



2016-17

Annual Report on State Finances



September 2017



2016-17

**Annual Report on
State Finances**

SEPTEMBER 2017

2016-17 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 2016-17. It includes disclosure of material differences between these outcomes and the forecasts contained in the recent 2017-18 State Budget and the original 2016-17 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 2016-17, which is the focus of this report;
- the 2016-17 State Budget estimates, presented to the Legislative Assembly on 12 May 2016 (detailed in Appendix 4);
- the 2016-17 estimated outturn contained in the 2017-18 State Budget, and presented to the Legislative Assembly on 7 September 2017 (in Chapter 1);
- quarterly results for June 2017, completing the State's 2016-17 quarterly reporting series (Appendix 6);
- material Special Purpose Accounts (Appendix 5); and
- the Public Ledger, 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 2017, and the public sector's financial position at 30 June 2017; 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

20 September 2017

Opinion of the Auditor General



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

ANNUAL REPORT ON STATE FINANCES – GOVERNMENT OF WESTERN AUSTRALIA

I have audited the financial statements of the Government of Western Australia for the year ended 30 June 2017 which comprise an Operating Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement for General Government, Public Non-Financial Corporations, Total Non-Financial Public Sector, Public Financial Corporations and Total Public Sector, and Notes comprising a summary of significant accounting policies and other explanatory information (Appendix 1), the Comparison of Final Outcomes to Original Budget for the year ending 30 June 2017 for the General Government Sector and Total Public Sector (Appendix 4), and the Public Ledger (Appendix 7).

Opinion

In my opinion, the financial statements

- (i) have been properly drawn up so as to present fairly, in all material respects, the operating results and cash flows of the Government of Western Australia for the year ended 30 June 2017 and the financial position at the end of that year; and
- (ii) have been prepared in accordance with Australian Accounting Standard AASB 1049 "Whole of Government and General Government Sector Financial Reporting", other applicable Australian Accounting Standards and the Government Financial Responsibility Act 2000.

Under Treasurer's Responsibility for the Financial Statements

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

Auditor's Responsibility

As required by the Government Financial Responsibility Act 2000, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Under Treasurer, as well as evaluating the overall presentation of the financial statements. In addition, all the financial and non-financial information in the Annual Report on State Finances is read to identify material inconsistencies with the audited financial statements. If any apparent material misstatements or inconsistencies are identified, the implications for my audit opinion are considered.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements

This auditor's report relates to the financial statements of the Government of Western Australia for the year ended 30 June 2017 included on the Department of Treasury's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia

21 September 2017

Financial Results

HIGHLIGHTS

- The general government sector recorded an operating deficit of \$2.5 billion in 2016-17, \$565 million lower than the \$3 billion deficit estimated in the 2017-18 Budget.
- General government revenue grew by a modest 1.6% in 2016-17, following two consecutive years of declining revenue.
- Recurrent expenditure increased by 3.1% in 2016-17, following growth of 2.4% in 2015-16. Salaries expenditure increased by just 2% in 2016-17.
- The State's Asset Investment Program totalled \$5.1 billion in 2016-17, broadly consistent with the 2017-18 Budget estimate and the \$5.2 billion infrastructure spend in 2015-16.
- Total public sector net debt stood at \$32 billion at 30 June 2017, \$536 million lower than the estimated outturn in the 2017-18 Budget. This is an increase of \$4.6 billion on the level of net debt at 30 June 2016, with all of this increase attributable to the general government sector.

Introduction¹

The following table summarises the key financial outcomes for 2016-17. In broad terms, the final outcomes for 2016-17 are slightly better than estimated in the 2017-18 Budget.

KEY BUDGET AGGREGATES							Table 1
Western Australia							
	2015-16	2016-17				Actual	
	Actual	Budget Estimate	MYR Revision	PFPS Revision	Estimated Outturn		
GENERAL GOVERNMENT SECTOR							
Net Operating Balance (\$m)	-2,021	-3,914	-3,388	-3,028	-3,039	-2,474	
Revenue (\$m)	26,485	25,681	26,513	26,941	26,672	26,913	
Revenue Growth (%)	-3.3	-3.1	0.1	1.7	0.7	1.6	
Expenses (\$m)	28,506	29,596	29,901	29,969	29,710	29,387	
Expense Growth (%)	2.4	3.7	4.9	5.1	4.2	3.1	
TOTAL PUBLIC SECTOR							
Net Debt at 30 June (\$m)	27,347	33,838	33,389	33,246	32,500	31,964	
Asset Investment Program (\$m)	5,237	5,862	5,548	5,561	5,181	5,137	
Cash Surplus/Deficit (\$m)	-4,731	-5,526	-5,402	-5,260	-4,491	-4,675	
KEY FINANCIAL RATIOS^(a)							
Cash operating surplus as a share of receipts (%)	-	-2.2	-2.1	-1.8	-0.9	0.3	
Net debt to revenue (%)	69.8	91.2	83.3	82.3	83.0	81.4	

(a) For the total non-financial public sector.
Note: Columns/rows may not add due to rounding.

Key economic parameters for 2016-17 are summarised in the following table.

¹ This chapter mainly focuses on variations in outcomes between the estimated outturn published in the State's 2017-18 Budget and the final outcomes for 2016-17, and where important, comparisons to the previous financial year (2015-16). Comparisons to the original 2016-17 Budget projections (presented to the Legislative Assembly on 12 May 2016) are available in Appendix 4: *Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2017*.

Table 2

KEY ECONOMIC PARAMETERS
Western Australia

	2015-16	2016-17				Actual
	Actual	Budget Estimate	MYR Revision	PFPS Revision	Estimated Outturn	
Demand and Output (%) ^{(a) (b)}						
Household Consumption	1.4	1.75	1.25	1.75	1.25	1.1
Dwelling Investment	1.3	-8.75	-9.25	-10.25	-21.5	-22.8
Business Investment	-16.4	-19.0	-28.25	-32.5	-28.25	-28.7
Government Consumption	2.9	3.25	4.5	4.5	2.75	2.9
Government Investment	-6.0	10.75	7.5	7.5	6.0	8.0
State Final Demand	-4.0	-3.75	-6.0	-6.75	-7.0	-7.4
Merchandise Exports	6.1	5.5	8.0	8.0	8.0	7.4
Merchandise Imports	-11.1	-6.25	-10.75	-12.25	-10.75	n.a.
Net Exports ^(c)	18.1	10.0	18.5	19.25	19.0	n.a.
Gross State Product ^(d)	1.9	1.25	1.0	0.5	0.25	n.a.
Labour market (%)						
Population ^{(a)(e)}	0.7	1.3	1.2	1.2	0.7	n.a.
Employment ^{(a)(f)}	-0.4	0.25	-1.5	-1.5	-0.8	-0.9
Unemployment Rate ^(g)	6.0	6.75	6.5	6.5	6.2	6.2
Participation Rate ^{(f)(g)}	68.2	68.0	66.8	66.8	67.4	67.4
Prices (%) ^(a)						
Consumer Price Index	1.0	1.75	1.0	1.0	0.6	0.6
Wage Price Index	1.9	1.75	1.5	1.5	1.4	1.4
Perth Median House Price	-2.7	-0.5	-0.5	-0.5	-2.8	n.a.
Other key parameters ^(g)						
Exchange Rate \$US/\$A (cents)	72.8	75.7	74.8	75.3	75.4	75.4
Iron Ore Price (\$US/t) (CFR)	50.9	47.7	64.3	70.3	68.5	68.5
Iron Ore Volumes (million dry tonnes)	748	782	797	797	795	790
Crude Oil Price (\$US/barrel)	43.4	44.4	48.3	51.7	49.7	49.7
Interest Rate Assumptions (%) ^(g)						
Public Bank Account Earnings	2.4	1.8	1.8	1.9	2.1	2.1
Consolidated Account Borrowings	3.5	3.2	3.1	3.1	3.1	3.1

(a) Annual growth.

(b) Based on 2015-16 annual State Accounts, updated with State Final Demand data published for the June Quarter 2017. Actual data for 2016-17 for Gross State Product, merchandise imports, and net exports is not available until 17 November 2017.

(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 2016-17 is not available until 14 December 2017.

(f) Employment and participation rate actuals for 2015-16 and 2016-17 differ from those published by the Australian Bureau of Statistics (ABS) as they include Treasury's estimate of the impact of the downward revision to Western Australia's population as a result of the 2016 Census. The ABS has yet to include the Census impact into the labour force estimates.

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

Note: Statistical outcomes sourced from the Australian Bureau of Statistics are subject to periodic revision by that organisation.

Results Compared to Estimated Outturn

General Government Sector

Operating Statement

The general government sector recorded an operating deficit of \$2,474 million for the year ending 30 June 2017, a \$565 million improvement on the \$3,039 million deficit estimated in the recent 2017-18 Budget. This outcome reflects the net impact of higher than expected revenue (up \$241 million) and lower than projected expenses (down \$324 million).

The following table summarises general government sector operating revenue and expenses for 2016-17.

GENERAL GOVERNMENT							
Operating Statement							
	2015-16	2016-17					Variation on EOT \$m (6)=(5)-(4)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	FFPS Revision \$m (3)	Estimated Outturn \$m (4)	Actual \$m (5)	
REVENUE							
Taxation	9,069	8,927	8,536	8,494	8,568	8,573	5
Current grants and subsidies	7,407	7,687	7,844	7,820	8,012	8,091	79
Capital grants	895	779	413	399	506	513	7
Sales of goods and services	2,155	2,227	2,229	2,225	2,196	2,293	97
Interest income	192	167	182	182	196	196	-
Revenue from public corporations							
Dividends	1,415	984	1,034	1,129	837	837	-
Tax equivalent income	631	499	490	521	506	534	28
Royalty income	4,126	3,842	5,181	5,558	5,260	5,272	12
Other	594	568	604	612	591	604	13
Total	26,485	25,681	26,513	26,941	26,672	26,913	241
EXPENSES							
Salaries	11,383	11,819	11,972	11,973	11,659	11,610	-49
Superannuation							
Concurrent costs	1,167	1,170	1,216	1,216	1,184	1,166	-17
Superannuation interest cost	218	200	211	218	206	156	-50
Other employee costs	370	401	369	364	355	358	3
Depreciation and amortisation	1,359	1,477	1,441	1,433	1,373	1,320	-53
Services and contracts	2,195	2,356	2,410	2,442	2,308	2,393	85
Other gross operating expenses	5,518	5,549	5,664	5,645	5,938	5,772	-166
Other interest	664	778	786	786	784	783	-1
Current transfers	5,164	5,311	5,284	5,348	5,413	5,280	-132
Capital transfers	469	535	548	545	491	549	58
Total	28,506	29,596	29,901	29,969	29,710	29,387	-324
NET OPERATING BALANCE	-2,021	-3,914	-3,388	-3,028	-3,039	-2,474	565

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

The following table summarises key changes to the general government sector operating deficit for 2016-17 relative to the estimated outturn in the 2017-18 Budget (detail of key movements between the original 2016-17 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 2017-18 BUDGET ESTIMATED OUTTURN**

	\$m
NET OPERATING BALANCE - ESTIMATED OUTTURN (2017-18 BUDGET)	-3,039
Revenue	
- Payroll tax	-0.7
- All other taxes	5.5
<i>Sub-Total</i>	<i>4.7</i>
Royalty Income, comprising:	
- Iron ore	2.6
- All other royalties	9.9
<i>Sub-Total</i>	<i>12.4</i>
Commonwealth grants, comprising:	
- North West Shelf grants	-18.4
- Health grants	96.8
- All other grants	7.4
<i>Sub-Total</i>	<i>85.8</i>
Agency goods and services revenue	
Education	30.9
WA Health	15.7
Gaming and Wagering Commission of Western Australia	11.3
Other agency goods and services movements	39.1
<i>Sub-Total</i>	<i>97.0</i>
Revenue from public corporations	27.6
All other revenue	13.5
TOTAL REVENUE	241.1
Expenses	
Agriculture and Food	-38.1
Education	-33.7
WA Health	-47.2
Regional Development	-20.0
Police	-11.9
Attorney General	-10.9
Premier and Cabinet	-10.0
Local Government and Communities	-9.6
Non-government school grants	-10.0
Commerce	-17.4
Transport	-10.4
Superannuation interest	-50.0
All other expenses	-54.4
TOTAL EXPENSES	-323.6
TOTAL VARIANCE	564.8
NET OPERATING BALANCE - 2016-17 ANNUAL REPORT ON STATE FINANCES	-2,474

Note: Column may not add due to rounding.

Revenue

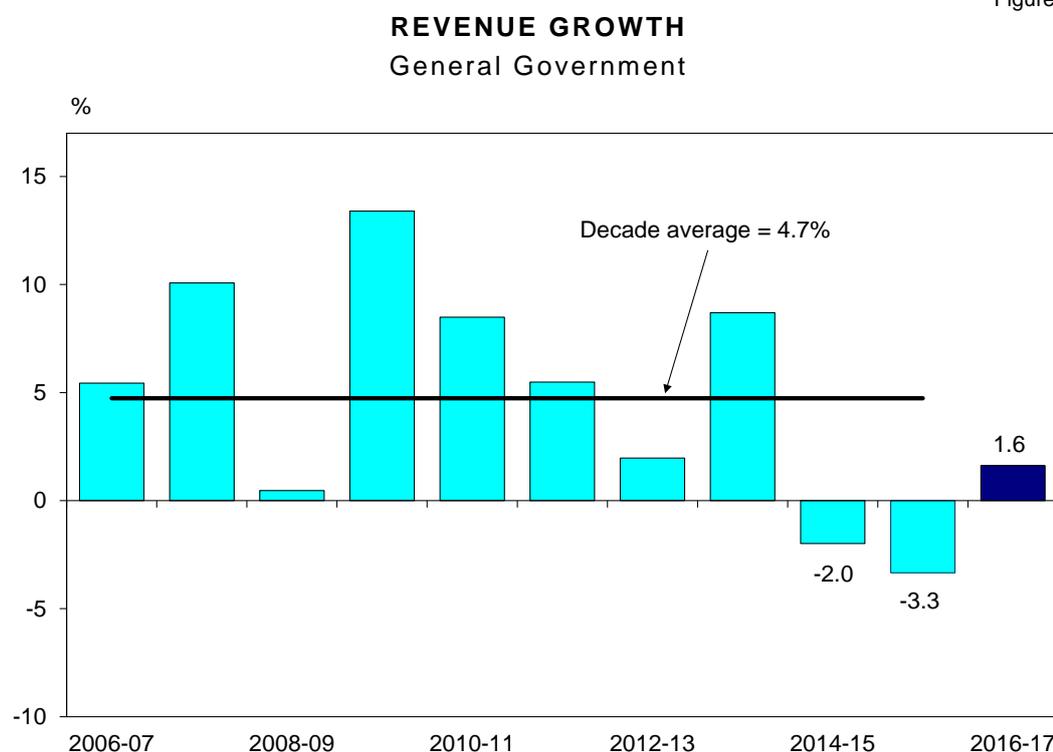
General government revenue totalled \$26.9 billion in 2016-17, \$241 million (or 0.9%) higher than the estimated outturn in the 2017-18 Budget. This mainly reflects higher agency revenue from the sale of goods and services (up \$97 million), higher than projected Commonwealth grants (up \$86 million) and higher revenue from public corporations (up \$28 million).

Changes to general government revenue since the release of the 2017-18 Budget include:

- higher revenue from sales of goods and services (up \$97 million), mainly reflecting:
 - Education (up \$31 million), resulting from higher than expected own-source revenue for the State’s schools, primarily reflecting school fund-raising activities and one-off revenue increases for prior year insurance cost adjustments and for donations;
 - WA Health (up \$16 million), primarily due to higher than expected revenue for services provided on behalf of the Commonwealth and other third parties, and from hospital parking fees; and
 - higher Racing Bets Levy revenue from the Gaming and Wagering Commission of Western Australia (up \$11 million), driven by higher than expected overall turnover by wagering operators, and higher premium turnover reflecting the number of premium race meetings held in 2016-17;
- higher recurrent and capital grants from the Commonwealth (up \$86 million), largely due to the net impact of:
 - higher total funding for health services (up \$97 million), reflecting final outcomes for National Health Reform funding (up \$47 million, primarily as a result of delays in finalising funding for 2015-16 activity levels), higher than expected grants for services delivered on behalf of the Department of Veterans Affairs, final funding for the Aged Care Transitional Care Program, and higher levels of vaccines funding; and
 - lower North West Shelf grants, including Commonwealth compensation for crude oil excise arrangements (down \$18 million), primarily reflecting lower than forecast production volumes (which are not known with certainty until well after 30 June 2017); and
- higher revenue from public corporations (up \$28 million), largely driven by higher tax equivalent revenue from Synergy (up \$13 million), Pilbara Ports Authority (up \$9 million), Western Power (up \$8 million) and the Water Corporation (up \$7 million), partially offset by lower tax equivalent revenue from the Insurance Commission of Western Australia (down \$10 million). These outcomes reflect movements in final profit outcomes for these public corporations.

Relative to 2015-16, general government revenue increased by 1.6% (or \$428 million). This increase follows two years of declining revenue, with the State’s revenue base contracting by 3.3% in 2015-16 (the largest year-on-year reduction since whole-of-government accrual accounting was introduced in Western Australia’s public sector in 1993-94) and 2% in 2014-15. Following these contractions, revenue in 2016-17 (\$26.9 billion) remained lower than in 2013-14 (\$28 billion).

Figure 1



The return to positive (albeit very modest) revenue growth in 2016-17 is underpinned by higher royalty income, and changes to Commonwealth funding arrangements.

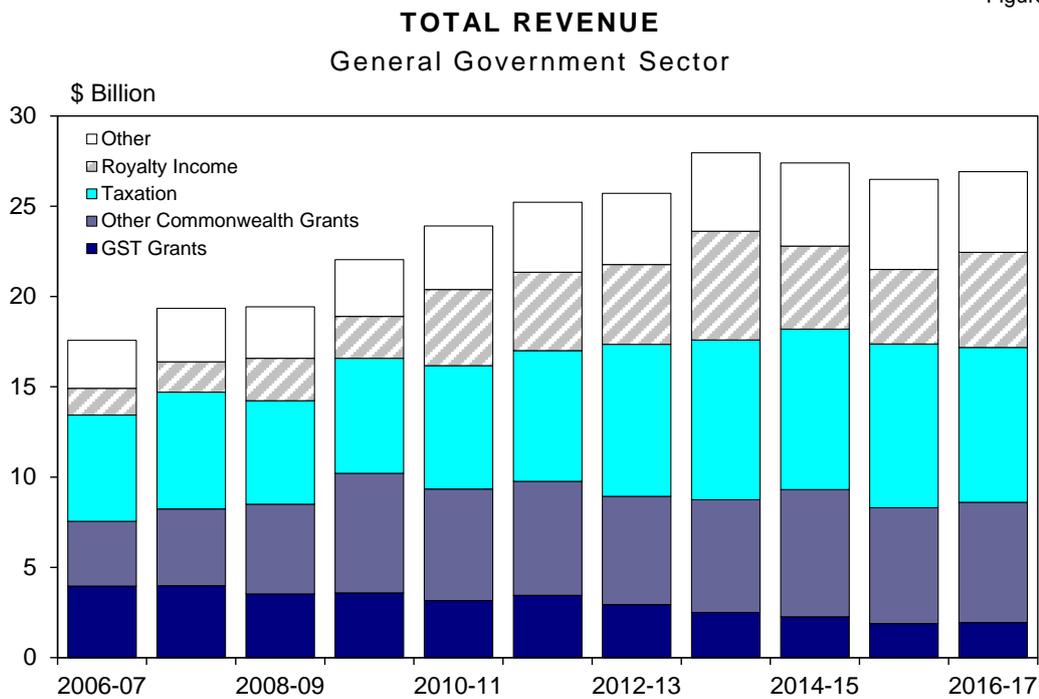
- Royalty income increased by \$1,147 million (or 27.8%) in 2016-17, mainly driven by higher iron ore royalties (up \$1,108 million). The iron ore price increased by 34.5% to \$US68.5 per tonne in 2016-17, supported by robust demand in China.
- Commonwealth grants increased by a net \$302 million relative to 2015-16, with increased current grants and subsidies (up \$684 million), primarily for health funding and local government grants, partially offset by lower capital grants (down \$382 million), reflecting lower funding under housing and transport National Partnership agreements.

Annual growth in revenue from these sources was partly offset by lower taxation revenue, and revenue from public corporations in 2016-17.

- Relative to 2015-16, taxation revenue declined by \$497 million (or 5.5%), the first year-on-year contraction since 2008-09. The decline was mainly due to lower landholder duty revenue (down \$268 million), and a record decline in payroll tax (down \$236 million).
- Revenue from public corporations declined by \$676 million in 2016-17, largely due to lower dividend payments (down \$578 million) following the decision to defer interim dividend payments by the electricity corporations and port authorities from 2016-17 to 2017-18 as part of the Budget repair measures announced in the 2017-18 Budget.

The State's own-source revenue accounted for 68% of general government revenue in 2016-17, with the remaining 32% comprised of grants from the Commonwealth. Royalty income represented 20% of total revenue in 2016-17, while the State's GST grant comprised just 7% of general government revenue.

Figure 2



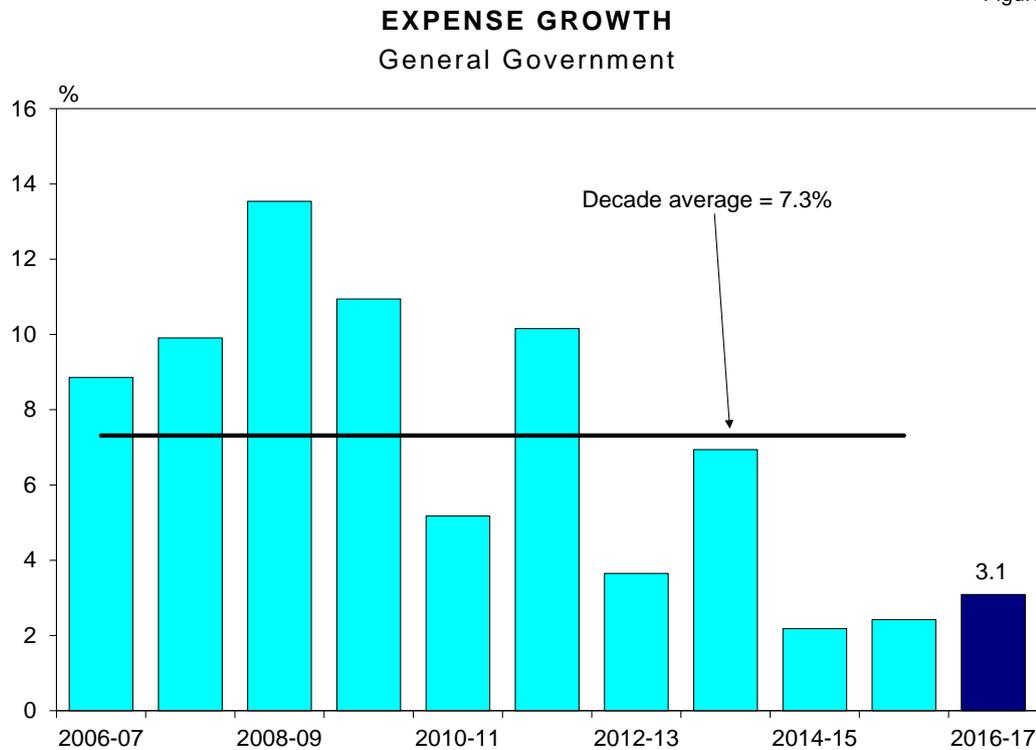
Expenses

Expenses for the general government sector totalled \$29.4 billion, \$324 million (or 1.1%) lower than the estimated outturn in the 2017-18 Budget. This mainly reflects lower than expected outcomes for:

- non-cash superannuation interest costs (down \$50 million), largely due to the final actuarial valuation of unfunded scheme liabilities;
- WA Health (down \$47 million), primarily due to lower than forecast direct patient support costs (particularly from lower than anticipated high cost drug expenses);
- the Department of Agriculture and Food (down \$38 million), as a result of capitalising water infrastructure costs associated with the Gascoyne Food Bowl initiative (previously expected to be expensed), and movements in spending in response to unanticipated biosecurity incidents;
- Education (down \$34 million), mainly due to 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;
- the Department of Regional Development (down \$20 million), primarily due to lower expenditure on the Community Resource Network and movements in grant programs;
- the Department of Commerce (down \$17 million), primarily due to lower than anticipated Home Indemnity Insurance costs (reflecting the actual number of builder failures for the year, and lower numbers of eligible claims), expenditure savings as a result of lower revenue from Commerce's industry regulatory functions (such as WorkSafe and the Building Commission), and changes in the agency's expenditure profile (such as grants);
- Western Australia Police (down \$12 million), mainly reflecting the expensing of some project costs, lower than expected minor asset purchases expense, and delays in grant spending, partially offset by an increase in cost for vehicle impounds following recent legislative amendments;
- the Department of the Attorney General (down \$11 million), primarily reflecting lower employee costs (largely reflecting the actuarial valuation of the judicial pension liabilities), partially offset by higher than expected Information and Communications Technology (ICT) support services costs;
- the Department of Transport (down \$10 million), mainly due to lower than forecast expenditure on grant programs;
- the Department of the Premier and Cabinet (down \$10 million), largely due to unspent Yarloop Clean-up Project grants, lower legal fees for lower Native Title claims, lower employee-related costs and savings for aircraft maintenance;
- Local Government and Communities (down \$10 million), mainly reflecting lower salaries expenses due to lower than expected voluntary separation payouts, and higher staff turnover and vacancy rates; and

- Education Services (down \$10 million), primarily attributable to reduced payments to non-government schools reflecting lower than anticipated student enrolments.

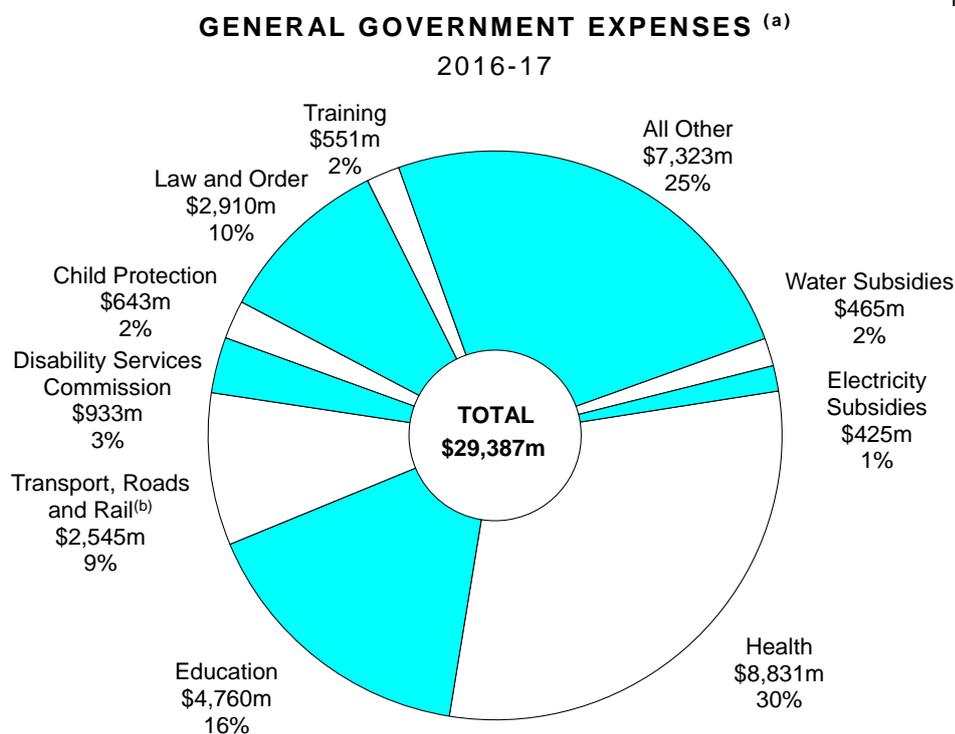
Figure 3



In year-on-year terms, general government expense growth was 3.1% in 2016-17 (compared to the 4.2% expected in the 2017-18 Budget). This follows growth of 2.4% in 2015-16 and 2.2% in 2014-15.

At 40% of general government operating expenses in 2016-17, salaries expenditure remains the single largest component of general government recurrent spending. In 2016-17, growth in salaries expenditure was just 2%, down from 2.6% in 2015-16.

Figure 4



(a) Segments may not add due to rounding.

(b) Rail component reflects operating subsidies paid to the Public Transport Authority.

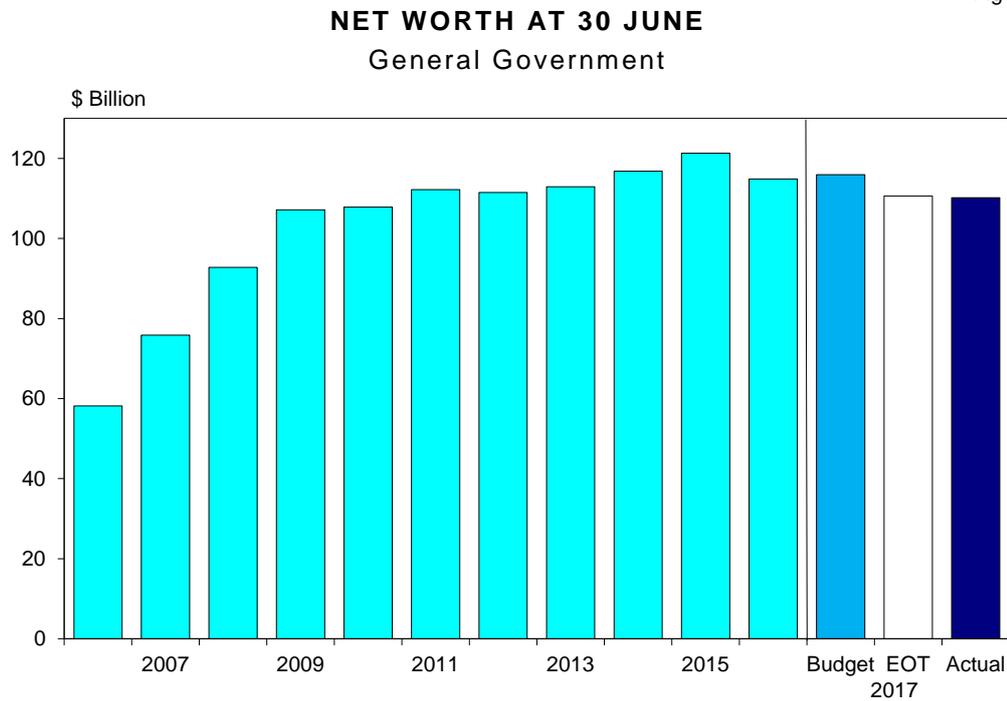
Balance Sheet

At \$110.2 billion, the net worth of the general government sector (i.e. the extent to which total assets exceed total liabilities) decreased by \$4.7 billion between 30 June 2016 and 30 June 2017, mainly reflecting higher Consolidated Account borrowings.

The outcome for 30 June 2017 was \$415 million lower than estimated in the 2017-18 Budget, reflecting the net impact of:

- lower holdings of property, plant and equipment (down \$2 billion), mainly due to lower than expected valuations for road infrastructure assets;
- a stronger net asset position for the general government sector's ownership interest in the public non-financial corporations sector (up \$859 million), mainly driven by higher than anticipated valuations for property, plant and equipment (up \$1.2 billion, including a very large upward revaluation for the Pilbara Ports Authority for channels and breakwaters, land and berths and jetties, with these classes of assets now valued at fair value); and
- higher holdings of liquid financial assets (up \$594 million), largely due to the lower operating deficit outcome (noted earlier).

Figure 5

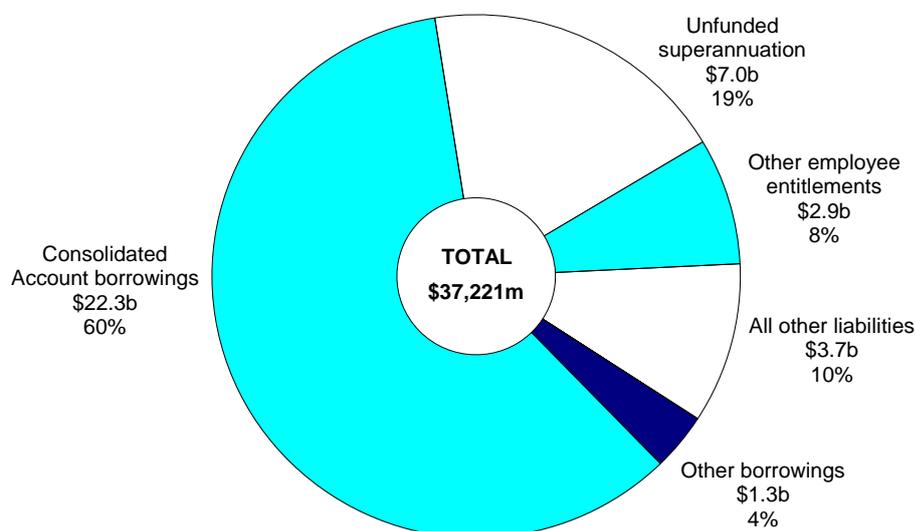


General government sector liabilities remained largely unchanged relative to the 2017-18 Budget estimate (up \$69 million), with lower than expected unfunded superannuation liabilities (down \$104 million) more than offset by higher payables (up \$102 million), deposits held on behalf of third parties (up \$55 million) and all other liabilities (up \$15 million).

The vast majority of the sector's liabilities are held in the form of Consolidated Account borrowings (\$22.3 billion or 60%), with unfunded superannuation liabilities the next largest component (at \$7 billion or 19% of total liabilities).

Figure 6

LIABILITIES AT 30 JUNE 2017
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 2016-17 Budget forecasts can be found in Appendix 4: *Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2017*.

Cash Flow Statement

The general government sector recorded a cash deficit of \$3.8 billion in 2016-17, a \$458 million improvement relative to the \$4.2 billion estimated deficit in the 2017-18 Budget. This improved cash result primarily reflects a lower than expected cash deficit on operating activities (down \$437 million, in line with the accrual operating balance outcome detailed earlier in this chapter).

The cash deficit from operating activities (of \$1.5 billion) is the second consecutive operating cash deficit (following a \$1.3 billion deficit in 2015-16), and reflects the significant revenue pressures the State has faced in the past few years.

Total Public Sector²

Summary

The total public sector recorded a \$2.7 billion operating deficit for 2016-17. This is a \$391 million improvement on the \$3.1 billion estimated deficit in the 2017-18 Budget. This improvement reflects the better than expected results for the general government sector discussed earlier as well as the public non-financial corporations (PNFC) sector (up \$85 million), partly offset by a weaker outcome for the public financial corporations (PFC) sector (down \$258 million).

Total public sector net debt at 30 June 2017 was \$32 billion, \$536 million lower than the estimated outturn in the 2017-18 Budget.

Table 5

	TOTAL PUBLIC SECTOR						
	Summary Financial Aggregates						
	2015-16	2016-17					Actual \$m (5)
Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)			
OPERATING STATEMENT							
Revenue	44,316	41,824	45,095	45,515	44,249	44,172	-77
Expenses	46,875	46,060	49,063	48,976	47,384	46,916	-468
Net Operating Balance	-2,559	-4,237	-3,968	-3,462	-3,135	-2,744	391
BALANCE SHEET							
Assets	190,366	192,680	188,207	188,564	188,922	188,942	20
Liabilities	75,499	76,726	76,111	75,897	78,318	78,753	435
Net Worth	114,866	115,954	112,095	112,667	110,604	110,189	-415
CASH FLOW STATEMENT							
Change in net cash held	2,706	-587	-204	-120	-1,305	-927	378
Cash Surplus/-deficit	-4,731	-5,526	-5,402	-5,260	-4,491	-4,675	-184
Memorandum Item: Net Debt	27,347	33,838	33,389	33,246	32,500	31,964	-536

Note: Columns may not add due to rounding.

Net Operating Balance

A \$2.7 billion operating deficit was recorded by the total public sector in 2016-17, \$391 million lower than estimated in the 2017-18 Budget, and broadly similar to the outcome recorded in 2015-16.

² 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 OPERATING BALANCE
By Sector

	2015-16	2016-17				Actual \$m (5)	Variation on EOT \$m (6)=(5)-(4)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
Net Operating Balance							
General government sector	-2,021	-3,914	-3,388	-3,028	-3,039	-2,474	565
Public non-financial corporations sector	892	577	352	352	396	480	85
Public financial corporations sector	72	202	174	415	422	164	-258
<i>less</i>							
General government dividend revenue	1,415	984	1,034	1,129	837	837	-
Public non-financial corporations dividend revenue ^(a)	87	117	72	72	77	78	-
Total public sector net operating balance	-2,559	-4,237	-3,968	-3,462	-3,135	-2,744	391

(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 \$480 million was recorded in the PNFC sector in 2016-17, \$85 million higher than the \$396 million surplus estimated in the 2017-18 Budget. This movement includes the combined effect of:

- lower expenses (down \$152 million) and income (down \$141 million) for the Housing Authority, mainly due to:
 - lower sales from the Affordable Housing and Public Housing Stock Redevelopment programs as a result of a soft property market. This has also resulted in lower commencements and a corresponding reduction in the cost of goods sold; and
 - lower services and contracts, primarily due to lower Aboriginal housing expenditure following delays in signing the 2016-18 National Partnership on Remote Housing agreement with the Commonwealth;
- lower than anticipated expenses for Western Power (down \$29 million excluding interest movements noted above), mainly due to:
 - lower than forecast operating costs as a result of ongoing business process improvements, including revised asset maintenance strategies and renegotiated supplier contract agreements; and
 - lower cost of sales for materials sold to third parties, due to a slowdown in the land development market, private sector developers purchasing materials directly from suppliers, and lower product prices; and
- higher than anticipated revenue for the Metropolitan Redevelopment Authority (up \$21 million), reflecting the accounting impact of land sales.

Public Financial Corporations

An operating surplus of \$164 million was recorded for the PFC sector in 2016-17, \$258 million weaker than the \$422 million surplus estimated in the 2017-18 Budget. The weaker outcome reflects lower revenue (down \$332 million) more than offsetting lower expenses (down \$74 million).

These movements were largely driven by:

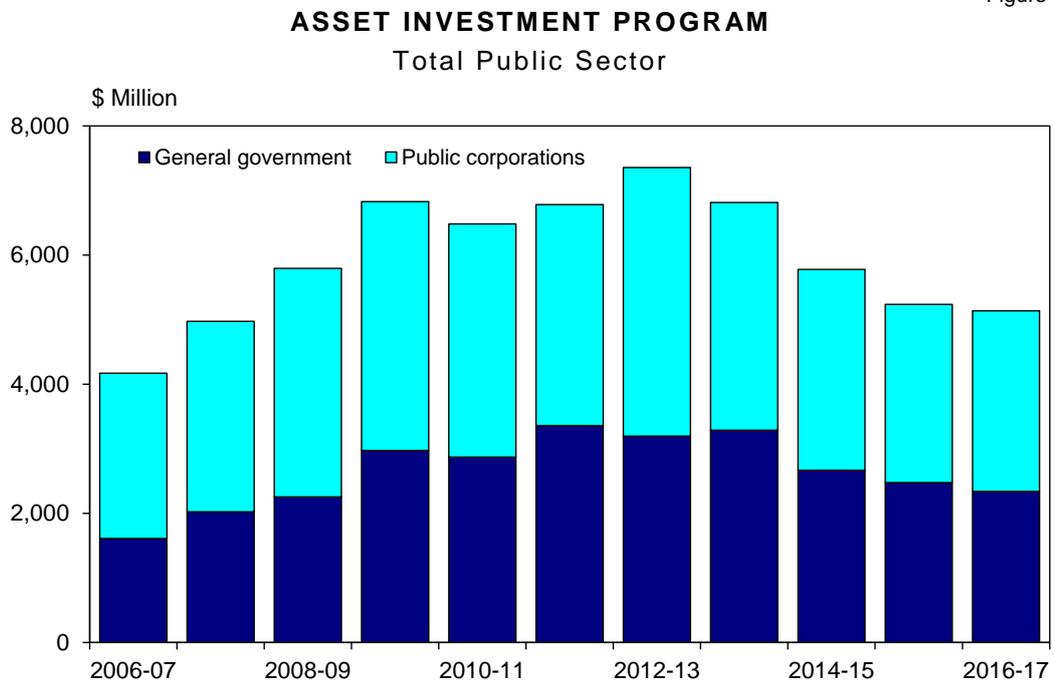
- lower revenue for the Insurance Commission of Western Australia (down \$164 million), reflecting the reclassification of investment gains from revenue to (non-cash) valuations, and higher expenses (up \$104 million), primarily due to an increase in the expected size of future claims based on the Commission's actuarial assessment for the year ending 30 June 2017;
- lower revenue (down \$38 million) and expenses (down \$71 million) for RiskCover, primarily due to lower premium revenue on the back of a reduction in claims expenses (arising from a decrease in the number of claims); and
- lower interest revenue (down \$113 million) and interest expenses (down \$102 million), mainly due to the timing of agency borrowings through the Western Australian Treasury Corporation.

Asset Investment

The total public sector spent \$5.1 billion on infrastructure in 2016-17, \$43 million lower than the estimated outturn in the 2017-18 Budget.

- The general government sector accounted for \$2.3 billion (or 46%) of the total Asset Investment Program (AIP), with investment in hospitals, roads and school infrastructure accounting for 70% of the sector’s total spending during 2016-17.
- Infrastructure investment in water, electricity and housing accounted for 66% of the public corporations sector’s \$2.9 billion AIP in 2016-17.

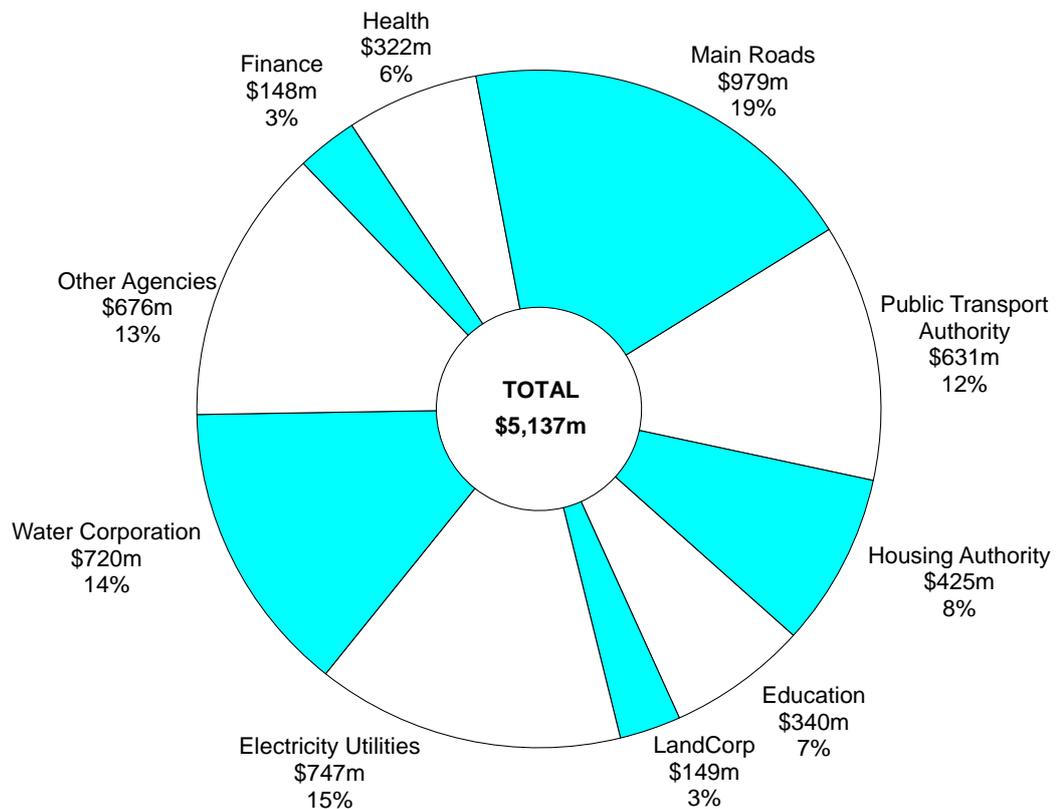
Figure 7



The estimated outturn included in the 2017-18 Budget incorporated a \$500 million provision for underspending that was expected to arise as a result of unidentified slippage in agency programs. Consistent with this expectation, agency infrastructure spending was \$543 million lower than the estimated outturn.

Figure 8

2016-17 ASSET INVESTMENT PROGRAM
Total Public Sector



Note: Segments may not add due to rounding.

Lower than expected agency AIP outcomes reflect the net impact of:

- the Housing Authority (down \$191 million), largely due to:
 - lower expenditure on the Social Housing Investment Package (down \$87 million), largely due to the lower than budgeted cost per unit for construction and lower average acquisition cost for spot purchases;
 - lower land redevelopment expenditure (down \$18 million), due to the deferral of development works pending the finalisation of a partnership with the private sector;
 - lower investment in joint venture land developments (down \$17 million) as softening market conditions have resulted in the deferral of expenditure to future years and lower re-investment of sales revenue into joint ventures;
 - lower spending on the Housing for Workers Program (down \$12 million), reflecting changes to demand in Karratha and delays in Fitzroy Crossing and Halls Creek due to a prolonged wet season; and

- lower spending on the Government Regional Officers Housing program (down \$12 million) due to planning delays, site issues and reduced demand from client agencies;
- Western Power (down \$106 million), largely due to project demand-driven delays or projects being placed on hold, slower than expected progress with wood pole replacement works, lower spending on heavy fleet vehicles resulting from a strategic review and rationalisation program, and the Electricity Market Review Transition Program not progressing;
- the Water Corporation (down \$85 million), primarily due to the later payment of works completed in 2016-17;
- the port authorities (down \$44 million), mainly due to lower spending by the Pilbara Ports Authority (down \$27 million), reflecting timing delays associated with projects funded by the Port Improvement Rate and the first gas export from the Chevron Wheatstone project. Lower spending by other ports includes:
 - the Kimberley Ports Authority (down \$7 million), due to delays in the Wharf Extension of Life project and associated electrical works; and
 - the Fremantle Port Authority (down \$6 million), relating to timing delays to various projects, currently underway and expected to be completed during 2017-18, and minor works;
- WA Health (down \$37 million), due primarily to a change in accounting treatment for the Telethon Kids Institute Fit Out project (now recognised as recurrent spending); and
- Horizon Power (up \$23 million), mainly due to work progressing ahead of schedule for the Onslow Power Infrastructure Project and Pilbara Underground Power Project, and higher than projected customer-funded works.

