



2018-19

GOVERNMENT MID-YEAR FINANCIAL PROJECTIONS STATEMENT

DECEMBER 2018





2018-19

**Government Mid-year Financial
Projections Statement**

DECEMBER 2018

2018-19 Government Mid-year Financial Projections Statement
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2018–19 Government Mid-year Financial Projections Statement

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Under Treasurer's Certification

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

For the purposes of these GFRA requirements:

- the Government Financial Strategy Statement and associated financial targets disclosures are detailed in Chapter 3: *Fiscal Outlook and Strategy* in Budget Paper No. 3: *Economic and Fiscal Outlook*, presented to the Legislative Assembly on 10 May 2018;
- the content of this Mid-year Review meets the requirements of section 13 of the GFRA. In particular:
 - Appendix 1 details the projections required by section 13(2)(a) of the GFRA;
 - Chapters 1 and 3 detail the economic and other assumptions underlying the Mid-year Review projections (section 13(2)(b));
 - Chapter 2 details the compliance of the projections with the Government's financial targets (section 13(2)(c)); and
 - the Statement of Risks in Chapter 1 details the sensitivity of the projections to various economic and financial assumptions and other risks (sections 13(2)(d) and (e)); and
- this certification gives effect to the requirements of sections 13(2)(f) and 13(6).

This Mid-year Review is based upon Government decisions that I was aware of or that were made available to me by the Treasurer, together with other relevant information known to Treasury, on or before the Mid-year Review cut-off date of 3 December 2018 and which have a material effect on the State's financial projections.

It has been prepared in accordance with applicable Australian Accounting Standards and Government Finance Statistics principles, and is based on the economic forecasts and assumptions outlined in Chapter 1: *Financial Projections* and Chapter 3: *The Western Australian Economy*. These assumptions were finalised by Treasury, under my direction, on 3 December 2018.

A handwritten signature in black ink, appearing to read 'A. Barnes', is positioned above the printed name and title.

Michael Barnes
UNDER TREASURER

18 December 2018

Financial Projections

HIGHLIGHTS

- There are clear signs the Western Australian economy is recovering, with Gross State Product forecast to grow by 3% in 2018-19, up from growth of 1.9% in 2017-18 and a contraction of 1.8% in 2016-17.
- General government expense growth forecasts remain at historically very low rates, averaging just 1.3% per annum.
- Combined with the Government's continued focus on disciplined expenditure management, the improved revenue outlook means that the general government operating balance is now expected to return to surplus in 2019-20, one year earlier than previously forecast. The operating deficit for 2018-19 has also improved since Budget, with a deficit of \$674 million now expected – \$232 million lower than forecast at Budget-time.
- General government revenue over the forward estimates period has been revised up by \$3.3 billion (or 2.6%) since the 2018-19 Budget, underpinned by:
 - GST top-up payments from the Commonwealth (totalling an estimated \$2.4 billion over 2019-20 to 2021-22); and
 - higher mining revenue forecasts (up \$1.3 billion, due mainly to a lower \$US/\$A exchange rate).
- The State Government has applied the full amount of GST top-up payments to debt reduction.
- Total public sector net debt is forecast to peak at \$37.9 billion at 30 June 2020 before declining to \$36 billion by 30 June 2022 – \$3.7 billion lower than forecast at Budget-time.

Introduction

Relative to the 2018-19 Budget, the general government operating position has improved by a net \$3 billion across the four years to 2021-22.

The main driver for the improved fiscal outlook is a \$3.3 billion (or 2.6%) upward revision to general government revenue across the forward estimates period. General government revenue is projected to increase by 2.3% in 2018-19 and by an average 3.3% per annum over the four years to 2021-22.

While the revenue outlook has improved since the 2018-19 Budget, projected revenue growth over the next four years is well below the 6.3% long-run average (since 1993-94). This highlights the continuing need for spending control to deliver general government operating surpluses and reduce net debt levels.

For 2018-19, general government expense growth has been revised up to 2.5% (compared to 0.9% at Budget), with most of this increase due to lower than expected expenses in 2017-18 (down \$251 million) and the associated 'carryover' of part of this spending into 2018-19 (\$206 million).

Importantly, expense growth is forecast to remain at historically low rates across the forward estimates period, averaging just 1.3% per annum (similar to the 1.2% per annum forecast at Budget-time). In total, expenses have been revised up by \$289 million (or just 0.2%) across the four-year forward estimates period compared to the 2018-19 Budget.

An operating deficit of \$674 million is now forecast for 2018-19 (an improvement on the \$906 million deficit forecast at Budget-time), followed by a return to surplus (of \$1 billion) in 2019-20 – one year earlier than previously forecast.

The following table summarises the key financial aggregates for the 2018-19 Mid-year Review.

Table 1

KEY BUDGET AGGREGATES
Western Australia

	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-year Revision	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	-618	-906	-674	1,020	2,489	1,891
Revenue (\$m)	29,332	29,572	30,010	32,127	33,443	33,459
Revenue Growth (%)	9.0	2.4	2.3	7.1	4.1	-
Expenses (\$m)	29,949	30,478	30,684	31,107	30,954	31,568
Expense Growth (%)	1.9	0.9	2.5	1.4	-0.5	2.0
Net Debt at 30 June (\$m)	21,737	25,891	24,341	25,598	24,165	23,050
General Government Net Debt as a Share of Total Public Sector Net Debt (%)	62.8	66.2	65.4	67.5	65.8	64.0
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	34,606	39,103	37,203	37,919	36,711	35,997
Asset Investment Program (\$m)	5,052	6,248	5,835	5,604	5,321	5,136
Cash Surplus/Deficit (\$m)	-3,007	-2,961	-2,582	-511	1,315	814

The improved operating outlook has resulted in lower net debt levels across the forward estimates period relative to the 2018-19 Budget. Total public sector net debt is now forecast to peak at \$37.9 billion at 30 June 2020, before reducing to \$36 billion at 30 June 2022 (down \$3.7 billion since Budget). The improved debt outlook is partially a result of the Government's decision to use the GST top-up payments to reduce debt.

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

Table 2

KEY ASSUMPTIONS ^(a)
Western Australia

	2017-18 Actual	2018-19 Mid-year Revision	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate
Real Gross State Product growth (%)	1.9 (2.5)	3.0 (3.25)	3.5 (3.75)	3.0	3.0
Real State Final Demand growth (%)	0.9 ^(b) (-0.25)	-0.5 (-0.25)	3.5 (3.75)	3.75	3.75
Employment growth (%)	2.3 (2.25)	1.75 (1.5)	2.0	2.25	2.25
Unemployment rate (%) ^(c)	6.1 (5.75)	6.0 (5.75)	5.75 (5.5)	5.5 (5.25)	5.25 (5.0)
Wage Price Index growth (%)	1.5	1.75	2.75	3.0	3.25
Perth Consumer Price Index growth (%)	0.9 (1.0)	1.5	2.0	2.5	2.5
Iron ore price (\$US/tonne CFR) ^{(c)(d)}	68.8 (68.3)	66.1 (61.9)	62.1 (60.8)	60.9 (62.1)	62.2 (63.4)
Iron ore volumes (million dry tonnes)	826 (813)	828 (822)	845 (836)	844 (837)	847 (839)
Crude oil price (\$US per barrel) ^(c)	63.7 (62.1)	67.0 (66.0)	61.6 (62.2)	61.4 (59.4)	61.4 (57.7)
Exchange rate (US cents) ^(c)	77.5 (77.8)	72.7 (77.0)	73.2 (77.2)	73.6 (77.4)	73.9 (77.4)
Population growth (%)	0.9 ^(e) (1.0)	1.2	1.4 (1.5)	1.6 (1.8)	1.8 (2.0)
Interest rate assumptions (%):					
– Public Bank Account earnings ^(c)	2.1 (2.0)	2.2 (2.0)	2.4 (2.0)	2.6 (2.1)	2.9 (2.1)
– Consolidated Account borrowings ^(c)	3.0 (3.1)	3.1 (3.2)	3.1 (3.3)	3.2 (3.4)	3.4 (3.6)

(a) 2018-19 Budget assumptions shown in parentheses where different.

(b) Based on 2017-18 State Accounts data, updated with the latest State Final Demand data for the September quarter 2018.

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

(d) The cost and freight (CFR) price is the spot price for ore with 62% iron content delivered to north China.

(e) Estimated actual.

General Government Sector

Operating Statement

The following table summarises the changes in general government revenue and expenses since the 2018-19 Budget estimates were finalised on 9 April 2018.

Table 3

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

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	Total \$m
2018-19 BUDGET - NET OPERATING BALANCE	-906	-160	1,295	1,531	
Revenue					
<i>Taxation</i>	-105	-61	-11	42	-135
- Payroll tax	51	96	124	141	412
- Total duty on transfers	-211	-237	-257	-274	-979
- Motor vehicle taxes	53	76	118	170	416
- Other taxes	3	4	5	5	16
<i>Commonwealth grants</i>	-90	1,154	1,074	110	2,249
- GST grants	35	-32	-249	-24	-270
- Commonwealth-funded 70% GST relativity floor	-	997	975	453	2,425
- North West Shelf/condensate compensation	114	26	59	73	272
- Natural Disaster Relief and Recovery Arrangements	-16	57	74	-	115
- National Housing and Homelessness Agreement	16	17	17	16	66
- Remote Housing grant (delayed from 2017-18)	130	-	-	-	130
- Transport grants	-219	72	187	70	111
- Remove capital land transport infrastructure grants provision	-	-	-	-500	-500
- National Health Reform	-18	-5	37	81	95
- On-passed grants	-161	-26	-41	-58	-285
- Other Commonwealth grants	29	49	14	-	91
<i>Royalty income</i>	491	293	114	136	1,035
- Iron ore	504	319	122	128	1,073
- Other royalties	-13	-25	-8	8	-38
Revenue from public corporations	104	14	-34	-35	49
Interest revenue	22	13	9	11	55
All other	14	-1	-19	8	2
TOTAL REVENUE	438	1,413	1,132	272	3,255

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

Table 3 (cont.)

SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE VARIATIONS SINCE THE 2018-19 BUDGET					
	2018-19	2019-20	2020-21	2021-22	Total
	\$m	\$m	\$m	\$m	\$m
Expenses					
Support package for Koolyanobbing iron ore ^(a)					
Royalty rebates	14	23	25	25	88
Operating subsidy	22	30	27	15	94
National Redress Scheme for Survivors of Institutional Child Sexual Abuse	20	82	26	25	153
Land development agency reform	29	17	17	17	80
Communities					
National Housing and Homelessness Agreement	16	17	17	16	66
Remote Housing grant (delayed from 2017-18)	130	-	-	-	130
Western Australian Natural Disaster Relief and Recovery Arrangements	89	65	-	-	155
Education					
Schools cost and demand update	20	42	65	81	208
National Schools Reform Agreement - Non-Government schools	2	-13	-28	-32	-71
National Schools Reform Agreement - Government schools	-	-	-	31	31
Universal Access to Early Childhood Education extension	15	30	2	-	47
Western Australian Sports Centre Trust					
Optus Stadium revised financial position	22	-3	-3	-3	12
Depreciation revision	14	14	14	14	55
Demolition of Subiaco Oval	5	29	-	-	34
First Home Owner Grant update	-12	-11	-11	-11	-46
Magnetite Financial Assistance Program extension	14	27	-	-	40
Home Indemnity Insurance contract extension	7	24	9	2	41
Main Roads					
State Road Funds to Local Government Agreement ^(b)	-	12	20	30	62
Depreciation and road transfer revision	-14	-17	-8	-9	-48
Operating expenditure revision	-	-	-20	-26	-46
METRONET Bayswater Station roadworks	-	22	6	9	37
Great Northern Highway – Roy Hill Bridge	21	-	-	-	21
Voluntary Targeted Separation Scheme changes ^(c)	-30	23	22	30	46
On-passed Commonwealth grants	-161	-26	-41	-58	-285
Superannuation interest costs	-17	-24	-22	-22	-85
Interest costs	-50	-124	-182	-176	-532
All other	49	-4	5	-46	3
TOTAL EXPENSES	206	232	-61	-88	289
TOTAL VARIANCE	232	1,181	1,193	361	2,967
2018-19 MID-YEAR REVIEW - NET OPERATING BALANCE					
	-674	1,020	2,489	1,891	

(a) The Government Support Package has an overall net debt impact of \$50.8 million across the forward estimates period (see feature box later in this Chapter).

(b) Funding amounts will vary in line with actual motor vehicle licence revenue collections.

(c) Amounts include final savings allocated to agencies and the reversal of global savings provisions included in the 2018-19 Budget (see Appendix 3).

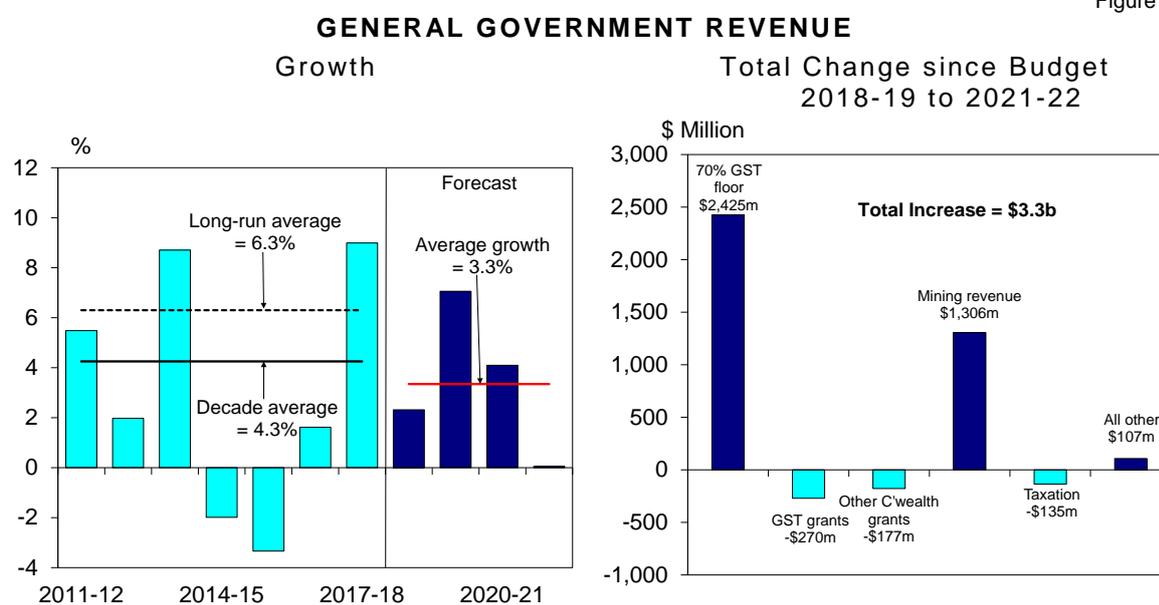
Note: Columns/rows may not add due to rounding.

Revenue

General government revenue has been revised up by a total \$3.3 billion over the forward estimates period since the 2018-19 Budget, mainly reflecting the Commonwealth’s GST top-up payments to effectively increase Western Australia’s GST relativity to 70% (\$2.4 billion over 2019-20 to 2021-22) and higher mining revenue¹ forecasts (up \$1.3 billion). Whilst a significant revision in absolute dollar terms, this represents a modest 2.6% increase in the forecast level of general government revenue over the next four years.

In addition, despite the improved revenue outlook since Budget, total revenue is projected to grow by an average of 3.3% per annum over the forward estimates period, which is well below historical rates of growth (see following chart).

Figure 1



2018-19

Total revenue is estimated to be \$30 billion in 2018-19, \$438 million higher than the 2018-19 Budget forecast. This increase reflects the net impact of:

- higher royalty income (up \$491 million), mainly due to higher iron ore royalties as a result of an upward revision to the 62% Fe benchmark price assumption and a lower \$US/\$A exchange rate;
- lower taxation revenue (down \$105 million), mainly due to the net impact of:
 - lower duty on residential property transfers (down \$211 million), reflecting weaker than expected collections to date in 2018-19, consistent with a sharp decline in the number of residential property transactions since the cut-off date for the 2018-19 Budget, and continued weakness in the median house price;

¹ Includes royalty income, North West Shelf grants, Commonwealth compensation for the removal of the exemption of condensate from crude oil excise and lease rentals.

- higher payroll tax (up \$51 million), mainly due to the flow-through of higher than expected collections in 2017-18 (predominantly reflecting improved conditions in the State’s mining industry); and
- higher motor vehicle taxes (up \$53 million), due to stronger than expected collections to date in 2018-19 and an upward revision to forecast motor vehicle volumes;
- higher revenue from public corporations (up \$104 million); and
- lower Commonwealth grants revenue (down \$90 million), including:
 - lower grants for transport projects (down \$219 million), following a bring-forward of revenue to 2017-18 (grant revenue was \$80 million higher in 2017-18 than forecast at the time of the 2018-19 Budget) and the retiming of road project funding from 2018-19 to later years to reflect current project schedules;
 - lower on-passed grants (down \$161 million), mainly for local government grants (down \$147 million), reflecting the Commonwealth’s decision to distribute part of the 2018-19 funding prior to 30 June 2018;
 - higher funding for remote housing (up \$130 million), due to a delay in the receipt of the expected 2017-18 payment to August 2018; and
 - higher forecast North West Shelf grants and condensate compensation (up \$114 million), supported by stronger than expected oil and gas prices and a lower \$US/\$A exchange rate.

2019-20 to 2021-22

Across the outyears (2019-20 to 2021-22), general government revenue has been revised up by a total of \$2.8 billion since the 2018-19 Budget. This increase primarily reflects the implementation of a Commonwealth-funded 70% floor on GST relativities through untied Commonwealth funding totalling an estimated \$2.4 billion over the three years from 2019-20 to 2021-22 (see feature box later in this section).

Other significant movements include:

- higher royalty income (up \$543 million), largely due to a lower \$US/\$A exchange rate assumption, partly offset by slightly lower iron ore price forecasts (in line with changes in consensus forecasts);
- lower GST grants (down \$305 million), reflecting a range of factors including:
 - lower Commonwealth population projections (down \$717 million)²;
 - the impact of the higher mining revenue estimates in this Mid-year Review on the Commonwealth Grants Commission’s GST relativities (down \$517 million);

² Population projections used to forecast GST revenue in this Mid-year Review reflect the Commonwealth’s 2018-19 Budget projections, adjusted for additional information on populations published by the Australian Bureau of Statistics since the Commonwealth Budget.

- an increase in the national GST pool (up \$432 million); and
- the passing of the GST reform legislation, which includes the Commonwealth funding boost to the national GST pool in 2021-22 and gradual equalisation to the stronger of New South Wales or Victoria (up \$381 million);

Table 4

PROJECTED GST RELATIVITIES FOR WESTERN AUSTRALIA (a)

	2017-18	2018-19	2019-20	2020-21	2021-22
2018-19 Budget	0.344	0.473	0.573	0.610	0.649
2018-19 Mid-year Review	0.344	0.473	0.561	0.570	0.643
Change	-	-	-0.012	-0.041	-0.007

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

- an increase in estimated North West Shelf grants and condensate compensation (up \$157 million), mostly due to the lower \$US/\$A exchange rate assumptions;
- lower taxation revenue (down \$31 million), with a large downward revision to transfer duty (down \$768 million) largely offset by higher motor vehicle taxes (up \$363 million) and payroll tax (up \$361 million), with the latter incorporating the impact of an upward revision to employment levels in 2018-19; and
- higher 'other' Commonwealth grants (up \$61 million), including timing changes for road project funding, alignment of other grants with the Commonwealth's 2018-19 Budget, and higher expected recoups for Natural Disaster Relief and Recovery Arrangement claims.

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

GST Reforms

On 5 July 2018, the Commonwealth Government announced a suite of reforms in response to the Productivity Commission inquiry into the GST distribution system. Associated legislation was passed by the Commonwealth Parliament on 14 November 2018.

The Commonwealth's GST reforms encompass the following key components.

- An effective 70% GST relativity floor, through provision of untied Commonwealth top-up funding over the three years from 2019-20 to 2021-22. This funding commitment was confirmed in a letter from the Commonwealth Treasurer on 20 September 2018.
- From 2022-23, the 70% floor will continue, but will be funded from the GST pool. In 2024-25, this floor will be raised to 75%.
- A new equalisation benchmark, which will be phased-in equally over the six years from 2021-22 to 2026-27. After the phase-in is complete, no State's GST relativity can fall below the lower of New South Wales or Victoria.

- A permanent boost to the GST pool through annual indexed Commonwealth injections of \$600 million from 2021-22, and an additional \$250 million from 2024-25.
- A guarantee, funded by the Commonwealth, that no State will be (cumulatively) worse off under the new system compared to the current system, for each year up to 2026-27. The Productivity Commission will be required to report by December 2026 on whether the new arrangements are operating efficiently, effectively, and as intended.

The GST floor and new equalisation benchmark will remove the disincentive to grow the State's economy and provide a safety net to ensure that no State's GST share can ever be as low as Western Australia's recent experience.

As part of this Mid-year Review, the State Government has allocated all of the estimated \$2.4 billion in Commonwealth top-up funding to be received over 2019-20 to 2021-22 to debt reduction, with these funds to be paid into the Government's Debt Reduction Account.

The exact amount of Commonwealth top-up funding will be dependent on the annual update to GST relativities recommended by the Commonwealth Grants Commission. The recommended relativities to apply for 2019-20 will be provided to the Commonwealth Treasurer around March 2019.

Table 5

ESTIMATED GAINS TO WESTERN AUSTRALIA FROM GST REFORM
2019-20 to 2021-22

	Commonwealth-funded 70% floor ^(a) \$m	GST reform legislation \$m	Total \$m
2019-20	997	-	997
2020-21	975	-	975
2021-22	453	381	835
Total	2,425	381	2,806

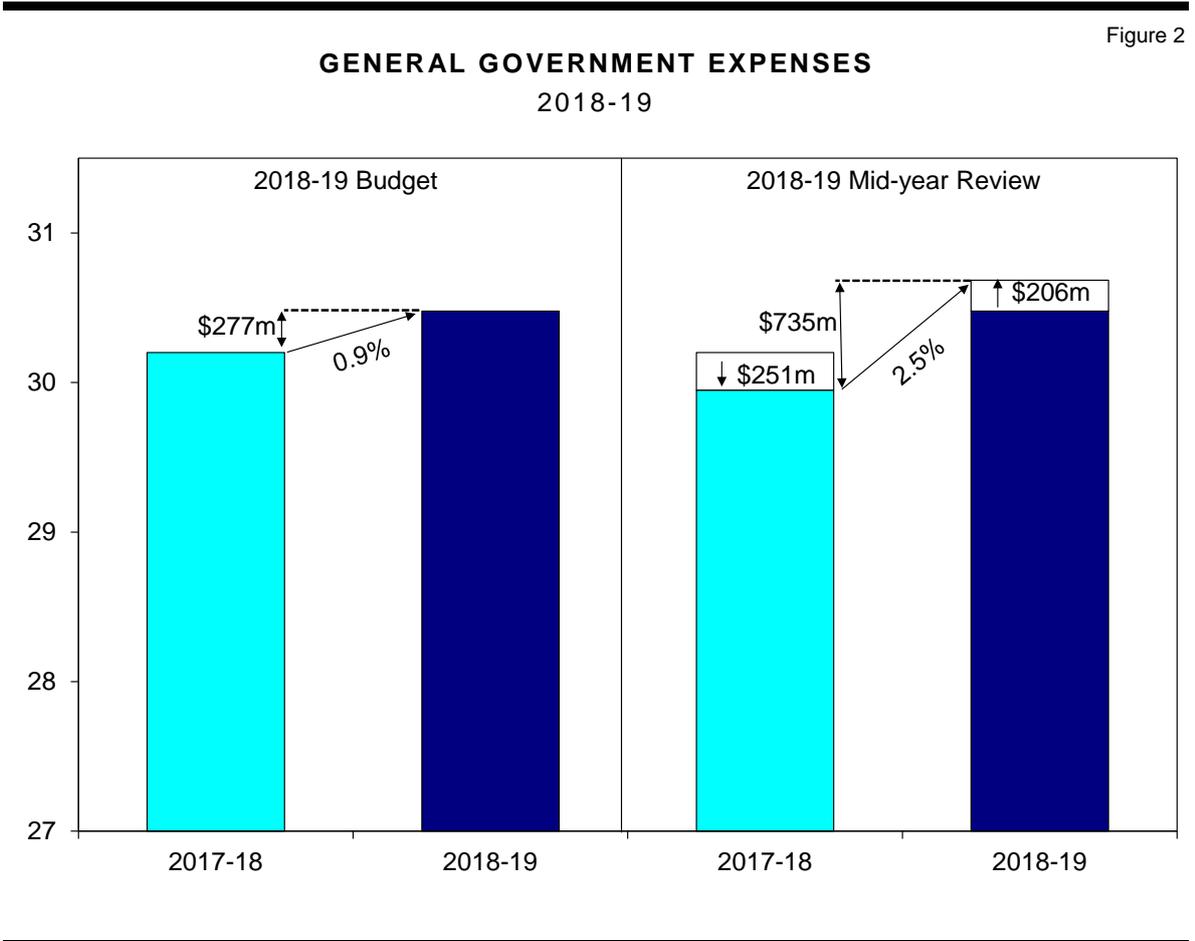
(a) These top-up payments to be allocated in full to the Debt Reduction Account.

