsidies paid	-5,125	-5,389	-663	-664	-0	-1	2,076	2,280	-3,712	-3,773
Dividends and tax equivalents	-	-	-516	-516	-46	-132	562	647	-	-
Other payments	-1,727	-1,836	-3,202	-3,109	-150	-152	498	501	-4,581	-4,596
<i>Total cash paid</i>	<i>-30,271</i>	<i>-29,732</i>	<i>-19,581</i>	<i>-19,409</i>	<i>-2,784</i>	<i>-3,122</i>	<i>5,854</i>	<i>5,897</i>	<i>-46,782</i>	<i>-46,366</i>
<i>NET CASH FLOWS FROM OPERATING ACTIVITIES</i>	<i>399</i>	<i>-1,541</i>	<i>2,497</i>	<i>2,378</i>	<i>378</i>	<i>-27</i>	<i>-1,796</i>	<i>-924</i>	<i>1,478</i>	<i>-114</i>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>										
<i>Cash flows from investments in non-financial assets</i>										
Purchase of non-financial assets	-2,438	-2,341	-2,621	-2,874	-3	-4	10	83	-5,052	-5,137
Sales of non-financial assets	82	132	495	527	-	-	-10	-83	567	576
<i>Total cash flows from investments in non-financial assets</i>	<i>-2,357</i>	<i>-2,210</i>	<i>-2,126</i>	<i>-2,347</i>	<i>-3</i>	<i>-4</i>	<i>-</i>	<i>-</i>	<i>-4,485</i>	<i>-4,561</i>
<i>Cash flows from investments in financial assets</i>										
<i>Cash received</i>										
For policy purposes	13	14	-	-	-	-	-	-	13	14
For liquidity purposes	76	83	100	133	6,014	5,920	-	-	6,189	6,136
<i>Cash paid</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
For policy purposes	-573	-861	-21	-3	-99	-	676	851	-16	-13
For liquidity purposes	-57	-46	-19	-84	-7,173	-7,548	-	-	-7,249	-7,678
<i>Total cash flows from investments in financial assets</i>	<i>-541</i>	<i>-809</i>	<i>60</i>	<i>45</i>	<i>-1,258</i>	<i>-1,628</i>	<i>676</i>	<i>851</i>	<i>-1,063</i>	<i>-1,541</i>
<i>NET CASH FLOWS FROM INVESTING ACTIVITIES</i>	<i>-2,898</i>	<i>-3,018</i>	<i>-2,065</i>	<i>-2,302</i>	<i>-1,260</i>	<i>-1,632</i>	<i>676</i>	<i>851</i>	<i>-5,548</i>	<i>-6,102</i>

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

## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

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

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>										
<i>Cash received</i>										
Advances received	16	16	13	-	-	-	-29	-16	-	-
Borrowings	4,318	5,166	12,475	17,641	30,393	33,750	-29,170	-40,406	18,015	16,150
Deposits received	-	-	-	-	-	-	-	-	-	-
Other financing receipts	156	46	623	904	13	-	-734	-905	57	45
<i>Total cash receipts from financing activities</i>	<i>4,490</i>	<i>5,227</i>	<i>13,110</i>	<i>18,545</i>	<i>30,406</i>	<i>33,750</i>	<i>-29,933</i>	<i>-41,327</i>	<i>18,072</i>	<i>16,195</i>
<i>Cash paid</i>										
Advances paid	-16	-16	-16	-16	-	-	16	16	-16	-16
Borrowings repaid	-182	-168	-12,201	-17,450	-30,969	-33,266	29,170	40,406	-14,181	-10,477
Deposits paid	-	-	-	-	-	-	-	-	-	-
Other financing payments	-271	-418	-51	-49	-	-0	71	54	-251	-413
Dividends paid	-	-	-1,560	-713	-236	-212	1,796	924	-	-
<i>Total payments for financing activities</i>	<i>-469</i>	<i>-602</i>	<i>-13,827</i>	<i>-18,228</i>	<i>-31,205</i>	<i>-33,477</i>	<i>31,053</i>	<i>41,400</i>	<i>-14,448</i>	<i>-10,906</i>
<i>NET CASH FLOWS FROM FINANCING ACTIVITIES</i>	<i>4,020</i>	<i>4,626</i>	<i>-717</i>	<i>317</i>	<i>-799</i>	<i>273</i>	<i>1,120</i>	<i>73</i>	<i>3,624</i>	<i>5,289</i>
<b>Net increase in cash and cash equivalents</b>	<b>1,521</b>	<b>66</b>	<b>-285</b>	<b>394</b>	<b>-1,682</b>	<b>-1,387</b>	<b>-</b>	<b>-</b>	<b>-446</b>	<b>-927</b>
Cash and cash equivalents at the beginning of the year	4,839	4,773	2,174	1,781	4,008	5,395	-2	-2	11,019	11,946
Cash and cash equivalents at the end of the year	6,360	4,839	1,889	2,174	2,326	4,008	-2	-2	10,573	11,019
Net cash flows from operating activities	399	-1,541	2,497	2,378	378	-27	-1,796	-924	1,478	-114
Net cash flows from investing in non-financial assets	-2,357	-2,210	-2,126	-2,347	-3	-4	-	-	-4,485	-4,561
Dividends paid	-	-	-1,560	-713	-236	-212	1,796	924	-	-
<b>Cash surplus/-deficit</b>	<b>-1,958</b>	<b>-3,751</b>	<b>-1,188</b>	<b>-682</b>	<b>139</b>	<b>-243</b>	<b>-</b>	<b>-</b>	<b>-3,007</b>	<b>-4,675</b>

Note: Columns/rows may not add due to rounding

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### **NOTE 33: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

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No events have arisen or taken effect in the period between the end of the reporting year and the date of this report that are likely to significantly impact the operations and/or outlook of the total public sector in subsequent years.

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### **NOTE 34: RELATED PARTY DISCLOSURES**

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General Government

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#### **Parent and controlling entity**

The general government sector comprises public sector agencies that are wholly owned and controlled by the Government of Western Australia and which are largely funded by centrally collected revenue such as taxes, royalties and Commonwealth grants. The agencies are engaged mainly in the provision of services outside the normal market mechanism, or that provide for the transfer of income for public policy purposes. Related parties of the general government sector include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all public non-financial and public financial corporations, included in Note 35: *Composition of sectors*;
- all associates and joint ventures; and
- the Government Employees Superannuation Board (GESB).

#### **Key Management Personnel (KMP)**

##### ***KMP Compensation***

KMP are those people having authority and responsibility for planning, directing and controlling the activities of the State. As the Western Australian Cabinet is the decision making body for the State, all State Cabinet Ministers are considered to be KMP of the State.

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## NOTE 34: RELATED PARTY DISCLOSURES (CONT.)

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Compensation of all Ministers is disclosed later in this note.

### Significant transactions with government-related entities

Transactions between general government agencies are eliminated on consolidation and are not included in this disclosure. The transactions below represent those between the general government sector and public corporations.

Significant transactions and balances include:

- taxation revenue:
  - (a) loan guarantee fees (\$135 million, 2017: \$131 million);
  - (b) payroll tax (\$85 million, 2017: \$89 million);
  - (c) land tax (\$65 million, 2017: \$68 million); and
  - (d) betting tax revenue (\$41 million, 2017: \$40 million);
- current grants and subsidies revenue (\$24 million, 2017: \$31 million);
- sales of goods and services:
  - (a) services rendered (\$29 million, 2017: \$30 million);
  - (b) service delivery agreement (\$185 million, 2017: nil); and
  - (c) other revenue (\$37 million, 2017: \$43 million);
- dividend revenue (\$1,724 million, 2017: \$838 million);
- Tax Equivalent Regime revenue (\$657 million, 2017: \$522 million);
- current transfers:
  - (a) operating subsidies (\$1,538 million, 2017: \$1,741 million);
  - (b) Royalties for Regions grants (\$38 million, 2017: \$143 million); and
  - (c) recurrent transfers (\$158 million, 2017: \$146 million);
- capital appropriations (\$425 million, 2017: \$640 million);
- Government Regional Officer Housing expenses (\$137 million, 2017: \$141 million);
- Public Bank Account interest expense (\$8 million, 2017: \$17 million);
- capital transfers (\$57 million, 2017: \$51 million);
- insurance premiums (\$255 million, 2017: \$185 million);
- water and electricity expenses (\$224 million, 2017: \$212 million); and
- borrowings (\$27 billion, 2017: \$23 billion).

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## NOTE 34: RELATED PARTY DISCLOSURES (CONT.)

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### Material transactions with other related parties

General government agencies make superannuation contributions for their staff to the GESB. GESB is considered to be a related party to the sector. In 2017-18, these payments totalled \$1 billion (2017: \$1 billion).

There were no other related party transactions (including general citizen-type transactions<sup>1</sup>) with Ministers or their close family members or their controlled (or jointly controlled) entities that are material for disclosure.

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Total Public Sector

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### Parent and controlling entity

The total public sector (or whole-of-government) includes agencies across the general government, public non-financial and financial corporations sectors. These agencies are wholly-owned or controlled by the Government of Western Australia and are consolidated to form the total public sector financial statements contained in this report. Details of agencies controlled by the Government and consolidated in the total public sector are shown in Note 35: *Composition of sectors*.

Related parties of the total public sector include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all associates and joint ventures; and
- GESB.

### Significant transactions with government related entities

Transactions between public sector agencies are eliminated on consolidation and are not included in this disclosure. The significant transactions below represent transactions between public sector agencies and their associates and joint ventures.

#### *Synergy*

During the financial year, Synergy purchased goods and services from its associate, Premier Coal Ltd, to the value of \$160.3 million (2017: \$184.2 million).

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<sup>1</sup> General citizen-type transactions are transactions where Ministers/senior officers or their close family members interact with a public sector entity under the same terms and conditions as a public citizen, such as paying taxes, levies or other statutory fees/charges and using public services such as hospitals, schools or public transport.



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## NOTE 34: RELATED PARTY DISCLOSURES (CONT.)

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### Material transactions with other related parties

Three government agencies procured legal services from a service provider totalling approximately \$1.5 million during the financial year. The KMP of the service provider is related to a Minister, who was not the Minister responsible for the agencies. This entity also provided services to the agencies in prior years.

### *Government Employees Superannuation Board*

Public sector agencies make superannuation contributions for their staff to GESB. GESB is considered to be a related party to the sector. In 2017-18, these payments totalled \$1.1 billion (2017: \$1.1 billion).

There were no other related party transactions (including general citizen-type transactions) with Ministers or their close family members or their controlled (or jointly controlled) entities that are material for disclosure.

### KMP Compensation

Total public sector KMP include all Ministers. Total compensation for the State's KMP for the reporting period is presented in the following bands.

	2017-18 (number)	2016-17 (number)
<b>Remuneration (\$)</b>		
50,000-100,000	-	4
100,000-150,000	-	16
250,000-300,000	-	7
300,000-350,000	-	7
350,000-400,000	1	2
400,000-450,000	10	1
450,000-500,000	3	-
500,000-550,000	3	-
	2017-18	2016-17
	\$m	\$m
Short-term employee benefits <sup>(a)</sup>	7.0	7.2
Post-employment benefits	0.6	0.5
<b>Total compensation of Ministers</b>	<b>7.6</b>	<b>7.7</b>

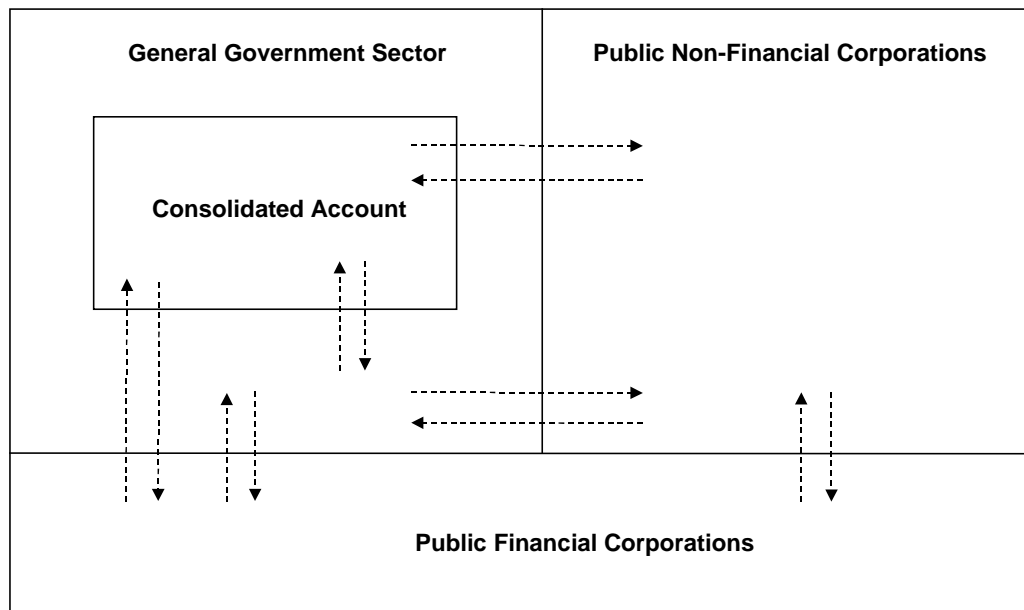
(a) Short term employee benefits include electorate allowances, motor vehicle allowances and accommodation allowances paid to Ministers. Total 2016-17 benefits include \$0.47 million resettlement allowance paid to Ministers who ceased to be members of Parliament following the March 2017 State Election during the financial year.

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**NOTE 35: COMPOSITION OF SECTORS**

The following diagram shows the financial relationship between sectors within which agencies are classified using the Australian Bureau of Statistics' GFS manual, and which are included in the consolidated financial statements.

**TOTAL PUBLIC SECTOR**



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

A range of Machinery of Government changes to amalgamate and restructure a number of agencies took effect from 1 July 2017.

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

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**NOTE 35: COMPOSITION OF SECTORS (CONT.)**


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**General Government**

Agricultural Produce Commission	North Metropolitan Health Service
Building and Construction Industry Training Board	North Regional TAFE
Botanical Gardens and Parks Authority	Office of the Auditor General
Central Regional TAFE	Office of the Director of Public Prosecutions
Chemistry Centre (WA)	Office of the Government Chief Information Officer
Child and Adolescent Health Service	Office of the Information Commissioner
Combat Sports Commission	Office of the Inspector of Custodial Services
Commissioner for Children and Young People	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Commissioner for Equal Opportunity	Parliamentary Commissioner for Administrative Investigations
Commissioner of Main Roads	Parliamentary Services Department
Corruption and Crime Commission	Peel Development Commission
Department of Biodiversity Conservation and Attractions <sup>(a)</sup>	Perth Theatre Trust
Department of Community Services <sup>(a)</sup>	Pilbara Development Commission
Department of Education <sup>(a)</sup>	Professional Standards Council
Department of Finance	Public Sector Commission
Department of Fire and Emergency Services	Quadriplegic Centre Board
Department of Health (including public hospitals)	Racing Penalties Appeal Tribunal of Western Australia
Department of Jobs, Tourism, Science and Innovation <sup>(a)</sup>	Rural Business Development Corporation
Department of Justice <sup>(a)</sup>	Salaries and Allowances Tribunal
Department of Local Government, Sport and Cultural Industries <sup>(a)</sup>	School Curriculum and Standards Authority
Department of Mines, Industry Regulation and Safety <sup>(a)</sup>	ScreenWest Inc.
Department of Planning, Lands and Heritage <sup>(a)</sup>	Small Business Development Corporation
Department of Primary Industries and Regional Development <sup>(a)</sup>	South Metropolitan TAFE
Department of Training and Workforce Development	South Metropolitan Health Service
Department of Transport	South Regional TAFE
Department of Treasury	South West Development Commission
Department of the Legislative Assembly	Office of Emergency Management
Department of the Legislative Council	The Aboriginal Affairs Planning Authority
Department of the Premier and Cabinet	The ANZAC Day Trust
Department of the Registrar, Western Australian Industrial Relations Commission	The Board of the Art Gallery of Western Australia
Department of Water and Environmental Regulation <sup>(a)</sup>	The Burswood Park Board
Disability Services Commission	The Coal Miners' Welfare Board of Western Australia
East Metropolitan Health Service	The Library Board of Western Australia
Economic Regulation Authority	The National Trust of Australia (W.A.)
Gascoyne Development Commission	The Queen Elizabeth II Medical Centre Trust
Gaming and Wagering Commission of Western Australia	The Western Australia Museum
Goldfields Development Commission	Trustees of the Public Education Endowment
Governor's Establishment	Western Australia Police Force <sup>(a)</sup>
Great Southern Development Commission	Western Australian Country Health Service
Health and Disability Services Complaints Office	Western Australian Building Management Authority
Health Support Services	Western Australian Electoral Commission
Heritage Council of Western Australia	Western Australian Energy Disputes Arbitrator
Independent Market Operator	Western Australian Greyhound Racing Association
Keep Australia Beautiful Council (W.A.)	Western Australian Health Promotion Foundation
Kimberley Development Commission	Western Australian Institute of Sport
Law Reform Commission of Western Australia	Western Australian Land Information Authority
Legal Aid Commission of Western Australia	Western Australian Meat Industry Authority
Legal Costs Committee	Western Australian Planning Commission
Local Health Authorities Analytical Committee	Western Australian Sports Centre Trust
Mental Health Commission	WorkCover Western Australia Authority
Minerals Research Institute of Western Australia	Wheatbelt Development Commission
Mid-West Development Commission	Zoological Parks Authority
North Metropolitan TAFE	

(a) Agency created or affected by Machinery of Government changes which took effect from 1 July 2017.

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## NOTE 35: COMPOSITION OF SECTORS (CONT.)

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### Public Non-Financial Corporations

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

### Public Financial Corporations

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

### Agencies outside the State Public Sector

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

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

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**NOTE 36: BUDGETARY INFORMATION – COMPARISON OF  
FINAL OUTCOMES TO ORIGINAL BUDGET**

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Explanations of significant variances between actual results for 2017-18 and the original Budget (presented to the Legislative Assembly on 7 September 2017) for the general government sector and the total public sector are included in Appendix 4 of this report. For the purposes of these financial statements, and the associated notes to the financial statements, the discussion in Appendix 4 meets the requirements of paragraphs 59(f) and 61 of AASB 1049: *Whole of Government and General Government Financial Reporting*.

The Financial Results chapter of this report details variations from the estimated outturn contained in the 2018-19 Budget, presented to the Legislative Assembly on 10 May 2018.



# Operating Revenue

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

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

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

Table 2.1

**OPERATING REVENUE**  
General Government

	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>Taxation</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,266	3,224	3,229	3,228	3,279	50
Property taxes						
<i>Land tax</i>	876	846	814	829	840	11
Transfer Duty	1,357	1,297	1,237	1,237	1,223	-14
Landholder Duty	151	201	201	201	234	33
<i>Total duty on transfers</i>	1,508	1,498	1,438	1,438	1,457	19
Other stamp duties	-	-	-	-	-	-
Metropolitan Region Improvement Tax	96	95	92	93	93	-
Perth Parking Levy	56	58	58	58	58	-
Emergency Services Levy	325	337	337	337	338	2
Loan guarantee fees	140	146	146	144	143	-
Building and Construction Industry Training Fund Levy <sup>(a)</sup>	31	29	29	29	25	-3
<i>Total other property taxes</i>	648	664	662	660	658	-2
Taxes on provision of goods and services						
Lotteries Commission	151	166	157	155	156	1
Video lottery terminals	-	1	-	-	-	-
Casino Tax	62	62	62	62	61	-1
Betting tax	40	46	46	42	41	-1
Other	-	-	-	-	-	-
<i>Total taxes on gambling</i>	253	275	265	260	258	-1
Insurance Duty	641	645	624	617	625	8
Other	20	20	20	20	20	-
<i>Total taxes on insurance</i>	661	665	644	637	645	8
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	344	348	356	356	355	-1
Permits - Oversize Vehicles and Loads	6	8	8	8	7	-1
Motor Vehicle recording fee	59	59	59	59	61	1
Motor Vehicle registrations	885	916	916	916	937	21
<i>Total motor vehicle taxes</i>	1,294	1,331	1,339	1,339	1,360	21
<i>Mining Rehabilitation Levy</i>	28	27	28	28	29	1
<i>Landfill Levy</i>	69	76	76	76	75	-1
<b>Total Taxation</b>	<b>8,604</b>	<b>8,606</b>	<b>8,495</b>	<b>8,495</b>	<b>8,601</b>	<b>106</b>

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



Table 2.1 (cont.)

**OPERATING REVENUE**  
**General Government**

	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>Current Grants and Subsidies</b>						
<i>General Purpose Grants</i>						
GST grants	1,944	2,229	2,225	2,219	2,249	30
North West Shelf grants	609	538	654	711	695	-16
Commonwealth compensation for changed crude oil excise arrangements	31	30	36	39	28	-11
<i>Grants through the State</i>						
Schools assistance – non-government schools	1,172	1,233	1,233	1,230	1,233	4
Local government financial assistance grants	262	90	90	80	169	89
Local government roads	163	56	56	56	113	58
<i>National Specific Purpose Payment Agreement Grants</i>						
National Agreement for Skills and Workforce Development	160	162	162	153	152	-1
National Disability Services	160	167	167	142	158	15
National Affordable Housing	145	147	143	143	140	-3
Students First	598	649	649	658	660	2
National Health Reform	2,089	2,120	2,123	2,119	2,174	55
<i>National Partnerships/Other Grants</i>						
Health	399	356	371	363	386	24
Housing	17	24	24	24	14	-10
Transport	64	77	83	85	74	-11
Disability Services	42	238	237	145	96	-48
Other	235	140	148	152	187	35
<b>Total Current Grants and Subsidies</b>	<b>8,091</b>	<b>8,255</b>	<b>8,401</b>	<b>8,317</b>	<b>8,529</b>	<b>212</b>
<b>Capital Grants</b>						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	16	18	18	17	17	-1
<i>National Partnerships/Other Grants</i>						
Housing	51	179	179	179	48	-130
Transport	425	750	425	899	990	91
Other	21	22	22	211	208	-3
<b>Total Capital Grants</b>	<b>513</b>	<b>968</b>	<b>643</b>	<b>1,306</b>	<b>1,263</b>	<b>-43</b>

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

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>Sales of Goods and Services</b>						
WA Health	715	713	714	714	694	-20
Department of Transport	162	162	158	158	156	-1
Department of Education	211	184	185	185	202	17
State Training Providers/TAFE Colleges	128	128	128	126	114	-12
Department of Training and Workforce Development	47	50	46	40	40	-
Western Australian Land Information Authority	122	123	123	109	104	-5
Department of Biodiversity, Conservation and Attractions	98	101	101	101	101	-
Department of Justice	133	133	133	132	136	4
Department of Mines, Industry Regulation and Safety	136	157	158	148	153	4
All Other	510	667	709	738	756	18
<b>Total Sales of Goods and Services <sup>(a)</sup></b>	<b>2,261</b>	<b>2,417</b>	<b>2,454</b>	<b>2,452</b>	<b>2,456</b>	<b>3</b>
<b>Interest Income</b>	<b>196</b>	<b>189</b>	<b>166</b>	<b>164</b>	<b>170</b>	<b>5</b>
<b>Revenue from Public Corporations</b>						
Dividends	837	1,649	1,728	1,689	1,718	30
Tax Equivalent Regime	534	572	601	613	677	64
<b>Total Revenue from Public Corporations</b>	<b>1,371</b>	<b>2,221</b>	<b>2,329</b>	<b>2,302</b>	<b>2,395</b>	<b>93</b>
<b>Royalty Income</b>	<b>5,272</b>	<b>5,211</b>	<b>5,132</b>	<b>5,221</b>	<b>5,231</b>	<b>9</b>
<b>Other</b>						
Lease Rentals	99	98	98	94	105	11
Fines	199	207	196	195	206	11
Revenue not elsew here counted	305	285	278	326	376	51
<b>Total Other</b>	<b>604</b>	<b>590</b>	<b>572</b>	<b>615</b>	<b>688</b>	<b>73</b>
<b>TOTAL REVENUE</b>	<b>26,913</b>	<b>28,457</b>	<b>28,193</b>	<b>28,874</b>	<b>29,332</b>	<b>458</b>

(a) The Building and Construction Industry Training Fund Levy is a compulsory levy and has been reclassified as taxation revenue on advice from the Australian Bureau of Statistics (ABS). This revenue was previously classified as sales of goods and services.