The following table summarises the material agency movements in infrastructure investment for 2016-17 across the total public sector.

Table 7

INFRASTRUCTURE INVESTMENT

	2015-16	2016-17				Actual \$m (5)	Variation on EOT \$m (6)=(5)-(4)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
<i>General Government</i>							
Health	399	526	619	619	359	322	-37
Commissioner of Main Roads	1,024	1,245	1,011	1,019	979	979	-
Education	303	300	330	339	338	340	2
Provision for underspending	-	-300	-550	-550	-	-	-
Royalties for Regions underspending provision	-	-72	-70	-70	-	-	-
All Other	748	784	919	939	727	701	-27
Total General Government	2,475	2,484	2,259	2,296	2,404	2,341	-62
<i>Public Corporations</i>							
Housing Authority	291	602	633	633	616	425	-191
Water Corporation	576	782	774	774	806	720	-85
Port Authorities	50	174	123	124	104	60	-44
Horizon Power	138	128	159	159	108	131	23
Western Power ^(a)	730	847	758	754	668	561	-106
Provision for underspending	-	-300	-450	-450	-500	-	500
All other	1,099	1,145	1,293	1,299	1,004	982	-22
Total Public Corporations	2,882	3,378	3,289	3,292	2,805	2,879	74
Internal purchases between sectors	-119	-	-	-27	-28	-83	-55
TOTAL PUBLIC SECTOR	5,237	5,862	5,548	5,561	5,181	5,137	-43

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

Balance Sheet

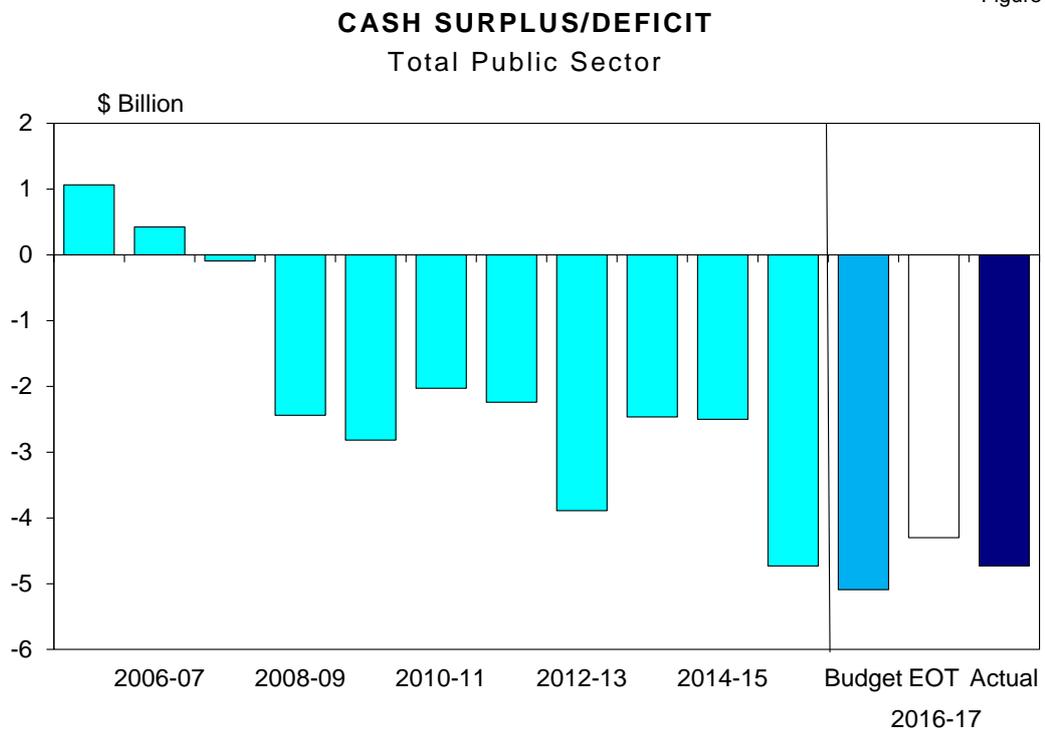
The net worth of the total public sector is identical to that of the general government sector (discussed earlier). This is because the net worth of public corporations is recorded as an asset on the general government sector balance sheet.

Cash Flow Statement

A total public sector cash deficit of \$4.7 billion was recorded in 2016-17, \$184 million larger than the \$4.5 billion deficit estimated in the 2017-18 Budget. The higher than expected deficit outcome reflects the net impact of:

- a weaker operating outcome for the PFC sector (down \$531 million), mainly reflecting higher than expected interest payments for the Western Australian Treasury Corporation resulting from timing issues associated with interest rates, borrowings and the draw down of borrowings by agencies;
- a weaker outcome for the PNFC sector, with a stronger cash surplus from operations more than offset by higher than anticipated net cash outflows for investments in non-financial assets, largely reflecting lower than anticipated sales by the Housing Authority; and
- the stronger than anticipated cash operating surplus for the general government sector discussed earlier.

Figure 9



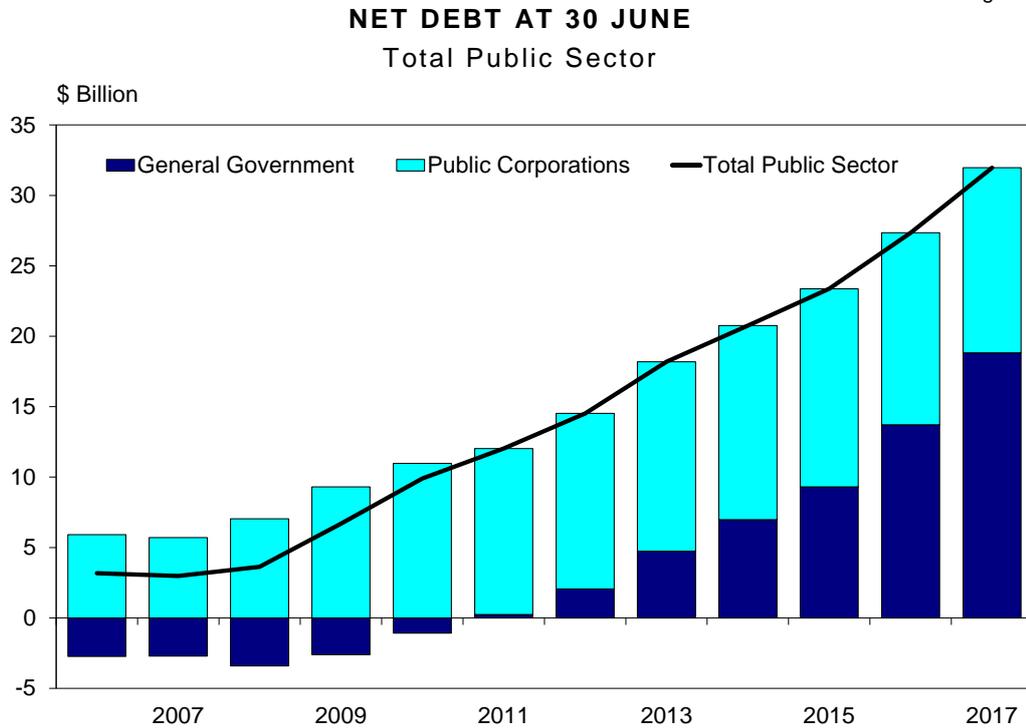
Net Debt³

Reflecting the cash deficit outcome outlined earlier, total public sector net debt increased by \$4.6 billion during 2016-17, to stand at \$32 billion at 30 June 2017.

Net debt at 30 June 2017 was \$536 million lower than estimated in the 2017-18 Budget. This includes movements in operating and investing cash outcomes for the general government and public corporations sectors, 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.

³ 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 10



Increases in net debt continue to be dominated by the general government sector, with a \$5.1 billion increase for the sector relative to 30 June 2016 (mainly due to higher Consolidated Account borrowings). The general government sector now holds nearly 60% of total public sector net debt.

Table 8

TOTAL PUBLIC SECTOR NET DEBT
At 30 June

	2016 \$m	2017 \$m
Consolidated Account borrowings	17,239	22,250
Other Public Bank Account net assets ^(a)	-3,352	-3,710
Western Power	7,376	7,236
Water Corporation	5,685	5,875
Public Transport Authority	1,956	1,822
Horizon Power	1,080	1,033
Housing Authority	752	870
Public financial corporations ^(b)	-3,139	-3,317
All other	-250	-96
Total Public Sector Net Debt at 30 June	27,347	31,964

(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 since the 2017-18 Budget estimates were finalised on 7 August 2017.

SUMMARY OF TOTAL PUBLIC SECTOR NET DEBT VARIATIONS SINCE THE 2017-18 BUDGET		Table 9
	\$m	
NET DEBT AT 30 JUNE 2017 - 2017-18 BUDGET	32,500	
<i>Less change in net cash flows from operating activities and dividends paid</i>		
- General government	436.5	
- Public non-financial corporations	109.7	
- Public financial corporations	-531.0	
<i>Total Public Sector</i>	<i>15.3</i>	
<i>Plus purchases of non-financial assets</i>		
Housing Authority	-190.9	
Western Power (including provisions)	-106.4	
Water Corporation	-85.3	
Port Authorities	-44.4	
WA Health	-37.3	
Removal of provision for underspending	500.0	
All other	-79.0	
<i>Total purchases of non-financial assets</i>	<i>-43.4</i>	
<i>Less proceeds from sale of non-financial assets</i>	<i>-242.7</i>	
<i>Plus: all other financing transactions</i>		
Net market gains on financial assets ^(a)	-404.6	
All other financing ^(b)		
- General government	-99.2	
- Public non-financial corporations	-50.1	
- Public financial corporations	-166.5	
<i>Cumulative impact on net debt at 30 June</i>	<i>-536</i>	
NET DEBT AT 30 JUNE 2017 - 2016-17 ANNUAL REPORT ON STATE FINANCES	31,964	
(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, 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 previous Government's 2016-17 Budget were to:

- ensure that annual general government sector expense growth does not exceed revenue growth;
- maintain a cash surplus from operating activities for the general government sector of at least 50% of general government sector infrastructure spend per year;
- maintain the total non-financial public sector (TNPS) net debt to revenue ratio at or below 55%;

- maintain a cash operating surplus for the TNPS of at least 5% of operating cash receipts; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

As a result of ongoing weakness in the State’s revenue base and the consequent impact on the general government sector operating position, only one of these targets (tax competitiveness) was met in 2016-17 – see table below.

In the case of all of the targets, outcomes are consistent with expectations at the time of the 2016-17 Budget. Movements in key aggregates between the original Budget and final outcomes for 2016-17 are detailed in Appendix 4 of this report.

2016-17 FINANCIAL TARGETS
Compliance

Table 10

	Budget	Estimated Outturn	Actual
Ensure expense growth does not exceed revenue growth			
- Current estimate/outcome (revenue growth minus expense growth)	-6.8	-3.5	-1.5
- Compliance	No	No	No
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend			
- Current estimate/outcome	-96.9	-82.3	-65.8
- Compliance	No	No	No
Maintain TNPS net debt at or below 55% of revenue			
- Current estimate/outcome	91.2	83.0	81.4
- Compliance	No	No	No
Maintain a TNPS cash operating surplus of at least 5% of receipts			
- Current estimate/outcome	-2.2	-0.9	0.3
- Compliance	No	No	No
Maintain the State's tax competitiveness			
- Compliance	Yes	Yes	Yes ^(a)

(a) This target was met in 2016-17, with Western Australia more competitive than other States on two of the three available measures (tax as a share of Gross State Product and tax per capita).

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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 2016-17 Budget Papers presented to the Legislative Assembly on 12 May 2016, facilitating comparisons between estimates and outturns.

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

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

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

Table 1.1

GENERAL GOVERNMENT (a)
Operating Statement

	Notes	2015-16		2016-17			Actual \$m (5)	Variation on EOT \$m (5) - (4)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
RESULTS FROM TRANSACTIONS								
REVENUE								
Taxation		9,069	8,927	8,536	8,494	8,568	8,573	5
Current grants and subsidies		7,407	7,687	7,844	7,820	8,012	8,091	79
Capital grants		895	779	413	399	506	513	7
Sales of goods and services		2,155	2,227	2,229	2,225	2,196	2,293	97
Interest income		192	167	182	182	196	196	-
Revenue from public corporations								
Dividends from other sectors		1,415	984	1,034	1,129	837	837	-
Tax equivalent income		631	499	490	521	506	534	28
Royalty income		4,126	3,842	5,181	5,558	5,260	5,272	12
Other		594	568	604	612	591	604	13
Total	5	26,485	25,681	26,513	26,941	26,672	26,913	241
EXPENSES								
Salaries		11,383	11,819	11,972	11,973	11,659	11,610	-49
Superannuation								
Concurrent costs		1,167	1,170	1,216	1,216	1,184	1,166	-17
Superannuation interest cost		218	200	211	218	206	156	-50
Other employee costs		370	401	369	364	355	358	3
Depreciation and amortisation	6	1,359	1,477	1,441	1,433	1,373	1,320	-53
Services and contracts		2,195	2,356	2,410	2,442	2,308	2,393	85
Other gross operating expenses	7	5,518	5,549	5,664	5,645	5,938	5,772	-166
Other interest	8	664	778	786	786	784	783	-1
Current transfers	9	5,164	5,311	5,284	5,348	5,413	5,280	-132
Capital transfers	9	469	535	548	545	491	549	58
Total		28,506	29,596	29,901	29,969	29,710	29,387	-324
NET OPERATING BALANCE (b)	10	-2,021	-3,914	-3,388	-3,028	-3,039	-2,474	565
<i>Other economic flows - included in the operating result</i>								
Net gains on assets/liabilities		-148	7	-27	-28	-166	-193	-27
Net actuarial gains/-loss - superannuation		-589	-154	254	329	605	659	54
Provision for doubtful debts		-54	-4	-4	-4	-19	-41	-22
Changes in accounting policy/adjustment of prior periods		110	-	-	-	-	143	143
Total other economic flows		-679	-151	223	296	419	568	149
OPERATING RESULT		-2,700	-4,066	-3,165	-2,732	-2,619	-1,905	714
<i>All other movements in equity</i>								
<i>Items that will not be reclassified to operating result</i>								
Revaluations		-2,549	739	126	124	-1,258	-3,042	-1,783
Gains recognised directly in equity		8	-	-	-	-	15	16
Change in net worth of the public corporations sectors		-1,192	359	268	409	-385	254	639
All other		-	-	-	-	-	-	-
Total all other movements in equity		-3,733	1,097	394	533	-1,643	-2,772	-1,129
TOTAL CHANGE IN NET WORTH (c)	10	-6,433	-2,968	-2,771	-2,199	-4,262	-4,677	-415
KEY FISCAL AGGREGATES								
NET OPERATING BALANCE		-2,021	-3,914	-3,388	-3,028	-3,039	-2,474	565
<i>Less Net acquisition of non-financial assets</i>								
Purchase of non-financial assets		2,475	2,484	2,259	2,296	2,404	2,341	-62
Changes in inventories		15	-3	1	3	-1	-11	-10
Other movement in non-financial assets		15	40	247	247	243	240	-3
<i>less:</i>								
Sales of non-financial assets		102	207	180	202	173	132	-41
Depreciation		1,359	1,477	1,441	1,433	1,373	1,320	-53
Total net acquisition of non-financial assets		1,043	839	885	911	1,100	1,119	19
NET LENDING/-BORROWING	10	-3,064	-4,753	-4,273	-3,939	-4,139	-3,592	546

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

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

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

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

Table 1.2

GENERAL GOVERNMENT (a)
Balance Sheet at 30 June

	Notes	2016		2017			Actual \$m (5)	Variation on EOT \$m (5) - (4)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
ASSETS								
<i>Financial assets</i>								
Cash and deposits		820	852	745	745	727	778	51
Advances paid		711	712	719	719	726	717	-9
Investments, loans and placements		4,042	2,620	3,439	3,576	3,728	4,278	551
Receivables	11	2,921	2,560	2,830	3,029	2,995	3,099	103
Shares and other equity								
Investments in other public sector entities - equity method		47,654	49,403	47,922	48,063	47,270	47,909	639
Investments in other public sector entities - direct injections		8,180	9,058	8,940	8,937	8,799	9,019	220
Investments in other entities		48	38	44	44	52	51	-2
Other financial assets		8	-	8	8	8	8	-
Total financial assets		64,384	65,241	64,647	65,122	64,304	65,859	1,554
<i>Non-financial assets</i>								
Land	12	38,551	39,232	38,688	38,688	37,288	37,269	-19
Property, plant and equipment	13,14	43,256	47,629	44,509	44,526	44,611	42,640	-1,971
Biological assets	16	4	-	4	2	2	8	6
Inventories	17							
Land inventories		113	93	112	112	112	98	-13
Other inventories		84	80	85	87	83	73	-10
Intangibles	18	650	612	656	656	642	680	38
Assets classified as held for sale	19	32	29	35	35	41	111	71
Investment property	20	8	-	8	8	8	7	-1
Other		484	719	681	683	666	665	-1
Total non-financial assets		83,182	88,396	84,776	84,796	83,452	81,551	-1,901
TOTAL ASSETS		147,566	153,637	149,424	149,918	147,756	147,410	-346
LIABILITIES								
Deposits held		518	835	554	555	590	646	55
Advances received		392	376	376	376	376	376	-
Borrowings	21	18,379	23,366	23,470	23,458	23,590	23,572	-19
Superannuation	22	7,939	7,772	7,418	7,350	7,147	7,043	-104
Other employee benefits	23	2,892	3,023	2,953	2,953	2,944	2,911	-33
Payables		1,228	1,076	1,236	1,234	1,191	1,294	102
Other liabilities	24	1,352	1,234	1,322	1,324	1,314	1,380	66
TOTAL LIABILITIES		32,700	37,682	37,329	37,250	37,152	37,221	69
NET ASSETS		114,866	115,954	112,095	112,667	110,604	110,189	-415
<i>Of which:</i>								
Contributed equity		-	-	-	-	-	-	-
Accumulated surplus		8,460	7,494	8,540	8,973	9,083	6,553	-2,530
Other reserves		106,406	108,460	103,555	103,694	101,521	103,636	2,115
NET WORTH	10	114,866	115,954	112,095	112,667	110,604	110,189	-415
MEMORANDUM ITEMS								
<i>Net financial worth</i>		31,684	27,559	27,319	27,871	27,152	28,638	1,486
<i>Net financial liabilities</i>		24,150	30,902	29,543	29,129	28,917	28,290	-627
<i>Net debt</i>								
Gross debt liabilities		19,289	24,577	24,399	24,389	24,557	24,594	37
less: liquid financial assets		5,572	4,184	4,903	5,040	5,180	5,773	594
less: convergence differences impacting net debt		-	-	-	-	-	-	-
Net debt		13,717	20,393	19,496	19,348	19,377	18,820	-557

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

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

Table 1.3

GENERAL GOVERNMENT
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated net gain on equity investments in other sector entities \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2015</i>	61,441	48,846	11,012	121,299
Operating result	-	-	-2,700	-2,700
Other movements in equity	-2,549	-1,192	8	-3,733
All other	-140	-	140	-
<i>Total change in net worth</i>	-2,689	-1,192	-2,552	-6,433
Balance at 30 June 2016	58,752	47,654	8,460	114,866
<i>Balance at 1 July 2016</i>	58,752	47,654	8,460	114,866
Operating result	-	-	-1,905	-1,905
Other movements in equity	-3,042	254	15	-2,772
All other	17	-	-17	-
<i>Total change in net worth</i>	-3,024	254	-1,907	-4,677
Balance at 30 June 2017	55,727	47,909	6,553	110,189

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

Table 1.4

GENERAL GOVERNMENT (a)
Cash Flow Statement

	2015-16		2016-17				Actual \$m	Variation on EOT \$m (5) - (4)
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	FFPS Revision \$m (3)	Estimated Outturn \$m (4)		
CASH FLOWS FROM OPERATING ACTIVITIES								
<i>Cash received</i>								
Taxes received		9,130	8,941	8,552	8,509	8,434	8,432	-2
Grants and subsidies received		8,310	8,437	8,240	8,190	8,498	8,529	31
Receipts from sales of goods and services		2,294	2,239	2,273	2,269	2,235	2,335	100
Interest receipts		187	159	173	174	194	193	-
Dividends and tax equivalents		2,087	1,562	1,647	1,745	1,455	1,484	29
Other		5,922	5,711	6,836	7,062	6,939	7,218	280
<i>Total cash received</i>		<i>27,929</i>	<i>27,050</i>	<i>27,721</i>	<i>27,948</i>	<i>27,754</i>	<i>28,191</i>	<i>437</i>
<i>Cash Paid</i>								
Wages, salaries and supplements, and superannuation		-13,374	-13,437	-13,611	-13,613	-13,193	-13,141	52
Payments for goods and services		-8,083	-8,190	-8,397	-8,406	-8,662	-8,608	54
Interest paid		-631	-737	-762	-761	-762	-758	4
Grants and subsidies paid		-5,364	-5,654	-5,645	-5,706	-5,479	-5,389	91
Dividends and tax equivalents		-	-	-	-	-	-	-
Other payments		-1,769	-1,439	-1,404	-1,402	-1,635	-1,836	-201
<i>Total cash paid</i>		<i>-29,221</i>	<i>-29,456</i>	<i>-29,819</i>	<i>-29,887</i>	<i>-29,732</i>	<i>-29,732</i>	<i>-</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	-1,291	-2,406	-2,098	-1,939	-1,977	-1,541	437
CASH FLOWS FROM INVESTING ACTIVITIES								
<i>Cash flows from investments in non-financial assets</i>								
Purchase of non-financial assets		-2,475	-2,484	-2,259	-2,296	-2,404	-2,341	62
Sales of non-financial assets		102	207	180	202	173	132	-41
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,373</i>	<i>-2,278</i>	<i>-2,079</i>	<i>-2,094</i>	<i>-2,231</i>	<i>-2,210</i>	<i>21</i>
<i>Cash flows from investments in financial assets</i>								
<i>Cash received</i>								
For policy purposes		140	10	10	10	10	14	4
For liquidity purposes		101	35	78	78	58	83	25
<i>Cash paid</i>								
For policy purposes		-798	-962	-970	-967	-829	-861	-32
For liquidity purposes		-136	-	-11	-11	-18	-46	-28
<i>Total cash flows from investments in financial assets</i>		<i>-694</i>	<i>-917</i>	<i>-893</i>	<i>-890</i>	<i>-779</i>	<i>-809</i>	<i>-30</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,067	-3,195	-2,972	-2,984	-3,009	-3,018	-9
CASH FLOWS FROM FINANCING ACTIVITIES								
<i>Cash received</i>								
Advances received		16	16	16	16	16	16	-
Borrowings		5,194	5,033	5,053	5,053	5,178	5,166	-13
Deposits received		-	-	-	-	-	-	-
Other financing receipts		41	41	45	45	45	46	1
<i>Total cash receipts from financing activities</i>		<i>5,250</i>	<i>5,090</i>	<i>5,114</i>	<i>5,114</i>	<i>5,239</i>	<i>5,227</i>	<i>-12</i>
<i>Cash paid</i>								
Advances paid		-16	-16	-16	-16	-16	-16	-
Borrowings repaid		-97	-166	-168	-179	-172	-168	4
Deposits paid		-	-	-	-	-	-	-
Other financing payments		-447	-466	-441	-441	-422	-418	4
<i>Total payments for financing activities</i>		<i>-560</i>	<i>-648</i>	<i>-625</i>	<i>-636</i>	<i>-610</i>	<i>-602</i>	<i>8</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,691	4,442	4,489	4,478	4,629	4,626	-3
Net increase in cash and cash equivalents		333	-1,159	-581	-445	-358	66	424
Cash and cash equivalents at the beginning of the year		4,440	5,019	4,773	4,773	4,773	4,773	-
Cash and cash equivalents at the end of the year	26	4,773	3,860	4,192	4,327	4,415	4,839	424
KEY FISCAL AGGREGATES								
Net cash flows from operating activities		-1,291	-2,406	-2,098	-1,939	-1,977	-1,541	437
Net cash flows from investing in non-financial assets		-2,373	-2,278	-2,079	-2,094	-2,231	-2,210	21
Cash surplus/-deficit	10	-3,664	-4,684	-4,177	-4,033	-4,208	-3,751	458

(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	2015-16		2016-17			Actual \$m (5)	Variation on EOT \$m (5) - (4)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
RESULTS FROM TRANSACTIONS								
REVENUE								
Current grants and subsidies		2,212	2,149	2,140	2,145	2,106	2,121	14
Capital grants		200	211	216	211	113	129	16
Sales of goods and services		19,170	16,885	19,389	19,362	18,077	17,943	-133
Interest income		159	144	122	122	129	145	16
Other		651	610	540	535	483	493	10
<i>Total</i>		22,392	19,999	22,407	22,376	20,908	20,830	-78
EXPENSES								
Salaries		1,191	1,210	1,262	1,262	1,269	1,147	-122
Superannuation								
Concurrent costs		123	120	128	128	129	115	-14
Superannuation interest cost		-	-	-	-	-	-	-
Other employee costs		51	47	43	43	41	57	16
Depreciation and amortisation		1,988	2,121	2,069	2,069	2,083	2,074	-8
Services and contracts		981	894	885	885	789	912	123
Other gross operating expenses		14,689	12,540	15,200	15,168	13,757	13,551	-207
Other interest		807	901	843	843	849	861	12
Tax equivalents		527	475	458	459	444	483	39
Current transfers		1,072	1,114	1,098	1,099	1,085	1,094	9
Capital transfers		70	-	67	67	67	57	-11
<i>Total</i>		21,500	19,422	22,055	22,024	20,512	20,350	-162
NET OPERATING BALANCE^(a)	10	892	577	352	352	396	480	85
<i>Other economic flows - included in the operating result</i>								
Net gains on assets/liabilities		21	163	104	99	96	82	-14
Net actuarial gains/-loss - superannuation		-23	-	-	-	-	-23	-23
Provision for doubtful debts		-16	-17	-21	-21	-21	-60	-39
Changes in accounting policy/adjustment of prior periods		-686	-	-	-	-	-1,068	-1,068
<i>Total other economic flows</i>		-704	146	84	78	75	-1,069	-1,144
OPERATING RESULT		189	723	436	430	470	-589	-1,059
<i>Other non-owner movements in equity</i>								
<i>Items that will not be reclassified to operating result</i>								
Revaluations		-1,520	590	715	715	-405	237	642
Gains recognised directly in equity		1,655	-54	50	50	43	1,058	1,015
All other		-	-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		135	535	765	765	-362	1,295	1,657
<i>Movements in owner equity</i>								
Dividends		-1,273	-935	-1,006	-1,005	-713	-713	-
Capital injections		712	1,004	760	757	649	870	220
<i>Total movements in owner equity</i>		-561	69	-245	-248	-64	157	220
TOTAL CHANGE IN NET WORTH^(b)	10	-237	1,327	956	947	44	863	819
KEY FISCAL AGGREGATES								
NET OPERATING BALANCE		892	577	352	352	396	480	85
<i>Less Net acquisition of non-financial assets</i>								
Purchase of non-financial assets		2,877	3,370	3,281	3,284	2,797	2,874	77
Changes in inventories		1,009	253	210	210	-415	-437	-22
Other movement in non-financial assets		156	155	116	116	105	131	26
<i>less:</i>								
Sales of non-financial assets		718	863	712	712	674	527	-147
Depreciation		1,988	2,121	2,069	2,069	2,083	2,074	-8
<i>Total net acquisition of non-financial assets</i>		1,335	795	825	828	-269	-33	236
NET LENDING/-BORROWING	10	-442	-218	-473	-476	665	514	-151

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

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

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

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Notes	2016		2017			Actual \$m (5)	Variation on EOT \$m (5) - (4)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
ASSETS								
<i>Financial assets</i>								
Cash and deposits		1,267	1,547	1,314	1,312	1,610	1,750	140
Advances paid		-	-	-	-	-	-	-
Investments, loans and placements		5,072	5,477	4,472	4,464	3,904	4,034	130
Receivables		1,137	1,222	1,443	1,441	1,392	1,117	-276
Shares and other equity								
Investments in other public sector entities - equity method		-	-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-	-
Investments in other entities		24	46	21	21	-	-	-
Other financial assets		849	785	800	800	801	801	-
Total financial assets		8,349	9,076	8,050	8,039	7,708	7,702	-5
<i>Non-financial assets</i>								
Land		14,682	15,248	14,682	14,682	13,595	13,601	6
Property, plant and equipment		54,064	55,682	55,087	55,084	54,726	55,889	1,163
Biological assets		330	319	331	331	328	326	-2
Inventories								
Land inventories		2,059	2,089	2,082	2,082	2,025	1,966	-59
Other inventories		4,417	4,276	4,627	4,627	4,002	3,980	-22
Intangibles		439	429	426	426	434	432	-2
Assets classified as held for sale		28	36	28	28	28	24	-4
Investment property		65	51	65	65	65	59	-6
Other		144	163	120	120	145	138	-7
Total non-financial assets		76,229	78,293	77,448	77,445	75,349	76,416	1,067
TOTAL ASSETS		84,579	87,369	85,498	85,484	83,057	84,119	1,062
LIABILITIES								
Deposits held		-	-	-	-	-	-	-
Advances received		392	376	376	376	376	376	-
Borrowings		22,716	23,509	22,651	22,649	21,614	21,869	255
Superannuation		120	22	78	78	82	116	34
Other employee benefits		442	440	423	423	425	388	-37
Payables		5,197	5,200	5,309	5,305	4,779	4,955	176
Other liabilities		1,657	1,435	1,651	1,651	1,683	1,498	-186
TOTAL LIABILITIES		30,525	30,982	30,489	30,483	28,959	29,202	243
NET ASSETS		54,054	56,387	55,009	55,001	54,098	54,917	819
<i>Of which:</i>								
Contributed equity		8,164	9,055	8,924	8,921	8,813	9,033	220
Accumulated surplus		19,344	19,062	19,640	19,638	19,958	19,337	-621
Other reserves		26,546	28,270	26,445	26,442	25,327	26,547	1,219
NET WORTH	10	54,054	56,387	55,009	55,001	54,098	54,917	819
MEMORANDUM ITEMS								
<i>Net financial worth</i>		-76,229	-78,293	-77,448	-77,445	-75,349	-76,416	-1,067
<i>Net debt</i>								
Gross debt liabilities		23,108	23,885	23,027	23,025	21,990	22,245	255
less: liquid financial assets		6,339	7,023	5,786	5,777	5,515	5,784	270
less: convergence differences impacting net debt		-	-	-	-	-	-	-
Net debt		16,769	16,862	17,241	17,248	16,475	16,460	-15

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 2015</i>	7,452	28,107	18,732	54,291
Operating result	-	-	189	189
Other movements in equity	-	-1,520	1,655	135
All other	-	-42	42	-
<i>Total change in net worth</i>	-	-1,562	1,885	324
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	712	-	-	712
Dividends	-	-	-1,273	-1,273
<i>Total</i>	712	-	-1,273	-561
Balance at 30 June 2016	8,164	26,546	19,344	54,054
<i>Balance at 1 July 2016</i>	8,164	26,546	19,344	54,054
Operating result	-	-	-589	-589
Other movements in equity	-	237	1,058	1,295
All other	-	-236	236	-
<i>Total change in net worth</i>	-	1	705	706
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	870	-	-	870
Dividends	-	-	-713	-713
<i>Total</i>	870	-	-713	157
Balance at 30 June 2017	9,033	26,547	19,337	54,917

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

Table 1.8

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	2015-16		2016-17				Actual \$m	Variation on EOT \$m (5) - (4)
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
CASH FLOWS FROM OPERATING ACTIVITIES								
<i>Cash received</i>								
Grants and subsidies received		2,498	2,362	2,319	2,320	2,184	2,250	66
Receipts from sales of goods and services		19,335	17,210	19,570	19,545	18,228	17,976	-252
Interest receipts		148	144	131	131	142	151	9
Dividends and tax equivalents		69	117	117	117	87	87	-
Other		1,416	953	900	895	828	1,323	496
Total cash received		23,465	20,786	23,038	23,008	21,470	21,787	318
<i>Cash paid</i>								
Wages, salaries and supplements, and superannuation		-1,402	-1,414	-1,469	-1,469	-1,472	-1,387	85
Payments for goods and services		-14,316	-11,965	-14,682	-14,654	-13,096	-12,922	173
Interest paid		-836	-838	-803	-803	-812	-811	1
Grants and subsidies paid		-641	-803	-795	-795	-668	-664	4
Tax equivalents		-609	-472	-507	-508	-510	-516	-6
Other payments		-3,111	-2,910	-2,644	-2,643	-2,644	-3,109	-465
Total cash paid		-20,915	-18,402	-20,900	-20,872	-19,201	-19,409	-208
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,550	2,385	2,138	2,135	2,269	2,378	110
CASH FLOWS FROM INVESTING ACTIVITIES								
<i>Cash flows from investments in non-financial assets</i>								
Purchase of non-financial assets		-2,877	-3,370	-3,281	-3,284	-2,797	-2,874	-77
Sales of non-financial assets		718	863	712	712	674	527	-147
Total cash flows from investments in non-financial assets		-2,159	-2,507	-2,569	-2,572	-2,124	-2,347	-224
<i>Cash flows from investments in financial assets</i>								
<i>Cash received</i>								
For policy purposes		-	-	-	-	-	-	-
For liquidity purposes		332	14	38	38	44	133	89
<i>Cash paid</i>								
For policy purposes		-3	-	-3	-3	-3	-3	-
For liquidity purposes		-359	-37	-72	-72	-38	-84	-47
Total cash flows from investments in financial assets		-31	-24	-37	-37	3	45	42
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,190	-2,531	-2,606	-2,608	-2,121	-2,302	-181
CASH FLOWS FROM FINANCING ACTIVITIES								
<i>Cash received</i>								
Advances received		-	-	-	-	-	-	-
Borrowings		12,583	30,172	24,826	24,850	17,599	17,641	42
Deposits received		-	-	-	-	-	-	-
Other financing receipts		900	1,010	1,016	1,013	874	904	31
Total cash received		13,483	31,182	25,842	25,863	18,473	18,545	72
<i>Cash paid</i>								
Advances paid		-16	-16	-16	-16	-16	-16	-
Borrowings repaid		-12,283	-29,504	-24,029	-24,036	-17,738	-17,450	288
Deposits paid		-	-	-	-	-	-	-
Other financing payments		-51	-30	-37	-37	-33	-49	-16
Dividends paid		-1,273	-935	-1,006	-1,005	-713	-713	-
Total cash paid		-13,623	-30,485	-25,087	-25,094	-18,500	-18,228	272
NET CASH FLOWS FROM FINANCING ACTIVITIES		-140	698	755	769	-27	317	344
Net increase in cash and cash equivalents		221	551	287	296	121	394	273
Cash and cash equivalents at the beginning of the year		1,560	1,854	1,781	1,781	1,781	1,781	-
Cash and cash equivalents at the end of the year		1,781	2,405	2,067	2,076	1,902	2,174	273
KEY FISCAL AGGREGATES								
Net cash flows from operating activities		2,550	2,385	2,138	2,135	2,269	2,378	110
Net cash flows from investing in non-financial assets		-2,159	-2,507	-2,569	-2,572	-2,124	-2,347	-224
Dividends paid		-1,273	-935	-1,006	-1,005	-713	-713	-
Cash surplus/deficit	10	-882	-1,058	-1,437	-1,441	-568	-682	-114

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

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	2015-16		2016-17				Actual \$m (5)	Variation on EOT \$m (5) - (4)
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
RESULTS FROM TRANSACTIONS								
REVENUE								
Taxation		8,564	8,409	8,034	7,992	8,089	8,089	-
Current grants and subsidies		7,407	7,687	7,844	7,820	8,012	8,091	79
Capital grants		895	779	413	399	506	513	7
Sales of goods and services		20,900	18,630	21,168	21,139	19,831	19,839	9
Interest income		325	280	269	269	292	307	15
Royalty income		4,126	3,842	5,181	5,558	5,260	5,272	12
Dividends and tax equivalents		334	191	133	258	264	252	-11
Other		1,111	1,029	1,041	1,045	966	980	14
<i>Total</i>		<i>43,662</i>	<i>40,848</i>	<i>44,083</i>	<i>44,480</i>	<i>43,219</i>	<i>43,344</i>	<i>125</i>
EXPENSES								
Salaries		12,574	13,029	13,234	13,235	12,928	12,756	-171
Superannuation								
Concurrent costs		1,291	1,290	1,344	1,344	1,313	1,281	-31
Superannuation interest cost		218	200	211	218	206	156	-50
Other employee costs		255	257	255	250	238	274	36
Depreciation and amortisation		3,348	3,598	3,510	3,502	3,455	3,394	-61
Services and contracts		3,169	3,253	3,298	3,330	3,101	3,298	197
Other gross operating expenses		19,744	17,575	20,355	20,304	19,212	18,876	-336
Other interest		1,446	1,648	1,594	1,594	1,600	1,609	10
Other property expenses		-	-	-	-	-	-	-
Current transfers		3,683	3,947	3,923	3,982	4,075	3,927	-149
Capital transfers		338	325	400	402	446	477	31
<i>Total</i>		<i>46,064</i>	<i>45,120</i>	<i>48,124</i>	<i>48,161</i>	<i>46,575</i>	<i>46,050</i>	<i>-525</i>
NET OPERATING BALANCE ^(a)	10	-2,401	-4,273	-4,041	-3,681	-3,356	-2,706	649
<i>Other economic flows - included in the operating result</i>								
Net gains on assets/liabilities		-127	170	77	71	-70	-111	-40
Net actuarial gains/-loss - superannuation		-612	-154	254	329	605	636	31
Provision for doubtful debts		-69	-21	-25	-25	-40	-102	-61
Changes in accounting policy/adjustment of prior periods		-602	-	-	-	-	-864	-864
<i>Total other economic flows</i>		<i>-1,410</i>	<i>-5</i>	<i>307</i>	<i>374</i>	<i>494</i>	<i>-440</i>	<i>-935</i>
OPERATING RESULT		-3,811	-4,278	-3,735	-3,307	-2,861	-3,147	-285
<i>All other movements in equity</i>								
<i>Items that will not be reclassified to operating result</i>								
Revaluations		-4,069	1,328	841	839	-1,604	-2,804	-1,200
Gains recognised directly in equity		1,663	-55	50	50	42	1,073	1,030
Change in net worth of the public corporations sectors		-216	36	73	219	161	201	40
All other		-	-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>-2,622</i>	<i>1,309</i>	<i>963</i>	<i>1,107</i>	<i>-1,401</i>	<i>-1,531</i>	<i>-130</i>
TOTAL CHANGE IN NET WORTH ^(b)	10	-6,433	-2,968	-2,771	-2,199	-4,262	-4,677	-415
KEY FISCAL AGGREGATES								
NET OPERATING BALANCE		-2,401	-4,273	-4,041	-3,681	-3,356	-2,706	649
<i>Less Net acquisition of non-financial assets</i>								
Purchase of non-financial assets		5,232	5,854	5,541	5,554	5,173	5,133	-40
Changes in inventories		1,024	251	211	213	-416	-449	-32
Other movement in non-financial assets		171	195	363	363	348	371	23
<i>less:</i>								
Sales of non-financial assets		701	1,069	893	888	819	576	-243
Depreciation		3,348	3,598	3,510	3,502	3,455	3,394	-61
<i>Total net acquisition of non-financial assets</i>		<i>2,378</i>	<i>1,633</i>	<i>1,710</i>	<i>1,739</i>	<i>831</i>	<i>1,085</i>	<i>254</i>
NET LENDING/-BORROWING	10	-4,779	-5,906	-5,752	-5,420	-4,187	-3,792	395

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

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

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

Table 1.10

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Notes	2016	2017				Actual \$m (5)	Variation on EOT \$m (5) - (4)
		Actual \$m (1)	Budget Estimate \$m (2)	MYR Revision \$m (3)	PFPS Revision \$m (4)	Estimated Outturn \$m (5)		
ASSETS								
<i>Financial assets</i>								
Cash and deposits		1,599	1,623	1,541	1,538	1,783	1,916	133
Advances paid		319	336	343	343	349	341	-9
Investments, loans and placements		9,111	8,094	7,908	8,037	7,629	8,309	680
Receivables		3,934	3,669	4,349	4,546	4,465	4,133	-332
Shares and other equity								
Investments in other public sector entities - equity method		1,780	2,073	1,853	1,999	1,971	2,011	41
Investments in other public sector entities - direct injections		-	-	-	-	-	-	-
Investments in other entities		73	84	65	65	52	51	-1
Other financial assets		8	-	8	8	8	8	-
Total financial assets		16,823	15,879	16,067	16,536	16,256	16,769	512
<i>Non-financial assets</i>								
Land		53,233	54,480	53,370	53,370	50,883	50,870	-13
Property, plant and equipment		97,320	103,312	99,596	99,610	99,337	98,530	-808
Biological assets		334	319	335	333	329	334	5
Inventories								
Land inventories		2,172	2,182	2,193	2,193	2,137	2,065	-72
Other inventories		4,501	4,356	4,711	4,714	4,085	4,052	-32
Intangibles		1,090	1,041	1,082	1,082	1,076	1,112	36
Assets classified as held for sale		60	65	63	63	69	135	66
Investment property		73	51	73	73	73	67	-7
Other		629	882	801	803	805	803	-2
Total non-financial assets		159,412	166,688	162,224	162,241	158,795	157,967	-828
TOTAL ASSETS		176,235	182,567	178,291	178,777	175,051	174,736	-315
LIABILITIES								
Deposits held		28	57	32	32	32	29	-3
Advances received		392	376	376	376	376	376	-
Borrowings		41,095	46,875	46,120	46,107	45,204	45,441	237
Superannuation		8,059	7,794	7,496	7,429	7,229	7,159	-70
Other employee benefits		3,335	3,463	3,376	3,376	3,368	3,299	-70
Payables		6,303	6,167	6,623	6,617	6,050	6,170	121
Other liabilities		2,157	1,880	2,171	2,173	2,187	2,073	-114
TOTAL LIABILITIES		61,369	66,613	66,196	66,110	64,447	64,547	100
NET ASSETS		114,866	115,954	112,095	112,667	110,604	110,189	-415
<i>Of which:</i>								
Contributed equity		-	-	-	-	-	-	-
Accumulated surplus		27,811	26,563	28,188	28,618	29,048	25,897	-3,151
Other reserves		87,055	89,391	83,907	84,049	81,556	84,292	2,736
NET WORTH	10	114,866	115,954	112,095	112,667	110,604	110,189	-415
MEMORANDUM ITEMS								
<i>Net financial worth</i>		-44,546	-50,734	-50,129	-49,574	-48,191	-47,778	413
<i>Net financial liabilities</i>		46,399	52,891	52,047	51,638	50,214	49,841	-373
<i>Net debt</i>								
Gross debt liabilities		41,515	47,308	46,529	46,515	45,613	45,846	233
less: liquid financial assets		11,029	10,053	9,792	9,919	9,761	10,565	804
less: convergence differences impacting net debt		-	-	-	-	-	-	-
Net debt		30,486	37,255	36,737	36,597	35,852	35,281	-571

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 2015</i>	89,539	2,010	29,751	121,299
Operating result	-	-	-3,811	-3,811
Other movements in equity	-4,069	-216	1,663	-2,622
All other	-195	-13	208	-
<i>Total change in net worth</i>	-4,264	-229	-1,940	-6,433
Balance at 30 June 2016	85,275	1,780	27,811	114,866
<i>Balance at 1 July 2016</i>	85,275	1,780	27,811	114,866
Operating result	-	-	-3,147	-3,147
Other movements in equity	-2,804	201	1,073	-1,531
All other	-189	30	159	-
<i>Total change in net worth</i>	-2,994	231	-1,915	-4,677
Balance at 30 June 2017	82,281	2,011	25,897	110,189

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

Table 1.12

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	2015-16		2016-17			Actual \$m	Variation on EOT \$m (5) - (4)	
	Notes	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)			
CASH FLOWS FROM OPERATING ACTIVITIES								
<i>Cash received</i>								
Taxes received		8,621	8,413	8,040	7,998	7,954	7,943	-11
Grants and subsidies received		8,310	8,437	8,240	8,190	8,498	8,529	31
Receipts from sales of goods and services		21,204	18,972	21,390	21,362	20,017	19,914	-103
Interest receipts		309	271	269	269	303	311	8
Dividends and tax equivalents		274	272	252	349	320	343	23
Other		7,015	6,337	7,410	7,630	7,439	8,207	768
Total cash received		45,733	42,701	45,601	45,798	44,531	45,247	716
<i>Cash paid</i>								
Wages, salaries and supplements, and superannuation		-14,776	-14,850	-15,080	-15,082	-14,665	-14,528	137
Payments for goods and services		-21,693	-19,377	-22,325	-22,307	-21,012	-20,833	179
Interest paid		-1,440	-1,543	-1,530	-1,528	-1,541	-1,536	5
Grants and subsidies paid		-3,470	-4,071	-4,096	-4,157	-3,938	-3,773	166
Dividends and tax equivalents		-	-	-	-	-	-	-
Other payments		-4,368	-3,818	-3,535	-3,532	-3,796	-4,452	-656
Total cash paid		-45,747	-43,659	-46,567	-46,606	-44,953	-45,123	-170
NET CASH FLOWS FROM OPERATING ACTIVITIES		-14	-957	-966	-808	-422	125	546
CASH FLOWS FROM INVESTING ACTIVITIES								
<i>Cash flows from investments in non-financial assets</i>								
Purchase of non-financial assets		-5,232	-5,854	-5,541	-5,554	-5,173	-5,133	40
Sales of non-financial assets		701	1,069	893	888	819	576	-243
Total cash flows from investments in non-financial assets		-4,532	-4,785	-4,648	-4,666	-4,354	-4,557	-203
<i>Cash flows from investments in financial assets</i>								
<i>Cash received</i>								
For policy purposes		140	10	10	10	10	14	4
For liquidity purposes		433	49	116	116	102	216	114
<i>Cash paid</i>								
For policy purposes		-16	-10	-10	-10	-10	-13	-3
For liquidity purposes		-496	-37	-83	-83	-55	-130	-75
Total cash flows from investments in financial assets		61	11	33	33	46	87	41
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,471	-4,774	-4,615	-4,632	-4,308	-4,470	-162
CASH FLOWS FROM FINANCING ACTIVITIES								
<i>Cash received</i>								
Advances received		-	-	-	-	-	-	-
Borrowings		17,777	35,205	29,879	29,903	22,777	22,807	29
Deposits received		-	-	-	-	-	-	-
Other financing receipts		49	35	42	42	42	45	3
Total cash received		17,825	35,240	29,922	29,945	22,819	22,851	32
<i>Cash paid</i>								
Advances paid		-16	-16	-16	-16	-16	-16	-
Borrowings repaid		-12,380	-29,670	-24,196	-24,215	-17,910	-17,617	292
Deposits paid		-	-	-	-	-	-	-
Other financing payments		-391	-432	-423	-423	-401	-413	-12
Total cash paid		-12,787	-30,117	-24,635	-24,654	-18,327	-18,047	280
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,038	5,123	5,286	5,291	4,493	4,805	312
Net increase in cash and cash equivalents		553	-608	-294	-150	-237	460	697
Cash and cash equivalents at the beginning of the year		5,999	6,872	6,552	6,552	6,552	6,552	-
Cash and cash equivalents at the end of the year		6,552	6,264	6,258	6,403	6,316	7,012	697
KEY FISCAL AGGREGATES								
Net cash flows from operating activities		-14	-957	-966	-808	-422	125	546
Net cash flows from investing in non-financial assets		-4,532	-4,785	-4,648	-4,666	-4,354	-4,557	-203
Cash surplus/-deficit	10	-4,546	-5,742	-5,613	-5,474	-4,776	-4,432	344