Source: Western Australia Department of Treasury.

The \$2.4 billion in estimated top-up payments over 2019-20 to 2021-22 compares to the Commonwealth's estimate of \$1.7 billion announced in July 2018. The Commonwealth's estimate was based on State and Territory estimates provided to the Productivity Commission in early 2018. Since then, Western Australia's forecasts of mining revenue have been revised up (mainly due to a lower \$US/\$A exchange rate) across the forward estimates period. This, in turn, reduced the State's forecast GST relativities (under the current system) in the outyears, thereby increasing the required top-up payments from the Commonwealth in order to maintain the 70% relativity floor.

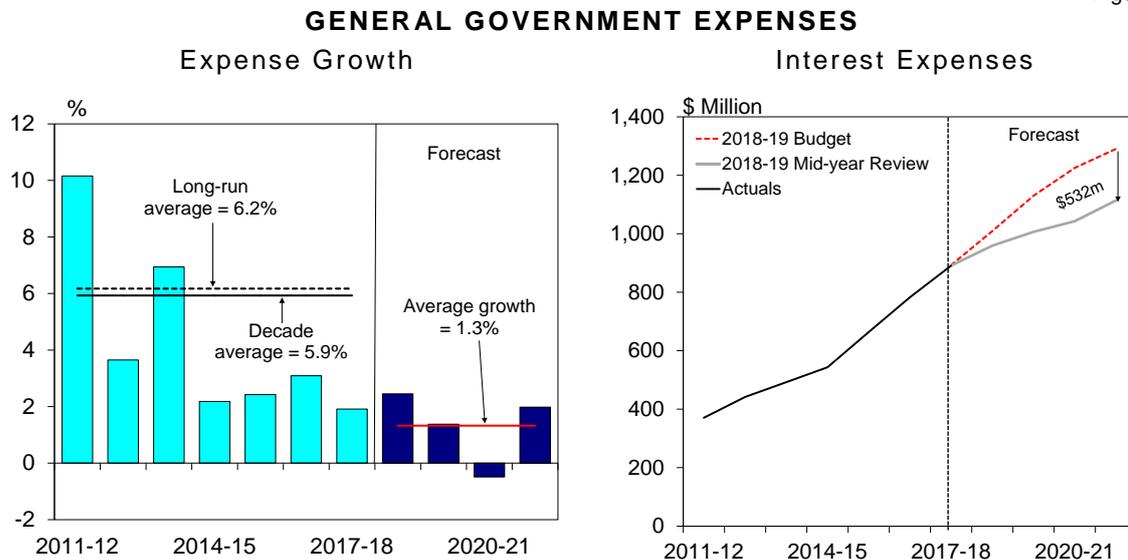
Expenses

General government expenses are estimated to be \$30.7 billion in 2018-19, up \$206 million from the Budget-time forecast. Expense growth in 2018-19 has been revised up to 2.5%, largely reflecting the fact that expenses in 2017-18 were \$251 million lower than expected, and the associated carryover of expenditure into 2018-19.



In total, general government expenses have been revised up \$289 million (or just 0.2%) across the four years to 2021-22, relative to the 2018-19 Budget. Expense growth is forecast to average 1.3% per annum over this period, similar to the 2018-19 Budget estimate of 1.2% per annum.

Figure 3



Material movements in expenses since the 2018-19 Budget include:

- lower interest costs (down \$532 million over the four years to 2021-22), reflecting lower than expected borrowings due to the improved operating outlook and slightly lower interest rate projections;
- lower on-passed grants from the Commonwealth (down \$285 million across 2018-19 to 2021-22), in line with the Commonwealth's 2018-19 Budget estimates, and the earlier distribution of 2018-19 local government grants in 2017-18, discussed earlier;
- the net impact of changes in spending in the education sector, including:
 - revised projections for student enrolment growth and education costs (up \$208 million over the period 2018-19 to 2021-22), including an upward revision to student enrolment estimates for government schools following the Semester 2, 2018 student enrolment census;
 - the rebalancing of Western Australia's spending between the non-government schools (NGS) and government schools sectors, as part of the National School Reform Agreement with the Commonwealth. As part of the agreement, Western Australia will transition to 20% of the Schooling Resource Standard, which will result in a reduction in State government expenditure for NGS, but this will be more than offset by an increased Commonwealth contribution. Over the life of the agreement to 2023, a total of \$131 million will be redirected from the NGS sector to the government schools sector. Over the current forward estimates period, this has a \$71 million impact on the NGS sector (reduction) and \$31 million impact on the government schools sector (increase). However, the full amount will be allocated to public schools over the life of the agreement³; and
 - additional spending (of \$47 million) over the period 2018-19 to 2020-21 reflecting a one-year extension to the Universal Access to Early Childhood Education National Partnership;

³ See feature box.

National School Reform Agreement

On 3 December 2018, the Western Australian and Commonwealth Governments signed the National School Reform Agreement (NSRA) and related bilateral agreement. The agreement will come into effect on 1 January 2019 and operate until its expiry on 31 December 2023.

Since 2014-15, Western Australia has been receiving specific purpose payments from the Commonwealth Government under the National Education Reform Agreement (NERA), despite not being a signatory to that agreement. The NSRA will replace the NERA as the formal mechanism for receiving Commonwealth specific purpose payments for school education.

As part of the new agreement, the Western Australian Government has committed to delivering a number of reforms aligned with the March 2018 final report on the *Review to Achieve Educational Excellence in Australian Schools*, chaired by Mr David Gonski AC. The reforms will include enhanced measures to individually assess student progress, the implementation of a leadership strategy, a new public school review process, and the provision of professional learning and resources to increase the capacity of teachers to embed Aboriginal histories, cultures and languages into classroom practices.

The financial impacts of the bilateral agreement (over the current forward estimates period) are reflected in this Mid-year Review. Over the life of the agreement to 2023, the Commonwealth Government will transition its funding contribution to Western Australia up to 20% of its nationally consistent Schooling Resource Standard (SRS) benchmark, to reach parity with other States and Territories. The agreement sees an increase in the Commonwealth Government's contribution to the Western Australian public education system, as Western Australia has historically received a lower funding share of the SRS than other States and Territories.

As a result of the agreement, Western Australia will receive an estimated \$5.6 billion in Commonwealth Government specific purpose payments for public education from 2018 to 2023.

An additional \$200 million in State funding will be provided to government schools over the life of the agreement (with \$30.8 million of this in 2021-22), bringing total State funding over this period to \$24.4 billion.

As part of the bilateral agreement with the Commonwealth, Western Australia will also rebalance its spending between sectors. Over the life of the agreement to 2023, a total of \$131 million will be redirected from the NGS sector to the government schools sector. This will mean that the State's contribution to the NGS sector will transition to 20% of the SRS by 2023.

- \$196 million over the four years to 2021-22 for remote housing and homelessness grants, comprising:
 - \$130 million in 2018-19 for remote housing, following the delayed receipt of Commonwealth funding from 2017-18 to 2018-19, noted earlier; and
 - \$66 million across the four years for specialist homelessness services funded by the Commonwealth under the new National Housing and Homelessness Agreement⁴;

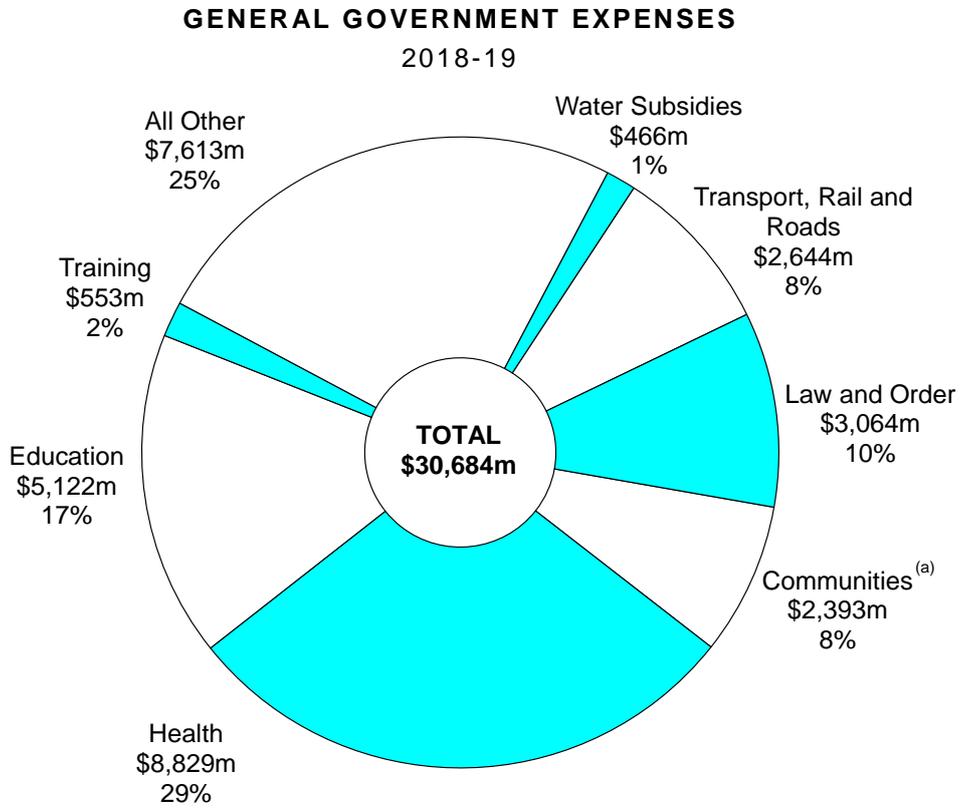
⁴ The National Housing and Homelessness Agreement (NHHA) came into effect from 1 July 2018 and replaces the funding previously provided under both the National Affordable Housing Agreement and the National Partnership Agreement on Homelessness.

- \$155 million across 2018-19 and 2019-20 for Western Australian Natural Disaster Relief and Recovery Arrangement claims, following a number of natural disasters in 2016-17 (the cost of these claims will be partially offset by expected recoups from the Commonwealth totalling an estimated \$115 million across the three years to 2020-21);
- \$153 million over the four years to 2021-22 for the State's participation in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse;
- a reduction in superannuation interest expenses (down \$85 million across the period 2018-19 to 2021-22), due mainly to lower than anticipated bond rates used to value these liabilities⁵; and
- \$80 million over the four years to 2021-22 for land development agency reform, including:
 - a \$66 million operating subsidy for the Metropolitan Redevelopment Authority (MRA) for regulatory planning and corporate activities, previously funded through agency borrowings⁶; and
 - \$12 million to the MRA in 2018-19 for the settlement of the Forrestdale Business Park East project loan between the MRA and the Western Australian Land Authority.

⁵ Long term government bond rates are used in year-end valuations of unfunded superannuation liabilities. For 2018-19, a bond rate of 2.66% has been used for the Mid-year Review, compared with the 2018-19 Budget assumption of 2.83%. A decrease in the bond rate means that unfunded liabilities increase in value, while superannuation interest costs are generally lower.

⁶ These activities will now be funded through direct appropriation, in line with the funding principles established for the MRA as part of the land development agency reform process.

Figure 4



(a) The current forecast for total cost of services for the Department of Communities is \$3.3 billion in 2018-19. The \$2.4 billion in this chart represents the general government portion of the Department's recurrent spending (with some expenditure from the former Housing Authority remaining within the public non-financial corporations sector for the purpose of whole-of-government reporting).

Note: Segments may not add due to rounding.

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

Government Support Package – Koolyanobbing Iron Ore

Following the announcement by Cleveland Cliffs Inc. to bring forward the closure of its Koolyanobbing iron ore operation to 30 June 2018, the State Government developed a financial support package to facilitate the purchase of these operations by Mineral Resources Limited (MRL). This assisted in preventing the early shutdown of the mine, has enabled jobs to be retained in the Yilgarn region, and provides for ongoing iron ore exports through Esperance Port.

In the absence of the Government Support Package, the loss of port throughput and associated revenue would have increased net debt by an estimated \$96.7 million.

Instead, the Government Support Package applies to the estimated balance of iron ore remaining in the Cliffs' tenements, up to a maximum of 30 million tonnes, limited to five years from first export, and is expected to have a net debt impact of \$50.8 million.

The support package comprises:

- an operating subsidy estimated at \$34.3 million to the Southern Ports Authority (SPA), reflecting the value of discounted port fees for up to five years;
- the SPA continuing to employ sufficient stevedoring and other employees to service the expected MRL iron ore export business for a transition period (initially six months), estimated to cost up to \$9 million (for which the SPA will receive an operating subsidy);
- an operating subsidy of \$50.2 million to the SPA in lieu of negotiating contract termination payments with Cliffs (this subsidy will be returned to the Consolidated Account in full in the form of tax and dividend payments);
- a full royalty rebate to MRL on iron ore remaining in the Cliffs' tenements for the duration of the support package, estimated to cost \$83.3 million to 2021-22; and
- a royalty rebate of \$5 million to Cliffs for royalties paid in the June 2018 quarter.

Table 6

GOVERNMENT SUPPORT PACKAGE

Impact on Net Debt to 30 June 2022 – Relative to 2018-19 Budget

	2018-19	2019-20	2020-21	2021-22	Total
	\$m	\$m	\$m	\$m	\$m
Southern Ports Authority					
Cliffs throughput written out (partly offset by avoided expenses) and consequential impacts on tax and dividend payments	32.0	35.4	16.7	12.6	96.7
MRL activity written in (partly offset by increased expenses) and consequential impacts on tax and dividend payments	-4.1	-13.8	-16.4	-16.6	-50.9
Royalty Revenue					
MRL - Cliffs tenement	-9.4	-23.4	-25.2	-25.3	-83.3
Royalty Rebates					
MRL - full royalty rebate on iron ore remaining in the Cliffs tenement	9.4	23.4	25.2	25.3	83.3
Cleveland-Cliffs - royalty rebate for the June 2018 quarter	5.0	-	-	-	5.0
Total Net Debt Impact	32.9	21.6	0.3	-4.0	50.8

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

Balance Sheet

The net worth⁷ of the general government sector is forecast to increase from \$103.2 billion at 30 June 2018 to \$111.5 billion by 30 June 2022, a projected rise of \$8.3 billion over the forward estimates.

However, the forecast value of the general government sector balance sheet at 30 June 2022 is \$2.6 billion lower than forecast at the time of the 2018-19 Budget. This reflects a restatement of public corporation land values for prior periods that was brought to account and discussed in the 2017-18 *Annual Report on State Finances*. Excluding the impact of this restatement, the revised outlook to 30 June 2022 includes:

- \$673 million in lower forecast holdings of assets, mainly reflecting a lower forecast value for land assets (down \$911 million); and
- a \$2.2 billion reduction in liabilities, largely due to lower projected borrowings (down \$2.1 billion).

Table 7

GENERAL GOVERNMENT Balance Sheet at 30 June

	2018 \$m	2019 \$m	2020 \$m	2021 \$m	2022 \$m
2018-19 MID-YEAR REVIEW					
Assets	144,532	144,634	147,304	151,076	155,225
Liabilities	41,297	42,267	42,915	42,936	43,734
<i>Net Worth</i>	103,236	102,367	104,389	108,140	111,491
Net Debt	21,737	24,341	25,598	24,165	23,050
2018-19 BUDGET					
Assets	148,881	150,205	154,004	157,397	160,247
Liabilities	41,529	43,494	46,091	46,703	46,201
<i>Net Worth</i>	107,352	106,711	107,914	110,694	114,045
Net Debt	22,400	25,891	27,534	26,940	25,689
VARIANCE					
Assets	-4,349	-5,571	-6,700	-6,321	-5,022
Liabilities	-232	-1,227	-3,176	-3,767	-2,468
<i>Net Worth</i>	-4,117	-4,344	-3,525	-2,554	-2,554
Net Debt	-663	-1,550	-1,936	-2,775	-2,639

Note: Columns may not add due to rounding.

Cash Flow Statement

A general government cash deficit of \$1.9 billion is expected in 2018-19 (an improvement on the \$2.1 billion cash deficit forecast at Budget-time), before a turnaround to surplus in 2019-20 of \$283 million. The cash surplus is then projected to rise to \$2.3 billion in 2020-21 and \$1.8 billion in 2021-22.

⁷ Net worth is the total value of assets owned by the general government sector (including the sector's ownership interest in the net value of State public corporations) less the total value of the sector's liabilities (including borrowings, unfunded superannuation liabilities, accounts payable, etc.).

The outlook for 2019-20 through to 2021-22 has improved by a total of \$1.9 billion since Budget. This largely reflects the cash impact of the improved operating outlook outlined earlier, partly offset by higher infrastructure spending (up a total of \$736 million across those years).

The cash surplus in 2019-20 will be the first surplus outcome since 2007-08.

Total Public Sector

Summary

Largely reflecting the general government sector outlook discussed earlier in this Chapter, operating outcomes for the total public sector have improved relative to Budget-time projections.

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

Table 8

TOTAL PUBLIC SECTOR						
Summary Financial Statement						
	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual	Budget	Mid-year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	45,819	47,856	47,760	50,631	52,588	52,893
Expenses	47,442	49,073	48,771	49,829	50,319	51,278
Net Operating Balance	-1,623	-1,217	-1,010	801	2,269	1,615
BALANCE SHEET AT 30 JUNE						
Assets	183,521	194,428	184,724	188,359	193,457	199,268
Liabilities	80,285	87,717	82,358	83,970	85,317	87,777
Net Worth	103,236	106,711	102,367	104,389	108,140	111,491
STATEMENT OF CASHFLOWS						
Net Cash Flows from Operating Activities	1,478	2,433	2,382	4,315	5,867	5,194
Asset Investment Program	5,052	6,248	5,835	5,604	5,321	5,136
Cash Surplus/Deficit	-3,007	-2,961	-2,582	-511	1,315	814
<i>Memorandum Item: Net Debt at 30 June</i>	34,606	39,103	37,203	37,919	36,711	35,997

Note: Columns may not add due to rounding.

Operating Statement⁸

A total public sector operating deficit of \$1 billion is forecast in 2018-19, a \$207 million improvement on the \$1.2 billion deficit projected in the 2018-19 Budget. The operating outlook over the remainder of the forward estimates is also expected to be significantly stronger, with the total public sector now expected to be in an operating surplus position from 2019-20.

These forecasts are dominated by the change in the general government sector operating outlook (discussed earlier), with operating surpluses also expected for the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors in all years of the forward estimates period.

⁸ Consolidation of the sub-sectors of the public sector removes transactions between each part of government. In aggregate, the operating balance of the total public sector is equal to the sum of the general government and public corporations sectors' operating balances, less dividend revenue collected between these sectors. Under Australian accounting standards, the dividend costs of the public corporations sectors are not classified as expenses, although the associated dividend income (mainly recorded by the general government sector) is recognised as revenue.

Table 9

TOTAL PUBLIC SECTOR OPERATING BALANCE
By Sector

	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual	Budget	Mid-year	Forward	Forward	Forward
	\$m	\$m	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
Net Operating Balance						
General government sector	-618	-906	-674	1,020	2,489	1,891
Public non-financial corporations sector	458	674	743	882	891	763
Public financial corporations sector	320	315	291	231	265	312
<i>less</i>						
General government dividend revenue	1,718	1,229	1,314	1,256	1,300	1,275
Public non-financial corporations dividend revenue ^(a)	64	71	57	76	75	77
Total public sector net operating balance	-1,623	-1,217	-1,010	801	2,269	1,615

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

Note: Columns may not add due to rounding.

Public Non-Financial Corporations

Relative to the 2018-19 Budget, the operating outlook for the PNFC sector has improved by a total of \$451 million over 2018-19 to 2021-22. An operating surplus of \$743 million is projected in 2018-19 (up \$69 million), with stronger surpluses in prospect for the remaining forward estimates period (up an aggregate \$382 million).

Across the four years to 2021-22, revenue and expenses for the PNFC sector have been revised down by \$1.2 billion and \$1.6 billion respectively. This mainly reflects:

- lower revenue and expenses (down \$1.1 billion) for the Gold Corporation, largely due to revised assumptions for precious metal prices and the exchange rate;
- lower revenue (down \$537 million) and expenses (down \$265 million) for Synergy primarily due to the net impact of:
 - a reduction in forecast energy demand due to the increased utilisation of solar photovoltaic generation by customers, and competitive pressures in the retail and wholesale markets; and
 - revisions to the terms of supply arrangements;
- higher revenue (up \$195 million) and expenses (up \$136 million) for the Department of Communities (Housing Services) mainly due to:
 - the delayed receipt (from 2017-18 to 2018-19) of Commonwealth revenue provided under the National Partnership on Remote Housing, and the associated re-cashflow of expenditure over the forward estimates period; and
 - higher interest revenue and expenses, largely due to the \$421 million increase in Keystart customer lending announced early in December 2018;

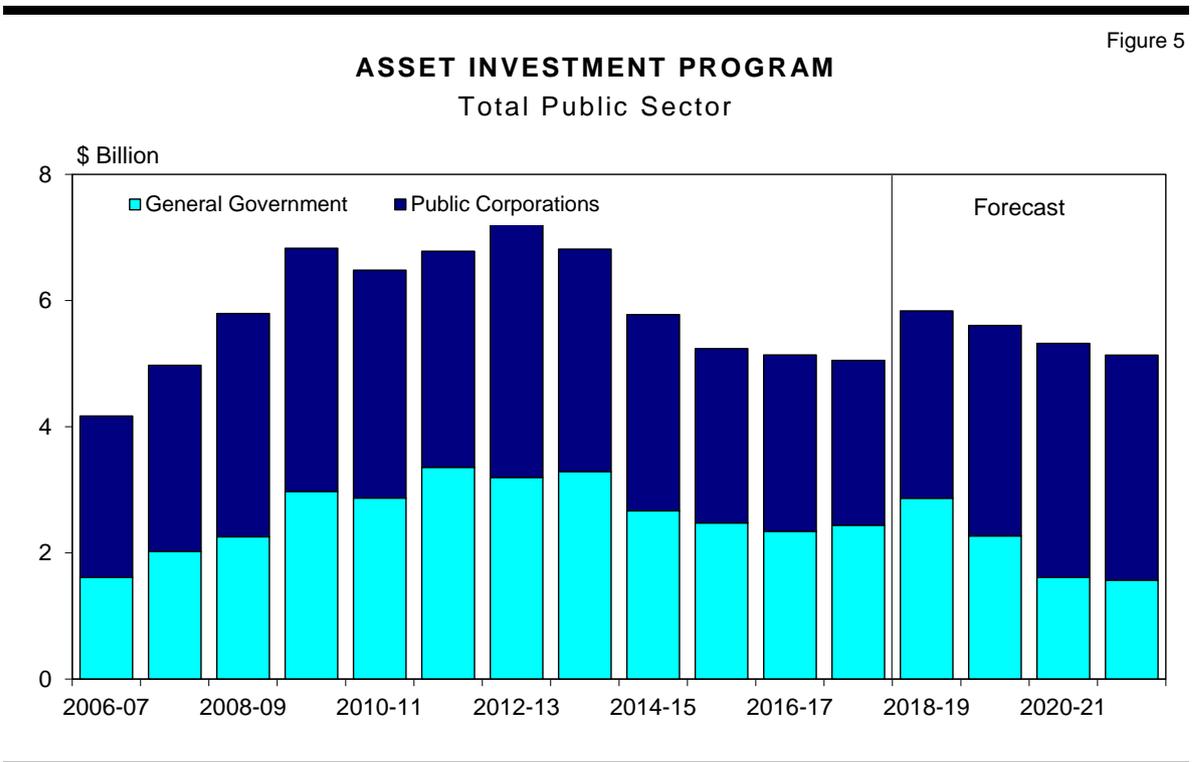
- higher revenue (up \$87 million) for the MRA, primarily due to non-commercial regulatory planning and corporate activities now being funded through appropriations from the Consolidated Account rather than from the Authority’s borrowings;
- higher revenue (up \$79 million) and expenses (up \$49 million) for the Southern Ports Authority, primarily reflecting the net impact of Cleveland Cliff’s decision to bring forward the closure of its Koolyanobbing iron ore operations and the associated Government Support Package (see feature box earlier in this Chapter);
- higher revenue in 2019-20 (up \$62 million) and lower expenses across the four years to 2021-22 (down \$47 million) for the Western Australian Land Authority, primarily reflecting:
 - higher operating subsidies for the demolition of Subiaco Oval and the re-cashflow of various regional projects including Transforming Bunbury’s Waterfront Stage 2, Transforming Peel Phase 1 and Moonamang Road;
 - lower land tax expenses due to revised land holdings and a reduction in market valuations; and
 - lower tax equivalent payments attributable to lower profitability as a result of soft market conditions; and
- lower revenue (down \$50 million) in 2018-19 for the Water Corporation, primarily due to:
 - lower contributions from developers, due to ongoing soft conditions in the land development market, with lower building activity and asset handovers expected in the metropolitan area; and
 - lower volumetric revenue from customers, reflecting reduced demand on the back of lower population growth forecasts for the metropolitan area.