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

Table 2.2

**OPERATING REVENUE**  
Total Public Sector

	2016-17	2017-18				Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
<b>Taxation</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,173	3,140	3,144	3,148	3,194	45
Property taxes						
<i>Land tax</i>	807	777	743	760	775	15
Transfer Duty	1,357	1,297	1,237	1,237	1,223	-14
Landholder Duty	151	201	201	201	234	33
<i>Total duty on transfers</i>	1,508	1,498	1,438	1,438	1,457	19
Other stamp duties	-	-	-	-	-	-
Metropolitan Region Improvement Tax	96	95	92	93	93	-
Perth Parking Levy	56	58	58	58	58	-
Emergency Services Levy	322	334	334	334	334	-
Loan guarantee fees	9	9	8	8	8	-
Building and Construction Industry Training Fund Levy <sup>(a)</sup>	31	29	29	29	25	-3
<i>Total other property taxes</i>	514	524	521	522	518	-4
Taxes on provision of goods and services						
Video lottery terminals	-	1	-	-	-	-
Casino Tax	62	62	62	62	61	-1
<i>Total taxes on gambling</i>	62	63	62	62	61	-1
Insurance Duty	641	645	624	617	625	8
Other	20	20	20	20	20	-
<i>Total taxes on insurance</i>	661	665	644	637	645	8
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	344	348	356	356	355	-1
Permits - Oversize Vehicles and Loads	6	8	8	8	7	-1
Motor Vehicle recording fee	59	59	59	59	61	1
Motor Vehicle registrations	885	916	916	916	937	21
<i>Total motor vehicle taxes</i>	1,294	1,331	1,339	1,339	1,360	21
<i>Mining Rehabilitation Levy</i>	28	27	28	28	29	1
<i>Landfill Levy</i>	69	76	76	76	75	-1
<b>Total Taxation</b>	<b>8,117</b>	<b>8,099</b>	<b>7,995</b>	<b>8,010</b>	<b>8,114</b>	<b>104</b>

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

Table 2.2 (cont.)

**OPERATING REVENUE**  
**Total Public Sector**

	2016-17	2017-18			Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>Current Grants and Subsidies</b>						
<i>General Purpose Grants</i>						
GST grants	1,944	2,229	2,225	2,219	2,249	30
North West Shelf grants	609	538	654	711	695	-16
Commonwealth compensation for changed crude oil excise arrangements	31	30	36	39	28	-11
<i>Grants through the State</i>						
Schools assistance – non-government schools	1,172	1,233	1,233	1,230	1,233	4
Local government financial assistance grants	262	90	90	80	169	89
Local government roads	163	56	56	56	113	58
<i>National Specific Purpose Payment Agreement Grants</i>						
National Agreement for Skills and Workforce Development	160	162	162	153	152	-1
National Disability Services	160	167	167	142	158	15
National Affordable Housing	145	147	143	143	140	-3
Students First	598	649	649	658	660	2
National Health Reform	2,089	2,120	2,123	2,119	2,174	55
<i>National Partnerships/Other Grants</i>						
Health	399	356	371	363	386	24
Housing	17	24	24	24	14	-10
Transport	64	77	83	85	74	-11
Disability Services	42	238	237	145	96	-48
Other	235	140	148	152	187	35
<b>Total Current Grants and Subsidies</b>	<b>8,091</b>	<b>8,255</b>	<b>8,401</b>	<b>8,317</b>	<b>8,529</b>	<b>212</b>
<b>Capital Grants</b>						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	16	18	18	17	17	-1
<i>National Partnerships/Other Grants</i>						
Housing	51	179	179	179	48	-130
Transport	425	750	425	899	990	91
Other	21	22	22	211	208	-3
<b>Total Capital Grants</b>	<b>513</b>	<b>968</b>	<b>643</b>	<b>1,306</b>	<b>1,263</b>	<b>-43</b>
<b>Sales of Goods and Services</b> <sup>(a)</sup>	<b>20,602</b>	<b>22,898</b>	<b>21,714</b>	<b>21,366</b>	<b>21,067</b>	<b>-299</b>
<b>Interest Income</b>	<b>597</b>	<b>565</b>	<b>549</b>	<b>535</b>	<b>585</b>	<b>51</b>
<b>Royalty Income</b>	<b>5,272</b>	<b>5,211</b>	<b>5,132</b>	<b>5,221</b>	<b>5,231</b>	<b>9</b>
<b>Other</b>						
Lease Rentals	99	98	98	94	105	11
Fines	200	207	196	195	207	11
Revenue not elsewhere counted	680	723	714	660	720	60
<b>Total Other</b>	<b>979</b>	<b>1,028</b>	<b>1,009</b>	<b>949</b>	<b>1,031</b>	<b>82</b>
<b>TOTAL REVENUE</b>	<b>44,172</b>	<b>47,025</b>	<b>45,443</b>	<b>45,704</b>	<b>45,819</b>	<b>115</b>

(a) The Building and Construction Industry Training Fund Levy is a compulsory levy and has been reclassified as taxation revenue on advice from the ABS. This revenue was previously classified as sales of goods and services. Prior periods have been restated for comparability purposes.

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

## Other Uniform Presentation Framework Information

Under an intergovernmental agreement between the States, Territories and the Commonwealth in the early 1990s, all jurisdictions release whole-of-government and other public sector information in a consistent format. This Uniform Presentation Framework (UPF) supports transparency and interjurisdictional comparisons.

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

In particular, UPF information in this ARSF includes:

- financial statements by sector of government and for the consolidated total public sector (see Appendix 1: *Financial Statements*);
- information on grants and transfer payments which are available in the notes to the financial statements (see Notes to the Financial Statements, Appendix 1);
- detailed operating revenue information (disclosed in Appendix 2: *Operating Revenue*); and
- detailed general government expenses and purchases of non-financial assets by function (detailed in this appendix).

The Australian Bureau of Statistics (ABS) has introduced a revised Classification of the Functions of Government Australia Framework (COFOG-A), effective 1 July 2017. The COFOG-A is based on updated international standards, and supersedes the previous Government Purpose Classification (GPC) framework. This appendix discloses general government sector expenses and non-financial asset investment on both the General Purpose Classification basis that was included in the original 2017-18 Budget, and on the new COFOG-A basis, consistent with the new ABS framework (comparators for prior periods are not available).

Table 3.1

**SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION**  
General Government

	2016-17		2017-18		Actual \$m (4)	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>EXPENSES</b>						
<i>General public services</i>	506	388	350	401	374	-28
Government superannuation benefits	202				86	
Other general public services	303				288	
<i>Public order and safety</i>	3,357	3,455	3,425	3,396	3,397	1
Police and fire protection services	1,644				1,611	
Police services	1,251				1,215	
Fire protection services	393				397	
Law courts and legal services	729				848	
Prisons and corrective services	946				894	
Other public order and safety	38				44	
<i>Education</i>	7,058	7,309	7,311	7,307	7,245	-63
Primary and secondary education	5,881				6,045	
Primary education	3,143				3,259	
Secondary education	2,739				2,786	
Primary and secondary education nec.	-				-	
Tertiary education	516				528	
University education	15				10	
Technical and further education	500				518	
Tertiary education nec.	-				-	
Pre-school education and education not definable by level	532				542	
Pre-school education	257				257	
Special education	267				278	
Other education not definable by level	8				7	
Transportation of students	129				129	
Transportation of non-urban school students	125				126	
Transportation of other students	4				3	
Education nec.	-				-	
<i>Health</i>	8,672	8,863	8,905	8,965	8,917	-47
Acute care institutions	5,788				5,714	
Admitted patient services in acute care institutions	4,033				3,967	
Non-admitted patient services in acute care institutions	1,755				1,747	
Mental health institutions	349				325	
Nursing homes for the aged	105				119	
Community health services	1,270				1,233	
Community mental health services	537				491	
Patient transport	253				255	
Other community health services	480				486	
Public health services	301				258	
Pharmaceuticals, medical aids and appliances	664				668	
Health research	35				36	
Health administration nec.	160				566	

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

Table 3.1 (cont.)

**SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION**  
General Government

	2016-17	2017-18			Actual \$m	Variation on EOT \$m (4) - (3)
	Actual	Budget	MYR	Estimated		
	\$m	Estimate	Revision	Outturn		
		(1)	(2)	(3)	(4)	
<i>Social security and welfare</i>	2,171	2,634	2,627	2,517	2,225	-292
Social security	-				-	
Welfare services	2,171				2,225	
Family and child welfare services	610				623	
Welfare services for the aged	480				462	
Welfare services for people with a disability	1,003				1,059	
Welfare services nec.	78				82	
Social security and welfare nec.	-				-	
<i>Housing and community amenities</i>	1,526	1,839	1,822	1,799	1,787	-12
Housing and community development	852				1,086	
Housing	366				588	
Aboriginal community development	15				15	
Other community development	472				482	
Water supply	562				506	
Sanitation and protection of the environment	91				173	
Other community amenities	21				23	
<i>Recreation and culture</i>	832	812	867	852	875	23
Recreation facilities and services	549				603	
National parks and wildlife	198				124	
Recreation facilities and services nec.	351				479	
Cultural facilities and services	219				225	
Broadcasting and film production	21				3	
Recreation and culture nec.	43				44	
<i>Fuel and energy</i>	470	326	335	328	306	-21
Fuel affairs and services	-				-	
Gas	-				-	
Fuel affairs and services nec.	-				-	
Electricity and other energy	445				279	
Electricity	433				263	
Other energy	12				16	
Fuel and energy nec.	25				27	
<i>Agriculture, forestry, fishing and hunting</i>	361	403	406	440	380	-60
Agriculture	202				233	
Forestry, fishing and hunting	159				147	
<i>Mining and mineral resources other than fuels; manufacturing; and construction</i>	228	276	281	234	242	8
Mining and mineral resources other than fuels	201				220	
Manufacturing	-				-	
Construction	27				22	

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

Table 3.1 (cont.)

**SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION**  
General Government

	2016-17		2017-18			Variation on EOT \$m (4) - (3)
	Actual	Budget	MYR	Estimated	Actual	
	\$m	\$m	\$m	\$m	\$m	
<i>Transport and communications</i>	2,342	2,398	2,377	2,367	2,343	-24
Road transport	1,619				1,604	
Road maintenance	997				891	
Road rehabilitation/Aboriginal community road transport services	123				76	
Road construction	181				275	
Road transport nec.	318				361	
Water transport	35				41	
Urban water transport services	-				-	
Other water transport services	35				41	
Rail transport	41				45	
Urban rail transport services	3				3	
Non-urban rail transport freight services	6				8	
Non-urban rail transport passenger services	35				34	
Air transport	10				5	
Pipelines	-				-	
Other transport	638				647	
Multi-mode urban transport	635				647	
Other transport nec.	-				-	
Communications	-				-	
<i>Other economic affairs</i>	663	745	717	729	609	-120
Storage, saleyards and markets	5				6	
Tourism and area promotion	143				103	
Labour and employment affairs	305				280	
Vocational training	188				189	
Other labour and employment affairs	118				91	
Other economic affairs	209				220	
<i>Other purposes</i>	1,202	1,196	1,190	1,194	1,249	55
Public debt transactions	939				1,068	
General purpose inter-government transactions	262				181	
Natural disaster relief	1				1	
Other purposes nec.	-				-	
<i>Other <sup>(a)</sup></i>	-	154	185	-328	-	328
<b>TOTAL EXPENSES</b>	<b>29,387</b>	<b>30,797</b>	<b>30,797</b>	<b>30,201</b>	<b>29,949</b>	<b>-251</b>
<b>PURCHASES OF NON-FINANCIAL ASSETS</b>						
General public services	152	169	157	156	130	-26
Public order and safety	170	204	208	181	140	-41
Education	351	461	470	420	384	-36
Health	311	565	537	494	346	-147
Social security and welfare	21	57	56	25	18	-8
Housing and community amenities	80	72	99	84	101	17
Recreation and culture	137	237	219	213	174	-39
Fuel and energy	2	2	2	2	2	-
Agriculture, forestry, fishing and hunting	30	28	29	32	18	-14
Mining and mineral resources other than fuels; manufacturing; and construction	10	7	9	7	4	-4
Transport and communications	1,012	1,520	1,092	1,062	1,083	21
Other economic affairs	66	41	49	50	38	-12
Other purposes <sup>(a)</sup>	-	-500	-500	-100	-	100
<b>TOTAL PURCHASE OF NON-FINANCIAL ASSETS</b>	<b>2,341</b>	<b>2,865</b>	<b>2,427</b>	<b>2,627</b>	<b>2,438</b>	<b>-188</b>

(a) Budget provisions.

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



Table 3.2

**CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT (a)**  
General Government

	2017-18 Actual \$m
<b>EXPENSES</b>	
<i>General public services</i>	1,624
Executive and legislative organs, financial and fiscal affairs, external affairs	329
Executive and legislative organs	242
Financial and fiscal affairs	87
General services	32
General personnel services	25
General services n.e.c.	7
Public debt transactions	1,068
Transfers of a general character between different levels of government	181
General public services n.e.c.	14
<i>Public order and safety</i>	3,425
Police services	1,215
Civil and fire protection services	397
Law courts	859
Prisons	894
Research and development — public order and safety	27
Public order and safety n.e.c.	33
<i>Economic Affairs</i>	1,313
General economic, commercial and labour affairs	320
General economic and commercial affairs	234
General labour affairs	85
Agriculture, forestry, fishing and hunting	315
Agriculture	232
Forestry	18
Fishing and hunting	65
Fuel and energy	279
Electricity	262
Fuel and energy n.e.c.	17
Mining, manufacturing and construction	242
Mining of mineral resources and other than mineral fuels	216
Construction	26
Other industries	106
Distributive trades, storage and warehousing	6
Hotel and restaurants	11
Tourism	89
Research and development — agriculture, forestry, fishing and hunting	24
Research and development — mining, manufacturing and construction	27
<i>Environmental protection</i>	392
Pollution abatement	2
Protection of biodiversity and landscape	319
Environmental protection n.e.c.	72

Table 3.2 (cont.)

**CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT <sup>(a)</sup>**

## General Government

	2017-18 Actual \$m
<i>Housing and community amenities</i>	1,419
Housing development	415
Community development	498
Indigenous community development	15
Community development n.e.c.	482
Water supply	506
<i>Health</i>	8,917
Medical products, appliances and equipment	668
Pharmaceutical products	371
Other medical products	172
Therapeutic appliances and equipment	125
Outpatient services	1,747
General medical services	24
Specialised medical services	1,326
Dental services	5
Paramedical services	391
Hospital services	4,085
General hospital services	3,570
Specialised hospital services	397
Nursing and convalescent home services	119
Mental health institutions	325
Community health services	1,233
Community mental health services	491
Patient transport	255
Community health services n.e.c.	486
Public health services	258
Research and development — health	36
Health n.e.c.	566
<i>Recreation, culture and religion</i>	693
Recreational and sporting services	458
Cultural services	235
Film production services	3
Cultural services n.e.c.	232
<i>Education</i>	7,460
Pre-primary and primary education	3,516
Government pre-primary education	234
Non-government pre-primary education	23
Government primary education	2,318
Non-government primary education	941
Secondary education	2,786
Government secondary education	1,687
Non-government secondary education	1,099
Tertiary education	718
University education	10
Vocational education and training (excl apprenticeships and traineeships)	708
Education not definable by level	7

Table 3.2 (cont.)

**CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT** <sup>(a)</sup>  
General Government

	2017-18 Actual \$m
Subsidiary services to education	155
Transportation of non-urban school students	107
Transportation of other students	49
Special education	278
<i>Social protection</i>	2,391
Sickness and disability	1,063
Sickness	-
Disability	1,063
Old age	462
Family and children	657
Housing	91
Social exclusion n.e.c.	45
Research and development — social protection	3
Social protection n.e.c.	70
Natural disaster relief	13
Social protection n.e.c.	58
<i>Transport</i>	2,316
Road transport	1,604
Road maintenance	891
Road rehabilitation	76
Road construction	275
Road Transport n.e.c.	361
Bus transport	390
Urban bus transport	356
Non-urban bus transport	34
Water transport	42
Urban water transport passenger services	-
Non-urban water transport services	41
Railway transport	275
Urban railway transport services	251
Non-urban railway transport freight services	8
Non-urban railway transport passenger services	16
Air transport	5
<b>TOTAL EXPENSES</b>	<b>29,949</b>
<b>PURCHASES OF NON-FINANCIAL ASSETS</b>	
General public services	137
Public order and safety	143
Economic affairs	24
Environmental protection	37
Housing and community amenities	74
Health	346
Recreation, culture and religion	158
Education	419
Social protection	17
Transport	1,083
<b>TOTAL PURCHASE OF NON-FINANCIAL ASSETS</b>	<b>2,438</b>

(a) New classification framework. Prior period data not available.



# Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2018

This appendix contains explanations for material variations in general government and total public sector financial aggregates compared to the original Budget presented to the Legislative Assembly on 7 September 2017, in line with the requirements of AASB 1055: *Budgetary Reporting*<sup>1</sup>.

For the general government operating statement, explanations are provided in this appendix for the three largest revenue sources (taxation, Commonwealth grants and royalties) and the three largest categories of expense (salaries, transfers and 'other gross operating expenses'). Explanations are also provided for other revenue and expense items where the variance since the 2017-18 Budget is greater than or equal to \$10 million and 10%, and for key line items that appear on the face of the operating statement.

High level explanations are also provided for the other financial statements (the general government balance sheet and cash flow statement, and the three financial statements for the total public sector).

Detailed explanations of key variations to the estimates for 2017-18 can also be reviewed as these emerged in:

- the 2017-18 *Government Mid-year Financial Projections Statement* (or Mid-year Review, released in December 2017), describing changes since the Budget during the first half of 2017-18;

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

- the 2018-19 Budget Paper No. 3: *Economic and Fiscal Outlook* (presented to the Legislative Assembly on 10 May 2018), describing changes since the Mid-year Review and up to the 9 April 2018 cut-off date for the 2018-19 Budget; and
- Chapter 1 of this report (detailing final outcomes since the 2018-19 Budget estimates were finalised on the 9 April 2018 cut-off date).

Each of these publications can be accessed through the Treasury website ([www.treasury.wa.gov.au](http://www.treasury.wa.gov.au)).

As noted elsewhere in this report, land values have been restated for amended historical values that apply across back-years of the whole-of-government financial data series. The restated land values that apply from 30 June 2016 total \$3.9 billion (of which \$3.8 billion applies to the public non-financial corporations sector). For comparability purposes, the impact on these land valuation changes has also been applied to original 2017-18 Budget forecasts used in this appendix. These restatements flow through to general government and total public sector financial statements.