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

Table 1.13

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	2015-16		2016-17				Actual \$m (5)	Variation on EOT \$m (5) - (4)
	Notes	Budget	MYR	PFPS	Estimated			
		Estimate \$m (1)	Revision \$m (2)	Revision \$m (3)	Outturn \$m (4)			
RESULTS FROM TRANSACTIONS								
REVENUE								
Current grants and subsidies		-	-	-	-	-	-	-
Capital grants		-	-	-	-	-	-	-
Sales of goods and services		982	1,190	1,193	1,343	1,347	1,129	-218
Interest income		1,776	2,031	1,897	1,891	1,878	1,765	-113
Other		-	1	1	1	1	-	-1
<i>Total</i>		2,758	3,222	3,091	3,235	3,226	2,894	-332
EXPENSES								
Salaries		53	57	57	56	57	55	-2
Superannuation								
Concurrent costs		5	6	6	6	6	5	-
Superannuation interest cost		-	-	-	-	-	-	-
Other employee costs		2	2	2	2	3	2	-1
Depreciation and amortisation		6	7	7	6	5	5	-1
Services and contracts		11	11	11	11	12	11	-1
Other gross operating expenses		835	1,094	1,097	972	968	1,013	45
Other interest		1,663	1,812	1,696	1,696	1,681	1,579	-102
Tax equivalents		104	24	32	62	62	51	-12
Current transfers		5	5	5	5	5	5	-
Capital transfers		2	1	5	5	5	5	-1
<i>Total</i>		2,686	3,020	2,917	2,820	2,804	2,730	-74
NET OPERATING BALANCE^(a)	10	72	202	174	415	422	164	-258
<i>Other economic flows - included in the operating result</i>								
Net gains on assets/liabilities		-4	-	-	-	-	298	298
Net actuarial gains/-loss - superannuation		1	-	-	-	-	2	2
Provision for doubtful debts		2	-	-	-	-	-	-
Changes in accounting policy/adjustment of prior periods		-168	-	-	-	-	-84	-84
<i>Total other economic flows</i>		-169	-	-	-	-	215	215
OPERATING RESULT		-97	202	174	415	422	379	-43
<i>Other non-owner movements in equity</i>								
<i>Items that will not be reclassified to operating result</i>								
Revaluations		-107	-	-	-	-	1	2
Gains recognised directly in equity		191	-	-	-	-	83	83
All other		-	-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		84	-	-	-	-	84	84
<i>Movements in owner equity</i>								
Dividends		-230	-166	-101	-196	-201	-202	-
Capital injections		13	-	-	-	-30	-30	-
<i>Total movements in owner equity</i>		-216	-166	-101	-196	-231	-232	-1
TOTAL CHANGE IN NET WORTH^(b)	10	-229	36	73	219	190	231	41
KEY FISCAL AGGREGATES								
NET OPERATING BALANCE		72	202	174	415	422	164	-258
<i>Less Net acquisition of non-financial assets</i>								
Purchase of non-financial assets		5	8	8	8	7	4	-3
Changes in inventories		-	-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-	-
<i>less:</i>								
Sales of non-financial assets		-	-	-	-	-	-	-
Depreciation		6	7	7	6	5	5	-1
<i>Total net acquisition of non-financial assets</i>		-2	1	-	1	2	-1	-3
NET LENDING/-BORROWING	10	74	201	174	414	420	165	-256

(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	2016		2017			Actual \$m (5)	Variation on EOT \$m (5) - (4)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
ASSETS								
<i>Financial assets</i>								
Cash and deposits		275	24	260	245	185	224	38
Advances paid		4,413	4,390	3,495	3,447	3,340	3,372	33
Investments, loans and placements		52,977	55,309	53,686	53,721	56,820	57,333	513
Receivables		873	446	868	863	865	633	-232
<i>Shares and other equity</i>								
Investments in other public sector entities - equity method		-	-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-	-
Investments in other entities		1,471	1,833	1,611	1,666	1,666	2,050	384
Other financial assets		11	7	11	11	11	6	-4
Total financial assets		60,020	62,009	59,931	59,952	62,886	63,618	732
<i>Non-financial assets</i>								
Land		-	-	-	-	-	-	-
Property, plant and equipment		4	6	4	5	5	4	-1
Biological assets		-	-	-	-	-	-	-
<i>Inventories</i>								
Land inventories		-	-	-	-	-	-	-
Other inventories		-	-	-	-	-	-	-
Intangibles		8	10	7	8	9	7	-2
Assets classified as held for sale		87	-	-	-	-	-	-
Investment property		224	406	242	236	236	196	-41
Other		5	2	2	2	2	4	1
Total non-financial assets		328	424	255	251	252	210	-42
TOTAL ASSETS		60,347	62,433	60,186	60,203	63,138	63,829	691
LIABILITIES								
Deposits held		-	-	-	-	-	-	-
Advances received		3	3	3	3	3	3	-
Borrowings		54,523	56,303	54,090	54,059	56,990	57,609	619
Superannuation		8	11	10	10	10	7	-2
Other employee benefits		10	10	10	10	10	11	1
Payables		284	139	185	248	251	205	-47
Other liabilities		3,739	3,894	4,034	3,874	3,904	3,983	79
TOTAL LIABILITIES		58,567	60,360	58,333	58,203	61,167	61,817	650
NET ASSETS		1,780	2,073	1,853	1,999	1,971	2,011	41
<i>Of which:</i>								
Contributed equity		16	3	16	16	-14	-14	-
Accumulated surplus		1,743	1,800	1,816	1,963	1,964	2,003	39
Other reserves		21	271	20	20	20	22	2
NET WORTH	10	1,780	2,073	1,853	1,999	1,971	2,011	41
MEMORANDUM ITEMS								
<i>Net financial worth</i>		-328	-424	-255	-251	-252	-210	42
<i>Net debt</i>								
Gross debt liabilities		54,526	56,306	54,093	54,062	56,993	57,612	619
less: liquid financial assets		57,665	59,723	57,441	57,412	60,344	60,929	584
less: convergence differences impacting net debt		-	-	-	-	-	-	-
Net debt		-3,139	-3,417	-3,347	-3,350	-3,352	-3,317	35

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 2015</i>	3	128	1,879	2,010
Operating result	-	-	-97	-97
Other movements in equity	-	-107	191	84
<i>Total change in net worth</i>	-	-107	94	-13
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	13	-	-	13
Dividends	-	-	-230	-230
<i>Total</i>	13	-	-230	-216
Balance at 30 June 2016	16	21	1,743	1,780
<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
Balance at 30 June 2017	-14	22	2,003	2,011

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

Table 1.16

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	2015-16		2016-17			Actual \$m (5)	Variation on EOT \$m (5) - (4)
	Notes	Actual \$m (1)	Budget Estimate \$m (2)	MYR Revision \$m (3)	PFPS Revision \$m (4)		
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received	-	5	5	5	-	-	-
Receipts from sales of goods and services	1,114	1,267	1,270	1,431	1,433	1,210	-223
Interest receipts	1,724	2,031	1,897	1,891	1,878	1,731	-147
Dividends and tax equivalents	-	-	-	-	-	-	-
Other	145	149	149	155	156	154	-2
Total cash received	2,982	3,453	3,321	3,482	3,467	3,095	-372
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation	-58	-62	-61	-60	-61	-58	3
Payments for goods and services	-757	-844	-848	-907	-864	-815	49
Interest paid	-1,866	-1,812	-1,702	-1,702	-1,693	-1,965	-273
Grants and subsidies paid	-	-	-	-1	-1	-1	-
Tax equivalents	-63	-106	-106	-108	-108	-132	-23
Other payments	-207	-239	-239	-242	-237	-152	85
Total cash paid	-2,952	-3,063	-2,956	-3,019	-2,963	-3,122	-159
NET CASH FLOWS FROM OPERATING ACTIVITIES	31	390	365	463	504	-27	-531
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-5	-8	-8	-8	-7	-4	3
Sales of non-financial assets	-	-	-	-	-	-	-
Total cash flows from investments in non-financial assets	-4	-8	-7	-7	-7	-4	3
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	4,417	7,198	5,681	5,430	6,606	5,920	-686
<i>Cash paid</i>							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	-3,962	-7,361	-4,923	-4,718	-6,965	-7,548	-583
Total cash flows from investments in financial assets	455	-163	757	712	-359	-1,628	-1,269
NET CASH FLOWS FROM INVESTING ACTIVITIES	451	-171	750	704	-366	-1,632	-1,266
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	30,883	47,301	42,995	43,020	34,392	33,750	-642
Deposits received	-	-	-	-	-	-	-
Other financing receipts	-	-	-	-	-	-	-
Total cash received	30,883	47,301	42,995	43,020	34,392	33,750	-642
<i>Cash paid</i>							
Advances paid	-	-	-	-	-	-	-
Borrowings repaid	-29,000	-47,333	-43,873	-43,916	-35,387	-33,266	2,121
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-	-	-	-	-	-	-
Dividends paid	-211	-166	-146	-242	-212	-212	-
Total cash paid	-29,211	-47,500	-44,019	-44,158	-35,598	-33,477	2,121
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,671	-198	-1,024	-1,138	-1,206	273	1,479
Net increase in cash and cash equivalents	2,153	21	91	29	-1,068	-1,387	-318
Cash and cash equivalents at the beginning of the year	3,242	3,648	5,395	5,395	5,395	5,395	-
Cash and cash equivalents at the end of the year	5,395	3,669	5,485	5,424	4,326	4,008	-318
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	31	390	365	463	504	-27	-531
Net cash flows from investing in non-financial assets	-4	-8	-7	-7	-7	-4	3
Dividends paid	-211	-166	-146	-242	-212	-212	-
Cash surplus/-deficit	10	-185	211	214	285	-243	-528

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

Table 1.17

TOTAL PUBLIC SECTOR (a)
Operating Statement

	2015-16		2016-17				Actual \$m (5)	Variation on EOT \$m (5) - (4)
	Notes	Actual	Budget	MYR	PFPS	Estimated		
		\$m	\$m (1)	\$m (2)	\$m (3)	\$m (4)		
RESULTS FROM TRANSACTIONS								
REVENUE								
Taxation		8,560	8,406	8,031	7,988	8,085	8,086	-
Current grants and subsidies		7,407	7,687	7,844	7,820	8,012	8,091	79
Capital grants		895	779	413	399	506	513	7
Sales of goods and services		21,583	19,496	22,034	22,158	20,852	20,633	-219
Interest income		635	584	552	547	568	597	29
Royalty income		4,126	3,842	5,181	5,558	5,260	5,272	12
Other		1,110	1,029	1,041	1,044	965	979	14
<i>Total</i>	5	44,316	41,824	45,095	45,515	44,249	44,172	-77
EXPENSES								
Salaries		12,627	13,086	13,290	13,290	12,984	12,811	-173
Superannuation								
Concurrent costs		1,296	1,296	1,350	1,350	1,318	1,287	-32
Superannuation interest cost		218	200	211	218	206	156	-50
Other employee costs		257	259	258	252	241	277	36
Depreciation and amortisation	6	3,354	3,605	3,517	3,508	3,461	3,399	-62
Services and contracts		3,179	3,253	3,298	3,330	3,101	3,309	207
Other gross operating expenses	7	20,279	18,356	21,133	20,961	19,865	19,554	-311
Other interest	8	1,643	1,733	1,677	1,677	1,679	1,714	35
Other property expenses		-	-	-	-	-	-	-
Current transfers	9	3,683	3,947	3,924	3,983	4,076	3,927	-149
Capital transfers	9	340	326	405	407	452	482	30
<i>Total</i>		46,875	46,060	49,063	48,976	47,384	46,916	-468
NET OPERATING BALANCE (b)	10	-2,559	-4,237	-3,968	-3,462	-3,135	-2,744	391
<i>Other economic flows - included in the operating result</i>								
Net gains on assets/liabilities		-131	170	77	71	-70	187	257
Net actuarial gains/-loss - superannuation		-610	-154	254	329	605	638	33
Provision for doubtful debts		-68	-21	-25	-25	-40	-102	-61
Changes in accounting policy/adjustment of prior periods		-743	-	-	-	-	-1,008	-1,008
<i>Total other economic flows</i>		-1,552	-5	307	374	494	-285	-780
OPERATING RESULT		-4,111	-4,242	-3,662	-3,087	-2,641	-3,030	-389
<i>All other movements in equity</i>								
<i>Items that will not be reclassified to operating result</i>								
Revaluations		-4,176	1,328	840	838	-1,664	-2,803	-1,139
Gains recognised directly in equity		1,854	-55	50	50	42	1,155	1,113
All other		-	-	-	-	-	-	-
<i>Total all other movements in equity</i>		-2,322	1,274	890	888	-1,622	-1,648	-26
TOTAL CHANGE IN NET WORTH (c)	10	-6,433	-2,968	-2,771	-2,199	-4,262	-4,677	-415
KEY FISCAL AGGREGATES								
NET OPERATING BALANCE		-2,559	-4,237	-3,968	-3,462	-3,135	-2,744	391
<i>Less Net acquisition of non-financial assets</i>								
Purchase of non-financial assets		5,237	5,862	5,548	5,561	5,181	5,137	-43
Changes in inventories		1,024	251	211	213	-416	-449	-32
Other movement in non-financial assets		171	195	363	363	348	371	23
<i>less:</i>								
Sales of non-financial assets		701	1,070	893	888	819	576	-243
Depreciation		3,354	3,605	3,517	3,508	3,461	3,399	-62
<i>Total net acquisition of non-financial assets</i>		2,376	1,634	1,711	1,740	833	1,085	252
NET LENDING/-BORROWING	10	-4,935	-5,871	-5,679	-5,202	-3,968	-3,829	139

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

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

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

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

Table 1.18

TOTAL PUBLIC SECTOR (a)
Balance Sheet at 30 June

	Notes	2016		2017			Actual \$m (5)	Variation on EOT \$m (5) - (4)
		Actual	Budget	MYR	PFPS	Estimated		
		\$m	Estimate \$m (1)	Revision \$m (2)	Revision \$m (3)	Outturn \$m (4)		
ASSETS								
<i>Financial assets</i>								
Cash and deposits		1,873	1,646	1,800	1,782	1,967	2,136	169
Advances paid		4,729	4,723	3,835	3,787	3,686	3,710	24
Investments, loans and placements		18,322	13,650	13,755	13,947	17,772	18,613	841
Receivables	11	4,140	3,626	4,643	4,807	4,714	4,190	-524
Equity - Investments in other entities		1,544	1,917	1,676	1,731	1,718	2,101	382
Other financial assets		18	7	18	18	18	14	-4
Total financial assets		30,626	25,567	25,727	26,073	29,875	30,764	889
<i>Non-financial assets</i>								
Land	12	53,233	54,480	53,370	53,370	50,883	50,870	-13
Property, plant and equipment	13, 14	97,324	103,317	99,600	99,615	99,342	98,534	-808
Biological assets	16	334	319	335	333	329	334	5
Inventories	17							
Land inventories		2,172	2,182	2,193	2,193	2,137	2,065	-72
Other inventories		4,501	4,356	4,711	4,714	4,085	4,052	-32
Intangibles	18	1,097	1,051	1,089	1,090	1,085	1,119	34
Assets classified as held for sale	19	147	65	63	63	69	135	66
Investment property	20	297	457	315	310	310	262	-47
Other		634	884	803	805	807	806	-1
Total non-financial assets		159,740	167,112	162,480	162,492	159,047	158,178	-869
TOTAL ASSETS		190,366	192,680	188,207	188,564	188,922	188,942	20
LIABILITIES								
Deposits held		27	56	31	31	31	26	-6
Advances received		392	376	376	376	376	376	-
Borrowings	21	51,852	53,424	52,371	52,355	55,517	56,021	504
Superannuation	22	8,068	7,805	7,506	7,438	7,238	7,166	-72
Other employee benefits	23	3,345	3,474	3,386	3,386	3,379	3,310	-69
Payables		6,370	6,202	6,664	6,693	6,130	6,235	105
Other liabilities	24	5,446	5,388	5,776	5,617	5,647	5,619	-28
TOTAL LIABILITIES		75,499	76,726	76,111	75,897	78,318	78,753	435
NET ASSETS		114,866	115,954	112,095	112,667	110,604	110,189	-415
<i>Of which:</i>								
Contributed equity		-	-	-	-	-	-	-
Accumulated surplus		29,555	28,362	30,004	30,581	31,012	27,900	-3,112
Other reserves		85,312	87,592	82,091	82,086	79,592	82,289	2,697
NET WORTH	10	114,866	115,954	112,095	112,667	110,604	110,189	-415
MEMORANDUM ITEMS								
<i>Net financial worth</i>		-44,873	-51,158	-50,385	-49,824	-48,443	-47,989	454
<i>Net financial liabilities</i>		46,417	53,075	52,061	51,556	50,161	50,089	-72
<i>Net debt</i>								
Gross debt liabilities		52,271	53,856	52,779	52,763	55,925	56,423	498
less: liquid financial assets		24,924	20,018	19,389	19,516	23,425	24,459	1,035
less: convergence differences impacting net debt		-	-	-	-	-	-	-
Net debt		27,347	33,838	33,389	33,246	32,500	31,964	-536

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

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

Table 1.19

TOTAL PUBLIC SECTOR
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2015</i>	89,669	31,630	121,299
Operating result	-	-4,111	-4,111
Other movements in equity	-4,176	1,854	-2,322
All other	-182	182	-
<i>Total change in net worth</i>	-4,358	-2,075	-6,433
Balance at 30 June 2016	85,312	29,555	114,866
<i>Balance at 1 July 2016</i>	85,312	29,555	114,866
Operating result	-	-3,030	-3,030
Other movements in equity	-2,803	1,155	-1,648
All other	-219	219	-
<i>Total change in net worth</i>	-3,022	-1,655	-4,677
Balance at 30 June 2017	82,289	27,900	110,189

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

Table 1.20

TOTAL PUBLIC SECTOR (a)
Cash Flow Statement

	Notes	2015-16		2016-17			Actual \$m (5)	Variation on EOT \$m (5) - (4)
		Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
CASH FLOWS FROM OPERATING ACTIVITIES								
<i>Cash received</i>								
Taxes received		8,556	8,318	7,946	7,905	7,866	7,939	73
Grants and subsidies received		8,310	8,437	8,240	8,190	8,498	8,529	31
Receipts from sales of goods and services		21,979	19,942	22,359	22,461	21,119	20,819	-299
Interest receipts		667	642	593	589	605	609	3
Dividends and tax equivalents		-	-	-	-	-	-	-
Other		7,156	6,482	7,555	7,781	7,589	8,355	767
Total cash received		46,668	43,821	46,692	46,926	45,677	46,252	574
<i>Cash paid</i>								
Wages, salaries and supplements, and superannuation		-14,834	-14,912	-15,141	-15,142	-14,726	-14,586	139
Payments for goods and services		-22,112	-19,924	-22,873	-22,882	-21,544	-21,342	201
Interest paid		-1,940	-1,695	-1,658	-1,658	-1,658	-2,068	-410
Grants and subsidies paid		-3,470	-4,066	-4,092	-4,153	-3,939	-3,773	166
Dividends and tax equivalents		-	-	-	-	-	-	-
Other payments		-4,507	-3,958	-3,675	-3,678	-3,940	-4,596	-656
Total cash paid		-46,863	-44,555	-47,440	-47,513	-45,807	-46,366	-559
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	-195	-733	-747	-587	-129	-114	15
CASH FLOWS FROM INVESTING ACTIVITIES								
<i>Cash flows from investments in non-financial assets</i>								
Purchase of non-financial assets		-5,237	-5,862	-5,548	-5,561	-5,181	-5,137	43
Sales of non-financial assets		701	1,070	893	888	819	576	-243
Total cash flows from investments in non-financial assets		-4,536	-4,793	-4,655	-4,673	-4,361	-4,561	-199
<i>Cash flows from investments in financial assets</i>								
<i>Cash received</i>								
For policy purposes		140	10	10	10	10	14	4
For liquidity purposes		4,850	7,246	5,797	5,546	6,708	6,136	-572
<i>Cash paid</i>								
For policy purposes		-16	-10	-10	-10	-10	-13	-3
For liquidity purposes		-4,457	-7,398	-5,006	-4,801	-7,020	-7,678	-658
Total cash flows from investments in financial assets		516	-152	791	745	-312	-1,541	-1,228
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,020	-4,944	-3,864	-3,928	-4,674	-6,102	-1,428
CASH FLOWS FROM FINANCING ACTIVITIES								
<i>Cash received</i>								
Advances received		-	-	-	-	-	-	-
Borrowings		18,612	17,475	18,667	18,672	16,489	16,150	-338
Deposits received		-	-	-	-	-	-	-
Other financing receipts		49	35	42	42	42	45	3
Total cash received		18,660	17,510	18,708	18,714	16,530	16,195	-335
<i>Cash paid</i>								
Advances paid		-16	-16	-16	-16	-16	-16	-
Borrowings repaid		-11,333	-11,972	-13,862	-13,881	-12,616	-10,477	2,139
Deposits paid		-	-	-	-	-	-	-
Other financing payments		-391	-432	-423	-423	-401	-413	-12
Total cash paid		-11,740	-12,419	-14,301	-14,320	-13,033	-10,906	2,126
NET CASH FLOWS FROM FINANCING ACTIVITIES		6,921	5,091	4,408	4,394	3,498	5,289	1,791
Net increase in cash and cash equivalents		2,706	-587	-204	-120	-1,305	-927	378
Cash and cash equivalents at the beginning of the period		9,239	10,519	11,946	11,946	11,946	11,946	-
Cash and cash equivalents at the end of the period	26	11,946	9,932	11,742	11,825	10,640	11,019	378
KEY FISCAL AGGREGATES								
Net cash flows from operating activities		-195	-733	-747	-587	-129	-114	15
Net cash flows from investing in non-financial assets		-4,536	-4,793	-4,655	-4,673	-4,361	-4,561	-199
Cash surplus/-deficit	10	-4,731	-5,526	-5,402	-5,260	-4,491	-4,675	-184

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

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

Notes to the Financial Statements

NOTE 1: MISSION STATEMENT THE GOVERNMENT OF WESTERN AUSTRALIA

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

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

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

A State election was held on 11 March 2017 and a new Government elected to office. 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 communities, by providing safe communities and support for families; and
- ensure that Western Australia has liveable and affordable communities, strong and vibrant regions, 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 is 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 2016-17 Budget financial targets for the year ending 30 June 2017 is discussed in Chapter 1 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) and user charges.

NOTE 2: STATEMENT OF COMPLIANCE

Compliance Framework

The financial statements of the general government sector and the total public sector for the year ended 30 June 2016 have been prepared in accordance with applicable Australian Accounting Standards (AAS) and Interpretations, in particular AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

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

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Statement

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

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

(b) Reporting Entity

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

The general government sector is 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 2005* (ABS GFS Manual). The entities forming part of each sector are referred to as agencies in these financial statements and Note 34: *Composition of sectors* contains a full list of agencies forming each of the sectors listed below.

General government sector

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

Public non-financial corporation sector

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

Public financial corporation sector

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

Control

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

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

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

Specific details of agencies controlled by the Government and consolidated in the public sector are shown in Note 34: *Composition of sectors*. A detailed list of other entities nominally referred to as public sector agencies that are not included in the consolidated financial statements, is also shown in Note 34. Exclusion of these agencies is based on the criteria of control noted above.

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

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

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

(c) Basis of Preparation

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

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

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

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

Assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits 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: *Superannuation*);
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 23: *Other employee benefits*); and
- provisions for outstanding insurance claims (refer Note 24: *Other liabilities*).

(e) Presentation and Rounding of Amounts

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

(f) Foreign Currency

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

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

(g) Basis of Consolidation

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

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

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

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

(h) Revenue Recognition

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

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

Taxation revenue

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

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

Grants and subsidies revenue

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

Sale of goods and services

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

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

Interest income

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

Revenue from public corporations

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

Royalty income

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

(i) Expense Recognition

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

Salaries

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

Superannuation

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

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

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

Superannuation interest cost

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

Depreciation and amortisation

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

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

Other interest

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

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings.

Current and capital transfers

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

(j) Other Economic Flows

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

Net gains on assets/liabilities

Realised gains (or losses) on disposal of non-financial assets

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

Impairment – non-financial assets

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

Net actuarial gains (or losses) – 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.

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

Revaluations

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

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

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

Land

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

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

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

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

Buildings

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

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

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

Infrastructure

The fair value of Infrastructure - Road Network, has been determined by reference to the current depreciated replacement cost (existing use basis) as the assets are specialised and no market evidence of value is available. The replacement cost is determined by Main Roads every three years by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost Index) to ensure asset values do not materially differ from fair value. The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2016 is based on the current depreciated replacement cost determined at 30 June 2016 by Main Roads and the ABS Road and Bridge Construction Cost Index has been applied to ensure asset values do not materially differ from fair value. When Infrastructure – Road Network is revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

Plant, equipment and other assets

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

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

Depreciation

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

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

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

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

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

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

Disposal

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

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

(1) Private Sector Financed Infrastructure Assets (Service Concession Arrangements)

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

There is currently no accounting standard or Interpretation applicable to the public sector that specifically addresses the accounting for private sector financed infrastructure assets.

Pending the development of an accounting model applicable to the public sector for assets used to provide public services under service concession arrangements, the interest of the public sector in such arrangements is recognised as an asset, being the emerging interest in the remaining service potential to be transferred. The emerging interest is recognised from the date of completion of construction and valued by reference to the written down value of the right to receive the asset at the date of transfer.

(m) Biological Assets

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

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

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

(n) Investment Properties

Initial recognition and measurement

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

Subsequent recognition and measurement

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

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

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

(o) Intangible Assets

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

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

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

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

(p) Assets Held for Sale

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

(q) Impairment of Assets

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

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

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

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

(r) Leases

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

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

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

(s) Inventories

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

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

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

(t) Cash and Cash Equivalents

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

(u) Financial Instruments

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

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

Fair value of financial instruments

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

Receivables

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

Investments

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

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

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

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

Loans and advances

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

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

Payables

Payables are recognised when the public sector becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are settled within 30 days. Accounts payable are not interest bearing.

Borrowings

Borrowings are predominantly conducted by the Western Australian Treasury Corporation, which operates within the capital markets as the central borrowing authority of the public sector.

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

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

Derivatives

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

All derivative financial instruments are recognised in the Balance Sheet and measured at fair value. The fair values for derivative financial instruments are obtained from quoted market prices. Application of hedge accounting will only be available where specific designation and effectiveness criteria are satisfied. Where hedge accounting cannot be achieved for 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 methodologies¹.

¹ From 2016-17 GESB will value and report 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 as per 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 will now report 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*.

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

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

Other employee benefits

Annual Leave and Long Service Leave

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

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

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

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

Other compensated absences

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

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

Other provisions

Employment On-costs

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

Decommissioning, Restoration and Rehabilitation

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

(w) Initial Application of Australian Accounting Standards

The public sector and general government sector have applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2016.

- AASB 2014–3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]*. This standard amends AASB 11 to provide guidance on accounting for acquisition of interests in joint operations in which the activity constitutes a business, as defined in AASB 3. If so the principles in AASB 3 will apply unless they conflict with guidance in AASB 11. There is no financial impact from the application of this Standard.
- AASB 2014–4: *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]*. This Standard establishes the basis of depreciation and amortisation including clarifying the use of revenue-based methods. There is no financial impact from the application of this Standard.
- AASB 2014–9: *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*. This Standard amends AASB 127, and consequently amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. The full impact of this Standard is still being assessed.
- AASB 2015–1: *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]*. These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012–2014 Cycle in September 2014, and editorial corrections. There is no financial impact from the application of this Standard.

- AASB 2015–2: *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]*. This Standard provides amendments to AASB 101 to provide clarification to disclosure and presentation requirements. There is no financial impact resulting from this standard.
- AASB 2015–6: *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not for Profit Public Sector Entities [AASB 10, 124 & 1049]*. This Standard provides guidance to assist in the application of the Standard by not for profit public sector. There is no financial impact resulting from this Standard.
- AASB 2015–10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 & 128*. This Standard becomes defers the mandatory effective date (application date) of amendments to AASB 10 & 128 that were originally made in AASB 2014–10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. The full impact of AASB 2014–10 is still being assessed.
- AASB 1057: *Application of Australian Accounting Standards*. This Standard lists the application paragraphs for each other Standard and Interpretation, grouped where they are the same. There is no financial impact from the application of this Standard.

(x) Future Impact of Australian Accounting Standards Not Yet Operative

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

- AASB 9: *Financial Instruments*. This Standard supersedes AASB 139: *Financial Instruments: Recognition and Measurement* introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018. The full impact of this Standard is still being assessed.
- AASB 15: *Revenue from Contracts with Customers*. This Standard establishes the principles that shall be applied to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer to become effective for reporting periods beginning on or after 1 January 2018. The full impact of this Standard is still being assessed.
- AASB 16: *Leases*. This Standard becomes effective for reporting periods beginning on or after 1 January 2019 and introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The full impact of this Standard is still being assessed.

- AASB 1058: *Income of Not for Profit Entities*. This Standard 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 an obligation to acquire an asset. 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. The full impact of this Standard is still being assessed.
- AASB 2014–1: *Amendments to Australian Accounting Standards*. This Standard makes amendments to AASB 9 and consequential amendments to other Standards and becomes effective for reporting periods beginning on or after 1 January 2018. The full impact of this Standard is still being assessed.
- AASB 2014–5: *Amendments to Australian Accounting Standards arising from AASB 15*. This Standard becomes effective for reporting periods beginning on or after 1 January 2018 and makes consequential amendments to Australian Accounting Standards and Interpretations as a result of issuing AASB 15. The full impact of this Standard is still being assessed.
- AASB 2014–7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*. This Standard gives effect to the consequential amendments to Australian Accounting Standards (including interpretations) arising from the issuance of AASB 9 (December 2014). This Standard becomes effective for reporting periods beginning on or after 1 January 2018. The full impact of this Standard is still being assessed.
- AASB 2014–10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [AASB 10 & 128]. This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011) and provides guidance in dealing with the sale or contribution of assets between an investor and its associate or joint venture. 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. The full impact of this Standard is still being assessed.

- AASB 2016–2: *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*. This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes and becomes effective for reporting periods beginning on or after 1 January 2017. There is no financial impact from the application of this Standard.
- AASB 2016–3: *Amendments to Australian Accounting Standards – Clarifications to AASB 15*. This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. This Standard becomes effective for reporting periods beginning on or after 1 January 2018 and the full impact of is still being assessed.
- AASB 2016–4: *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*. This Standard becomes effective for reporting periods beginning on or after 1 January 2017 and clarifies that not for profit public sector entities carrying non-cash generating specialised assets at fair value (current replacement cost) in accordance with AASB 13 *Fair Value Measurement*. The full impact of this Standard is still being assessed.
- 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. The full impact of this Standard is still being assessed.
- 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. The full impact of this Standard is still being assessed.
- AASB 2017–2: *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*. This Standard clarifies the scope of AASB 12: *Disclosure of Interests in Other Entities* (August 2015) by specifying that the disclosure requirements apply to an entity’s interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinues operations in accordance with AASB 5: *Non-Current Assets Held for Sale and Discontinued Operations*. This Standard becomes effective for reporting periods beginning on or after 1 January 2017. The full impact of this Standard is still being assessed.

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

(y) Comparative Figures

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

NOTE 4: GOVERNMENT PURPOSE CLASSIFICATION

The following allocation of expenses and assets is consistent with the ABS' Government Purpose Classification. A more detailed dissection of general government expenses, consistent with the Uniform Presentation Framework requirements, is contained in Appendix 3: *Other Uniform Presentation Framework Information*.

GOVERNMENT PURPOSE CLASSIFICATION

	General Government	
	2017	2016
	\$m	\$m
EXPENSES		
General public services	506	206
Public order and safety	3,357	3,372
Education	7,058	7,017
Health	8,672	8,306
Social security and welfare	2,171	2,137
Housing and community amenities	1,526	2,021
Recreation and culture	832	789
Fuel and energy	470	464
Agriculture, forestry, fishing and hunting	361	386
Mining and mineral resources other than fuels; manufacturing and construction	228	216
Transport and communications	2,342	2,003
Other economic affairs	663	620
Other purposes	1,202	968
TOTAL EXPENSES	29,387	28,506
ASSETS AT 30 JUNE		
General public services	7,063	6,469
Public order and safety	3,943	3,904
Education	13,254	13,857
Health	8,434	8,366
Social security and welfare	270	290
Housing and community amenities	4,779	5,045
Recreation and culture	6,348	6,014
Fuel and energy	13	12
Agriculture, forestry, fishing and hunting	397	394
Mining and mineral resources other than fuels; manufacturing and construction	1,472	1,371
Transport and communications	44,211	45,721
Other economic affairs	297	290
<i>plus</i> Investments in other public sector entities	56,928	55,834
TOTAL ASSETS	147,410	147,566

Note: Columns may not add due to rounding.

GOVERNMENT PURPOSE CLASSIFICATION

Total Public Sector		
	2017	2016
	\$m	\$m
EXPENSES		
General public services	258	1
Public order and safety	3,284	3,293
Education	6,902	6,850
Health	8,614	8,243
Social security and welfare	2,145	2,090
Housing and community amenities	3,289	3,613
Recreation and culture	3,513	3,611
Fuel and energy	3,118	3,210
Agriculture, forestry, fishing and hunting	451	476
Mining and mineral resources other than fuels; manufacturing and construction	227	215
Transport and communications	3,301	2,923
Other economic affairs	9,680	10,403
Other purposes	2,133	1,947
TOTAL EXPENSES	46,916	46,875
ASSETS AT 30 JUNE		
General public services	6,482	5,756
Public order and safety	3,954	3,914
Education	13,254	13,857
Health	8,434	8,366
Social security and welfare	269	289
Housing and community amenities	47,853	50,004
Recreation and culture	7,099	6,785
Fuel and energy	23,441	22,962
Agriculture, forestry, fishing and hunting	777	769
Mining and mineral resources other than fuels; manufacturing and construction	1,472	1,371
Transport and communications	55,670	55,871
Other economic affairs	20,236	20,421
TOTAL ASSETS	188,942	190,366

Note: Columns may not add due to rounding.

NOTE 5: OPERATING REVENUE

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

NOTE 6: DEPRECIATION AND AMORTISATION EXPENSE

General Government		
	2017	2016
	\$m	\$m
<i>Depreciation</i>		
Buildings	505	564
Infrastructure	384	358
Plant, equipment and other	339	339
<i>Total</i>	1,228	1,262
<i>Amortisation</i>		
Intangible assets	92	98
<i>Total</i>	92	98
Total depreciation and amortisation expenses	1,320	1,359
Total Public Sector		
	2017	2016
	\$m	\$m
<i>Depreciation</i>		
Buildings	690	755
Infrastructure	1,707	1,616
Plant, equipment and other	802	779
<i>Total</i>	3,199	3,150
<i>Amortisation</i>		
Intangible assets	200	204
<i>Total</i>	200	204
Total depreciation and amortisation expenses	3,399	3,354

Note: Columns may not add due to rounding.

NOTE 7: OTHER GROSS OPERATING EXPENSES

General Government		
	2017	2016
	\$m	\$m
Health sector specific expenses	1,339	1,267
Education sector specific expenses	729	827
Services purchased from non-government agencies	1,921	1,859
Operating leases	582	563
Other	1,200	1,001
Total	5,772	5,518
Total Public Sector		
	2017	2016
	\$m	\$m
Betting dividends payouts	1,675	1,774
Health sector specific expenses	1,339	1,267
Education sector specific expenses	729	827
Services purchased from non-government agencies	1,933	1,877
Electricity, gas and other direct costs	1,324	1,333
Insurance claims expenses	898	716
Gold corporation inventories	8,832	9,802
Operating leases	598	580
Other	2,224	2,102
Total	19,554	20,279

Note: Columns may not add due to rounding.

NOTE 8: OTHER INTEREST

General Government		
	2017	2016
	\$m	\$m
Interest on borrowings	744	644
Finance charges on finance leases	38	20
Total	783	664
Less: Capitalised interest on borrowings	-	-
Total other interest	783	664
Total Public Sector		
	2017	2016
	\$m	\$m
Interest on borrowings	1,585	1,566
Finance charges on finance leases	130	108
Total	1,715	1,674
Less: Capitalised interest on borrowings	1	31
Total other interest	1,714	1,643

Note: Columns may not add due to rounding.

NOTE 9: TRANSFER EXPENSES

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

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

TRANSFER EXPENSES (a)		
General Government		
	2017	2016
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	278	413
Local government on-passing	262	85
Private and not-for-profit sector	1,422	1,319
Private and not-for-profit sector on-passing	1,172	1,110
Other sectors of government	2,147	2,237
Total Current Transfers	5,280	5,164
<i>CAPITAL TRANSFERS</i>		
Local government	138	88
Local government on-passing	163	54
Private and not-for-profit sector	103	111
Private and not-for-profit sector on-passing	16	15
Other sectors of government	129	200
Total Capital Transfers	549	469
Total Public Sector		
	2017	2016
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	281	419
Local government on-passing	262	85
Private and not-for-profit sector	2,186	2,044
Private and not-for-profit sector on-passing	1,172	1,110
Other sectors of government	26	25
Total Current Transfers	3,927	3,683
<i>CAPITAL TRANSFERS</i>		
Local government	138	89
Local government on-passing	163	54
Private and not-for-profit sector	165	182
Private and not-for-profit sector on-passing	16	15
Total Capital Transfers	482	340

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

Note: Columns may not add due to rounding.

NOTE 10: CONVERGENCE DIFFERENCES

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

The following tables detail convergence differences reflected in the 30 June 2017 results.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Operating Balance

	2017	2016
	\$m	\$m
General government		
<i>AASB 1049 net operating balance</i>	-2,474	-2,021
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	88
<i>Total GFS expense adjustments</i>	-	88
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-	-88
GFS net operating balance	-2,474	-2,109
Public non-financial sector		
<i>AASB 1049 net operating balance</i>	480	892
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Capitalised interest	1	31
Dividends	713	1,273
<i>Total GFS expense adjustments</i>	714	1,304
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-714	-1,304
GFS net operating balance	-233	-411
Total non-financial public sector		
<i>AASB 1049 net operating balance</i>	-2,706	-2,401
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Capitalised interest	1	31
Dampier to Bunbury Natural Gas Pipeline loan asset	-	88
<i>Total GFS expense adjustments</i>	1	119
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-1	-119
GFS net operating balance	2,707	-2,520

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

	2017	2016
	\$m	\$m
Public financial sector		
<i>AASB 1049 net operating balance</i>	164	72
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Dividends	202	230
<i>Total GFS expense adjustments</i>	202	230
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-202	-230
GFS net operating balance	-38	-158
Total public sector		
<i>AASB 1049 net operating balance</i>	-2,744	-2,559
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Capitalised interest	1	31
Dampier to Bunbury Natural Gas Pipeline loan asset	-	88
<i>Total GFS expense adjustments</i>	1	119
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-1	-119
GFS net operating balance	-2,745	-2,678

AASB 1049 TO GFS CONVERGENCE DIFFERENCES		
Net Lending/-Borrowing		
	2017	2016
	\$m	\$m
General government		
<i>AASB 1049 net lending/-borrowing</i>	-3,592	-3,064
<i>Plus Net operating balance convergence differences (noted above)</i>	-	-88
GFS net lending/-borrowing	-3,592	-3,152
Public non-financial corporations		
<i>AASB 1049 net lending/-borrowing</i>	514	-442
<i>Plus Net operating balance convergence differences (noted above)</i>	-714	-1,304
GFS net lending/-borrowing	-200	-1,746
Total non-financial public sector		
<i>AASB 1049 net lending/-borrowing</i>	-3,792	-4,779
<i>Plus Net operating balance convergence differences (noted above)</i>	-1	-119
GFS net lending/-borrowing	-3,793	-4,898
Public financial corporations		
<i>AASB 1049 net lending/-borrowing</i>	165	74
<i>Plus Net operating balance convergence differences (noted above)</i>	-202	-230
GFS net lending/-borrowing	-37	-156
Total public sector		
<i>AASB 1049 net lending/-borrowing</i>	-3,829	-4,935
<i>Plus Net operating balance convergence differences (noted above)</i>	-1	-119
GFS net lending/-borrowing	-3,830	5,054

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Net Worth

	2017 \$m	2016 \$m
General government		
<i>AASB 1049 net worth</i>	110,189	114,866
<i>Plus</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-
Provision for doubtful debts		
General government sector	266	263
Impact on public corporations net worth	84	31
<i>Total GFS net worth adjustments</i>	350	293
GFS net worth	110,539	115,160
Public non-financial corporations		
<i>AASB 1049 net worth</i>	54,917	54,054
<i>Plus</i>		
Impact of general government equity injections	-8,487	-7,643
Provision for doubtful debts	84	31
<i>Total GFS net worth adjustments</i>	-8,403	-7,643
GFS net worth	46,514	46,411
Total non-financial public sector		
<i>AASB 1049 net worth</i>	110,189	114,866
<i>Plus</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-
Provision for doubtful debts		
Total non-financial public sector	350	293
Impact on public corporations net worth	-	-
<i>Total GFS net worth adjustments</i>	350	293
GFS net worth	110,539	115,160
Public financial corporations		
<i>AASB 1049 net worth</i>	2,011	1,780
<i>Plus</i>		
Impact of general government equity injections	-	-
<i>Total GFS net worth adjustments</i>	-	-
GFS net worth	2,011	1,780
Total public sector		
<i>AASB 1049 net worth</i>	110,189	114,866
<i>Plus</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-
Provision for doubtful debts	350	293
<i>Total GFS net worth adjustments</i>	350	293
GFS net worth	110,539	115,160

AASB 1049 TO GFS CONVERGENCE DIFFERENCES		
Change in Net Worth		
	2017 \$m	2016 \$m
General government		
<i>AASB 1049 change in net worth</i>	-4,677	-6,433
<i>Plus change in:</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-88
Provision for doubtful debts		
General government sector	4	27
Impact on public corporations net worth	53	6
<i>Total GFS change in net worth adjustments</i>	56	-55
GFS change in net worth	-4,621	-6,488
Public non-financial corporations		
<i>AASB 1049 change in net worth</i>	863	-237
<i>Plus change in:</i>		
Impact of general government equity injections	-813	-782
Provision for doubtful debts	53	6
<i>Total GFS change in net worth adjustments</i>	-760	-776
GFS change in net worth	103	-1,014
Total non-financial public sector		
<i>AASB 1049 change in net worth</i>	-4,677	-6,433
<i>Plus change in:</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-88
Provision for doubtful debts		
Total non-financial public sector	56	33
Impact of public corporations net worth	-	-
<i>Total GFS change in net worth adjustments</i>	56	-55
GFS change in net worth	-4,621	-6,488
Public financial corporations		
<i>AASB 1049 change in net worth</i>	231	-229
<i>Plus change in:</i>		
Provision for doubtful debts	-	-
<i>Total GFS change in net worth adjustments</i>	-	-
GFS change in net worth	231	-229
Total public sector		
<i>AASB 1049 change in net worth</i>	-4,677	-6,433
<i>Plus change in:</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-88
Provision for doubtful debts	56	33
<i>Total GFS change in net worth adjustments</i>	56	-55
GFS change in net worth	-4,621	-6,488

AASB 1049 TO GFS CONVERGENCE DIFFERENCES		
Cash Surplus/-Deficit		
	2017 \$m	2016 \$m
General government		
<i>AASB 1049 cash surplus/-deficit</i>	-3,751	-3,664
<i>Less Acquisitions under finance leases and similar arrangements</i>	288	-
GFS cash surplus/-deficit	-4,039	-3,664
Public non-financial corporations		
<i>AASB 1049 cash surplus/-deficit</i>	-682	-882
<i>Less Acquisitions under finance leases and similar arrangements</i>	-	-
GFS cash surplus/-deficit	-682	-882
Total non-financial public sector		
<i>AASB 1049 cash surplus/-deficit</i>	-4,432	-4,546
<i>Less Acquisitions under finance leases and similar arrangements</i>	288	-
GFS cash surplus/-deficit	-4,721	-4,546
Public financial corporations		
<i>AASB 1049 cash surplus/-deficit</i>	-243	-185
<i>Less Acquisitions under finance leases and similar arrangements</i>	-	-
GFS cash surplus/-deficit	-243	-185
Total public sector		
<i>AASB 1049 cash surplus/-deficit</i>	-4,675	-4,731
<i>Less Acquisitions under finance leases and similar arrangements</i>	288	-
GFS cash surplus/-deficit	-4,963	-4,731

NOTE 11: RECEIVABLES

General Government		
	2017	2016
	\$m	\$m
Receivables	3,365	3,184
Provision for impairment of receivables	-266	-263
Total receivables	3,099	2,921
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	263	236
Doubtful debts expense recognised in the income statement	42	62
Amounts written off during the year	-36	-34
Amounts recovered during the year	-3	-1
Balance at the end of year	266	263
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	1,595	1,279
More than 3 Months but less than 6 months	238	157
More than 6 months but less than 1 year	193	248
More than 1 year	451	344
Total	2,477	2,027
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	91	93
Impairment loss	-2	-2
Carrying amount at the end of year	89	91
Total Public Sector		
	2017	2016
	\$m	\$m
Receivables	4,539	4,433
Provision for impairment of receivables	-350	-293
Total receivables	4,190	4,140
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	293	261
Doubtful debts expense recognised in the income statement	115	88
Amounts written off during the year	-55	-53
Amounts recovered during the year	-3	-2
Balance at the end of year	350	293
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	1,804	1,507
More than 3 Months but less than 6 months	276	205
More than 6 months but less than 1 year	201	291
More than 1 year	459	351
Total	2,741	2,355
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	337	239
Impairment loss	-84	-27
Carrying amount at the end of year	253	212
Note: Columns may not add due to rounding.		