Public Financial Corporations

An operating surplus of \$291 million is forecast for the PFC sector in 2018-19, with operating surpluses also projected in each remaining outyear. In net terms, the operating outlook is slightly weaker relative to the 2018-19 Budget, with an \$80 million deterioration over 2018-19 to 2021-22. PFC revenue and expenses are forecast to be \$1.2 billion and \$1.1 billion lower respectively over the four years to 2021-22, mainly due to lower projections for interest revenue and interest expenses.

Asset Investment Program

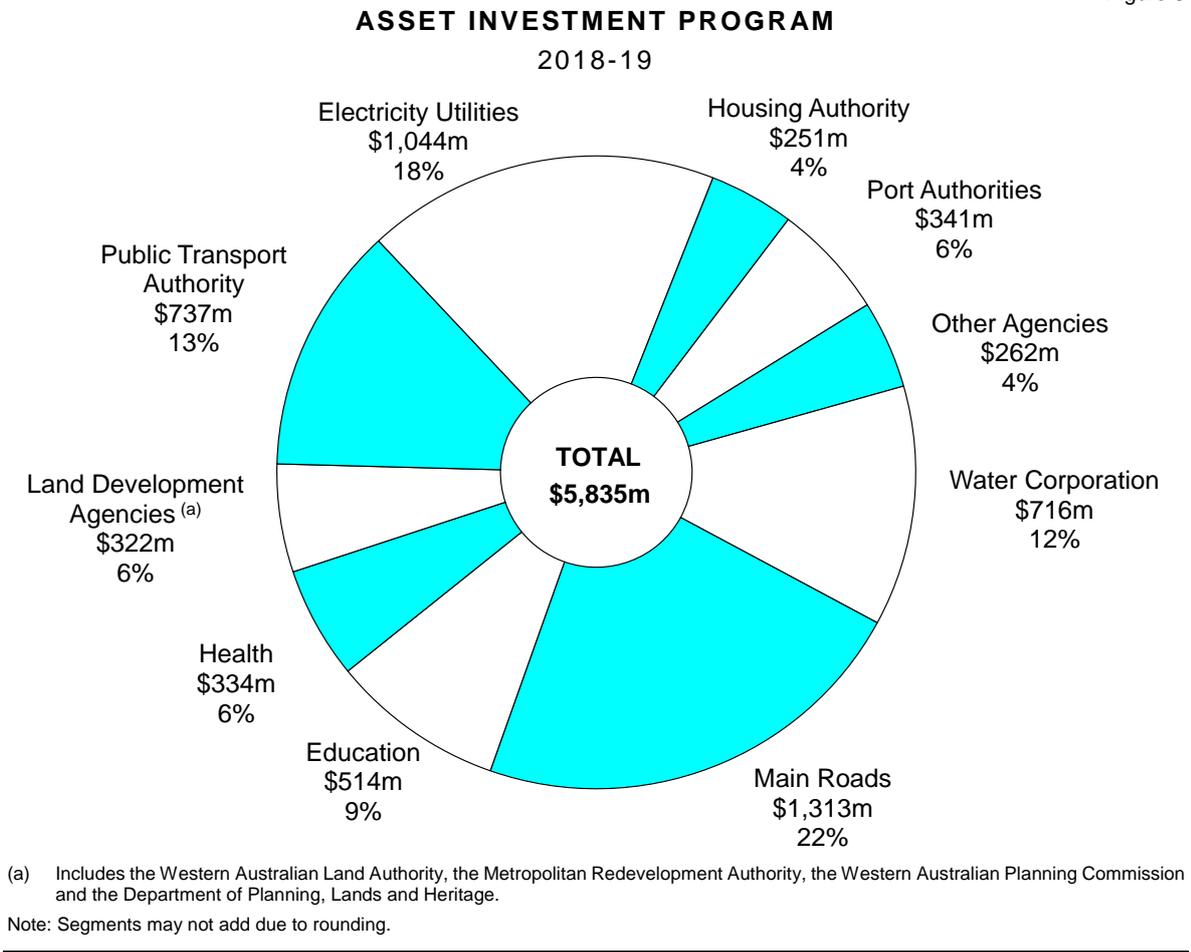
Infrastructure spending is forecast to total \$21.9 billion over the period 2018-19 to 2021-22, with \$5.8 billion forecast to be spent in 2018-19.



In 2018-19, the general government sector is expected to account for \$2.9 billion or 49% of the total Asset Investment Program, with this share declining to around 30% (or \$1.6 billion) by the end of the forward estimates period. This profile reflects high levels of spending on roads in 2018-19 and 2019-20, and the completion of schools and hospitals projects.

A substantial \$8.3 billion is forecast to be invested in road and public transport-related projects over the period 2018-19 to 2021-22, while significant amounts will also be invested in electricity (\$3.8 billion), water (\$2.7 billion) and education infrastructure (\$1.3 billion).

Figure 6



Relative to the 2018-19 Budget, the Asset Investment Program has been revised up by \$382 million over the four years to 2021-22. Infrastructure spending on METRONET projects is \$703 million higher than at Budget-time, including:

- an additional asset investment provision of \$346 million to 2021-22 for future road-related works within the METRONET program;
- the inclusion of a further \$300 million asset investment provision in 2021-22 for METRONET projects that are currently under development, with this additional provision partly funded from the sale of Landgate’s shareholding in Property Exchange Australia Limited (PEXA); and
- an extra \$60 million over 2020-21 and 2021-22 for Bayswater Station as part of the forward works for the Morley-Ellenbrook Line and to cater for the road layout around the station.

Other material movements in infrastructure spending include:

- other road projects (up \$316 million), including a \$255 million asset investment provision for new road projects under development;

- higher spending by WA Health (up \$134 million), including:
 - an additional \$32 million to support the transition from owning information and communications technology (ICT) to purchasing it as a service under the whole-of-government GovNext-ICT program; and
 - the retiming of capital expenditure from 2017-18 for:
 - ongoing works related to the construction and commissioning of the Perth Children’s Hospital (\$40 million);
 - ongoing works on ICT projects and activities relating to the final commissioning of Fiona Stanley Hospital (\$17 million);
 - ongoing project commitments and contingency costs that may eventuate during the two-year defects and liabilities period for Karratha Hospital, and for demolition and remediation of the Nickol Bay Hospital site (\$14 million);
 - the Medical Equipment Replacement Program (\$9 million); and
 - the continued roll-out of the new Patient Administration System (\$8 million);
- higher spending on schools (up \$105 million), including:
 - a carryover of \$56 million from 2017-18 into 2018-19 and across the forward estimates period;
 - \$33 million to deliver two additional new primary schools in Baldivis and Yanchep, and increase student capacity for new primary schools in Brabham, Harrisdale North, and Southern River; and
 - the refurbishment of student accommodation facilities at Moora Residential College (\$9 million), funded by the Commonwealth Government; and
- higher infrastructure spending by Communities (up \$60 million), including the acquisition of land and construction of new dwellings under the expansion of the East Kimberly Transitional Housing Project (\$31 million) and a delay (from 2017-18) in spending related to the National Partnership on Remote Housing (\$15 million).

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

Balance Sheet

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

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

Cash Flow Statement

A total public sector cash deficit of \$2.6 billion is estimated for 2018-19, a \$379 million improvement on the \$3 billion deficit forecast in the 2018-19 Budget.

Across the three years from 2019-20 to 2021-22, the total public sector cash position has improved by an aggregate \$1.8 billion since Budget-time. This is mainly due to the cash impact of the substantially stronger general government revenue outlook outlined earlier, partly offset by:

- increased infrastructure spending (up \$795 million); and
- lower sales of non-financial assets (down \$368 million), primarily due to a reduction in forecast land sales reflecting current property market conditions.

The turnaround from a cash deficit to surplus in 2020-21 will be the first cash surplus for the total public sector since 2006-07.

TOTAL PUBLIC SECTOR CASH FLOW							Table 10
Summary							
	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22	
	Actual	Budget	Mid-year	Forward	Forward	Forward	
	\$m	\$m	Revision	Estimate	Estimate	Estimate	
			\$m	\$m	\$m	\$m	
Net cash from operating activities	1,478	2,433	2,382	4,315	5,867	5,194	
Net cash flows from investing in non-financial assets	-4,485	-5,394	-4,965	-4,826	-4,551	-4,380	
Cash surplus/- deficit	-3,007	-2,961	-2,582	-511	1,315	814	
<i>Financing transactions</i>							
Net cash flow from borrowings	3,834	2,143	1,350	1,045	1,067	1,980	
Run-down in cash and cash equivalents	446	1,703	1,867	344	-1,910	-2,319	
All other financing	-1,273	-885	-635	-878	-473	-476	
<i>Total Financing</i>	3,007	2,961	2,582	511	-1,315	-814	

Note: Columns may not add due to rounding.

Commercialisation Program

The State Government has progressed the following transactions since the 2018-19 Budget. Proceeds from the partial commercialisation of Landgate and the sale of the TAB are not reflected in this Mid-year Review and will not be included in the estimates until the respective transactions are finalised.

Sale of PEXA

The Property Exchange Australia Ltd (PEXA) is an online property exchange network that provides a platform to assist its members, such as lawyers, conveyancers and financial institutions, to lodge documents with Land Registries and complete financial settlements electronically. In October 2018, the State Government agreed to the sale of the Western Australian Land Information Authority's (Landgate's) shareholding in PEXA for approximately \$185 million.

PEXA was formed in 2010 to fulfil the Council of Australian Governments' initiative to deliver a single, national e-Conveyancing solution to the Australian property industry, and was originally known as National e-Conveyancing Development Limited (NECDL).

Landgate invested \$38.9 million in NECDL/PEXA with the objective of securing the broader economic and social benefits that e-Conveyancing would produce for Western Australia. With the PEXA network established, that objective has been achieved, and Landgate's investment in PEXA can be realised and used for other Government priorities. In this regard, the Government has decided to allocate the PEXA proceeds to METRONET projects under development, such as the Morley-Ellenbrook Line.

Landgate Partial Commercialisation

In June 2018, the Government announced its plan to commercialise a restricted part of Landgate's automated titling services. This will provide a revenue source to fund the State's participation in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse, as well as civil litigation actions related to the removal of statutory limitation periods for child sexual abuse cases.

This commercialisation decision was made following a detailed investigation by Treasury and Landgate, which considered options for realising value from Landgate's operations. The partial commercialisation will see a service provider secure the rights to provide certain automated services to Landgate. Under this arrangement, the Government will receive upfront proceeds for the commercialised services, while retaining ownership and oversight of the land titles register. The service provider will be appointed through a competitive market process led jointly by Treasury and Landgate. This market process will commence with the release of an Invitation for Expressions of Interest in January 2019. The successful respondent is expected to be appointed in late 2019.

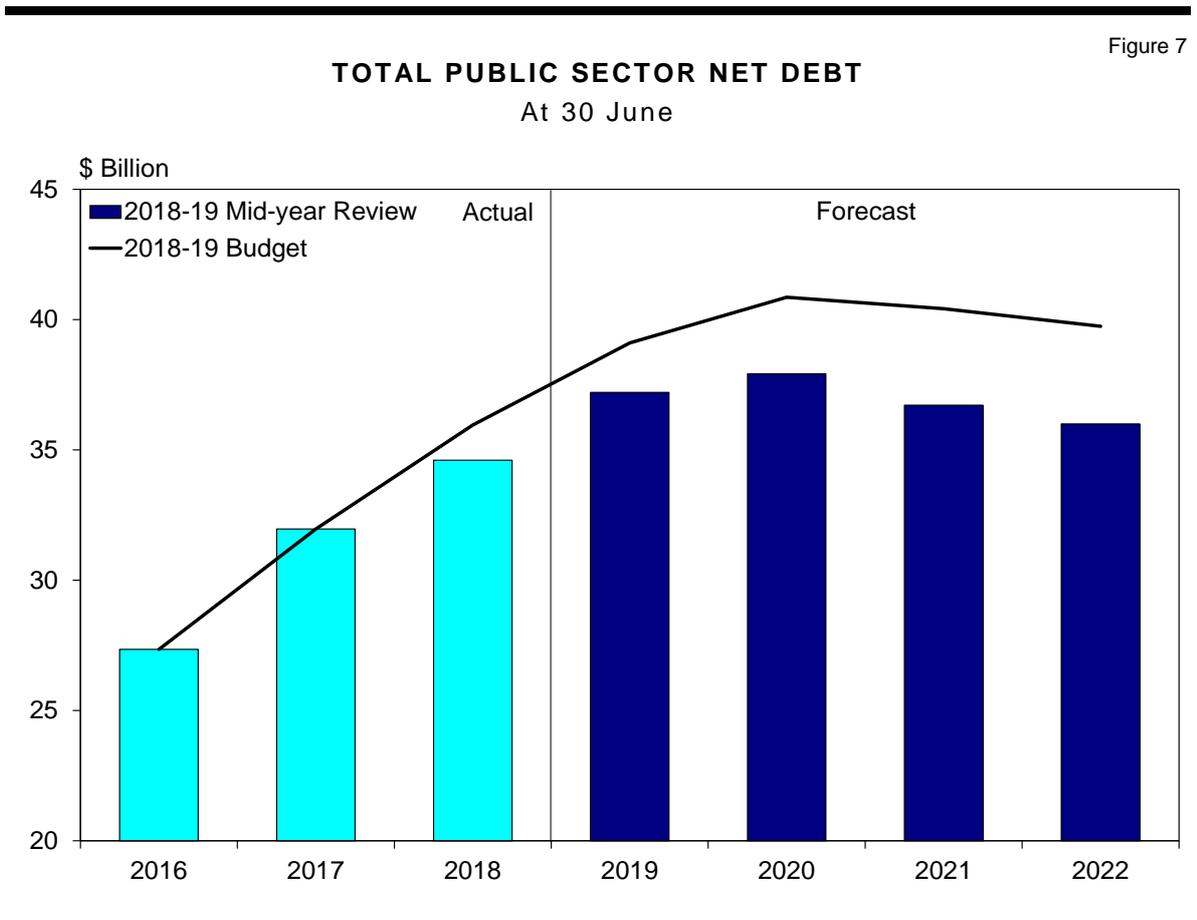
Sale of the Western Australian TAB

In October 2018, the Government announced its decision to proceed with a package of reforms relating to the racing and wagering sector, including the sale of the Western Australian TAB. The decision followed an extensive public consultation process conducted by Treasury and Racing and Wagering Western Australia, which involved 12 stakeholder forums and 107 written submissions in response to Treasury's Discussion Paper. Legislation to progress the sale is expected to be introduced to the Parliament in 2019.

Net Debt⁹

Net debt of the total public sector is forecast to increase from \$34.6 billion at 30 June 2018 to an estimated \$37.9 billion by 30 June 2020, before declining to \$36 billion at 30 June 2022. Relative to the 2018-19 Budget, this represents a \$3.7 billion reduction in the forecast level of net debt by 30 June 2022.

As shown in the following chart, the outlook for total public sector net debt has improved significantly relative to the 2018-19 Budget.



The following table summarises changes in total public sector net debt projections since the 2018-19 Budget.

⁹ Net debt is a balance sheet measure based on Government Finance Statistics concepts. It is calculated as the difference between financial liabilities that attract a debt servicing cost (such as borrowings and finance leases) and liquid financial assets (including loans made by governments). Net debt is an important indicator of the strength of the public sector's financial position and the sustainability of the public sector's future call on cash.

Table 11

NET DEBT OF THE PUBLIC SECTOR AT 30 JUNE

	2019	2020	2021	2022
	\$m	\$m	\$m	\$m
2018-19 Budget - Total Public Sector Net Debt	39,103	40,853	40,413	39,745
<i>Plus Improvement from the 2017-18 Outcome</i>	-1,345.3			
<i>Less change in net cash flows from operating activities and dividends paid</i>				
- general government	252.7	1,207.4	1,187.9	268.7
- public non-financial corporations	-195.8	113.5	81.5	149.0
- public financial corporations	-107.5	-3.7	-19.7	-20.5
<i>Total public sector</i>	-50.6	1,317.2	1,249.7	397.2
<i>Plus purchases of non-financial assets ^(a)</i>				
Main Roads	-20.2	189.2	258.8	233.8
WA Health	-20.2	109.2	41.5	3.4
Education	44.9	40.4	18.5	1.2
Public Transport Authority	-423.1	212.7	278.6	-6.2
Communities	29.5	18.9	11.6	0.5
Pilbara Ports Authority	-31.3	52.9	8.0	7.8
Local Government, Sport and Cultural Industries	-11.8	28.8	17.0	2.4
METRONET Projects Under Development	-	-	-	300.0
Remove Land Transport NP provision ^(b)	-	-	-	-625.0
Provision for outyear slippage	-	-500.0	-	500.0
Removal of carryover provisions relating to 2017-18 underspend	-	-	-200.0	-200.0
All other ^(c)	19.3	2.4	-57.8	45.8
<i>Total purchase of non-financial assets</i>	-412.9	154.5	376.3	263.8
<i>Less proceeds from sale of non-financial assets</i>				
WA Land Authority	-14.5	-117.8	-146.9	-83.9
Planning, Lands and Heritage	-20.4	-6.9	-10.0	-23.6
Metropolitan Redevelopment Authority	-0.3	3.5	12.0	-1.5
Synergy	30.4	-	-	-
All other	21.1	-	15.0	-8.0
<i>Total sales of non-financial assets</i>	16.4	-121.2	-129.8	-117.0
<i>Plus all other financing</i>				
Sale of PEXA	-185.4	-	-	-
All other ^(d)	8.9	7.7	-24.3	-28.5
<i>Cumulative impact on net debt at 30 June</i>	-1,900.4	-2,934.3	-3,702.1	-3,747.1
2018-19 Mid-year Review - Total Public Sector Net Debt	37,203	37,919	36,711	35,997

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

(b) This provision was included in the 2018-19 Budget for a new Land Transport Infrastructure National Partnership to replace the current agreement that expires in 2018-19. This provision has been removed following progress with negotiation of a new National Partnership Agreement.

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

(d) Includes other movements in net debt attributable to issues such as revaluations of investment assets and debt liabilities, net acquisitions of financial assets for liquidity purposes, and some minor changes in the acquisition of non-financial assets under finance leases and similar arrangements, etc. These transactions have no associated operating or infrastructure cash flows reflected in other items in this table.

Note: Columns may not add due to rounding.

By 2021-22, net debt as a share of Gross State Product (GSP) is now projected to be 12%, down from 13% in the 2018-19 Budget. This ratio is now forecast to peak at 13.6% in 2018-19, compared with a peak of 14.6% (in 2019-20) in the 2018-19 Budget.

Reflecting its commitment to responsible financial management, the Government established a Debt Reduction Account in 2017-18, which facilitates the repayment (or avoidance) of centrally-held borrowings. In the 2018-19 Budget, centrally-held borrowings were projected to rise to \$32.9 billion by 30 June 2022. These have been revised down to \$29.8 billion in this Mid-year Review, a reduction of \$3.1 billion.

This Mid-year Review includes the Government's decision to allocate all of the estimated \$2.4 billion in Commonwealth-funded GST top-up funding over the three years from 2019-20 to 2021-22 to debt reduction. In addition, there has been an upward revision to RiskCover's surplus capital returns to the general government sector, which also increases the forecast repayment of borrowings over the forward estimates period. The table below shows the current source of funds and timing of the associated debt repayments.

Table 12

REPAYING CONSOLIDATED ACCOUNT DEBT						
	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<i>Source of Funds</i>						
Unanticipated stamp duty 'specials'	-	169	-	-	-	169
RiskCover return of surplus capital	98	162	77	45	39	421
Return of surplus agency cash	-	79	-	-	-	79
Commonwealth-funded 70% GST floor	-	-	997	975	453	2,425
<i>Total</i>	98	411	1,073	1,020	493	3,095
DEBT REPAYMENTS	98	411	1,073	1,020	493	3,095

Note: Columns may not add due to rounding.

Changes to the Measurement of Leases

Australian Accounting Standard AASB 16: *Leases* will come into effect for financial reporting in Australia for reporting periods from 1 January 2019. The new standard impacts financial reporting in the public and private sectors, and is in line with similar changes to International Financial Reporting Standards that come into effect at the same time.

A key reason for the new standard is to increase financial transparency. Under current accounting standards, both in Australia and abroad, there has been increasing use of operating leases (effectively rental arrangements) that are treated off-balance sheet. The new standard will include the disclosure of lease obligations as a balance sheet liability, together with the reporting of leased 'right of use' assets. Under these new reporting arrangements, the distinction between operating leases (off-balance sheet) and finance leases (on-balance sheet) will be discontinued.

Leases under AASB 16 are interest-bearing financial obligations that are classified on the face of the balance sheet as borrowings. The right of use assets brought to book under the standard will generally be recorded as physical assets (such as buildings and vehicles) and other non-financial assets such as power purchase agreements.

As the lease obligation is a class of borrowing, it will be included in the calculation of gross and net debt. As a result, the reported levels of gross and net debt of the States, Territories and the Commonwealth will increase under the new standard. In Western Australia, public sector agencies are currently working to identify the financial impact of AASB 16 before its first-time impact is brought to book in the 2019-20 Budget.

Importantly, although the reported increase in gross and net debt from the remeasurement under AASB 16 may be significant in dollar terms, it has no impact on the legal, economic or fiscal status of any of the States, Territories or the Commonwealth. In this regard, no additional cash payments (including interest costs) will be incurred as a result of the remeasurement of leases.

Reflecting this, it is expected that the credit rating agencies will 'look through' the increases in reported gross and net debt when making their independent credit rating assessments. This expectation reflects that the changes represent accounting remeasurements, result in no additional cash requirements for jurisdictions, and that there is no change in legal obligations flowing from AASB 16.

An update on the impact of the new lease standard on Western Australia's public sector financial disclosures will be included in the 2019-20 Budget (due to be released in May 2019).