Table 4.1

**GENERAL GOVERNMENT**  
Operating Statement

	Notes	2017-18			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
<b>RESULTS FROM TRANSACTIONS</b>					
<b>REVENUE</b>					
Taxation	a	8,606	8,601	-4	-0.1
Current grants and subsidies	b	8,255	8,529	274	3.3
Capital grants	b	968	1,263	294	30.4
Sales of goods and services		2,417	2,456	39	1.6
Interest Income	c	189	170	-19	-10.2
Revenue from public corporations					
Dividends from other sectors		1,649	1,718	69	4.2
Tax equivalent income	d	572	677	106	18.5
Royalty income	e	5,211	5,231	19	0.4
Other	f	590	688	98	16.5
<i>Total</i>		28,457	29,332	875	3.1
<b>EXPENSES</b>					
Salaries	g	12,431	12,193	-238	-1.9
Superannuation					
Concurrent costs		1,254	1,199	-55	-4.4
Superannuation interest cost	h	201	177	-23	-11.6
Other employee costs		373	359	-14	-3.8
Depreciation and amortisation		1,475	1,343	-132	-9.0
Services and contracts		2,389	2,432	43	1.8
Other gross operating expenses	i	6,039	5,852	-188	-3.1
Other interest		894	891	-3	-0.3
Current transfers	j	5,237	5,061	-175	-3.3
Capital transfers	j	505	442	-63	-12.5
<i>Total</i>		30,797	29,949	-847	-2.8
<b>NET OPERATING BALANCE</b>	k	<b>-2,340</b>	<b>-618</b>	<b>1,722</b>	<b>-73.6</b>
<i>Other economic flows - included in the operating result</i>					
Net gains on assets/liabilities		-8	-132	-125	1,629.3
Net actuarial gains - superannuation		-115	211	326	-282.7
Provision for doubtful debts		-13	-51	-38	282.2
Changes in accounting policy/adjustment of prior periods		-	-41	-41	-
<i>Total other economic flows</i>	l	-136	-14	123	-90.0
<b>OPERATING RESULT</b>		<b>-2,477</b>	<b>-631</b>	<b>1,845</b>	<b>-74.5</b>
<i>All other movements in equity</i>					
<i>Items that will not be reclassified to operating result</i>					
Revaluations		1,133	-713	-1,846	-162.9
Gains recognised directly in equity		-	-9	-8	1,748.6
Change in net worth of the public corporations sectors		-397	-1,638	-1,241	312.3
All other		-	-	-	-
<i>Total all other movements in equity</i>	m	735	-2,360	-3,095	-421.0
<b>TOTAL CHANGE IN NET WORTH</b>	n	<b>-1,741</b>	<b>-2,991</b>	<b>-1,250</b>	<b>71.8</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>		<b>-2,340</b>	<b>-618</b>	<b>1,722</b>	<b>-73.6</b>
<i>Less Net acquisition of non-financial assets</i>					
Purchase of non-financial assets		2,865	2,438	-426	-14.9
Changes in inventories		-1	-3	-2	149.0
Other movement in non-financial assets		469	513	43	9.2
<i>less:</i>					
Sales of non-financial assets		177	82	-95	-53.8
Depreciation		1,475	1,343	-132	-9.0
<i>Total net acquisition of non-financial assets</i>		1,681	1,524	-157	-9.4
<b>NET LENDING/-BORROWING</b>	o	<b>-4,021</b>	<b>-2,141</b>	<b>1,880</b>	<b>-46.7</b>

## General Government Sector Operating Statement

- (a) Taxation revenue was \$4 million (or 0.1%) lower than budgeted, with:
- payroll tax, up \$54 million (or 1.7%), primarily reflecting a stronger than anticipated recovery in payroll tax-intensive industries such as mining;
  - landholder duty, up \$33 million (or 16.4%), reflecting that the overall value of large one-off landholder transactions was higher than forecast. The number and value of these high value commercial transactions tend to be infrequent and volatile within and between years;
  - motor vehicle taxes, up \$29 million (or 2.2%), largely due to motor vehicle registrations (up \$21 million) which reflected higher than budgeted growth in registrations of heavy vehicles and the number of higher weight light vehicle registrations (and the flow-on effect to revenue);
  - transfer duty, down \$74 million (or 5.7%), primarily due to weaker than expected activity in the residential property market which reflects a range of factors, including a tightening of residential lending standards by banks and modest out-of-cycle increases in residential mortgage rates;
  - insurance duty, down \$20 million (or 3%), in line with sales of dutiable insurance products;
  - gambling taxes, down \$16 million (or 6%), mainly reflecting \$11 million lower than expected statutory returns from the Lotteries Commission (which are directed to spending on health, sport, and the arts) as a consequence of lower than expected sales revenue (driven by subdued economic conditions, increased online competition and lower than expected jackpot events in 2017-18); and
  - a net decrease of \$11 million (or 0.7%) across all other taxes.
- (b) Current and capital grants from the Commonwealth were \$568 million (or 6.2%) higher than budgeted, driven by net changes to a range of grants including:
- transport-related grants, up \$238 million (or 28.8%), primarily reflecting the impact of an additional grant of \$513 million for METRONET projects (following successful negotiation for additional Commonwealth infrastructure grants and announced in the 2018-19 Budget). This funding increase was partly offset by lower grants for other projects, mainly due to the retiming of road project funding from 2017-18 to later years to reflect updated project schedules for NorthLink WA, Great Northern Highway – Muchea to Wubin, and projects funded under the Northern Australia Roads and Beef Roads programs;
  - an additional grant of \$189 million to support hospital infrastructure, announced in the 2018-19 Budget;



- North West Shelf grants, including Commonwealth compensation for crude oil excise arrangements, up \$155 million (or 27.3%), largely reflecting higher crude oil prices (which averaged \$US63.7 per barrel during 2017-18 compared to the Budget assumption of \$US51.6 per barrel), and a lower \$US/\$A exchange rate (which averaged US77.5 cents through the year compared with the Budget assumption of US79.0 cents);
  - local government grants on-passed through the State, up \$137 million (or 94.2%), both for general purposes (up \$79 million) and for roads (up \$58 million), mainly reflecting the Commonwealth Government's decision to bring forward part of the 2018-19 allocation to 2017-18 as part of its 2018-19 Budget (released May 2018). This was matched by an equivalent increase in general government sector transfer expenses, discussed later;
  - health-related grants, up \$84 million (or 3.4%), comprising an additional \$54 million of National Health Reform Agreement funding (due to higher than expected activity levels following data reconciliations), along with \$30 million for National Partnership and other grants (primarily due to additional funding from the Department of Veterans' Affairs for hospital services provided to war veterans and others);
  - GST grants, up \$20 million (or 0.9%), reflecting the State's share of an increase in the national GST pool, partly offset by a lower population share of national GST collections;
  - housing-related grants, down \$141 million (or 69.6%), largely resulting from delays in reaching agreement with the Commonwealth on timeframes for the delivery of remote housing milestones. Agreement was reached in June 2018 and this funding is now expected to be received (and on-passed to the Department of Communities (Housing Services, a public corporation)) in 2018-19;
  - disability-related grants, down \$151 million (or 37.3%), comprising \$141 million in National Partnership grants and \$10 million for the National Disability Services Agreement, following the December 2017 signing of the National Disability Insurance Scheme (NDIS) Bilateral Agreement under which Western Australia will join the nationally-delivered NDIS; and
  - a net increase of \$37 million (or 1.6%) across all other Commonwealth grants.
- (c) Interest income was \$19 million (or 10.2%) lower than budgeted. This reflects lower than budgeted earnings for the Public Bank Account (PBA) arising from the timing of transactions in and out of the Account compared with 2017-18 Budget assumptions (which in turn affect average balances held in the PBA during the year, and overall management of the PBA including the timing and magnitude of Consolidated Account borrowings, which were also lower than budget).

- (d) Tax equivalent income from the State's public corporations was \$106 million (or 18.5%) higher than budgeted, mainly due to:
- Western Power (up \$81 million), on the back of higher than forecast taxable profit (as a result of lower operating expenditure, interest and depreciation), and lower tax deductions for depreciation and capitalised repairs and maintenance in 2017-18;
  - the Insurance Commission of Western Australia (up \$69 million), mainly reflecting realised taxable gains from the sale of Westralia Square in October 2017, and higher than expected investment returns in 2017-18; and
  - the Water Corporation (down \$46 million), mainly as a result of lower than forecast customer revenue due to reduced levels of water consumption, lower operating subsidy revenue reflecting a reduction in the Corporation's cost of service in country regions (as a result of asset reclassifications and deferrals) and reduced developer contributions due to a decline in developer activity.
- (e) Royalty income was \$19 million (or 0.4%) higher relative to the 2017-18 Budget forecast. This was primarily due to higher projected lithium royalties, which increased by \$65 million (or 229.5%) compared with budget, reflecting increased prices and volumes. Royalties for alumina (up \$19 million), copper (up \$6 million) and 'other' minerals (up \$33 million) were also higher. Partly offsetting these higher outcomes were lower royalties for gold (down \$24 million), due to the disallowance by the Legislative Council of the Government's planned increase in gold royalties outlined in the Budget, while iron ore royalties were \$80 million (or 1.7%) lower than budgeted. Lower iron ore royalties reflect a combination of higher than expected discounts for lower grade iron ore products for a number of producers, partly offset by slightly higher volumes and a slightly lower exchange rate.
- (f) 'Other' revenue was \$98 million (or 16.5%) higher than budgeted, which reflects the impact of a range of 'lumpy', and often unbudgeted, transactions including net assets transferred to the general government sector such as land, bridges and roads from local governments and private organisations (such as developers), higher than anticipated donations, and higher mining-related lease rental revenue. Included in this aggregate were recoups from disability sector organisations (following a comprehensive acquittal process conducted during 2017-18 which found that third party actual service-based expenditure was less than the funding provided for the two prior years, resulting in returned funds), and the return of unspent Royalties for Regions project funds from the local government sector.

- (g) Salaries expenses were \$238 million (or 1.9%) lower than budgeted. The Budget included a range of provisions totalling a net \$143 million (including for up-front costs of the Voluntary Targeted Separation Scheme (VTSS), and compensation payments for Senior Executive Service (SES) separations, partly offset by savings associated with the \$1,000 wages policy). These provisions were allocated to agencies through the year, but with lower than forecast net savings from the VTSS (down \$69 million, see feature box in the *Financial Results* chapter of this report). Abstracting from the allocation of provisions<sup>2</sup>, salaries outcomes were lower for WA Health (down \$92 million), and the Departments of Justice (down \$43 million), Communities (down \$42 million), Finance (down \$24 million), Education (down \$25 million), and Mines, Industry Regulation and Safety (down \$20 million).
- (h) Superannuation interest costs were \$23 million (or 11.6%) lower than budgeted, reflecting the combined impact on the whole-of-government superannuation liability of:
- a lower than expected discount rate of 2.6% in 2017-18, down 0.2 percentage points compared to the Budget forecast of 2.8%;
  - changes in the actuary's short term salary growth assumptions used in assessing the future value of entitlements;
  - higher market values of defined benefit plan assets (determined by the actuary); and
  - a lower than expected actuarial valuation of residual unfunded West State Super Scheme liabilities.
- (i) 'Other' gross operating expenses (largely made up of the day-to-day non-salaries operating costs of agencies, such as office accommodation costs, building and maintenance costs, electricity and water costs, and administration costs, along with services purchased from non-government organisations) were \$188 million (or 3.1%) lower than budgeted. This largely reflects a \$170 million reduction for the Department of Communities (Disability Services) as a result of the revised National Partnership Agreement (NPA) for a transition to a Commonwealth-administered NDIS in Western Australia. As a result of the financial arrangements under the revised NPA, and with the National Disability Insurance Agency (NDIA) increasingly assuming operational responsibility for the NDIS in Western Australia, there has been a reduction in expenditure for services purchased from non-government organisations, with NDIS expenditure now incurred by the NDIA.

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<sup>2</sup> These variances also account for changes in classification, lower than expected costs and other changes since the original budget was presented.

(j) Transfer expenses (mainly current and capital grant payments) were \$238 million (or 4.2%) lower than budgeted, with lower current transfers (down \$175 million) and lower capital transfers (down \$63 million). Grants programs are typically volatile due to changes in timing of grants on-passed on behalf of the Commonwealth, milestones in grant agreements, funding parameters, and other such issues. Material changes impacting 2017-18 outcomes include:

- the flow-through of (net) higher than budgeted Commonwealth grants to the local government sector (up \$137 million), as detailed above under revenue;
- higher grants by Main Roads to the local government sector (up \$45 million), mainly due to higher payments under the Western Australia Natural Disaster Relief and Recovery Arrangements for repairs to local roads following flooding events;
- higher than budgeted grants paid by the Department of Mines, Industry Regulation and Safety (up \$14 million) to the resources sector. This was mainly due to higher than budgeted royalty rebates paid under the Magnetite Financial Assistance Program to magnetite producers (up \$19 million), resulting from higher volumes of iron ore shipped (and higher royalties paid). This was partially offset by reduced Mining Tenement Refunds (down \$5 million) reflecting lower tenement activity in the resources sector;
- lower on-passed Commonwealth grants to the Department of Communities (Housing Services<sup>3</sup>, down \$130 million), reflecting the lower remote housing grants received, as discussed under revenue;
- operating subsidies to the State's public corporations (down \$93 million), predominantly to the Water Corporation (down \$60 million), due to the finalisation of the 2016-17 operating subsidy requirement, which was lower than anticipated and offset a portion of the 2017-18 requirement, the reclassification of completed infrastructure work from the country to metropolitan program, and the deferral of planned country infrastructure works further reducing the subsidy requirement. Subsidy costs were also lower than budgeted for the Public Transport Authority (down \$26 million), primarily due to lower revised debt servicing and RiskCover insurance costs;
- lower than budgeted grants for the Department of Primary Industries and Regional Development (down \$32 million), mainly due to various Royalties for Regions projects including grants from the Agricultural Telecommunications Infrastructure Improvement Fund deferred into 2018-19 and future years, and a change in delivery from grants to services and contracts for the Regional Telecommunications Project;

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<sup>3</sup> The Housing Services branch of the Department of Communities is a public corporation, outside of the general government sector.

- lower grants paid by the Department of Transport (down \$27 million), due to the deferral of the Busselton Margaret River Regional Airport Upgrade project (\$10 million) and Geraldton Runway renewal project (\$5 million), a delay in the Broome Boating Facilities Upgrade project (\$5 million) and Bike Boulevards program (\$1 million), and an underspend in the Country Age Pension Fuel Card Subsidy (\$5 million);
  - lower than budgeted grants by WA Health (down \$23 million), driven primarily by a combination of lower than expected grants for Aged and Continuing Care Services, Health System Management (Policy and Corporate Services), and Public and Community Health Services;
  - lower than budgeted grants for the Department of Jobs, Tourism, Science and Innovation (down \$19 million), reflecting the reflow of the New Industries Fund following determination of programs and timing over the forward estimates, and underspends on the Horizon Power Station and Transmission project (as a result of Stage Two works being subject to further agreement on scope, milestones and payment schedule);
  - lower Royalties for Regions grants to the Western Australian Land Authority (a public corporation, down \$18 million), reflecting project delays due to market conditions and the timing of executions of Memoranda of Understanding with other parties, delays in the appointment of consultants, and project savings for the Port Hedland hospital site remediation;
  - lower than budgeted grants by the Department of Training and Workforce Development to private training organisations (\$16 million), with this expenditure now expected to be incurred in 2018-19, and a higher number of program grants to support training being paid to the TAFE colleges;
  - lower than budgeted grants from the Mental Health Commission to the Department of Communities (Housing Services, down \$9 million) due to delays in construction for Step Up/Step Down facilities in Karratha, Bunbury and Broome; and
  - lower than budgeted grants paid by the Building and Construction Industry Training Board (down \$7 million) to employers of apprentices in the building and construction industry. This mainly reflects the continuing downturn in construction activity across all sectors, particularly in the residential construction sector which is a significant employer of apprentices. This in turn has flowed through to lower than expected apprenticeship commencements and grant payments.
- (k) The net operating balance in 2017-18 was a \$618 million deficit, a \$1,722 million improvement from the Budget projection for a \$2,340 million deficit. Revenue was \$875 million (or 3.1%) higher than budgeted while expenses were \$847 million (or 2.8%) lower than forecast, as detailed above.

- (l) ‘Other economic flows’<sup>4</sup> resulted in an aggregate decrease in net worth of \$14 million. This represented a \$123 million better outcome than expectations at the time of the Budget (which forecast a decrease of \$136 million). The improved outcome is primarily driven by a \$326 million turnaround in net actuarial gains on superannuation (mainly due to differences in discount rates used by the actuary in valuing the liability, and the short term salary assumptions in the end of year valuation), partly offset by valuation decrements across the range of other general government sector assets/liabilities (down \$125 million). Other changes include provisions for doubtful debts, and changes in accounting policies/adjustment of prior periods (which are not forecast in the Budget)<sup>5</sup>.
- (m) All other movements in equity equated to an aggregate decrease in net worth of \$2.4 billion, a \$3.1 billion turnaround on 2017-18 Budget expectations (restated for revised land values noted in the introduction to this appendix). This item accounts for all changes in the net worth of the public sector balance sheet that are not accounted for on the general government sector operating statement, including the operations and valuation changes of public corporations, valuation changes across the sector’s other assets and liabilities, and the impact of investing and financing activities. These other sources of variance are discussed throughout the following sections of this appendix.
- (n) Net worth at 30 June 2018 declined \$3 billion on the restated final outcome for 2016-17. This compared with a \$1.7 billion decrease forecast in the original Budget, which was based on the expected outturn for 2016-17 at that time. The higher than expected decline in net worth is comprised of the changes in the net operating balance, ‘other economic flows’ and ‘all other movements in equity’ variances, noted above. This is the third consecutive annual decrease in net worth, and is driven predominantly by operating deficit outcomes for the general government sector, and consecutive material revisions to the value of the State’s substantial holdings of land and buildings.
- (o) A \$2.1 billion deficit outcome for net lending/borrowing (which includes the net operating balance from transactions, less non-cash depreciation costs plus the net cost of infrastructure investment activities) compares with the original \$4.0 billion deficit forecast at the time of the 2017-18 Budget.

Changes in general government sector purchases and sales of non-financial assets relative to Budget are discussed later in this appendix (as part of the cash flow statement).

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<sup>4</sup> Changes in the value of assets or liabilities that do not result from transactions are referred to as ‘other economic flows’. They include net gains on assets/liabilities, including superannuation actuarial gains/losses, changes in accounting policy/adjustment of prior periods (which are not forecast in the Budget), and provisions for doubtful debts.

<sup>5</sup> Movements in the value of the public sector balance sheet that result from a revaluation or restatement of assets and liabilities are included in equity as reserves. These reserves are used to account for any unrealised gains or losses that would otherwise be recognised in the operating statement.

Inventory levels were budgeted to decline by \$1 million in 2017-18 Budget forecasts (compared with a \$3 million decrease in this ARSF), while depreciation was \$132 million lower than budgeted (mostly reflecting lower than anticipated expenses for Main Roads, WA Health, Finance and Education, related to final asset valuations for 2017-18).

Other movements in non-financial assets were \$43 million higher than Budget, largely reflecting a higher than budgeted value of assets acquired under finance leases (up \$20 million), and movements in net assets transferred in/out of the sector (up a net \$23 million).

Table 4.2

**GENERAL GOVERNMENT**  
Balance Sheet<sup>(a)</sup>

	Notes	2017-18			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
<b>ASSETS</b>					
<i>Financial assets</i>					
Cash and deposits		707	862	156	22.0
Advances paid		731	741	10	1.3
Investments, loans and placements		3,312	5,682	2,370	71.5
Receivables		2,946	3,212	266	9.0
Shares and other equity					
Investments in other public sector entities - equity method		43,116	42,406	-709	-1.6
Investments in other public sector entities - direct injections		9,319	9,377	59	0.6
Investments in other entities		47	48	1	2.3
Other financial assets		8	8	-	1.5
<i>Total financial assets</i>	a	60,185	62,337	2,152	3.6
<i>Non-financial assets</i>					
Land		37,558	36,406	-1,152	-3.1
Property, plant and equipment		47,481	44,709	-2,772	-5.8
Biological assets		2	3	2	118.7
Inventories					
Land inventories		7	-	-7	-
Other inventories		82	70	-12	-14.2
Intangibles		643	627	-16	-2.4
Non-current assets held for sale		33	125	92	279.5
Investment property		8	7	-1	-11.9
Other		457	248	-209	-45.8
<i>Total non-financial assets</i>	b	86,271	82,196	-4,075	-4.7
<b>TOTAL ASSETS</b>	c	146,456	144,532	-1,924	-1.3
<b>LIABILITIES</b>					
Deposits held		428	553	125	29.2
Advances received		360	360	-	-
Borrowings		28,067	28,109	41	0.1
Unfunded superannuation		6,962	6,541	-421	-6.1
Other employee benefits		3,017	3,033	16	0.5
Payables		1,275	1,277	2	0.2
Other liabilities		1,354	1,425	71	5.3
<b>TOTAL LIABILITIES</b>	d	41,463	41,297	-166	-0.4
<b>NET ASSETS</b>		<b>104,993</b>	<b>103,236</b>	<b>-1,758</b>	<b>-1.7</b>
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		6,608	5,907	-702	-10.6
Other reserves		98,385	97,329	-1,056	-1.1
<b>NET WORTH</b>	e	<b>104,993</b>	<b>103,236</b>	<b>-1,758</b>	<b>-1.7</b>
<b>MEMORANDUM ITEMS</b>					
<i>Net financial worth</i>		18,723	21,040	2,317	12.4
<i>Net financial liabilities</i>		33,712	30,744	-2,968	-8.8
<i>Net debt</i>					
Gross debt liabilities		28,855	29,022	167	0.6
less: liquid financial assets		4,750	7,285	2,535	53.4
less: convergence differences impacting net debt		-	-	-	-
<i>Net debt</i>	f	24,105	21,737	-2,368	-9.8

(a) 2017-18 Budget forecasts restated for land valuation changes noted in the introduction to this appendix.



## General Government Sector Balance Sheet

- (a) General government sector financial assets totalled \$62.3 billion at 30 June 2018, up \$2.2 billion (or 3.6%) from the original Budget forecast (restated for revised land values noted in the introduction to this appendix). This largely reflected higher than budgeted holdings of liquid financial assets which were up \$2.5 billion (or 53.4%), mainly due to higher Public Bank Account (PBA) investment holdings<sup>6</sup>. This in turn reflected the better than expected final results for the year ending 30 June 2017 compared to the then expected outcome for that year (discussed in the 2016-17 ARSF), and the better than expected results in 2017-18. This was partly offset by a \$650 million (or 1.2%) decrease in the value of investments in other public sector entities (i.e. public corporations), mainly reflecting lower valuation effects in the public non-financial corporations sector, and a \$266 million (or 9%) higher than expected outturn for receivables<sup>7</sup> (mainly due to the timing of transactions).
- (b) Non-financial assets (such as land and infrastructure holdings) totalled \$82.2 billion at 30 June 2018, down \$4.1 billion (or 4.7%) from the restated Budget. This primarily reflects lower than forecast property, plant and equipment (down \$2.8 billion) and lower land holdings (down \$1.2 billion). These results were partly driven by the lower than expected outcome for the year ending 30 June 2017 discussed in the 2016-17 ARSF, along with lower than budgeted year-end valuations for land (including land under roads) for 2017-18.
- (c) Total assets were \$144.5 billion at 30 June 2018, down \$1.9 billion (or 1.3%) compared to the restated original Budget, reflecting the movements outlined above.
- (d) Total liabilities were \$41.3 billion at 30 June 2018, down \$166 million (or 0.4%) from the original Budget. Key movements included:
- debt liabilities, which include deposits held, advances from the Commonwealth and borrowings (up a total \$167 million), largely due to higher deposits held (up \$125 million), mainly cash held on behalf of public corporations, and a minor 0.1% increase in borrowings (equating to \$41 million); and
  - non-debt liabilities (down a net \$332 million), with lower unfunded superannuation (down \$421 million, due to the actuarial valuation at 30 June 2018 noted in the *Financial Results* chapter of this report) which more than offset higher than Budget outcomes for 'other' liabilities (up \$71 million, which are subject to the timing of cash payments by the sector), employee benefits such as accruing leave entitlements (up \$16 million), and payables<sup>8</sup> (up \$2 million).

<sup>6</sup> The PBA is the central bank account of the Western Australian public sector. Divisions of the PBA include the Consolidated Account, agency and Treasurer's Special Purpose Accounts and other centrally managed bank accounts. The PBA is administered by the Treasury with funds management provided by the Western Australian Treasury Corporation. Key components of the PBA are discussed further in Appendix 7: *Public Ledger*.

<sup>7</sup> Accounts for goods and services that have been invoiced but for which cash is still to be received.

<sup>8</sup> Payables include short and long term trade creditors, and accounts payable.

- (e) Net worth (the difference between total assets and total liabilities) was \$103.2 billion at 30 June 2018. This outcome is \$1.8 billion (or 1.7%) lower than the restated forecast of \$105 billion in the 2017-18 Budget and reflects the net impact of the outcomes noted above.
- (f) General government sector net debt was \$21.7 billion at 30 June 2018, \$2.4 billion (or 9.8%) lower than the \$24.1 billion estimated in the original Budget. This largely reflected the better than expected cash outcome for 2017-18, detailed in the next section, and the final outturn for 30 June 2017 (reported in the *2016-17 Annual Report on State Finances*).