NOTE 12: LAND

General Government		
	2017	2016
	\$m	\$m
Land, at fair value ^(a)	13,448	14,168
Land under roads, at fair value ^(b)	23,821	24,382
Total	37,269	38,551

Total Public Sector		
	2017	2016
	\$m	\$m
Land, at fair value ^(a)	27,050	28,850
Land under roads, at fair value ^(b)	23,821	24,382
Total	50,870	53,233

(a) Land valuations are provided by the Western Australian Land Information Authority (Valuation Services Branch) each financial year with an effective date of 1 July. The valuation is based on information on the stock of land at 30 June 2016. Land vested in local authorities of \$2,047 million (2016: \$2,071 million) is not recognised in the consolidated Balance Sheet, as it is not under State public sector control.

(b) Land under roads valuations are provided by the Western Australian Land Information Authority (Valuation Services Branch) each financial year with an effective date of 1 July. The valuation is based on information on the stock of land at 30 June 2016.

Note Columns may not add due to rounding.

NOTE 13: OTHER PROPERTY, PLANT AND EQUIPMENT

General Government		
	2017	2016
	\$m	\$m
Buildings, at fair value ^(a)	18,496	18,659
Accumulated Depreciation and impairment losses	-302	-449
<i>Total</i>	<i>18,194</i>	<i>18,210</i>
Electricity generation and transmission, at fair value ^(b)	1	1
Accumulated Depreciation	-	-
<i>Total</i>	<i>1</i>	<i>1</i>
Road networks, at fair value ^(c)	28,933	29,780
Accumulated Depreciation	-10,778	-10,529
<i>Total</i>	<i>18,155</i>	<i>19,251</i>
Other infrastructure, at fair value	963	845
Accumulated Depreciation	-347	-290
<i>Total</i>	<i>616</i>	<i>555</i>
Plant, equipment and other, at fair value	3,886	4,178
Accumulated Depreciation and impairment losses	-1,376	-1,680
<i>Total</i>	<i>2,510</i>	<i>2,499</i>
Fixed Assets under construction	3,164	2,741
Total Property, Plant and Equipment	42,640	43,256
Total Public Sector		
	2017	2016
	\$m	\$m
Buildings, at fair value ^(a)	26,378	26,154
Accumulated Depreciation and impairment losses	-1,034	-1,165
<i>Total</i>	<i>25,344</i>	<i>24,988</i>
Electricity generation and transmission, at fair value ^(b)	20,181	19,701
Accumulated Depreciation	-4,760	-4,406
<i>Total</i>	<i>15,421</i>	<i>15,295</i>
Road networks, at fair value ^(c)	28,933	29,780
Accumulated Depreciation	-10,778	-10,529
<i>Total</i>	<i>18,155</i>	<i>19,251</i>
Water storage and distribution, at fair value ^(d)	29,552	29,296
Accumulated Depreciation	-11,334	-10,983
<i>Total</i>	<i>18,218</i>	<i>18,313</i>
Other infrastructure, at fair value	16,386	15,835
Accumulated Depreciation	-9,370	-9,020
<i>Total</i>	<i>7,016</i>	<i>6,815</i>
Plant, equipment and other, at fair value	15,520	13,495
Accumulated Depreciation and impairment losses	-6,887	-5,852
<i>Total</i>	<i>8,633</i>	<i>7,643</i>
Fixed Assets under construction	5,746	5,019
Total Property, Plant and Equipment	98,534	97,324

- (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 2017.
- (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	Buildings	Electricity generation and transmission	Road networks	Other Infra-structure	Plant, equip & other	Fixed Assets under Construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
30 June 2017									
<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	-84	-	-17	-	-	-	-	-	-101
Additions	103	-	410	-	-	7	257	1,881	2,658
Disposals	-55	-	-10	-	-55	-1	-85	-1	-206
Transfers in/-out	-31	1	445	-	614	19	222	-1,381	-111
Revaluation increments/-decrements	-698	-562	-323	-	-1,292	58	-13	-	-2,831
Depreciation	-	-	-505	-	-364	-20	-339	-	-1,228
Other	45	-	-15	-	-	-2	-31	-76	-79
Carrying amount at end of year	13,448	23,821	18,194	1	18,155	616	2,510	3,164	79,909
30 June 2016									
<i>Carrying amount at beginning of year</i>	14,626	24,211	20,603	1	17,992	548	2,370	3,490	83,840
Assets classified as held for sale	-14	-	-1	-	-	-	-	-	-15
Additions	115	17	101	-	-	1	331	1,790	2,354
Disposals	-104	-	-4	-	-98	-	-55	-4	-265
Transfers in/-out	5	18	801	-	1,538	25	105	-2,515	-23
Revaluation increments/-decrements	-335	136	-2,709	-	160	-	90	-	-2,658
Depreciation	-	-	-564	-	-340	-18	-339	-	-1,262
Other	-124	-	-17	-	-	-1	-4	-20	-165
Carrying amount at end of year	14,168	24,382	18,210	1	19,251	555	2,499	2,741	81,807

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

Total Public Sector										
	Land	Land under Roads	Buildings	Electricity generation and transmission	Road networks	Water storage and distribution	Other Infra-structure	Plant, equip & other	Fixed Assets under Construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
30 June 2017										
<i>Carrying amount at beginning of year</i>	28,850	24,382	24,988	15,295	19,251	18,313	6,815	7,643	5,019	150,557
Assets classified as held for sale	-84	-	-43	-	-	-	-	-	-	-127
Additions	164	-	644	14	-	90	16	346	4,320	5,594
Disposals	-168	-	-101	-6	-55	-2	-4	-122	-1	-459
Transfers in/-out	76	1	661	537	614	297	398	749	-3,518	-185
Revaluation increments/-decrements	-1,832	-562	-102	296	-1,292	-73	147	850	-	-2,567
Depreciation	-	-	-690	-583	-364	-407	-353	-802	-	-3,199
Other	44	-	-15	-131	-	-	-2	-32	-74	-210
Carrying amount at end of year	27,050	23,821	25,344	15,421	18,155	18,218	7,016	8,633	5,746	149,404
30 June 2016										
<i>Carrying amount at beginning of year</i>	29,873	24,211	28,450	14,766	17,992	18,354	6,381	7,108	5,585	152,720
Assets classified as held for sale	-14	-	-33	-	-	-	-	-	-	-48
Additions	147	17	186	94	-	247	11	434	3,970	5,107
Disposals	-287	-	-179	-23	-98	-3	-1	-86	-4	-681
Transfers in/-out	5	18	911	876	1,538	199	127	768	-4,512	-70
Revaluation increments/-decrements	-751	136	-3,577	162	160	-96	608	191	-	-3,167
Depreciation	-	-	-755	-577	-340	-388	-312	-779	-	-3,150
Other	-124	-	-15	-3	-	-	-1	8	-20	-154
Carrying amount at end of year	28,850	24,382	24,988	15,295	19,251	18,313	6,815	7,643	5,019	150,557

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

Note: Columns may not add due to rounding.

NOTE 15: FAIR VALUE MEASUREMENTS

General Government

Assets measured at fair value

	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	Fair value at end of period
	\$m	\$m	\$m	\$m
30 June 2017				
Assets classified as held for sale (Note 19)	-	27	85	111
Land (Note 12,14)	9	4,346	9,094	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
Total	48	5,182	71,641	76,872

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

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

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

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

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

Measurement of fair values

Transfers between Level 1, 2 and 3

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

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

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

- The Department of Culture and the Arts transferred \$297 million in works of art from Level 3 to Level 2.
- The Department of Water transferred \$113 million in land assets and \$1 million in buildings from Level 3 to Level 2.
- Western Australia Police transferred \$18 million in buildings from Level 2 to Level 3 in 2015-16 to reflect the correct valuation methodology.
- The Western Australian Planning Commission transferred \$11 million in land assets from Level 2 to Level 3.
- The Department of Health transferred \$2 million in land assets from Level 2 to Level 3.
- The Department for Child Protection and Family Support transferred property of \$2 million from Level 2 to Level 3.

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) (a) (b)

	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
30 June 2017										
<i>Fair value at start of period</i>	12	9,421	24,382	17,728	1	19,251	461	2,134	-	-
Additions	83	116	11	814	-	675	18	479	-	-
Revaluation increments/-decrements recognised in All other movements in equity	-9	-385	-562	-275	-	-1,292	156	-14	-	-
Transfers from/-to Level 2	-	-5	-	-1	-	-	-	-	-	-
Disposals	-1	-34	-10	-74	-	-116	-1	-85	-	-
Depreciation	-	-	-	-438	-	-364	-16	-339	-	-
Other	-	-18	-	-30	-	-	-2	-30	-	-
Fair value at end of period	85	9,094	23,821	17,724	1	18,155	616	2,146	-	-
30 June 2016										
<i>Fair value at start of period</i>	13	9,309	24,211	20,047	1	17,992	469	2,307	-	-
Additions	1	100	35	913	-	1,543	11	432	-	-
Revaluation increments/-decrements recognised in All other movements in equity	-1	197	136	-2,638	-	160	-	92	-	-
Transfers from/-to Level 2	-	-158	-	10	-	-	-	-296	-	-
Transfers between asset classes	-	1	-	4	-	-	-6	-	-	-
Disposals	-1	-30	-	-68	-	-103	-1	-61	-	-
Depreciation	-	-	-	-539	-	-340	-13	-340	-	-
Fair value at end of period	12	9,421	24,382	17,728	1	19,251	461	2,134	-	-

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

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

Note: Columns may not add due to rounding.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Valuation processes

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

Valuation techniques to derive Level 3 fair values

There were no significant changes in valuation methodologies within the general government sector for the period ending 30 June 2017.

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

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

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

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

- Fair value for restricted-use land is based on 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.
- Fair value for existing use specialised buildings, other infrastructure, road networks, and plant, equipment and 'other' is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. the depreciated replacement cost). Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.
- 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.

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.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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.

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.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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 drilling cost per metre depth adjusted for regional costs

The application of a Cordell location index to bores is applied to factor location specific costs to derive the estimated costs of bore constructed in Perth, Western Australia.

The cost for creation and design of a bore in compliance with the current minimum construction requirements for water bores in Australia is determined by a quantity surveyor.

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.

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.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

General Government ^(a)

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

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

Basis of valuation

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

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector

Assets measured at fair value

	Level 1 (a)	Level 2 (b)	Level 3 (c)	Fair value at end of period
	\$m	\$m	\$m	\$m
30 June 2017				
Assets classified as held for sale (Note 19)	-	51	85	135
Land (Note 12,14)	9	11,778	15,263	27,050
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 netw orks (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
Total	48	19,823	124,519	144,390

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

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

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

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

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

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

All significant transfers that apply to the total public sector for the periods ending 30 June 2017 and 30 June 2016 have been disclosed in the general government sector earlier in this note.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Valuation techniques to derive Level 2 fair values

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

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

- Total public sector Level 2 assets classified as held for sale, land, buildings, and other infrastructure, are derived using the market approach. The fair values of these assets have been derived using sale prices of comparable assets to determine the price per square metre for land and buildings, with adjustments made for differences in key attributes.
- Fair value for investment property has been derived using either the market or income approaches. For market valued assets free of encumbrances the value is measured by market transactions involving comparison and analysis of identical or comparable assets. For assets with encumbrances, the income approach was used which converts future cashflow amounts to a single current discounted amount to arrive at a fair value.
- The fair values of Level 2 biological assets are derived using the market rates less costs to sell.
- Assets classified as held for sale have been written down to fair value less cost to sell. Fair value has been determined by reference to market evidence of sales process of comparable assets.
- The fair values of Level 2 plant, equipment and other 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) ^(a)

	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Water storage and distribution \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
30 June 2017											
<i>Fair value at start of period</i>	12	15,552	24,382	18,931	15,295	19,251	18,313	6,721	6,175	330	224
Additions	83	229	11	864	557	675	387	401	991	-	-
Revaluation increments/-decrements recognised in Operating Result ^(b)	-	-	-	-	-	-	-	-	-	-4	-29
Revaluation increments/-decrements recognised in All other movements in equity	-9	-384	-562	-256	296	-1,292	-73	244	781	-	-
Transfers from/-to Level 2	-	-79	-	-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	-	-
Fair value at end of period	85	15,263	23,821	18,934	15,421	18,155	18,218	7,016	7,084	326	196
30 June 2016											
<i>Fair value at start of period</i>	820	16,066	24,211	21,209	14,766	17,992	18,354	6,302	6,043	314	-
Additions	7	126	35	993	957	1,543	447	124	1,042	-	1
Revaluation increments/-decrements recognised in Operating Result ^(b)	-5	-	-	-	-	-	-	-	-	-	-50
Revaluation increments/-decrements recognised in All other movements in equity	-1	-430	136	-2,599	162	160	-96	608	193	16	-
Transfers from/-to Level 2	-	-156	-	8	-	-	-	-	-296	-	272
Transfers from/-to Level 1	-87	-	-	-	-	-	-	-	-	-	-
Lease incentives paid	9	-	-	-	-	-	-	-	-	-	-
Net proceeds from sale of Assets classified as held for sale	-486	-	-	-	-	-	-	-	-	-	-
Realised gain on sale of Assets classified as held for sale	35	-	-	-	-	-	-	-	-	-	-
Transfers between asset classes	-280	1	-	4	19	-	-	-6	-19	-	-
Disposals	-1	-54	-	-95	-32	-103	-5	-1	-87	-	-
Depreciation	-	-	-	-590	-577	-340	-388	-307	-701	-	-
Fair value at end of period	12	15,552	24,382	18,931	15,295	19,251	18,313	6,721	6,175	330	224

(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'.

Note: Columns may not add due to rounding.

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Valuation processes

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

Valuation techniques to derive Level 3 fair values

All significant changes in valuation techniques during the period have been disclosed in the general government sector earlier in this note. In addition, the following valuation techniques have been identified for public corporations with significant Level 3 asset values within the total public sector.

- Fair value for restricted-use land is based on 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 depreciated replacement cost). Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.
- 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).

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

- Fair value for biological assets is determined using the discounted cash flow method to measure fair values of standing timber 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 of 19 years and for Plantations of 38 years. The expected net cash flows are discounted using a risk adjusted discounted rate.
- Fair value for investment property is determined by reference to market based evidence, future income streams of the property, current economic and market conditions and based on an orderly sale between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the end of the reporting 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.

Unobservable input	Input from independent valuation report obtained in
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)	2014
Replacement cost per individual bus infrastructure items	2014
Replacement cost per individual systems infrastructure items	2017
Replacement cost per kilometre of systems infrastructure cabling	2017

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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 2017 provided by an independent valuation obtained by the Forest Products Commission.

Risk adjusted target and adjusted terminal yield

The discounted cash flow approach takes into account the ability of the investment property to generate income over a 10 year period based on certain assumptions. Provision is made for leasing up periods upon the expiry of the various leases throughout the 10 year time horizon. Each year's net operating income during the period is discounted to arrive at the present value of expected future cash flows. The property's anticipated sale value at the end of the period (i.e. its terminal or reversionary value) is also discounted to its present value and added to the discounted income stream to arrive at the total present market value of the property.

Adopted capitalisation rate

The income approach is computed by taking the estimated net market income generated by the investment property and dividing it by the capitalisation rate (the investor's rate of return). 'Below the line' adjustments are made to reflect items such as letting up costs for current and pending vacancies, immediate capital expenditure and rental reversionary interests.

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

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

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector ^(a)

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

NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Total Public Sector ^(a)

Asset Measured at Fair Value	Valuation Technique(s)	Unobservable inputs
Biological assets (cont.)	<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
Investment Property	Discounted Cash Flow	Risk adjusted target discount rates for cash flow over 10 year investment horizon Adopted terminal yield applied to adopted market income at year 11 of the cash flow
	Capitalisation of Net Income	Adopted capitalisation rates based on comparative evidence

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

Basis of valuation

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

NOTE 16: BIOLOGICAL ASSETS (a)

 General Government

	2017	2016
	\$m	\$m
Native and plantation standing trees	-	-
Livestock and other	8	4
Total Biological Assets	8	4

Reconciliation of Biological Assets

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

30 June 2017	Standing Trees	Livestock and Other	Total
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	-	4	4
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	4	4
Carrying amount at end of year	-	8	8
30 June 2016	Standing Trees	Livestock and Other	Total
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	-	2	2
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	2	2
Carrying amount at end of year	-	4	4

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

Total Public Sector

	2017	2016
	\$m	\$m
Native and plantation standing trees ^(b)	326	330
Livestock and other	8	4
Total Biological Assets	334	334

(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.

30 June 2017	Standing	Livestock	Total
	Trees	and Other	
	\$m	\$m	\$m
<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
Carrying amount at end of year	326	8	334

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

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

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

NOTE 17: INVENTORIES

General Government		
	2017	2016
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development - at cost	-	-
Land acquisition and development - at net realisable value	98	113
<i>Total Land inventories</i>	98	113
<i>Other Inventories</i>		
Other materials and stores - at cost	59	43
Other materials and stores - at net replacement cost	-	1
Other - at cost	12	38
Other - at net realisable value	2	2
<i>Total Other inventories</i>	73	84
Total Inventories	171	197
Total Public Sector		
	2017	2016
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development - at cost	1,737	1,776
Land acquisition and development - at net realisable value	327	396
<i>Total Land inventories</i>	2,065	2,172
<i>Other Inventories</i>		
Precious metals - at net realisable value	3,633	4,065
Power station fuel stocks - at cost	44	48
Other materials and stores - at cost	341	44
Other materials and stores - at net replacement cost	-	18
Other - at cost	32	324
Other - at net realisable value	2	2
<i>Total Other inventories</i>	4,052	4,501
Total Inventories	6,117	6,673

Note: Columns may not add due to rounding.

NOTE 18: INTANGIBLE ASSETS

General Government

	2017	2016
	\$m	\$m
Computer software	858	899
Accumulated amortisation	-498	-526
<i>Total</i>	360	373
Software in progress	172	155
Other	377	334
Accumulated amortisation and impairment losses	-228	-212
<i>Total</i>	148	122
Total Intangible Assets	680	650

Reconciliation of Intangibles

	Computer Software	Software in progress	Other	Total
	\$m	\$m	\$m	\$m
30 June 2017				
<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
Carrying amount at end of year	360	172	148	680

	Computer Software	Software in progress	Other	Total
	\$m	\$m	\$m	\$m
30 June 2016				
<i>Carrying amount at beginning of year</i>	379	126	104	609
Additions	30	107	8	145
Disposals	-46	-1	-6	-53
Transfers in/-out	54	-77	30	7
Amortisation	-78	-	-19	-98
Accumulated amortisation written back	35	-	6	41
Other	-1	-	-	-1
Carrying amount at end of year	373	155	122	650

NOTE 18: INTANGIBLES ASSETS (CONT.)

Total Public Sector		2017	2016
		\$m	\$m
Computer software		1,914	1,856
Accumulated amortisation		-1,248	-1,176
<i>Total</i>		<i>667</i>	<i>680</i>
Software in progress		182	178
Renewable Energy Certificates		30	43
Other		506	460
Accumulated amortisation and impairment losses		-266	-263
<i>Total</i>		<i>240</i>	<i>196</i>
Total Intangible Assets		1,119	1,097

Reconciliation of Intangibles

	Computer Software	Software in progress	Renewable Energy Certificate	Other	Total
	\$m	\$m	\$m	\$m	\$m
30 June 2017					
<i>Carrying amount at beginning of year</i>	<i>680</i>	<i>178</i>	<i>43</i>	<i>196</i>	<i>1,097</i>
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
Carrying amount at end of year	667	182	30	240	1,119

	Computer Software	Software in progress	Renewable Energy Certificate	Other	Total
	\$m	\$m	\$m	\$m	\$m
30 June 2016					
<i>Carrying amount at beginning of year</i>	<i>741</i>	<i>135</i>	<i>66</i>	<i>187</i>	<i>1,129</i>
Additions	75	111	108	8	301
Disposals	-49	-1	-109	-72	-231
Transfers in/-out	57	-67	-22	87	56
Amortisation	-184	-	-	-20	-204
Accumulated amortisation written back	38	-	-	6	44
Other	2	-	-	-	2
Carrying amount at end of year	680	178	43	196	1,097

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

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

General Government

	2017	2016
	\$m	\$m
Land	94	29
Other	18	3
Total	111	32

Assets held for sale primarily relates to: the Department of Agriculture and Food (\$73 million land and \$2 million buildings held for sale), the Department of Fire and Emergency Services (\$8 million land held for sale relating to the former FESA House site), the Department for Child Protection and Family Support (\$5 million of land and \$2 million of buildings held for sale), and the Commissioner of Main Roads (\$2 million buildings held for sale, with \$14 million of land and \$2 million of buildings sold during the year).

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
30 June 2017			
<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
Carrying amount at end of year	94	18	111
30 June 2016			
<i>Carrying amount at beginning of year</i>	22	5	27
Assets reclassified as held for sale	16	1	17
Assets sold	-7	-2	-10
Revaluation increment/-decrement	-1	-	-1
Impairment losses	-	-1	-1
Carrying amount at end of year	29	3	32

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

Note: Columns may not add due to rounding.

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

Total Public Sector		
	2017	2016
	\$m	\$m
Land	94	29
Other	41	118
Total	135	147

In addition to those disclosed for the general government sector, assets held for sale by the total public sector primarily comprise of: the Insurance Commission of Western Australia (\$87 million of property assets sold during the year) and the Housing Authority (\$23 million rental properties held for sale, during the year there was \$29 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
30 June 2017			
<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
Carrying amount at end of year	94	41	135
30 June 2016			
<i>Carrying amount at beginning of year</i>	69	809	879
Assets reclassified as held for sale	16	-247	-231
Write Down less cost to sell	-	-1	-1
Additions	-	4	4
Assets sold	-54	-442	-496
Revaluation increment/-decrement	-1	-5	-6
Impairment losses	-	-1	-1
Carrying amount at end of year	29	118	147

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

Note: Columns may not add due to rounding.

NOTE 20: INVESTMENT PROPERTIES (a)

General Government		
	2017	2016
	\$m	\$m
<i>Carrying amount at beginning of year</i>	8	9
Additions	-	-
Revaluation increments/-decrements	-1	-1
Transfers to property held for sale	-	-
Carrying amount at end of year	7	8
Total Public Sector		
	2017	2016
	\$m	\$m
<i>Carrying amount at beginning of year</i>	297	59
Additions	1	1
Revaluation increments/-decrements	-33	-54
Transfers to property held for sale ^(b) /-disposals	-3	290
Carrying amount at end of year	262	297

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

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

Note: Columns may not add due to rounding.

NOTE 21: BORROWINGS

General Government

	2017	2016
	\$m	\$m
Finance leases - secured ^(a)	771	560
Domestic and foreign borrowings ^(b)	22,801	17,819
Total ^(c)	23,572	18,379
 (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.		
	2017	2016
	\$m	\$m
Minimum lease payments due:		
- not later than one year	101	107
- later than one year and not later than five years	308	257
- later than five years	394	242
Minimum lease payments	803	606
Future finance charges	-32	-46
Total finance lease liabilities	771	560
Amounts expected to be settled:		
- not later than one year	90	93
- later than one year	681	467
Total	771	560
 (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		
	2017	2016
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	2,528	3,884
- later than one year and not later than five years	13,218	14,058
- later than five years	7,826	437
Total	23,572	18,379

NOTE 21: BORROWINGS (CONT.)

Total Public Sector		
	2017	2016
	\$m	\$m
Finance leases - secured ^(a)	1,589	1,414
Domestic and foreign borrowings ^(b)	54,431	50,438
Total ^(c)	56,021	51,852

(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.

	2017	2016
	\$m	\$m
Minimum lease payments due:		
- not later than one year	138	143
- later than one year and not later than five years	474	421
- later than five years	1,009	895
Minimum lease payments	1,622	1,460
Future finance charges	-32	-46
Total finance lease liabilities	1,589	1,414
Amounts expected to be settled:		
- not later than one year	128	129
- later than one year	1,462	1,285
Total	1,589	1,414

(b) Foreign currency borrowings

At 30 June 2017, a total of \$357 million in currency borrowing was reported at Australian dollar equivalents with the amounts in United States dollars (30 June 2016: \$719 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

	2017	2016
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	17,688	15,173
- later than one year and not later than five years	21,834	20,805
- later than five years	16,499	15,873
Total	56,021	51,852

Note: Columns may not add due to rounding.

NOTE 22: UNFUNDED SUPERANNUATION

General Government		
	2017	2016
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,093	2,501
Gold State Superannuation Scheme	4,087	4,384
Judges' Pension Scheme	444	536
Parliamentary Superannuation Scheme	197	240
<i>Total Defined Benefit superannuation schemes</i>	<i>6,821</i>	<i>7,661</i>
Defined contribution superannuation scheme: West State Superannuation Scheme	222	278
Total	7,043	7,939

The superannuation liability for the general government sector at 30 June 2017 was \$7,043 million (30 June 2016: \$7,939 million). The liability represents 98.3% (30 June 2016: 98.4%) of the whole-of-government total superannuation liability of \$7,166 million at 30 June 2017 (30 June 2016: \$8,068 million).

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

Total Public Sector		
	2017	2016
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,216	2,630
Gold State Superannuation Scheme	4,087	4,384
Judges' Pension Scheme	444	536
Parliamentary Superannuation Scheme	197	240
<i>Total Defined Benefit superannuation schemes</i>	<i>6,944</i>	<i>7,790</i>
Defined contribution superannuation scheme: West State Superannuation Scheme	222	278
Total	7,166	8,068

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 the West State Superannuation or GESB Super schemes and new employees have been able to choose their preferred superannuation fund provider.

The public sector has no further obligation to the plan if there are insufficient assets to pay employees the benefits relating to their services rendered in current and prior periods, except for, the unfunded portion of the West State Superannuation scheme for which the unfunded West State Super benefits are being amortised over the period to 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.

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.

	2017	2016
	%	%
Discount rate (gross of tax) ^(a)	2.6	2.0
Salary rate ^(b)	4.2	4.0
Inflation (pensions)	2.5	2.5

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

(b) Assumed rate of salary inflation is 2.0% per annum for the first year, 1.5% per annum for the next four years and 4.2% per annum thereafter.

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

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

	Class 1 ^(d) 2016	Class 2 ^(e) 2016	Class 3 ^(f) 2016	Total 2016
	%	%	%	%
Equities	56	-	-	56
Cash and Investment funds	14	10	5	29
Others	-	15	-	15

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

(d) Quoted in active markets.

(e) Significant observable inputs.

(f) Unobservable inputs.

Movement in net liability.

	2017	2016
	\$m	\$m
Net liability/(asset) in balance sheet at the end of prior year	7,790	7,389
Expense recognised in profit and loss	344	406
Employer contributions	-558	-602
Remeasurements	-634	598
Net liability/(asset) in balance sheet at end of year	6,944	7,790

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

	2017	2016
	\$m	\$m
Total defined benefit obligations	9,861	10,647
Scheme assets ^(g)	-2,917	-2,857
Net liability	6,944	7,790

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

	2017	2016
Not later than one year	23	24
Later than one year	6,921	7,766
Total	6,944	7,790

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

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

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

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

	2017	2016
	\$m	\$m
Total employer current service cost	195	194
Net interest cost	150	212
Recognised actuarial –gains/losses	-634	598
Total	-290	1,004

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

	2017	2016
	\$m	\$m
Fair value plan assets at beginning of year	2,857	2,935
Employer contributions	558	602
Actual participant contributions	52	57
Actual benefit payments	-805	-804
Interest income	59	89
<i>Expected plan assets at end of year</i>	<i>2,721</i>	<i>2,880</i>
Return in excess of interest income	196	23
Fair value of plan assets at end of year	2,917	2,857

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.

	2017	2016
	\$m	\$m
Defined benefit obligation at beginning of year	10,647	10,324
Employer service cost plus operating costs	193	192
Interest cost	206	299
Actual participant contributions	52	57
Actual benefit payments	-805	-804
<i>Expected defined benefit obligations at end of year</i>	<i>10,293</i>	<i>10,068</i>
Actuarial –gain/loss on liabilities	-431	579
Defined benefit obligation at end of year	9,861	10,647

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

	2017	2016
	\$m	\$m
Actuarial –gain/loss due to demographic assumptions	193	-
Actuarial –gain/loss due to financial assumptions	-597	586
Actuarial –gain/loss arising from experience	-39	-11
Return in excess of interest income	-192	23
Amount recognised during the year in other Comprehensive Income	-634	598

History Summary.

	2017	2016	2015	2014	2013
Total defined benefit obligations	9,861	10,647	10,325	10,483	10,333
Plan assets	-2,917	-2,857	-2,936	-2,820	-2,594
Deficit/-surplus	6,944	7,790	7,389	7,663	7,739

Sensitivity analysis for the defined benefit obligation is presented on the following scenarios ^(b).

<i>Sensitivity to discount rate</i>	+1.0 percentage point discount	-1.0 percentage point discount
Discount rate	3.6	1.6
Defined benefit obligation (\$m)	9,031	10,700
Changes in obligation (\$m)	-785	883
Percentage changes in obligation	-8.0	9.0
 <i>Sensitivity to future salary increase</i>	 +1.0% future salary	 -1.0% future salary
Future salary increases	3.5% for the first four years and 5% thereafter	1.5% for the first four years and 3% thereafter
Defined benefit obligation (\$m)	10,209	9,424
Changes in obligation (\$m)	393	-393
Percentage changes in obligation	4.0	-4.0

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

NOTE 22: UNFUNDED SUPERANNUATION (CONT.)

<i>Sensitivity to pension indexation rate</i>	+1.0% pension indexation	-1.0% pension indexation
Pension increases	3.5	1.5
Defined benefit obligation (\$m)	10,405	9,325
Changes in obligation (\$m)	589	-491
Percentage changes in obligation	6.0	-5.0
<i>Sensitivity to mortality</i>	1 year increase in future life expectancy	1 year decrease in future life expectancy
Defined benefit obligation (\$m)	10,013	9,620
Changes in obligation (\$m)	196	-196
Percentage changes in obligation	2.0	-2.0

(h) Sensitivity figures do not include Gold State Superannuation Scheme reserves amounting to \$46 million.

Note: Columns may not add due to rounding.

NOTE 23: OTHER EMPLOYEE BENEFITS

 General Government

	2017	2016
	\$m	\$m
Annual leave	849	835
Long service leave	1,630	1,688
Other	432	369
Total	2,911	2,892

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

	2017	2016
	\$m	\$m
Within 12 months of reporting date	679	677
More than 12 months after reporting date	170	158
Total	849	835

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

	2017	2016
	\$m	\$m
Within 12 months of reporting date	306	354
More than 12 months after reporting date	1,324	1,334
Total	1,630	1,688

 Total Public Sector

	2017	2016
	\$m	\$m
Annual leave	991	985
Long service leave	1,852	1,918
Other	467	441
Total	3,310	3,345

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

	2017	2016
	\$m	\$m
Within 12 months of reporting date	786	790
More than 12 months after reporting date	204	196
Total	991	985

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

	2017	2016
	\$m	\$m
Within 12 months of reporting date	366	424
More than 12 months after reporting date	1,486	1,494
Total	1,852	1,918

Note: Columns may not add due to rounding.

NOTE 24: OTHER LIABILITIES

General Government

	2017	2016
	\$m	\$m
Insurance claims	14	14
Interest payable	148	126
Other provisions	52	47
Other liabilities	1,165	1,164
Total Other Liabilities	1,380	1,352

Reconciliation of Other Provisions**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
Unwinding of the discount	-	-	-	-
Other	-	-	-	-
Carrying amount at end of year	17	8	28	52

30 June 2016

	Employment on-costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	18	2	2	22
Additional provisions recognised	7	-	26	32
Amounts used	-5	-	-2	-7
Unused amounts reversed	-	-	-	-
Unwinding of the discount	-	-	-	-
Other	-	-	-	-
Carrying amount at end of year	19	2	26	47

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

NOTE 24: OTHER LIABILITIES (CONT.)

Total Public Sector		
	2017	2016
	\$m	\$m
Insurance claims ^(a)	3,039	2,834
Interest payable	546	579
Other provisions	810	967
Other liabilities	1,223	1,066
Total Other Liabilities	5,619	5,446

Reconciliation of Other Provisions

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
Carrying amount at end of year	27	336	52	395	810

30 June 2016

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

	2017	2016
	\$m	\$m
(a) Insurance claims		
The liabilities for outstanding insurance claims comprise:		
Third Party Insurance Fund	2,147	2,083
Government Insurance Fund	32	36
RiskCover	569	595
Motor Vehicle (Catastrophic Injuries) Fund	185	-
Other	106	120
<i>Total</i>	<i>3,039</i>	<i>2,834</i>
Liability for outstanding claims (undiscounted)	3,517	3,061
Discount to present value	-478	-227
<i>Total Liability for outstanding claims (undiscounted)</i>	<i>3,039</i>	<i>2,834</i>
	2017	2016
	%	%
Claims expected to be paid:		
Not later than one year		
Inflation rate	1.77	2.80
Discount rate	1.60	1.60
Later than one year		
Inflation rate	2.57	2.89
Discount rate	2.45	2.76

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

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

General Government		
	2017	2016
	\$m	\$m
Surplus /-deficit for period	-2,474	-2,021
Non-cash movements		
Depreciation	1,302	1,359
Increase/-decrease in accrual in employees benefits	-209	-606
-Increase/decrease in inventories	11	-15
-Increase/decrease in receivables	-204	-271
-Increase/decrease in prepayments and other assets	-181	-235
Increase/-decrease in payables	8	157
Increase/-decrease in other liabilities and accruals	74	65
Net GST receipts/-payments	35	-31
Other non-cash net asset transfers	13	50
Adjustment for other non-cash items	84	257
Net cash flows from operating activities as shown in the Cash Flow Statement	-1,541	-1,291
Total Public Sector		
	2017	2016
	\$m	\$m
Surplus /-deficit for period	-2,744	-2,559
Non-cash movements		
Depreciation	3,381	3,354
Premium discount amortisation	-349	-301
Increase/-decrease in accrual in employees benefits	-332	-691
-Increase/decrease in inventories	556	-915
-Increase/decrease in receivables	-112	-418
-Increase/decrease in prepayments and other assets	-168	-191
Increase/-decrease in payables	-339	665
Increase/-decrease in other liabilities and accruals	219	646
Net GST receipts/-payments	-34	-39
Other non-cash net asset transfers	-119	-135
Adjustment for other non-cash items	-72	389
Net cash flows from operating activities as shown in the Cash Flow Statement	-114	-195

Note: Columns may not add due to rounding.

NOTE 26: CLOSING CASH BALANCES

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

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

General Government		
	2017	2016
	\$m	\$m
Cash assets as per the Balance Sheet	784	820
Bank Overdrafts	-	-
Investments included as cash on the Cash Flow Statement	4,055	3,953
Total closing cash balance	4,839	4,773
Total Public Sector		
	2017	2016
	\$m	\$m
Cash assets as per the Balance Sheet	2,142	1,873
Bank Overdrafts	-	-
Investments included as cash on the Cash Flow Statement	8,877	10,073
Total closing cash balance	11,019	11,946

Note: Columns may not add due to rounding.

NOTE 27: RESTRICTED FINANCIAL ASSETS

There are restrictions on the uses of specific purpose Commonwealth grants. Funding received and not yet expensed total \$629 million (2016: \$319 million).

NOTE 28: MONEYS HELD IN TRUST

Moneys held in a trustee capacity are not controlled by the State and are excluded from assets and liabilities. An amount of \$423 million was held as at 30 June 2017, compared with \$471 million at 30 June 2016.

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.

	2017	2016
	\$m	\$m
Not later than one year	1,370	1,299
Later than one year and not later than five years	1,228	887
Later than five years	75	-
Total	2,673	2,185

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.

	2017	2016
	\$m	\$m
Not later than one year	213	245
Later than one year and not later than five years	435	673
Later than five years	684	674
Total	1,332	1,592

Operating lease expenses for the year amounted to \$693 million (30 June 2016: \$693 million).

Finance lease expenditure commitments

	2017	2016
	\$m	\$m
Not later than one year	22	-
Later than one year and not later than five years	174	155
Later than five years	688	731
Total	884	886

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

Other Commitments

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

	2017	2016
	\$m	\$m
Not later than one year	3,111	2,922
Later than one year and not later than five years	6,091	5,305
Later than five years	7,881	8,800
Total	17,083	17,027

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

- major health infrastructure totalling \$406 million (30 June 2016: \$498 million) including spending for the Western Australian Country Health Service Southern Inland Initiative program, Karratha Health Campus and at the North Metropolitan Health Service's medical equipment and the National Partnership Agreement on improving public hospital services;
- school infrastructure of \$574 million (30 June 2016: \$525 million) for the building of new schools, additions and improvements to primary and high schools, including remote community schools;
- road infrastructure spending of \$1.1 billion (30 June 2016: \$461 million), including the Northlink Stage 2: Perth Darwin National Highway from Reid Highway to Ellenbrook (\$339 million), Northlink Stage 3: Perth Darwin National Highway from Ellenbrook to Muchea (\$173 million), Northlink Stage 1: Tonkin Grade Separation and Reconstruction (\$64 million), Ellenbrook Town Centre to Marshall Road bus transit way (\$41 million) and the Swan River Pedestrian Bridge (\$23 million); and
- spending on the New State Museum \$343 million (30 June 2016: \$392 million).

Note: Columns may not add due to rounding.

NOTE 29: EXPENDITURE COMMITMENTS (CONT.)

Total Public Sector

Capital expenditure commitments ^(b)

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

	2017	2016
	\$m	\$m
Not later than one year	2,695	2,568
Later than one year and not later than five years	2,169	2,071
Later than five years	134	2
Total	4,998	4,641

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.

	2017	2016
	\$m	\$m
Not later than one year	427	486
Later than one year and not later than five years	1,182	1,444
Later than five years	1,685	1,905
Total	3,294	3,835

Operating lease expenses for the year amounted to \$813 million (30 June 2016: \$819 million).

Finance lease expenditure commitments

	2017	2016
	\$m	\$m
Not later than one year	22	-
Later than one year and not later than five years	174	155
Later than five years	688	731
Total	884	886

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

Other Commitments

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

	2017	2016
	\$m	\$m
Not later than one year	5,030	4,697
Later than one year and not later than five years	12,180	11,480
Later than five years	20,988	16,693
Total	38,198	32,870

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

- rail and bus infrastructure of \$1.2 billion (30 June 2016: \$1.6 million), including the new Forrestfield–Airport Link (\$792 million), additional purchases of buses, coaches and railcars (\$169 million), Perth Stadium transport project (\$71 million) and miscellaneous projects;
- waste and wastewater projects of \$338 million (30 June 2016: \$154 million) including the Woodman Point Wastewater Treatment Plant upgrade;
- housing infrastructure of \$137 million (30 June 2016: \$216 million), including dwelling construction and upgrades, land development and redevelopment, crisis accommodation program, joint venture land development, new living, local government and community housing programs and affordable housing;
- land development projects and community service obligations totalling \$137 million (30 June 2016: \$149 million) including the Port Hedland Former Hospital site (\$27 million), Shenton Park Hospital (\$22 million), Eglinton (\$9 million), Collie Shots (\$8 million), Halls Creek (\$5 million) and various other smaller projects;
- contracts for various projects managed by the Metropolitan Redevelopment Authority \$116 million (30 June 2016: \$141 million), including the Perth City Link, Scarborough and Midland redevelopment projects; and
- transmission and distribution capital expenditure associated with asset replacements, and information technology \$156 million (30 June 2016: \$104 million).

Note: Columns may not add due to rounding.

NOTE 30: CONTINGENT ASSETS AND LIABILITIES

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

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

1. Quantifiable Contingent Assets and Liabilities at 30 June

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

QUANTIFIABLE CONTINGENT ASSETS AND LIABILITIES AT 30 JUNE

	2017	2016
	\$m	\$m
<i>Contingent Assets</i>		
General Government ^(a)	8	25
Public Non-Financial Corporations	-	-
Total	8	25
<i>Contingent Liabilities</i>		
Contingent liabilities under guarantees, warranties, indemnities and sureties ^(b)	302	283
Other contingent liabilities ^(c)	549	579
Contingent liabilities in relation to public universities' superannuation liabilities ^(d)	89	104
Total	940	966

Note: Columns may not add due to rounding.

(a) Quantifiable Contingent assets

A range of agencies have a number of small quantifiable contingent assets totalling \$8 million (30 June 2016: \$25 million)

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

Public Trustee Common Fund

Deposits in the Public Trustee's Common Fund include balances held on behalf of third parties at 30 June each year. Guarantees for balances held in the Common Fund at 30 June 2017 totalled \$285 million (30 June 2016: \$270 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 2017, the value of these guarantees was \$10 million (30 June 2016: \$7 million).

Department of Treasury

The State Government has provided a guarantee of \$6.5 million (30 June 2016: \$6.2 million) to the Australia and New Zealand Banking Group in relation to loan facilities provided to the Western Australian Football Commission.

(c) Other contingent liabilities

Asbestos Injuries Compensation Fund

On 16 October 2015, the Commonwealth Treasurer and all State and Territory Treasurers agreed on an approach for sharing the default risk of the Asbestos Injuries Compensation Fund (AICF). Each State's and Territory's share of the total default risk will reflect the proportion of claims paid in each jurisdiction since the inception of the Fund (after the Commonwealth takes responsibility for one-third of the default risk as it has agreed to do). According to the latest available information, in the 12 months to 31 March 2017, 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 funding to the 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 \$259 million at 30 June 2017 (30 June 2016: \$201 million) reflects the difference between the owners' claims and estimated settlement prices determined by Main Roads in accordance with independent valuations, and also includes claims that have been submitted by contractors in relation to services provided under roadwork contracts.

Department of Planning, Lands and Heritage

The previous Department of Lands was subject to three discrete sets of claims for compensation under Part 10 of the *Land Administration Act (1997)* for taking of land under Taking Orders. The claims are for \$89 million (30 June 2016: \$88 million) and are the subject of statutory processes.

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, and also a number of criminal injuries compensation court appeals. The current estimate of this liability is approximately \$53 million (30 June 2016: \$49 million).

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 2017. 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 annual PricewaterhouseCoopers actuarial report, the future claims liability has been assessed at an approximate value of \$23 million. An unquantifiable contingent liability is disclosed later in this note.

Department of Mines, Industry Regulation and Safety

As the responsible Minister under the *Industry and Technology Development Act 1998*, the Minister for Mines, Industry Regulation and Safety (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 2017 was \$12 million, similar to last year.

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 \$17 million (30 June 2016: \$108 million).

Department of Mines, Industry Regulation and Safety

Mining companies owing royalties (previously to the Department of Mines and Petroleum) of approximately \$6 million are currently under administration and action is being taken to recover the funds that were due in the quarter they went into administration. 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 \$53 million (30 June 2016: \$70 million) as reported in the annual reports of those agencies.

(d) Contingent liabilities in relation to public universities' superannuation liabilities

The *State Superannuation Act 2000* (SSA) repealed the *Government Employees Superannuation Act 1987* and the *Superannuation and Family Benefits Act 1938*. The schemes operating under those Acts continue under the SSA. The State guarantees the benefits payable under those schemes. Entitlements for State government employees under this guarantee are recognised as part of unfunded superannuation liabilities on the face of the balance sheet. However, public university employees are not employees of the State for the purposes of this *Annual Report on State Finances* (in recognition of the national control of higher education institutions exercised by the Commonwealth).

The guarantee for public universities' superannuation liabilities is \$89 million based on the actuarially assessed value of these entitlements at 30 June 2017 (30 June 2016: \$104 million).

2. Non-quantifiable Contingent Assets

Bell Recovery Action

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

This action finally involved an award in favour of the Bell Group of \$2.7 billion by the Court of Appeal of the Western Australian Supreme Court. The banks sought to appeal part of this judgement in the High Court of Australia but a conditional settlement was reached in September 2013. The effect of the settlement was that the banks relinquished all claims in Bell, leaving a sum that now amounts to approximately \$1.8 billion with the Liquidators, for eventual distribution between the remaining creditors.

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

ICWA considers that it has a contingent asset that will eventually materialise from the Bell distribution process. The total amount of the recoveries it will ultimately receive from Bell cannot yet be ascertained.

The Commission has a potential exposure to a range of indemnities associated with funding the Liquidators' action. Due to the uncertainty associated with litigation, it is not practical to estimate the potential financial effect of these indemnities at the end of the reporting period.

Department of Water and Environmental Regulation

The Department of Water and Environmental Regulation (which includes the former Department of Environment Regulation) has contingent assets, mainly in relation to Supreme Court action to recover unpaid landfill levy and penalties. It is not possible to reliably estimate the asset.

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 (WER), which includes the previous Department of Environment Regulation. In accordance with the Act, WER 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. WER 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

The Forest Products Commission has identified a potential shortfall of current pine resources that would be available to meet future contracted supply commitments. For the year ending 30 June 2017, 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, Industry Regulation and Safety, 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 death, insolvency or disappearance of a builder or building group.