Statement of Risks

Forecasting Uncertainties

The inherent uncertainties associated with producing forecasts for an approximately \$264 billion economy and \$31 billion general government sector recurrent budget mean that there will always be differences between the forecasts of key aggregates and the final audited results. This Statement of Risks provides an overview of the known issues that have the potential to materially affect the financial projections contained in this Mid-year Review.

Revenue Estimates

The revenue estimates are highly sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore), employment and wage growth, and house prices and transaction volumes. The volatility in the State's own-source revenue highlights the imperative for the Government to maintain a disciplined approach to managing recurrent expense growth. Approximate annual impacts of changes in these variables are outlined in the following table.

Table 13

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES 2018-19

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±89	For each US1 cent decrease/increase in the \$US/\$A exchange rate (royalty income is inversely related to the \$US/\$A exchange rate).
Iron ore royalties	±80	For each \$US1 per tonne increase/decrease in the price of iron ore.
Petroleum royalties and North West Shelf grants	±11	For each \$US1 increase/decrease in the price of a barrel of oil.
Payroll tax	±35	For each 1% increase/decrease in taxable wages or employment growth (i.e. the total wages bill).
Underlying transfer duty		
• Prices	±12	For each 1% increase/decrease in average property prices.
• Transactions	±8	For each 1% increase/decrease in transaction levels.

Royalty Income (\$5,549 million in 2018-19)

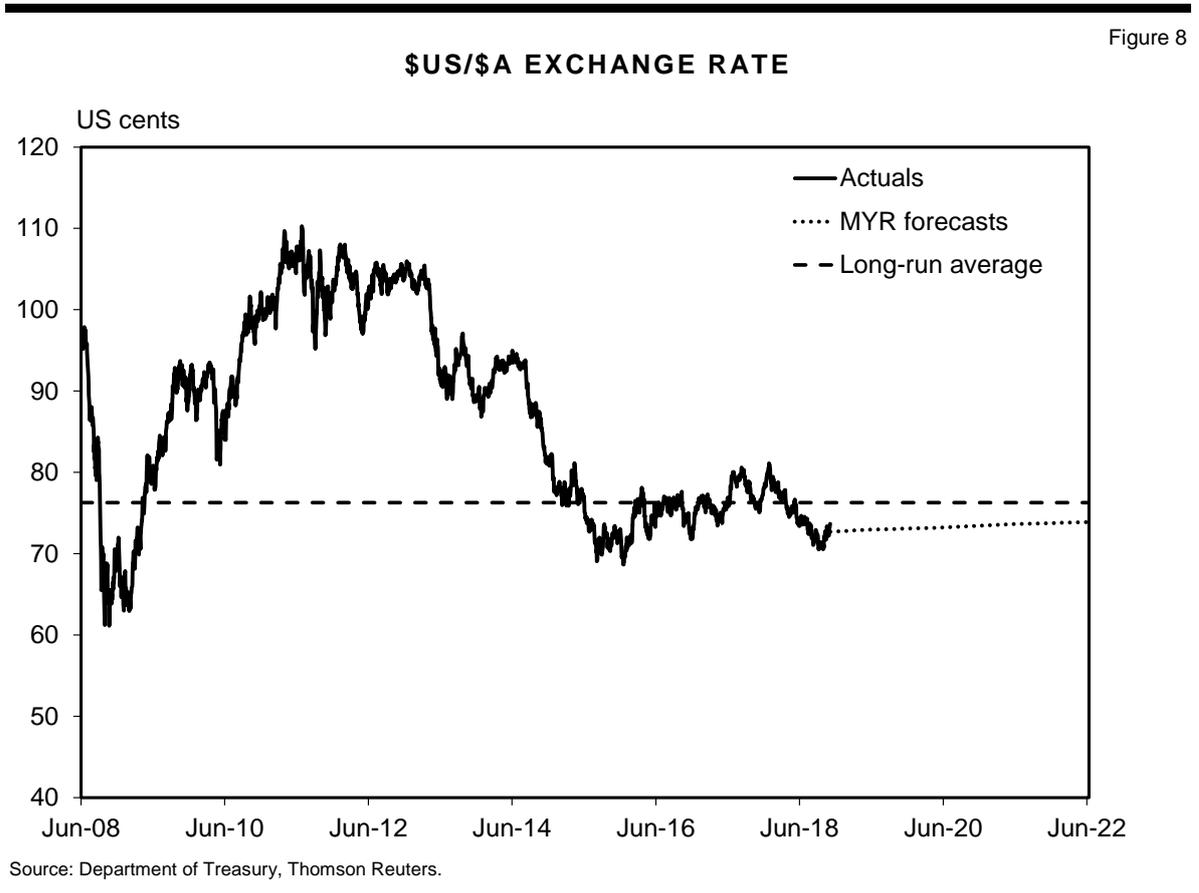
Movements in the \$US/\$A exchange rate and the iron ore price represent the largest risks (both upside and downside) to general government revenue. The majority of Western Australia's commodities are sold in international markets and are priced in US dollars.

The iron ore price in particular is significantly influenced on the demand side by economic conditions in China and Chinese government policies relating to fiscal and monetary settings, the environment, trade, and industrial reforms. The timing and impact of these policies are difficult to predict. Prices are also influenced on the supply side by the start-up of new mines, mine expansions, mine depletions and scheduled shutdowns, as well as less predictable events such as weather disruptions.

The oil price is also volatile and that volatility also flows through to the revenue estimates.

Sensitivity to Exchange Rate Movements

The following chart shows the actual \$US/\$A exchange rate since June 2008, the post-Australian currency float (December 1983) long-run average exchange rate (76.3 US cents), and the forecasts used in this Mid-year Review.



The chart highlights the degree of volatility in the \$US/\$A exchange rate. It also shows that the Mid-year Review forecasts are only marginally below the long-run average exchange rate. Even so, if the \$US/\$A exchange rate were to exactly track its long-run average of 76.3 US cents across the forward estimates period, the revenue impact would be a downward revision of \$991 million over the four years to 2021-22 relative to these Mid-year Review forecasts (see table below).

Table 14

EXCHANGE RATE SCENARIO RELATIVE TO 2018-19 MID-YEAR REVIEW

	2018-19	2019-20	2020-21	2021-22	Total
	\$m	\$m	\$m	\$m	\$m
Return to long-run average	-330	-261	-211	-189	-991

Source: Department of Treasury.

State Taxes (\$8,748 million in 2018-19)

Payroll Tax

The over-representation of the mining and related sectors in the payroll tax base means that any unexpected events impacting on these industries pose a risk to the payroll tax outlook. For example, changes in the magnitude and timing of spending on construction and commissioning of projects could translate into higher or lower payroll tax collections in the near term.

Total Duty on Transfers¹⁰

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

Further increases in home loan rates independent of changes to the official cash rate and additional tightening of residential lending criteria, in response to the final outcome of the banking and finance Royal Commission, could further weaken demand for residential properties, resulting in lower than anticipated residential transfer duty.

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

The High Court recently decided to uphold an assessment of tax made by the Commissioner of State Revenue relating to the acquisition of a controlling interest in a landholder entity. The wider implications of the decision are being examined to ascertain how similar matters held by the Commissioner are affected. An assessment of tax remains valid until all review proceedings have been discontinued or otherwise finally determined.

Commonwealth Grants (\$10,399 million in 2018-19)

GST Reform

The Commonwealth Government's GST reforms remove much of the risks of variation in the State's GST grants over the forward estimates period. The State's GST grant share is already known for 2018-19, and the Commonwealth will provide untied top-up funding to increase Western Australia's GST relativity to an effective 70% floor for the years 2019-20 to 2021-22. The State's funding will still vary in response to variations in the national GST grant pool and the State's population share.

The Commonwealth Grants Commission is currently undertaking a review of its methods for calculating the recommended distribution of GST grants. This review will be completed in February 2020 and apply from 2020-21 onwards. The review could significantly alter Western Australia's GST grant share in either direction, which may not be fully offset by the GST reforms, particularly in years outside the current forward estimates period.

¹⁰ The sum of transfer duty and landholder duty.

Commonwealth 2018-19 Mid-year Economic and Fiscal Outlook (MYEFO)

The Commonwealth's MYEFO for 2018-19 is expected to be released on 17 December 2018, after the 3 December 2018 cut-off date for this Mid-year Review. In addition to the specific risks around Commonwealth tied grant funding (see next item), any changes in estimates of grants (through changes to the Commonwealth's own forecasting parameters and/or policy changes) have not been reflected in these Mid-year Review estimates, unless these were known before the Mid-year Review cut-off date.

National Partnership on the Skilling Australians Fund

Funding under the bilateral agreement (not signed at the time of the Mid-year Review cut-off) is expected to be reflected in the 2019-20 Budget. The funding is tied to the provision of a matching State funding contribution, which will be provided from the redirection of revenue from reforms to the payroll tax exemption for new worker traineeships. The redirected revenue, and the funding under this agreement, will fund the introduction of a new employer incentive scheme to provide training support to employers, including small businesses, and to grow apprenticeships and traineeships. Funding under this agreement is dependent on the passage of amendments to the *Pay-roll Tax Assessment Act 2002* to implement the required reforms.

Spending Risks**Sensitivity to Recurrent Spending Changes**

Average expense growth of 1.3% per annum is forecast across the forward estimates period in this Mid-year Review. This historically low rate of expense growth reflects the Government's commitment to responsible financial management, and incorporates significant reprioritisation of expenditure and the cumulative impact of Budget repair measures.

With general government recurrent expenditure forecast to average around \$31 billion per annum over the next four years, even small variations in the rate of budgeted expense growth can have a material impact on the net operating balance and net debt projections contained in this Mid-year Review.

This demonstrates the imperative for the Government to maintain a sustained, disciplined approach to managing recurrent expenditure.

Highlighting the sensitivity of the general government operating balance to changes in recurrent spending, the following table shows the hypothetical impact of expense growth equivalent to long-run average growth of 6.2% per annum. It shows that by the end of the forward estimates period, an operating deficit of \$4.6 billion would be in prospect, compared to the \$1.9 billion operating surplus currently forecast.

Table 15

LONG-RUN EXPENSE GROWTH SCENARIO
Impact on General Government Operating Balance

	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m
<i>2018-19 Mid-year Review</i>				
Expenses	30,684	31,107	30,954	31,568
Operating balance	-674	1,020	2,489	1,891
<i>Expense growth at long-run average rate of growth^(a)</i>				
Expenses	31,798	33,761	35,844	38,057
Operating balance	-1,788	-1,633	-2,401	-4,597
<i>Change</i>				
Expenses	1,114	2,654	4,890	6,489
Operating balance	-1,114	-2,654	-4,890	-6,489

(a) Long-run average growth of 6.2% per annum (from 1993-94 to 2017-18).

Interest Rates

The following table provides an updated comparison of Consolidated Account interest rate outcomes under the 'expected' and 'high' interest rate paths modelled by the Western Australian Treasury Corporation. As indicated, annual Consolidated Account interest expenses would be around \$169 million higher by 2021-22 under the 'high' scenario. Further information on the difference between the 'expected' and 'high' interest rate paths is contained in the 2018-19 Budget Paper No. 3.

Table 16

CONSOLIDATED ACCOUNT INTEREST RATE SCENARIO

	2018-19	2019-20	2020-21	2021-22
'Expected' (%)	3.10	3.15	3.24	3.36
'High' (%)	3.15	3.36	3.65	3.96
Variance (%)	0.05	0.22	0.41	0.61
Variance (\$m)	6	58	111	169

Geraldton Alternative Settlement Agreement

The State Government is currently negotiating a settlement package for traditional owners in exchange for the surrender of native title rights and interests within the Geraldton Alternative Settlement area. The proposed Agreement Settlement Area includes all of the Southern Yamatji and Hutt River claim areas, as well as the southern portions of Mullewa Wadjari and Widi claim areas. This Agreement is to be made by an Indigenous Land Use Agreement under the Commonwealth's *Native Title Act 1993*.

The Federal Court is providing mediation assistance to the State and the Traditional Owner Negotiation Team (TONT) in their negotiation of the alternative settlement. The mediation and negotiation of the alternative settlement is to be concluded by December 2019. If no agreement is reached in this period, programming orders for a trial commence after December 2019. The State is continuing to work with the TONT towards the resolution of the Alternative Settlement. Subject to the progress of negotiations, it is expected that the costs associated with an agreement will be considered as part of the 2019-20 Budget process.

Forthcoming Accounting Standards

A number of key accounting standards have been released by the Australian Accounting Standards Board and are due to be adopted in the coming financial years. Treasury is analysing these new standards in consultation with other public sector agencies. At this stage, the full impact of these standards on the financial aggregates is yet to be quantified. AASB 16: *Leases* may significantly impact reported levels of gross and net debt (for all jurisdictions), but it will have no impact on the legal, economic or fiscal status of any State when it is implemented from the 2019-20 Budget (see feature box earlier in this Chapter).

State-wide Building Cladding Audit

In late 2017 the Department of Mines, Industry Regulation and Safety contacted all government agencies regarding the risk presented by combustible building cladding and requested that they undertake audits of their respective portfolios. It is expected that most audits will be completed by 31 December 2018, following which agencies will report the outcomes and any planned remedial actions and/or risk mitigation measures. While the audits are still in progress, a number of publicly owned buildings have been identified as requiring remedial action. The nature and costs of any remediation are uncertain and cannot be quantified at this time.

Forrestfield-Airport Link Project

As a result of disruption to construction activities, including the formation of a sinkhole during the construction of Cross Passage Dundas, the schedule for the Forrestfield-Airport Link project is under review. As previously noted, there is also a risk that the project may exceed its approved budget. Spoil (i.e. excavated soil) from tunnelling has been found to contain minor concentrations of poly-fluoroalkyl substances (PFAS). There is a risk that some of this spoil may be unable to be reused and instead must be disposed of in landfill at an additional cost to the project.

Government Trading Enterprises

Corporatised public corporations, also known as Government Trading Enterprises (GTEs), are a significant revenue source for the general government sector through income tax equivalent and dividend payments (representing \$2 billion, or 6.6%, of general government revenue in 2018-19). Some GTEs also receive operating subsidies from the Consolidated Account (\$1.5 billion, or 4.9%, of general government expenses in 2018-19). Public corporations, which include most GTEs, also undertake a significant proportion of the State's infrastructure investment (around 51% in 2018-19), with any required borrowings contributing to the State's debt levels.

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

Material risks to the operating outlook and infrastructure spending projections for GTEs are listed below.

- *Synergy’s cost and demand outlook* – the rapidly changing market in which Synergy operates (including falls in demand for electricity, excess or shortages of electricity and gas supply relative to demand, new technologies, and renewable energy commitments) and its response to this (including via its cost structure, contractual arrangements and current regulatory restrictions) have the potential to place pressure on Synergy’s financial performance over the forward estimates period.
- *Western Power AA4* – the regulatory determination by the Economic Regulation Authority (ERA) regarding Western Power’s five year fourth access arrangement (known as AA4) was not finalised in time for the 2018-19 Mid-year Review. It is expected that the ERA will release its further final AA4 regulatory decision by early January 2019, and the financial impact of AA4 will be considered in the 2019-20 Budget. This will consider the impacts on Western Power, the broader impact on network charges (including retail tariffs and Synergy), and other possible policy initiatives.
- *Southern Seawater Desalination Plant Output* – the Water Corporation’s 2018-19 operating expenditure forecast assumes output of 102 gigalitres from the Southern Seawater Desalination Plant. Any further expenditure required to increase output from the Plant beyond 102 gigalitres in 2018-19 will be absorbed by the Water Corporation. It is expected that output from the Plant of up to 109 gigalitres per annum may be required over the period from 2019-20 to 2021-22. Operating expenditure projections for the Water Corporation over this period assume output of 87 gigalitres. Additional expenditure requirements associated with increased output will be assessed as part of future Budget processes and will largely be informed by future dam inflows and groundwater allocations approved by the Department of Water and Environmental Regulation.
- *Government Exposure to Land and Property Market* – the Metropolitan Redevelopment Authority, Western Australian Land Authority (LandCorp), Department of Communities and the Department of Planning, Lands and Heritage are all engaged in significant land sales and land development programs. This exposure to the property market poses risks to the financial estimates in this Mid-year Review. In total, the land sales forecasts of these agencies have been revised down by an aggregate \$412 million over the forward estimates period relative to the 2018-19 Budget.

Utilities and Tariffs

The Government reviews electricity and water tariffs as part of its annual Budget process, with assumed price increases built into the outyears for Budget planning purposes. Accordingly, there is a risk that actual tariff increases for 2019-20 and subsequent years may differ from the planning assumptions included in the last Budget. As part of the 2018-19 Budget, the Government approved the following changes for the 'representative' household:

- a 7% residential electricity tariff increase in 2018-19, with assumed increases of 5.6% in 2019-20, 3.5% in 2020-21 and 1.8% in 2021-22; and
- a 5.5% increase in water charges in 2018-19, with assumed increases of 2.5% per annum from 2019-20 to 2021-22.

Any major variance from these assumed increases may have a significant impact on the level of cost recovery for these services and hence the State's finances.

Contingent Assets and Liabilities

Contingent assets usually consist of the potential settlement of lawsuits of contractual claims. Typically, contingent liabilities consist of guarantees, indemnities and sureties, as well as legal and contractual claims. They constitute a potential risk or benefit to the financial projections should they eventuate.

Contingent assets and liabilities were reported in full in the 2017-18 *Annual Report on State Finances*. There have been no material changes to the contingent assets and liabilities reported at that time.

Financial Strategy

HIGHLIGHTS

- The Government's focus on managing expense growth (general government expenses have increased by only \$289 million since the 2018-19 Budget) has materially improved the State's financial position.
- General government revenue has been revised up by \$3.3 billion over the forward estimates period since the 2018-19 Budget.
- The Government has kept expense growth to an average of just 1.3% per annum over the next four years, similar to the 1.2% growth forecast at Budget-time.
- As a result, the general government operating balance has improved in each year of the forward estimates since Budget, with an operating surplus of \$1 billion now forecast for 2019-20 – a substantial turnaround from the \$160 million deficit forecast at Budget-time.
- This, in turn, has resulted in a significant \$3.7 billion reduction in the forecast level of net debt at 30 June 2022, and a \$532 million reduction in general government interest costs over the forward estimates period.
- All of the Government's financial targets are on track to be met from 2020-21.

Introduction

This Chapter provides an assessment of the Mid-year Review financial projections against the Government's financial targets, as required by the *Government Financial Responsibility Act 2000*.

The Government's financial targets were detailed in the 2018-19 Budget Papers. The targets are to:

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

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

The following table summarises forecast compliance with the financial targets.

2018-19 MID-YEAR REVIEW – FINANCIAL TARGET COMPLIANCE				
	2018-19	2019-20	2020-21	2021-22
	Forecast	Forward Estimate	Forward Estimate	Forward Estimate
Progress towards a net operating surplus for the general government sector				
- General government net operating balance (\$m)	-674	1,020	2,489	1,891
- 2018-19 Mid-year Review compliance	No	Yes	Yes	Yes
- 2018-19 Budget compliance	Yes	Yes	Yes	Yes
Progress towards a cash surplus for the total public sector				
- Total public sector cash surplus/deficit (\$m)	-2,582	-511	1,315	814
- 2018-19 Mid-year Review compliance	Yes	Yes	Yes	Yes
- 2018-19 Budget compliance	Yes	Yes	Yes	Yes
Maintain disciplined general government expense management through:				
- delivering public sector wage outcomes in line with Government wages policy				
- 2018-19 Mid-year Review compliance	Yes	Yes	Yes	Yes
- 2018-19 Budget compliance	Yes	Yes	Yes	Yes
- ensuring key service delivery agency recurrent spending outcomes are in line with budgeted expense limits				
- 2018-19 Mid-year Review compliance	No	Yes	Yes	Yes
- 2018-19 Budget compliance	Yes	Yes	Yes	Yes
Reduce the proportion of total public sector net debt held by the general government sector				
- General government net debt as a share of TPS net debt (%)	65.4	67.5	65.8	64.0
- 2018-19 Mid-year Review compliance	No	No	Yes	Yes
- 2018-19 Budget compliance	No	No	Yes	Yes

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

Financial Targets

Progress towards a net operating surplus for the general government sector, measured by a reduction in the operating deficit outcome relative to the previous year

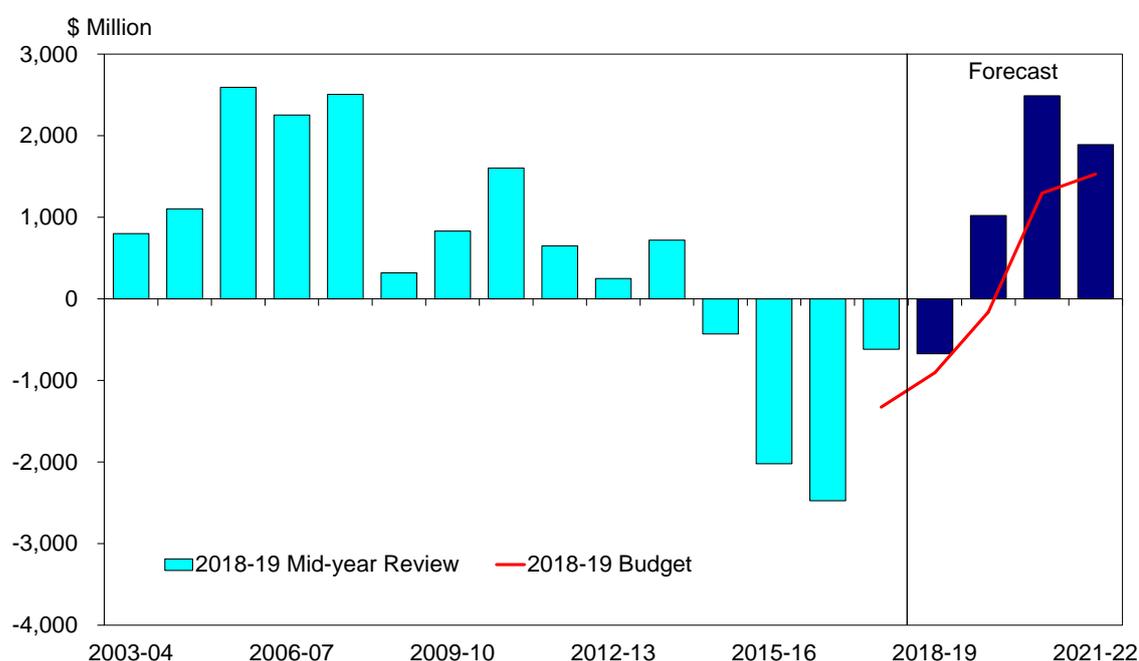
The general government operating balance is now expected to return to a surplus position in 2019-20, one year earlier than forecast at Budget-time. In addition, the estimated operating deficit for 2018-19 (\$674 million) has narrowed (by \$232 million) since Budget.

Despite this improvement, the operating deficit for 2018-19 is marginally larger than the \$618 million deficit outcome recorded for 2017-18. In part, this reflects a \$251 million expense underspend in 2017-18 (relative to the estimated outturn in the 2018-19 Budget), and an associated 'carryover' of previously approved spending into 2018-19.

Since the 2018-19 Budget, stronger revenue estimates (up \$3.3 billion or 2.6% over 2018-19 to 2021-22) more than offset higher expenses (up \$289 million or 0.2%), with the net operating balance improving in each year of the forward estimates period relative to Budget (see following chart).

Figure 1

NET OPERATING BALANCE General Government Sector



Notwithstanding the improved revenue outlook since Budget, the critical factor in the return to surplus from 2019-20 is the maintenance of low expense growth, with expenses forecast to grow by an average of just 1.3% per annum over the forward estimates period. While revenue is forecast to grow by an average of 3.3% per annum over the same period, this is modest in comparison to long-run average revenue growth (since 1993-94) of 6.3% per annum.