Table 4.3

**GENERAL GOVERNMENT**  
Cash Flow Statement

	Notes	2017-18			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<i>Cash received</i>					
Taxes received		8,617	8,567	-50	-0.6
Grants and subsidies received		9,247	9,773	526	5.7
Receipts from sales of goods and services		2,471	2,662	191	7.7
Interest receipts		182	158	-24	-12.9
Dividends and tax equivalents		2,246	2,280	34	1.5
Other		7,068	7,230	162	2.3
<i>Total cash received</i>		29,831	30,670	839	2.8
<i>Cash Paid</i>					
Wages, salaries and supplements, and superannuation		-14,163	-13,801	363	-2.6
Payments for goods and services		-8,798	-8,759	40	-0.5
Interest paid		-865	-860	5	-0.6
Grants and subsidies paid		-5,411	-5,125	287	-5.3
Dividends and tax equivalents		-	-	-	-
Other payments		-1,570	-1,727	-157	10.0
<i>Total cash paid</i>		-30,808	-30,271	537	-1.7
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	a	-977	399	1,376	-140.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<i>Cash flows from investments in non-financial assets</i>					
Purchase of non-financial assets	b	-2,865	-2,438	426	-14.9
Sales of non-financial assets	c	177	82	-95	-53.8
<i>Total cash flows from investments in non-financial assets</i>	d	-2,688	-2,357	331	-12.3
<i>Cash flows from investments in financial assets</i>					
<i>Cash received</i>					
For policy purposes		10	13	3	33.0
For liquidity purposes		65	76	10	15.7
<i>Cash paid</i>					
For policy purposes		-599	-573	26	-4.3
For liquidity purposes		-14	-57	-43	299.2
<i>Total cash flows from investments in financial assets</i>		-538	-541	-4	0.7
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		-3,225	-2,898	328	-10.2
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<i>Cash received</i>					
Advances received		16	16	-	-1.6
Borrowings		4,392	4,318	-74	-1.7
Deposits received		-	-	-	-
Other financing receipts		132	156	24	18.2
<i>Total cash receipts from financing activities</i>		4,540	4,490	-50	-1.1
<i>Cash paid</i>					
Advances paid		-16	-16	-	-1.6
Borrowings repaid		-311	-182	129	-41.5
Deposits paid		-	-	-	-
Other financing payments		-289	-271	17	-6.0
<i>Total payments for financing activities</i>		-616	-469	146	-23.8
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		3,924	4,020	96	2.4
<b>Net increase in cash and cash equivalents</b>		<b>-278</b>	<b>1,521</b>	<b>1,800</b>	<b>-646.4</b>
Cash and cash equivalents at the beginning of the year		4,415	4,839	424	9.6
Cash and cash equivalents at the end of the year		4,136	6,360	2,224	53.8
<b>KEY FISCAL AGGREGATES</b>					
Net cash flows from operating activities		-977	399	1,376	-140.8
Net cash flows from investing in non-financial assets		-2,688	-2,357	331	-12.3
<b>Cash surplus/-deficit</b>	e	<b>-3,665</b>	<b>-1,958</b>	<b>1,707</b>	<b>-46.6</b>

## General Government Sector Cash Flow Statement

- (a) Net cash flows from operating activities (i.e. the receipts and payments of day-to-day operating activities of general government agencies) were in a net \$399 million cash surplus position in 2017-18, a \$1.4 billion turnaround on the \$977 million cash operating deficit forecast in the 2017-18 Budget<sup>9</sup>. Total operating cash received in 2017-18 was \$30.7 billion, \$839 million (or 2.8%) higher than Budget, while total cash paid in 2017-18 was \$30.3 billion, \$537 million (or 1.7%) lower than Budget.

The \$1.4 billion improvement in the cash operating result reflects similar considerations to the more moderate improvement for the accrual operating deficit on the operating statement discussed earlier in this appendix. In particular, improvements in revenue were matched with similar increases in operating receipts, while at the same time, the cash flow equivalents to the lower than budgeted accrual expenses (largely in the areas of salaries, transfer expenses and other gross operating expenses) were also similarly lower.

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

- (b) Purchases of non-financial assets (i.e. largely land and infrastructure investment) were \$2.4 billion in 2017-18, \$426 million (or 14.9%) lower than the 2017-18 Budget, with key changes including:
- Main Roads (down \$413 million), due to revised timing of works for major road projects, including NorthLink WA and Great Northern Highway – Muchea to Wubin, and works under the Commonwealth Government's Northern Australia Roads;
  - WA Health (down \$230 million), reflecting delays or changes in timing associated with project design activity and procurement processes, mainly in relation to the Perth Children's Hospital (Development and ICT projects), Onslow Hospital, Karratha Health Campus Development, King's Park Link Bridge, Fiona Stanley Hospital (Facilities Management Services Contract Asset Solution), Replacement of Medical Imaging System (PACS-RIS), Renal Dialysis and Support Services, and Reconfiguring the Western Australian Spinal Cord Injury Service. The reduction also included the reclassification of around \$48 million in infrastructure spending to recurrent expenditure (included in the 2018-19 Budget);

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<sup>9</sup> The net cash flow from operating activities is the cash equivalent of the operating balance on the operating statement discussed earlier in this appendix and in Chapter 1 of this report. This cash flow aggregate is based on cash information only while the accrual operating balance includes non-cash transactions such as depreciation charges, and recognises costs (expenses) and benefits (revenue) as they occur rather than only when cash is paid or received.

- Department of Education (down \$74 million), primarily due to changes in the timing of capital expenditure, particularly in key projects including the relocated International School of Western Australia, Harrisdale Senior High School, Balcatta Senior High School, Stage 2 of Joseph Banks Secondary College and projects approved from Universal Access (Commonwealth) funding;
- Department of Local Government, Sport and Cultural Industries (down \$62 million), mainly due to the timing of payments for the New Museum project and project rescheduling following the delayed appointment and performance of the Managing Contractor (\$55 million) together with the impact of timing of payments on Optus Stadium (\$8 million), marginally offset by the net impact of other movements in the Department's Asset Investment Program;
- Department of Finance (down \$42 million), mainly due to State Fleet reform initiatives implemented during the year, leading to a reduction in planned vehicle replacements, and changes in timing of lease incentive office accommodation fit-outs;
- Department of Justice (down \$31 million), due to updated project delivery schedules for a range of custodial infrastructure projects, including the Casuarina Prison expansion and the Wandoo Facility;
- Department of Communities (Disability Services, down \$26 million), reflecting avoided set-up costs for a State-administered NDIS, which were no longer required following the Government's decision to transition to the Commonwealth-run scheme;
- Department of Fire and Emergency Services (down \$20 million), mainly due to a delay in the appliance replacement programs that have been due to the tenders, evaluation and contract negotiations for both the heavy and light fleet taking longer than anticipated, and savings from career fire and rescue stations in Albany, Bunbury and Vincent resulting from favourable tender outcomes. This underspend has been partially offset by the replacement of Mobile Data Terminals in 2017-18 (which continued into 2018-19); and
- the inclusion in the original Budget of a \$500 million general underspend provision, and a \$54 million Royalties for Regions underspend provision, in anticipation of lower actual spending that would emerge for infrastructure projects across the general government sector by 30 June 2018 (which partly offset the lower outcomes detailed above).

- (c) Sales of non-financial assets were \$82 million in 2017-18, \$95 million (or 53.8%) lower than Budget, with key changes including:
- lower land sales by the Department of Planning, Lands and Heritage (down \$71 million), mainly reflecting a \$54 million Land Asset Sales Program target that was included in the 2017-18 Budget as a provision for the sale of freehold land owned by other agencies. Freehold land sales totalling \$34 million were achieved in 2017-18, and these sales are included in individual agency statements. Crown land sales were \$17 million lower than the original Budget forecast, primarily due to the later sale of a parcel of land in Bentley;
  - the Department of Finance (down \$15 million), largely resulting from the deferment of the sale of a large number of vehicles, reflecting State Fleet reform initiatives that were implemented during the year, including the extension of existing vehicle lease terms; and
  - lower disposals by the Western Australian Planning Commission (down \$11 million), due to continued soft residential land market conditions across the Perth metropolitan area, including the effect of the tightening of bank lending requirements which has caused a significant drop in demand.
- (d) Net cash flows from investments in non-financial assets totalled \$2.4 billion in 2017-18, \$331 million lower than Budget and reflecting the combined effect of changes in purchases and sales outlined above.
- (e) The general government sector recorded a \$2.0 billion cash deficit in 2017-18, \$1.7 billion (or 46.6%) lower than the cash deficit forecast in the original Budget. This reflects the combination of net cash receipts from operations and net investment in non-financial assets described above. The cash deficit is the key driver of movements in net debt (discussed above and in Chapter 1).

Table 4.4

**TOTAL PUBLIC SECTOR**  
Operating Statement

	Notes	2017-18			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
<b>RESULTS FROM TRANSACTIONS</b>					
<b>REVENUE</b>					
Taxation		8,099	8,114	15	0.2
Current grants and subsidies		8,255	8,529	274	3.3
Capital grants		968	1,263	294	30.4
Sales of goods and services		22,898	21,067	-1,831	-8.0
Interest income		565	585	20	3.5
Royalty income		5,211	5,231	19	0.4
Other		1,028	1,031	3	0.3
<i>Total</i>	a	47,025	45,819	-1,206	-2.6
<b>EXPENSES</b>					
Salaries		13,592	13,297	-296	-2.2
Superannuation					
Concurrent costs		1,371	1,305	-66	-4.8
Superannuation interest cost		201	177	-23	-11.6
Other employee costs		252	263	11	4.5
Depreciation and amortisation		3,706	3,362	-344	-9.3
Services and contracts		3,216	3,285	69	2.1
Other gross operating expenses		21,790	19,726	-2,064	-9.5
Other interest		1,756	1,688	-69	-3.9
Current transfers		4,066	3,975	-91	-2.2
Capital transfers		221	365	143	64.8
<i>Total</i>	b	50,171	47,442	-2,729	-5.4
<b>NET OPERATING BALANCE</b>	c	<b>-3,146</b>	<b>-1,623</b>	<b>1,524</b>	<b>-48.4</b>
<i>Other economic flows - included in the operating result</i>					
Net gains on assets/liabilities		154	111	-43	-27.9
Net actuarial gains - superannuation		-115	206	322	-278.8
Provision for doubtful debts		-49	-66	-16	32.9
Changes in accounting policy/adjustment of prior periods		-	-1,192	-1,192	-
<i>Total other economic flows</i>	d	-11	-941	-930	8,516.3
<b>OPERATING RESULT</b>		<b>-3,157</b>	<b>-2,563</b>	<b>594</b>	<b>-18.8</b>
<i>All other movements in equity</i>					
<i>Items that will not be reclassified to operating result</i>					
Revaluations		1,408	-1,669	-3,077	-218.5
Gains recognised directly in equity		8	1,241	1,234	15,724.6
All other		-	-	-	-
<i>Total all other movements in equity</i>	e	1,416	-428	-1,844	-130.2
<b>TOTAL CHANGE IN NET WORTH</b>	f	<b>-1,741</b>	<b>-2,991</b>	<b>-1,250</b>	<b>71.8</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>		<b>-3,146</b>	<b>-1,623</b>	<b>1,524</b>	<b>-48.4</b>
<i>Less Net acquisition of non-financial assets</i>					
Purchase of non-financial assets		6,001	5,052	-949	-15.8
Changes in inventories		78	-321	-399	-513.1
Other movement in non-financial assets		633	596	-37	-5.8
<i>less:</i>					
Sales of non-financial assets		991	567	-424	-42.8
Depreciation		3,706	3,362	-344	-9.3
<i>Total net acquisition of non-financial assets</i>		2,015	1,398	-617	-30.6
<b>NET LENDING/-BORROWING</b>	g	<b>-5,162</b>	<b>-3,021</b>	<b>2,141</b>	<b>-41.5</b>

## Total Public Sector<sup>10</sup> Operating Statement

- (a) Operating revenue in 2017-18 was \$45.8 billion, \$1.2 billion (or 2.6%) lower than budgeted, with lower sales of goods and services more than offsetting higher Commonwealth grants, taxation, interest income, royalty income and 'other' income. Movements for taxation, royalties and Commonwealth grants (which also appear on the general government operating statement with most of this income received by that sector) have been outlined earlier in this appendix<sup>11</sup>.

Sales of goods and services were \$1.8 billion (or 8%) lower than Budget, with material changes attributable to:

- the Gold Corporation (down \$1.1 billion), as a result of higher than budgeted Australian dollar metal prices being more than offset by lower than expected refining volumes, and the accounting treatment for actual precious metal transactions recorded at year-end<sup>12</sup>. This significant decrease in forecast revenue is broadly matched by an equivalent decrease in related expenses (see (b) later in this section);
- Racing and Wagering Western Australia (down \$317 million), due largely to lower betting turnover. Lower than expected betting revenue is broadly matched by reduced betting dividend payouts and other direct costs of sales;
- the Department of Communities (Housing Services, down \$166 million), reflecting lower inventory sales from the Affordable Housing and Social Housing Investment Programs as a result of prevailing property market conditions. This lower than expected revenue is broadly matched by an equivalent reduction in related expenses;
- the Insurance Commission of Western Australia (down \$146 million), reflecting the reclassification of investment gains from a forecast revenue to (non-cash) valuations; and

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<sup>10</sup> The total public sector (also known as the whole-of-government) consolidates the general government sector (discussed earlier), the public non-financial corporations sector (which includes entities delivering non-financial services on a predominantly cost recovery basis, like the State's ports, and the electricity and water utilities), and the public financial corporations sector (which includes agencies mainly engaged in financial activities such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

<sup>11</sup> Internal transfers between the general government sector and agencies in the public corporations sectors are eliminated in the whole-of-government consolidation process. Accordingly, some total public sector financial aggregates may be smaller than the general government equivalent. For example, the general government sector collects payroll tax from some public corporations. These internal collections are not shown in the total public sector taxation revenue data which is thus smaller than the general government taxation revenue aggregate.

<sup>12</sup> Accounting standards differentiate between exchanges/swaps of similar goods and all other forms of settlement. When a metals transaction is settled in metal ounces (i.e. a similar good) only the net amount (i.e. the margin) is recognised as revenue whereas cash settlement results in the gross revenue and disclosures (metal value and margin) being recognised. The settlement method is at the customer's discretion and as such out of the Gold Corporation's control and can result in significant variations between forecasts and actual outcomes.



- the Lotteries Commission (down \$52 million), as a result of continued softness of sales, increased online competition and lower than expected high jackpot events. This is matched by a broadly equivalent reduction in related expenditure on prize distributions and retailer commission costs.
- (b) Operating expenses in 2017-18 were \$47.4 billion, \$2.7 billion (or 5.4%) lower than Budget, with higher outcomes for capital transfers, services and contracts and, to a lesser extent, other employee costs, more than offset by lower outcomes across all other line items, dominated by a lower outcome for ‘other’ gross operating expenses.

‘Other’ gross operating expenses were \$2.1 billion (or 9.5%) lower than Budget, due largely to the (broadly equivalent) impact on expenses of the revenue issues outlined above for the Gold Corporation (down \$1.1 billion), Racing and Wagering Western Australia (down \$288 million), the Department of Communities (Housing Services, down \$169 million), and Lotteries Commission (down \$39 million).

In the public financial corporations sector, claims expenses were \$127 million lower than budgeted, due to lower than anticipated claims for:

- RiskCover (down \$81 million), mainly due to a reduction in actuarially assessed outstanding claims provisions in the workers’ compensation and liability classes. This reduction is principally due to more claims being finalised during the year, as RiskCover staff continue to increase their focus on the timely management and resolution of claims, which therefore leaves fewer future claims to pay; and
- the Insurance Commission of Western Australia (down \$46 million), largely due to downward actuarial adjustments to outstanding claims liabilities reflecting improvements in the health of participants under the Catastrophic Injuries Support scheme.

Excluding these specific agencies, ‘other’ gross operating expenses for all other agencies were down \$324 million (or 3.8%). A reclassification of Water Corporation spending to other expense categories accounts for \$163 million of this total.

Salaries were \$296 million (or 2.2%) lower than forecast in the 2017-18 Budget, mainly due to the \$238 million lower salaries outcome for the general government sector outlined earlier. Salaries outcomes in the State’s public non-financial corporations were \$58 million lower while public financial corporations’ salary costs were unchanged from Budget.

Depreciation and amortisation expenses were \$344 million (or 9.3%) lower than the original Budget, with public non-financial corporations sector outcomes \$211 million lower than anticipated while general government sector depreciation costs were \$132 million lower than forecast. The lower than expected outcomes mainly reflect lower annual valuations for physical assets, including electricity related assets for Synergy (\$150 million) and Western Power (\$54 million) which are both valued on a 'fair value' basis in whole-of-government financial reporting, along with Main Roads (\$36 million), WA Health (\$34 million), and the Departments of Finance (\$17 million) and Education (\$13 million).

Across the other expense line items, lower than Budget outcomes were recorded for current transfers (down \$91 million, or 2.2%), concurrent superannuation costs (down \$66 million, or 4.8%), interest expenses (down \$69 million, or 3.9%), and superannuation interest costs (down \$23 million, or 11.6%). These were broadly offset by higher than forecast outcomes for capital transfers (up \$143 million, or 64.8%), services and contracts (up \$69 million, or 2.1%), and other employee costs (up \$11 million, or 4.5%). The major factors behind the material outcome for capital transfers were higher on-passed Commonwealth grants to local governments for roads (discussed earlier), along with property assets transferred to community housing organisations by the Department of Communities (Housing Services).

- (c) The total public sector recorded a \$1.6 billion operating deficit in 2017-18, around half the \$3.1 billion deficit projected at the time of the 2017-18 Budget. Revenue was \$1.2 billion (or 2.6%) lower than forecast while expenses were \$2.7 billion (or 5.4%) lower. The main drivers of these movements have been outlined above.
- (d) 'Other' economic flows resulted in an aggregate decrease in net worth of \$941 million, \$930 million larger than the forecast decline in the 2017-18 Budget. This was due to a \$1.2 billion change in accounting policies/adjustment of prior periods (which are not forecast in the Budget)<sup>13</sup>, along with lower net gains on assets/liabilities (down \$43 million), partly offset by higher than budgeted net actuarial gains on superannuation (up \$322 million, outlined earlier).
- (e) All other movements in equity equate to an aggregate decrease in net worth of \$428 million in 2017-18, a \$1.8 billion turnaround from restated Budget expectations. This was due to lower than expected land valuations in both 2016-17 and 2017-18 (down \$3.1 billion), partly offset by higher than estimated gains recognised directly in equity (up \$1.2 billion).

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<sup>13</sup> Movements in the value of the public sector balance sheet that result from a revaluation or restatement of assets and liabilities are included in equity as reserves. These reserves are used to account for any unrealised gains or losses that would otherwise be recognised in the operating statement. The large result for 2017-18 reflects a \$1 billion outcome in the public non-financial corporations sector, largely due to the removal of the deferred tax benefits eliminated in the whole-of-government consolidation under tax equivalent arrangements.

- (f) The total change in net worth at 30 June 2018 was a decrease of \$3 billion compared with a \$1.7 billion decrease forecast at Budget. This change is comprised of the changes in the net operating balance, other economic flows and all other movements in equity variances outlined above and in the equivalent general government sector discussion earlier in this appendix.
- (g) Net lending/borrowing was in a \$3 billion deficit position in 2017-18, \$2.1 billion (or 41.5%) less than the net lending deficit projected in the original Budget.

This includes changes in total public sector purchases and sales of non-financial assets detailed later in this appendix (under the cash flow statement).

Inventories were budgeted to rise by \$78 million but instead decreased by \$321 million, with this \$399 million turnaround primarily driven by the Gold Corporation's holdings of precious metals.

Depreciation expenses were \$344 million (or 9.3%) lower than budgeted, as outlined earlier in this section.

Other movements in non-financial assets (which comprises the value of assets transferred in/out of the sector, and assets acquired under finance leases) were \$37 million lower than expected in the 2017-18 Budget (discussed earlier in the general government sector).

Table 4.5

**TOTAL PUBLIC SECTOR**  
Balance Sheet <sup>(a)</sup>

	Notes	2017-18			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
<b>ASSETS</b>					
<i>Financial assets</i>					
Cash and deposits		1,632	2,079	447	27.4
Advances paid		4,373	4,345	-29	-0.7
Investments, loans and placements		17,501	16,733	-768	-4.4
Receivables		4,753	4,976	223	4.7
Equity - Investments in other entities		1,882	1,854	-28	-1.5
Other financial assets		19	13	-6	-30.8
<i>Total financial assets</i>		<b>30,160</b>	<b>30,001</b>	<b>-159</b>	<b>-0.5</b>
<i>Non-financial assets</i>					
Land		47,397	45,508	-1,889	-4.0
Property, plant and equipment		102,755	100,294	-2,461	-2.4
Biological assets		327	332	6	1.7
Inventories					
Land inventories		2,142	1,902	-240	-11.2
Other inventories		4,162	3,731	-432	-10.4
Intangibles		1,073	1,085	12	1.1
Non-current assets held for sale		61	183	122	199.4
Investment property		371	77	-294	-79.2
Other		582	408	-174	-29.9
<i>Total non-financial assets</i>		<b>158,871</b>	<b>153,520</b>	<b>-5,351</b>	<b>-3.4</b>
<b>TOTAL ASSETS</b>		<b>189,031</b>	<b>183,521</b>	<b>-5,510</b>	<b>-2.9</b>
<b>LIABILITIES</b>					
Deposits held		31	23	-8	-25.3
Advances received		360	360	-	-
Borrowings		60,925	57,379	-3,545	-5.8
Unfunded superannuation		7,012	6,636	-376	-5.4
Other employee benefits		3,412	3,398	-14	-0.4
Payables		6,174	6,473	299	4.8
Other liabilities		6,124	6,016	-108	-1.8
<b>TOTAL LIABILITIES</b>		<b>84,038</b>	<b>80,285</b>	<b>-3,752</b>	<b>-4.5</b>
<b>NET ASSETS</b>		<b>104,993</b>	<b>103,236</b>	<b>-1,758</b>	<b>-1.7</b>
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		27,865	26,555	-1,310	-4.7
Other reserves		77,128	76,680	-448	-0.6
<b>NET WORTH</b>	a	<b>104,993</b>	<b>103,236</b>	<b>-1,758</b>	<b>-1.7</b>
<b>MEMORANDUM ITEMS</b>					
<i>Net financial worth</i>		-53,878	-50,285	3,593	-6.7
<i>Net financial liabilities</i>		55,760	52,139	-3,620	-6.5
<i>Net debt</i>					
Gross debt liabilities		61,316	57,763	-3,553	-5.8
less: liquid financial assets		23,506	23,157	-349	-1.5
less: convergence differences impacting net debt		-	-	-	-
<i>Net debt</i>	b	<b>37,810</b>	<b>34,606</b>	<b>-3,204</b>	<b>-8.5</b>

(a) 2017-18 Budget forecasts restated for land valuation changes noted in the introduction to this appendix.

## Total Public Sector Balance Sheet<sup>14</sup>

- (a) Net worth of the total public sector was \$103.2 billion at 30 June 2018, which is equivalent to that of the general government sector (down \$1.8 billion, or 1.7% on the Budget-time forecast (restated for revised land values noted in the introduction to this appendix), as discussed earlier).