The Heads of Agreements with private insurers covering the previous HII arrangement, where the State reinsured private sector insurers for losses against any builder failure exceeding \$10 million, expired on 30 June 2013. These were subsequently extended until 31 October 2013 to allow the Government to consider long term options.

Since 1 November 2013, the State has wholly underwritten the provision of new HII policies to provide cover on an emerging cost basis for financial loss resulting from the death, insolvency or disappearance of a builder or building group. This arrangement was extended until 31 October 2018 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.

In addition to the general risks arising from native title claims, a specific contingent liability arises in relation to Perth and South West native title offers. In July 2013, the then Government announced a final offer to resolve native title, consisting of a significant cash and land offer to be made to native title claimants in Perth and the South West for descendants of the Noongar people.

Between January and March 2015, the six Noongar groups represented by the South West Aboriginal Land and Sea Council authorised the Government's final offer and on 8 June 2015 the State Government executed the six South West Native Title Settlement Indigenous Land Use Agreements (ILUAs). The settlement resolves native title over the South West of WA. In July 2015 the ILUAs were lodged for registration with the National Native Title Tribunal (NNTT) and the Native Title Registrar commenced consideration of the valid objections lodged against the registration of the ILUAs. Four High Court applications commenced in December 2015 against the Native Title Registrar and the parties to the ILUAs on the basis that four ILUAs were not ILUAs as defined by the *Native Title Act 1993*. The matter was remitted to the Federal Court on 2 February 2017. The Federal Court found that the Native Title Registrar does not have the jurisdiction to register the four Agreements as not all named applicants had signed the Agreements, in the judgement known as the McGlade decision.

In response to the uncertainty created by the McGlade decision, the Commonwealth Government introduced and on 22 June 2017 passed the *Native Title Amendment (Indigenous Land Use Agreements) Act 2017 (Amendment Act)*. The Act amends the *Commonwealth Native Title Act 1993* and confirms the validity of registered Indigenous Land Use Agreements. Importantly the *Amendment Act* confirms that the four ILUAs, the subject of the McGlade decision, are valid ILUAs and can now be considered for registration. The two unaffected ILUAs are taken to be, and to have always been valid ILUAs. On 22 August 2017 fresh applications for registration were submitted to the Registrar for the Ballardong People, South West Boorah #2, Wagyl Kaip-Southern Noongar and the Whadjuk People ILUAs.

A contingent liability exists until the six agreements are registered with the NNTT and the final legal proceedings are resolved.

The Settlement, which comprises the full and final resolution of all native title claims in the State's South West, provides Noongar people with \$1.3 billion in assets including a future fund of \$50 million each year for 12 years, \$10 million each year for 12 years into an operations fund and up to 320,000 hectares of Crown land. The cash component has been provided for in the forward estimates. A Trustee company (Perpetual Trustee Company Limited) has been selected as the initial Trustee to manage the Noongar Boodja Trust. However, the Trustee will only be appointed at the 'Trust effective date' which will be after conclusive registration of the ILUAs

As a result of the delays to registration the earliest likely date for Conclusive Registration of all 6 ILUAs is around mid-2018. The Settlement would then commence during the second half of 2018, Subject to any applications for judicial review of the NNTT registration decision the Noongar Boodja Trust would then be established, followed by the appointment of the six Noongar Regional Corporations.

Perth Airport Pty Ltd

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

Petroleum and Geothermal Energy Legislation

On 27 May 2013, Cabinet approved the printing and introduction of the Petroleum and Geothermal Energy Legislation Amendment Bill 2013 to provide the legislative framework for the onshore transport and geological storage of greenhouse gases (GHGs) or geosequestration (predominantly carbon dioxide) in Western Australia. Under the provisions of the Bill, the State accepts long-term liability for stored GHGs conditional on the provision of a site closing certificate and the declaration of a closure assurance period for the GHG storage formation and if the GHG titleholder has ceased to exist. Long term liability refers to risks beyond the operational phase of the project, the risks of harm to health, the environment, or property due to the leakage or migration of injected carbon dioxide.

Southern Ports Authority Bulk Loader

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

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

Synergy (Electricity Generation and Retail Corporation)

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

Royal Commission into Institutional Responses to Child Sexual Abuse

The Government has proposed the drafting of legislation to remove statutory limitation periods for civil litigation by victims of historical child sexual abuse, in line with the recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse.

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 a potentially significant (and as yet unquantified) liability to the State that will be assessed on an emerging basis in line with the passage of legislation.

Other – litigation in progress

A number of government agencies are currently involved with different legal proceedings, all at varying stages. Due to the wide variety and nature of the claims and the uncertainty around the likely outcomes of these cases, it is not possible to reliably quantify the potential impact should the State be found liable.

A range of significant infrastructure projects have reached or are reaching completion (such as the Perth Children's Hospital). 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.

NOTE 31: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

Exposure to credit risk, liquidity risk, interest rate risk and other financial risks arise in the normal course of public sector activity. Public sector agencies adopt various programs for managing market risk, which include derivative financial instruments. The two main sources of market risk are fluctuations in interest and foreign exchange rates. Derivatives in use include interest rate swaps, interest rate futures, cross-currency swaps and forward foreign exchange contracts. Whenever derivative positions are created, cash or an underlying physical security is held to cover any potential liability.

Credit risk

Credit risk in relation to financial assets is the risk that a third party will not meet its obligation in accordance with agreed terms. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Balance Sheet. Credit risk in relation to cash assets and fixed interest securities is mitigated by investing in counter-parties that have acceptable credit ratings. Credit risk concentration is minimised in relation to financial assets and hedging instruments, and public sector agencies do not have significant exposures to any concentrations of credit risk. Generally, agencies exposures are to a large number of customers or highly rated counter-parties and their credit risks are very low. There is a high degree of geographically-based concentrations of recognised financial assets in Australia. Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 11: *Receivables*.

Liquidity risk

Liquidity management is undertaken by the Western Australian Treasury Corporation (WATC) on behalf of public sector agencies. WATC maintains a minimum prudent level of highly liquid quality assets at all times to ensure that commitments are met. The risk is minimised through the diversification of its funding activity across domestic and offshore markets and across the maturity spectrum.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency exposures are managed through the use of foreign exchange contracts and derivatives.

Market risk

Exposure to market risk for changes in interest rates relates primarily to long-term debt obligations. The risk is managed by WATC through portfolio diversification and maturity spread.

Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The interest rate risk by class of recognised financial asset and financial liability at 30 June 2017 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 2017.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows.

	2017	2016
	\$m	\$m
Financial Assets		
Cash and deposits	778	820
Receivables	2,871	2,571
Investments, loans and placements	4,278	4,042
Advances paid	717	711
Shares and other equity	56,928	55,873
Other financial assets	8	8
Financial Liabilities		
Deposits held	646	518
Advances received	376	392
Borrowings	23,572	18,379
Payables	1,294	1,224
Other employee benefits	116	72
Other financial liabilities	996	1,027

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
	2017	2017	2017
	\$m	\$m	\$m
Interest rate contracts	-	-	-
Forward exchange contracts	1	-	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
Total	1	-	-

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

Note: Columns may not add due to rounding.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

Total Public Sector

Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows.

	2017	2016
	\$m	\$m
Financial Assets		
Cash and deposits	2,136	1,873
Receivables	3,997	3,942
Investments, loans and placements	18,631	18,322
Advances paid	3,710	4,729
Shares and other equity	2,101	1,510
Other financial assets	14	8
Financial Liabilities		
Deposits held	26	27
Advances received	376	392
Borrowings	56,021	51,852
Payables	6,085	6,367
Guarantees	302	283
Other employee benefits	135	92
Other financial liabilities	3,641	3,449

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
	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	-
Total	14,796	547	736

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

Note: Columns may not add due to rounding.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

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 2017

	Fixed Interest Maturing in						Non-interest bearing	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			
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Financial assets									
Cash and deposits	316	117	7	33	-	157	306	778	1.5
Receivables ^(a)	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	-
Total financial assets	377	574	2,368	1,245	469	4,656	60,548	65,581	
Financial liabilities									
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 ^(b)	-	-	-	-	-	-	1,294	1,294	-
Other employee benefits	-	-	-	-	-	-	116	116	-
Other financial liabilities	-	-	-	-	-	-	996	996	4.0
Total financial liabilities	42	403	2,259	13,377	7,875	23,914	3,043	26,999	

(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 2016

Fixed Interest Maturing in

	Floating interest rate	up to 3 months	3 to 12 months	1 year to 5 years	Over 5 years	Total Fixed interest rate	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Financial assets									
Cash and deposits	470	124	8	31	-	163	186	820	1.9
Receivables ^(a)	4	-	1	2	-	3	2,564	2,571	3.7
Investments, loans and placements	8	1,351	403	1,860	370	3,983	50	4,042	2.4
Advances paid:									
Non-government schools	-	7	23	108	115	253	-	253	6.2
Other advances	-	-	6	2	24	31	427	458	3.8
Shares and other equity	-	-	-	-	-	-	55,873	55,873	-
Other financial assets	-	-	-	-	-	-	8	8	-
Total financial assets	482	1,482	440	2,003	509	4,434	59,107	64,023	
Financial liabilities									
Deposits held	-	167	47	231	47	491	27	518	2.3
Advances received	-	-	-	-	-	-	392	392	-
Borrowings	253	1,327	2,275	14,058	437	18,097	29	18,379	3.5
Payables ^(b)	2	-	-	-	-	-	1,222	1,224	2.7
Other employee benefits	1	-	-	-	-	-	72	72	-
Other financial liabilities	-	-	-	-	-	-	1,027	1,027	4.5
Total financial liabilities	256	1,494	2,321	14,289	484	18,588	2,769	21,613	

(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 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				
Financial assets									
Cash and deposits	1,383	370	7	33	-	409	344	2,136	1.9
Receivables ^(a)	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	-
Total financial assets	5,618	6,770	4,325	3,416	2,009	16,520	8,452	30,590	
Financial liabilities									
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	1.7
Payables ^(b)	-	689	-	-	10	699	5,386	6,085	0.4
Guarantees ^(c)	-	-	-	-	-	-	302	302	-
Other employee benefits	-	-	-	-	-	-	135	135	-
Other financial liabilities	-	-	-	-	-	-	3,641	3,641	-
Total financial liabilities	1,130	14,331	750	21,902	16,800	53,784	11,672	66,586	

(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 2016

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

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

(b) The amount of payables excludes 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 2017					30 June 2016				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets										
Cash and deposits	472	-5	-5	5	5	633	-6	-6	6	6
Receivables	7	-	-	-	-	7	-	-	-	-
Investments, loans and placements	4,243	-42	-42	42	42	3,992	-40	-40	40	40
Advances paid	310	-3	-3	3	3	285	-2	-2	2	2
Financial Liabilities										
Deposits held	620	6	6	-6	-6	491	5	5	-5	-5
Borrowings	23,337	233	233	-233	-233	18,350	183	183	-183	-183
Total Increase/-Decrease		189	189	-189	-189		140	140	-140	-140

Total Public Sector

	30 June 2017					30 June 2016				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets										
Cash and deposits	1,792	-18	-18	18	18	1,663	-17	-17	17	17
Receivables	18	-	-	-	-	10	-	-	-	-
Investments, loans and placements	16,645	-166	-166	166	166	16,570	-166	-166	166	166
Advances paid	3,683	-37	-37	37	37	4,698	-47	-47	47	47
Financial Liabilities										
Advances received	376	4	4	-4	-4	392	4	4	-4	-4
Borrowings	53,839	538	538	-538	-538	48,830	488	488	-488	-488
Payables	699	7	7	-7	-7	990	10	10	-10	-10
Total Increase/-Decrease		328	328	-328	-328		273	273	-273	-273

Note: Columns may not add due to rounding.

NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

General Government

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
	\$m	\$m	\$m	\$m
Financial Assets				
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
Financial Liabilities				
Borrowings	4	-	-	4

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
	\$m	\$m	\$m	\$m
Financial Assets				
Investments, loans and placements	4,020	208	3,768	43
Shares and other equity	55,866	1	9	55,856
Other financial assets	7	-	-	7
Financial Liabilities				
Borrowings	-	-	-	-

Total Public Sector

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
	\$m	\$m	\$m	\$m
Financial Assets				
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
Financial Liabilities				
Borrowings	88,304	76,433	11,868	4
Payables	3,584	3,584	-	-

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)
	\$m	\$m	\$m	\$m
Financial Assets				
Investments, loans and placements	12,194	1,338	10,247	609
Shares and other equity	1,503	1,467	4	32
Other financial assets	7	-	-	7
Financial Liabilities				
Borrowings	47,369	35,978	11,391	-
Payables	4,015	4,015	-	-

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

(b) Assets/liabilities valued using inputs based on observable market data (either directly using prices or indirectly derived from prices).

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

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

NOTE 32: OTHER DISAGGREGATED INFORMATION

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

The total public sector (or whole-of-government) includes agencies classified into general government, public non-financial corporation and public financial corporation sectors in accordance with the Australian Bureau of Statistics' (ABS') coverage for Government Finance Statistics purposes. Details of the classification of State agencies are provided in Note 34: *Composition of Sectors*.

(b) Information by Sectors

Revenue, expenses, assets and liabilities that are reliably attributable to each of the above sectors are set out in the following tables. For the purpose of this disclosure, effects of transactions and balances between sectors have not been eliminated, but those between agencies within each sector have been eliminated.

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Operating Statement for the year ended 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
RESULTS FROM TRANSACTIONS										
REVENUE										
Taxation	8,573	9,069	-	-	-	-	-487	-509	8,086	8,560
Current grants and subsidies	8,091	7,407	2,121	2,212	-	-	-2,121	-2,212	8,091	7,407
Capital grants	513	895	129	200	-	-	-129	-200	513	895
Sales of goods and services	2,293	2,155	17,943	19,170	1,129	982	-731	-725	20,633	21,583
Interest Income	196	192	145	159	1,765	1,776	-1,509	-1,491	597	635
Revenue from public corporations										
Dividends	837	1,415	-	-	-	-	-837	-1,415	-	-
Tax equivalent income	534	631	-	-	-	-	-534	-631	-	-
Royalty income	5,272	4,126	-	-	-	-	-	-	5,272	4,126
Other	604	594	493	651	-	-	-118	-135	979	1,110
Total	26,913	26,485	20,830	22,392	2,894	2,758	-6,466	-7,319	44,172	44,316
EXPENSES										
Salaries	11,610	11,383	1,147	1,191	55	53	-	-	12,811	12,627
Superannuation										
Concurrent costs	1,166	1,167	115	123	5	5	-	-	1,287	1,296
Superannuation interest cost	156	218	-	-	-	-	-	-	156	218
Other employee costs	358	370	57	51	2	2	-141	-166	277	257
Depreciation and amortisation	1,320	1,359	2,074	1,988	5	6	-	-	3,399	3,354
Services and contracts	2,393	2,195	912	981	11	11	-6	-7	3,309	3,179
Other gross operating expenses	5,772	5,518	13,551	14,689	1,013	835	-781	-762	19,554	20,279
Other interest	783	664	861	807	1,579	1,663	-1,509	-1,491	1,714	1,643
Tax equivalents	-	-	483	527	51	104	-534	-631	-	-
Current transfers	5,280	5,164	1,094	1,072	5	5	-2,452	-2,558	3,927	3,683
Capital transfers	549	469	57	70	5	2	-129	-200	482	340
Total	29,387	28,506	20,350	21,500	2,730	2,686	-5,551	-5,816	46,916	46,875
NET OPERATING BALANCE	-2,474	-2,021	480	892	164	72	-914	-1,503	-2,744	-2,559

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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$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	-193	-148	82	21	298	-4	-	-	187	-131
Net actuarial gains - superannuation	659	-589	-23	-23	2	1	-	-	638	-610
Provision for doubtful debts	-41	-54	-60	-16	-	2	-	-	-102	-68
Changes in accounting policy/adjustment of prior periods	143	110	-1,068	-686	-84	-168	-	-	-1,008	-743
<i>Total other economic flows</i>	568	-679	-1,069	-704	215	-169	-	-	-285	-1,552
OPERATING RESULT	-1,905	-2,700	-589	189	379	-97	-914	-1,503	-3,030	-4,111
<i>All other movements in equity</i>										
<i>Items that will not be reclassified to operating result</i>										
Revaluations	-3,042	-2,549	237	-1,520	1	-107	-	-	-2,803	-4,176
Gains recognised directly in equity	15	8	1,058	1,655	83	191	-	-	1,155	1,854
Change in net worth of the public corporations sectors	254	-1,192	-	-	-	-	-254	1,192	-	-
All other	-	-	-	-	-	-	-	-	-	-
<i>Total all other movements in equity</i>	-2,772	-3,733	1,295	135	84	84	-254	1,192	-1,648	-2,322
<i>Movements in owner equity</i>										
Dividends	-	-	-713	-1,273	-202	-230	914	1,503	-	-
Capital injections	-	-	870	712	-30	13	-839	-725	-	-
<i>Total movements in owner equity</i>	-	-	157	-561	-232	-216	75	778	-	-
TOTAL CHANGE IN NET WORTH	-4,677	-6,433	863	-237	231	-229	-1,094	467	-4,677	-6,433
KEY FISCAL AGGREGATES										
NET OPERATING BALANCE	-2,474	-2,021	480	892	164	72	-914	-1,503	-2,744	-2,559
<i>Less Net acquisition of non-financial assets</i>										
Purchase of non-financial assets	2,341	2,475	2,874	2,877	4	5	-83	-119	5,137	5,237
Changes in inventories	-11	15	-437	1,009	-	-	-	-	-449	1,024
Other movement in non-financial assets	240	15	131	156	-	-	-	-	371	171
<i>less:</i>										
Sales of non-financial assets	132	102	527	718	-	-	-83	-119	576	701
Depreciation	1,320	1,359	2,074	1,988	5	6	-	-	3,399	3,354
<i>Total net acquisition of non-financial assets</i>	<i>1,119</i>	<i>1,043</i>	<i>-33</i>	<i>1,335</i>	<i>-1</i>	<i>-2</i>	<i>-</i>	<i>-</i>	<i>1,085</i>	<i>2,376</i>
NET LENDING/-BORROWING	-3,592	-3,064	514	-442	165	74	-914	-1,503	-3,829	-4,935

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	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m
ASSETS										
<i>Financial assets</i>										
Cash and deposits	778	820	1,750	1,267	224	275	-616	-488	2,136	1,873
Advances paid	717	711	-	-	3,372	4,413	-379	-395	3,710	4,729
Investments, loans and placements	4,278	4,042	4,034	5,072	57,333	52,977	-47,032	-43,769	18,613	18,322
Receivables	3,099	2,921	1,117	1,137	633	873	-659	-791	4,190	4,140
Shares and other equity										
Investments in other public sector entities - equity method	47,909	47,654	-	-	-	-	-47,909	-47,654	-	-
Investments in other public sector entities - direct injections	9,019	8,180	-	-	-	-	-9,019	-8,180	-	-
Investments in other entities	51	48	0	24	2,050	1,471	-	-	2,101	1,544
Other financial assets	8	8	801	849	6	11	-801	-849	14	18
<i>Total financial assets</i>	65,859	64,384	7,702	8,349	63,618	60,020	-106,415	-102,127	30,764	30,626
<i>Non-financial assets</i>										
Land	37,269	38,551	13,601	14,682	-	-	-	-	50,870	53,233
Property, plant and equipment	42,640	43,256	55,889	54,064	4	4	-	-	98,534	97,324
Biological assets	8	4	326	330	-	-	-	-	334	334
Inventories										
Land inventories	98	113	1,966	2,059	-	-	-	-	2,065	2,172
Other inventories	73	84	3,980	4,417	-	-	-	-	4,052	4,501
Intangibles	680	650	432	439	7	8	-	-	1,119	1,097
Assets held for sale	111	32	24	28	-	87	-	-	135	147
Investment property	7	8	59	65	196	224	-	-	262	297
Other	665	484	138	144	4	5	-	-	806	634
<i>Total non-financial assets</i>	81,551	83,182	76,416	76,229	210	328	-	-	158,178	159,740
TOTAL ASSETS	147,410	147,566	84,119	84,579	63,829	60,347	-106,415	-102,127	188,942	190,366

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	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m
LIABILITIES										
Deposits held	646	518	-	-	-	-	-620	-491	26	27
Advances received	376	392	376	392	3	3	-379	-395	376	392
Borrowings	23,572	18,379	21,869	22,716	57,609	54,523	-47,029	-43,766	56,021	51,852
Superannuation	7,043	7,939	116	120	7	8	-	-	7,166	8,068
Other employee benefits	2,911	2,892	388	442	11	10	-	-	3,310	3,345
Payables	1,294	1,228	4,955	5,197	205	284	-219	-340	6,235	6,370
Other liabilities	1,380	1,352	1,498	1,657	3,983	3,739	-1,241	-1,300	5,619	5,446
TOTAL LIABILITIES	37,221	32,700	29,202	30,525	61,817	58,567	-49,488	-46,293	78,753	75,499
NET ASSETS	110,189	114,866	54,917	54,054	2,011	1,780	-56,928	-55,834	110,189	114,866
<i>Of which:</i>										
Contributed equity	-	-	9,033	8,164	-14	16	-9,019	-8,180	-	-
Accumulated surplus	6,553	8,460	19,337	19,344	2,003	1,743	7	7	27,900	29,555
Other reserves	103,636	106,406	26,547	26,546	22	21	-47,916	-47,661	82,289	85,312
NET WORTH	110,189	114,866	54,917	54,054	2,011	1,780	-56,928	-55,834	110,189	114,866

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

NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Statement of Changes in Equity for the year ended 30 June

	Equity at 1 July 2016 \$m	Change in net worth \$m	Contributed capital \$m	Dividends \$m	Other \$m	Equity at 30 June 2017 \$m
General Government Sector						
Accumulated surplus/(deficit)	8,460	-1,905	-	-	-2	6,553
Reserves	58,752	-3,042	-	-	17	55,727
Accumulated net gain on equity investments in other sector entities	47,654	254	-	-	-	47,909
Total	114,866	-4,693	-	-	15	110,189
Public Non Financial Corporations sector						
Accumulated surplus/(deficit)	19,344	-589	-	-713	1,294	19,337
Contributed equity	8,164	-	870	-	-	9,033
Reserves	26,546	237	-	-	-235	26,547
Total	54,054	-351	870	-713	1,059	54,917
Public Financial Corporations sector						
Accumulated surplus/(deficit)	1,743	379	-	-202	83	2,003
Contributed Equity	16	-	-30	-	-	-14
Reserves	21	1	-	-	-	22
Total	1,780	380	-30	-202	83	2,011
Inter-sector eliminations						
Accumulated surplus/(deficit)	7	-914	-	914	-	7
Contributed Equity	-8,180	-	-839	-	-	-9,019
Reserves	-7	-	-	-	-1	-7
Accumulated net gain on equity investments in other sector entities	-47,654	-254	-	-	-	-47,909
Total	-55,834	-1,169	-839	914	-1	-56,928
Total Public Sector						
Accumulated surplus/(deficit)	29,555	-3,030	-	-	1,375	27,900
Contributed Equity	-	-	-	-	-	-
Reserves	85,312	-2,803	-	-	-219	82,289
Total	114,866	-5,833	-	-	1,156	110,189

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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>										
<i>Cash received</i>										
Taxes received	8,432	9,130	-	-	-	-	-492	-573	7,939	8,556
Grants and subsidies received	8,529	8,310	2,250	2,498	-	-	-2,250	-2,498	8,529	8,310
Receipts from sales of goods and services	2,335	2,294	17,976	19,335	1,210	1,114	-702	-763	20,819	21,979
Interest receipts	193	187	151	148	1,731	1,724	-1,467	-1,392	609	667
Dividends and tax equivalents	1,484	2,087	87	69	-	-	-1,572	-2,156	-	-
Other	7,218	5,922	1,323	1,416	154	145	-340	-327	8,355	7,156
<i>Total cash received</i>	<i>28,191</i>	<i>27,929</i>	<i>21,787</i>	<i>23,465</i>	<i>3,095</i>	<i>2,982</i>	<i>-6,822</i>	<i>-7,709</i>	<i>46,252</i>	<i>46,668</i>
<i>Cash Paid</i>										
Wages, salaries and supplements, and superannuation	-13,141	-13,374	-1,387	-1,402	-58	-58	-	-	-14,586	-14,834
Payments for goods and services	-8,608	-8,083	-12,922	-14,316	-815	-757	1,002	1,046	-21,342	-22,112
Interest paid	-758	-631	-811	-836	-1,965	-1,866	1,467	1,392	-2,068	-1,940
Grants and subsidies paid	-5,389	-5,485	-664	-761	-	-	2,279	2,535	-3,773	-3,711
Dividends and tax equivalents	-	-	-516	-609	-132	-63	647	671	-	-
Other payments	-1,836	-1,648	-3,109	-2,991	-152	-207	501	581	-4,596	-4,266
<i>Total cash paid</i>	<i>-29,732</i>	<i>-29,221</i>	<i>-19,409</i>	<i>-20,915</i>	<i>-3,122</i>	<i>-2,952</i>	<i>5,897</i>	<i>6,225</i>	<i>-46,366</i>	<i>-46,863</i>
<i>NET CASH FLOWS FROM OPERATING ACTIVITIES</i>	<i>-1,541</i>	<i>-1,291</i>	<i>2,378</i>	<i>2,550</i>	<i>-27</i>	<i>31</i>	<i>-924</i>	<i>-1,484</i>	<i>-114</i>	<i>-195</i>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>										
<i>Cash flows from investments in non-financial assets</i>										
Purchase of non-financial assets	-2,341	-2,475	-2,874	-2,877	-4	-5	83	119	-5,137	-5,237
Sales of non-financial assets	132	102	527	718	-	-	-83	-119	576	701
<i>Total cash flows from investments in non-financial assets</i>	<i>-2,210</i>	<i>-2,373</i>	<i>-2,347</i>	<i>-2,159</i>	<i>-4</i>	<i>-4</i>	<i>-</i>	<i>-</i>	<i>-4,561</i>	<i>-4,536</i>
<i>Cash flows from investments in financial assets</i>										
<i>Cash received</i>										
For policy purposes	14	140	-	-	-	-	-	-	14	140
For liquidity purposes	83	101	133	332	5,920	4,417	-	-	6,136	4,850
<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	-861	-798	-3	-3	-	-	851	786	-13	-16
For liquidity purposes	-46	-136	-84	-359	-7,548	-3,962	-	-	-7,678	-4,457
<i>Total cash flows from investments in financial assets</i>	<i>-809</i>	<i>-694</i>	<i>45</i>	<i>-31</i>	<i>-1,628</i>	<i>455</i>	<i>851</i>	<i>786</i>	<i>-1,541</i>	<i>516</i>
<i>NET CASH FLOWS FROM INVESTING ACTIVITIES</i>	<i>-3,018</i>	<i>-3,067</i>	<i>-2,302</i>	<i>-2,190</i>	<i>-1,632</i>	<i>451</i>	<i>851</i>	<i>786</i>	<i>-6,102</i>	<i>-4,020</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	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>										
<i>Cash received</i>										
Advances received	16	16	-	-	-	-	-16	-16	-	-
Borrowings	5,166	5,194	17,641	12,583	33,750	30,883	-40,406	-30,048	16,150	18,612
Deposits received	-	-	-	-	-	-	-	-	-	-
Other financing receipts	46	41	904	900	-	-	-905	-893	45	49
<i>Total cash receipts from financing activities</i>	<i>5,227</i>	<i>5,250</i>	<i>18,545</i>	<i>13,483</i>	<i>33,750</i>	<i>30,883</i>	<i>-41,327</i>	<i>-30,956</i>	<i>16,195</i>	<i>18,660</i>
<i>Cash paid</i>										
Advances paid	-16	-16	-16	-16	-	-	16	16	-16	-16
Borrowings repaid	-168	-97	-17,450	-12,283	-33,266	-29,000	40,406	30,048	-10,477	-11,333
Deposits paid	-	-	-	-	-	-	-	-	-	-
Other financing payments	-418	-447	-49	-51	-	-	54	107	-413	-391
Dividends paid	-	-	-713	-1,273	-212	-211	924	1,484	-	-
<i>Total payments for financing activities</i>	<i>-602</i>	<i>-560</i>	<i>-18,228</i>	<i>-13,623</i>	<i>-33,477</i>	<i>-29,211</i>	<i>41,400</i>	<i>31,654</i>	<i>-10,906</i>	<i>-11,740</i>
<i>NET CASH FLOWS FROM FINANCING ACTIVITIES</i>	<i>4,626</i>	<i>4,691</i>	<i>317</i>	<i>-140</i>	<i>273</i>	<i>1,671</i>	<i>73</i>	<i>699</i>	<i>5,289</i>	<i>6,921</i>
Net increase in cash and cash equivalents	66	333	394	221	-1,387	2,153	-	-	-927	2,706
Cash and cash equivalents at the beginning of the year	4,773	4,440	1,781	1,560	5,395	3,242	-2	-2	11,946	9,239
Cash and cash equivalents at the end of the year	4,839	4,773	2,174	1,781	4,008	5,395	-2	-2	11,019	11,946
Net cash flows from operating activities	-1,541	-1,291	2,378	2,550	-27	31	-924	-1,484	-114	-195
Net cash flows from investing in non-financial assets	-2,210	-2,373	-2,347	-2,159	-4	-4	-	-	-4,561	-4,536
Dividends paid	-	-	-713	-1,273	-212	-211	924	1,484	-	-
Cash surplus/-deficit	-3,751	-3,664	-682	-882	-243	-185	-	-	-4,675	-4,731

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

NOTE 33: EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

2017-18 State Budget

The 2017-18 Budget was presented to the Legislative Assembly on 7 September 2017, four months later than the usual presentation of the Budget in May. This follows the election of a new Government in the March 2017 State election. The Budget reflects implementation of the Government's revenue and spending policies which will materially impact the State's finances. The Budget Papers are available from www.ourstatebudget.wa.gov.au.

Machinery of government changes

The Government announced a range of changes to amalgamate and restructure some agencies on 28 April 2017. These changes took effect from 1 July 2017. For the purposes of reporting financial outcomes to 30 June 2017, agency finances were consolidated based on the structure before these changes took effect.

Sale of Westralia Square

On 29 August 2017, the Insurance Commission of Western Australia accepted an offer of \$216.25 million for the sale of Westralia Square. No adjustment to the financial statements has been made. Settlement is expected to be finalised in October 2017 and reflected in the financial outcomes for the year ended 30 June 2018.

Office of State Revenue

On 11 September 2017, Western Australia's Court of Appeal ruled in favour of a taxpayer in a matter concerning the calculation of mining related stamp duty charges. As the matter has been referred to the State Administrative Tribunal for rehearing, insufficient information is currently available to determine the financial exposure, if any, for the State.

NOTE 34: RELATED PARTY DISCLOSURES

General Government

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 central 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.

NOTE 34: RELATED PARTY DISCLOSURES (CONT.)

Related parties of the general government sector include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers 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

For the general government sector, KMP include all senior officers and Ministers that manage portfolios within the sector.

Compensation of all Ministers is disclosed later in this note, while the disclosure of senior officers' compensation can be found in the annual reports of relevant agencies.

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 include:

- Community Service Obligations (\$1,741 million);
- Royalties for Regions grants (\$143 million);
- capital appropriations (\$62 million);
- loan guarantee fees (\$131 million);
- services rendered (\$30 million);
- payroll tax (\$93 million);
- land tax (\$68 million);
- Government Regional Officer Housing expenses (\$141 million);
- dividend revenue (\$837 million);
- Tax Equivalent Regime revenue (\$534 million);
- betting tax revenue (\$40 million);

NOTE 34: RELATED PARTY DISCLOSURES (CONT.)

- other revenue (\$42 million);
- grants and subsidies:
 - (a) revenue (\$30 million);
 - (b) capital transfers (\$51 million); and
 - (c) recurrent transfers (\$146 million);
- Public Bank Account interest expense (\$17 million);
- insurance premiums (\$241 million);
- water and electricity expenses (\$212 million); and
- borrowings (\$23 billion).

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 2016-17, these payments totalled \$1.6 billion.

There were no other related party transactions (including general citizen-type transactions¹) with Ministers/senior officers or their close family member or their controlled (or jointly controlled) entities that are material for disclosure.

Total Public Sector

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 senior officers and their close family members, and their controlled or jointly controlled entities;
- all associates and joint ventures; and
- GESB.

¹ 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.

NOTE 34: RELATED PARTY DISCLOSURES (CONT.)

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 \$184.2 million. A further \$69.4 million had been committed at 30 June 2017.

Material transactions with other related parties

Government Employee 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 2016-17, these payments totalled \$1.7 billion.

Keystart

During the financial year, Bendigo and Adelaide Bank purchased \$1.33 billion of standard residential home loans from Keystart Housing Scheme Trust by equitable assignment. The Chairman of the Trustee Company, Glyn Yates, declared a conflict of interest in the assignment and subsequent transaction, as he is the Chairman of Bendigo and Adelaide Collie and District Community Bank and did not participate in deliberations or voting by the Board on this matter.

Water Corporation

During the financial year, the Corporation, after a public tender process, sold its Engineering and Construction Services Branch, to RCR Tomlinson, for a total cash consideration of \$10.4 million. Pursuant to the terms of the sale the Corporation guaranteed to procure goods and services from RCR Tomlinson to the value of \$130 million over three years. The Corporation's previous Chairman, Eva Skira, declared a conflict of interest in the sale and subsequent transactions as she was non-executive director of RCR Tomlinson and did not participate in deliberations or voting by the Board on this matter. The total cost of goods and services acquired from RCR Tomlinson during the six month period ended 31 December 2016, while Eva Skira was a director of the Corporation, was \$44.6 million.

There were no other related party transactions (including general citizen-type transactions) with Ministers/senior officers or their close family member or their controlled (or jointly controlled) entities that are material for disclosure.

NOTE 34: RELATED PARTY DISCLOSURES (CONT.)

KMP Compensation

Key management personnel of the total public sector include all Ministers. Total compensation for KMP for the reporting period are presented in the following bands.

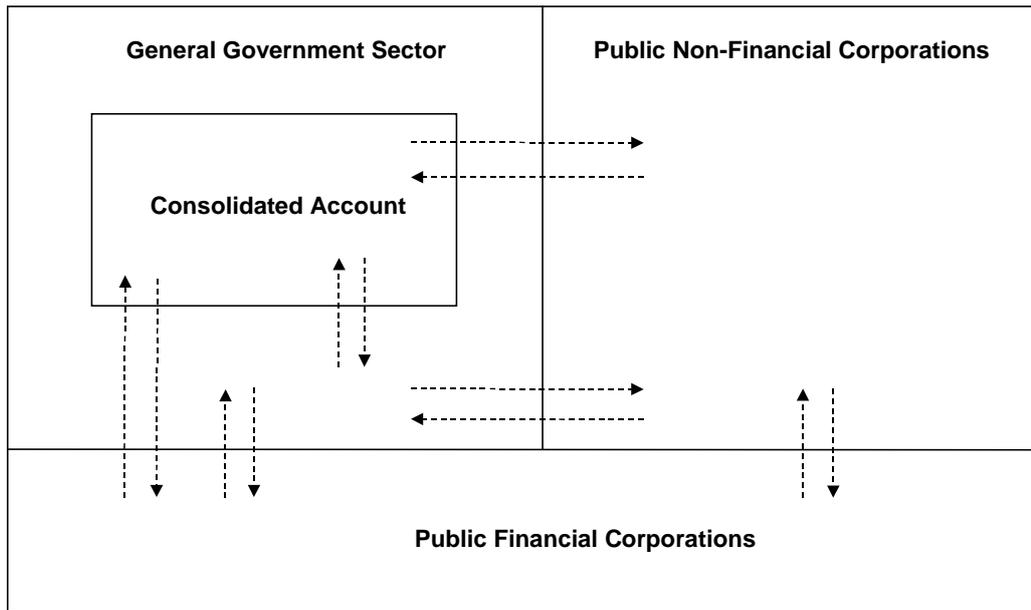
	2017 (number)	2016 (number)
Remuneration (\$)		
50,000-100,000	4	2
100,000-150,000	16	1
150,000-200,000	-	-
200,000-250,000	-	-
250,000-300,000	7	-
300,000-350,000	7	2
350,000-400,000	2	2
400,000-450,000	1	9
450,000-500,000	-	4
	2017	2016
	\$m	\$m
Short-term employee benefits ^(a)	7.2	6.9
Post-employment benefits	0.5	0.4
Total compensation of Ministers	7.7	7.3

(a) Short term employee benefits include electorate allowances, motor vehicle allowances and accommodation allowances paid to Ministers. Total 2017 benefits include \$0.47 million resettlement allowance paid to Ministers who ceased to be members of Parliament during the financial year.

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.

The agencies included within each sector are listed below and are wholly-owned or controlled by the Government of Western Australia.

NOTE 35: COMPOSITION OF SECTORS (CONT.)

General Government

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

NOTE 35: COMPOSITION OF SECTORS (CONT.)

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

**NOTE 36: BUDGETARY INFORMATION – COMPARISON OF
FINAL OUTCOMES TO ORIGINAL BUDGET**

Explanations of significant variances between actual results for 2016-17 and the original Budget (presented to the Legislative Assembly in May 2016) 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*.

Chapter 1 of this report details variations from the estimated outturn contained in the State Budget, presented to the Parliament on 12 May 2016.

Operating Revenue

The tables in this appendix detail operating revenue of the general government and total public sectors. They provide detailed revenue information consistent with the operating statements presented in Appendix 1: *Financial Statements*.

The total public sector consolidates internal transfers between the general government sector and agencies in the public corporations sectors.

Accordingly, some total public sector revenue aggregates may be smaller than the general government equivalent. For example, the general government sector collects payroll tax from some public corporations. These internal collections are not shown in the total public sector taxation revenue data which is thus smaller than the general government taxation revenue aggregate.

Table 2.1

OPERATING REVENUE

General Government

	2015-16	2016-17				Actual \$m (5)	Variation on EOT \$m (5) - (4)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFFS Revision \$m (3)	Estimated Outturn \$m (4)		
Taxation							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	3,502	3,536	3,310	3,267	3,267	3,266	-1
Property taxes							
<i>Land tax</i>	948	896	893	893	876	876	-
Transfer Duty	1,338	1,387	1,253	1,253	1,357	1,357	-
Landholder Duty	419	101	101	101	151	151	-
<i>Total duty on transfers</i>	1,756	1,489	1,354	1,354	1,508	1,508	-
Other stamp duties	-	-	-	-	-	-	-
Metropolitan Region Improvement Tax	98	98	99	99	96	96	-
Perth Parking Levy	57	58	58	58	58	56	-2
Emergency Services Levy	307	323	323	323	325	325	-
Loan guarantee fees	134	150	142	142	140	140	-
<i>Total other property taxes</i>	596	629	621	621	619	617	-2
Taxes on provision of goods and services							
Lotteries Commission	163	170	164	164	150	151	1
Video lottery terminals	-	1	1	1	1	-	-1
Casino Tax	65	68	68	68	55	62	6
Betting tax	42	45	45	45	40	40	-
Other	-	-	-	-	-	-	-
<i>Total taxes on gambling</i>	270	283	277	277	246	253	7
Insurance Duty	592	656	647	647	641	641	-
Other	24	20	20	20	20	20	-
<i>Total taxes on insurance</i>	615	676	667	667	661	661	-
Taxes on use of goods and performance of activities							
Vehicle Licence Duty	346	350	346	346	344	344	-
Permits - Oversize Vehicles and Loads	7	8	8	8	6	6	-
Motor Vehicle recording fee	60	56	56	56	56	59	3
Motor Vehicle registrations	874	907	907	907	888	885	-3
<i>Total motor vehicle taxes</i>	1,286	1,321	1,317	1,317	1,294	1,294	-
<i>Mining Rehabilitation Levy</i>	28	27	27	27	28	28	-
<i>Landfill Levy</i>	69	70	70	70	70	69	-1
Total Taxation	9,069	8,927	8,536	8,494	8,568	8,573	5

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

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2015-16	2016-17				Actual \$m (5)	Variation on EOT \$m (5) - (4)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
Current Grants and Subsidies							
<i>General Purpose Grants</i>							
GST grants	1,881	2,035	2,011	1,970	1,944	1,944	-
North West Shelf grants	616	457	520	552	627	609	-18
Commonwealth compensation for changed crude oil excise arrangements	29	25	29	30	34	31	-3
<i>Grants through the State</i>							
Schools assistance – non-government schools	1,110	1,191	1,167	1,176	1,172	1,172	-
Local government financial assistance grants	85	177	173	172	262	262	-
Local government roads	54	108	108	108	163	163	-
<i>National Specific Purpose Payment Agreement Grants</i>							
National Agreement for Skills and Workforce Development	157	163	161	160	160	160	-
National Disability Services	147	152	163	161	161	148	-13
National Affordable Housing	143	148	147	146	145	145	-
Students First	558	604	598	600	599	598	-1
National Health Reform	1,844	1,956	2,045	2,011	2,042	2,089	47
<i>National Partnerships/Other Grants</i>							
Health	422	308	306	314	350	399	49
Housing	16	15	19	19	19	17	-2
Transport	69	77	93	93	68	64	-4
Disability Services	19	-	83	84	42	42	-
Other	256	272	222	223	223	247	24
Total Current Grants and Subsidies	7,407	7,687	7,844	7,820	8,012	8,091	79
Capital Grants							
<i>Grants Through the State</i>							
Schools assistance – non-government schools	15	17	17	17	16	16	-
<i>National Partnerships/Other Grants</i>							
Housing	163	131	145	145	51	51	-
Transport	698	596	224	224	425	425	-
Other	18	36	27	14	14	21	7
Total Capital Grants	895	779	413	399	506	513	7

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

Table 2.1 (cont.)

OPERATING REVENUE

General Government

	2015-16	2016-17				Actual \$m (5)	Variation on EOT \$m (5) - (4)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
Sales of Goods and Services							
WA Health	632	598	766	766	699	715	16
Department of Transport	171	174	165	165	171	162	-9
Department of Education	158	163	167	167	161	192	31
State Training Providers/TAFE Colleges	130	155	131	131	135	128	-7
Department of Training and Workforce Development	54	55	51	51	47	47	-
Western Australian Land Information Authority	123	133	123	123	119	122	3
Department of Parks and Wildlife	40	42	42	42	42	41	-1
Department of Attorney General	101	108	107	107	107	110	2
Department of Commerce	99	97	95	95	90	96	6
Department of Mines and Petroleum	54	69	64	64	57	50	-7
All Other	594	633	518	515	569	631	62
Total Sales of Goods and Services	2,155	2,227	2,229	2,225	2,196	2,293	97
Interest Income	192	167	182	182	196	196	-
Revenue from Public Corporations							
Dividends	1,415	984	1,034	1,129	837	837	-
Tax Equivalent Regime	631	499	490	521	506	534	28
Total Revenue from Public Corporations	2,047	1,483	1,524	1,651	1,343	1,371	28
Royalty Income	4,126	3,842	5,181	5,558	5,260	5,272	12
Other							
Lease Rentals	92	93	95	95	97	99	2
Fines	206	199	206	206	196	199	3
Revenue not elsewhere counted	297	276	303	311	297	305	8
Total Other	594	568	604	612	591	604	13
TOTAL REVENUE	26,485	25,681	26,513	26,941	26,672	26,913	241

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

Table 2.2

OPERATING REVENUE
Total Public Sector

	2015-16	2016-17				Actual \$m	Variation on EOT \$m (5) - (4)
	Actual \$m	Budget	MYR	PFPS	Estimated		
		Estimate \$m (1)	Revision \$m (2)	Revision \$m (3)	Outturn \$m (4)		
Taxation							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	3,406	3,446	3,219	3,176	3,175	3,173	-2
Property taxes							
<i>Land tax</i>	870	823	822	822	810	807	-2
Transfer Duty	1,338	1,387	1,253	1,253	1,357	1,357	-
Landholder Duty	419	101	101	101	151	151	-
<i>Total duty on transfers</i>	1,756	1,489	1,354	1,354	1,508	1,508	-
Other stamp duties	-	-	-	-	-	-	-
Metropolitan Region Improvement Tax	98	98	58	99	96	96	-
Perth Parking Levy	57	58	99	58	58	56	-2
Emergency Services Levy	304	320	320	320	322	322	-
Loan guarantee fees	6	9	9	9	9	9	-
<i>Total other property taxes</i>	465	485	486	486	484	483	-2
Taxes on provision of goods and services							
Lotteries Commission	-	-	-	-	-	-	-
Video lottery terminals	-	1	1	1	1	-	-1
Casino Tax	65	68	68	68	55	62	6
Betting tax	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<i>Total taxes on gambling</i>	65	69	69	69	56	62	6
Insurance Duty	592	656	647	647	641	641	-
Other	24	20	20	20	20	20	-
<i>Total taxes on insurance</i>	615	676	667	667	661	661	-
Taxes on use of goods and performance of activities							
Vehicle Licence Duty	346	350	346	346	344	344	-
Permits - Oversize Vehicles and Loads	7	8	8	8	6	6	-
Motor Vehicle recording fee	60	56	56	56	56	59	3
Motor Vehicle registrations	874	907	907	907	888	885	-3
<i>Total motor vehicle taxes</i>	1,286	1,321	1,317	1,317	1,294	1,294	-
<i>Mining Rehabilitation Levy</i>	28	27	27	27	28	28	-
<i>Landfill Levy</i>	69	70	70	70	70	69	-1
Total Taxation	8,560	8,406	8,031	7,988	8,085	8,086	-

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

Table 2.2 (cont.)