Progress towards a cash surplus for the total public sector, measured by a reduction in the cash deficit outcome relative to the previous year

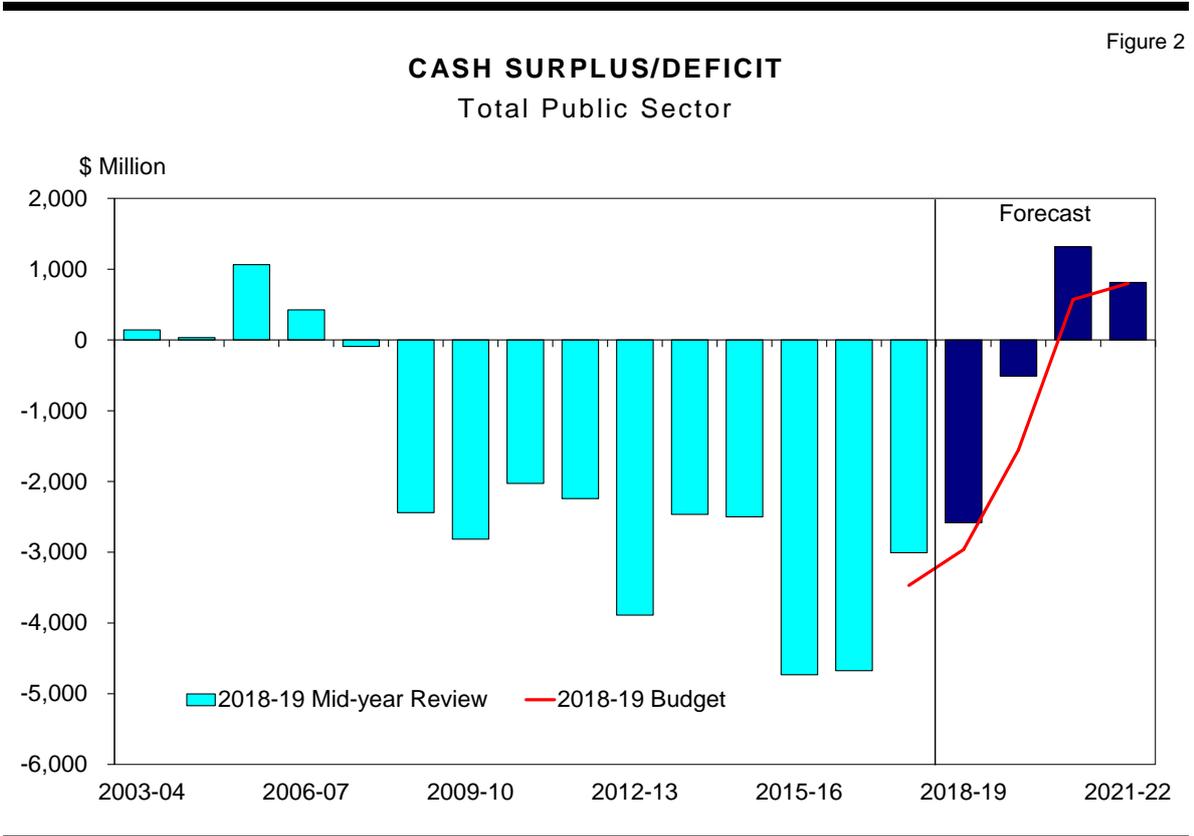
This target is expected to be met in 2018-19 and each year of the forward estimates period.

The total public sector cash deficit is forecast to decline from \$3 billion in 2017-18 to \$2.6 billion in 2018-19 and \$511 million in 2019-20. Cash surpluses of \$1.3 billion and \$814 million are forecast for 2020-21 and 2021-22 respectively.

Across the forward estimates period, the cash surplus/deficit has improved by an aggregate \$2.2 billion relative to the 2018-19 Budget, with stronger general government sector operating outcomes more than offsetting slightly higher infrastructure spending.

The Government’s plan to gradually pay down debt to sustainable levels is dependent on consistently achieving cash surpluses over the longer term.

Figure 2



Maintain disciplined general government expense management

Management of recurrent spending in the general government sector is critical to progressing towards an operating surplus and maintaining a sustainable financial position. The Government's expense target is measured by two criteria.

Deliver public sector wage outcomes in line with Government wages policy

Consistent with the outlook at Budget-time, this target is expected to be met in 2018-19 and across the forward estimates period.

To meet this target, public sector wage agreements need to be settled in line with the Government's wages policy of limiting increases in wages and associated conditions to \$1,000 per annum. Agreements expiring in this financial year encompass nearly 75,000 public sector employees, including the Public Service and Government Officers General Agreement (public servants), Registered and Enrolled Nurses, education assistants and Western Australia Police Officers.

Table 2

EXPIRING INDUSTRIAL AGREEMENTS

Agreement	Employees	Expiry Date	Status
WA TAFE Lecturers General Agreement	2,521	Expired 2017-18 ^(a)	Registered
Ranger (National Parks)	128	Expired 2017-18 ^(a)	Registered
WA Health - PACTS (Health Salaried Officers)	16,341	Expired 2017-18 ^(a)	Registered
PTA Railway Employees (Trades)	46	6 Jul 2018	Registered
Enrolled Nurses	2,210	6 Oct 2018	Under Negotiation
Registered Nurses	16,036	11 Oct 2018	Under Negotiation
PTA Salaried Officers	770	25 Oct 2018	Under Negotiation
Police Auxiliary Officers	320	1 Nov 2018	Under Negotiation
Education Assistants	12,066	31 Dec 2018	Under Negotiation
Government Services (miscellaneous)	4,578	31 Dec 2018	Under Negotiation
WA Health Engineering and Building Services	219	31 Dec 2018	Under Negotiation
PTA Transperth Train Operations Rail Car Drivers	286	16 Mar 2019	Upcoming agreement
Australian Workers Union	500	25 Apr 2019	Upcoming agreement
Public Service and General Government Officers	31,845	12 Jun 2019	Upcoming agreement
Western Australia Police Officers	6,442	30 Jun 2019	Upcoming agreement
Dental Officers	166	30 Jun 2019	Upcoming agreement

(a) New agreements to expire in 2019-20.

With salaries comprising around 40% of total general government expenses, maintenance of the Government's wages policy is critical to achieving the low rate of expense growth underpinning these Mid-year Review aggregates.

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

This target is met when key service delivery agencies' recurrent spending outcomes are within 2% of budgeted expense limits contained in their Resource Agreements.

The target is not expected to be met in 2018-19, with unavoidable spending increases and the need to carry-over previously approved spending from 2017-18 meaning that several agencies are now expected to be above the 2% threshold:

- Main Roads, due to the payment of eligible road repair claims for natural disasters that occurred in 2016-17 as part of the Western Australian Natural Disaster Relief and Recovery Arrangement;
- Transport, mainly reflecting grant expenditure being carried-over from 2017-18 into 2018-19;
- Communities, mainly due to expenditure associated with the National Partnership on Remote Housing (with the delayed receipt of Commonwealth grants from 2017-18 which will now be spent by the Department in 2018-19); and
- Primary Industries and Regional Development, mainly reflecting delays in spending from 2017-18 to 2018-19 for various industry co-funded projects.

Table 3

AGENCY RESOURCE AGREEMENTS (a)

	2018-19 Budget Resource Agreement	Functional Transfers (b)	Revised Limit	Current Total Cost of Service	Variance from Revised Limit
	\$m	\$m	\$m	\$m	%
WA Health	8,808	11	8,818	8,829	0.1
Education	5,091	1	5,092	5,122	0.6
Communities	3,245	3	3,248	3,316	2.1
Western Australia Police Force	1,555	-	1,555	1,577	1.4
Justice	1,472	1	1,473	1,486	0.9
Public Transport Authority	1,491	-	1,491	1,488	-0.2
Finance	1,430	-(c)	1,431	1,429	-0.1
Commissioner of Main Roads	1,282	-	1,282	1,362	6.2
Mental Health Commission	918	-	918	926	0.8
Training and Workforce Development	561	-	561	553	-1.5
Primary Industries and Regional Development	518	1	518	529	2.1
Biodiversity, Conservation and Attractions	396	-(c)	397	389	-1.8
Transport	436	-(c)	437	450	3.0
Fire and Emergency Services	430	-(c)	430	434	0.9
Mines, Industry Regulation and Safety	293	1	293	288	-1.9

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

(b) Detailed in Appendix 4: *The Treasurer's Advance*.

(c) Amount less than \$500,000.

Material changes to agency spending since the 2018-19 Budget are discussed in Chapter 1 and in more detail in Appendix 3.

Reduce the proportion of total public sector net debt held by the general government sector

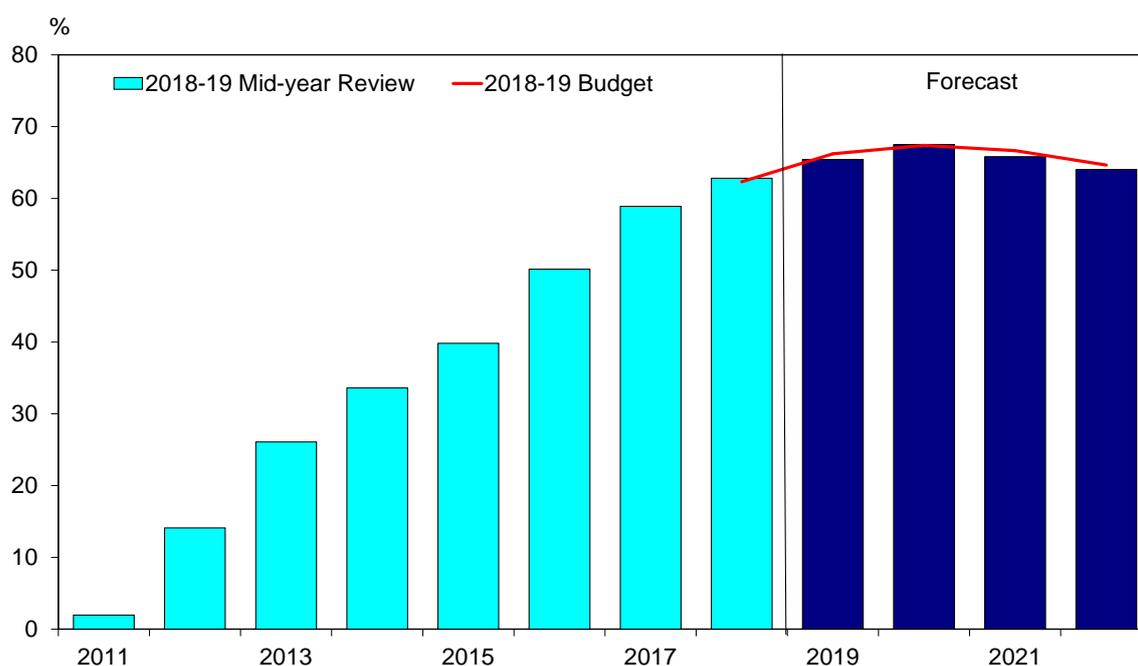
Consistent with the Budget outlook, this target is expected to be met in 2020-21.

The proportion of net debt held by the general government sector is forecast to increase from 62.8% at 30 June 2018 to a peak of 67.5% at 30 June 2020, before declining to 64% by the end of the forward estimates period.

Relative to Budget, net debt of the total public sector is forecast to be \$3.7 billion lower by the end of the forward estimates period, of which \$2.6 billion is reflected in lower general government net debt. Importantly, lower general government sector net debt has resulted in a substantial reduction to forecast interest expenditure, with interest costs for the sector revised down by \$532 million over the forward estimates period since Budget.

Figure 3

GENERAL GOVERNMENT NET DEBT PERCENTAGE OF TOTAL PUBLIC SECTOR NET DEBT At 30 June



The Western Australian Economy

HIGHLIGHTS

- The Western Australian economy is recovering. Gross State Product (GSP) is forecast to increase by 3% in 2018-19, following growth of 1.9% in 2017-18 and a contraction of 1.8% in 2016-17 (the only contraction on record).
- Western Australia's labour market has performed more strongly than expected since Budget. Employment growth has been revised up to 1.75% in 2018-19 (from 1.5%), which translates to approximately 23,000 people finding work. This is in addition to the almost 30,000 people hired in 2017-18.
- Some areas of weakness remain. The domestic economy (as measured by State Final Demand) is still expected to contract slightly in 2018-19. This reflects an expected contraction in business investment in line with the completion of construction on major LNG projects (particularly Ichthys and Prelude), and weakness in dwelling investment. Consumers are also expected to remain cautious in their spending.
- Despite increased volatility in the lead-up to the Mid-year Review cut-off date, commodity prices have been supported by the steady expansion of the global economy. However, there are risks to the outlook, most notably those associated with trade tensions between the US and China and expected increases in the US Federal funds rate.

Western Australia

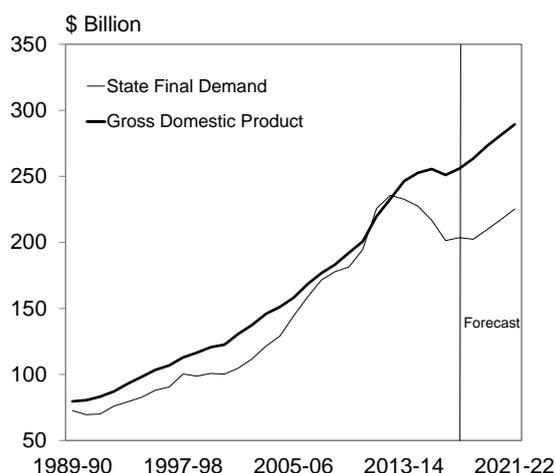
Gross State Product

The Western Australian economy (as measured by **Gross State Product, GSP**) grew by 1.9% in 2017-18, reversing a contraction of 1.8% in 2016-17.

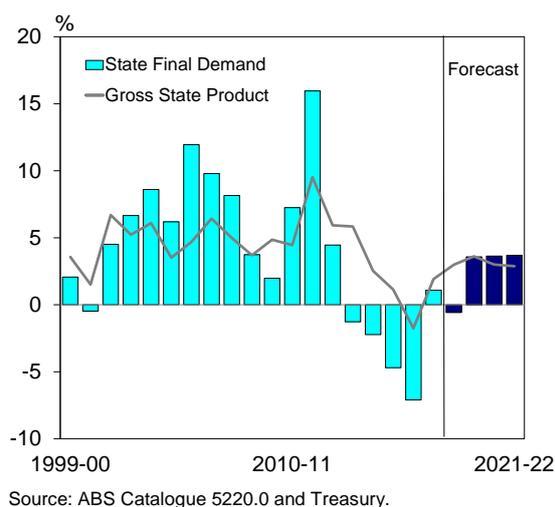
The return to growth in the overall economy in 2017-18 was coupled with an expansion in the domestic economy, measured by **State Final Demand (SFD)**, for the first time since 2012-13. Growth in SFD was largely the result of the timing of investment on a number of LNG projects which helped sustain business investment at 2016-17 levels. SFD is expected to decline in 2018-19, as anticipated at Budget, as a result of a fall in business investment due to the completion of work on major LNG projects.

Figure 1

ECONOMIC GROWTH COMPONENTS Western Australia, Annual Levels



ECONOMIC GROWTH Western Australia



GSP growth is expected to pick up to 3% in 2018-19, supported by strong growth in net exports. In 2019-20 and beyond, the economy is forecast to grow at 3% to 3.5% per annum, slightly below long-run average growth, as investment activity maintains rather than expands production levels and hence exports.

Household consumption grew by 1.6% in 2017-18, an improvement on the 1% growth in 2016-17 but well below long-run average growth of 3.9%. Growth in consumption for the past five years has been predominantly driven by spending on essential items, such as food and rent, as consumers have been, and remain, cautious in their spending.

Growth in household consumption is expected to remain subdued at 1.5% in 2018-19 (below the Budget forecast of 2.25%), before gradually increasing over the remainder of the forecast period, as household wealth lifts, labour market conditions improve and income growth picks up. An increase in the rate of population growth in the outyears should further support consumption.

Table 1

ECONOMIC FORECASTS						
Western Australia, Annual Growth (%)						
	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual	Budget Estimate	Mid-year Revision	Forward Estimate	Forward Estimate	Forward Estimate
Demand and Output ^(a)						
Household Consumption	1.6	2.25	1.5	2.75	3.0	3.5
Dwelling Investment	-2.6	4.75	-4.0	6.25	8.0	4.75
Business Investment	0.2	-14.0	-11.0	6.0	7.0	6.0
Government Consumption	1.7	1.75	2.75	2.0	1.0	2.25
Government Investment	-2.1	6.0	4.0	9.0	2.0	-1.5
State Final Demand	0.9	-0.25	-0.5	3.5	3.75	3.75
Merchandise Exports	4.8	7.5	7.0	3.5	2.0	1.5
Merchandise Imports	-4.8	-2.75	-2.5	2.75	3.0	3.0
Net Exports ^(b)	8.5	12.5	10.75	3.75	1.75	1.25
Gross State Product ^(c)	1.9	3.25	3.0	3.5	3.0	3.0
Labour market						
Employment	2.3	1.5	1.75	2.0	2.25	2.25
Unemployment Rate ^(d)	6.1	5.75	6.0	5.75	5.5	5.25
Participation Rate ^(d)	68.3	68.4	68.6	68.8	69.0	69.1
Population						
Population	0.9 ^(e)	1.2	1.2	1.4	1.6	1.8
Working Age Population (15-64)	0.2 ^(e)	0.4	0.5	0.9	1.2	1.5
Prices						
Consumer Price Index	0.9	1.5	1.5	2.0	2.5	2.5
Wage Price Index	1.5	1.75	1.75	2.75	3.0	3.25
Median House Price	-0.7	1.4	-0.9	1.2	2.9	2.4
Other key parameters ^(d)						
Exchange Rate \$US/\$A (US cents)	77.5	77.0	72.7	73.2	73.6	73.9
Iron Ore Price (\$US/t) cost and freight inclusive (CFR)	68.8	61.9	66.1	62.1	60.9	62.2
Crude Oil Price (\$US/barrel)	63.7	66.0	67.0	61.6	61.4	61.4

(a) Based on 2018-19 annual State Accounts data, updated with the latest State Final Demand data for the September quarter 2018.

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

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

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

(e) Estimated actual.

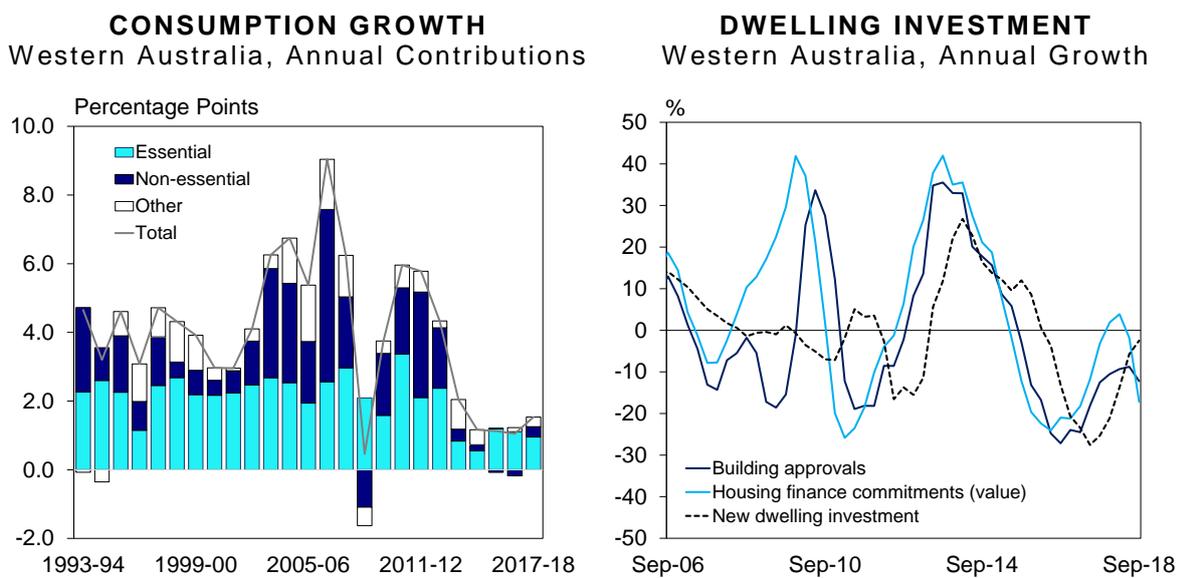
Dwelling investment contracted by 2.6% in 2017-18, following a decline of 24% in 2016-17. The contraction in investment in 2017-18 was due to a fall in new investment, partially offset by growth in alterations and additions. Dwelling investment is forecast to contract for a third consecutive year in 2018-19, reflecting further changes to lending criteria and out-of-cycle interest rate increases by commercial banks in an environment of relatively high levels of supply.

In 2019-20, the housing market is expected to approach balance, reflecting a combination of the projected lift in population growth and the cumulative impact of moderate additions to supply. The tightening supply in the context of on-going population growth is expected to stimulate demand for investment in each year from 2019-20 to 2021-22.

Business investment stabilised in 2017-18 (increasing by 0.2%), supported by the timing of the arrival of large floating offshore LNG platforms as well as the hook-up and commissioning work on these platforms. This work has taken longer, and will likely cost more, than anticipated. However, this boost to business investment is expected to be only temporary, with investment forecast to decline in 2018-19 as both the Ichthys and Prelude LNG projects are completed, consistent with Budget expectations.

Business investment is anticipated to increase from 2019-20 onwards. Although projected growth rates during this period remain unchanged from Budget, in level terms, investment has been revised up by an average of \$3.5 billion per annum. Investment levels are expected to be supported by projects required to maintain the recent large increases in Western Australia’s capital stock and corresponding output levels, particularly in the iron ore and oil and gas sectors. For example, final investment decisions have been made on the South Flank, Eliwana and Koodaideri iron ore projects, with a combined capital cost of these projects exceeding \$9 billion.

Figure 2



Source: ABS Catalogue 5220.0.

Source: ABS Catalogue 5206.0, 5609.0, 5671.0 and 8731.0.

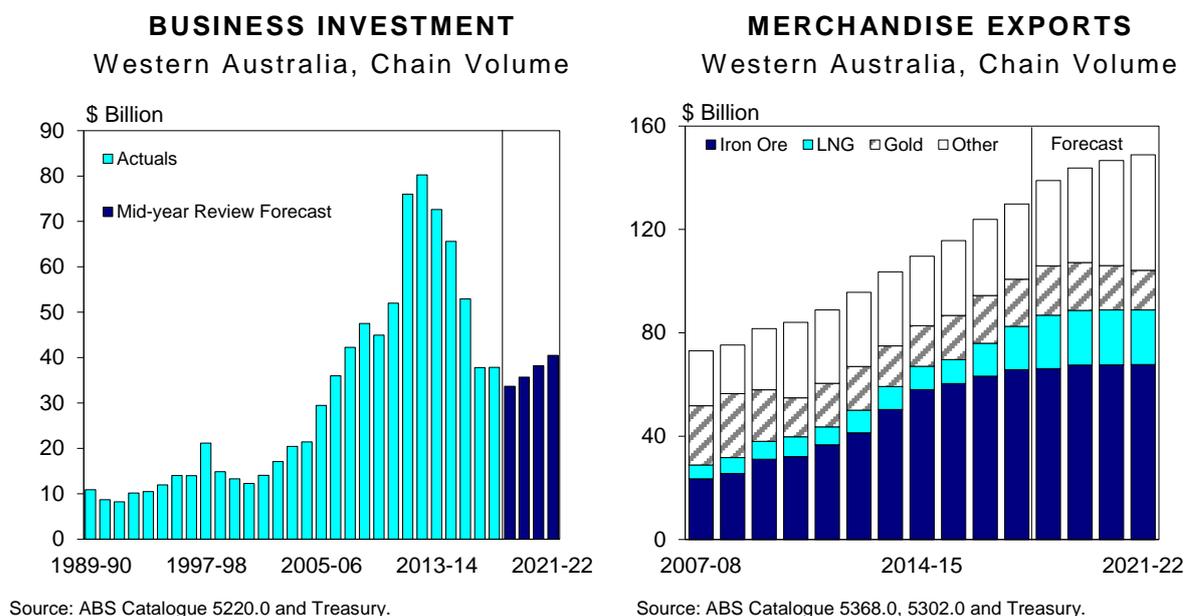
Government consumption is projected to grow by an average of 2.1% per annum over the forecast period, below historical average growth of 3.6% per annum. This profile is in line with Budget expectations and reflects the Government’s focus on expenditure management. **Government investment** is projected to grow by 4% in 2018-19 and by an average of 3.2% per annum over the forward estimates period, broadly consistent with trends in the State Government’s Asset Investment Program outlined in Chapter 1: *Financial Projections*.