Movements since the original Budget for these balance sheet items largely reflect variances in the final results for the year ending 30 June 2017 compared to the then expected outcome for that year, changes due to operating and investing operations through 2017-18 (discussed in cash flow terms below), and movements in the valuation of assets (particularly land and other physical assets).

- Assets were \$5.5 billion (or 2.9%) lower than restated Budget with lower holdings of both non-financial assets (down \$5.4 billion) and financial assets (down \$159 million).

For financial assets, liquid cash holdings were \$349 million lower than anticipated, while receivables were \$223 million higher (with the increase in receivables reflecting timing issues for a range of transactions).

Lower than budgeted non-financial asset outcomes were evident for a range of asset classes, predominantly for property, plant and equipment (down \$2.5 billion) and land (down \$1.9 billion), reflecting valuation movements in 2016-17 and 2017-18. Also lower than Budget were land and 'other' inventories (down \$240 million and \$432 million respectively), investment property (down \$294 million), and 'other' non-financial assets (down \$174 million). These lower outcomes were partly offset by smaller upward variations for non-current assets held for sale, intangibles and biological assets.

- Liabilities were \$3.8 billion (or 4.5%) lower than Budget, with lower gross debt liabilities (down \$3.6 billion, largely reflecting lower pre-borrowing activity for 2018-19 by the Western Australian Treasury Corporation), unfunded superannuation liabilities (down \$376 million, due mainly to a lower actuarial valuation at year-end), 'other' liabilities (down \$108 million), and 'other employee benefits' (down \$14 million), partially offset by higher payables (up \$299 million).

- (b) Total public sector net debt was \$34.6 billion at 30 June 2018, \$3.2 billion (or 8.5%) lower than the \$37.8 billion estimated in the 2017-18 Budget. Gross debt liabilities were \$3.6 billion lower while holdings of liquid financial assets were down \$349 million. These variances include a \$536 million lower than expected outcome for the year ending 30 June 2017, as detailed in the 2016-17 ARSF, and movements in assets and liabilities detailed above.

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<sup>14</sup> Net worth of the total public sector is equivalent to general government sector net worth discussed earlier in this appendix. This is because the net worth of the public corporations is recorded as an asset on the general government sector balance sheet. Accordingly, the variance from original Budget is also the same as for the general government sector. However, total public sector assets and liabilities are different to the general government sector disclosure as the assets and liabilities of the public corporations are disclosed in more detail than the net asset holding in public corporations recorded on the general government sector balance sheet.

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

	Notes	2017-18			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<i>Cash received</i>					
Taxes received		8,010	8,077	67	0.8
Grants and subsidies received		9,247	9,773	526	5.7
Receipts from sales of goods and services		23,159	21,346	-1,813	-7.8
Interest receipts		619	604	-15	-2.4
Dividends and tax equivalents		-	-	-	-
Other		7,880	8,460	580	7.4
<b>Total cash received</b>		<b>48,915</b>	<b>48,260</b>	<b>-655</b>	<b>-1.3</b>
<i>Cash paid</i>					
Wages, salaries and supplements, and superannuation		-15,499	-15,101	399	-2.6
Payments for goods and services		-23,382	-21,489	1,892	-8.1
Interest paid		-1,738	-1,899	-162	9.3
Grants and subsidies paid		-3,798	-3,712	86	-2.3
Dividends and tax equivalents		-	-	-	-
Other payments		-4,169	-4,581	-412	9.9
<b>Total cash paid</b>		<b>-48,586</b>	<b>-46,782</b>	<b>1,804</b>	<b>-3.7</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>a</b>	<b>328</b>	<b>1,478</b>	<b>1,149</b>	<b>349.9</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<i>Cash flows from investments in non-financial assets</i>					
Purchase of non-financial assets	b	-6,001	-5,052	949	-15.8
Sales of non-financial assets	c	991	567	-424	-42.8
<b>Total cash flows from investments in non-financial assets</b>	<b>d</b>	<b>-5,010</b>	<b>-4,485</b>	<b>525</b>	<b>-10.5</b>
<i>Cash flows from investments in financial assets</i>					
<i>Cash received</i>					
For policy purposes		10	13	3	33.0
For liquidity purposes		6,487	6,189	-298	-4.6
<i>Cash paid</i>					
For policy purposes		-10	-16	-6	64.4
For liquidity purposes		-7,367	-7,249	118	-1.6
<b>Total cash flows from investments in financial assets</b>		<b>-880</b>	<b>-1,063</b>	<b>-183</b>	<b>20.8</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-5,890</b>	<b>-5,548</b>	<b>342</b>	<b>-5.8</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<i>Cash received</i>					
Advances received		-	-	-	-
Borrowings		27,344	18,015	-9,329	-34.1
Deposits received		-	-	-	-
Other financing receipts		37	57	20	53.9
<b>Total cash received</b>		<b>27,381</b>	<b>18,072</b>	<b>-9,309</b>	<b>-34.0</b>
<i>Cash paid</i>					
Advances paid		-16	-16	-	-1.6
Borrowings repaid		-22,309	-14,181	8,128	-36.4
Deposits paid		-	-	-	-
Other financing payments		-249	-251	-2	1.0
<b>Total cash paid</b>		<b>-22,574</b>	<b>-14,448</b>	<b>8,126</b>	<b>-36.0</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>4,807</b>	<b>3,624</b>	<b>-1,183</b>	<b>-24.6</b>
<b>Net increase in cash and cash equivalents</b>		<b>-755</b>	<b>-446</b>	<b>309</b>	<b>-40.9</b>
Cash and cash equivalents at the beginning of the period		10,640	11,019	378	3.6
Cash and cash equivalents at the end of the period		9,886	10,573	687	7.0
<b>KEY FISCAL AGGREGATES</b>					
Net cash flows from operating activities		328	1,478	1,149	349.9
Net cash flows from investing in non-financial assets		-5,010	-4,485	525	-10.5
<b>Cash surplus/-deficit</b>	<b>e</b>	<b>-4,682</b>	<b>-3,007</b>	<b>1,675</b>	<b>-35.8</b>

## Total Public Sector Cash Flow Statement

- (a) Net cash flows from operating activities were in a surplus position of \$1.5 billion in 2017-18, a \$1.1 billion improvement from the \$328 million cash operating surplus forecast in the 2017-18 Budget. Total cash receipts in 2017-18 were \$48.3 billion, \$655 million (or 1.3%) lower than forecast, while total cash payments in 2017-18 were \$46.8 billion, down \$1.8 billion (or 3.7%) since Budget. Movements for key cash aggregates including taxes, Commonwealth grants, wages and salaries are broadly consistent with the equivalent items on the operating statement, discussed earlier in this appendix.
- (b) Purchases of non-financial assets were \$5.1 billion in 2017-18, \$949 million (or 15.8%) lower than forecast. In addition to the general government sector variations noted earlier in this appendix (down \$426 million), net changes in infrastructure spending by key public corporations include:
- the Public Transport Authority (down \$319 million), primarily reflecting scheduling changes and tunnelling delays to Forrestfield-Airport Link, delays to the construction of Kenwick rail depot under the Future Urban Railcar Procurement project due to gas pipeline protection works, a delay in contract award for the Radio Systems Replacement project and schedule changes across a range of other projects;
  - Western Power (including Budget-time provisions for electricity works, down \$230 million), due to lower customer-driven distribution investment (due to fewer large scale projects in construction than anticipated), project delays and deferrals, and lower than expected asset replacement (due to improved asset management strategies);
  - the Department of Communities (Housing Services, down \$132 million), due largely to:
    - continued soft housing market conditions which has impacted the agency's development activities;
    - delays in the delivery of three sub-acute Step Up/Step Down facilities in Karratha, Bunbury and Broome; and
    - lower shared equity expenditure (also related to market conditions);
  - the Western Australian Land Authority (down \$88 million), driven by delays in various projects, reduced demand for land, and re-scoping and re-tendering of projects to achieve desired cost reductions (across the regional, metropolitan and industrial programs);
  - the Fremantle Port Authority (down \$77 million), largely due to the combined effects of changes in port user requirements and assumptions on the timing and prioritisation of projects. The majority of this expenditure relates to works on Outer Harbour plant and equipment, and the North Quay Land Acquisition;

- the Metropolitan Redevelopment Authority (down \$40 million), largely due to a \$34 million lower than expected spend on the Central Perth redevelopment works including the impact of property market conditions. The Authority also underspent in the Armadale, Kelmscott and Wungong areas (by a total \$6 million) due to a combination of rescheduling of projects to align with other government projects, later than expected approval timeframes, and expenditure that is subject to the timing of slower than expected private development; and
  - the inclusion in the original Budget of a \$250 million underspend provision for the public corporations sector (on top of the \$500 million underspend provision in the general government sector, mentioned earlier), along with a \$200 million slippage provision, in anticipation of lower actual spending that would emerge for infrastructure projects by 30 June 2018 and timing changes.
- (c) Sales of non-financial assets were \$567 million in 2017-18, \$424 million (or 42.8%) lower than Budget. In addition to the general government sector variations noted earlier in this appendix (down \$95 million), net changes in sales include:
- Department of Communities (Housing Services, down \$248 million), and the Western Australian Land Authority (down \$50 million), primarily due to lower than expected land sales as a result of continued soft housing market conditions; and
  - the Metropolitan Redevelopment Authority (down \$40 million), due to delays in settlement on sites in the Central Perth and Midland redevelopment areas.
- (d) Net cash flows from investments in non-financial assets were \$4.5 billion in 2017-18, \$525 million (or 10.5%) lower than Budget, with movements in purchases and sales outlined above.
- (e) The total public sector recorded a \$3 billion cash deficit in 2017-18, \$1.7 billion (or 35.8%) lower than forecast in the 2017-18 Budget. This reflects the combination of the better than expected net cash surplus on operations (up \$1.1 billion) and the lower net cash out-flow in non-financial assets (down \$525 million) discussed above.



## Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* (FMA) or by a statute (e.g. the Royalties for Regions Fund). Accounts established by statute are governed by the relevant provisions of the legislation, while accounts that are established administratively are governed by a special purpose statement (operating accounts) or a trust statement (trust accounts) that outline the purpose of the account.

This appendix contains information on key SPAs. It is not an exhaustive list of all SPAs but covers the major/material SPAs in existence at 30 June 2018. The SPA balances, and transactions in and out of these accounts, form part of the overall consolidated outcomes outlined elsewhere in this report.

### Debt Repayment Account

In line with the Government's election commitments to responsible financial management, a Debt Repayment Account was established in 2017-18 to apply windfall funds to the repayment of Consolidated Account borrowings. Receipts in 2017-18 reflect surplus funds returned to the Consolidated Account by RiskCover.

<b>DEBT REPAYMENT ACCOUNT</b>		Table 5.1
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	-	-
Receipts	98	-
Payments	98	-
<b>Closing Balance</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 and establishment of the Fiona Stanley Hospital.

The hospital achieved practical completion in December 2013, followed by completion of phased commissioning in February 2015. WA Health returned \$17.8 million of unspent construction funds to the SPA during 2017-18, while no draw downs were made during the year. Project closure arrangements are now expected to be finalised in 2018-19, with any remaining unspent funds on closure of the account returning to the Consolidated Account at that time.

Table 5.2

<b>FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	20	20
Receipts	18	- <sup>(a)</sup>
Payments	-	-
<b>Closing Balance</b>	<b>39</b>	<b>20</b>

(a) Interest earned on account balance. Amount less than \$500,000.  
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.

Receipts in 2017-18 reflect the interest earned on the account balance (\$3.3 million). Payments from the account (\$222 million) were in support of the design and construction contract (\$198.8 million), project management costs (\$10.4 million), utilities and services (\$10.2 million), land acquisition (\$1.5 million), and other project works (\$1 million). No further transactions are expected and the Account is expected to be closed during 2018-19.

Table 5.3

<b>FORRESTFIELD-AIRPORT LINK ACCOUNT</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	219	-
Receipts	3	498
Payments	222	279
<b>Closing Balance</b>	<b>-</b>	<b>219</b>

Note: Columns may not add due to rounding.

## METRONET Account

This SPA was established in 2017-18 to support the planning and construction of METRONET projects.

Receipts in 2017-18 reflect State Government capital appropriation of \$28.3 million towards METRONET projects and an operating subsidy of \$1.9 million for the METRONET project office. Payments of \$19.1 million were for transport infrastructure planning (such as the Yanchep Rail Extension and Thornlie-Cockburn Link), and \$0.8 million for METRONET office operating expenses.

<b>METRONET ACCOUNT</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	-	-
Receipts	30	-
Payments	20	-
<b>Closing Balance</b>	<b>10</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 hold funds for management of the Metropolitan Region Scheme, including receipts from the Metropolitan Region Improvement Tax (MRIT).

Receipts in 2017-18 mainly reflect MRIT collections (\$93.3 million), proceeds from the sale of land and buildings (\$4.5 million), interest revenue (\$7.2 million), rental revenue (\$5.9 million), and the refund of GST payments from the Australian Taxation Office (\$3.0 million).

A total of \$66 million was drawn from the account during 2017-18, mainly for:

- the acquisition of land and buildings (\$35.7 million), mainly for land purchased for the METRONET rail project and parks and recreation (\$18.9 million), and for primary and other regional roads (\$16.8 million);
- associated service delivery costs (\$27.9 million), including employee costs and overheads (\$13.1 million), property services (\$9.5 million), Whiteman Park operating expenses (\$4.3 million), and strategic projects expenses (\$1 million); and
- funding to progress a range of smaller infrastructure and works (\$1.5 million).

Table 5.5

<b>METROPOLITAN REGION IMPROVEMENT ACCOUNT</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	348	293
Receipts	117	123
Payments	66	168
<b>Closing Balance</b>	<b>399</b>	<b>348</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 in 2017-18 reflect contributions to the fund by mining operators (\$29 million) and interest earnings (\$2.2 million). Payments of \$0.6 million were made for administration costs.

Table 5.6

<b>MINING REHABILITATION FUND</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i> <sup>(a)</sup>	92	63
Receipts	31	30
Payments	1	1
<b>Closing Balance</b>	<b>122</b>	<b>92</b>

(a) The closing balance of \$92 million at 30 June 2017 (opening balance at 1 July 2017) has been restated from the \$91 million reported in the 2016-17 *Annual Report on State Finances*. The restatement incorporates a minor movement in receipts finalised for the Department of Mines and Petroleum's annual report for 2016-17, which revised the closing value at 30 June 2017 after rounding.

Note: Columns may not add due to rounding.

## Municipal and Essential Services Account

This SPA was established in 2015 to set aside the Commonwealth's final \$90 million contribution towards construction for municipal and essential services to remote Aboriginal communities. Payments of \$34.8 million were for the delivery of existing municipal and essential services at a range of remote communities.

Table 5.7

<b>MUNICIPAL AND ESSENTIAL SERVICES ACCOUNT</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	42	63
Receipts	-	-
Payments	35	21
<b>Closing Balance</b>	<b>7</b>	<b>42</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 commissioning of Perth Children's Hospital.

The hospital achieved practical completion in April 2017 and fully opened on 10 June 2018. A total of \$27 million was drawn during the year to meet residual construction costs. Project closure arrangements for the hospital are expected to be finalised in 2019 to accommodate the 24 month defect liability period, with any remaining funds in the account to be returned to the Consolidated Account at that time.

<b>PERTH CHILDREN'S HOSPITAL ACCOUNT</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	40	122
Receipts	-	-
Payments	27	82
<b>Closing Balance</b>	<b>13</b>	<b>40</b>

Note: Columns may not add due to rounding.

## Perth Parking Licensing Account

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

Funds drawn from the account were used to support the Central Area Transit bus system, the Free Transit Zone public transport services in the Perth Central Business District, improvements to public transport access, enhancements to the pedestrian environment, support for bicycle access, other transport system initiatives and for the administration of the Act. Lower spending in 2017-18 reflects final payments to the Public Transport Authority in 2016-17 for works on the now completed Perth Busport.

<b>PERTH PARKING LICENSING ACCOUNT</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	23	11
Receipts	58	56
Payments	27	44
<b>Closing Balance</b>	<b>54</b>	<b>23</b>

Note: Columns may not add due to rounding.

## Perth Stadium Account

This SPA was established in October 2011 to hold funds in support of the construction of Optus Stadium and associated transport infrastructure. The stadium commenced operations in early 2018.

Receipts of \$127.9 million reflect appropriation funding drawn during 2017-18. Funds drawn from the account in 2017-18 totalled \$210.2 million for procurement and completion of works relating to the stadium, sports precinct and transport infrastructure.

Table 5.10

<b>PERTH STADIUM ACCOUNT</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	96	36
Receipts	128	370
Payments	210	311
<b>Closing Balance</b>	<b>13</b>	<b>96</b>

Note: Columns may not add due to rounding.

## Road Trauma Trust Account

This Account was established to provide for road safety initiatives. Receipts reflect prescribed penalties (\$100.3 million), other funds collected under the *Road Traffic (Administration) Act 2008* (\$3.3 million), and interest revenue earned on the account balance (\$1.5 million).

Projects funded from the Account are focused on achieving reductions in serious road trauma as part of the *Towards Zero Strategy* for 2008 to 2020. The majority of the funds drawn from the account during 2017-18 (\$109.2 million) were for initiatives to reduce:

- run-off crashes on regional roads by applying treatments such as shoulder sealing and audible edge-lines (\$37.7 million);
- inappropriate and excessive speed (\$27 million); and
- serious crashes at metropolitan intersections (\$16.7 million).

Funds were also used for community education campaigns, a range of road safety initiatives and support programs, and ongoing operational costs of the Road Safety Commission (\$18.5 million).

<b>ROAD TRAUMA TRUST ACCOUNT</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	57	95
Receipts	105	118
Payments	109	157
<b>Closing Balance</b>	<b>53</b>	<b>57</b>

Note: Columns may not add due to rounding.

## Royalties for Regions Fund

The Royalties for Regions Fund was established in December 2008 to set aside a share of the State's annual royalty income to fund investment in regional Western Australia. Under the *Royalties for Regions Act 2009*, the balance held in the Fund at any time cannot exceed \$1 billion.

Receipts during 2017-18 reflect the draw down of moneys appropriated by the Parliament (\$831 million), interest revenue earned on the account balance (\$17.3 million), and unused funds from associated projects returned to the Fund by agencies (\$23 million). A total of \$871.2 million was disbursed from the Fund to support infrastructure, business and economic development and other regional initiatives.

<b>ROYALTIES FOR REGIONS FUND</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	1,000	870
Receipts	871	809
Payments	871	679
<b>Closing Balance</b>	<b>1,000</b>	<b>1,000</b>

Note: Columns may not add due to rounding.

## Royalties for Regions Regional Reform Fund

This SPA was established in June 2015 to fund strategic reform initiatives in regional Western Australia. Payments from the SPA totalled \$3.7 million, including \$2 million paid to the Department of Communities for the funding of essential and municipal services for remote Aboriginal communities, \$0.5 million to support administration of the Kimberley Schools Project Unit, and \$1.2 million paid to the Department of Education to carry out the Kimberley Schools project.

Table 5.13

<b>ROYALTIES FOR REGIONS REGIONAL REFORM FUND</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	100	100
Receipts	-	-
Payments	4	- (a)
<b>Closing Balance</b>	<b>96</b>	<b>100</b>

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

## Royalties for Regions Southern Inland Health Initiative

This SPA was established to hold funds for expenditure on the Southern Inland Health Initiative, pursuant to section 9(1) of the *Royalties for Regions Act 2009*. Receipts of \$112.8 million in 2017-18 were paid in from the Royalties for Regions Fund for initiatives to improve healthcare across the southern part of the State.

Payments from the SPA totalled \$146.4 million in 2017-18, including funding for the District Hospital Investment program (\$84.8 million), the Small Hospital and Nursing Post Refurbishment program (\$33.6 million), the Primary Health Centres Demonstration program (\$9.9 million), the District Medical Workforce Investment program (\$8.1 million), the Residential Aged and Dementia Care program (\$5.2 million), and the Telehealth Investment program (\$4.8 million).

Table 5.14

<b>ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE</b>		
	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i> (a)	56	156
Receipts	113	11
Payments	146	110
<b>Closing Balance</b>	<b>23</b>	<b>56</b>

(a) The closing balance of \$56 million at 30 June 2017 (opening balance at 1 July 2017) has been restated from the \$57 million reported in the 2016-17 *Annual Report on State Finances*. The restatement incorporates a correction to the rounding of the closing balance, which revised the closing value at 30 June 2017.  
Note: Columns may not add due to rounding.

## Waste Avoidance and Resource Recovery Account

The Waste Avoidance and Resource Recovery Account was established under the *Waste Avoidance and Resource Recovery Act 2007* to hold revenue allocated from the landfill levy. Funds are drawn from the Account to support programs and other initiatives related to the management, reduction, reuse, recycling, monitoring or measurement of waste.



Landfill levy receipts totalled \$19 million with interest income of \$0.8 million. A total of \$14.5 million was expended in 2017-18 on a range of programs including the Household Hazardous Waste program, the Better Bins Kerbside Collection program, and other waste management initiatives and services.

Table 5.15

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**WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT**

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	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	33	30
Receipts	20	18
Payments	15	15
<b>Closing Balance</b>	<b>38</b>	<b>33</b>

Note: Columns may not add due to rounding.

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## Western Australian Future Fund

The Western Australian Future Fund was established under the *Western Australian Future Fund Act 2012*. The Act provides for an accruing balance over 20 years to 2032, after which the annual interest earnings can be drawn down to fund economic or social infrastructure projects across Western Australia.

Receipts of \$89.8 million in 2017-18 included the Consolidated Account's annual contribution equivalent to 1% of annual forecast royalty revenue at the time of the 2017-18 Budget (\$52.1 million) and interest receipts (\$37.7 million).

Table 5.16

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**WESTERN AUSTRALIAN FUTURE FUND**

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	2017-18 \$m	2016-17 \$m
<i>Balance at 1 July</i>	1,126	1,044
Receipts	90	82
Payments	-	-
<b>Closing Balance</b>	<b>1,215</b>	<b>1,126</b>

Note: Columns may not add due to rounding.

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# Quarterly Financial Results – June 2018

This appendix completes the quarterly data series for the 2017-18 year<sup>1</sup>.

June quarterly data presented in this appendix are subject to year-end finalisation of audited accounts by agencies submitting source data. They may contain final year-end accruals that differ from estimated accruals submitted by agencies through the year, and reclassification of some aggregates in previously reported, unaudited data. Accordingly, quarterly outcomes for June 2018 may include one-off movements in items relative to previous reports, to move them into line with final audited outcomes.

## **General Government**

### ***Three Months to 30 June 2018***

The general government sector recorded a \$667 million operating surplus for the three months to 30 June 2018, compared to the \$539 million deficit for the same period in 2016-17.