OPERATING REVENUE
Total Public Sector

	2015-16	2016-17				Actual \$m (5)	Variation on EOT \$m (5) - (4)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	PFPS Revision \$m (3)	Estimated Outturn \$m (4)		
Current Grants and Subsidies							
<i>General Purpose Grants</i>							
GST grants	1,881	2,035	2,011	1,970	1,944	1,944	-
North West Shelf grants	616	457	520	552	627	609	-18
Commonwealth compensation for changed crude oil excise arrangements	29	25	29	30	34	31	-3
<i>Grants through the State</i>							
Schools assistance – non-government schools	1,110	1,191	1,167	1,176	1,172	1,172	-
Local government financial assistance grants	85	177	173	172	262	262	-
Local government roads	54	108	108	108	163	163	-
<i>National Specific Purpose Payment Agreement Grants</i>							
National Agreement for Skills and Workforce Development	157	163	161	160	160	160	-
National Disability Services	147	152	163	161	161	148	-13
National Affordable Housing	143	148	147	146	145	145	-
Students First	558	604	598	600	599	598	-1
National Health Reform	1,844	1,956	2,045	2,011	2,042	2,089	47
<i>National Partnerships/Other Grants</i>							
Health	422	308	306	314	350	399	49
Housing	16	15	19	19	19	17	-2
Transport	69	77	93	93	68	64	-4
Disability Services	19	-	83	84	42	42	-
Other	256	272	222	223	223	247	24
Total Current Grants and Subsidies	7,407	7,687	7,844	7,820	8,012	8,091	79
Capital Grants							
<i>Grants Through the State</i>							
Schools assistance – non-government schools	15	17	17	17	16	16	-
<i>National Partnerships/Other Grants</i>							
Housing	163	131	145	145	51	51	-
Transport	698	596	224	224	425	425	-
Other	18	36	27	14	14	21	7
Total Capital Grants	895	779	413	399	506	513	7
Sales of Goods and Services	21,583	19,496	22,034	22,158	20,852	20,633	-219
Interest Income	635	584	552	547	568	597	29
Royalty Income	4,126	3,842	5,181	5,558	5,260	5,272	12
Other							
Lease Rentals	92	93	95	95	97	99	2
Fines	206	199	206	206	196	200	3
Revenue not elsewhere counted	813	737	739	743	672	680	8
Total Other	1,110	1,029	1,041	1,044	965	979	14
TOTAL REVENUE	44,316	41,824	45,095	45,515	44,249	44,172	-77

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

Other Uniform Presentation Framework Information

Under an intergovernmental agreement between the States, Territories and the Commonwealth in the early 1990s, all jurisdictions release whole-of-government and other public sector information in a consistent format. This Uniform Presentation Framework (UPF) supports transparency and interjurisdictional comparisons.

Western Australia's whole-of-government financial disclosures, found in its annual Budget Papers, Mid-year Review, *Pre-election Financial Projections Statements* and quarterly and annual outturn reporting, including this *Annual Report on State Finances* (ARSF), are consistent with the UPF disclosure requirements.

In particular, UPF information in this ARSF includes:

- financial statements by sector of government and for the consolidated total public sector (see Appendix 1: *Financial Statements*);
- information on grants and transfer payments which are available in the notes to the financial statements (see Notes to the Financial Statements, Appendix 1);
- detailed operating revenue information (disclosed in Appendix 2: *Operating Revenue*); and
- detailed general government expenses and purchases of non-financial assets by function, along with outcome information for the State's Loan Council Allocation (detailed in this appendix).

Table 3.1

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION (a)
General Government

	2015-16	2016-17				Actual \$m	Variation on EOT \$m (5) - (4)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	FFPS Revision \$m (3)	Estimated Outturn \$m (4)		
EXPENSES							
<i>General public services</i>	206	453	363	348	446	506	59
Government superannuation benefits	93					202	
Other general public services	113					303	
<i>Public order and safety</i>	3,372	3,397	3,465	3,470	3,475	3,357	-119
Police and fire protection services	1,567					1,644	
Police services	1,193					1,251	
Fire protection services	374					393	
Law courts and legal services	858					729	
Prisons and corrective services	910					946	
Other public order and safety	37					38	
<i>Education</i>	7,017	7,244	7,149	7,159	7,097	7,058	-39
Primary and secondary education	5,813					5,881	
Primary education	3,119					3,143	
Secondary education	2,688					2,739	
Primary and secondary education nec.	5					-	
Tertiary education	574					516	
University education	15					15	
Technical and further education	559					500	
Tertiary education nec.	-					-	
Pre-school education and education not definable by level	502					532	
Pre-school education	261					257	
Special education	238					267	
Other education not definable by level	2					8	
Transportation of students	128					129	
Transportation of non-urban school students	124					125	
Transportation of other students	4					4	
Education nec.	-					-	
<i>Health</i>	8,306	8,471	8,810	8,825	8,686	8,672	-14
Acute care institutions	5,620					5,788	
Admitted patient services in acute care institutions	3,942					4,033	
Non-admitted patient services in acute care institutions	1,678					1,755	
Mental health institutions	152					349	
Nursing homes for the aged	136					105	
Community health services	1,380					1,270	
Community mental health services	569					537	
Patient transport	259					253	
Other community health services	552					480	
Public health services	276					301	
Pharmaceuticals, medical aids and appliances	573					664	
Health research	35					35	
Health administration nec.	133					160	

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

Table 3.1 (cont.)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION (a)
General Government

	2015-16		2016-17			Actual \$m	Variation on EOT \$m (5) - (4)
	Actual	Budget	MYR	PFPS	Estimated		
	\$m	Estimate \$m (1)	Revision \$m (2)	Revision \$m (3)	Outturn \$m (4)		
<i>Social security and welfare</i>	2,137	2,344	2,345	2,350	2,215	2,171	-45
Social security	-					-	
Welfare services	2,137					2,171	
Family and child welfare services	594					610	
Welfare services for the aged	486					480	
Welfare services for people with a disability	978					1,003	
Welfare services nec.	78					78	
Social security and welfare nec.	-					-	
<i>Housing and community amenities</i>	2,021	1,667	1,662	1,661	1,581	1,526	-55
Housing and community development	1,263					852	
Housing	526					366	
Aboriginal community development	16					15	
Other community development	721					472	
Water supply	647					562	
Sanitation and protection of the environment	93					91	
Other community amenities	17					21	
<i>Recreation and culture</i>	789	803	829	829	821	832	11
Recreation facilities and services	521					549	
National parks and wildlife	192					198	
Recreation facilities and services nec.	329					351	
Cultural facilities and services	210					219	
Broadcasting and film production	14					21	
Recreation and culture nec.	44					43	
<i>Fuel and energy</i>	464	489	476	476	464	470	6
Fuel affairs and services	-					-	
Gas	-					-	
Fuel affairs and services nec.	-					-	
Electricity and other energy	440					445	
Electricity	421					433	
Other energy	20					12	
Fuel and energy nec.	24					25	
<i>Agriculture, forestry, fishing and hunting</i>	386	371	396	396	385	361	-24
Agriculture	212					202	
Forestry, fishing and hunting	175					159	
<i>Mining and mineral resources other than fuels; manufacturing; and construction</i>	216	234	230	236	239	228	-12
Mining and mineral resources other than fuels	186					201	
Manufacturing	-					-	
Construction	30					27	

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

Table 3.1 (cont.)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION (a)
General Government

	2015-16		2016-17			Actual \$m	Variation on EOT \$m (5) - (4)
	Actual	Budget	MYR	FFPS	Estimated		
	\$m	Estimate	Revision	Revision	Outturn		
<i>Transport and communications</i>	2,003	2,276	2,300	2,330	2,361	2,342	-19
Road transport	1,302					1,619	
Road maintenance	860					997	
Road rehabilitation/Aboriginal community road transport services	75					123	
Road construction	76					181	
Road transport nec.	291					318	
Water transport	30					35	
Urban water transport services	-					-	
Other water transport services	30					35	
Rail transport	41					41	
Urban rail transport services	-					-	
Non-urban rail transport freight services	8					6	
Non-urban rail transport passenger services	32					35	
Air transport	9					10	
Pipelines	-					-	
Other transport	622					638	
Multi-mode urban transport	622					638	
Other transport nec.	-					-	
Communications	-					-	
<i>Other economic affairs</i>	620	690	706	714	686	663	-24
Storage, saleyards and markets	4					5	
Tourism and area promotion	141					143	
Labour and employment affairs	320					305	
Vocational training	212					188	
Other labour and employment affairs	108					118	
Other economic affairs	155					209	
<i>Other purposes</i>	968	1,156	1,170	1,176	1,252	1,202	-51
Public debt transactions	882					939	
General purpose inter-government transactions	85					262	
Natural disaster relief	1					1	
Other purposes nec.	-					-	
<i>Other (b)</i>	-	-	-	-	-1	-	1
TOTAL EXPENSES	28,506	29,596	29,901	29,969	29,710	29,387	-324
PURCHASES OF NON-FINANCIAL ASSETS							
General public services	191	122	198	205	153	152	-1
Public order and safety	167	169	215	221	177	170	-7
Education	326	310	347	356	354	351	-4
Health	385	517	597	605	346	311	-35
Social security and welfare	32	25	29	29	19	21	2
Housing and community amenities	151	24	38	38	86	80	-7
Recreation and culture	110	218	200	200	138	137	-1
Fuel and energy	1	2	2	2	2	2	-
Agriculture, forestry, fishing and hunting	27	30	28	28	27	30	2
Mining and mineral resources other than fuels; manufacturing; and construction	8	10	15	15	14	10	-4
Transport and communications	1,032	1,278	1,054	1,062	1,015	1,012	-3
Other economic affairs	46	80	86	86	72	66	-6
Other purposes	-	-300	-550	-550	-	-	-
TOTAL PURCHASE OF NON-FINANCIAL ASSETS	2,475	2,484	2,259	2,296	2,404	2,341	-62

(a) The accuracy of spending by Government Purpose Classification (GPC) data is subject to ongoing refinement and improvement. Calculation methods and the allocation of spending to the various GPCs are continually being updated based on data availability and correspondence with the Australian Bureau of Statistics and the Commonwealth Grants Commission.

(b) Budget provisions not allocated by GPC.

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

Loan Council Allocations

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a jurisdiction's total non-financial public sector cash deficit position¹, adjusted for certain memorandum items².

Western Australia recorded an LCA deficit of \$3,128 million in 2016-17, \$2,024 million lower than the deficit forecast in the 2016-17 Budget.

Material changes in the composition of this outcome since the 2016-17 Budget include:

- a lower than anticipated cash deficit for the total non-financial public sector (down \$1,310 million), with lower cash deficits for the general government (down \$933 million) and public non-financial corporations (down \$377 million) sectors;
- higher than expected acquisitions under finance leases and similar arrangements (up \$209 million) reflecting the delayed (from 2015-16) recognition for the Eastern Goldfields Regional Prison; and
- lower than expected outcomes for memorandum items (down \$923 million), mainly reflecting levels of home lending by Keystart; and

Key variations in State financial outcomes relative to the original 2016-17 Budget are detailed in Appendix 4 of this report.

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

² LCA memorandum items include additional factors that can increase a jurisdiction's demand for cash but which are outside the scope of the general government sector and/or the public non-financial corporations sector (e.g. borrowings by public universities and public sector home lending schemes).

Table 3.2

2016-17 LOAN COUNCIL ALLOCATIONS
Western Australia

	Nomination ^(a)	Budget	Estimated	Actual	Variation on Budget
	\$m	Estimate	Outturn		
		\$m	\$m	\$m	\$m
		(1)	(2)	(3)	(3)-(1)
General government cash surplus/deficit	3,991	4,684	4,208	3,751	-933
Public non-financial Corporations sector cash surplus/deficit	1,011	1,058	568	682	-377
<i>Total non-financial public sector cash surplus/deficit</i>	<i>5,002</i>	<i>5,742</i>	<i>4,776</i>	<i>4,432</i>	<i>-1,310</i>
Acquisitions under finance leases and similar arrangements	79	79	288	288	209
<i>GFS cash surplus/deficit</i>	<i>5,081</i>	<i>5,821</i>	<i>5,064</i>	<i>4,721</i>	<i>-1,101</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-	1	1
Plus: Memorandum items	-581	-669	-1,636	-1,592	-923
Loan Council Allocation	4,500	5,153	3,428	3,128	-2,024
<i>Tolerance Limit ^(b)</i>	<i>907</i>				

(a) 2015-16 Government Mid-year Financial Projections Statement, released 21 December 2015.

(b) ±2% of total non-financial public sector operating receipts at the time of the original LCA nomination.

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

Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2017

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 12 May 2016, in line with the requirements of AASB 1055: *Budgetary Reporting*¹.

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 2016-17 Budget is greater 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 2016-17 can also be reviewed as these emerged in:

- the 2016-17 *Government Mid-year Financial Projections Statement* (released in December 2016), describing changes since the Budget during the first half of 2016-17;

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

- the 2016-17 *Pre-election Financial Projections Statement* (PFPS, released in February 2017), describing updates since the Mid-year Review and up to the PFPS cut-off date of 2 February 2017;
- the 2017-18 Budget Paper No. 3: *Economic and Fiscal Outlook* (presented to the Legislative Assembly on 7 September 2017), describing changes since the PFPS and up to the 7 August 2017 cut-off date for the 2017-18 Budget; and
- Chapter 1 of this report (detailing final outcomes since the 2017-18 Budget estimates were finalised on the 7 August 2017 cut-off date).

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

Table 4.1

GENERAL GOVERNMENT
Operating Statement

	Notes	2016-17			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
RESULTS FROM TRANSACTIONS					
REVENUE					
Taxation	a	8,927	8,573	-355	-4.0
Current grants and subsidies	b	7,687	8,091	404	5.3
Capital grants	b	779	513	-266	-34.2
Sales of goods and services		2,227	2,293	66	3.0
Interest Income	c	167	196	29	17.4
Revenue from public corporations					
Dividends from other sectors	d	984	837	-147	-14.9
Tax equivalent income		499	534	35	6.9
Royalty income	e	3,842	5,272	1,430	37.2
Other		568	604	36	6.3
<i>Total</i>		25,681	26,913	1,232	4.8
EXPENSES					
Salaries	f	11,819	11,610	-209	-1.8
Superannuation					
Concurrent costs		1,170	1,166	-4	-0.3
Superannuation interest cost	g	200	156	-44	-22.1
Other employee costs	h	401	358	-42	-10.5
Depreciation and amortisation	i	1,477	1,320	-157	-10.6
Services and contracts		2,356	2,393	37	1.6
Other gross operating expenses	j	5,549	5,772	223	4.0
Other interest		778	783	4	0.5
Current transfers	k	5,311	5,280	-31	-0.6
Capital transfers	k	535	549	14	2.6
<i>Total</i>		29,596	29,387	-209	-0.7
NET OPERATING BALANCE	l	-3,914	-2,474	1,441	-36.8
<i>Other economic flows - included in the operating result</i>					
Net gains on assets/liabilities		7	-193	-200	-2,789.9
Net actuarial gains - superannuation		-154	659	813	-528.0
Provision for doubtful debts		-4	-41	-37	840.9
Changes in accounting policy/adjustment of prior periods		-	143	143	-
<i>Total other economic flows</i>	m	-151	568	719	-475.8
OPERATING RESULT		-4,066	-1,905	2,160	-53.1
<i>All other movements in equity</i>					
<i>Items that will not be reclassified to operating result</i>					
Revaluations		739	-3,042	-3,780	-511.7
Gains recognised directly in equity		-	15	16	-
Change in net worth of the public corporations sectors		359	254	-105	-29.1
All other		-	-	-	-
<i>Total all other movements in equity</i>	n	1,097	-2,772	-3,869	-352.6
TOTAL CHANGE IN NET WORTH	o	-2,968	-4,677	-1,709	57.6
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE		-3,914	-2,474	1,441	-36.8
<i>Less Net acquisition of non-financial assets</i>					
Purchase of non-financial assets		2,484	2,341	-143	-5.8
Changes in inventories		-3	-11	-9	317.1
Other movement in non-financial assets		40	240	200	496.8
<i>less:</i>					
Sales of non-financial assets		207	132	-75	-36.3
Depreciation		1,477	1,320	-157	-10.6
<i>Total net acquisition of non-financial assets</i>		839	1,119	280	33.4
NET LENDING-/BORROWING	p	-4,753	-3,592	1,161	-24.4

General Government Sector Operating Statement

- (a) Taxation revenue was \$355 million (or 4%) lower than budgeted, with:
- payroll tax, down \$270 million (or 7.6%), following weaker than expected growth in employment and wages, which were particularly subdued in large taxpaying industries (such as mining and construction);
 - transfer duty, down \$30 million (or 2.2%), reflecting weaker than expected residential transaction volumes and lower median house prices. These lower outcomes in the residential market were partly offset by a high value commercial property assessment worth \$169 million issued in May 2017;
 - gambling taxes, down \$30 million (or 10.5%), mainly reflecting \$18 million lower statutory grants from the Lotteries Commission (which are directed to spending on health, sport, and the arts) as a consequence of reduced sales revenue (driven by the sequence of jackpots through the year, and the impact of a softening economy on betting activity);
 - motor vehicle taxes, down \$27 million (or 2.1%), due mainly to lower than forecast growth in motor vehicle sales;
 - land tax, down \$20 million (or 2.2%), mainly reflecting fewer land tax payers than expected;
 - landholder duty, up \$50 million (or 48.9%), reflecting a number of large commercial transactions, which are often significant in magnitude, infrequent and volatile within, and between, years; and
 - a net decrease of \$26 million (or 1.9%) across all other taxes.
- (b) Current and capital grants from the Commonwealth were \$137 million (or 1.6%) higher than budgeted, driven by net changes to a range of grants including:
- transport-related grants, down \$183 million (or 27.2%), largely due to the reallocation of funds for the cancelled Perth Freight Link project to new road and rail projects in 2017-18, and delays to other major capital works projects (such as Northlink WA and Great Northern Highway – Muchea to Wubin), partially offset by a \$226 million top-up grant from the Commonwealth (in lieu of Western Australia's low GST relativity in 2017-18);
 - housing-related grants, down \$78 million (or 53.7%), primarily Indigenous housing grants, following delays in finalising the 2016-18 National Partnership on Remote Housing Agreement (which resulted in 2016-17 funding being carried over to 2017-18);

- health-related grants, up \$225 million (or 9.9%), comprising an additional \$134 million of National Health Reform Agreement funding (reflecting higher than expected activity levels and revisions to the Commonwealth's funding parameters), along with \$91 million for National Partnership and other grants (primarily due to the renewal of a number of Commonwealth Own Purpose Expenditure agreements and additional funding from the Department of Veteran Affairs);
 - local government grants on-passed through the State, up \$141 million (or 49.5%), both for general purposes (up \$85 million) and for roads (up \$56 million), mainly reflecting the Commonwealth Government's decision to bring forward part of the 2017-18 allocation to 2016-17. This was matched by an equivalent increase in general government sector transfer expenses, discussed later;
 - Commonwealth grants for non-government schools (which are also on-passed by the State) down \$20 million (or 1.7%), reflecting changes in non-government school enrolment numbers, indexation rates and changes in Commonwealth Government funding policy. Lower revenue for this funding is matched by an equivalent reduction in transfer expenses, discussed later;
 - North West Shelf grants, including Commonwealth compensation for crude oil excise arrangements, up \$158 million (or 32.7%), largely reflecting higher than forecast oil and gas market prices and production volumes through 2016-17;
 - GST grants, down \$91 million (or 4.5%), primarily reflecting the impact of Commonwealth estimates (in its 2016-17 and 2017-18 Budgets, and its 2016-17 Mid-year Economic and Fiscal Outlook) of a lower than expected national GST pool (reducing Western Australia's GST grants by \$52 million) and lower than expected population growth relative to other States (reducing Western Australia's grants by \$39 million); and
 - a net decrease of \$13 million (or 0.9%) across all other Commonwealth grants.
- (c) Interest income was \$29 million (or 17.4%) higher than budgeted. This mainly reflects higher than expected Public Bank Account (PBA) investment pool balances compared with 2016-17 Budget assumptions, combined with a higher average interest rate on these balances (at an average 2.1% compared with an estimated average 1.8% assumption in the 2016-17 Budget). PBA balances vary substantially during the year as a result of the timing of transactions in and out of the Account.
- (d) Dividend income from the State's public corporations was \$147 million (or 14.9%) lower than budgeted, with the main drivers being:
- Pilbara Ports Authority (down \$89 million), due to the Government's decision to defer the interim dividend for 2016-17 to 2017-18 as part of the 2017-18 Budget;

- Western Power (down \$72 million), due to the Government's decision to defer the interim dividend for 2016-17 to 2017-18 as part of the recent Budget, partially offset by improved profitability in 2015-16 (which was paid as an adjustment to the final dividend in 2016-17);
 - the Water Corporation (down \$63 million), largely due to lower developer contributions and lower customer revenue (both of which impact profit outcomes); and
 - the Insurance Commission of Western Australia (up \$75 million), primarily reflecting a once-off special dividend of \$95 million paid in 2016-17, following higher than expected investment returns.
- (e) Royalty income was \$1,430 million (or 37.2%) higher relative to the 2016-17 Budget forecast. This was primarily due to higher projected iron ore royalties, which were \$1,413 million (or 42.9%) higher than budgeted. Royalties for gold, alumina, petroleum, and 'other' minerals were collectively \$41 million higher than budgeted, while royalties for diamonds, nickel and mineral sands were a combined \$23 million lower than budgeted. The higher iron ore royalties were due to a combination of:
- the iron ore price averaging \$US68.50 per tonne through the year, 43.6% above the 2016-17 Budget price assumption of \$US47.7 per tonne; and
 - higher than forecast production volumes, which totalled 790 million tonnes compared to the 2016-17 Budget estimate of 782 million tonnes.
- (f) Salaries expenses were \$209 million (or 1.8%) lower than budgeted, due mainly to WA Health (down \$203 million, or 4.5%). This primarily reflected differences in the allocation of costs (to other classes of expense) and workforce management strategies that have reduced full-time equivalents by 3.2% since the Budget forecast, partially offset by the impact of higher than expected hospital activity and costs associated with the Department's Voluntary Separation Scheme.
- (g) Superannuation interest costs were \$44 million (or 22.1%) lower than budgeted, due mainly to the actuarial valuation of unfunded scheme liabilities and associated scheme costs determined after 30 June 2017. This was largely due to a substantially lower outcome for the unfunded liabilities at 30 June 2017 (down \$729 million relative to the Budget forecast) and against which the superannuation interest cost is calculated. The lower liability cost reflects the outcome of the full-year valuation for 2016-17 and in turn reflects:
- a higher than expected discount rate increase of 0.6 percentage points from 2015-16 to 2016-17 (up from 2.0% in 2015-16 to 2.6% in 2016-17) compared to an expected 0.1 percentage point increase forecast at Budget time (from an expected 2.4% in 2015-16 to an estimated 2.5% in 2016-17);
 - lower than expected salary assumptions following the Government's May 2017 announcement to cap increases in public sector wages and associated conditions at \$1,000 per annum (compared with a 1.5% per year wages policy); and

- a higher than expected membership decline in the Gold State and Pension Schemes.
- (h) Other employee costs were \$42 million (or 10.5%) lower than budgeted, primarily reflecting lower costs for Government Regional Officers' Housing (GROH) (down \$50 million), particularly for the Department of Education (which accounted for \$22 million of the total change), WA Health (\$10 million), and Western Australia Police (\$6 million). The lower costs also include the impact of a downturn in residential market rents in regional areas.
- (i) Depreciation and amortisation expenses were \$157 million (or 10.6%) lower than budgeted, driven by lower outcomes for the Departments of Health (down \$59 million), Education (down \$53 million), and Finance (down \$22 million), reflecting lower than expected annual valuations for physical assets (particularly for the Department of Education, which changed its valuation policy for buildings, detailed in the 2015-16 *Annual Report on State Finances* (ARSF), slower than expected progress on some infrastructure spending, and delayed commissioning for some assets (such as for the Perth Children's Hospital).
- (j) 'Other' gross operating expenses (largely made up of the day-to-day non-salaries operating costs of agencies, such as office accommodation costs, building and maintenance costs, electricity and water costs, and administration costs) were \$223 million (or 4%) higher than budgeted. This largely reflects higher than forecast spending by WA Health (primarily due to differences in the allocation of costs from other classes of expense, particularly salaries), and higher than expected costs related to the Perth Children's Hospital (due to changes in the classification of some infrastructure spending to expenses, and delayed practical completion and commissioning activities). These increases were partly offset by lower uptake of high cost drugs.
- (k) Transfer expenses (mainly current and capital grant payments) were \$17 million (or 0.3%) lower than budgeted, with lower current transfers (down \$31 million) partly offset by higher capital transfers (up \$14 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 2016-17 outcomes include:
- the flow-through of (net) higher than budgeted Commonwealth grants to the local government sector (up \$141 million) and to non-government schools (down \$20 million), as detailed above under revenue;

- operating subsidies to the State's public corporations (down \$29 million), predominantly to the Water Corporation (down \$22 million), driven by lower than budgeted expenditure in country regions in 2016-17 (due mainly to softer inflationary cost pressures and a reduction in growth-driven investment). Subsidy costs were also lower than budgeted for Synergy (down \$7 million) and the Public Transport Authority (down \$7 million), but higher for Horizon Power (up \$5 million) and the Western Australian Land Authority (up \$3 million) reflecting a range of relatively minor movements in these agencies;
 - the inclusion in the original Budget of a \$60 million provision for costs associated with resolution of Native Title in the South West of Western Australia, with these costs now expected to be incurred in 2018-19;
 - lower grants paid by the Department of the Premier and Cabinet (down \$43 million), due to the deferral of the Browse LNG Precinct Regional Benefits Package to 2018-19 (\$31 million), the timing of Native Title grants (\$10 million), and the later than expected timing for funding of the Great Kimberley Marine Park (\$2 million);
 - lower than forecast tax refunds (down \$37 million), particularly transfer duty refunds. The number and average value of refund claims is volatile from year to year, making Budget forecasts difficult;
 - lower grants to the Housing Authority² (down \$78 million), reflecting the lower grants received under the Remote Indigenous Housing National Partnership agreement, as discussed under revenue;
 - higher grants by Main Roads to the local government sector (up \$75 million), mainly due to higher payments under the Western Australia Natural Disaster Relief and Recovery Arrangements for repairs to local roads after the Great Southern floods in February 2017, and grants to the City of Wanneroo towards the duplication of Marmion Avenue between Butler and Yanchepp; and
 - higher general government sector asset transfers to local governments (up \$25 million), reflecting roads/bridges and other minor road assets transferred to councils, including the transfers of sections of Lloyd Street to the City of Swan and South Coast Highway to the Shire of Ravensthorpe (at higher values than previously estimated).
- (1) The net operating balance in 2016-17 was a \$2,474 million deficit, a \$1,441 million improvement from the Budget projection for a \$3,914 million deficit. Revenue was \$1,232 million (or 4.8%) higher than budgeted while expenses were \$209 million (or 0.7%) lower than forecast, as detailed above.

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

- (m) 'Other economic flows'³ resulted in an aggregate increase in net worth of \$568 million. This was \$719 million higher than expectations at the time of the Budget. This was largely due to higher than budgeted net actuarial gains on superannuation (up \$813 million), reflecting movements in the actuary's valuation of unfunded superannuation liabilities at 30 June 2017 noted earlier in this section.
- (n) All other movements in equity equated to an aggregate decrease in net worth of \$2.8 billion, a \$3.9 billion turnaround compared to the 2016-17 Budget estimates (following lower annual asset valuation outcomes (mainly land) for both 2015-16 and 2016-17 and which account for \$3.8 billion of the change). This item accounts for all changes in the net worth of the public sector balance sheet that are not accounted for on the general government sector operating statement, including the operations of public corporations, valuation changes across the sector, and the impact of investing and financial activities. These other sources of variance are discussed throughout the following sections of this appendix.
- (o) Net worth at 30 June 2017 declined \$4.7 billion on the final outcome for 2015-16. This compared with a \$3 billion decrease forecast in the original Budget, which was based on the expected outturn for 2015-16 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 second consecutive annual decrease in net worth, with the level of net worth now broadly similar to the level it was around 30 June 2012, and is driven predominantly by protracted 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.
- (p) A \$3.6 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 \$4.8 billion deficit forecast at the time of the 2016-17 Budget.

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

Inventory levels were budgeted to decline by \$3 million in 2016-17 Budget forecasts (compared with an \$11 million decrease in this ARSF), while depreciation was \$157 million lower than budgeted (mostly reflecting lower than anticipated expenses for WA Health, Education and Finance, as previously discussed).

³ 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.

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 \$200 million higher than expected in the original Budget. This outcome largely reflects the delayed finance lease recognition (from 2015-16 as expected in the original Budget) due to the delay in opening of the Eastern Goldfields Regional Prison (\$216 million), with movements in net assets transferred in/out of the sector broadly comparable to 2016-17 Budget expectations.

Table 4.2

GENERAL GOVERNMENT
Balance Sheet

	Notes	2016-17			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
ASSETS					
<i>Financial assets</i>					
Cash and deposits		852	778	-73	-8.6
Advances paid		712	717	5	0.6
Investments, loans and placements		2,620	4,278	1,659	63.3
Receivables		2,560	3,099	539	21.1
<i>Shares and other equity</i>					
Investments in other public sector entities - equity method		49,403	47,909	-1,494	-3.0
Investments in other public sector entities - direct injections		9,058	9,019	-38	-0.4
Investments in other entities		38	51	13	34.8
Other financial assets		-	8	8	-
Total financial assets	a	65,241	65,859	618	0.9
<i>Non-financial assets</i>					
Land		39,232	37,269	-1,963	-5.0
Property, plant and equipment		47,629	42,640	-4,989	-10.5
Biological assets		-	8	8	-
<i>Inventories</i>					
Land inventories		93	98	5	5.3
Other inventories		80	73	-8	-9.6
Intangibles		612	680	68	11.0
Non-current assets held for sale		29	111	82	285.4
Investment property		-	7	7	-
Other		719	665	-55	-7.6
Total non-financial assets	b	88,396	81,551	-6,844	-7.7
TOTAL ASSETS	c	153,637	147,410	-6,227	-4.1
LIABILITIES					
Deposits held		835	646	-189	-22.6
Advances received		376	376	-	-
Borrowings		23,366	23,572	206	0.9
Unfunded superannuation		7,772	7,043	-729	-9.4
Other employee benefits		3,023	2,911	-112	-3.7
Payables		1,076	1,294	217	20.2
Other liabilities		1,234	1,380	146	11.8
TOTAL LIABILITIES	d	37,682	37,221	-462	-1.2
NET ASSETS		115,954	110,189	-5,765	-5.0
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		7,494	6,553	-941	-12.6
Other reserves		108,460	103,636	-4,824	-4.4
NET WORTH	e	115,954	110,189	-5,765	-5.0
MEMORANDUM ITEMS					
<i>Net financial worth</i>		27,559	28,638	1,079	3.9
<i>Net financial liabilities</i>		30,902	28,290	-2,611	-8.5
<i>Net debt</i>					
Gross debt liabilities		24,577	24,594	17	0.1
less: liquid financial assets		4,184	5,773	1,590	38.0
less: convergence differences impacting net debt		-	-	-	-
Net debt	f	20,393	18,820	-1,573	-7.7

General Government Sector Balance Sheet

- (a) General government sector financial assets totalled \$65.9 billion at 30 June 2017, up \$618 million (or 0.9%) from the original Budget. This largely reflected higher than budgeted holdings of liquid financial assets which were up \$1.6 billion (or 38%), mainly due to higher Public Bank Account (PBA) investments⁴. This in turn reflected the better than expected final results for the year ending 30 June 2016 compared to the then expected outcome for that year (discussed in the 2015-16 ARSF), and the better than expected results in 2016-17.

Other changes included a \$1.5 billion (or 2.6%) decrease in the value of investments in other public sector entities (i.e. public corporations), mainly reflecting lower land values in the public non-financial corporations sector, and a \$539 million higher than expected outturn for receivables⁵ (mainly due to the timing of transactions).

- (b) Non-financial assets (such as land and infrastructure holdings) totalled \$81.6 billion at 30 June 2017, down \$6.8 billion (or 7.7%) from the original Budget. This primarily reflects lower than forecast property, plant and equipment (down \$5 billion) and land (down \$2 billion). These results were partly driven by the lower than expected outcome for the year ending 30 June 2016 discussed in the 2015-16 ARSF, along with lower than budgeted year-end valuations for land (including land under roads) for 2016-17.
- (c) Total assets were \$147.4 billion at 30 June 2017, down \$6.2 billion (or 4.1%) compared to the original Budget, reflecting the movements outlined above.
- (d) Total liabilities were \$37.2 billion at 30 June 2017, down \$462 million (or 1.2%) from the original Budget. Key movements in different classes of liabilities included:
- debt liabilities (up a net \$17 million), largely due to higher borrowings (up \$206 million) more than offsetting lower deposits held (down \$189 million); and
 - non-debt liabilities (down a net \$478 million), with lower unfunded superannuation (down \$729 million) and employee benefits such as accruing leave entitlements (down \$112 million), more than offsetting higher than Budget outcomes for payables⁶ (up \$217 million) and 'other' liabilities (up \$146 million, which are subject to the timing of cash payments by the sector).
- (e) Net worth (the difference between total assets and total liabilities) was \$110.2 billion at 30 June 2017. This outcome is \$5.8 billion (or 5%) lower than the forecast \$116 billion in the 2016-17 Budget and reflects the net impact of the outcomes noted above.
- (f) General government sector net debt was \$18.8 billion at 30 June 2017, \$1.6 billion (or 7.7%) lower than the \$20.4 billion estimated in the original Budget.

⁴ 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*.

⁵ Accounts for goods and services that have been invoiced but for which cash is still to be received.

⁶ Payables include short and long term trade creditors, and accounts payable.

Table 4.3

GENERAL GOVERNMENT
Cash Flow Statement

	Notes	2016-17			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash received</i>					
Taxes received		8,941	8,432	-510	-5.7
Grants and subsidies received		8,437	8,529	92	1.1
Receipts from sales of goods and services		2,239	2,335	96	4.3
Interest receipts		159	193	34	21.3
Dividends and tax equivalents		1,562	1,484	-78	-5.0
Other		5,711	7,218	1,507	26.4
<i>Total cash received</i>		27,050	28,191	1,141	4.2
<i>Cash Paid</i>					
Wages, salaries and supplements, and superannuation		-13,437	-13,141	296	-2.2
Payments for goods and services		-8,190	-8,608	-418	5.1
Interest paid		-737	-758	-21	2.8
Grants and subsidies paid		-5,654	-5,389	265	-4.7
Dividends and tax equivalents		-	-	-	-
Other payments		-1,439	-1,836	-397	27.6
<i>Total cash paid</i>		-29,456	-29,732	-276	0.9
NET CASH FLOWS FROM OPERATING ACTIVITIES	a	-2,406	-1,541	865	-36.0
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash flows from investments in non-financial assets</i>					
Purchase of non-financial assets	b	-2,484	-2,341	143	-5.8
Sales of non-financial assets	c	207	132	-75	-36.3
<i>Total cash flows from investments in non-financial assets</i>	d	-2,278	-2,210	68	-3.0
<i>Cash flows from investments in financial assets</i>					
<i>Cash received</i>					
For policy purposes		10	14	4	44.4
For liquidity purposes		35	83	48	136.9
<i>Cash paid</i>					
For policy purposes		-962	-861	101	-10.5
For liquidity purposes		-	-46	-45	-
<i>Total cash flows from investments in financial assets</i>		-917	-809	108	-11.8
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,195	-3,018	176	-5.5
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash received</i>					
Advances received		16	16	-	0.1
Borrowings		5,033	5,166	133	2.6
Deposits received		-	-	-	-
Other financing receipts		41	46	4	10.3
<i>Total cash receipts from financing activities</i>		5,090	5,227	137	2.7
<i>Cash paid</i>					
Advances paid		-16	-16	-	0.1
Borrowings repaid		-166	-168	-2	0.9
Deposits paid		-	-	-	-
Other financing payments		-466	-418	48	-10.3
<i>Total payments for financing activities</i>		-648	-602	46	-7.2
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,442	4,626	184	4.1
Net increase in cash and cash equivalents		-1,159	66	1,225	-105.7
Cash and cash equivalents at the beginning of the year		5,019	4,773	-247	-4.9
Cash and cash equivalents at the end of the year		3,860	4,839	978	25.3
KEY FISCAL AGGREGATES					
Net cash flows from operating activities		-2,406	-1,541	865	-36.0
Net cash flows from investing in non-financial assets		-2,278	-2,210	68	-3.0
Cash surplus/-deficit	e	-4,684	-3,751	933	-19.9

General Government Sector Cash Flow Statement

- (a) Net cash flows from operating activities (i.e. the receipts and payments of day-to-day operating activities of general government agencies) were in a net \$1.5 billion cash deficit position in 2016-17, a \$865 million (or 36%) improvement on the \$2.4 billion cash operating deficit forecast in the 2016-17 Budget⁷. Total operating cash received in 2016-17 was \$28.2 billion, \$1.1 billion (or 4.2%) higher than Budget, while total cash paid in 2016-17 was \$29.7 billion, \$276 million (or 0.9%) lower than Budget.

The \$865 million improvement in the cash operating deficit reflects similar considerations to the more moderate improvement for the accrual operating deficit on the operating statement discussed earlier in this appendix. In particular, reductions in tax and dividend revenue were more than offset by significantly higher mining revenue⁸ and Commonwealth grants, and have brought about an increase in cash receipts relative to the Budget.

At the same time, the cash flow equivalents to the lower than budgeted accrual expenses (in the areas of salaries and transfer expenses) whilst also lower, are offset by the inclusion on the cash flow statement of GST payments incurred by agencies on their purchases (included in the 'other payments' line item and largely offset by GST input credits available to public sector agencies, included in 'other operating receipts'). These transactions were significantly higher than budgeted, and as a result, overall cash payments are higher than the original Budget. This contrasts to operating expenses which, as discussed earlier, were \$209 million 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 divergence in outcomes for operating expenses compared to operating payments.

- (b) Purchases of non-financial assets (i.e. largely land and infrastructure investment) were \$2.3 billion in 2016-17, \$143 million (or 5.8%) lower than the 2016-17 Budget, with key changes including:
- Main Roads (down \$266 million), due largely to deferral of works for the cancelled Perth Freight Link project. Spending was also lower than anticipated due to revised timing of works for major road projects, including sections of the NorthLink WA and the Great Northern Highway – Muchea to Wubin project following delays in awarding contracts;

⁷ 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.

⁸ Mining revenue comprises royalty income, North West Shelf grants (including condensate compensation) and lease rentals for exploration and production licences.

- WA Health (down \$205 million), reflecting delays or changes in timing associated with project design activity, planning approval and procurement processes for a number of Southern Inland Health Initiatives, Karratha Health Campus, the Perth Children's Hospital, and the medical imaging system replacement project;
 - Department of Culture and the Arts (down \$54 million), mainly due to a delay in the appointment of the Managing Contractor for the New Museum Project impacting on the associated scheduling of payments, partially offset by a reclassification of some spending investment to operating outlays;
 - Department of Sport and Recreation (down \$21 million), mainly due to revised project scheduling for various components of works on the Perth Stadium and Plaza, and the surrounding Sports Precinct;
 - the Department of Finance (up \$29 million), due mainly to negotiated lease incentives from landlords associated with Government Office Accommodation fit-outs;
 - Department of Education (up \$39 million), primarily due to unanticipated increases in small asset spending by schools (previously expected to be largely accounted for in recurrent school budgets), an increase in investment in facilities for students with disabilities, and increased investment to expand the new primary schools' capacity. Changes in timing of key projects including Shenton College, North Butler and Margaret River Senior High Schools, as well as delays in investment on the Student Information System, have offset the overall higher outturn, reflecting the actual timing of payments for works and movement in scheduled procurement processes for some projects; and
 - the inclusion in the original Budget of a \$300 million general underspend provision, and a \$72 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 2017 (and detailed above).
- (c) Sales of non-financial assets were \$132 million in 2016-17, \$75 million (or 36.3%) lower than Budget, with key changes including:
- lower land sales by the Department of Lands (down \$84 million), mainly reflecting a \$63 million Land Asset Sales Program target that was included in the 2016-17 Budget as a provision for the sale of freehold land owned by other agencies. Freehold land sales totalling \$28 million were achieved in 2016-17, and these sales are included in individual agency statements. Crown land sales were \$21 million lower than the original Budget, primarily due to the retention of a parcel of land in North Lake, and changes in the timing of other sales;

- lower disposals by the Western Australian Planning Commission (down \$11 million), mainly due to the subdued local market during the year, and the withdrawal of a number of surplus properties from the disposal program; and
 - the Department of Finance (up \$27 million), largely resulting from the sale of vehicles to the Water Corporation (as a result of the Corporation exiting from the State Fleet leasing arrangement).
- (d) Net cash flows from investments in non-financial assets totalled \$2.2 billion in 2016-17, \$68 million lower than Budget and reflecting the changes in purchases and sales outlined above.
- (e) The general government sector recorded a \$3.8 billion cash deficit in 2016-17, \$933 million (or 19.9%) 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	2016-17			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
RESULTS FROM TRANSACTIONS					
REVENUE					
Taxation		8,406	8,086	-320	-3.8
Current grants and subsidies		7,687	8,091	404	5.3
Capital grants		779	513	-266	-34.2
Sales of goods and services		19,496	20,633	1,138	5.8
Interest income		584	597	13	2.2
Royalty income		3,842	5,272	1,430	37.2
Other		1,029	979	-50	-4.9
<i>Total</i>	a	41,824	44,172	2,348	5.6
EXPENSES					
Salaries		13,086	12,811	-275	-2.1
Superannuation					
Concurrent costs		1,296	1,287	-9	-0.7
Superannuation interest cost		200	156	-44	-22.1
Other employee costs		259	277	18	6.9
Depreciation and amortisation		3,605	3,399	-206	-5.7
Services and contracts		3,253	3,309	55	1.7
Other gross operating expenses		18,356	19,554	1,198	6.5
Other interest		1,733	1,714	-19	-1.1
Current transfers		3,947	3,927	-20	-0.5
Capital transfers		326	482	156	48.1
<i>Total</i>	b	46,060	46,916	856	1.9
NET OPERATING BALANCE	c	-4,237	-2,744	1,492	-35.2
<i>Other economic flows - included in the operating result</i>					
Net gains on assets/liabilities		170	187	17	9.7
Net actuarial gains - superannuation		-154	638	792	-514.1
Provision for doubtful debts		-21	-102	-80	375.5
Changes in accounting policy/adjustment of prior periods		-	-1,008	-1,008	-
<i>Total other economic flows</i>	d	-5	-285	-280	5,522.7
OPERATING RESULT		-4,242	-3,030	1,212	-28.6
<i>All other movements in equity</i>					
<i>Items that will not be reclassified to operating result</i>					
Revaluations		1,328	-2,803	-4,131	-311.0
Gains recognised directly in equity		-55	1,155	1,210	-2,214.4
All other		-	-	-	-
<i>Total all other movements in equity</i>	e	1,274	-1,648	-2,921	-229.4
TOTAL CHANGE IN NET WORTH	f	-2,968	-4,677	-1,709	57.6
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE		-4,237	-2,744	1,492	-35.2
<i>Less Net acquisition of non-financial assets</i>					
Purchase of non-financial assets		5,862	5,137	-725	-12.4
Changes in inventories		251	-449	-699	-278.9
Other movement in non-financial assets		195	371	176	90.0
<i>less:</i>					
Sales of non-financial assets		1,070	576	-493	-46.1
Depreciation		3,605	3,399	-206	-5.7
<i>Total net acquisition of non-financial assets</i>		1,634	1,085	-550	-33.6
NET LENDING/-BORROWING	g	-5,871	-3,829	2,042	-34.8

Total Public Sector⁹ Operating Statement

(a) Operating revenue in 2016-17 was \$44.2 billion, \$2.3 billion (or 5.6%) higher than budgeted, with higher sales of goods and services, royalty income, interest income and Commonwealth grants more than offsetting lower taxation 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 appendix¹⁰.

Sales of goods and services were \$1.1 billion (or 5.8%) higher than Budget, with material changes attributable to:

- the Gold Corporation (up \$2 billion), mainly due to higher than budgeted Australian dollar metal prices, higher than expected refining volumes, and the accounting treatment for actual precious metal transactions recorded at year-end¹¹. This significant increase in forecast revenue is broadly matched by an equivalent increase in related expenses (see further below);
- Racing and Wagering Western Australia (down \$299 million), due largely to lower betting turnover, in turn driven by the impact of subdued economic conditions on betting activity. Lower than expected betting revenue is broadly matched by reduced betting dividend payouts and other direct costs of sales;
- the Housing Authority (down \$130 million), reflecting lower inventory sales from the Affordable Housing and Public Housing Stock Redevelopment programs, mainly due to softening market demand and lower commencements to ensure production reflects current market conditions. This lower than expected revenue is broadly matched by an equivalent reduction in related expenses;
- Synergy (down \$117 million), mainly due to lower sales of electricity as a result of loss of contestable market share (and hence lower volumes sold to contestable customers), combined with lower non-contestable customer sales (due to lower energy demand for heating and cooling, reflecting milder seasonal conditions). These outcomes were partly offset by an increase in wholesale sales to Bluewaters Power (a third party energy generator), following an unplanned outage at the Bluewaters 2 unit;

⁹ The total public sector (also known as the whole-of-government) consolidates the general government sector (discussed earlier), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State's ports, and the electricity and water utilities), and the public financial corporations sector (which includes agencies mainly engaged in financial activities such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

¹⁰ 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.

¹¹ 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 \$92 million), as a result of reduced sales (with a corresponding reduction in related expenditure); and
- the Pilbara Ports Authority (down \$78 million), due largely to the extension of price relief for junior iron ore miners at the Utah Point Handling Facility, along with no recovery for dredging works at the Port of Ashburton (following a commercial decision by the Authority to not carry out the dredging works).

‘Other’ revenue was \$50 million (or 4.9%) lower than the original Budget, primarily reflecting lower than budgeted developer contributions to the Water Corporation (down \$51 million), mainly for slower than expected lot development activity in the metropolitan region, where lots cleared in 2016-17 were around 30% lower than budgeted.

- (b) Operating expenses in 2016-17 were \$46.9 billion, \$856 million (or 1.9%) higher than Budget, with higher outcomes for ‘other’ gross operating expenses, capital transfers and to a lesser extent, services and contracts and other employee costs, which more than offset lower outcomes across all other line items.