Merchandise exports increased by 4.8% in 2017-18, following annual average growth of 6.9% over the previous five years, supported by increases in iron ore and LNG export volumes. A further expansion in exports of LNG, gold and lithium is expected to underpin robust growth in 2018-19 of 7%.

In line with Budget expectations, export volumes are forecast to stabilise by 2021-22, as LNG and iron ore production reaches current expected capacity, and exports of gold fall due to declining production volumes at existing mines. Over the forecast period, the real value of Western Australia’s exports is forecast to increase by almost \$20 billion (or 15%).

The decline in **merchandise imports** is expected to continue in 2018-19, as the anticipated fall in project investment results in fewer imports of large capital goods. Imports are forecast to return to growth from 2019-20, in line with the expected pick up in both consumption and business investment.

Figure 3



Overall, **net exports** are forecast to increase by 10.75% in 2018-19, supported by strong exports and declining imports. Net exports are anticipated to be the main driver of economic growth in 2018-19, more than offsetting the forecast contraction in the domestic economy. Thereafter, net exports are expected to return to more moderate growth, averaging around 2% per annum from 2019-20.

Housing Market

Housing market conditions, which began to stabilise in early 2018, have weakened since the 2018-19 Budget cut-off date of 9 April 2018. Various indicators of demand, such as housing finance commitments, have contracted sharply in recent months, suggesting that the risk of weaker demand highlighted in the Budget has materialised. This likely reflects a combination of out-of-cycle mortgage rate increases and a tightening in lending standards in response to the banking and finance Royal Commission.

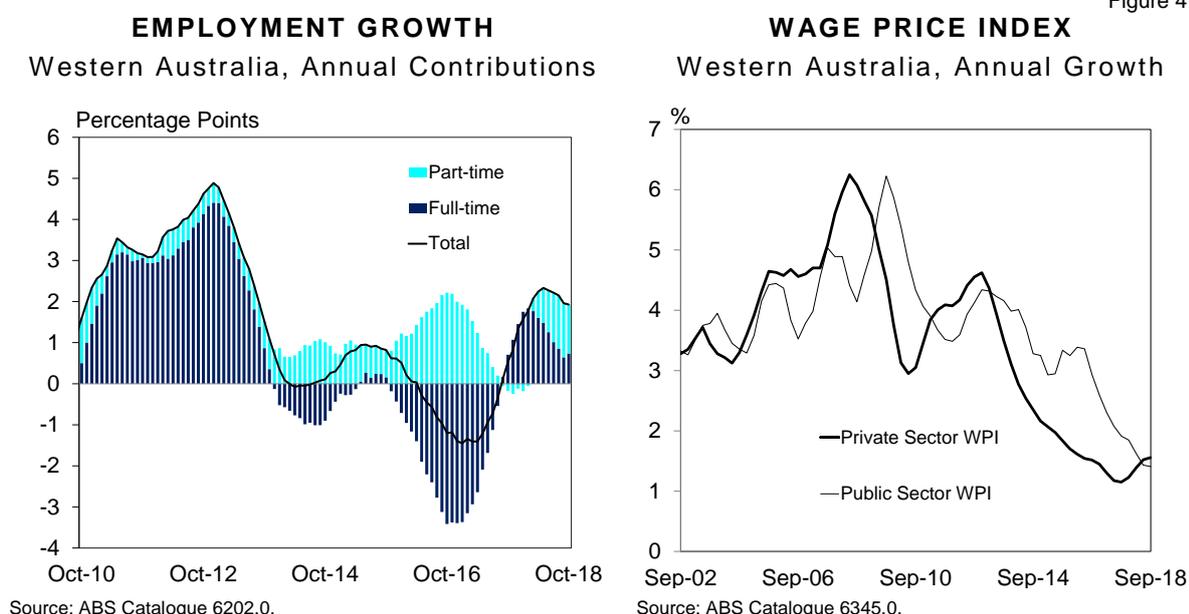
As a result, the median house price is now expected to contract for a third consecutive year in 2018-19 (down 0.9%). Notwithstanding this, the market appears to be moving towards balance. For example, the total number of properties listed for sale and for rent has moderated relative to a year ago. There has been a reduction in new additions to housing stock, with the rental vacancy rate falling to 3.9% in the September 2018 quarter from a recent high of 7.3% in the June 2017 quarter.

A modest recovery in house prices is anticipated in 2019-20 and beyond, albeit from lower levels, as reductions in dwelling completions in 2016-17 and 2017-18 are expected to reduce the current over supply of housing, and as demand lifts in line with a gradual recovery in labour market conditions and population growth.

Labour Market

Western Australia’s labour market has continued to expand since Budget, with **employment** reaching a record level in October 2018. Employment is now forecast to increase by 1.75% in 2018-19 (compared to 1.5% at Budget), in line with continued hiring in mining and related industries. Growth is expected to lift further over the forward estimates period in line with Budget projections, underpinned by a strengthening in the domestic economy and a lift in population growth.

Figure 4



The State’s **participation rate** has been stronger than anticipated since Budget, averaging 68.3% in 2017-18 and 68.5% in the year to October 2018. Consequently, forecasts for the participation rate have been revised up slightly to 68.6% in 2018-19 and across the remainder of the forward estimates period, reaching 69.1% by 2021-22. Further hiring and wage growth over the forward estimates period, as well as a focus on household balance sheets, are expected to encourage workers to join the labour force.

The higher than expected number of Western Australians looking for work has resulted in a slightly higher unemployment rate since Budget. The **unemployment rate** averaged 6.1% in 2017-18, and 6% in the four months to October 2018. In light of this, the unemployment rate forecast has been revised up to 6% in 2018-19 (compared to 5.75% forecast at Budget), but is projected to ease to 5.25% by 2021-22. Notwithstanding the above, the overall number of people unemployed in Western Australia has declined since Budget.

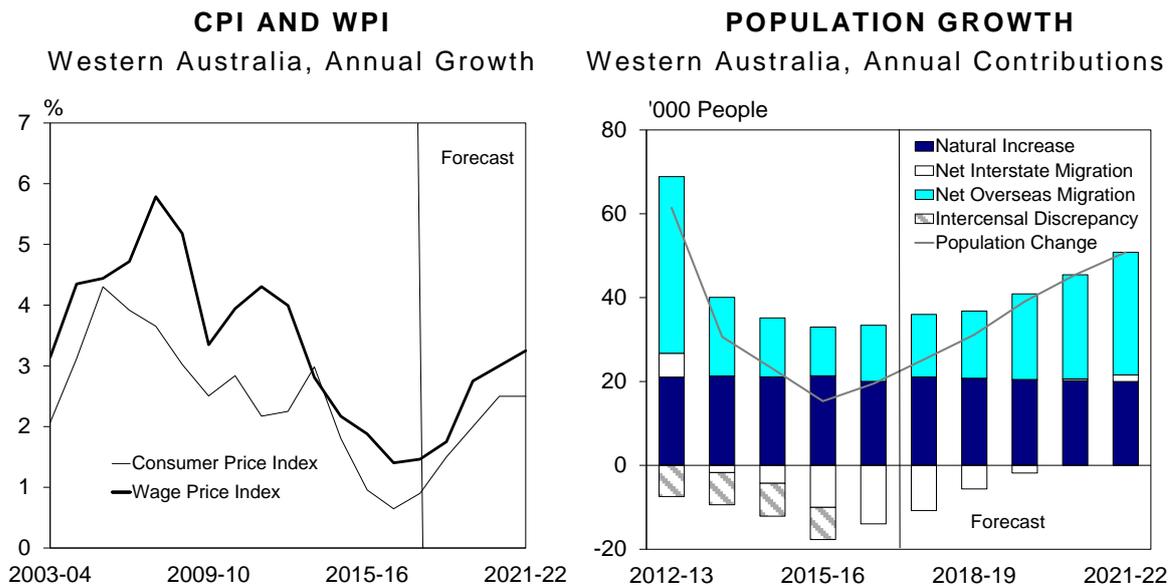
Wages growth in Western Australia, as measured by the **Wage Price Index (WPI)**, has increased slightly from its record low of 1.4% in 2016-17 to 1.5% in 2017-18 and an expected 1.75% in 2018-19. Growth is expected to gradually pick up pace over the remainder of the forecast period as economic activity continues to strengthen and spare capacity in the labour market is absorbed.

Consumer Price Index

Perth’s **Consumer Price Index (CPI)** grew by 1% in annual average terms to September 2018, with price increases for tobacco, automotive fuel and health insurance premiums partly offset by falls in the price of rents, dwellings, telecommunication equipment and services, and audio-visual equipment and services.

Inflation is expected to lift modestly to 1.5% in 2018-19, in line with Budget expectations. As conditions in the domestic economy continue to recover, inflation is forecast to rise to 2% in 2019-20 (figure below, left-hand panel) and gradually increase towards the mid-point of the Reserve Bank of Australia’s target range (2.5%) by 2020-21.

Figure 5



Source: ABS Catalogue 6345.0, 6401.0 and Treasury.

Source: ABS Catalogue 3101.0 and Treasury.

Population

Population growth in annual average terms picked up to 0.8% in the March 2018 quarter, after a low of 0.6% in the March 2017 quarter. Nonetheless, growth is tracking slightly below Budget expectations, and population is now estimated to have increased at a slower pace of 0.9% in 2017-18 (compared to the Budget forecast of 1%).

The State’s population growth is expected to remain modest at 1.2% in 2018-19, with natural increase continuing to be the largest contributor to growth.

Population growth is projected to gradually lift to 1.8% by 2021-22 (below the Budget forecast of 2%), as Western Australia's share of national net overseas migration increases to its long-run average and net interstate migration recovers, in line with improvements in the domestic economy (figure above, right-hand panel).

Domestic Risks

The near-term **business investment** forecast is particularly sensitive to the continued wind down in expenditure on major LNG projects, which means that in 2018-19 the level of investment may differ from forecast. Any delays to the commissioning and subsequent ramp-up of the LNG projects has flow-on implications to **merchandise export** growth, which could also be lower than forecast. Changes to the profile of investment and exports may also impact the outlook for the State's economic growth and labour demand.

Merchandise imports are forecast to reduce in 2018-19, supporting net exports and subsequently GSP growth. However, if import growth is stronger than expected, this will act as a drag on GSP. Merchandise imports are particularly difficult to track throughout the year due to quarterly import data currently being made confidential by the Australian Bureau of Statistics, compounding this risk to forecast GSP growth.

The outlook for dwelling investment and the established residential **housing market** could be more subdued than anticipated if population and income growth are weaker than expected. Further increases in home loan rates (independent of changes to the official cash rate) and additional tightening of residential lending criteria in response to the banking and finance Royal Commission, could also weaken overall demand in the property sector.

Retail trade was particularly weak in the September 2018 quarter, representing a downside risk to the near-term outlook for **household consumption**. The timing around the expected recovery is still unclear, and any further weakening in the outlook may delay households returning to more normal rates of spending. On the other hand, households have been achieving solid rates of saving (the highest of all States), and there may be a point at which households decide they have tightened their belts and repaired their balance sheets enough. Given projected improvements in the overall economy, labour market and incomes, a change in sentiment and behaviour could result in consumption rebounding more strongly than anticipated.

Global Outlook and Risks

The global economy continues to grow and this has flowed through to record monthly export income. The International Monetary Fund (IMF) is projecting that the global economy will increase by 3.7% in 2018 (the same rate as in 2017). Growth is then forecast to remain relatively stable, easing slightly to reach 3.6% by 2023, as stronger expansions in emerging market economies partly offset a projected moderation in the pace of growth from advanced economies. If recent trends continue, significant benefits are likely to spill over to the Australian economy. Although external conditions remain favourable for Western Australia, risks are starting to become more heavily weighted to the downside. Principal among these are escalating trade disputes and rising US interest rates.

Advanced Economies

Economic growth in advanced economies has become less synchronised since the 2018-19 Budget, with activity in the US accelerating, and expansions in the euro area and Japan losing some momentum (in part impacted by one-off events, such as natural disasters). The IMF projects that total economic growth in advanced economies will increase from 2.3% in 2017 to 2.4% in 2018, largely underpinned by the US. Growth is then projected to drop to 2.1% in 2019 and continue to trend down to 1.5% by 2022, remaining at 1.5% in 2023. Many advanced economies have their long-term economic prospects limited by unfavourable demographic trends.

The US is currently experiencing a cyclical upswing, supported by fiscal stimulus, and the IMF projects that the US economy will expand by 2.9% in 2018, up from 2.2% in 2017. This is the strongest rate of growth since the global financial crisis (GFC). The unemployment rate has continued to decline, reaching 3.7% in the second half of 2018, the lowest in around 50 years. Wages growth has started to accelerate in 2018, after many years of stagnation, and this may result in additional pressure for interest rate rises by the US Federal Reserve. However, the impact of the US fiscal stimulus will ease and eventually reverse, and the economic outlook is also clouded by a range of trade disputes. The IMF is projecting US economic growth will have peaked in 2018, declining to 2.5% in 2019 and then trending down to 1.4% by 2023.

Economic growth in the euro area lost some impetus in 2018, expanding by an estimated 2% according to the IMF, after a relatively robust 2.4% in 2017. Key economies Germany, France and Italy all experienced slower economic growth. Activity in Germany was partly impacted by the car industry adjusting to new emissions standards. The IMF projects that growth in the euro area will trend down from 1.9% in 2019 to 1.4% in 2023. There are a number of uncertainties facing the outlook. For example, the Italian government is looking to increase government spending to stimulate the economy but already has debt equivalent to 130% of GDP. Moreover, there continues to be uncertainty regarding UK plans to exit the European Union, which could disrupt economic growth in the region.

Economic activity in the advanced east Asian economies of South Korea, Taiwan, Hong Kong and Japan has been supported since 2016 by an improvement in economic activity in mainland China. The outlook for these nations is broadly stable, with the IMF projecting GDP to expand around 2% to 3% per year, with the exception of Japan, which is projected to grow by around 0.5% per year (as Japan has a declining population, its growth potential is smaller than the other economies).

Emerging Markets

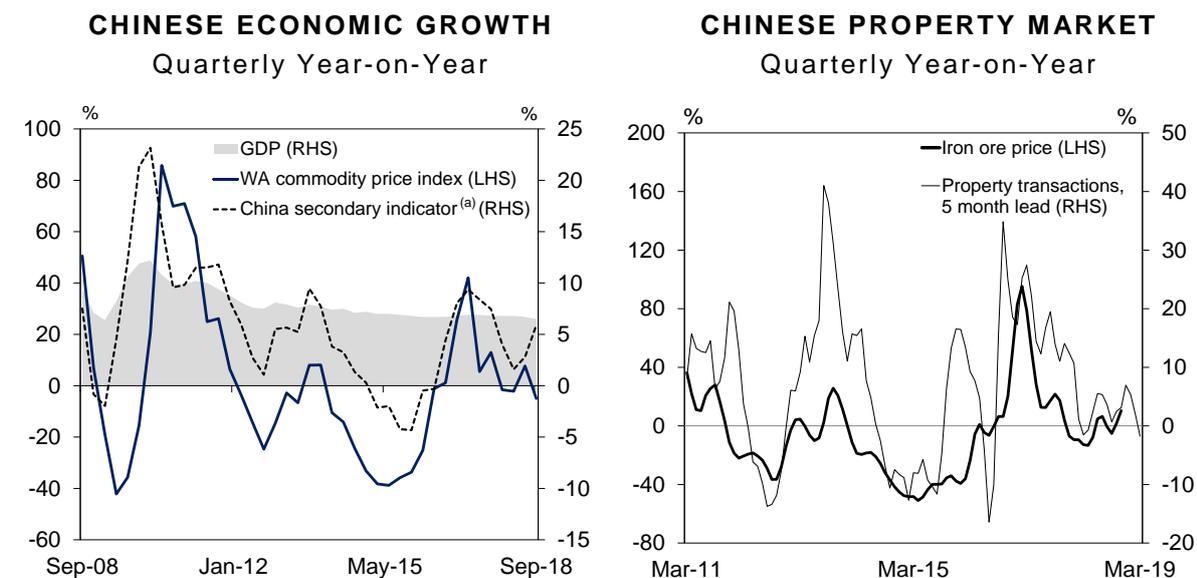
Economic activity in China remains buoyant and this is supporting demand for commodities. The IMF expects GDP growth of 6.6% in 2018 (down from 6.9% in 2017). GDP data in China suggests a very smooth and stable trajectory for economic growth (figure below, left-hand panel). However, underlying activity is likely to be more dynamic.

The Western Australian Treasury proxy for activity in the commodities-intensive secondary sector, which closely tracks movements in commodity prices, suggests an economic expansion of around 5% year on year (figure below, left-hand panel). A period of weakness in late 2017 and early 2018 was likely caused by stricter environmental restrictions on industrial activity over the winter heating season than in previous years, rather than underlying weakness in the economy. Steady demand in China is helping to support commodity prices, such as iron ore, which have remained relatively strong in \$A terms since Budget (despite recent volatility).

Leading indicators of construction activity, such as property transactions and aggregate financing, suggest a relatively stable short-term economic outlook (figure below, right-hand panel). However, the growth outlook for 2019 is clouded by the potential impacts of increasing trade barriers with the US.

Over time, potential rates of growth in the Chinese economy will decline as a result of the ageing of the population and a lower capacity for ‘catch up growth’ as living standards in China converge with those in the advanced economies. Reflecting this, the IMF is forecasting economic growth in China to contract from 6.2% in 2019 to 5.6% by 2023.

Figure 6



(a) An index created by Treasury and derived from: electricity production, domestic freight volumes, seaport cargo volumes, and the production of crude steel, cement and plate glass.

Source: Thomson Reuters, CEIC and Treasury.

Source: CEIC and Thomson Reuters.

As economic growth in China structurally slows over time, the populous emerging markets in south and south east Asia will become relatively more important to the economic outlook for Western Australia. These countries generally have very strong outlooks, with the IMF forecasting economic growth of at least 6.5% per annum for India, Bangladesh, the Philippines, and Vietnam, and growth in excess of 5% per annum for Indonesia over the period 2017 to 2023. Combined, these countries account for around 2 billion people, representing significant long-term trade potential for Western Australia.

Global Risks

Escalating trade tensions between the US and China pose risks to the Western Australian economy, as China is by far Western Australia’s most important trading partner, accounting for around 50% of the State’s merchandise exports.

Importantly, however, the direct impact on Western Australia’s exports is likely to be very small as most of the State’s exports to China are consumed domestically. For example, the State’s most important export to China by value is iron ore, which is transformed into steel. In 2017, China only exported 8% of its steel production, most of which went to other Asian countries such as Korea, Vietnam and the Philippines, and only 0.1% went to the US (figure below, left-hand panel). Moreover, the Chinese economy is very large and primarily relies on domestic demand to fuel economic activity. In 2017, Chinese goods exports to the US contributed only 4.2% to GDP (figure below, right-hand panel).

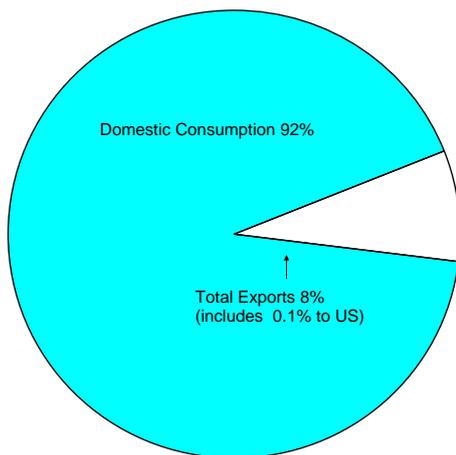
Nonetheless, there is a possibility that further escalation could trigger a more significant disruption. This will likely depend on how the trade dispute interacts with other dynamics, such as rising US interest rates, and how financial markets respond.

The US Federal Reserve has been increasing interest rates as the US economy recovers and the labour market shows signs of tightening. This presents a number of risks to the global economy as US interest rates influence interest rates globally and can have a significant impact on international financial flows, posing particular risks for emerging market economies.

Figure 7

CHINESE STEEL PRODUCTION

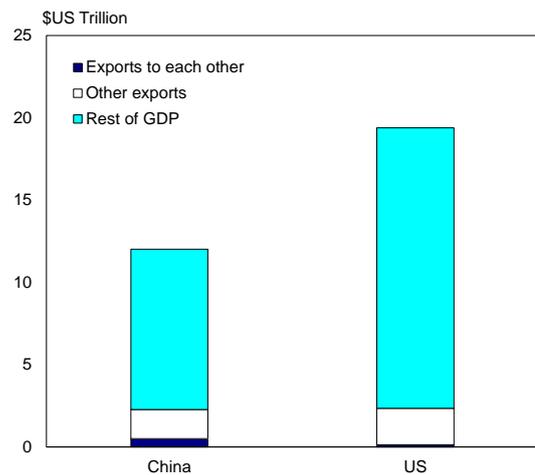
2017



Source: CEIC.

EXPORT CONTRIBUTION TO GDP

2017



Source: International Monetary Fund, US Census Bureau and Thomson Reuters.

Commodity Markets

Movements in the prices for the commodities most relevant to Western Australia¹ since Budget have varied, with rises in iron ore, oil, LNG and alumina but declines in gold, copper, nickel and zinc (see following figure, left-hand panel).

Oil Market

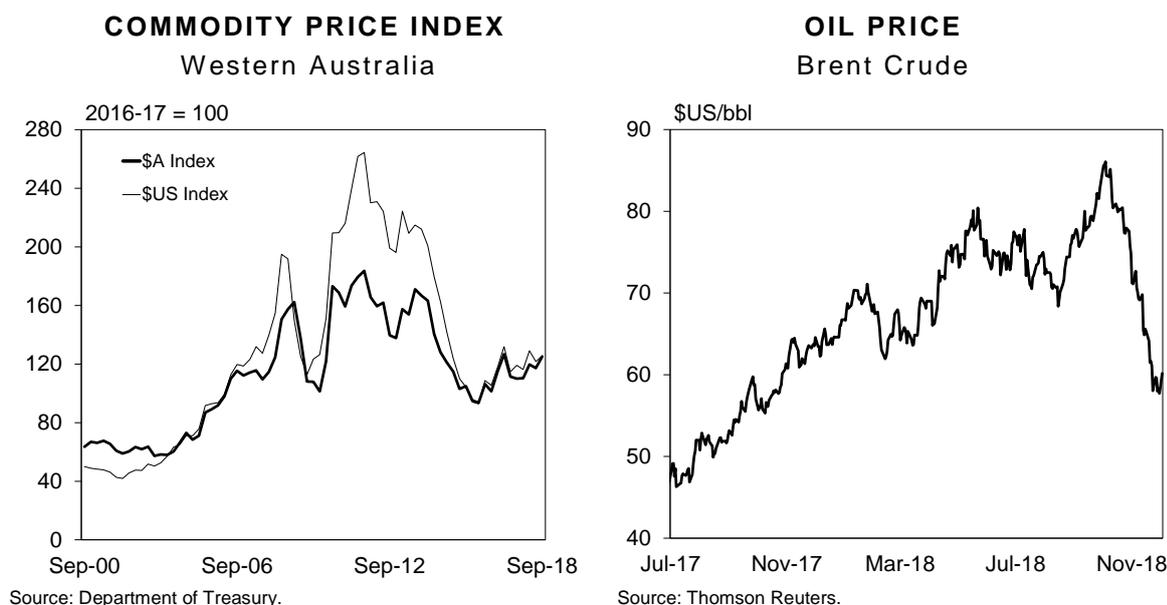
The oil market is important for Western Australia as it is a major cost input for business and a significant source of export income, largely through the link between oil and LNG prices.