Revenue for the three months to 30 June 2018 totalled \$8,483 million, \$1,468 million (or 21%) higher than the same period in the previous year. This mainly reflects the combined effects of:

- higher capital grants from the Commonwealth (up \$694 million), primarily due to higher Commonwealth funding for METRONET and WA Health infrastructure projects, partially offset by a delay in receiving Remote Indigenous Housing funding;

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

- higher dividend income (up \$363 million), mainly due to the timing of interim dividend payments (which were paid after 30 June in 2016-17), combined with higher profits for the Water Corporation in 2017-18;
- higher recurrent grants from the Commonwealth (up \$129 million), primarily reflecting the net impact of:
  - higher GST grants (up \$118 million), due to an increase in the national GST pool, and Western Australia receiving a larger share of national GST collections in 2017-18 relative to 2016-17;
  - higher recurrent grants in the health sector due to:
    - lower recurrent health funding, (down \$61 million), mainly due to the late receipt (in 2016-17) of Multi-Purpose Services Program funding, and movements in other Commonwealth-funded health programs;
    - higher national health reform funding (up \$59 million), reflecting the timing of the funding from the Commonwealth; and
    - higher ‘other’ Commonwealth health funding (up \$27 million), primarily reflecting higher support for Home and Community Care (up \$19 million) and for the treatment of additional public dental patients (up \$12 million);
  - higher North West Shelf petroleum grants (up \$51 million), mainly due to higher prices for Liquefied Natural Gas (LNG), condensate, crude oil and Liquefied Petroleum Gas (LPG), and higher crude oil production volumes, partially offset by lower DomGas prices, lower LNG, DomGas, condensate and LPG volumes and a higher \$US/\$A exchange rate; and
  - lower on-passed local government general purpose funding grants (down \$24 million), reflecting the earlier timing of grants received from the Commonwealth in 2016-17;
- higher tax equivalent payments (up \$109 million), mainly due to stronger sales performance for the Insurance Commission of Western Australia, and increased developer contributions to Horizon Power; and
- higher sales of goods and services (up \$41 million), as a result of:
  - revenue under the service delivery agreement between the Department of Communities (a general government sector agency) and the Housing Authority (a public non-financial corporation function that is part of the Department of Communities) following Machinery of Government changes implemented from 1 July 2017 (\$47 million); and
  - the recoup of revenue by the Department of Communities (Disability Services) from non-government organisations for under-delivered services in 2016-17 (down \$24 million);

Expenses for the three months to 30 June 2018 totalled \$7,816 million, \$262 million (or 3.5%) higher than the \$7,555 million reported in the same quarter last year. This was primarily due to the net impact of:

- higher salaries (up \$223 million), mainly due to:
  - an expensed movement in leave liability, increases under the new Teachers Enterprise Bargaining Agreement, and Voluntary Targeted Separation Scheme payments for the Department of Education (up \$85 million);
  - an increase in the Department of Communities (up \$54 million), largely due to the impact of Machinery of Government changes that took effect on 1 July 2017;
  - an increase in staff numbers in the East and South Metropolitan Health Services, and the Western Australian Country Health Service (up \$45 million) due to higher activity levels; and
  - a change in the recognition of workers' compensation cost for the Department of Justice in 2016-17 (up \$20 million);
- lower capital transfers (down \$116 million), primarily due to a \$70 million transfer of infrastructure and equity assets made to the City of Swan in 2016-17 (for the transfer of sections of Lloyd Street following the completion of road works), and a reduction in Remote Indigenous Housing grants on-passed to the Department of Communities (Housing Authority) reflecting the delay in Commonwealth funding noted earlier; and
- higher superannuation interest costs (up \$45 million), mainly due to the final actuarial valuation of unfunded scheme liabilities (which are recorded as a net movement in the June quarter and which were subject to a low outcome in 2016-17).

A cash surplus of \$506 million was recorded for the June 2018 quarter, reflecting a net cash surplus from operating activities (of \$1,221 million) and a net cash deficit for infrastructure investment (of \$715 million). The infrastructure deficit included \$736 million spent on new works less \$21 million in receipts from the disposal of surplus assets and land. Further detail of the sector's Asset Investment Program is available in Chapter 1 and Appendix 4 of this report.

## Total Public Sector

### Three Months to 30 June 2018

The total public sector recorded a \$133 million operating deficit for the June 2018 quarter, \$996 million higher than the \$1,129 million operating deficit recorded for the same quarter in 2016-17. Revenue totalled \$12,232 million (up \$1,349 million, or 12.4% on the same period in 2016-17), while expenses were \$12,365 million (up \$353 million, or 2.9% on the same period in 2016-17).

This outcome includes the combined impact of:

- the \$667 million general government operating surplus outlined earlier;
- a public non-financial corporations sector operating surplus of \$196 million for the June 2018 quarter, reflecting a lift in profitability across the sector;
- an operating deficit for the public financial corporations sector of \$50 million; and
- the impact of dividends received from public corporations (which are eliminated on consolidation (\$882 million)).

Table 6.1

### TOTAL PUBLIC SECTOR OPERATING BALANCE

	2017-18		2016-17	
	Three Months to 30 June \$m	Twelve Months to 30 June \$m	Three Months to 30 June \$m	Twelve Months to 30 June \$m
<b>Net Operating Balance</b>				
General government sector	667	-618	-539	-2,474
Public non-financial corporations sector	196	458	64	480
Public financial corporation sector	-50	320	-58	164
<i>less</i>				
General government dividend revenue	882	1,718	519	837
Public non-financial corporations dividend revenue <sup>(a)</sup>	64	64	78	78
<b>Total Public Sector Net Operating Balance</b>	<b>-133</b>	<b>-1,623</b>	<b>-1,129</b>	<b>-2,744</b>

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

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

A cash deficit of \$301 million was recorded for the three months to 30 June 2018, compared to a cash deficit of \$2,870 million recorded for the same period the previous year. This included a net cash surplus from operating activities of \$942 million (a significant turnaround on the \$1.3 billion cash operating deficit in the June quarter last year, echoing the accrual operating outcome discussed earlier). The net cash deficit for infrastructure investment was \$1,243 million (compared with \$1.6 billion in the June quarter 2017). Full-year infrastructure outcomes for the total public sector are discussed in Chapter 1 and Appendix 4.

Table 6.2

**GENERAL GOVERNMENT**  
Operating Statement

	2017-18		2016-17 <sup>(a)</sup>	
	Three Months to 30 June \$m	Actual \$m	Restated Three Months to 30 June \$m	Restated Actual \$m
<b>RESULTS FROM TRANSACTIONS</b>				
<b>REVENUE</b>				
Taxation	1,937	8,601	1,916	8,604
Current grants and subsidies	2,029	8,529	1,900	8,091
Capital grants	1,075	1,263	381	513
Sales of goods and services	624	2,456	583	2,261
Interest income	50	170	47	196
Revenue from public corporations				
Dividends from other sector entities	882	1,718	519	837
Tax equivalent income	262	677	154	534
Royalty income	1,365	5,231	1,341	5,272
Other	259	688	175	604
<b>Total</b>	<b>8,483</b>	<b>29,332</b>	<b>7,015</b>	<b>26,913</b>
<b>EXPENSES</b>				
Salaries	3,135	12,193	2,912	11,610
Superannuation				
Concurrent costs	284	1,199	279	1,166
Superannuation interest cost	40	177	-4	156
Other employee costs	103	359	83	322
Depreciation and amortisation	374	1,343	348	1,320
Services and contracts	719	2,432	698	2,393
Other gross operating expenses	1,535	5,852	1,516	5,808
Other interest	241	891	203	783
Current transfers	1,234	5,061	1,253	5,280
Capital transfers	151	442	266	549
<b>Total</b>	<b>7,816</b>	<b>29,949</b>	<b>7,555</b>	<b>29,387</b>
<b>NET OPERATING BALANCE</b>	<b>667</b>	<b>-618</b>	<b>-539</b>	<b>-2,474</b>
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	-79	-132	-173	-193
Net actuarial gains - superannuation	317	211	130	659
Provision for doubtful debts	-49	-51	-42	-41
Changes in accounting policy/adjustment of prior periods	-163	-41	75	143
<b>Total other economic flows</b>	<b>26</b>	<b>-14</b>	<b>-9</b>	<b>568</b>
<b>OPERATING RESULT</b>	<b>693</b>	<b>-631</b>	<b>-548</b>	<b>-1,905</b>
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	-204	-713	-2,982	-3,027
Gains recognised directly in equity	-3	-9	22	15
Change in net worth of the public corporations sectors	-833	-1,638	-1,434	147
All other	-	-	-	-
<b>Total all other movements in equity</b>	<b>-1,040</b>	<b>-2,360</b>	<b>-4,393</b>	<b>-2,865</b>
<b>TOTAL CHANGE IN NET WORTH</b>	<b>-347</b>	<b>-2,991</b>	<b>-4,941</b>	<b>-4,771</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET OPERATING BALANCE</b>	<b>667</b>	<b>-618</b>	<b>-539</b>	<b>-2,474</b>
Less <i>Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	736	2,438	771	2,341
Changes in inventories	-4	-3	-16	-11
Other movement in non-financial assets	22	513	-54	240
<i>less:</i>				
Sales of non-financial assets	21	82	48	132
Depreciation	374	1,343	348	1,320
<b>Total net acquisition of non-financial assets</b>	<b>359</b>	<b>1,524</b>	<b>305</b>	<b>1,119</b>
<b>NET LENDING/-BORROWING</b>	<b>308</b>	<b>-2,141</b>	<b>-844</b>	<b>-3,592</b>

(a) See Note 3(y): Correction of overstated land valuations.

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

Table 6.3

**GENERAL GOVERNMENT**  
**Operating Revenue**

	2017-18		2016-17	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>Taxation</b>				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	819	3,279	785	3,266
Property taxes				
<i>Land tax</i>	5	840	-6	876
Transfer duty	284	1,223	463	1,357
Landholder duty	134	234	32	151
<i>Total duty on transfers</i>	418	1,457	495	1,508
Other stamp duties	-	-	-	-
Metropolitan Region Improvement Tax	-	93	-	96
Perth Parking Levy	2	58	2	56
Emergency Services Levy	29	338	28	325
Loan guarantee fees	35	143	33	140
Building and Construction Industry Training Fund Levy <sup>(a)</sup>	6	25	7	31
<i>Total other property taxes</i>	71	658	69	648
Taxes on provision of goods and services				
Lotteries Commission	40	156	38	151
Video lottery terminals	-	-	-	-
Casino tax	20	61	20	62
Betting tax	10	41	10	40
Other	-	-	-	-
<i>Total taxes on gambling</i>	69	258	68	253
Insurance duty	156	625	146	641
Other	5	20	5	20
<i>Total taxes on insurance</i>	161	645	151	661
Taxes on use of goods and performance of activities				
Vehicle licence duty	92	355	87	344
Permits - Oversize Vehicles and Loads	-	7	-	6
Motor vehicle recording fee	16	61	16	59
Motor vehicle registrations	249	937	235	885
<i>Total motor vehicle taxes</i>	357	1,360	338	1,294
<i>Mining Rehabilitation Levy</i>	-	29	-	28
<i>Landfill Levy</i>	35	75	16	69
<b>Total Taxation</b>	<b>1,937</b>	<b>8,601</b>	<b>1,916</b>	<b>8,604</b>

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



**GENERAL GOVERNMENT**  
Operating Revenue

Table 6.3 (cont.)

	2017-18		2016-17	
	Three Months	Actual	Three Months	Actual
	to 30 June		to 30 June	
	\$m	\$m	\$m	\$m
<b>Current Grants and Subsidies</b>				
<i>General Purpose Grants</i>				
GST grants	576	2,249	457	1,944
North West Shelf grants	198	695	147	609
Commonwealth compensation for changed crude oil excise arrangements	6	28	6	31
<i>Grants through the State</i>				
Schools assistance – non-government schools	5	1,233	7	1,172
Local government financial assistance grants	109	169	133	262
Local government roads	72	113	83	163
<i>National Specific Purpose Payment Agreement Grants</i>				
National Agreement for Skills and Workforce Development	37	152	39	160
National Disability Services	39	158	39	160
National Affordable Housing	36	140	36	145
Students First	171	660	150	598
National Health Reform	581	2,174	522	2,089
<i>National Partnerships/Other Grants</i>				
Health	102	386	137	399
Housing	2	14	4	17
Transport	7	74	1	64
Disability Services	31	96	-2	42
Other	56	187	141	235
<b>Total Current Grants and Subsidies</b>	<b>2,029</b>	<b>8,529</b>	<b>1,900</b>	<b>8,091</b>
<b>Capital Grants</b>				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	5	17	4	16
<i>National Partnerships/Other Grants</i>				
Housing	-	48	35	51
Transport	872	990	330	425
Other	198	208	11	21
<b>Total Capital Grants</b>	<b>1,075</b>	<b>1,263</b>	<b>381</b>	<b>513</b>
<b>Sales of Goods and Services <sup>(a)</sup></b>	<b>624</b>	<b>2,456</b>	<b>583</b>	<b>2,261</b>
<b>Interest Income</b>	<b>50</b>	<b>170</b>	<b>47</b>	<b>196</b>
<b>Revenue from Public Corporations</b>				
Dividends	882	1,718	519	837
Tax Equivalent Regime	262	677	154	534
<b>Total Revenue from Public Corporations</b>	<b>1,145</b>	<b>2,395</b>	<b>673</b>	<b>1,371</b>
<b>Royalty Income</b>	<b>1,365</b>	<b>5,231</b>	<b>1,341</b>	<b>5,272</b>
<b>Other</b>				
Lease Rentals	23	105	25	99
Fines	68	206	62	199
Revenue not elsewhere counted	168	376	89	305
<b>Total Other</b>	<b>259</b>	<b>688</b>	<b>175</b>	<b>604</b>
<b>TOTAL REVENUE</b>	<b>8,483</b>	<b>29,332</b>	<b>7,015</b>	<b>26,913</b>

(a) The Building and Construction Industry Training Fund Levy is a compulsory levy and has been reclassified as taxation revenue on advice from the Australian Bureau of Statistics. This revenue was previously classified as sales of goods and services.

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

Table 6.4

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

	2017-18		2016-17	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<i>Cash received</i>				
Taxes received	2,189	8,567	2,019	8,463
Grants and subsidies received	3,111	9,773	2,244	8,529
Receipts from sales and goods and services	728	2,662	547	2,303
Interest receipts	53	158	61	193
Dividends and tax equivalents	1,125	2,280	789	1,484
Other receipts	1,827	7,230	1,994	7,218
<i>Total cash received</i>	<i>9,032</i>	<i>30,670</i>	<i>7,653</i>	<i>28,191</i>
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-3,676	-13,801	-3,522	-13,141
Payments for goods and services	-2,150	-8,759	-1,936	-8,608
Interest paid	-243	-860	-213	-758
Grants and subsidies paid	-1,344	-5,125	-1,287	-5,389
Dividends and tax equivalents	-	-	-	-
Other payments	-399	-1,727	-618	-1,836
<i>Total cash paid</i>	<i>-7,811</i>	<i>-30,271</i>	<i>-7,575</i>	<i>-29,732</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,221</b>	<b>399</b>	<b>78</b>	<b>-1,541</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-736	-2,438	-771	-2,341
Sales of non-financial assets	21	82	48	132
<i>Total cash flows from investments in financial assets</i>	<i>-715</i>	<i>-2,357</i>	<i>-723</i>	<i>-2,210</i>
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	3	13	4	14
For liquidity purposes	25	76	68	83
<i>Cash paid</i>				
For policy purposes	-214	-573	-101	-861
For liquidity purposes	-26	-57	-17	-46
<i>Total cash flows from investments in financial assets</i>	<i>-213</i>	<i>-541</i>	<i>-46</i>	<i>-809</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-927</b>	<b>-2,898</b>	<b>-769</b>	<b>-3,018</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<i>Cash received</i>				
Advances received	16	16	16	16
Borrowings	519	4,318	12	5,166
Deposit received	-	-	-	-
Other financing receipts	28	156	13	46
<i>Total cash received</i>	<i>563</i>	<i>4,490</i>	<i>40</i>	<i>5,227</i>
<i>Cash paid</i>				
Advances paid	-16	-16	-16	-16
Borrowings repaid	-126	-182	-121	-168
Deposits paid	-	-	-	-
Other financing payments	-49	-271	-101	-418
<i>Total cash paid</i>	<i>-191</i>	<i>-469</i>	<i>-237</i>	<i>-602</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>372</b>	<b>4,020</b>	<b>-197</b>	<b>4,626</b>
<b>Net increase in cash and cash equivalents</b>	<b>666</b>	<b>1,521</b>	<b>-887</b>	<b>66</b>
Cash and cash equivalents at beginning of the period	5,695	4,839	5,726	4,773
Cash and cash equivalents at end of the period	6,360	6,360	4,839	4,839
<b>KEY FISCAL AGGREGATES</b>				
Net cash flows from operating activities	1,221	399	78	-1,541
Net cash flows from investing in non-financial assets	-715	-2,357	-723	-2,210
<b>Cash surplus/-deficit</b>	<b>506</b>	<b>-1,958</b>	<b>-644</b>	<b>-3,751</b>

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

Table 6.5

**TOTAL PUBLIC SECTOR**  
Operating Statement

	2017-18		2016-17 <sup>(a)</sup>	
	Three Months to 30 June \$m	Actual \$m	Restated Three Months to 30 June \$m	Restated Actual \$m
<b>RESULTS FROM TRANSACTIONS</b>				
<b>REVENUE</b>				
Taxation	1,815	8,114	1,795	8,117
Current grants and subsidies	2,029	8,529	1,900	8,091
Capital grants	1,075	1,263	381	513
Sales of goods and services	5,425	21,067	4,939	20,602
Interest income	176	585	252	597
Royalty income	1,365	5,231	1,341	5,272
Other	347	1,031	275	979
<i>Total revenue</i>	<i>12,232</i>	<i>45,819</i>	<i>10,883</i>	<i>44,172</i>
<b>EXPENSES</b>				
Salaries	3,434	13,297	3,184	12,811
Superannuation				
Concurrent costs	308	1,305	306	1,287
Superannuation interest cost	40	177	-4	156
Other employee costs	76	263	57	228
Depreciation and amortisation	847	3,362	882	3,399
Services and contracts	913	3,285	962	3,309
Other gross operating expenses	5,235	19,726	5,030	19,603
Other interest	443	1,688	502	1,714
Current transfers	926	3,975	833	3,927
Capital transfers	143	365	260	482
<i>Total expenses</i>	<i>12,365</i>	<i>47,442</i>	<i>12,012</i>	<i>46,916</i>
<b>NET OPERATING BALANCE</b>	<b>-133</b>	<b>-1,623</b>	<b>-1,129</b>	<b>-2,744</b>
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	27	111	-180	187
Net actuarial gains - superannuation	311	206	98	638
Provision for doubtful debts	-58	-66	-85	-102
Changes in accounting policy/adjustment of prior periods	-106	-1,192	-1,243	-1,008
<i>Total other economic flows</i>	<i>174</i>	<i>-941</i>	<i>-1,410</i>	<i>-285</i>
<b>OPERATING RESULT</b>	<b>41</b>	<b>-2,563</b>	<b>-2,539</b>	<b>-3,030</b>
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	-379	-1,669	-2,681	-2,896
Gains recognised directly in equity	-9	1,241	279	1,155
All other	-	-	-	-
<i>Total all other movements in equity</i>	<i>-388</i>	<i>-428</i>	<i>-2,402</i>	<i>-1,741</i>
<b>TOTAL CHANGE IN NET WORTH</b>	<b>-347</b>	<b>-2,991</b>	<b>-4,941</b>	<b>-4,771</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET OPERATING BALANCE</b>	<b>-133</b>	<b>-1,623</b>	<b>-1,129</b>	<b>-2,744</b>
<i>Less Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	1,470	5,052	1,739	5,137
Changes in inventories	-159	-321	-185	-449
Other movement in non-financial assets	45	596	-34	371
<i>less:</i>				
Sales of non-financial assets	227	567	138	576
Depreciation	847	3,362	882	3,399
<i>Total net acquisition of non-financial assets</i>	<i>281</i>	<i>1,398</i>	<i>500</i>	<i>1,085</i>
<b>NET LENDING/-BORROWING</b>	<b>-415</b>	<b>-3,021</b>	<b>-1,629</b>	<b>-3,829</b>

(a) See Note 3(y): Correction of overstated land valuations.

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

Table 6.6

**TOTAL PUBLIC SECTOR**  
Operating Revenue

	2017-18		2016-17	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>Taxation</b>				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	795	3,194	759	3,173
Property taxes				
<i>Land tax</i>	-10	775	-21	807
Transfer Duty	284	1,223	463	1,357
Landholder Duty	134	234	32	151
<i>Total duty on transfers</i>	418	1,457	495	1,508
Metropolitan Region Improvement Tax	-	93	-	96
Perth Parking Levy	2	58	2	56
Emergency Services Levy	29	334	28	322
Loan guarantee fees	1	8	1	9
Building and Construction Industry Training Fund Levy <sup>(a)</sup>	6	25	7	31
<i>Total other property taxes</i>	37	518	38	514
Taxes on provision of goods and services				
Video lottery terminals	-	-	-	-
Casino Tax	20	61	20	62
<i>Total taxes on gambling</i>	20	61	20	62
Insurance Duty	156	625	146	641
Other	5	20	5	20
<i>Total taxes on insurance</i>	161	645	151	661
Taxes on use of goods and performance of activities				
Vehicle Licence Duty	92	355	87	344
Permits - Oversize Vehicles and Loads	0	7	-	6
Motor Vehicle recording fee	16	61	16	59
Motor Vehicle registrations	249	937	235	885
<i>Total motor vehicle taxes</i>	357	1,360	338	1,294
<i>Mining Rehabilitation Levy</i>	-	29	-	28
<i>Landfill Levy</i>	35	75	16	69
<b>Total Taxation</b>	<b>1,815</b>	<b>8,114</b>	<b>1,795</b>	<b>8,117</b>

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

**TOTAL PUBLIC SECTOR**  
Operating Revenue

Table 6.6 (cont.)