‘Other’ gross operating expenses were \$1.2 billion (or 6.5%) higher than Budget, due largely to the (broadly equivalent) impact on expenses of the revenue issues outlined above for the Gold Corporation (up \$2 billion), Racing and Wagering Western Australia (down \$274 million), Lotteries Commission (down \$64 million), Synergy (down \$122 million), and the Housing Authority (down \$73 million). The Housing Authority also recorded a lower than forecast outcome for regional lease rental expenses (down \$41 million) mainly due to GROH lease rental costs declining across the regions (and matched by lower than expected GROH rent revenue).

In the public financial corporations sector, claims expenses were \$74 million lower than budgeted, due to the net impact of:

- lower than anticipated claims for RiskCover (down \$100 million), with fewer than anticipated new insurance claims during the period in the short-tail classes of property and motor vehicle, and the impact from the annual actuarial valuation of both the number and value of future claims. The reduction in new property claims is due primarily to schools not lodging as many claims for minor repair work compared to previous years; and
- higher than anticipated claims for the Insurance Commission of Western Australia (up \$26 million) with both an increase in the number of new claims received and a higher number of large loss claim settlements. The impact of the annual actuarial valuation of both the number and value of future claims also resulted in an increase in claims.

Excluding from these specific agencies, ‘other’ gross operating expenses for all other agencies were down \$107 million (or 1.5%).

Salaries were \$275 million (or 2.1%) lower than 2016-17 Budget, mainly due to the \$209 million lower salaries outcome for the general government sector outlined earlier. Salaries outcomes in the State's public non-financial corporations were \$63 million lower while public financial corporations' salary costs were within \$3 million of the Budget.

Depreciation and amortisation expenses were \$206 million (or 5.7%) lower than the original Budget, with public non-financial corporations sector outcomes \$47 million lower than anticipated (general government sector depreciation costs were \$157 million lower than forecast and were discussed earlier in this appendix). The lower than expected public non-financial corporations outcome mainly reflects lower annual valuations for physical assets, including Western Power's assets, (valued on a fair value basis), partly offset by a higher than budgeted outcome for the Public Transport Authority.

Across the other expense line items, lower than budgeted outcomes were recorded for superannuation interest costs (down \$44 million, or 22.1%), current transfers (down \$20 million, or 0.5%), interest expenses (down \$19 million, or 1.1%), and concurrent superannuation costs (down \$9 million, or 0.7%). These were broadly offset by higher than budgeted outcomes for services and contracts (up \$55 million, or 1.7%), other employee costs (up \$18 million, or 6.9%) and capital transfers (up \$156 million, or 48.1%). The major factors behind the material higher than budgeted capital transfers outcome were higher on-passed Commonwealth grants to local governments for roads and assets transferred to local governments (both discussed earlier), along with property assets transferred to community housing organisations by the Housing Authority.

- (c) The total public sector recorded a \$2.7 billion operating deficit in 2016-17, \$1.5 billion smaller than the \$4.2 billion deficit projected at the time of the 2016-17 Budget. Revenue was \$2.3 billion (or 5.6%) higher than forecast while expenses were \$856 million (or 1.9%) higher than 2016-17 Budget. The main drivers of these movements have been outlined above.
- (d) 'Other' economic flows resulted in an aggregate decrease in net worth of \$285 million, a \$280 million turnaround from 2016-17 Budget expectations. This was due to changes in accounting policies/adjustment of prior periods (which are not forecast in the Budget)¹², along with higher than budgeted net actuarial gains on superannuation (up \$792 million, outlined earlier).
- (e) All other movements in equity equate to an aggregate decrease in net worth of \$1.6 billion in 2016-17, a \$2.9 billion turnaround from Budget expectations. This was due to lower than expected land valuations in both 2015-16 and 2016-17 (down \$4.1 billion), partly offset by higher than estimated gains recognised directly in equity (up \$1.2 billion).

¹² 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.

- (f) The total change in net worth at 30 June 2017 was a decrease of \$4.7 billion compared with a \$3 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 \$3.8 billion deficit position in 2016-17, \$2 billion (or 34.8%) less than the net lending deficit projected in the original Budget.

A discussion on changes in total public sector purchases and sales of non-financial assets is contained later in this appendix (under the cash flow statement).

Inventories were budgeted to rise by \$251 million but decreased by \$449 million, with this \$699 million turnaround in expectations primarily driven by the Gold Corporation's holdings of precious metals.

Depreciation expenses were \$206 million (or 5.7%) lower than budgeted, as outlined earlier.

Other movements in non-financial assets (which comprises the value of assets transferred in/out of the sector, and assets acquired under finance leases) were \$176 million higher than expected in the 2016-17 Budget (discussed earlier in the general government sector).

Table 4.5

TOTAL PUBLIC SECTOR
Balance Sheet

	Notes	2016-17			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
ASSETS					
<i>Financial assets</i>					
Cash and deposits		1,646	2,136	490	29.8
Advances paid		4,723	3,710	-1,013	-21.4
Investments, loans and placements		13,650	18,613	4,963	36.4
Receivables		3,626	4,190	564	15.6
Equity - Investments in other entities		1,917	2,101	184	9.6
Other financial assets		7	14	8	114.0
<i>Total financial assets</i>		<i>25,567</i>	<i>30,764</i>	<i>5,197</i>	<i>20.3</i>
<i>Non-financial assets</i>					
Land		54,480	50,870	-3,610	-6.6
Property, plant and equipment		103,317	98,534	-4,784	-4.6
Biological assets		319	334	15	4.8
Inventories					
Land inventories		2,182	2,065	-118	-5.4
Other inventories		4,356	4,052	-304	-7.0
Intangibles		1,051	1,119	67	6.4
Non-current assets held for sale		65	135	70	107.7
Investment property		457	262	-195	-42.6
Other		884	806	-78	-8.8
<i>Total non-financial assets</i>		<i>167,112</i>	<i>158,178</i>	<i>-8,935</i>	<i>-5.3</i>
TOTAL ASSETS		192,680	188,942	-3,738	-1.9
LIABILITIES					
Deposits held		56	26	-30	-53.7
Advances received		376	376	-	-
Borrowings		53,424	56,021	2,597	4.9
Unfunded superannuation		7,805	7,166	-639	-8.2
Other employee benefits		3,474	3,310	-164	-4.7
Payables		6,202	6,235	33	0.5
Other liabilities		5,388	5,619	231	4.3
TOTAL LIABILITIES		76,726	78,753	2,027	2.6
NET ASSETS		115,954	110,189	-5,765	-5.0
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		28,362	27,900	-462	-1.6
Other reserves		87,592	82,289	-5,303	-6.1
NET WORTH	a	115,954	110,189	-5,765	-5.0
MEMORANDUM ITEMS					
<i>Net financial worth</i>		<i>-51,158</i>	<i>-47,989</i>	<i>3,170</i>	<i>-6.2</i>
<i>Net financial liabilities</i>		<i>53,075</i>	<i>50,089</i>	<i>-2,985</i>	<i>-5.6</i>
<i>Net debt</i>					
Gross debt liabilities		53,856	56,423	2,567	4.8
less: liquid financial assets		20,018	24,459	4,441	22.2
less: convergence differences impacting net debt		-	-	-	-
Net debt	b	33,838	31,964	-1,874	-5.5

Total Public Sector Balance Sheet¹³

- (a) Net worth of the total public sector was \$110.2 billion at 30 June 2017, which is equivalent to that of the general government sector (down \$5.8 billion, or 5% on the Budget-time forecast, 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 2016 compared to the then expected outcome for that year, changes due to operating and investing operations through 2016-17 (discussed in cash flow terms below), and movements in the valuation of assets (particularly land and other physical assets).

- Assets were \$3.7 billion (or 1.9%) lower than Budget with higher holdings of financial assets (up \$5.2 billion) more than offset by lower holdings of non-financial assets (down \$8.9 billion). For financial assets, liquid cash holdings were \$4.4 billion higher than anticipated (reflecting both a higher than expected outcome for the year ending 30 June 2016, as detailed in the 2015-16 ARSF, and the better than expected results in 2016-17, while receivables were \$564 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 \$4.8 billion) and land (down \$3.6 billion), including the general government valuation movements in 2015-16 and 2016-17 discussed earlier, and lower than estimated land values for the public non-financial corporations sector. Also lower than Budget were land and 'other' inventories (down \$118 million and \$304 million respectively), investment property (down \$195 million), and other' non-financial assets (down \$78 million). These lower outcomes were only partly offset by smaller upward variations for non-current assets held for sale, intangibles and biological assets.
 - Liabilities were \$2 billion (or 2.6%) higher than Budget, with higher gross debt liabilities (up \$2.6 billion), 'other' liabilities (up \$231 million), and payables (up \$33 million), partially offset by lower unfunded superannuation liabilities (down \$639 million) and 'other employee benefits' (down \$164 million).
- (b) Total public sector net debt was \$32 billion at 30 June 2017, \$1.9 billion (or 5.5%) lower than the \$33.8 billion estimated in the 2016-17 Budget. Gross debt liabilities were \$2.6 billion higher while holdings of liquid financial assets were up \$4.4 billion. These variances include a \$513 million lower than expected outcome for the year ending 30 June 2016, as detailed in the 2015-16 ARSF.

¹³ 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.

Table 4.6

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Notes	2016-17			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash received</i>					
Taxes received		8,318	7,939	-379	-4.6
Grants and subsidies received		8,437	8,529	92	1.1
Receipts from sales of goods and services		19,942	20,819	877	4.4
Interest receipts		642	609	-33	-5.2
Dividends and tax equivalents		-	-	-	-
Other		6,482	8,355	1,874	28.9
<i>Total cash received</i>		43,821	46,252	2,430	5.5
<i>Cash paid</i>					
Wages, salaries and supplements, and superannuation		-14,912	-14,586	325	-2.2
Payments for goods and services		-19,924	-21,342	-1,419	7.1
Interest paid		-1,695	-2,068	-373	22.0
Grants and subsidies paid		-4,066	-3,773	293	-7.2
Dividends and tax equivalents		-	-	-	-
Other payments		-3,958	-4,596	-638	16.1
<i>Total cash paid</i>		-44,555	-46,366	-1,811	4.1
NET CASH FLOWS FROM OPERATING ACTIVITIES	a	-733	-114	619	-84.5
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash flows from investments in non-financial assets</i>					
Purchase of non-financial assets	b	-5,862	-5,137	725	-12.4
Sales of non-financial assets	c	1,070	576	-493	-46.1
<i>Total cash flows from investments in non-financial assets</i>	d	-4,793	-4,561	232	-4.8
<i>Cash flows from investments in financial assets</i>					
<i>Cash received</i>					
For policy purposes		10	14	4	44.4
For liquidity purposes		7,246	6,136	-1,111	-15.3
<i>Cash paid</i>					
For policy purposes		-10	-13	-3	30.1
For liquidity purposes		-7,398	-7,678	-280	3.8
<i>Total cash flows from investments in financial assets</i>		-152	-1,541	-1,389	915.9
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,944	-6,102	-1,157	23.4
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash received</i>					
Advances received		-	-	-	-
Borrowings		17,475	16,150	-1,324	-7.6
Deposits received		-	-	-	-
Other financing receipts		35	45	10	27.5
<i>Total cash received</i>		17,510	16,195	-1,315	-7.5
<i>Cash paid</i>					
Advances paid		-16	-16	-	0.1
Borrowings repaid		-11,972	-10,477	1,495	-12.5
Deposits paid		-	-	-	-
Other financing payments		-432	-413	18	-4.2
<i>Total cash paid</i>		-12,419	-10,906	1,513	-12.2
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,091	5,289	198	3.9
Net increase in cash and cash equivalents		-587	-927	-340	57.9
Cash and cash equivalents at the beginning of the period		10,519	11,946	1,427	13.6
Cash and cash equivalents at the end of the period		9,932	11,019	1,087	10.9
KEY FISCAL AGGREGATES					
Net cash flows from operating activities		-733	-114	619	-84.5
Net cash flows from investing in non-financial assets		-4,793	-4,561	232	-4.8
Cash surplus/-deficit	e	-5,526	-4,675	851	-15.4

Total Public Sector Cash Flow Statement

- (a) Net cash flows from operating activities were in a deficit position of \$114 million in 2016-17, a \$619 million improvement from the \$733 million cash operating deficit forecast in the 2016-17 Budget. Total cash receipts in 2016-17 were \$46.3 billion, \$2.4 billion (or 5.5%) higher than forecast, while total cash payments in 2016-17 were \$46.4 billion, up \$1.8 billion (or 4.1%) 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 2016-17, \$725 million (or 12.4%) lower than forecast. In addition to the general government sector variations noted earlier in this appendix (down \$143 million), net changes in infrastructure spending by key public corporations include:
- Western Power (including Budget-time provisions for electricity works, down \$286 million), due to cost management improvements in the Corporation's asset management strategy (resulting in a continuing lower cost trend in unit rates for poles and conductors through improved efficiency), movements in project schedules (including delays and re-scoping of projects such as depots, control centres, offices, and the State Underground Power Program), a rationalisation of heavy vehicle fleet assets following a strategic review, and the Electricity Market Review Transition Program not progressing;
 - the Housing Authority (down \$177 million), due largely to:
 - lower spending on the Social Housing Investment Package (primarily reflecting a lower than budgeted cost per unit for construction, and lower average acquisition costs for spot purchases under the program);
 - lower land development expenditure (mostly due to deferment of development works as a result of subdued market conditions);
 - less investment on joint venture land developments (reflecting softening market conditions and which have been deferred to future years);
 - lower spending on the Royalties for Regions-funded Housing for Workers project (reflecting changes to demand in Karratha, and weather delays for projects in Fitzroy Crossing and Halls Creek);
 - lower shared equity expenditure (due to market conditions); and
 - lower spending on the construction and purchase of GROH program (reflecting lower demand from client agencies and delays due to planning and site issues).

- the Western Australian Land Authority (down \$149 million), reflecting delays in various projects, reduced demand for land, and re-scoping and re-tendering of projects to achieve desired cost reductions;
 - the Water Corporation (down \$62 million), primarily due to the completion of works in late 2016-17 (and subsequent payment settled in 2017-18, including the Carnarvon bore main replacement, renewals for the Yule collector main, South Hedland main and Metropolitan cast iron reticulation, and the Woodman Point Wastewater Plant upgrade). The purchase of the Water Corporation's previously leased motor vehicle fleet from the Department of Finance in 2016-17 (mentioned previously) was met from the Corporation's existing Asset Investment Program budget;
 - the Metropolitan Redevelopment Authority (down \$56 million), largely due to delays and rescheduling of works for the Perth City Link and Riverside projects, which are now expected to occur in 2017-18 and beyond, and a reduction in capital works in the Armadale Redevelopment Area due to revised project priorities;
 - the Pilbara Ports Authority (down \$55 million), reflecting delays on projects funded from the Port Improvement Rate, and delays with Chevron's Wheatstone project (thereby delaying the Port's own infrastructure program);
 - the Fremantle Port Authority (down \$48 million), largely due to the combined effects of the previously proposed port sale and changes in customer requirements on the timing and prioritisation of projects. The majority of this expenditure relates to works on Outer Harbour plant and equipment, and Inner Harbour Berth upgrades; and
 - the Public Transport Authority (up \$59 million), largely reflecting timing changes, in particular, bringing investment in the Forrestfield-Airport Link forward, partly offset by deferral of investment under the Stadium Transport Infrastructure Project.
- (c) Sales of non-financial assets were \$576 million in 2016-17, \$493 million (or 46.1%) lower than Budget. In addition to the general government sector variations noted earlier in this appendix (down \$75 million), net changes in sales include:
- Housing Authority (down \$215 million), primarily due to lower than expected revenue from Urban Development (due to purchaser finance extensions for lots under contract), and lower revenue from joint ventures (due to difficult market conditions);
 - Western Australian Land Authority (down \$115 million), driven by reduced property market activity, particularly in the metropolitan region;
 - Horizon Power (down \$51 million), due to a delay in commissioning the Pilbara Power Station which resulted in the sale of the asset occurring in 2017-18; and

- Western Power (up \$29 million), reflecting a rationalisation of heavy vehicle fleet assets following a strategic review, and the sale of other surplus assets.
- (d) Net cash flows from investments in non-financial assets were \$4.6 billion in 2016-17, \$232 million (or 4.8%) lower than Budget, with movements in purchases and sales outlined above.
- (e) The total public sector recorded a \$4.7 billion cash deficit in 2016-17, \$851 million (or 15.4%) lower than forecast in the 2016-17 Budget. This reflects the combination of the better than expected net cash deficit on operations (\$619 million) and the lower net cash out-flow in non-financial assets (down \$232 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 statute, while accounts that are established administratively are governed by a special purpose statement (operating accounts) or a trust statement (trust accounts) that outline the purpose of the account.

This appendix details the outcome for the year ending 30 June 2017 for a number of key SPAs established to deliver specific Government policy outcomes. It is not an exhaustive list of all SPAs but covers the major/material SPAs in existence at 30 June 2017. The SPA balances, and transactions in and out of these accounts, form part of the overall consolidated outcomes outlined elsewhere in this report.

Final account balances at 30 June 2017 may vary from the estimated outturn for the SPAs shown in this appendix relative to the disclosure in Appendix 5 of the 2017-18 Budget Paper No. 3: *Economic and Fiscal Outlook*. The estimated data used in Budget Paper 3 reflect available agency data at the time of finalising the 2017-18 Budget in early August 2017.

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. Project closure arrangements are expected to be finalised by the end of 2017-18, with any remaining unspent funds on closure of the account returning to the Consolidated Account at that time. No funds were drawn from the account during 2016-17.

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	20	20
Receipts	- (a)	- (a)
Payments	-	-
Closing Balance	20	20

(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 2016-17 primarily reflect the transfer (from the Consolidated Account) of the Commonwealth's 2015-16 contribution of \$490 million and interest earned on the account balance (\$6.5 million). Payments from the account (\$279.2 million) were in support of the design and construction contract (\$248.7 million), project management costs (\$11.5 million), land acquisition (\$7.6 million), works by Main Roads (\$5.8 million), works at the Perth airport (\$2.5 million), utilities and services (\$2.1 million), and other project works (\$1 million).

FORRESTFIELD-AIRPORT LINK ACCOUNT		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	-	-
Receipts	498	-
Payments	279	-
Closing Balance	219	-

Note: Columns may not add due to rounding.

Metropolitan Region Improvement Account

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

Receipts in 2016-17 mainly reflect revenue collected for the Metropolitan Region Improvement Tax (\$96 million), proceeds from the sale of land and buildings (\$8.8 million), interest revenue (\$6.6 million), rental revenue (\$5.7 million), the refund of GST payments from the Australian Taxation Office (\$2.5 million), and the recoup of costs associated with the settlement of an arbitrated claim (\$0.9 million).

A total of \$68 million was drawn from the account during 2016-17, mainly for:

- the acquisition of land and buildings (\$44 million), largely for land purchased for railways, high schools and parks and recreation (\$21 million), and for primary and other regional roads, including Mitchell Freeway, Stirling Highway and Canning Highway (\$21 million);
- associated service delivery costs (\$22.2 million), including employee costs and overheads (\$10 million), property services (\$7.3 million), Whiteman Park operating expenses (\$3.8 million), and strategic projects expenses (\$1.1 million); and
- funding to progress a range of smaller infrastructure and works (\$1.2 million).

METROPOLITAN REGION IMPROVEMENT ACCOUNT		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	293	262
Receipts	123	154
Payments	68	123
Closing Balance	348	293

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 2016-17 reflect contributions to the fund by mining operators (\$27.6 million) and interest revenue (\$1.7 million) on contributions. A total of \$1 million was drawn from the fund for administration costs and the rehabilitation of abandoned mine sites.

MINING REHABILITATION FUND		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	63	35
Receipts	29	29
Payments	1	1
Closing Balance	91	63

Note: Columns may not add due to rounding.

Municipal and Essential Services Account

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

Payments to the end of June 2017 were for the delivery of municipal and essential services at a range of remote communities (\$18.6 million), and for the supply of diesel to power stand-alone electricity generators in remote communities (\$2.7 million).

MUNICIPAL AND ESSENTIAL SERVICES ACCOUNT		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	63	-
Receipts	-	90
Payments	21	27
Closing Balance	42	63

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.

A total of \$82 million was drawn during the year to meet actual construction payments. Perth Children's Hospital achieved practical completion in April 2017. 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.

PERTH CHILDREN'S HOSPITAL ACCOUNT		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	122	187
Receipts	-	44
Payments	82	109
Closing Balance	40	122

Note: Columns may not add due to rounding.

Perth Parking Licensing Account

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

Funds drawn from the account were used to support the Central Area Transit bus system, the Free Transit Zone, improvements to public transport access, enhancements to the pedestrian environment, support for bicycle access and for administration of the Act. Lower spending in 2016-17 mainly reflects lower payments to the Public Transport Authority for works on the now completed Perth Busport.

PERTH PARKING LICENSING ACCOUNT		
		Table 5.7
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	11	13
Receipts	56	57
Payments	44	59
Closing Balance	23	11

Note: Columns may not add due to rounding.

Perth Stadium Account

This SPA was established in October 2011 to hold funds in support of the construction of Perth Stadium and associated transport infrastructure. The stadium is expected to be ready for operation in early 2018. Construction will utilise all available funds in the SPA.

Receipts of \$370 million reflect appropriation funding approved in the 2016-17 Budget. Funds drawn from the account in 2016-17 totalled \$311 million for procurement and works relating to the stadium, sports precinct and transport infrastructure.

PERTH STADIUM ACCOUNT		
		Table 5.8
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	36	121
Receipts	370	265
Payments	311	350
Closing Balance	96	36

Note: Columns may not add due to rounding.

Road Trauma Trust Account

This account was established to provide for road safety initiatives. Receipts mainly reflect prescribed penalties paid during the year (\$103 million in 2016-17), other funds collected under the *Road Traffic (Administration) Act 2008* (\$13 million in 2016-17), and interest revenue earned on the account balance (\$2.3 million in 2016-17).

Projects funded from the Account are focused on achieving reductions in serious road trauma as part of the Government's *Towards Zero Strategy* for 2008 to 2020. The majority of the funds drawn from the account during 2016-17 (\$156.6 million) were for initiatives to reduce:

- run-off crashes on regional roads by applying treatments such as shoulder sealing and audible edge-lines (\$62 million);
- inappropriate and excessive speed (\$44.6 million); and
- serious crashes at metropolitan intersections (\$8.5 million).

Funds were also used for the Impaired Driving Crashes Program (\$6.9 million), the community education campaigns (\$6 million), the ongoing operational cost of the Road Safety Commission (\$5.3 million), and a range of smaller road safety initiatives and support programs.

ROAD TRAUMA TRUST ACCOUNT		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	95	94
Receipts	118	115
Payments	157	113
Closing Balance	57	95

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 2016-17 reflect the draw down of moneys appropriated by the Parliament (\$748.3 million), interest revenue earned on the account balance (\$18.2 million), and unused funds from associated projects returned to the Fund by agencies (\$42.6 million). A total of \$678.9 million was disbursed from the account to support infrastructure, business and economic development and other regional initiatives funded by the Royalties for Regions program.

ROYALTIES FOR REGIONS FUND		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	870	1,000
Receipts	809	950
Payments	679	1,080
Closing Balance	1,000	870

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. Spending of \$0.2 million was drawn from the account in 2017-18 for the Kimberley Schools Project.

Table 5.11

ROYALTIES FOR REGIONS REGIONAL REFORM FUND		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	100	50
Receipts	-	50
Payments	- (a)	-
Closing Balance	100	100

(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 in June 2012 to hold funds for expenditure on the Southern Inland Health Initiative, pursuant to section 9(1) of the *Royalties for Regions Act 2009*. Funding is provided by the Royalties for Regions Fund for initiatives to improve healthcare across the southern part of the State.

Payments from the SPA totalled \$110.4 million in 2016-17, including payments for the District Hospital Investment Program (\$42.1 million), the District Medical Workforce Investment Program (\$30.4 million), the Small Hospital and Nursing Post Refurbishment Program (\$15 million), the Residential Aged and Dementia Care Program (\$14.1 million), Telehealth Investment Program (\$4.8 million) and the Primary Health Centres Demonstration Program (\$4.0 million).

Table 5.12

ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE		
	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	156	219
Receipts	11	3
Payments	110	66
Closing Balance	57	156

Note: Columns may not add due to rounding.

Waste Avoidance and Resource Recovery Account

The Waste Avoidance and Resource Recovery Account was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* to hold revenue allocated from the landfill levy. The purpose of the account is to fund programs and other initiatives related to the management, reduction, reuse, recycling, monitoring or measurement of waste.

Landfill levy receipts totalled \$17.3 million in 2016-17, with late payment penalties, interest income and other miscellaneous receipts totalling a further \$1 million. Payments from the account of \$15.2 million were used for a range of programs including the Levy Inspection, the Compliance, Enforcement and Illegal Dumping program, the Household Hazardous Waste program, the Better Bins Kerbside Collection program, and other waste management initiatives and services provided by the Department of Environment Regulation.

Table 5.13

WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT

	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i> ^(a)	30	21
Receipts	18	26
Payments	15	17
Closing Balance	33	30

(a) The closing balance of \$30 million at 30 June 2016 (opening balance at 1 July) has been restated from the \$31 million reported in the 2015-16 *Annual Report on State Finances*. The restatement incorporates a minor movement in receipts finalised for the Department for Environment Regulation's annual report for 2015-16, which revises the closing value at 30 June 2016 after rounding.

Note: Columns may not add due to rounding.

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 in 2016-17 reflect 1% of the State's forecast annual royalty revenue, consistent with the funding requirements of the Act (\$38.4 million) and interest on the account balance (\$43 million).

Table 5.14

WESTERN AUSTRALIAN FUTURE FUND

	2016-17 \$m	2015-16 \$m
<i>Balance at 1 July</i>	1,044	879
Receipts	82	165
Payments	-	-
Closing Balance	1,126	1,044

Note: Columns may not add due to rounding.

Quarterly Financial Results – June 2017

This appendix completes the quarterly data series for the 2016-17 year¹.

June quarterly data presented in this appendix are subject to year-end finalisation of audited accounts by agencies submitting source data. They may contain final year-end accruals that differ from estimated accruals submitted by agencies through the year, and reclassification of some aggregates in previously reported, unaudited data. Accordingly, quarterly outcomes for June 2017 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 2017

The general government sector recorded a \$539 million operating deficit for the three months to 30 June 2017, compared to the \$56 million surplus for the same period in 2015-16.

Revenue for the three months to 30 June 2017 totalled \$7,015 million, \$521 million (or 6.9%) lower than the same period in the previous year. This mainly reflects the combined effects of:

- lower dividend income (down \$438 million), mainly due to the timing of interim dividend payments for Western Power and Pilbara Ports Authority, combined with the impact of lower profits for Synergy and the Water Corporation;

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

- higher recurrent grants from the Commonwealth (up \$252 million), primarily due to:
 - higher on-passed local government grants (up \$180 million), reflecting the timing of the funding from the Commonwealth;
 - higher North West Shelf petroleum grants (up \$36 million), mainly due to higher volumes for oil, higher prices for LNG and lower claimed deductions (partially offset by lower volumes for condensate and LNG, lower LPG prices and a higher \$US/\$A exchange rate); and
 - higher funding for the education sector (up \$34 million), primarily reflecting revised Commonwealth funding for Students First and the Universal Access to early childhood education programs, with funding to Western Australia unevenly disbursed over the year (based on the achievement of performance milestones), and the timing of the Commonwealth’s payments for the year;
- lower capital grants from the Commonwealth (down \$246 million), primarily due to:
 - lower transport grants (down \$227 million), mainly due to the Commonwealth payment of \$490 million in 2015-16 for the National Partnership on Infrastructure Projects in WA (in recognition of the State’s continued very low share of national GST collections), compared with a \$226 million payment in 2016-17; and
 - lower housing grants (down \$26 million), due to a reduction in funding for remote Indigenous housing following delays in signing the 2016-18 National Partnership on Remote Housing agreement with the Commonwealth;
- lower taxation revenue (down \$200 million), largely attributable to:
 - lower duty on transfers (down by \$168 million), mainly reflecting the combined impact of lower landholder duty and higher transfer duty from a number of high value commercial transactions;
 - lower payroll tax collections (down \$36 million), as a result of weaker labour market conditions and soft wage growth across the economy; and
 - higher insurance duty (up \$8 million), reflecting the introduction of the no-fault catastrophic injury compulsory third party insurance scheme from 1 July 2016;
- higher royalty income (up \$218 million), primarily due to higher prices and production volumes of iron ore, partially offset by a higher exchange rate; and
- lower tax equivalent payments (down \$94 million), mainly due to lower taxable income for Synergy and the impact of property sales by the Insurance Commission of Western Australia in 2015-16 (which increased tax equivalent payments in that year).

Expenses for the three months to 30 June 2017 totalled \$7,555 million, \$75 million (or 1%) higher than the \$7,480 million reported in the same quarter last year. This was primarily due to the net impact of:

- higher current and capital transfers (up \$145 million), primarily due to:
 - higher on-passed local government grants (up \$180 million), discussed above;
 - lower grants and subsidies (down \$116 million), mainly due to lower Royalties for Regions payments for the Growing our South, and the Midwest and Goldfields Esperance Revitalisation programs; and
 - higher road infrastructure assets transferred to local governments (up \$68 million), mainly due to the transfer of Lloyd Street to the City of Swan in June 2017;
- higher salaries (up \$55 million), mainly due to higher pay rates and staff numbers in the health and education sectors (further details of general government salaries can be found in Appendix 8 of this report); and
- lower superannuation expenses (down \$122 million), mainly due to the final actuarial valuation of unfunded scheme liabilities.

A cash deficit of \$644 million was recorded for the June 2017 quarter, reflecting a net cash surplus from operating activities (of \$78 million) and a net cash deficit for infrastructure investment (of \$723 million). The infrastructure deficit included \$771 million spent on new works less \$48 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 2017

The total public sector recorded a \$1,129 million operating deficit for the June 2017 quarter, \$325 million higher than the \$804 million operating deficit recorded for the same quarter in 2015-16. Revenue totalled \$10,883 million (down \$398 million, or 3.5% on the same period in 2015-16), while expenses were \$12,012 million (down \$73 million, or 0.6% on the same period in 2015-16).

This outcome includes the combined impact of:

- the \$539 million general government operating deficit outlined earlier;
- a public non-financial corporations sector operating surplus of \$64 million for the June 2017 quarter, reflecting the net impact of profitability across the sector;
- an operating deficit for the public financial corporations sector of \$58 million; and
- the impact of dividends received from public corporations (which are eliminated on consolidation (\$597 million)).

Table 6.1

TOTAL PUBLIC SECTOR OPERATING BALANCE

	2016-17		2015-16	
	Three Months to 30 June \$m	Twelve Months to 30 June \$m	Three Months to 30 June \$m	Twelve Months to 30 June \$m
Net Operating Balance				
General government sector	-539	-2,474	56	-2,021
Public non-financial corporations sector	64	480	326	892
Public financial corporation sector	-58	164	-175	72
<i>less</i>				
General government dividend revenue	519	837	957	1,415
Public non-financial corporations dividend revenue ^(a)	78	78	53	87
Total Public Sector Net Operating Balance	-1,129	-2,744	-804	-2,559

(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 \$2,870 million was recorded for the three months to 30 June 2017, compared to a cash deficit of \$1,352 million recorded for the same period the previous year. This included a net cash deficit from operating activities of \$1,269 million. The net cash deficit outcome from operating activities included a \$1.3 billion adjustment for the equitable assignment of Keystart loan assets (recorded as an operating activity in the March 2017 *Quarterly Financial Results Report*, rather than as an investing activity in the audited 30 June 2017 outcomes). The net cash deficit for infrastructure investment was \$1,601 million. Full year infrastructure outcomes for the total public sector are discussed in Chapter 1 and Appendix 4.

Table 6.2

GENERAL GOVERNMENT
Operating Statement

	2016-17		2015-16	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
RESULTS FROM TRANSACTIONS				
REVENUE				
Taxation	1,909	8,573	2,109	9,069
Current grants and subsidies	1,900	8,091	1,648	7,407
Capital grants	381	513	627	895
Sales of goods and services	590	2,293	564	2,155
Interest income	47	196	49	192
Revenue from public corporations				
Dividends from other sector entities	519	837	957	1,415
Tax equivalent income	154	534	248	631
Royalty income	1,341	5,272	1,123	4,126
Other	175	604	210	594
<i>Total</i>	<i>7,015</i>	<i>26,913</i>	<i>7,536</i>	<i>26,485</i>
EXPENSES				
Salaries	2,912	11,610	2,857	11,383
Superannuation				
Concurrent costs	279	1,166	320	1,167
Superannuation interest cost	-4	156	76	218
Other employee costs	119	358	100	370
Depreciation and amortisation	348	1,320	364	1,359
Services and contracts	698	2,393	710	2,195
Other gross operating expenses	1,480	5,772	1,506	5,518
Other interest	203	783	173	664
Current transfers	1,253	5,280	1,228	5,164
Capital transfers	266	549	146	469
<i>Total</i>	<i>7,555</i>	<i>29,387</i>	<i>7,480</i>	<i>28,506</i>
NET OPERATING BALANCE	-539	-2,474	56	-2,021
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	-173	-193	-88	-148
Net actuarial gains - superannuation	130	659	-14	-589
Provision for doubtful debts	-42	-41	-52	-54
Changes in accounting policy/adjustment of prior periods	75	143	311	110
<i>Total other economic flows</i>	<i>-9</i>	<i>568</i>	<i>156</i>	<i>-679</i>
OPERATING RESULT	-548	-1,905	212	-2,700
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	-2,996	-3,042	-2,890	-2,549
Gains recognised directly in equity	22	15	15	8
Change in net worth of the public corporations sectors	-1,326	254	-1,852	-1,192
All other	-	-	-	-
<i>Total all other movements in equity</i>	<i>-4,300</i>	<i>-2,772</i>	<i>-4,727</i>	<i>-3,733</i>
TOTAL CHANGE IN NET WORTH	-4,848	-4,677	-4,515	-6,433
KEY FISCAL AGGREGATES				
NET OPERATING BALANCE	-539	-2,474	56	-2,021
<i>Less Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	771	2,341	814	2,475
Changes in inventories	-16	-11	4	15
Other movement in non-financial assets	-54	240	34	15
<i>less:</i>				
Sales of non-financial assets	48	132	46	102
Depreciation	348	1,320	364	1,359
<i>Total net acquisition of non-financial assets</i>	<i>305</i>	<i>1,119</i>	<i>441</i>	<i>1,043</i>
NET LENDING/-BORROWING	-844	-3,592	-385	-3,064

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

Table 6.3

GENERAL GOVERNMENT
Operating Revenue

	2016-17		2015-16	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
Taxation				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	785	3,266	821	3,502
Property taxes				
<i>Land tax</i>	-6	876	-1	948
Transfer duty	463	1,357	339	1,338
Landholder duty	32	151	323	419
<i>Total duty on transfers</i>	495	1,508	662	1,756
Other stamp duties	-	-	-	-
Metropolitan Region Improvement Tax	-	96	-	98
Perth Parking Levy	2	56	2	57
Emergency Services Levy	28	325	26	307
Loan guarantee fees	33	140	33	134
<i>Total other property taxes</i>	62	617	61	596
Taxes on provision of goods and services				
Lotteries Commission	38	151	42	163
Video lottery terminals	-	-	-	-
Casino tax	20	62	19	65
Betting tax	10	40	10	42
<i>Total taxes on gambling</i>	68	253	70	270
Insurance duty	146	641	138	592
Other	5	20	5	24
<i>Total taxes on insurance</i>	151	661	143	615
Taxes on use of goods and performance of activities				
Vehicle licence duty	87	344	91	346
Permits - Oversize Vehicles and Loads	-	6	1	7
Motor vehicle recording fee	16	59	16	60
Motor vehicle registrations	235	885	228	874
<i>Total motor vehicle taxes</i>	338	1,294	335	1,286
<i>Mining Rehabilitation Levy</i>	-	28	-	28
<i>Landfill Levy</i>	16	69	16	69
Total Taxation	1,909	8,573	2,109	9,069

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

GENERAL GOVERNMENT
Operating Revenue

Table 6.3 (cont.)

	2016-17		2015-16	
	Three Months to 30 June	Actual	Three Months to 30 June	Actual
	\$m	\$m	\$m	\$m
Current Grants and Subsidies				
<i>General Purpose Grants</i>				
GST grants	457	1,944	459	1,881
North West Shelf grants	147	609	111	616
Commonwealth compensation for changed crude oil excise arrangements	6	31	7	29
<i>Grants through the State</i>				
Schools assistance – non-government schools	7	1,172	10	1,110
Local government financial assistance grants	133	262	21	85
Local government roads	83	163	13	54
<i>National Specific Purpose Payment Agreement Grants</i>				
National Agreement for Skills and Workforce Development	39	160	44	157
National Disability Services	36	148	35	147
National Affordable Housing	36	145	33	143
Students First	150	598	140	558
National Health Reform	522	2,089	503	1,844
<i>National Partnerships/Other Grants</i>				
Health	137	399	154	422
Housing	4	17	4	16
Transport	1	64	7	69
Disability Services	-2	42	-7	19
Other	145	247	113	256
Total Current Grants and Subsidies	1,900	8,091	1,648	7,407
Capital Grants				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	4	16	3	15
<i>National Partnerships/Other Grants</i>				
Housing	35	51	61	163
Transport	330	425	557	698
Other	11	21	7	18
Total Capital Grants	381	513	627	895
Sales of Goods and Services	590	2,293	564	2,155
Interest Income	47	196	49	192
Revenue from Public Corporations				
Dividends	519	837	957	1,415
Tax Equivalent Regime	154	534	248	631
Total Revenue from Public Corporations	673	1,371	1,205	2,047
Royalty Income	1,341	5,272	1,123	4,126
Other				
Lease Rentals	25	99	21	92
Fines	62	199	61	206
Revenue not elsewhere counted	89	305	129	297
Total Other	175	604	210	594
TOTAL REVENUE	7,015	26,913	7,536	26,485

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

GENERAL GOVERNMENT
Cash Flow Statement

	2016-17		2015-16	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Cash received</i>				
Taxes received	2,012	8,432	2,430	9,130
Grants and subsidies received	2,244	8,529	2,270	8,310
Receipts from sales and goods and services	554	2,335	758	2,294
Interest receipts	61	193	64	187
Dividends and tax equivalents	789	1,484	1,136	2,087
Other receipts	1,994	7,218	1,360	5,922
<i>Total cash received</i>	7,653	28,191	8,018	27,929
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-3,522	-13,141	-3,466	-13,374
Payments for goods and services	-1,936	-8,608	-2,127	-8,083
Interest paid	-213	-758	-187	-631
Grants and subsidies paid	-1,287	-5,389	-1,505	-5,364
Dividends and tax equivalents	-	-	-	-
Other payments	-618	-1,836	-492	-1,769
<i>Total cash paid</i>	-7,575	-29,732	-7,777	-29,221
NET CASH FLOWS FROM OPERATING ACTIVITIES	78	-1,541	241	-1,291
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-771	-2,341	-814	-2,475
Sales of non-financial assets	48	132	46	102
<i>Total cash flows from investments in financial assets</i>	-723	-2,210	-768	-2,373
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	4	14	2	140
For liquidity purposes	68	83	90	101
<i>Cash paid</i>				
For policy purposes	-101	-861	-307	-798
For liquidity purposes	-17	-46	-99	-136
<i>Total cash flows from investments in financial assets</i>	-46	-809	-315	-694
NET CASH FLOWS FROM INVESTING ACTIVITIES	-769	-3,018	-1,082	-3,067
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash received</i>				
Advances received	16	16	16	16
Borrowings	12	5,166	23	5,194
Deposit received	-	-	-	-
Other financing receipts	13	46	-515	41
<i>Total cash received</i>	40	5,227	-477	5,250
<i>Cash paid</i>				
Advances paid	-16	-16	-16	-16
Borrowings repaid	-121	-168	-19	-97
Deposits paid	-	-	-	-
Other financing payments	-101	-418	173	-447
<i>Total cash paid</i>	-237	-602	138	-560
NET CASH FLOWS FROM FINANCING ACTIVITIES	-197	4,626	-339	4,691
Net increase in cash and cash equivalents	-887	66	-1,180	333
Cash and cash equivalents at beginning of the period	5,726	4,773	5,953	4,440
Cash and cash equivalents at end of the period	4,839	4,839	4,773	4,773
KEY FISCAL AGGREGATES				
Net cash flows from operating activities	78	-1,541	241	-1,291
Net cash flows from investing in non-financial assets	-723	-2,210	-768	-2,373
Cash surplus/-deficit	-644	-3,751	-527	-3,664

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

Table 6.5

TOTAL PUBLIC SECTOR
Operating Statement

	2016-17		2015-16	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
RESULTS FROM TRANSACTIONS				
REVENUE				
Taxation	1,788	8,086	1,984	8,560
Current grants and subsidies	1,900	8,091	1,648	7,407
Capital grants	381	513	627	895
Sales of goods and services	4,946	20,633	5,290	21,583
Interest income	252	597	241	635
Royalty income	1,341	5,272	1,123	4,126
Other	275	979	368	1,110
<i>Total revenue</i>	10,883	44,172	11,281	44,316
EXPENSES				
Salaries	3,184	12,811	3,142	12,627
Superannuation				
Concurrent costs	306	1,287	354	1,296
Superannuation interest cost	-4	156	76	218
Other employee costs	106	277	73	257
Depreciation and amortisation	882	3,399	775	3,354
Services and contracts	962	3,309	988	3,179
Other gross operating expenses	4,981	19,554	5,341	20,279
Other interest	502	1,714	411	1,643
Current transfers	833	3,927	794	3,683
Capital transfers	260	482	130	340
<i>Total expenses</i>	12,012	46,916	12,085	46,875
NET OPERATING BALANCE	-1,129	-2,744	-804	-2,559
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	-180	187	-34	-131
Net actuarial gains - superannuation	98	638	-29	-610
Provision for doubtful debts	-85	-102	-56	-68
Changes in accounting policy/adjustment of prior periods	-1,243	-1,008	-631	-743
<i>Total other economic flows</i>	-1,410	-285	-750	-1,552
OPERATING RESULT	-2,539	-3,030	-1,554	-4,111
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	-2,587	-2,803	-2,873	-4,176
Gains recognised directly in equity	279	1,155	-89	1,854
All other	-	-	-	-
<i>Total all other movements in equity</i>	-2,309	-1,648	-2,961	-2,322
TOTAL CHANGE IN NET WORTH	-4,848	-4,677	-4,515	-6,433
KEY FISCAL AGGREGATES				
NET OPERATING BALANCE	-1,129	-2,744	-804	-2,559
<i>Less Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	1,739	5,137	1,679	5,237
Changes in inventories	-185	-449	490	1,024
Other movement in non-financial assets	-34	371	74	170
<i>less:</i>				
Sales of non-financial assets	138	576	262	701
Depreciation	882	3,399	775	3,354
<i>Total net acquisition of non-financial assets</i>	500	1,085	1,206	2,376
NET LENDING/-BORROWING	-1,629	-3,829	-2,009	-4,935

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

Table 6.6

TOTAL PUBLIC SECTOR
Operating Revenue

	2016-17		2015-16	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
Taxation				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	759	3,173	796	3,406
Property taxes				
<i>Land tax</i>	-21	807	-18	870
Transfer Duty	463	1,357	339	1,338
Landholder Duty	32	151	323	419
<i>Total duty on transfers</i>	495	1,508	662	1,756
Metropolitan Region Improvement Tax	-	96	-	98
Perth Parking Levy	2	56	2	57
Emergency Services Levy	28	322	26	304
Loan guarantee fees	1	9	1	6
<i>Total other property taxes</i>	31	483	29	465
Taxes on provision of goods and services				
Lotteries Commission	-	-	-	-
Video lottery terminals	-	-	-	-
Casino Tax	20	62	19	65
Betting tax	-	-	-	-
Other	-	-	-	-
<i>Total taxes on gambling</i>	20	62	19	65
Insurance Duty	146	641	138	592
Other	5	20	5	24
<i>Total taxes on insurance</i>	151	661	143	615
Taxes on use of goods and performance of activities				
Vehicle Licence Duty	87	344	91	346
Permits - Oversize Vehicles and Loads	-	6	1	7
Motor Vehicle recording fee	16	59	16	60
Motor Vehicle registrations	235	885	228	874
<i>Total motor vehicle taxes</i>	338	1,294	335	1,286
<i>Mining Rehabilitation Levy</i>	-	28	-	28
<i>Landfill Levy</i>	16	69	16	69
Total Taxation	1,788	8,086	1,984	8,560

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

Table 6.6 (cont.)