The 2018-19 Budget forecast an oil price of \$US66.0/barrel in 2018-19. However, since then a number of factors have worked to increase oil price volatility, with the Chicago Board Options Exchange crude oil volatility index² hitting a two-year high in November 2018. Factors responsible for the volatility include the US sanctions on Iran and subsequent waivers for its major trading partners, the US – China trade dispute, and record output from the top three oil producing nations (the US, Russia and Saudi Arabia).

In 2018-19, the Brent crude spot price has averaged \$US74.1/barrel to the Mid-year Review cut-off date (3 December 2018). During this period it rose relatively quickly to over \$US85/barrel, before falling to its current level of about \$US60/barrel.

Volatility in the oil price is expected to continue as the Organisation of the Petroleum Exporting Countries and Russia may cut supply in the near future, while a stronger US dollar makes oil more expensive for emerging economies, creating potential headwinds for global demand growth.

Figure 8



¹ A weighted index of prices of iron ore, gold, oil, LNG, copper, nickel, zinc, lithium and alumina.

² See www.cboe.com/index/.

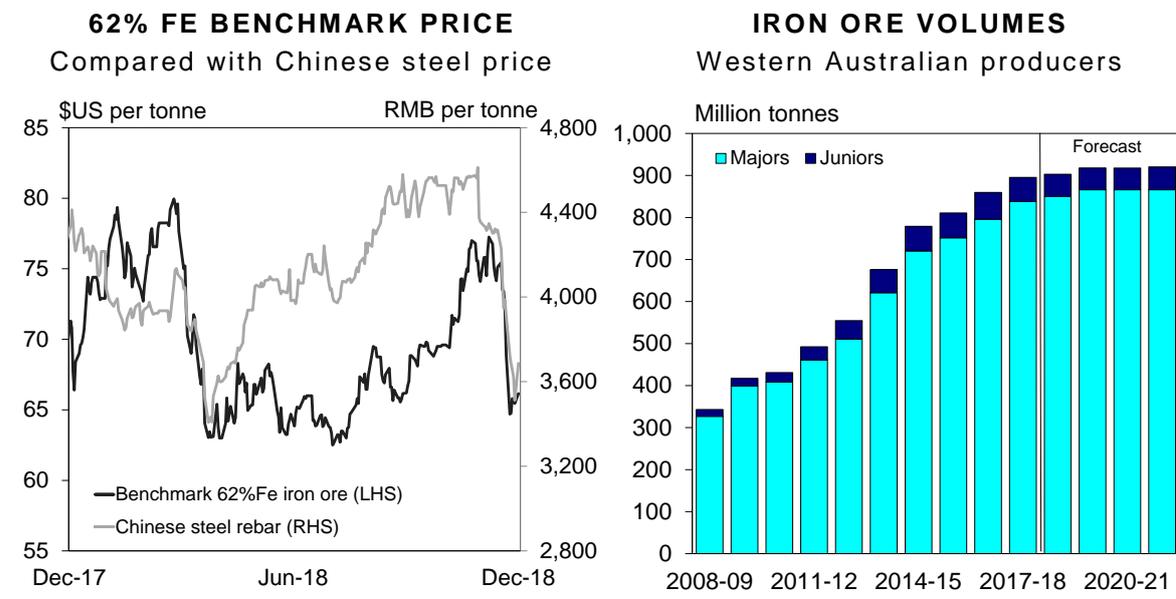
Iron Ore Market

After a period of relative stability between the 2018-19 Budget cut-off date (9 April 2018) and early October, when the 62%Fe benchmark iron ore price traded between \$US62.5 per tonne and just below \$US70 per tonne, prices became more volatile in the lead-up to the 2018-19 Mid-year Review. The 62%Fe benchmark price rose as high as \$US77.25 per tonne in early November before falling sharply later in the month to around \$US65 per tonne. The fall in the iron ore price followed a decline in Chinese steel prices and steel sector profitability, combined with a softer outlook for Chinese steel demand.

In July 2018, China announced an expanded but more flexible program of winter environmental restrictions to reduce air pollution covering more cities and over a longer period than in 2017-18. A greater policy emphasis on reducing pollution has supported demand for higher quality iron ore products, which require lower coal consumption and produce lower emissions per tonne of steel. The winter restrictions officially began on 1 October 2018 but the severity of restrictions has been lower than expected. Rather than steel output falling, production rose to record levels in October, which placed downward pressure on steel prices. High steel output also raised demand and prices for raw inputs, including coal and iron ore, which adversely affected steel mill profitability.

In addition, despite an increase in Chinese steel demand in 2018, data releases from key sectors including property construction and manufacturing, have showed signs of cooling more recently. For example, Chinese residential property sales (which tend to lead construction activity) have slowed, and the escalating US-China trade dispute has weakened the outlook for the manufacturing sector. These factors culminated in a sharp fall in steel and iron ore prices in late November.

Figure 9



Source: Thomson Reuters.

Source: Department of Treasury.

The direct impact of the US-China trade dispute on steel and iron ore demand is expected to be limited as Chinese steel exports to the US (of both steel products and manufactured goods containing steel) account for a small share of Chinese steel production. China has also announced it will proactively use fiscal and monetary policy to support its domestic economy in response to the trade dispute. Measures announced to date, including increased credit availability and expedited infrastructure spending, are likely to support demand for steel and iron ore. Nevertheless, there is a risk that these measures may simply bring forward demand in the short term, at the expense of future consumption.

Chinese iron ore port inventories declined sharply from a peak of over 160 million tonnes (Mt) in June 2018 to around 140Mt in November, indicating iron ore demand has outstripped supply. Chinese iron ore imports have declined marginally in 2018, despite an increase in imports from Brazil and Australia. Imports from other countries, such as India and Iran, have decreased as more ore has been consumed by their domestic steel industries.

Western Australian iron ore exports continued to expand in 2018, but at a much slower rate than in recent years, as major producers have mostly completed construction of new mines and expansions. The largest contribution of new supply has been from the Roy Hill mine, which operated at close to capacity in 2017-18, shipping a total of 51Mt compared to 33Mt in 2016-17. BHP and Rio Tinto added incremental tonnes through increased utilisation of infrastructure. The world's largest iron ore producer, Vale, increased sales by around 20Mt for the first nine months of 2018 compared to the same period in 2017, as its S11D project ramped up. It is expected to produce 50-55Mt of its 90Mt per annum capacity in 2018.

Shipments from Western Australian junior iron ore producers declined by around 10% in 2017-18, mostly due to the impact of elevated discounts on lower grade ores. Junior producers account for a relatively small share of the State's iron ore shipments at around 6%. Total shipments are expected to level off at around 920Mt wet (or 845Mt dry) over the forecast period, as major producers turn their attention to the construction of large-scale replacement projects including BHP's South Flank, FMG's Eliwana and Rio Tinto's Koodaideri projects.

Across the forecast period to 2021-22, the iron ore market is expected to be more balanced than in recent years, with the quantity of new supply continuing to reduce. The major producers, particularly Vale, have some capacity to add additional supply if demand is sufficient and margins are maintained. Chinese iron ore demand is expected to gradually decline over the long run as the steel intensity of economic growth diminishes and steel scrap availability rises. This is expected to be broadly offset by growth in steel consumption from other emerging economies, particularly in Asia.

Lithium Market

Lithium is expected to provide an increasing contribution to the value of Western Australia's mineral production, underpinned by growth in demand from electric vehicle batteries. The volume of lithium concentrate exports is expected to increase by around 50% from 1.2Mt in 2017-18 to 1.8Mt in 2018-19, and increase further to 3.4Mt by 2021-22. There are now six Western Australian mines shipping lithium concentrate. A seventh mine, Mineral Resources' Wodgina project, has been exporting lithium direct shipping ore. This is expected to wind down in the coming months and be replaced by shipments of lithium concentrate in early 2019. Prices for lithium concentrate are forecast to ease as global supply increases in the coming years. A number of the Western Australian lithium concentrate producers are progressing plans to construct plants to further process concentrate to lithium hydroxide. The most advanced of these is Tianqi's plant in Kwinana, with the first stage expected to begin production by mid-2019.

Investing in Regional Western Australia

HIGHLIGHTS

- The Government is committed to delivering stronger regional economies.
- This Mid-year Review includes a significant Government Support Package to continue mining and exporting of Koolyanobbing iron ore deposits through Esperance Port, continuation of price relief for Western Australia's junior iron ore miners at Utah Point and the Magnetite Financial Assistance Program, and additional investment in regional housing, ports, health and education facilities.
- The Royalties for Regions program totals an estimated \$4.1 billion over 2018-19 to 2021-22, with an estimated \$973 million to be spent in 2018-19.

Since the 2018-19 Budget, spending approved for regional initiatives includes:

- a Government Support Package to continue mining and exporting of Koolyanobbing iron ore deposits through Esperance Port, with an estimated \$50.8 million net debt impact (see feature box in Chapter 1);
- an additional \$40.2 million over 2018-19 and 2019-20 on the extension of the Magnetite Financial Assistance Program by 12 months until 31 December 2019;
- \$31.3 million over 2018-19 to 2020-21 for the acquisition of land, and the construction of 50 new dwellings by 2021 in Kununurra, Halls Creek and Wyndham, as part of the expansion of the East Kimberley Transitional Housing Project;
- \$20.7 million in 2018-19 to construct a freight rail bridge and a minor road realignment on the Great Northern Highway near Port Hedland, funded by Roy Hill Iron Ore;
- \$15 million over 2019-20 to 2021-22 to continue to fund the Community Resource Centres program;
- \$11.6 million in 2018-19 for a further six month extension (to 30 June 2019) of port pricing relief arrangements for junior iron ore miners at Utah Point;

- \$8.3 million in 2018-19 to meet the increased costs of dredging works in the channel at the Broome Port to allow all-tide access (primarily for cruise ships), bringing the total cost of the project to \$15.3 million;
- \$4.9 million over 2018-19 and 2019-20 to reconfigure the Emergency Department, and increase the capacity of short stay accommodation, at the Peel Health Campus;
- \$3.8 million over 2018-19 and 2019-20 to upgrade police officer accommodation and facilities in remote Western Australia;
- \$3.5 million over 2018-19 and 2019-20 to trial ten SMART (Shark-Management-Alert-in-Real-Time) drumlines;
- an additional \$1.3 million over 2018-19 to 2021-22 to maintain the ongoing operation and staffing requirements of the Moora Residential College, following an announcement by the Commonwealth Government that capital funding totalling \$8.7 million would be provided to refurbish the accommodation facilities at the College; and
- a contribution of \$1 million in 2018-19 towards rebuilding the Yarloop Community Centre as a result of the 2016 bushfires.

The Government has also committed to assisting the development of the potash and minerals in brine industry in Western Australia through the introduction of a concessional rental rate for potash projects that are granted a new class of mining lease for restricted minerals. This change will assist the development of a new industry in Western Australia, and create employment and community development opportunities.

Total spending under the Royalties for Regions program is estimated at \$973 million in 2018-19 and around \$4.1 billion over the four years to 2021-22, as detailed in the following table.

Table 1

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	2020-21 Mid-Year Revision	2021-22 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
INVESTING IN JOBS							
Aboriginal Tourism Development Program	1.2	1.2	1.2	-	-	-	1.2
Agriculture – Development Funding	-	6.8	-	6.8	11.1	2.1	20.0
Agricultural Sciences Research and Development Fund	4.9	7.3	7.3	4.4	-	-	11.8
Albany Middleton Beach Stage 2	-	1.9	1.0	1.5	1.1	-	3.6
Albany Wave Energy Project	-	6.2	7.2	6.2	6.2	-	19.5
Asia Market Success	1.6	1.5	1.8	-	-	-	1.8
Boost Grains Research and Development Support	8.2	5.1	6.0	-	-	-	6.0
Boosting Biosecurity Defences	3.8	4.6	5.8	-	-	-	5.8
Brand WA – Destination Marketing	-	3.5	3.5	5.5	5.5	5.5	20.0
Brand WA – Event Tourism	-	0.8	0.4	6.8	6.3	6.3	19.7
Brand WA – Stage 2	-	2.3	2.5	4.2	-	-	6.7
Building Western Australian Grains Research and Development Capacity	-	10.0	10.0	10.0	10.0	10.0	40.0
Caravan and Camping/Parks for People	3.1	-	-	-	-	-	-
Collie Futures Fund	-	4.0	5.0	5.0	5.0	5.0	20.0
Combined Pilbara Water Projects – West Canning Basin Sandfire	0.2	-	-	-	-	-	-
Develop Serviced Land at Shotts and Kemerton	-	5.3	5.3	5.2	-	-	10.5
Digital Farm	-	5.0	5.0	-	-	-	5.0
Doppler Radar Project	0.1	0.1	0.1	-	-	-	0.1
Exploration Incentive Scheme	10.4	5.0	4.6	-	-	-	4.6
Extension of Doppler Radar Coverage	4.1	0.6	0.8	0.1	-	-	0.9
Feasibility Study (Yara Pilbara and Sahara Forest)	0.1	-	-	-	-	-	-
Ferguson Valley Wellington Forest Marketing	-	-	0.3	-	-	-	0.3
Forest Product Development	0.3	-	-	-	-	-	-
Gascoyne Food Bowl	0.4	0.5	0.5	-	-	-	0.5
Goldfields Major Solar Feasibility	-	0.3	0.5	-	-	-	0.5
Halifax Business Park	-	1.5	1.5	1.5	-	-	3.0
Help Grain Growers to Better Manage Risk (e-Connected Grainbelt)	2.2	2.7	3.1	0.8	-	-	3.9
Infrastructure Audit and Investment Fund – Administration	0.1	-	-	-	-	-	-
Jawun Indigenous Corporate Partnership Program	0.2	0.3	0.3	0.1	-	-	0.4
Kalbarri Skywalk and National Park Infrastructure	4.9	6.0	9.4	-	-	-	9.4
Kariyarra Indigenous Land Use Agreement	0.1	0.1	0.1	0.1	0.1	0.1	0.4
Karratha City of the North Project	0.2	2.9	2.7	-	-	-	2.7
Karratha Enterprise Hub/Business Centre	1.0	-	-	-	-	-	-
Local Projects Local Jobs	2.0	- ^(a)	0.2	-	-	-	0.2
Middleton Beach Hotel Site	1.1	-	-	-	-	-	-
Modernising the Framework for WA's Crown Land	0.4	-	-	-	-	-	-
Murujuga Cultural Interpretive Centre – Burrup Peninsula	8.0	-	-	-	-	-	-
Murujuga Tourism Project	- ^(a)	-	-	-	-	-	-
Myalup Primary Industry Reserve	3.5	-	-	-	-	-	-
Myalup-Wellington Water for Growth	-	-	3.0	9.0	9.0	7.5	28.5
Northern Beef Industry Strategy	1.9	2.4	1.8	0.8	-	-	2.6
Pilbara Underground Power – Stage 2	10.1	-	5.2	-	-	-	5.2
Port Hedland Waterfront Revitalisation – Spoilbank Marina	0.2	0.8	0.3	4.5	20.0	40.0	64.8

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	2020-21 Mid-Year Revision	2021-22 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Potato Marketing Board – Structural Readjustment	0.6	0.6	0.6	-	-	-	0.6
Premium Food Centre Manjimup	0.5	0.8	0.8	0.6	-	-	1.4
Rebuilding our Agriculture Capability	-	10.0	10.0	-	-	-	10.0
Regional Buy Local Initiatives	-	0.3	0.1	0.1	0.1	-	0.3
Regional Events Program – Larger Events	8.6	10.0	10.0	0.3	-	-	10.3
Regional Natural Resource Management – State Barrier Fence	0.3	1.2	2.0	1.8	1.3	-	5.1
Regional Telecommunications Project	14.4	21.5	25.6	-	-	-	25.6
Regional Visitor Centres	1.4	-	-	-	-	-	-
Science and Agribusiness Connect Program	0.8	0.9	0.9	0.8	-	-	1.7
Sheep Industry Business Innovation	2.3	-	-	-	-	-	-
South Coast Aquaculture Development Zone	0.2	0.4	0.4	0.3	0.3	-	1.0
Southern Forests Irrigation Scheme	-	3.5	0.5	0.3	8.5	3.0	12.3
Specialist Food Centre Albany	- ^(a)	0.6	0.6	0.4	-	-	1.1
State Agricultural Telecommunication Infrastructure Improvement Fund	0.2	10.2	8.5	4.3	2.3	1.8	16.9
Sustainable Development of the Abrolhos Islands	-	-	-	5.0	5.0	-	10.0
Transform Peel – Phase 1	2.2	25.2	11.8	20.5	6.2	6.0	44.6
Transforming Agriculture in the Pilbara	0.3	2.9	1.2	2.7	1.7	-	5.6
Transforming Bunbury Waterfront	3.1	21.5	19.8	12.0	-	-	31.8
Victoria Hotel Redevelopment	1.0	-	-	-	-	-	-
WA Open for Business	1.5	6.3	6.3	5.6	5.2	5.2	22.3
WA Regional Small Business Awards	0.2	-	- ^(a)	-	-	-	- ^(a)
Water for Food – Part II	7.4	1.0	1.4	-	-	-	1.4
Water for Food West Kimberley	1.8	0.8	0.8	-	-	-	0.8
Western Australian Regional Film Fund	4.0	3.0	3.0	3.0	-	-	6.0
Wild Dogs Action Plan	1.8	5.6	5.6	5.5	3.6	-	14.7
TOTAL – INVESTING IN JOBS	126.8	214.8	206.2	135.7	108.5	92.4	542.8
PUTTING PATIENTS FIRST							
Emergency and Acute Workforce	33.2	21.9	20.9	22.1	20.5	20.5	84.0
Digital Innovation, Transport and Access to Care	21.2	66.8	65.0	61.8	58.2	58.3	243.4
Health Services							
Expand the Ear Bus Program	0.6	0.8	1.1	0.9	-	-	1.9
Find Cancer Early	0.4	0.4	0.4	0.4	0.4	0.4	1.6
Meet and Greet Service	0.1	0.5	0.4	0.6	0.5	0.5	1.9
Pilbara Health Partnership	3.1	3.5	3.5	-	-	-	3.5
Renal Dialysis	0.8	5.3	2.4	5.1	-	-	7.6
Residential Aged and Dementia Care Investment Program	5.0	2.3	3.1	1.7	-	-	4.8
Health Infrastructure							
Carnarvon Residential Aged Care Facility	-	8.0	0.1	8.3	3.2	-	11.6
Derby Community Health Service	- ^(a)	2.7	1.5	2.2	-	-	3.7
District Hospital Investment Program	84.5	24.7	23.0	5.2	-	-	28.2
Dongara Aged Care	-	1.0	0.2	0.8	-	-	1.0
Geraldton Health Campus Redevelopment	-	-	0.8	1.0	2.2	36.7	40.7
Karratha Health Campus	80.5	48.4	19.6	1.8	8.7	-	30.1
Newman Health Service Redevelopment Project	1.4	35.9	3.0	17.0	16.0	-	36.0

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	2020-21 Mid-Year Revision	2021-22 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Nickol Bay Hospital Demolition and Remediation	-	-	2.8	5.0	-	-	7.8
Onslow Health Service Redevelopment Project	3.7	17.0	16.1	-	-	-	16.1
Primary Health Centres Demonstration Program	10.3	16.3	3.3	14.2	-	-	17.5
Remote Indigenous Health Clinics	0.5	4.2	4.2	2.9	-	-	7.1
Small Hospital and Nursing Post Refurbishment Program	33.3	19.6	7.0	11.9	-	-	18.9
Tom Price Hospital Redevelopment	-	-	0.3	-	5.0	-	5.3
Valley View Aged Care Centre	-	0.5	0.5	-	-	-	0.5
Other Health Programs							
Ear, Eye and Oral Health	1.7	-	-	-	-	-	-
Growing the Capacity of Drug and Alcohol Detoxification and Rehabilitation Program	0.2	-	-	-	-	-	-
Rural Palliative Care Program	0.5	-	-	-	-	-	-
Mental Health Programs							
Geraldton Step Up/Step Down Facilities	-	-	-	1.5	4.2	2.0	7.7
Ice Breaker Program – Albany	0.2	0.2	0.2	-	-	-	0.2
Mental Health Step Up/Step Down Facilities – Kalgoorlie/Goldfields 10 beds	-	1.0	1.3	4.1	1.9	1.7	9.0
Methamphetamine Action Plan – Kimberley AOD Residential Rehabilitation and Treatment Service	-	-	0.2	-	-	-	0.2
Methamphetamine Action Plan – South West AOD Residential Rehabilitation and Treatment Service	-	1.3	1.3	2.6	2.7	2.7	9.3
North West Drug and Alcohol Support Program	5.7	6.3	6.3	6.5	-	-	12.8
North West Drug and Alcohol Support Program – Kimberley and Pilbara	0.1	-	-	-	-	-	-
Regional Men's Health	0.8	0.8	0.8	0.8	-	-	1.6
Sub-acute Mental Health Services in Bunbury	-	2.6	4.7	4.3	2.2	2.2	13.4
Sub-acute Mental Health Services in Karratha	-	3.0	5.6	4.1	2.5	2.6	14.9
Three Tier Youth Mental Health Program – GP Down South	0.1	0.1	0.1	0.1	-	-	0.3
TOTAL – PUTTING PATIENTS FIRST	288.1	295.0	199.6	186.8	128.4	127.6	642.3
INVESTING IN OUR CHILDREN'S EDUCATION							
Aboriginal Islands Education Officer	0.4	2.6	2.6	3.5	3.6	3.6	13.3
Albany Secondary Education Support Centre and North Albany Senior High School	-	0.4	0.4	7.5	1.9	-	9.8
Better Beginnings – Early Literacy	0.3	0.3	0.3	0.3	-	-	0.5
Boarding Away From Home	1.1	-	- ^(a)	-	-	-	- ^(a)
Broome Residential College Upgrades – Stage 2	-	-	0.2	-	-	-	0.2
Bunbury Senior High School – Upgrades	0.1	4.8	4.9	-	-	-	4.9
Cape Naturaliste College – Stage 2	4.4	20.0	17.6	8.1	-	-	25.7
Carnarvon Community College	15.4	21.9	19.6	3.5	-	-	23.1
Clontarf Colleges	0.7	1.7	2.4	1.5	1.5	1.5	7.0
Collie Senior High School – New Facilities	0.4	6.4	7.1	-	-	-	7.1