	2017-18		2016-17	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>Current Grants and Subsidies</b>				
<i>General Purpose Grants</i>				
GST grants	576	2,249	457	1,944
North West Shelf grants	198	695	147	609
Commonwealth compensation for changed crude oil excise arrangements	6	28	6	31
<i>Grants through the State</i>				
Schools assistance – non-government schools	5	1,233	7	1,172
Local government financial assistance grants	109	169	133	262
Local government roads	72	113	83	163
<i>National Specific Purpose Payment Agreement Grants</i>				
National Agreement for Skills and Workforce Development	37	152	39	160
National Disability Services	39	158	39	160
National Affordable Housing	36	140	36	145
Students First	171	660	150	598
National Health Reform	581	2,174	522	2,089
<i>National Partnerships/Other Grants</i>				
Health	102	386	137	399
Housing	2	14	4	17
Transport	7	74	1	64
Disability Services	31	96	-2	42
Other	56	187	141	235
<b>Total Current Grants and Subsidies</b>	<b>2,029</b>	<b>8,529</b>	<b>1,900</b>	<b>8,091</b>
<b>Capital Grants</b>				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	5	17	4	16
<i>National Partnerships/Other Grants</i>				
Housing	-	48	35	51
Transport	872	990	330	425
Other	198	208	11	21
<b>Total Capital Grants</b>	<b>1,075</b>	<b>1,263</b>	<b>381</b>	<b>513</b>
<b>Sales of Goods and Services <sup>(a)</sup></b>	<b>5,425</b>	<b>21,067</b>	<b>4,939</b>	<b>20,602</b>
<b>Interest Income</b>	<b>176</b>	<b>585</b>	<b>252</b>	<b>597</b>
<b>Royalty Income</b>	<b>1,365</b>	<b>5,231</b>	<b>1,341</b>	<b>5,272</b>
<b>Other</b>				
Lease Rentals	23	105	25	99
Fines	65	207	59	200
Revenue not elsewhere counted	258	720	191	680
<b>Total Other</b>	<b>347</b>	<b>1,031</b>	<b>275</b>	<b>979</b>
<b>TOTAL REVENUE</b>	<b>12,232</b>	<b>45,819</b>	<b>10,883</b>	<b>44,172</b>

(a) The Building and Construction Industry Training Fund Levy is a compulsory levy and has been reclassified as taxation revenue on advice from the Australian Bureau of Statistics. This revenue was previously classified as sales of goods and services.

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

Table 6.7

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

	2017-18		2016-17	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<i>Cash received</i>				
Taxes received	1,944	8,077	1,837	7,971
Grants and subsidies received	3,111	9,773	2,244	8,529
Receipts from sales and goods and services	5,612	21,346	3,644	20,788
Interest receipts	182	604	171	609
Dividends and tax equivalents	-	-	-	-
Other receipts	2,147	8,460	2,251	8,355
<i>Total cash received</i>	<i>12,995</i>	<i>48,260</i>	<i>10,147</i>	<i>46,252</i>
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-4,064	-15,101	-3,861	-14,586
Payments for goods and services	-5,548	-21,489	-5,108	-21,342
Interest paid	-549	-1,899	-500	-2,068
Grants and subsidies paid	-815	-3,712	-559	-3,773
Dividends and tax equivalents	-	-	-	-
Other payments	-1,077	-4,581	-1,388	-4,596
<i>Total cash paid</i>	<i>-12,053</i>	<i>-46,782</i>	<i>-11,416</i>	<i>-46,366</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>942</b>	<b>1,478</b>	<b>-1,269</b>	<b>-114</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-1,470	-5,052	-1,739	-5,137
Sales of non-financial assets	227	567	138	576
<i>Total cash flows from investments in financial assets</i>	<i>-1,243</i>	<i>-4,485</i>	<i>-1,601</i>	<i>-4,561</i>
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	3	13	4	14
For liquidity purposes	1,552	6,189	2,044	6,136
<i>Cash paid</i>				
For policy purposes	-4	-16	-5	-13
For liquidity purposes	-1,943	-7,249	-1,463	-7,678
<i>Total cash flows from investments in financial assets</i>	<i>-393</i>	<i>-1,063</i>	<i>581</i>	<i>-1,541</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-1,636</b>	<b>-5,548</b>	<b>-1,020</b>	<b>-6,102</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<i>Cash received</i>				
Advances received	-	-	-	-
Borrowings	3,699	18,015	4,513	16,150
Deposit received	-	-	-	-
Other financing receipts	-45	57	9	45
<i>Total cash received</i>	<i>3,654</i>	<i>18,072</i>	<i>4,523</i>	<i>16,195</i>
<i>Cash paid</i>				
Advances paid	-16	-16	-16	-16
Borrowings repaid	-3,227	-14,181	-1,920	-10,477
Deposits paid	-	-	-	-
Other financing payments	-42	-251	-102	-413
<i>Total cash paid</i>	<i>-3,285</i>	<i>-14,448</i>	<i>-2,038</i>	<i>-10,906</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>369</b>	<b>3,624</b>	<b>2,484</b>	<b>5,289</b>
<b>Net increase in cash and cash equivalents</b>	<b>-324</b>	<b>-446</b>	<b>196</b>	<b>-927</b>
Cash and cash equivalents at beginning of the period	10,897	11,019	10,823	11,946
Cash and cash equivalents at end of the period	10,573	10,573	11,019	11,019
<b>KEY FISCAL AGGREGATES</b>				
Net cash flows from operating activities	942	1,478	-1,269	-114
Net cash flows from investing in non-financial assets	-1,243	-4,485	-1,601	-4,561
<b>Cash surplus/-deficit</b>	<b>-301</b>	<b>-3,007</b>	<b>-2,870</b>	<b>-4,675</b>

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

# Public Ledger

The Public Ledger, established by section 7 of the *Financial Management Act 2006* (FMA), includes those transactions and operations that are conducted through the Consolidated Account, the Treasurer's Advance Account and through the Treasurer's Special Purpose Accounts (TSPAs). Together with agency cash balances held at Treasury, the total of these accounts form the Public Bank Account.

<b>PUBLIC LEDGER BALANCES AT 30 JUNE</b>			
	2018 \$m	2017 \$m	Variance \$m
<b>THE PUBLIC LEDGER</b>			
Consolidated Account <sup>(a)</sup>	-13,868	-13,925	57
Treasurer's Special Purpose Accounts	14,663	13,692	970
Treasurer's Advance Account – Net Advances and Overdraw n Trusts	-45	-23	-22
<b>TOTAL</b>	<b>750</b>	<b>-256</b>	<b>1,006</b>
Agency Special Purpose Accounts	5,293	4,874	419
<b>TOTAL PUBLIC BANK ACCOUNT</b>	<b>6,043</b>	<b>4,618</b>	<b>1,425</b>

(a) The balance of the Consolidated Account at 30 June 2018 includes cash and non-cash balances. Non-cash appropriations of \$11,962 million at 30 June 2018 (30 June 2017: \$10,882 million) represent the balance of the non-cash cost of agency services. These appropriations are credited to agency Holding Accounts that are included in the TSPAs balance. In cash terms, the Consolidated Account recorded a deficit position of \$1,906 million at 30 June 2018 (compared with a deficit position of \$3,043 million at 30 June 2017).

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

## Consolidated Account

The *Constitution Act 1889* requires that all revenue of the Crown that is not permanently appropriated by legislation to another entity, shall be credited to the Consolidated Account. The Act also requires that payments out of the Account must be appropriated by the Parliament.

Accordingly, Consolidated Account revenue is not available for use by agencies that collect it, and such receipts must be paid directly to the credit of the Account. Expenditure is authorised by the Parliament, with both the amount and the expressed purpose of the associated appropriation clearly specified.

The Consolidated Account accrual deficit at 30 June 2018 was \$13,868 million, \$57 million lower than the deficit at the end of 2016-17. This included \$11,962 million associated with accrual (non-cash) appropriations for depreciation and leave entitlements, matched by equivalent non-cash balances in agency Holding Accounts (see following table).

In cash terms, the Consolidated Account was overdrawn by \$1,906 million at 30 June 2018 (compared with a \$3,043 million cash deficit balance at 30 June 2017). This outcome included both an increase in total receipts in 2017-18 (of \$1,227 million) and lower total payments (down \$102 million).

Consolidated Account borrowings increased by a net \$4.2 billion in 2017-18. Centrally held borrowings totalled \$26.4 billion at 30 June 2018 (compared with \$22.3 billion at 30 June 2017), and remained below the \$34.5 billion cumulative limit approved by the *Loan Act 2017* and preceding *Loan Acts*<sup>1</sup>. Debt repayments of \$97.7 million were made in 2017-18, reflecting return of surplus capital from RiskCover which was used to repay central borrowings through the Debt Repayment Account (established by the Government as part of the 2017-18 Budget, to hold funds to be applied to debt repayment).

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<sup>1</sup> The *Loan Act 2017* received Royal Assent on 3 July 2017 and increased the cumulative loan limit under preceding *Loan Acts* from \$23.5 billion to \$34.5 billion. Consolidated Account borrowings cannot exceed the cumulative limit of these *Loan Acts*.



Table 7.2

<b>CONSOLIDATED ACCOUNT TRANSACTIONS</b>			
	2018	2017	Variance
	\$m	\$m	\$m
<b>REVENUE</b>			
<i>Operating Activities</i>			
Taxation	6,692	6,658	34
Commonwealth Grants	3,665	2,566	1,099
Government Enterprises	2,290	1,492	798
Revenue from other agencies	6,377	6,393	-16
Other <sup>(a)</sup>	773	591	182
<i>Total Operating Activities</i>	<b>19,797</b>	<b>17,700</b>	<b>2,097</b>
<i>Financing Activities</i>			
Receipts from Recoverable Advances <sup>(a)</sup>	7	24	-17
Transfers from Bankwest Pension Trust	1	1	-
Other Receipts	10	13	-3
Borrowings	4,250	5,100	-850
<i>Total Financing Activities</i>	<b>4,268</b>	<b>5,138</b>	<b>-870</b>
<b>TOTAL REVENUE</b>	<b>24,065</b>	<b>22,838</b>	<b>1,227</b>
<b>EXPENDITURE</b>			
<i>Recurrent</i>			
Authorised by Other Statutes	2,481	2,379	102
Appropriation Act (No. 1)	19,367	19,077	290
Recurrent Expenditure under the Treasurer's Advance	43	297	-254
<i>Total Recurrent Expenditure</i>	<b>21,891</b>	<b>21,754</b>	<b>137</b>
<i>Investing Activities</i>			
Authorised by Other Statutes	337	247	90
Appropriation Act (No. 2)	1,633	1,900	-267
Investing Expenditure under the Treasurer's Advance	39	108	-69
<i>Total Investing Activities</i>	<b>2,009</b>	<b>2,254</b>	<b>-245</b>
<i>Financing Activities</i>			
Loan repayments	98	89	9
Other financing	10	13	-3
<i>Total Financing Activities</i>	<b>108</b>	<b>102</b>	<b>6</b>
<b>TOTAL EXPENDITURE</b>	<b>24,008</b>	<b>24,110</b>	<b>-102</b>
<b>NET MOVEMENT (REVENUE LESS EXPENDITURE)</b>	<b>57</b>	<b>-1,271</b>	<b>1,328</b>
<b>Consolidated Account Balance</b>			
Opening balance at 1 July	-13,925	-12,654	-1,271
Closing balance at 30 June	-13,868	-13,925	57
Of which:			
Appropriations payable	-11,962	-10,882	-1,080
Cash balance at 30 June	-1,906	-3,043	1,137

(a) Comparatives for the year ending 30 June 2017 have been restated to reflect a reallocation of \$24 million from *Receipts from Recoverable Advances* to *Revenue from Other Operating Activities* to correctly reflect receipts associated with the Perry Lakes land redevelopment project.

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

## Treasurer's Special Purpose Accounts

The Treasurer's Special Purpose Accounts (TSPAs) consist of:

- any account established by the Treasurer as a TSPA for the purposes determined by the Treasurer;
- suspense accounts established for the purposes of section 26 of the FMA;
- any account established to hold money transferred under section 39(5) of the FMA;
- the Public Bank Account Interest Earned Account, established for the purpose of holding money credited to that account under section 38(9) of the FMA pending its allocation and payment as required or permitted under the FMA or another written law;
- any account established under written law and determined by the Treasurer to be a TSPA; and
- any account established to hold other money and determined by the Treasurer to be a TSPA.

Relative to 30 June 2017, an aggregate increase of \$970 million in TSPA balances at 30 June 2018 mainly reflects:

- higher Holding Account balances for non-cash accrual appropriations to agencies for depreciation and accrued leave entitlements (up \$1,080 million);
- a decrease in Commonwealth Payments for Specific Purposes (down \$195 million), primarily due to Commonwealth compensation of \$226 million acknowledging Western Australia's low GST relativity for 2017-18 which was received in 2016-17<sup>2</sup>;
- a net decrease in the balance of the Perth Stadium Account (down \$82 million), reflecting the net impact of appropriation contributions and procurement and works spending as the stadium, sports precinct and transport infrastructure works near completion;
- an increase in the balance of the Western Australian Future Fund, reflecting the appropriation of 1% of forecast annual royalty receipts (\$52 million) and interest earnings on the balance of the fund for the year to date (\$38 million);
- a net decrease in the Perth Children's Hospital Account balance (down \$27 million), reflecting payments associated with residual construction activities at the new hospital;

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<sup>2</sup> Equivalent funding received in June 2018 for the State's low share of GST in 2018-19 (which totalled \$189 million) was paid into the Consolidated Account and is to be appropriated to WA Health in future years for hospitals infrastructure as detailed in the 2018-19 Budget.

- an increase in the balance of the Fiona Stanley Hospital Construction account (\$18 million), reflecting the return of unspent construction funds to the SPA and no draw downs in 2017-18. The hospital achieved practical completion in December 2013, followed by completion of phased commissioning in February 2015; and
- an increase in the balance of agency accounts that hold cash for the cost of an extra pay period which falls due every 11 years (up \$42 million).

A number of these TSPAs and other agency accounts are discussed in Appendix 5: *Special Purpose Accounts*.

The following table summarises the position of TSPAs at 30 June 2018 and 2017.

<b>TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE</b>			
	2018	2017	Variance
	\$m	\$m	\$m
Agency Holding Accounts	11,962	10,882	1,080
Royalties for Regions Fund	1,000	1,000	-
Western Australian Future Fund	1,215	1,126	90
Commonwealth Grants for Specific Purposes	59	254	-195
Perth Children's Hospital Account	13	40	-27
Perth Stadium Account	13	96	-82
Fiona Stanley Hospital Construction Account	39	20	18
Agency 27th Pay Accounts	86	45	42
Other Treasurer's Special Purpose Accounts	275	230	45
<b>TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE</b>	<b>14,663</b>	<b>13,692</b>	<b>970</b>

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

## Treasurer's Advance

The Treasurer's Advance allows for repayable advances to agencies for working capital purposes (known as 'net recoverable advances') and the provision of supplementary appropriation funding for unforeseen and/or extraordinary events during the year (known as 'excesses and new items').

A total of \$646.1 million was authorised by section 29 of the FMA for the year ended 30 June 2018. Of this, \$126.4 million (or 19.6%) was drawn down in 2017-18. This included \$81.3 million for excesses and new items (which are included in the Consolidated Account outcome detailed earlier in this appendix). The remaining \$45.1 million was drawn against net recoverable advances as detailed in the following table.

Table 7.4

**TREASURER'S ADVANCE AT 30 JUNE**

	2018	2017	Variance
	\$m	\$m	\$m
<b>AUTHORISED LIMIT</b>	<b>646.1</b>	<b>632.4</b>	<b>13.7</b>
<i>Total Drawn Against Treasurer's Advance Account</i>	126.4	427.4	-301.0
Comprising:			
Net recoverable advances as at 30 June (see below)	45.1	9.3	35.8
Overdraw n Special Purpose Accounts <sup>(a)</sup>	-	13.6	-13.6
Excesses and New Items (see following section)			
- recurrent	42.6	297.0	-254.4
- capital	38.7	107.5	-68.8
<b>NET RECOVERABLE ADVANCES</b>			
Mines Safety	18.0	-	18.0
Petroleum and Geothermal Energy Safety	2.0	-	2.0
Metropolitan Redevelopment Authority	12.6	-	12.6
Mining Rehabilitation Fund	5.3	5.3	0.0
Sport and Recreation	1.1	1.1	0.0
Western Australian Energy Disputes Arbitrator	0.1	0.1	-
Suitors Fund	2.5	2.5	-
Sundry Debtors	3.4	0.3	3.1
<b>TOTAL RECOVERABLE TREASURER'S ADVANCES</b>	<b>45.1</b>	<b>9.3</b>	<b>35.8</b>

(a) The Treasurer gave approval to the Department of Mines and Petroleum to overdraw a Special Purpose Account in 2016-17. Any overdrawn SPA is taken to be an advance to be charged in the relevant financial year to the Treasurer's Advance Account.

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

## Transfers, Excesses and New Items

The following table summarises transfers of appropriations between agencies (and which have no impact on the Treasurer's Advance), and excesses and/or new items approved by the Treasurer under the authority of section 27 of the FMA.

**TRANSFERS, EXCESSES AND NEW ITEMS**  
For the twelve months to 30 June 2018

Table 7.5

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<b>Recurrent Appropriations</b>						
<i>Parliamentary Commissioner for Administrative Investigation</i>						
Item 4: Delivery of Services	7.1	0.3	-	-	7.3	-
<i>Premier and Cabinet</i>						
Item 5: Delivery of Services	127.6	2.4	-	3.6	133.5	2.6
<i>Public Sector Commission</i>						
Item 6: Delivery of Services	24.4	0.4	-	-	24.7	-
<i>Jobs, Tourism Science and Innovation</i>						
Item 9: Delivery of Services	156.9	1.3	-	-	158.2	-
<i>WA Health</i>						
Item 11: Delivery of Services	4,919.4	32.0	-	9.2	4,960.6	-
<i>Mental Health Commission</i>						
Item 12: Delivery of Services	705.7	0.9	-	-	706.5	-
Item 14: Mental Health Tribunal	2.6	0.1	-	-	2.7	-
Item 15: Office of the Chief Psychiatrist	2.3	0.7	-	-	2.9	-
<i>Education</i>						
Item 16: Delivery of Services	4,058.4	22.0	-	-	4,080.4	-
<i>Training and Workforce Development</i>						
Item 18: Delivery of Services	351.7	9.1	-	-	360.8	-
<i>Biodiversity, Conservation and Attractions</i>						
Item 19: Delivery of Services	251.0	7.4	-	-	258.4	-
<i>Water and Environmental Regulation</i>						
Item 20: Delivery of Services	90.2	5.9	-	-	96.1	-
<i>Communities</i>						
Item 21: Delivery of Services	1,617.5	28.1	-	-	1,645.6	-
<i>Western Australia Police</i>						
Item 23: Delivery of Services	1,331.7	4.1	-	-	1,335.8	-
<i>Primary Industries and Regional Development</i>						
Item 24: Delivery of Services	179.8	15.1	-	-	194.9	-
<i>Fire and Emergency Services</i>						
Item 27: Delivery of Services	19.7	4.5	-	-	24.2	-
<i>Office of Emergency Management</i>						
Item 28: Delivery of Services	6.2	0.3	-	-	6.5	-
<i>Justice</i>						
Item 31: Delivery of Services	1,195.8	21.6	-	3.4	1,220.8	2.0

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

Table 7.5 (cont.)

**TRANSFERS, EXCESSES AND NEW ITEMS**  
For the twelve months to 30 June 2018

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<i>Local Government, Sport and Cultural Industries</i>						
Item 32: Delivery of Services	101.3	4.4	-	10.1	115.8	10.0
Item 33: Art Gallery of Western Australia	8.9	0.5	-	-	9.3	-
Item 35: Library Board of Western Australia	32.5	-1.4	-	0.8	31.9	0.6
Item 36: Perth Theatre Trust	9.3	0.1	-	-	9.4	-
Item 37: Western Australian Museum	22.3	1.1	-	0.1	23.5	-
<i>National Trust of Australia (WA)</i>						
Item 40: Delivery of Services	3.2	0.2	-	-	3.4	-
<i>Planning, Lands and Heritage</i>						
Item 41: Delivery of Services	114.1	3.9	-	-	118.0	-
<i>Commissioner for Equal Opportunity</i>						
Item 43: Delivery of Services	3.7	0.2	-	0.1	4.0	- <sup>(b)</sup>
<i>Office of the Director of Public Prosecutions</i>						
Item 44: Delivery of Services	33.6	0.3	-	0.9	34.8	0.8
<i>Commissioner for Children and Young People</i>						
Item 45: Delivery of Services	2.8	0.2	-	-	3.0	-
<i>Office of the Information Commissioner</i>						
Item 46: Delivery of Services	2.0	0.1	-	-	2.1	-
<i>Western Australian Sports Centre Trust</i>						
Item 48: Delivery of Services	74.6	-	-	0.8	75.4	0.8
<i>Treasury</i>						
Item 49: Delivery of Services	63.9	0.9	-	-	64.8	-
<i>Item 52: Electricity Generation and Retail Corporation (Synergy)</i>						
Item 54: Public Transport Authority	249.0	-	-	2.2	251.2	-
Item 58: Western Australian Land Authority	838.6	0.5	-	-	839.1	-
Item 59: Bell Group Administration Wind-up and Associated Costs	45.3	-	-	7.5	52.8	2.2
Item 62: Health and Disability Services Complaints Office	1.3	-	-	1.6	2.9	-
Item 63: Metropolitan Redevelopment Authority	2.8	0.1	-	-	2.9	-
Item 65: Provision for Voluntary Targeted Separation Scheme	37.3	-	-	11.0	48.3	7.7
Item 69: State Property - Emergency Services Levy	300.0	-191.4	-	-	108.6	-
Item 69: State Property - Emergency Services Levy	16.0	-	-	1.5	17.5	1.5
<i>Economic Regulation Authority</i>						
Item 71: Delivery of Services	2.6	0.1	-	-	2.8	-
<i>Finance</i>						
Item 73: Delivery of Services	150.9	1.8	-	-	152.7	-
<i>Small Business Development Corporation</i>						
Item 75: Delivery of Services	12.2	0.2	-	-	12.4	-

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

Table 7.5 (cont.)

**TRANSFERS, EXCESSES AND NEW ITEMS**  
For the twelve months to 30 June 2018

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<i>Mines, Industry Regulation and Safety</i>						
Item 76: Delivery of Services	126.3	13.5	-	-	139.8	-
Item 77: Amount provided for Administered Grants, Subsidies and Other Transfer Payments	49.8	-	-	13.5	63.3	13.5
<i>Registrar, Western Australian Industrial Relations Commission</i>						
Item 78: Delivery of Services	9.3	0.2	-	-	9.5	-
<i>Western Australian Electoral Commission</i>						
Item 79: Delivery of Services	7.1	0.2	-	-	7.4	-
<i>Transport</i>						
Item 80: Delivery of Services	63.8	4.3	-	-	68.1	-
<i>Commissioner of Main Roads</i>						
Item 82: Delivery of Services	331.2	3.8	-	-	335.0	-
<i>Chemistry Centre (WA)</i>						
Item 87: Delivery of Services	6.9	0.3	-	-	7.2	-
<i>Forest Products Commission</i>						
New Item: Capital Appropriation	-	-	0.8	-	0.8	0.8
<b>Total Recurrent</b>		-	<b>0.8</b>	<b>66.3</b>		<b>42.6</b>
<b>Capital Appropriations</b>						
<i>Governor's Establishment</i>						
Item 89: Capital Appropriation	1.4	-	-	2.6	4.0	2.6
<i>WA Health</i>						
Item 91: Capital Appropriation	186.2	-	-	14.1	200.3	14.1
<i>Western Australia Police Service</i>						
Item 97: Capital Appropriation	29.5	-	-	6.6	36.1	6.6
<i>Treasury</i>						
Item 109: Animal Resources Authority	1.3	-	-	0.6	1.9	-
Item 115: Pilbara Ports Authority	53.7	-	-	7.0	60.7	7.0
Item 120: Perth Stadium Account	122.2	-	-	5.7	127.9	5.7
<i>Chemistry Centre (WA)</i>						
Item 129: Capital Appropriation	0.9	-	-	0.8	1.7	0.8
<i>Forest Products Commission</i>						
New Item: Capital Appropriation	-	-	1.3	-	1.3	1.3
<i>Kimberley Ports Authority</i>						
New Item: Capital Appropriation	-	-	0.4	-	0.4	0.4
<i>WA Land Authority</i>						
New Item: Capital Appropriation	-	-	0.2	-	0.2	0.2
<b>Total Capital</b>		-	<b>1.9</b>	<b>37.4</b>		<b>38.7</b>
<b>TOTAL</b>						<b>81.3</b>

(a) Authorised under section 25 of the FMA.