TOTAL PUBLIC SECTOR
Operating Revenue

	2016-17		2015-16	
	Three Months to 30 June	Actual	Three Months to 30 June	Actual
	\$m	\$m	\$m	\$m
Current Grants and Subsidies				
<i>General Purpose Grants</i>				
GST grants	457	1,944	459	1,881
North West Shelf grants	147	609	111	616
Commonwealth compensation for changed crude oil excise arrangements	6	31	7	29
<i>Grants through the State</i>				
Schools assistance – non-government schools	7	1,172	10	1,110
Local government financial assistance grants	133	262	21	85
Local government roads	83	163	13	54
<i>National Specific Purpose Payment Agreement Grants</i>				
National Agreement for Skills and Workforce Development	39	160	44	157
National Disability Services	36	148	35	147
National Affordable Housing	36	145	33	143
Students First	150	598	140	558
National Health Reform	522	2,089	503	1,844
<i>National Partnerships/Other Grants</i>				
Health	137	399	154	422
Housing	4	17	4	16
Transport	1	64	7	69
Disability Services	-2	42	-7	19
Other	145	247	113	256
Total Current Grants and Subsidies	1,900	8,091	1,648	7,407
Capital Grants				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	4	16	3	15
<i>National Partnerships/Other Grants</i>				
Housing	35	51	61	163
Transport	330	425	557	698
Other	11	21	7	18
Total Capital Grants	381	513	627	895
Sales of Goods and Services	4,946	20,633	5,290	21,583
Interest Income	252	597	241	635
Royalty Income	1,341	5,272	1,123	4,126
Other				
Lease Rentals	25	99	21	92
Fines	59	200	58	206
Revenue not elsewhere counted	191	680	290	813
Total Other	275	979	368	1,110
TOTAL REVENUE	10,883	44,172	11,281	44,316

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

Table 6.7

TOTAL PUBLIC SECTOR
Cash Flow Statement

	2016-17		2015-16	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Cash received</i>				
Taxes received	1,830	7,939	2,157	8,556
Grants and subsidies received	2,244	8,529	2,270	8,310
Receipts from sales and goods and services	3,651	20,819	5,068	21,979
Interest receipts	171	609	187	667
Dividends and tax equivalents	-	-	-	-
Other receipts	2,251	8,355	1,646	7,156
<i>Total cash received</i>	<i>10,147</i>	<i>46,252</i>	<i>11,328</i>	<i>46,668</i>
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-3,861	-14,586	-3,806	-14,834
Payments for goods and services	-5,108	-21,342	-4,953	-22,112
Interest paid	-500	-2,068	-517	-1,940
Grants and subsidies paid	-559	-3,773	-772	-3,470
Dividends and tax equivalents	-	-	-	-
Other payments	-1,388	-4,596	-1,215	-4,507
<i>Total cash paid</i>	<i>-11,416</i>	<i>-46,366</i>	<i>-11,263</i>	<i>-46,863</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	-1,269	-114	65	-195
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-1,739	-5,137	-1,679	-5,237
Sales of non-financial assets	138	576	262	701
<i>Total cash flows from investments in financial assets</i>	<i>-1,601</i>	<i>-4,561</i>	<i>-1,417</i>	<i>-4,536</i>
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	4	14	2	140
For liquidity purposes	2,044	6,136	1,870	4,850
<i>Cash paid</i>				
For policy purposes	-5	-13	-4	-16
For liquidity purposes	-1,463	-7,678	-1,898	-4,457
<i>Total cash flows from investments in financial assets</i>	<i>581</i>	<i>-1,541</i>	<i>-30</i>	<i>516</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-1,020	-6,102	-1,446	-4,020
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash received</i>				
Advances received	-	-	-	-
Borrowings	4,513	16,150	5,617	18,612
Deposit received	-	-	-	-
Other financing receipts	9	45	-515	49
<i>Total cash received</i>	<i>4,523</i>	<i>16,195</i>	<i>5,102</i>	<i>18,660</i>
<i>Cash paid</i>				
Advances paid	-16	-16	-16	-16
Borrowings repaid	-1,920	-10,477	-4,440	-11,333
Deposits paid	-	-	-	-
Other financing payments	-102	-413	177	-391
<i>Total cash paid</i>	<i>-2,038</i>	<i>-10,906</i>	<i>-4,278</i>	<i>-11,740</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	2,484	5,289	823	6,921
Net increase in cash and cash equivalents	196	-927	-558	2,706
Cash and cash equivalents at beginning of the period	10,823	11,946	12,504	9,239
Cash and cash equivalents at end of the period	11,019	11,019	11,946	11,946
KEY FISCAL AGGREGATES				
Net cash flows from operating activities	-1,269	-114	65	-195
Net cash flows from investing in non-financial assets	-1,601	-4,561	-1,417	-4,536
Cash surplus/-deficit	-2,870	-4,675	-1,352	-4,731

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

APPENDIX 7

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.

PUBLIC LEDGER BALANCES AT 30 JUNE			
	2017	2016	Variance
	\$m	\$m	\$m
THE PUBLIC LEDGER			
Consolidated Account ^(a)	-13,925	-12,654	-1,271
Treasurer's Special Purpose Accounts	13,692	12,159	1,533
Treasurer's Advance Account – Net Advances and Overdraw n Trusts ^(b)	-23	-21	-2
TOTAL	-256	-516	260
Agency Special Purpose Accounts	4,874	4,873	2
TOTAL PUBLIC BANK ACCOUNT INVESTMENTS	4,618	4,357	261

(a) The balance of the Consolidated Account at 30 June 2017 includes cash and non-cash balances. Non-cash appropriations of \$10,882 million at 30 June 2017 (30 June 2016: \$9,852 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 \$3,043 million at 30 June 2017 (compared with a deficit position of \$2,801 million at 30 June 2016).

(b) The Treasurer's Advance Account has been restated in 2016 to include overdrawn trust balances (\$10.4 million).

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 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 2017 was \$13,925 million, an increase of \$1,271 million on the accumulated deficit at the end of 2015-16. This included \$10,882 million associated with accrual (non-cash) appropriations for depreciation and leave entitlements, matched by equivalent non-cash balances in agency Holding Accounts.

In cash terms, the Consolidated Account was overdrawn by \$3,043 million at 30 June 2017. This compares with a \$2,801 million deficit cash balance at 30 June 2016.

Consolidated Account borrowings increased by \$5.1 billion in 2016-17. Centrally held borrowings totalled \$22.3 billion at 30 June 2017 (compared with \$17.2 billion at 30 June 2016), and remained below the \$34.5 billion cumulative limit approved by the *Loan Act 2017* and preceding *Loan Acts*¹. Debt repayments of \$88.6 million were made in 2016-17, reflecting the allocation of residual cash proceeds from the March 2016 sale of the Perth Market Authority to the repayment of central borrowings.

¹ 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 applied during the year.

Table 7.2

CONSOLIDATED ACCOUNT TRANSACTIONS			
	2017	2016	Variance
	\$m	\$m	\$m
REVENUE			
<i>Operating Activities</i>			
Taxation	6,658	7,376	-718
Commonwealth Grants	2,566	3,015	-449
Government Enterprises	1,492	2,086	-594
Revenue from other agencies	6,393	5,184	1,209
Other	567	647	-80
<i>Total Operating Activities</i>	17,676	18,309	-633
<i>Financing Activities</i>			
Repayments of Recoverable Advances	48	6	42
Transfers from:			
Public Bank Account Interest Earned Account	-	3	-3
Bankwest Pension Trust	1	2	-1
Other Receipts	13	32	-19
Borrowings	5,100	5,100	-
<i>Total Financing Activities</i>	5,163	5,143	20
TOTAL REVENUE	22,838	23,452	-614
EXPENDITURE			
<i>Recurrent</i>			
Authorised by Other Statutes	2,379	2,340	39
Appropriation Act (No. 1)	19,077	18,685	392
Recurrent Expenditure under the Treasurer's Advance	297	261	36
<i>Total Recurrent Expenditure</i>	21,754	21,287	467
<i>Investing Activities</i>			
Authorised by Other Statutes	247	253	-6
Appropriation Act (No. 2)	1,900	1,628	272
Investing Expenditure under the Treasurer's Advance	108	230	-122
<i>Total Investing Activities</i>	2,254	2,110	144
<i>Financing Activities</i>			
Loan repayments	89	-	89
Other financing	13	32	-19
<i>Total Financing Activities</i>	102	32	70
TOTAL EXPENDITURE	24,110	23,428	682
NET MOVEMENT (REVENUE LESS EXPENDITURE)	-1,271	23	-1,294
Consolidated Account Balance			
Opening balance at 1 July	-12,654	-12,677	23
Closing balance at 30 June	-13,925	-12,654	-1,271
Of which:			
Appropriations payable	-10,882	-9,852	-1,030
Cash balance at 30 June	-3,043	-2,801	-242

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 2016, an aggregate increase of \$1,533 million in TSPA balances at 30 June 2017 mainly reflects:

- higher Holding Account balances for non-cash accrual appropriations to agencies for depreciation and accrued leave entitlements (up \$1,030 million);
- an increase in Commonwealth Payment for Specific Purposes (up \$211 million), primarily due to a grant payment received from the Commonwealth to acknowledge Western Australia's low GST relativity for 2017-18 which was received in 2016-17, with the funds presently sitting in the Commonwealth grant SPA awaiting payment;
- a net increase in the balance of the Royalties for Regions Fund (up \$130 million), reflecting higher receipts to the Fund (by way of appropriation payments, interest and the refund of unspent agency balances) relative to drawdowns;
- an increase in the balance of the Western Australian Future Fund, reflecting appropriation of 1% of forecast annual royalty receipts (\$38 million) and interest earnings on the balance held in the fund through the year (\$43 million);
- a net decrease in the Perth Children's Hospital Account balance (down \$82 million), reflecting payments associated with the hospital's construction;
- a net increase in the balance of the Perth Stadium Account (up \$60 million), reflecting the net impact of procurement and works spending relating to the stadium, sports precinct and transport infrastructure, and appropriation funding approved in the 2016-17 Budget; 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 \$45 million).

A number of accounts and other agency accounts are discussed in Appendix 5: *Special Purpose Accounts*.

The following table summarises the position of TSPAs at 30 June 2017 and 2016.

TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE			
	2017	2016	Variance
	\$m	\$m	\$m
Agency Holding Accounts	10,882	9,852	1,030
Royalties for Regions Fund	1,000	870	130
Western Australian Future Fund	1,126	1,044	82
Commonwealth Payment for Specific Purposes	254	43	211
Perth Children's Hospital Account	40	122	-82
Perth Stadium Account	96	36	60
Agency 27th Pay Accounts	45	-	45
Other Treasurer's Special Purpose Accounts	250	192	58
TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE	13,692	12,159	1,533

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 \$632.4 million was authorised by section 29 of the FMA for the year ended 30 June 2017. Of this, \$427.4 million (or 67.6%) was drawn down in 2016-17, comprising:

- \$9.3 million in the form of net recoverable advances;
- \$13.6 million in overdrawn Special Purpose Accounts; and
- a further \$404.5 million for excesses and new items as detailed in Table 7.5.

Table 7.4

TREASURER'S ADVANCE AT 30 JUNE

	2017	2016	Variance
	\$m	\$m	\$m
AUTHORISED LIMIT	632.4	645.2	-12.8
<i>Total Drawn Against Treasurer's Advance Account</i>	<i>427.4</i>	<i>511.8</i>	<i>-84.4</i>
Comprising:			
Net recoverable advances as at 30 June (see below)	9.3	10.2	-0.9
Overdraw n Special Purpose Accounts ^(a)	13.6	10.4	3.2
Excesses and New Items			
- recurrent	297.0	261.5	35.5
- capital	107.5	229.7	-122.2
NET RECOVERABLE ADVANCES			
Mining Rehabilitation Fund	5.3	5.3	-
Sport and Recreation	1.1	1.1	-
Suitors Fund	2.5	2.0	0.5
Western Australian Energy Disputes Arbitrator	0.1	0.1	-
Sundry Debtors	0.3	1.7	-1.5
TOTAL RECOVERABLE TREASURER'S ADVANCES	9.3	10.2	-0.9

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

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

Transfers, Excesses and New Items

Table 7.5 summarises transfers of appropriations between agencies (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 2017						
	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Draw n against Treasurer's Advance by 30 June \$m
			New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Premier and Cabinet</i>						
Item 5: Delivery of Services	169.6	-5.2	-	41.3	205.7	36.3
Item 6: Administered Grants, Subsidies and Other Transfer Payments	15.8	0.3	-	-	16.1	-
<i>Western Australian Tourism Commission</i>						
Item 10: Delivery of Services	65.1	0.1	-	2.1	67.3	2.1
<i>Chemistry Centre (WA)</i>						
Item 11: Delivery of Services	6.5	-	-	0.7	7.1	0.7
<i>Western Australia Police</i>						
Item 12: Delivery of Services	1,293.6	0.4	-	9.7	1,303.7	9.7
<i>Training and Workforce Development</i>						
Item 14: Delivery of Services	350.5	0.1	-	-	350.6	-
<i>Lands</i>						
Item 25: Delivery of Services	48.1	-	-	1.9	50.0	1.9
Item 26: Administered Grants, Subsidies and Other Transfer Payments	2.0	-	-	1.5	3.5	-
<i>Education</i>						
Item 28: Delivery of Services	3,969.6	0.4	-	-	3,970.0	-
<i>WA Health</i>						
Item 35: Delivery of Services	4,919.6	0.5	-	156.5	5,076.6	98.4
<i>Culture and the Arts</i>						
Item 36: Delivery of Services	36.0	0.1	-	1.3	37.5	1.3
Item 38: Library Board of Western Australia	29.2	-	-	0.5	29.7	0.5
Item 39: Perth Theatre Trust	9.0	-	-	0.1	9.1	0.1
<i>Treasury</i>						
Item 42: Bunbury Water Corporation	0.7	-	-	- ^(b)	0.7	- ^(b)
Item 43: Busselton Water Corporation	0.6	-	-	- ^(b)	0.6	-
Item 48: Regional Power Corporation (Horizon Power)	44.1	-	-	4.8	48.9	4.8
Item 51: Western Australian Land Authority	36.3	-	-	3.0	39.3	3.0
Item 53: Department of Attorney General	4.8	-	-	1.2	6.0	0.4
Item 56: Metropolitan Redevelopment Authority	26.1	-0.5	-	-	25.6	-

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 2017

	Treasurer's Advance					Draw n against Treasurer's Advance by 30 June \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
Item 58: Provision for Unfunded Liabilities in the Government Insurance Fund	2.9	-	-	0.4	3.3	0.3
Item 64: All Other Grants, Subsidies and Transfer Payments	6.3	-0.3	-	0.3	6.3	-
New Item: Bell Group Administration Wind Up and Associated Costs	-	-	8.1	-	8.1	6.8
<i>State Development</i>						
Item 67: Delivery of Services	37.0	0.5	-	-	37.5	-
<i>Finance</i>						
Item 69: Delivery of Services	176.2	-4.0	-	-	172.1	-
Item 70: Administered Grants, Subsidies and Other Transfer Payments	204.2	-	-	7.8	212.0	-
<i>Office of the Government Chief Information Officer</i>						
Item 71: Delivery of Services	3.4	5.8	-	-	9.2	-
<i>Attorney General</i>						
Item 73: Delivery of Services	248.8	0.2	-	6.9	256.0	6.9
<i>Commissioner for Equal Opportunity</i>						
Item 75: Delivery of Services	3.5	-	-	0.3	3.8	0.3
<i>Commerce</i>						
Item 80: Delivery of Services	56.9	-0.6	-	1.5	57.7	0.6
Item 81: Administered Grants, Subsidies and Other Transfer Payments	7.6	-	-	2.0	9.6	-
<i>Parks and Wildlife</i>						
Item 83: Delivery of Services	206.9	0.1	-	-	207.0	-
<i>Zoological Parks Authority</i>						
Item 87: Delivery of Services	11.2	-	-	0.1	11.3	0.1
<i>Fire and Emergency Services</i>						
Item 91: Delivery of Services	17.7	0.1	-	7.7	25.5	0.8
<i>State Emergency Management Committee Secretariat</i>						
Item 92: Delivery of Services	5.0	0.4	-	-	5.4	-
<i>Fisheries</i>						
Item 93: Delivery of Services	49.6	0.1	-	-	49.7	-
<i>Corrective Services</i>						
Item 94: Delivery of Services	877.0	0.1	-	39.5	916.6	39.5
<i>Water</i>						
Item 96: Delivery of Services	69.3	0.1	-	1.8	71.2	1.8
<i>Sport and Recreation</i>						
Item 97: Delivery of Services	42.8	-	-	9.3	52.0	9.3
<i>Western Australian Sports Centre Trust</i>						
Item 100: Delivery of Services	51.0	-	-	1.5	52.4	1.5

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

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2017

Table 7.5 (cont.)

	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Drawn against Treasurer's Advance by 30 June \$m
			New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Agriculture and Food</i>						
Item 101: Delivery of Services	114.7	-0.3	-	-	114.4	-
<i>Transport</i>						
Item 104: Delivery of Services	59.9	0.3	-	-	60.2	-
<i>Commissioner of Main Roads</i>						
Item 106: Delivery of Services	318.2	-	-	3.0	321.2	3.0
<i>Local Government and Communities</i>						
Item 107: Delivery of Services	99.8	0.5	-	5.5	105.8	5.5
<i>Racing, Gaming and Liquor</i>						
Item 109: Delivery of Services	5.2	-	-	0.8	6.0	0.8
<i>Planning</i>						
Item 111: Delivery of Services	47.5	0.1	-	-	47.6	-
<i>Disability Services Commission</i>						
Item 114: Delivery of Services	711.9	0.2	-	-	712.1	-
<i>Mental Health Commission</i>						
Item 115: Delivery of Services	668.7	-0.2	-	17.5	686.0	15.4
<i>Child Protection and Family Support</i>						
Item 119: Delivery of Services	582.5	0.1	-	-	582.6	-
<i>Mines and Petroleum</i>						
Item 120: Delivery of Services	83.1	0.2	-	-	83.4	-
<i>Office of Emergency Management</i>						
New Item: Western Australia Natural Disaster Relief and Recovery Arrangements	-	-	45.3	-	45.3	45.3
Total Recurrent		-	53.4	330.5		297.0

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 2017

	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Drawn against Treasurer's Advance by 30 June \$m
			New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
Capital Appropriations						
<i>Chemistry Centre (WA)</i>						
Item 125: Capital Appropriation	1.5	-	-	0.3	1.8	0.3
<i>Western Australia Police</i>						
Item 126: Capital Appropriation	44.0	-	-	9.5	53.5	9.5
<i>Treasury</i>						
Item 136: Animal Resources Authority	0.5	-	-	0.3	0.8	0.3
Item 139: Electricity Networks Corporation (Western Power)	96.4	-	-	18.0	114.4	-
Item 142: Regional Power Corporation (Horizon Power)	1.1	-	-	0.8	1.9	0.5
<i>Registrar Western Australian Industrial Relations Commission</i>						
Item 151: Capital Appropriation	1.3	-	-	0.8	2.1	0.8
<i>Fisheries</i>						
Item 157: Capital Appropriation	1.0	-	-	1.3	2.3	1.3
<i>Corrective Services</i>						
Item 158: Capital Appropriation	14.2	-	-	23.0	37.2	23.0
<i>Water</i>						
Item 159: Capital Appropriation	10.1	-	-	1.3	11.4	1.3
<i>Western Australian Sports Centre Trust</i>						
Item 160: Capital Appropriation	3.4	-	-	0.7	4.2	0.7
<i>Child Protection and Family Support</i>						
Item 168: Capital Appropriation	0.7	-	-	1.6	2.3	1.6
<i>Mines and Petroleum</i>						
Item 169: Capital Appropriation	2.3	-	-	5.0	7.3	5.0
<i>Forest Products Commission</i>						
New Item: Capital Appropriation	-	-	2.1	-	2.1	2.1
<i>Commissioner of Main Roads</i>						
New Item: Capital Appropriation	-	-	61.0	-	61.0	61.0
Total Capital		-	63.1	62.7		107.5
TOTAL						404.5

(a) Authorised under section 25 of the FMA.

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

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

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.

In 2016-17, appropriation transfers included:

- \$5 million of recurrent appropriation from the Department of the Premier and Cabinet to the Office of the Government Chief Information Officer for the Innovation Package;
- \$4.1 million of recurrent appropriation from the Department of Finance to a number of agencies in response to changes to the procurement service delivery model across government;
- \$0.8 million from the Department of Commerce to the Office of the Government Chief Information Officer following the transfer of responsibility and funding for the Innovation Package;
- \$0.5 million from the Department of Treasury to the Department of Local Government and Communities for the Chinese New Year 2017 Activation Project;
- \$0.5 million from the Department of Agriculture and Food to the Department of State Development for the transfer of the Agribusiness Expansion Unit;
- \$0.4 million of recurrent appropriation from the Department of the Premier and Cabinet to the Office of Emergency Management for the transfer of five full-time staff and associated funding to coordinate the Western Australia Natural Disaster Relief and Recovery Arrangements;
- \$0.3 million from the Department of Treasury to the Department of the Premier and Cabinet for the Anzac Day Trust; and
- \$0.2 million from the Mental Health Commission to the Department of the Premier and Cabinet to develop a communications plan for the Western Australian Meth Strategy.

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 2017.

Premier and Cabinet

Item 5: **Delivery of Services** (\$41.3 million), to meet unanticipated costs primarily related to the Yarloop Bushfire Clean-Up (\$25.5 million), the 2017 State General Election (\$10.2 million), implementation of the Local Projects Local Jobs election commitment (\$4.2 million) and expenditure on various other unbudgeted grants (\$1.4 million). Of the approved excess, only \$36.3 million was drawn due to a \$5 million contribution from Alcoa which partially offset the costs of the Yarloop Bushfire Clean-up.

Western Australian Tourism Commission

Item 10: **Delivery of Services** (\$2.1 million), reflecting additional event costs.

Chemistry Centre (WA)

Item 11: **Delivery of Services** (\$0.7 million), following revenue and cost movements, including updates to the Consumer Price Index, Wage Price Index and demand growth.

Item 125: **Capital Appropriation** (\$0.3 million), to replace aging forensic equipment used for drug analysis.

Western Australia Police

Item 12: **Delivery of Services** (\$9.7 million), primarily for the recurrent costs associated with upgrading police stations and office space to accommodate additional police officers recruited over the period 2013-14 to 2016-17 (\$3.6 million), the creation of a dedicated methamphetamine team during 2016-17 (\$3.1 million), and overtime costs for police resources at the Roe 8 extension project (\$2.3 million).

Item 126: **Capital Appropriation** (\$9.5 million), primarily to meet the cost of accelerated building works at police stations (\$6.1 million), and the reflow of funding for works originally planned to be spent during 2015-16 (totalling \$3.8 million). The delayed works include the upgrade and replacement of information and communications technology (ICT) systems, police stations maintenance and works to construct Mundijong Police Station. The total funding (\$9.9 million) was offset by a deferral of funding to upgrade ICT systems to accommodate legislative amendments from 2016-17 to 2017-18.

Lands

Item 25: **Delivery of Services** (\$1.9 million), for costs relating to a Native Title Settlement with the Nyiyaparli people in Newman; ICT infrastructure and systems maintenance costs; and compensation payments as part of the Pastoral Lease renewal program.

Item 26: **Administered Grants, Subsidies and Other Transfer Payments** (\$1.5 million), to implement the new Government's election commitment to purchase Carter's Block (as part of the Urban Wetlands Plan), with a matching payment of \$1.5 million made by the City of Bayswater. The approved excess funding was not required to be drawn down against the Treasurer's Advance following the reallocation from lower spending on other activities administered by the Department.

Health

Item 35: **Delivery of Services** (\$156.5 million), driven primarily by the combined impact of:

- a rebasing of price and activity settings for hospital services (\$137.3 million);
- support for the ongoing commissioning of the Perth Children's hospital including contractual payments (\$20.1 million);
- the Department's Voluntary Separation Scheme (\$25.8 million);

- a reduction in funding for hospital services as a result of increased own-source revenue (\$19.8 million); and
- a reallocation of funding for public hospital activity to the Mental Health Commission (\$9.5 million) following an update to the Independent Hospital Pricing Authority's Pricing Framework for Australian Public Hospital Services.

Of the approved increase, only \$98.4 million was drawn against the Consolidated Account. This reflects lower appropriation funding requirements that emerged by 30 June 2017, including a \$30.6 million adjustment in Commonwealth funding of hospital services and a \$27.4 million reduction in depreciation expense.

Culture and the Arts

Item 36: **Delivery of Services** (\$1.3 million), reflecting the classification of some capital expenditure to recurrent purposes, and reallocation of funds within the portfolio.

Item 38: **Library Board of Western Australia** (\$0.5 million), as a result of classification of some capital spending to recurrent purposes, and reallocation of funds within the portfolio.

Item 39: **Perth Theatre Trust** (\$0.1 million) for reallocation of funds within the portfolio for Human Resources payroll processing.

Treasury

Item 42: **Bunbury Water Corporation** (\$31,000), to offset higher than expected up-take of pensioner and seniors' concessions that emerged in 2015-16.

Item 43: **Busselton Water Corporation** (\$7,000), for higher than expected cost for pensioner and seniors' concessions in 2015-16. The funds were not drawn due to lower appropriation funding requirements following delays with commencing a rebate program for properties owned by the Department of Housing.

Item 48: **Regional Power Corporation (Horizon Power)** (\$4.8 million), reflecting changes to electricity tariffs for medium to large businesses, resulting in a Tariff Equalisation Contribution funding shortfall of \$7 million, which was partly offset by reductions in the cost of other subsidised activities.

Item 51: **Western Australian Land Authority** (\$3 million), reflecting an increased operating subsidy following lower than expected user charge revenue at the Australian Marine Complex Common User Facility.

Item 53: **Department of Attorney General** (\$1.2 million), for the additional costs associated with the relocation of the Supreme Court (Civil) and the former Department of the Attorney General to the David Malcolm Justice Centre. Only \$0.4 million of the approved funding was drawn due to lower cleaning, security and maintenance cost outcomes.

Item 58: **Provision for Unfunded Liabilities in the Government Insurance Fund** (\$0.4 million), reflecting higher than expected claims. A total of \$0.3 million was drawn to 30 June 2017, reflecting the timing and magnitude of claims during the last quarter of 2016-17.

Item 64: **All Other Grants, Subsidies and Transfer Payments** (\$0.3 million), reflecting an Act of Grace payment. The approved funding was not drawn as movements in other grants, subsidies and transfer payments were lower than forecast in 2016-17, and were sufficient to fund the finalised Act of Grace payment.

Item 136: **Animal Resources Authority** (\$0.3 million), providing an equity contribution to ensure a minimum cash balance to meet commitments.

Item 139: **Electricity Networks Corporation (Western Power)** (\$18 million), following higher levels of customer contributions during 2016-17. The 2016-17 interim dividend was deferred as part of the 2017-18 Budget process, together with the associated interim equity contribution. As a result, Western Power only drew \$51.6 million of the available funding, and the remaining \$62.8 million (including the \$18 million in supplementary funding) will instead be paid in 2017-18.

Item 142: **Regional Power Corporation (Horizon Power)** (\$0.8 million), to fund the tax liability associated with the gift of LED streetlights in the Goldfields. The full amount of supplementary funding was not drawn due to a delay in invoicing the 2016-17 final quarterly interest payment for the Midwest and Tubridgi to Onslow Pipeline loans.

New Item: **Bell Group Administration Wind Up and Associated Costs** (\$8.1 million) for costs to facilitate the winding up of the WA Bell Companies Administrator Authority's operations following the High Court of Australia's ruling in May 2016 that the *Bell Group Companies (Finalisation of Matters and Distribution of Proceeds) Act 2015* was invalid. This funding will also meet costs associated with reimbursing the legal expenses of the creditors incurred during the High Court proceedings, the Administrator's legal costs and the examination summons proceedings. Of the aggregate \$8.1 million, only \$6.8 million was required in 2016-17 reflecting the timing of costs that emerged by 30 June 2017.

Finance

Item 70: **Administered Grants, Subsidies and Other Transfer Payments** (\$7.8 million), reflecting the previous Government's decision to increase First Home Owners Grant Scheme payments, from \$10,000 to \$15,000, applying from 1 January 2017. The approved excess was not drawn due to savings in other subsidies and grants including lower than expected average pensioner concessions rebate costs.

Attorney General

Item 73: **Delivery of Services** (\$6.9 million), reflecting an increase in the cost of Legal Aid Commission grants for State-indictable matters (\$4.1 million), Act of Grace payments, mesothelioma settlement payments, copyright charges and other minor payments (\$2.8 million).

Commissioner for Equal Opportunity

Item 75: **Delivery of Services** (\$0.3 million), reflecting salary payments and the classification of some capital works spending to expense.

Commerce

Item 80: **Delivery of Services** (\$1.5 million), reflecting funding for the establishment of the Western Australian Building and Construction Code Monitoring Unit (\$1.4 million, of which only \$300,000 was drawn reflecting delays in establishing the Unit) and Defence West (\$1.2 million), partially offset by lower depreciation costs (\$0.9 million).

Item 81: **Administered Grants, Subsidies and Other Transfer Payments** (\$2 million) for an ex gratia payment for damage caused by subsidence (as a result of a sink hole) at two residential properties in Mullaloo, and the associated costs for demolition of buildings and remediation of the land. The approved excess was not drawn due to an offsetting reduction in payments from the Home Indemnity Insurance Account in 2016-17.

Zoological Parks Authority

Item 87: **Delivery of Services** (\$0.1 million), for costs associated with the planning of an open range zoo in 2016-17.

Fire and Emergency Services

Item 91: **Delivery of Services** (\$7.7 million) to meet unbudgeted spending for the 2016-17 bushfire season, responses to severe flooding during January 2017 and February 2017, and a shortfall in the Emergency Services Levy on State government properties. Of the approved excess, only \$0.8 million was drawn as these items were primarily funded from the Department's cash balances.

Corrective Services

Item 94: **Delivery of Services** (\$39.5 million) primarily for the costs associated with a higher than expected daily average prisoner population (\$35.3 million) and the payment of up-front transition costs to a new provider following the retender of the Court Security and Custodial Services contract (\$6 million). These amounts (totalling \$41.3 million) were partly offset by a decrease in the forecast costs for Government Regional Officers' Housing (\$1.6 million).

Item 158: **Capital Appropriation** (\$23 million), reflecting an equity injection to the Department to improve its cash position, following agency operating deficits each year from 2012-13 to 2015-16.

Water

Item 96: **Delivery of Services** (\$1.8 million), to meet additional costs associated with the Department's Voluntary Separation Scheme, offset by a reduction in recurrent appropriation funding.

Item 159: **Capital Appropriation** (\$1.3 million), to meet costs associated with the capitalisation of water modelling expenditure, offset by an equivalent reduction in recurrent appropriation.

Sport and Recreation

Item 97: **Delivery of Services** (\$9.3 million), mainly reflecting a one-off grant to community organisations to deliver a range of projects across Western Australia under the Local Projects Local Jobs program (\$9 million), and for the Silver Sport pilot program (\$0.3 million).

Western Australian Sports Centre Trust

Item 100: **Delivery of Services** (\$1.5 million), to meet the costs associated with transitioning Perth Motorplex to VenuesWest, including the ongoing operating costs associated with the management of the venue.

Item 160: **Capital Appropriation** (\$0.7 million), to secure access to the assets, proprietary software and business systems at Perth Motorplex required to operate the business.

Commissioner of Main Roads

Item 106: **Delivery of Services** (\$3 million) to commence the Broome-Cape Leveque Road project approved as part of the 2016-17 Mid-year Review.

New Item: **Capital Appropriation** (\$61 million) primarily to offset deferred Commonwealth revenue for works on the now cancelled Perth Freight Link project (\$45 million). Additional funding was also required to commence new road projects including:

- Wanneroo Road duplication between Joondalup Drive and Flynn Drive (\$5 million);
- Wanneroo Road grade separation at Ocean Reef Road (\$5 million);
- projects joint-funded by the Commonwealth under the Northern Australia Roads and Beef Roads Programs (\$3.1 million); and
- Northam-Pithara Road (\$3.2 million).

Local Government and Communities

Item 107: **Delivery of Services** (\$5.5 million), to provide one-off grants to community organisations to deliver a range of projects across Western Australia under the Local Projects Local Jobs Program.

Racing, Gaming and Liquor

Item 109: **Delivery of Services** (\$0.8 million), for the relocation of the Department's office.

Mental Health Commission

Item 115: **Delivery of Services** (\$17.5 million), primarily due to a funding shortfall following a reduction in Commonwealth funding for the National Health Reform Agreement, and funding for specialised mental health hospital services due to an increased activity weighting for such services in the final 2016-17 Independent Hospital Pricing Authority National Framework. Of the approved increase, only \$15.4 million was charged to the Consolidated Account, following lower Non-Government Human Services Sector Indexation and a re-cash flow of funding for the Methamphetamine Strategy.

Registrar Western Australian Industrial Relations Commission

Item 151: **Capital Appropriation** (\$0.8 million), to undertake planned fit-out works to reconfigure and consolidate the Commission's office space.

Fisheries

Item 157: **Capital Appropriation** (\$1.3 million), for costs associated with the completion of the Albany Multi Species Mollusc Hatchery. The funding was fully offset by a reduction in recurrent appropriations.

Child Protection and Family Support

Item 168: **Capital Appropriation** (\$1.6 million), mainly for costs associated with purchasing a new property to replace an existing residential care group home in the metropolitan area, and for capitalised building improvements and software development costs.

Mines and Petroleum

Item 169: **Capital Appropriation** (\$5.0 million), to address lower than expected industry revenue.

Office of Emergency Management

New Item: **Western Australia Natural Disaster Relief and Recovery Arrangements** (\$45.3 million) for the Office of Emergency Management to replace roads, bridges, and other public assets following a number of natural disaster events, including floods in the South and Mid-West regions, the Yarloop bushfire, and Cyclone Olwyn in the North West.

Forest Products Commission

New Item: **Capital Appropriation** (\$2.1 million), to compensate the Commission for providing 406 hectares of land to the Department of Mines and Petroleum to facilitate sand mining as part of the Strategic Assessment of the Perth Peel Region. The funding is to purchase alternative land for planting to assist expansion of the Commission's softwood plantation estate by 10,000 hectares by 2021.

General Government Sector Salaries

Introduction

Salaries represent the single largest component of general government sector expenses (40% in 2016-17, or 43% if concurrent superannuation costs are included).

In 2016-17, general government salaries expenditure grew by 2% to total \$11,610 million. This represents the lowest rate of growth in salaries expenditure since 1998-99.

The following table summarises salaries outcomes for general government agencies for 2016-17.

Table 8.1

SALARIES COSTS
General Government Sector

	2015-16	2016-17					Variation on EOT	Annual Growth
	Actual	Budget Estimate	MYR Revision	PFPS Revision	Estimated Outturn	Actual		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
		(1)	(2)	(3)	(4)	(5)	(5) - (4)	
WA Health	4,276	4,500	4,635	4,636	4,297	4,296	-1	0.5
Education	3,091	3,276	3,278	3,278	3,281	3,275	-6	6.0
Western Australia Police	833	863	871	871	877	881	4	5.8
Corrective Services	420	457	462	455	434	431	-3	2.7
State Training Providers	334	322	336	336	310	309	-1	-7.6
Child Protection and Family Support	214	218	227	227	222	216	-6	0.7
Attorney General	204	205	206	206	205	207	2	1.6
Department of Fire and Emergency Services	167	176	175	175	173	173	-(a)	3.3
Department of Parks and Wildlife	148	150	150	150	150	148	-2	0.1
Disability Services Commission	146	156	156	156	149	149	-(a)	2.4

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

Table 8.1 (cont.)

SALARIES COSTS
General Government Sector

	2015-16	2016-17					Variation on EOT \$m (5) - (4)	Annual Growth %
	Actual	Budget	MYR	PFPS	Estimated	Actual		
	\$m	Estimate \$m (1)	Revision \$m (2)	Revision \$m (3)	Outturn \$m (4)	\$m (5)		
Transport	123	123	122	122	122	119	-2	-2.8
Finance	115	136	127	127	107	102	-6	-11.4
Agriculture and Food	97	99	102	102	101	98	-3	1.1
Mines and Petroleum	84	84	84	84	84	83	-1	-1.0
Land Information Authority	79	63	66	66	63	64	-(a)	-19.4
Commerce	75	81	83	83	76	76	-	1.6
Premier and Cabinet	74	73	73	73	79	78	-(a)	5.3
Culture and the Arts	58	54	55	55	55	53	-2	-8.8
Commissioner of Main Roads	55	67	67	67	60	60	-	8.0
Planning	50	49	50	50	47	46	-1	-7.7
Fisheries	48	44	48	48	48	48	-(a)	-1.0
Training and Workforce Development	46	55	52	52	48	47	-1	1.6
Water	45	45	45	45	46	45	-(a)	-0.4
Mental Health Commission	35	35	33	33	32	33	1	-7.8
Department of Environment Regulation	29	33	31	31	35	34	-1	18.3
Treasury	28	31	31	31	29	29	-(a)	5.7
Department of Local Government and Communities	28	32	33	33	33	27	-6	-3.6
Legal Aid Commission of WA	28	33	30	30	30	29	-1	6.2
Office of the Director of Public Prosecutions	27	26	26	26	27	27	-(a)	0.3
Legislative Assembly	21	23	23	23	24	23	-1	9.2
Department of Lands	20	22	22	22	22	22	-(a)	6.3
State Development	18	19	20	20	20	19	-1	4.9
Department of Regional Development	18	18	18	18	19	19	-(a)	9.6
WA Sports Centre Trust	18	19	20	20	20	20	-(a)	15.3
Aboriginal Affairs	16	16	16	16	15	15	-(a)	-9.1
Sport and Recreation	16	17	17	17	17	16	-1	-3.3
Public Sector Commission	16	18	18	18	18	17	-1	4.2
Corruption and Crime Commission	15	17	18	18	18	16	-1	4.4
School Curriculum and Standards Authority	15	16	16	16	16	16	-(a)	1.0
Legislative Council	15	16	16	16	16	15	-1	4.3
Office of the Auditor General	14	14	14	14	14	14	-(a)	-0.3
Zoological Parks Authority	13	13	13	13	13	13	-(a)	-0.8
WorkCover WA Authority	13	14	14	14	14	13	-1	-2.7
Chemistry Centre (WA)	11	12	12	12	12	12	-(a)	6.7
Education Services	11	12	12	12	12	11	-1	3.4
Office of the Environmental Protection Authority	10	11	11	11	11	10	-1	-0.8
Racing, Gaming and Liquor	10	10	10	10	10	10	-(a)	-2.6
WA Tourism Commission	10	10	10	10	10	10	-(a)	2.8
All other agencies (with salaries costs below \$10 million)	144	37	23	27	141	136	-5	-5.7
Provisions ^(b)	-	-122	-121	-115	-1	-		
Total salaries	11,383	11,819	11,972	11,973	11,659	11,610	-49.1	2.0

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

(b) Provisions which subsequently materialised in agency financial outcomes were included in the forward estimates for 2016-17 for targeted voluntary separations, the salaries portion of Agency Expenditure Review tranche 2 savings, and anticipated salaries underspend.

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

Key Technical Terms Used in the Financial Report

Australian Bureau of Statistics Government Finance Statistics Manual

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

Advances Paid

Loans acquired for policy rather than liquidity management purposes. These include long and short term loans, non-marketable debentures and long and short term promissory agreements (bonds and bills) issued to public sector units for achieving government policy objectives.

Accrual accounting

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

Asset Investment Program

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

Balance sheet

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

Biological Assets

Biological assets may comprise of commercial forests and also any living animal, plant or agricultural produce that is the harvested product of biological assets.

Borrowings

Borrowings refer to interest bearing liabilities mainly raised from public borrowings raised through the Western Australian Treasury Corporation and finance leases and other interest bearing arrangements. Borrowings exclude liabilities raised from other government entities (including finance lease arrangements), which are classified as advances received.

Capital grants (transfers)

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

Change in net worth

Change in net worth (also known as comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows and measures the variation in the public sector’s accumulated assets and liabilities.

Consolidated Account

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

Consolidated financial statements

The aggregate financial statements for the whole-of-government (and its sub-sectors), including the financial outcomes of public sector agencies. Transactions, assets and obligations between agencies are eliminated on consolidation.

Consumer Price Index

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

Contingent asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised on the balance sheet. For example, the State may expect to receive a cash benefit if it delivers on various obligations in the future.

Contingent liability

A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Contingent liabilities are not recorded on the balance sheet. Examples include pending legal proceedings and items covered by government guarantees, sureties and indemnities.

Convergence difference

The difference between the amounts recognised in the financial statements (prepared under Australian Accounting Standards) compared with the amounts determined for Government Finance Statistics purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.

Current grants (transfers)

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

Derivatives

'Held for trading' financial instruments valued at fair value at the balance sheet date, in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*.

Employee expenses

These expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, voluntary separation payments, defined benefits superannuation plans and defined contribution superannuation plans.

Expenses

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

Finance lease

Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset). For example, public sector agencies often lease buildings and vehicles, and record such leased assets on the balance sheets. All related costs and the total remaining lease liability is also recorded in the financial statements. Depending on the nature of the arrangement, Public Private Partnerships may be recognised as finance lease arrangements. Finance leases are treated as government debt on the State's balance sheet.

Financial asset

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

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

Financial liability

Financial obligations to a third party. Includes deposits held on behalf of third parties, advances (loans) received from the Commonwealth, borrowings (including finance leases), employee entitlements (such as unfunded superannuation liabilities) accounts payable, etc.

Financial Management Act 2006

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

Fiscal aggregates

Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. Key fiscal aggregates defined under ABS Government Finance Statistics manual are required to be disclosed under AASB 1049: *Whole of Government and General Government Sector Financial Reporting*. They are opening net worth, net operating balance, net lending/–borrowings, change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth, and cash surplus/–deficit. AASB 1049 also allows additional fiscal aggregates to be included such as net financial worth, net financial liabilities and net debt.

Forward estimates

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

Full-time equivalents

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

General government sector

Defined in Government Finance Statistics as an entity or group of entities which are mainly engaged in the production of goods and/or services outside the normal market mechanism. General government goods and services are largely provided free of charge or at nominal charges well below costs of production. Government departments are usually recognised as general government sector agencies.

Government Financial Responsibility Act 2000

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

Government Finance Statistics

Refers to statistics that measure the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. Government Finance Statistics in Australia are developed by the ABS in conjunction with all governments and are mainly based on international statistical standards developed, in consultation with member countries, by the International Monetary Fund.

Government Purpose Classification

The Government Purpose Classification classifies expenses and acquisitions of non-financial assets of the public sector and general government sector in terms of the purposes for which the transactions are made. As required under AASB 1049, total assets of the State and general government sector are also required to be allocated to purpose classification where possible to do so. The major groups reflect the broad objectives of government and the groups and subgroups details the means by which these broad objectives are met.

Grants and subsidies

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be of a current or capital nature (see current grants and capital grants).

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive benefits directly of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on-passing

All grants paid to one institutional sector (e.g. a State-based general government entity) to be passed on to another institutional sector (e.g. a local government or a private non-profit institution).

Gross borrowing

Loans and debt obligations liabilities, other than advances, created through direct agreements with lenders, the sale of securities and acquisition of finance leases. Gross borrowing is the largest component of gross debt, used to calculate the State's net debt.

Gross debt

A component of net debt. Gross debt includes borrowings, deposits held on behalf of third parties and advances (loans) from the Commonwealth. Net debt is derived from gross debt less liquid financial assets.

Gross State Product

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

Key fiscal aggregates

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

National partnership payment

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

Net acquisition (disposal) of non-financial assets from transactions

Includes purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Purchases exclude non-produced assets and valuables which are included in other movements in non-financial assets.

Net actuarial gains

Includes actuarial gains and losses on defined benefit superannuation entitlements.

Net cash flows from investments in financial assets (liquidity management purposes)

Includes cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net cash flows from investments in financial assets (policy purposes)

Includes cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by Government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.

Net debt

Net debt measures the public sector's net stock of selected gross financial liabilities less financial assets. Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, less the sum of cash and deposits, advances paid and investments, loans and placements.

Net financial liabilities

Equals total liabilities less financial assets (other than equity in public corporations and other entities). This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements).

Net financial worth

Measures the public sector's net holdings of financial assets. It is calculated from the Uniform Presentation Framework balance sheet as financial assets less liabilities. Net financial worth is a broader measure than net debt, as it incorporates provisions (such as superannuation, but excludes depreciation and doubtful debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities.

Net gain on equity investments in other sector entities

Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/liabilities represents the net gains relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/liabilities before elimination of inter sector balances.

Net lending/borrowing

An operating statement measure that differs from the net operating balance as it includes spending on capital items but excludes depreciation. The net lending/borrowing measure more accurately reflects the cash requirements of the public sector in any given year. A net lending (or fiscal surplus) balance indicates that the public sector is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) position indicates that the public sector's level of investment is greater than its level of savings.

Net operating balance

This is calculated as income from transactions less expenses from transactions. It is a summary measure of the ongoing sustainability of operations and excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions.

Net other economic flows

The net change in the volume or value of assets and liabilities that does not result from transactions.

Net worth

It is an economic measure of wealth and provides a relatively comprehensive picture of the public sector's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. For the general government sector, net worth is assets less liabilities, since shares and contributed capital do not exist for the central government.

Operating statement

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

Operating result

A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

Other economic flows

The change in the volume or value of assets and liabilities that does not result from operating activities.

Other revenue

Revenue not elsewhere classified or disclosed.

Public Bank Account

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

Public corporations

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

Public financial corporations sector

The sector comprises government controlled entities mainly engaged in financial activities, such as providing banking and insurance services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services).

Public non-financial corporations sector

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

Public Private Partnerships

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

Revenue

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

Sales of goods and services

Refers to revenue from the direct provision of goods and services, and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land.

Securities other than shares

Negotiable financial instruments serving as evidence of the obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. The security normally specifies a schedule for interest payments and principal repayments. Examples include bills, bonds and debentures, commercial paper, and securitised mortgage loans.

Superannuation concurrent cost

The current service cost of employees.

Superannuation interest cost

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

Taxation revenue

Taxation revenue represents revenue received from the State's taxpayers and includes payroll tax, land tax, duties levied principally on conveyances and land transfers, gambling taxes levied mainly on private lotteries and racing, insurance duty relating to compulsory third party policies, motor vehicle taxes, including registration fees and duty on registrations and transfers, levies on statutory corporations in other sectors of government and other taxes, including landfill levies, licence and concession fees.

Tax equivalents regime

The mechanism to ensure that public corporations incur similar tax liabilities as privately owned organisations that are exposed to the tax system. Under these arrangements, greater parity exists between the cost structures of public sector trading entities and the private sector, aiding in the achievement of competitive neutrality.

Total change in net worth

The net result of all items of income and expense recognised for the period. This is sometimes also referred to as the 'Comprehensive Result'. It is the aggregate of operating result and other movements in equity, other than transactions with owners as owners.

Total non-financial assets

Assets that are not 'financial assets', predominantly land and other fixed assets.

Total non-financial public sector

The total non-financial public sector represents the consolidated transactions and assets and liabilities of the general government and public non-financial corporations sectors. In compiling statistics for the total non-financial public sector, transactions and debtor/creditor relationships between sub-sectors are eliminated.

Transaction

Transactions are those economic flows that are considered to arise from an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the public sector and tax payers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is in cash.

Uniform Presentation Framework

The Uniform Presentation Framework (UPF) was first agreed by the Australian Loan Council in 1993. The current UPF incorporates the use of accounting standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting* and specifies that Commonwealth, State and Territory governments will present a minimum set of budget and financial outcome information on AASB 1049 and Government Finance Statistics bases according to an agreed format specified by Loan Council reporting arrangements.

Whole-of-government financial report

A financial report prepared by a Government that is prepared in accordance with Australian Accounting Standards and thereby separately recognises assets, liabilities, income, expenses and cash flows of all entities under the control of the Government on a line-by-line basis.