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

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

## Transfers

Transfer of appropriation funds are for the provision of an approved service which is now delivered by an alternative agency. These transfers are authorised either under section 25 of the FMA or specific enabling legislation and do not impact on the Treasurer's Advance.

In 2017-18, appropriation transfers included:

- \$191.4 million from the provision for the Voluntary Targeted Separation Scheme (VTSS) administered by Treasury to the agencies shown in the following table;
- \$2.1 million of recurrent appropriation from the Library Board of Western Australia for costs transferred to the Department of Local Government, Sport and Cultural Industries for the administration of the State Records Office;
- \$1.3 million of funding for the Aboriginal Affairs policy unit transferred from the Department of Planning, Lands and Heritage (\$1.0 million) and from the Department of Communities (\$0.3 million) to the Department of the Premier and Cabinet;
- \$1.0 million from WA Health to the Mental Health Commission for the delivery of the Fresh Start Recovery Program and the transfer of two employees of the Office of the Chief Psychiatrist;
- \$0.2 million from the Department of Finance to the Department of Local Government, Sport and Cultural Industries following the transfer of the Sunset Heritage Precinct; and
- \$0.1 million for the Office of the Government Architect transferred from the Department of Finance to the Department of Planning, Lands and Heritage.



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**2017-18 VOLUNTARY TARGETED SEPARATION SCHEME**

Table 7.6

Item	Agency	Transfer from Appropriation \$m
4	Parliamentary Commissioner for Administrative Investigations	0.3
5	Premier and Cabinet	1.0
6	Public Sector Commission	0.4
9	Jobs, Tourism, Science and Innovation	1.3
11	WA Health	33.0
12	Mental Health Commission	0.6
14	Mental Health Commission - Administered	0.1
16	Education	22.0
18	Training and Workforce Development	9.1
19	Biodiversity, Conservation and Attractions	7.4
20	Water and Environmental Regulation	5.9
21	Communities	28.4
23	Western Australia Police Force	4.1
24	Primary Industries and Regional Development	15.1
27	Fire and Emergency Services	4.5
28	Office of Emergency Management	0.3
31	Justice (including Legal Aid Commission of WA)	21.6
32	Local Government, Sport and Cultural Industries	2.1
33	Art Gallery of Western Australia	0.5
35	Library Board of Western Australia	0.7
36	Perth Theatre Trust	0.1
37	Western Australian Museum	1.1
40	National Trust of Australia (WA)	0.2
41	Planning, Lands and Heritage	4.8
43	Commissioner for Equal Opportunity	0.2
44	Office of the Director of Public Prosecutions	0.3
45	Commissioner for Children and Young People	0.2
46	Office of the Information Commissioner	0.1
49	Treasury	0.9
54	Treasury Administered - Public Transport Authority	0.5
62	Treasury Administered - Health and Disability Services Complaints Office	0.1
71	Economic Regulation Authority	0.1
73	Finance	2.0
75	Small Business Development Corporation	0.2
76	Mines, Industry Regulation and Safety	13.5
78	Registrar, Western Australian Industrial Relations Commission	0.2
79	Western Australian Electoral Commission	0.2
80	Transport	4.3
82	Main Roads	3.8
87	Chemistry Centre (WA)	0.3
<b>Total</b>		<b>191.4</b>

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## Excesses and New Items

Funds drawn against the Treasurer's Advance for excesses and new items were for the purposes outlined below. Further detail is available in the annual reports of the listed agencies. Unless otherwise stated, the approved funding was drawn in full by 30 June 2018.

### Premier and Cabinet

Item 5: **Delivery of Services** (\$3.6 million), to meet staff separation costs outside the VTSS (\$1.5 million), electorate office fit-outs (\$1.2 million) following the 2017 State election, the relocation of Ministerial offices to Dumas House (\$0.8 million) and grant funding to the City of Swan for the relocation of the Brockman House Community Centre in Beechboro (\$0.1 million). Of the approved excess, only \$2.6 million was drawn due to savings measures implemented by the Department.

### Health

Item 11: **Delivery of Services** (\$9.2 million), driven primarily by the combined impact of commissioning the Perth Children's Hospital (\$19.4 million) and increased appropriation funding to offset reductions in Lotterywest and Commonwealth National Health Reform Agreement revenue (\$20.7 million). These costs (totalling \$40.1 million) were partially offset by various adjustments mainly due to hospital activity funding (\$17.9 million) and savings arising from the VTSS (\$12 million).

The approved excess of \$9.2 million was not drawn following the reallocation of spending on other activities by 30 June 2018.

Item 91: **Capital Appropriation** (\$14.1 million), primarily for capital costs associated with the Perth's Children's Hospital Development, including information and communication technology systems.

### Justice

Item 31: **Delivery of Services** (\$3.4 million), reflecting an increase in costs for the Eastern Goldfields Regional Prison project (\$3.6 million), Legal Aid Commission grants for high-cost cases (\$1.6 million), Wittenoom mesothelioma settlement payments (\$1.9 million), Act of Grace payments (\$1.8 million) and to meet the State's copyright liability (\$0.6 million). These costs (totalling \$9.5 million) were expected to be partially offset by updates to cost and demand parameters and savings measures applied to the Department (\$6.1 million). Only \$2 million was drawn due to offsetting savings from the VTSS of the approved excess (\$1.4 million).

## **Local Government, Sport and Cultural Industries**

Item 32: **Delivery of Services** (\$10.1 million), to meet the requirements of football user arrangements negotiated between the State Government, the Australian Football League and the Western Australian Football Commission (\$10.9 million), the costs of the City of Perth Inquiry Panel (\$0.3 million) and the reclassification of some capital expenditure to recurrent purposes (\$0.1 million). These costs were partially offset by savings achieved through the Public Sector Wages Policy (\$0.2 million), changes to State Fleet arrangements (\$0.1 million) and the VTSS (\$0.9 million). Of the approved excess, an amount of \$10 million was drawn down reflecting additional VTSS savings of \$0.1 million.

Item 35: **Delivery of Services** (\$0.8 million), due to the reclassification of a component of capital spending to recurrent purposes of which \$0.6 million was drawn down due to the net impact of a number of savings measures implemented during 2017-18.

Item 37: **Delivery of Services** (\$0.1 million), reflecting an adjustment between the agency's standing appropriation under the *Salaries and Allowances Act 1975* and the service appropriation due to a prior Salaries and Allowances Tribunal Determination. The approved excess was not drawn due to savings achieved through the VTSS.

## **Commissioner for Equal Opportunity**

Item 43: **Delivery of Services** (\$59,000), to meet salary payments for the acting Commissioner in 2017-18. The approved excess was offset by net savings in other areas including \$15,000 for the Government's \$1,000 wages policy, State Fleet and procurement initiatives, and \$33,000 in VTSS savings.

## **Office of the Director of Public Prosecutions**

Item 44: **Delivery of Services** (\$0.9 million), for complex and high-profile prosecutions, partly offset by savings from the implementation of the Government's wages policy, State Fleet policy and procurement initiatives. Of this amount, \$0.8 million was drawn due to movements between cash and non-cash (depreciation) costs.

## **Western Australian Sports Centre Trust**

Item 48: **Delivery of Services** (\$0.8 million), largely reflecting reduced revenue at nib Stadium associated with the discontinuation of the Western Force Super Rugby license and costs for Optus Stadium operations, insurance and the Community Open Day Event, partially offset by Optus Stadium naming rights, wages policy and State Fleet savings.

## **Treasury**

Item 52: **Electricity Generation and Retail Corporation (Synergy)** (\$2.2 million), for higher than expected electricity rebates and concessions Synergy provides on behalf of the State Government. The increase reflects higher than expected eligible recipient numbers, partly offset by a decrease in the Tariff Adjustment Payment subsidy final outcome for 2016-17 (due to lower than anticipated demand for energy from residential and small business customers). The funds were not drawn due to the timing of actual receipts and payments funded by the operating subsidy.

Item 58: **Western Australian Land Authority** (\$7.5 million), following the 2017-18 Mid-year Review decision to bring forward funding for the Hope Valley-Wattleup project from 2018-19 into 2017-18 for resolution of the most critical hardship cases in the Latitude 32 precinct. Of the approved excess, \$2.2 million was drawn in 2017-18 due to lower than expected payments for the Australian Marine Complex Common User Valve Replacement project (reflecting delays with performance milestones).

Item 59: **Bell Group Administration Wind Up and Associated Costs** (\$1.6 million) to fund outstanding litigation costs associated with the Bell Group High Court of Australia proceedings, to meet the Western Australian Bell Companies Administrator's legal costs in 2017-18, and other associated Court costs. These funds were not drawn due to delays in the finalisation of outstanding legal costs between the various parties.

Item 63: **Metropolitan Redevelopment Authority** (\$11 million), to meet higher than expected costs associated with the Scarborough Beach Redevelopment Area (\$10.8 million) and the opening of Yagan Square (\$500,000), partially offset by the reflow of Subiaco East Redevelopment Area costs from 2017-18 to 2018-19 (\$250,000) and reduced Scarborough Relief Package costs (\$112,000). Of the total approved funding, \$7.7 million was drawn in 2017-18, reflecting the transfer of responsibility and budget for the development works at the Kitchener Park site to the Department of Education (\$2.6 million) and delays with commencing the Subiaco East project (\$0.5 million).

Item 69: **State Property – Emergency Services Levy** (\$1.5 million), to meet higher than forecast payments, following an increase in the annual valuation of State property.

Item 109: **Animal Resources Authority** (\$0.6 million), to meet the Authority's deficit on operating commitments. The approved excess was not drawn, with the Authority using available funds following tender delays for its autoclave replacement project.

Item 115: **Pilbara Ports Authority** (\$7 million), for the return to the port of dividends associated with revenue collected under the Port Improvement Rate at the Port Hedland facility. The approved excess was used to return additional Port Improvement Rate collections following the Government's 2017-18 Mid-year Review decision to increase the Authority's dividend payout ratio from 75% to 85% of net profit after tax for 2017-18 onwards.

Item 120: **Perth Stadium Account** (\$5.7 million), for the Optus Stadium Transport Infrastructure Project, to meet a range of unavoidable costs including upgrading Goongoongup Rail Bridge balustrades, the cost of additional facilities to lay-over and turn buses, additional costs associated with the Nelson Avenue Special Event Bus Stands, installing 'hostile vehicle' bollards, and upgrading pathways between Optus Stadium and Crown Perth.

New Item: **Forest Products Commission – Operating Subsidy** (\$0.8 million), reflecting recurrent funding to compensate the Commission for additional haulage and thinning costs associated with harvesting from alternative sites, following the reduction of harvesting in the Gngangara, Pinjar and Yanchep pine plantations to minimise impact on the Carnaby's cockatoo.

New Item: **Forest Products Commission – Government Equity Contribution** (\$1.3 million), reflecting funding to acquire replacement land for the McLarty Plantation, which was destroyed in the Waroona bushfire in January 2016 and repurposed to sand mining agricultural projects.

New Item: **Kimberley Ports Authority – Government Equity Contribution** (\$0.4 million), to fund 50% of the construction of a gangway for cruise liners in Broome as part of the Tourism Demand-Driver Infrastructure Agreement with the Commonwealth.

New Item: **Western Australian Land Authority – Government Equity Contribution** (\$0.2 million), to progress project approvals in relation to the development of the Ocean Reef Marina.

### **Mines, Industry Regulation and Safety**

Item 77: **Amount provided for Administered Grants, Subsidies, and Other Transfer Payments** (\$13.5 million), reflecting payments for the Magnetite Financial Assistance Package, which initially offered support to all early stage magnetite producers, and was then extended due to market conditions.

### **Governor's Establishment**

Item 89: **Capital Appropriation** (\$2.6 million), for the repair of the roof structure and the reinstatement of Welsh Slate tiles at Government House (\$1.1 million) and upgrades to the air-conditioning system (\$1.5 million).

### **Western Australia Police**

Item 97: **Capital Appropriation** (\$6.6 million), to meet the cost of accelerated building works at police stations and the reclassification of recurrent appropriation to this purpose (\$5.9 million), and fit-out costs for the Optus Stadium Police Development Centre, including the installation of equipment to establish a radio network within the Stadium precinct (\$0.7 million).

**Chemistry Centre (WA)**

Item 129: **Capital Appropriation** (\$0.8 million), largely reflecting the procurement of a high resolution liquid chromatography-mass spectrometer and automated sample extraction to strengthen the analytical capability of the racing industry and enhance testing efficiencies of the agency.

# General Government Sector Salaries

## Introduction

Salaries represent the single largest component of general government sector expenses (41% in 2017-18, or 45% if concurrent superannuation costs are included).

In 2017-18, general government salaries expenditure grew by 5% to total \$12,193 million. This compares with an estimated outturn of \$12,237 million or growth of 5.4% contained in the 2018-19 Budget. The 5% growth in salaries expenditure in 2017-18 largely reflects the combined impact of:

- the implementation of the Voluntary Targeted Separation Scheme (see feature box in Chapter 1 of this report); and
- the impact on general government sector salary spending of the Machinery of Government changes that took effect on 1 July 2017.

Abstracting from these one-off factors, underlying salaries growth in 2017-18 was just 1.2%, which is lower than the 2% growth recorded in 2016-17, and is the lowest rate of growth since 1998-99.

The following table summarises salaries outcomes for general government agencies for 2017-18.

Table 8.1

## SALARIES COSTS

### General Government Sector

	2016-17	2017-18				Variation on EOT \$m (2) - (1)	Annual Growth %
	Actual \$m	Budget Estimate \$m	MYR Revision \$m	Estimated Outturn \$m (1)	Actual \$m (2)		
Health	4,296	4,528	4,539	4,532	4,469	-63	4.0
Department of Education <sup>(a)</sup>	3,309	3,435	3,426	3,448	3,425	-23	3.5
Police Service <sup>(a)</sup>	883	892	889	902	911	8	3.1
Department of Justice <sup>(a)</sup>	638	689	681	660	666	6	4.4
Department of Communities <sup>(a)(b)</sup>	391	566	574	577	555	-21	42.0
Department of Primary Industries and Regional Development <sup>(a)</sup>	176	189	191	191	185	-7	4.6
Department of Biodiversity, Conservation and Attractions <sup>(a)(b)</sup>	172	187	186	188	185	-4	7.6
Fire and Emergency Services	173	180	179	180	181	1	4.4
Department of Mines, Industry Regulation and Safety <sup>(a)</sup>	157	161	160	162	152	-10	-2.8
Transport	119	124	124	125	123	-2	2.7
North Metropolitan TAFE	101	115	112	116	118	2	16.6
South Metropolitan TAFE	116	102	104	108	105	-4	-9.8
Finance <sup>(a)</sup>	97	120	109	109	103	-6	6.8
Department of Local Government, Sport and Cultural Industries <sup>(a)</sup>	89	91	92	93	92	-1	4.1
Department of Water and Environmental Regulation <sup>(a)</sup>	89	88	88	93	88	-4	-1.1
Department of Planning, Lands and Heritage <sup>(a)</sup>	85	88	88	87	84	-4	-2.3
Premier and Cabinet <sup>(a)</sup>	77	66	66	68	77	9	-0.2
Commissioner of Main Roads	60	68	67	67	65	-3	8.3
Land Information Authority	64	63	63	60	60	- <sup>(c)</sup>	-6.0
Training and Workforce Development	47	52	51	51	50	-2	5.7
Western Australian Sports Centre Trust (VenuesWest) <sup>(d)</sup>	20	19	32	32	43	11	113.7
South Regional TAFE	32	35	33	34	34	- <sup>(c)</sup>	4.8
Mental Health Commission	33	33	33	33	34	1	3.5
Central Regional TAFE	33	33	30	32	34	1	3.1
Department of Jobs, Tourism, Science and Innovation <sup>(a)</sup>	36	36	35	36	33	-3	-8.3
Treasury <sup>(a)</sup>	35	37	35	33	32	- <sup>(c)</sup>	-6.9
Legal Aid Commission of WA	29	30	30	32	30	-2	2.5
North Regional TAFE	27	28	27	30	30	- <sup>(c)</sup>	12.5
Office of the Director of Public Prosecutions	27	29	29	29	29	- <sup>(c)</sup>	7.2
Legislative Assembly	23	23	23	23	22	- <sup>(c)</sup>	-1.6
Public Sector Commission	17	17	17	17	17	- <sup>(c)</sup>	-1.0
Corruption and Crime Commission	16	16	16	16	16	- <sup>(c)</sup>	-0.6
Legislative Council	15	16	16	16	15	- <sup>(c)</sup>	0.3
Office of the Auditor General	14	14	15	15	15	- <sup>(c)</sup>	7.3
Chemistry Centre (WA)	12	13	13	14	14	- <sup>(c)</sup>	12.8
WorkCover WA Authority	13	14	14	13	13	1	3.7
Parliamentary Services Department	9	10	10	10	10	- <sup>(c)</sup>	6.5
All other agencies (with salaries costs below \$10 million)	79	82	81	84	81	-3	1.7
Provisions <sup>(e)</sup>	-	143	169	-79	-	79	-
<b>Total salaries</b>	<b>11,610</b>	<b>12,431</b>	<b>12,450</b>	<b>12,237</b>	<b>12,193</b>	<b>-43.8</b>	<b>5.0</b>

(a) Machinery of Government changes for these agencies commenced on 1 July 2017. Data for 2016-17 has been estimated by Treasury for comparative purposes.

(b) Machinery of Government changes impacting the Department of Communities and the Department of Biodiversity, Conservation and Attractions include the transfer of employees from the public non-financial corporations sector to the general government sector from 1 July 2017. Comparable data for 2016-17 (not shown in this table) result in growth of 6.6% and 2% respectively for these agencies in 2017-18.

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

(d) Growth in the Western Australian Sports Centre Trust's salaries data includes the impact of an adjustment (finalised after the 2016-17 *Annual Report on State Finances*) for the RAC Arena and Optus Stadium, reflecting a change in accounting treatment with regard to the relationship between the venue operators and VenuesWest. The large annual growth rate in 2017-18 reflects costs associated with the commencement of operations at Optus Stadium in January 2018 and the consolidation of RAC Arena and Optus Stadium operator transactions into VenuesWest's financial statements in 2017-18.

(e) Provisions which subsequently materialised in agency financial outcomes were included in the forward estimates for 2017-18 for the Voluntary Targeted Separation Scheme, the Service Priority Review, reductions in Senior Executive Service positions, and the Government's \$1,000 wages policy.

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



# Key Technical Terms Used in the Financial Report

## **Australian Bureau of Statistics Government Finance Statistics Manual**

The Australian Bureau of Statistics' publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* contains a comprehensive and definitive guide to the classification of financial aggregates for National Accounts and GFS purposes.

### **Advances Paid**

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

### **Accrual accounting**

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

### **Asset Investment Program**

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

### **Balance sheet**

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

### **Biological Assets**

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

### **Borrowings**

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

### **Capital grants (transfers)**

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

### **Cash flow statement**

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

### **Cash flow from operating activities**

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

### **Cash flow from investing activities**

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

### **Cash flow from financing activities**

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

### **Cash surplus/deficit**

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

## **Change in net worth**

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

## **Classification of the Functions of Government**

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

## **Consolidated Account**

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

## **Consolidated financial statements**

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

## **Consumer Price Index**

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

## **Contingent asset**

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised on the balance sheet. For example, the State may expect to receive a cash benefit if it delivers on various obligations in the future.

### **Contingent liability**

A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Contingent liabilities are not recorded on the balance sheet. Examples include pending legal proceedings and items covered by government guarantees, sureties and indemnities.

### **Convergence difference**

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

### **Current grants (transfers)**

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

### **Derivatives**

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

### **Employee expenses**

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

### **Expenses**

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

### **Finance lease**

Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset). For example, public sector agencies often lease buildings and vehicles, and record such leased assets on the balance sheets. All related costs and the total remaining lease liability is also recorded in the financial statements. Depending on the nature of the arrangement, Public Private Partnerships may be recognised as finance lease arrangements. Finance leases are treated as government debt on the State's balance sheet.

## **Financial asset**

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

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

## **Financial liability**

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

## ***Financial Management Act 2006***

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

## **Fiscal aggregates**

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

### **Forward estimates**

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

### **Full-time equivalents**

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

### **General government sector**

Defined in Government Finance Statistics as an entity or group of entities which are mainly engaged in the production of goods and/or services outside the normal market mechanism. General government goods and services are largely provided free of charge or at nominal charges well below costs of production. Government departments are usually recognised as general government sector agencies.

### ***Government Financial Responsibility Act 2000***

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

### **Government Finance Statistics**

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

### **Government Purpose Classification**

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

### **Grants and subsidies**

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

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

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

### **Grants for on-passing**

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

### **Gross borrowing**

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

### **Gross debt**

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

### **Gross State Product**

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

### **Key fiscal aggregates**

Financial aggregates that are important for analysis purposes, including assessing the impact of a government and its sectors on the economy. For example, the net operating balance and net debt which are a focus of the discussion in the *Financial Results* chapter of this report.

### **National partnership payment**

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

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

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

### **Net actuarial gains**

Includes actuarial gains and losses on defined benefit superannuation entitlements.

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

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

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

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

### **Net debt**

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

### **Net financial liabilities**

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



**Net financial worth**

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

**Net gain on equity investments in other sector entities**

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

**Net lending/borrowing**

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

**Net operating balance**

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

**Net worth**

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

**Operating statement**

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

### **Operating result**

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

### **Other economic flows**

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

### **Other revenue**

Revenue not elsewhere classified or disclosed.

### **Public Bank Account**

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

### **Public corporations**

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

### **Public financial corporations sector**

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

### **Public non-financial corporations sector**

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

## **Public Private Partnerships**

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

## **Revenue**

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

## **Sales of goods and services**

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

## **Securities other than shares**

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

## **Superannuation concurrent cost**

The current service cost of employees.

## **Superannuation interest cost**

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

## **Taxation revenue**

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

## **Tax equivalents regime**

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

## **Total change in net worth**

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

## **Total non-financial assets**

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

## **Total non-financial public sector**

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

## **Transaction**

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

Taxation is regarded as mutually agreed interactions between the public sector and tax payers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is in cash.

## **Uniform Presentation Framework**

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

## **Whole-of-government financial report**

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