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	2020-21 Mid-Year Revision	2021-22 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Curtin Jiji Program	0.5	0.1	0.3	0.5	0.2	-	1.1
Eaton Community College Expansion	-	2.5	2.5	2.5	-	-	5.0
Eaton Primary School	-	1.5	1.5	1.5	-	-	3.0
Feasibility Study Residential Colleges for Aboriginal Students in Port Hedland and Newman	0.1	0.2	0.2	0.1	-	-	0.2
Flinders Park Primary School – Early Childhood	-	-	0.5	1.5	-	-	2.0
Future Development of Muresk	0.2	-	-	-	-	-	-
Geraldton Senior College	2.9	1.2	1.1	-	-	-	1.1
Glen Huon Primary School	0.1	1.4	1.4	-	-	-	1.4
Improving Teacher Quality	0.9	1.9	1.9	1.9	1.9	1.9	7.7
Independent Learning Co-ordinators	0.6	1.5	1.5	1.5	1.5	1.5	5.9
Investing in Science	0.3	0.3	0.3	0.3	0.3	0.3	1.3
John Willcock College	10.6	8.2	8.0	-	-	-	8.0
Kalgoorlie-Boulder Community High School	4.9	2.8	0.2	-	-	-	0.2
Kimberley Schools Project	1.4	9.5	14.0	4.4	3.7	-	22.2
Lakelands Senior High School – Joint Use Sport Facility	2.5	-	-	-	-	-	-
Major Upgrade to Collie TAFE	-	0.2	0.2	-	-	-	0.2
Margaret River Senior High School	1.8	20.0	24.7	3.0	-	-	27.7
Mental Health Support	0.4	0.8	0.8	0.8	0.8	0.8	3.2
Mount Lockyer Primary School – Upgrade	-	-	-	3.0	-	-	3.0
Muresk Institute Agricultural Degree	0.7	0.7	0.7	0.7	0.7	-	2.1
Muresk Institute Agricultural Skills Development Pathway	1.4	1.6	1.6	-	-	-	1.6
Newton Moore Senior High School – STEM Centre	-	1.5	1.5	1.5	-	-	3.0
Peel Workforce Development Centre	0.1	0.1	0.1	-	-	-	0.1
Pilbara Institute – Electrical Specialist Centre	1.1	-	-	-	-	-	-
Pilbara Institute – Upgrade and Expansion of South Hedland and Karratha Campus	0.6	-	-	-	-	-	-
Pilbara Partnerships for Student Success	1.0	2.0	2.1	1.6	-	-	3.6
Pilbara Universities Centre	-	0.3	0.3	0.3	-	-	0.6
Preventative Maintenance Programs	-	3.4	3.4	1.5	-	-	4.9
Put Education Assistants Back in the Classroom	1.9	5.3	5.3	7.8	9.1	9.1	31.4
RAWA Aboriginal Independent Community School – Engagement Program	0.1	-	-	-	-	-	-
Regional Learning Specialists	-	1.3	1.1	1.3	1.3	1.5	5.3
Regional School Breakfast and Nutritional Education Program	0.2	0.2	0.2	0.2	0.2	0.2	0.9
Regional School Bus Services	-	-	-	-	-	79.9	79.9
South Bunbury Primary School – Upgrade	-	1.0	1.0	2.0	-	-	3.0
South Regional TAFE Esperance New Replacement Campus	-	-	-	6.0	4.0	-	10.0
TAFE Regional Subsidies	-	-	-	44.4	44.9	45.4	134.7
The Strelly Community School – Engagement Program	0.1	-	-	-	-	-	-
TOTAL – INVESTING IN OUR CHILDREN'S EDUCATION	57.4	127.4	131.2	112.6	75.9	145.9	465.6

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	2020-21 Mid-Year Revision	2021-22 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
INVESTING IN OUR COMMUNITIES							
Aboriginal Governance and Leadership Development Program	0.6	0.6	1.2	-	-	-	1.2
Aboriginal Youth Transitions	0.4	0.4	0.4	-	-	-	0.4
Additional Women's Refuge	-	2.5	1.5	2.1	1.1	1.1	5.8
Air-conditioning at Five Remote Multifunctional Policing Facilities	-	5.7	5.7	7.0	-	-	12.7
Albany Artificial Surf Reef Business Case	-	0.3	0.3	-	-	-	0.3
Albany Entertainment Centre	0.5	0.5	0.5	0.5	0.5	0.5	2.0
Armstrong Village Project – Dunsborough	-	-	2.3	0.3	-	-	2.5
Avon Well Aged Housing Project	-	-	- ^(a)	-	-	-	- ^(a)
Balingup Town Hall	0.2	-	-	-	-	-	-
Batavia Coast Marina Stage 2	0.1	0.9	0.1	-	-	-	0.1
Beach Emergency Numbering System	- ^(a)	0.2	0.4	0.2	0.2	-	0.8
Bedingfeld Park Expansion – Stage 1	-	-	1.8	0.2	-	-	2.0
Bridge St. Affordable Housing Project – Donnybrook	-	-	1.8	0.2	-	-	2.0
Broome Aboriginal Short Stay Accommodation Facility	9.0	2.6	6.9	2.6	-	-	9.5
Brunswick River Cottages – Brunswick Junction	-	-	1.4	0.2	-	-	1.5
Bunbury Bowling Club – Wheelchair Access	0.2	-	-	-	-	-	-
Capacity Building – Regional Governance Services and Asset Management	2.5	-	0.4	-	-	-	0.4
Capel Police Station	-	4.0	2.0	6.0	-	-	8.0
Capel Town Centre Revitalisation	1.3	1.0	1.0	-	-	-	1.0
Carnarvon Fascine Revitalisation – Completion – Independent Project Manager Advisor Services	-	0.1	0.1	-	-	-	0.1
Centennial Park Sporting and Event Precinct	3.0	3.9	3.4	0.5	-	-	3.9
Collie Crisis and Transitional Accommodation	-	0.4	0.4	-	-	-	0.4
Collie Mineworkers Memorial Pool Enclosure	0.2	-	-	1.9	-	-	1.9
Collie Motorplex	0.3	-	-	-	-	-	-
Community Chest Grants Scheme	4.6	0.1	0.6	-	-	-	0.6
Community Pool Revitalisation	0.4	-	-	-	-	-	-
Community Resource Centres	13.0	13.0	13.0	13.0	13.0	13.0	52.0
Community Safety Network	13.3	8.6	15.7	9.0	8.5	8.5	41.7
Coral Bay Key Worker Housing – Headworks	0.9	2.5	2.0	-	-	-	2.0
Country Age Pension Fuel Card	28.6	34.1	34.1	34.1	34.1	34.1	136.4
Country Water, Sewerage and Drainage Operations	-	-	-	191.5	284.1	320.2	795.7
Creative Regions Program	6.7	4.4	4.4	-	-	-	4.4
Culturally Appropriate Services to Victims of Domestic Violence	-	0.1	0.1	0.1	0.1	0.1	0.4
Dalyellup Family Centre	-	-	-	1.5	-	-	1.5
Dongara Age Appropriate Accommodation Facility	-	-	2.3	0.3	-	-	2.5
Donnybrook Town Centre Revitalisation	-	0.2	0.2	1.8	-	-	2.0
East Kimberley Transitional Housing	-	-	2.3	2.6	2.4	-	7.3
Eaton Bowling Club Upgrade	0.1	2.0	-	2.0	-	-	2.0
Eaton/Australind Waterfront Historic Walk Trail	0.3	0.3	0.3	-	-	-	0.3
Enhanced Driver Training and Education for Regional and Remote Communities	1.4	1.3	1.4	1.2	-	-	2.6

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	2020-21 Mid-Year Revision	2021-22 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Entry Statement and Signage for Bunbury	-	0.2	0.2	-	-	-	0.2
Esperance Indoor Sports Stadium	-	1.0	4.1	-	-	-	4.1
Essential and Municipal Services Improvement in Remote Aboriginal Communities	1.3	25.0	10.7	15.0	25.0	-	50.7
Exmouth Service Worker Housing	-(a)	-	-	-	-	-	-
Expansion of Aged Care for the Esperance Community	1.0	-	0.6	-	-	-	0.6
Family and Domestic Violence Counselling Services – Peel	0.1	0.3	0.3	0.3	0.3	0.3	1.1
Fire Crew Protection	6.9	-	-	-	-	-	-
Fitzroy Crossing Courthouse	-	-	0.2	-	-	-	0.2
Goldfields Arts Centre	-	0.3	0.7	0.1	0.1	0.1	1.1
Goldfields Esperance Arts and Culture Trail	-	0.1	0.1	0.1	0.1	-	0.3
Great Southern Housing Initiative Gwoonwardu Mia Aboriginal Heritage and Cultural Centre	-	-	2.3	0.3	-	-	2.6
Hedland Transitional Housing	-	-	0.2	-	-	-	0.2
Hedland Transitional Housing	-	-	1.1	0.9	0.6	0.8	3.4
Hospital Site Remediation – Port Hedland	3.6	0.2	0.1	-	-	-	0.1
Indigenous Visitor Hostels	2.3	1.7	1.7	1.7	-	-	3.4
Karratha Arts and Community Precinct	5.0	5.0	5.0	-	-	-	5.0
Karratha City Centre Infrastructure Works Project	1.1	-	0.9	-	-	-	0.9
Karratha Government Office Co-Location Project (The Quarter)	0.1	-	-	-	-	-	-
Killarney Retirement Living	-	-	0.4	-	-	-	0.4
Kimberley Aboriginal Law and Culture Centre to Document and Teach Traditional Languages	-	0.1	0.1	0.1	0.1	0.1	0.5
Kimberley Family Violence	1.1	1.1	1.1	-	-	-	1.1
Koombana Park Facilities	1.8	3.3	4.3	-	-	-	4.3
Kununurra, Broome and Karratha Courthouse	1.3	0.7	0.9	-	-	-	0.9
Laverton Aged Care Project	-	-	0.1	-	-	-	0.1
Leonora Ageing in Place Project	-	-	-(a)	-	-	-	-(a)
Lock Hospitals Memorial	-	-	0.1	-	-	-	0.1
Mandurah Eastern Foreshore Redevelopment	-	-	-	5.0	5.0	-	10.0
Margaret River Hub of Entertainment Arts Regional Tourism Project	2.5	0.6	0.6	-	-	-	0.6
Margaret River Region Lighthouse Precincts Redevelopment	0.2	-	-	-	-	-	-
Minninup Pool	0.2	0.3	0.1	0.2	-	-	0.3
Miriuwung and Gajerrong Corporation	0.2	0.2	0.4	-	-	-	0.4
Motoring South West – Marketing Campaign	-	0.1	0.1	-	-	-	0.1
Motorplex Complex Albany	-	0.3	0.3	-	5.5	-	5.8
Multipurpose Outdoor Courts – Weatherproof Structure, Seating and Lighting	-	-	-	1.9	-	-	1.9
Newman Town Centre Revitalisation – Stage 3	0.9	-	0.3	-	-	-	0.3
NGO Housing Strategic Intervention – Stage 2	3.0	-	0.1	-	-	-	0.1
Norseman: The Heart of the Great Western Woodlands	1.2	0.4	0.4	-	-	-	0.4
North West Aboriginal Housing Initiative	-	20.0	-	20.6	16.6	13.7	50.9
Performing Arts Regional Tours Boost	-(a)	-	-	-	-	-	-

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	2020-21 Mid-Year Revision	2021-22 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Pilbara Aboriginal Town Based Reserves – Unallocated	-	2.0	1.0	2.0	4.0	6.0	13.0
Pilbara Aboriginal Town Based Reserves (Stage 1)	0.3	-	0.3	-	-	-	0.3
Police Radio Network	1.2	8.1	8.1	3.8	0.2	-	12.1
Regional Aged Accommodation Program	-	13.2	1.3	6.3	-	-	7.6
Regional Athlete Support Program	0.9	1.0	1.1	1.0	-	-	2.1
Regional Centres Development Plan	0.3	4.5	-	4.5	-	-	4.5
Regional Community Childcare Development Fund	1.3	1.3	1.3	-	-	-	1.3
Regional Economic Development Grants	-	6.3	6.3	6.3	6.4	5.0	23.9
Regional Enforcement Unit	2.5	5.2	5.2	5.3	5.5	5.5	21.5
Regional Exhibition Touring Boost	0.5	0.5	0.5	1.8	1.8	1.8	5.8
Regional Grants Scheme	14.8	1.2	3.2	-	-	-	3.2
Regional Museum Grants	-	0.3	0.3	0.3	0.3	0.3	1.0
Regional Police Incentives	1.6	2.5	2.5	2.5	2.5	2.5	10.0
Regional Youth Justice Services	5.5	5.3	5.3	5.3	5.4	5.5	21.5
Reinstate Funding to Financial Counselling Services	0.3	0.7	0.7	0.7	0.7	0.7	2.9
Remote and Essential Services	-	-	-	56.0	56.0	56.0	168.0
Remote Rural and Regional Women's Network	0.5	0.3	0.3	-	-	-	0.3
Remote Swimming Pools	0.1	4.3	9.2	5.7	0.6	0.6	16.1
Respectful Relationship Programs in Schools	-	-	-	0.1	0.1	0.1	0.3
Responsible Parenting Support Services	3.6	-	-	-	-	-	-
Riverview Residence – Upgrade to Over 55's Estate	-	-	-	2.0	-	-	2.0
Shark Mitigation – SMART Drumline Trial	-	-	2.1	1.6	-	-	3.7
Social Service Worker Housing	4.1	-	-	-	-	-	-
South Hedland and CBD Revitalisation – Stage 2	0.6	0.4	1.1	0.3	-	-	1.4
South West Emergency Rescue Helicopter Service	8.3	4.6	5.1	-	-	-	5.1
Southern Forests Food Council	-	-	0.6	0.5	0.4	-	1.5
Stockton Lake	0.2	-	0.1	-	-	-	0.1
Upgrade Surf Life Saving Club – Dalyellup	-	0.3	0.3	-	-	-	0.3
Upgrades to Hay Park – Bunbury	0.2	3.9	3.8	0.1	-	-	3.9
Volunteer Fuel Card	0.6	1.0	1.1	1.0	1.0	1.0	4.1
Waroona Housing Options Village	1.8	-	-	-	-	-	-
Water Playground Kununurra	-	-	-	0.6	-	-	0.6
Wellington Dam Walk Trails	0.1	-	0.1	-	-	-	0.1
West Kimberley Transitional Housing Program	0.4	-	-	-	-	-	-
Wheatbelt South Aged Housing Alliance	-	-	- (a)	-	-	-	- (a)
TOTAL – INVESTING IN OUR COMMUNITIES	170.9	217.0	205.3	432.4	482.1	477.4	1,597.1
INVESTING IN OUR ROADS AND PORTS							
AgLime Routes	-	8.0	6.8	3.2	-	-	10.0
Albany Ring Road – Design, Preconstruction and Construction Activities	0.4	4.0	0.6	19.3	14.7	-	34.6
Bidyadanga Road (Kimberley) – Seal 13km	0.1	3.0	3.9	-	-	-	3.9
Boodarie Entrance Road	- (a)	-	-	-	-	-	-
Broome Boating Facilities Upgrade	-	5.2	8.4	1.3	-	-	9.7
Broome Marina Planning	- (a)	0.5	0.7	0.3	-	-	1.0
Broome-Cape Leveque Road	1.6	2.2	1.1	5.0	1.8	-	7.9

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	2020-21 Mid-Year Revision	2021-22 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Bunbury Outer Ring Road Design and Technical Assessment	2.5	0.9	- ^(a)	-	-	-	- ^(a)
Bunbury Port Planning	-	-	0.5	-	-	-	0.5
Collie Preston Region – Upgrades Over Multiple Local Roads	-	4.2	4.4	4.9	5.7	-	15.0
Coolgardie-Esperance Highway (Goldfields) – Widen, Overlay and Reconstruction	- ^(a)	4.0	4.9	3.0	0.1	-	8.0
Dongara Road Alignment	-	0.5	0.7	-	-	-	0.7
Exmouth Boat Harbour	2.2	-	-	-	-	-	-
Geraldton Airport Runway Pavement Renewal	-	6.5	6.5	-	-	-	6.5
Gibb River Road	6.2	8.0	9.7	-	-	-	9.7
Great Eastern Highway – Dual Anzac Drive to Gatacre Drive, Kalgoorlie	0.5	10.0	11.5	2.0	-	-	13.5
Great Eastern Highway Passing Lanes	0.1	0.1	-	-	-	-	-
Great Northern Highway – Bow River Bridge	3.8	-	2.9	-	-	-	2.9
Great Northern Highway – Muehea to Wubin	38.8	-	-	-	-	-	-
Great Northern Highway – Ord River North (Turkey Creek)	-	1.0	1.0	1.2	-	-	2.1
Great Northern Highway – Wyndham Spur and Maggie's Jump Up	4.3	5.6	4.3	1.6	-	-	5.8
Karratha-Tom Price Road – Sealing of 50km to Millstream	0.5	6.0	27.5	22.0	-	-	49.5
Local Government Commodity Freight Roads Fund	-	10.0	-	10.0	-	-	10.0
Mandurah Train Station – New Parking Bays	-	2.6	-	2.6	13.5	-	16.1
Marble Bar Road – Coongan Gorge	0.5	7.7	10.4	-	-	-	10.4
Margaret River Perimeter Road	29.7	5.0	3.2	-	-	-	3.2
Moonamang Road	-	13.0	5.0	10.0	1.3	-	16.3
Outback Way – Seal Priority Sections Planning for the Upgrade of Bremer Bay Boat Harbour	-	4.6	0.1	4.3	2.3	-	6.6
Port of Broome Dredging	1.0	1.3	9.6	-	-	-	9.6
Rail Future Fund	0.4	2.0	2.0	12.2	12.4	5.1	31.6
Rail to Kemerton Industrial Park	-	1.0	1.5	3.0	5.5	-	10.0
Recreational Boating Facilities Scheme	0.9	-	0.1	-	-	-	0.1
Replacement of the TransWA Road Coach Fleet	- ^(a)	-	-	-	-	-	-
South Coast Highway – Widening Pfeiffer Road Manypeaks to Jerramungup Road	0.2	5.0	10.8	19.0	-	-	29.8
Square Kilometre Array Roads	1.1	10.2	9.7	8.5	13.2	2.5	33.9
Trial of Subsidised Perth-Derby Regular Public Transport Air Services	-	1.0	1.0	-	-	-	1.0
TOTAL – INVESTING IN OUR ROADS AND PORTS	94.6	133.4	149.1	133.3	70.4	7.6	360.3
INVESTING IN OUR ENVIRONMENT							
Aboriginal Ranger Program	1.3	4.0	3.2	6.6	4.8	4.2	18.7
Bushfire Mitigation on Crown Land Regional Townsites	3.4	5.0	5.0	5.8	-	-	10.8
Carnarvon Flood Mitigation Works – Stage 2	-	3.0	3.1	-	-	-	3.1
Collie River Revitalisation	0.1	0.1	0.1	-	-	-	0.1
Enhanced Prescribed Burning Program	6.3	5.5	3.4	-	-	-	3.4
Great Kimberley Marine Park	- ^(a)	1.5	2.0	4.2	0.4	1.8	8.4
Kimberley Science and Conservation Strategy	0.9	-	-	-	-	-	-

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2017-18 Actual	2018-19 Budget Estimate	2018-19 Mid-Year Revision	2019-20 Mid-Year Revision	2020-21 Mid-Year Revision	2021-22 Mid-Year Revision	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Lake Kepwari	0.2	1.0	1.1	1.8	-	-	2.8
Living Lakes	2.0	1.4	1.4	-	-	-	1.4
Lucky Bay Campground Redevelopment Stage 2	0.9	-	-	-	-	-	-
Managing Western Australia's Natural Resources: Supporting Community Involvement	6.4	0.5	2.9	-	-	-	2.9
Marine Parks Management	1.9	2.4	2.2	0.5	-	-	2.7
Murujuga Joint Management	0.7	1.0	1.1	1.2	1.0	-	3.3
Natural Resource Management Program	-	6.2	6.2	6.2	6.2	6.2	24.8
New Kimberley National Park	-	-	-	2.2	-	-	2.2
Oyster Reef Habitat Restoration – Albany	-	0.3	0.1	0.3	0.5	0.3	1.0
Peel Harvey Estuary 1 FTE	0.1	0.1	0.1	0.1	-	-	0.2
Peel-Harvey Estuary – Estuary Protection Plan	0.5	0.5	0.5	0.5	-	-	1.0
Preston River to Ocean Regional Park and Leschenault Regional Park	-	2.6	2.6	2.6	2.6	2.6	10.5
Public Recreation and Joint Management Arrangements for the Ningaloo Coast	2.0	2.7	2.0	0.9	-	-	2.8
Regional Estuaries Initiative	5.4	5.3	5.3	3.3	-	-	8.7
Regional Water Availability, Planning and Investigation	0.2	-	-	-	-	-	-
Revitalising Waterways of Geographe Bay	2.0	1.2	1.3	0.1	-	-	1.3
Watering Western Australia	2.1	2.5	2.5	1.9	-	-	4.4
Yawuru Joint Management	0.7	1.1	1.1	1.1	1.1	-	3.3
TOTAL – INVESTING IN OUR ENVIRONMENT	37.1	47.8	47.2	39.2	16.5	15.0	117.9
ADMINISTRATION AND ADMINISTERED ITEMS							
Administration ^(b)	68.6	80.9	77.8	75.5	71.5	70.3	295.2
Administered Items ^(c)	-	28.8	23.4	48.9	80.1	64.2	216.6
TOTAL – ADMINISTRATION AND ADMINISTERED ITEMS	68.6	109.7	101.1	124.4	151.7	134.5	511.7
Underspend Provision	-	-119.1	-67.0	-119.1	-	-	-186.0
TOTAL – ROYALTIES FOR REGIONS FUND	843.6	1,026.0	972.7	1,045.4	1,033.4	1,000.3	4,051.8
Regional Reform Fund Special Purpose Account Transfer ^(d)	-	-	-	16.0	-	-	16.0

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

(b) Funding for costs associated with the administration of the Royalties for Regions Fund.

(c) Funding mainly for election commitments where further planning is required to deliver the proposals.

(d) Total Royalties for Regions contributions are forecast to be \$150 million.

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

Source: Department of Primary Industries and Regional Development.

APPENDIX 1

Detailed Financial Projections

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

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

	Note	2017-18 Actual \$m	2018-19 Budget Estimate \$m	2018-19 Mid-year Revision \$m	2019-20 Mid-year Revision \$m	2020-21 Mid-year Revision \$m	2021-22 Mid-year Revision \$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,601	8,853	8,748	9,225	9,730	10,231
Current grants and subsidies		8,529	9,552	9,542	11,534	12,499	12,356
Capital grants		1,263	936	856	767	687	228
Sales of goods and services		2,456	2,556	2,569	2,626	2,705	2,774
Interest income		170	146	169	165	168	176
Revenue from public corporations							
Dividends from other sector entities		1,718	1,229	1,314	1,256	1,300	1,275
Tax equivalent income		677	636	655	654	665	686
Royalty income		5,231	5,057	5,549	5,304	5,153	5,188
Other		688	607	608	596	536	546
Total	3	29,332	29,572	30,010	32,127	33,443	33,459
EXPENSES							
Salaries		12,193	12,214	12,245	12,290	12,399	12,686
Superannuation							
Concurrent costs		1,199	1,224	1,206	1,205	1,212	1,296
Superannuation interest cost		177	206	189	188	195	198
Other employee costs		359	356	379	375	374	379
Depreciation and amortisation		1,343	1,493	1,504	1,528	1,549	1,504
Services and contracts		2,432	2,632	2,624	2,646	2,500	2,528
Other gross operating expenses		5,852	5,620	5,705	5,781	5,901	6,131
Other interest		891	1,009	959	1,006	1,043	1,114
Current transfers	4	5,061	5,305	5,366	5,705	5,439	5,439
Capital transfers	4	442	418	506	383	341	293
Total	5	29,949	30,478	30,684	31,107	30,954	31,568
NET OPERATING BALANCE	6	-618	-906	-674	1,020	2,489	1,891
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-132	16	137	-60	36	73
Net actuarial gains - superannuation		211	-165	-262	-235	-208	-175
Provision for doubtful debts		-51	-14	-14	-14	-14	-14
Changes in accounting policy/adjustment of prior periods		-41	-	-	-	-	-
Total other economic flows		-14	-163	-138	-309	-185	-116
OPERATING RESULT		-631	-1,068	-811	712	2,303	1,775
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-713	662	42	939	1,027	1,193
Gains recognised directly in equity		-9	-	-	-	-	-
Change in net worth of the public corporations sectors		-1,638	-234	-98	371	421	384
All other		-	-	-	-	-	-
Total all other movements in equity		-2,360	427	-57	1,310	1,448	1,577
TOTAL CHANGE IN NET WORTH		-2,991	-642	-869	2,022	3,751	3,352
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-618	-906	-674	1,020	2,489	1,891
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,438	2,830	2,868	2,270	1,609	1,570
Changes in inventories		-3	-	-1	-	-	-
Other movement in non-financial assets		513	55	55	86	15	14
<i>Less:</i>							
Sales of non-financial assets		82	173	174	167	143	287
Depreciation		1,343	1,493	1,504	1,528	1,549	1,504
Total net acquisition of non-financial assets		1,524	1,219	1,244	660	-68	-208
NET LENDING/-BORROWING	6	-2,141	-2,124	-1,918	360	2,557	2,099

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Note	2018	2019	2019	2020	2021	2022
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		862	793	865	896	919	942
Advances paid		741	746	758	775	768	757
Investments, loans and placements		5,682	3,530	4,183	3,665	5,315	7,344
Receivables		3,212	2,906	2,997	2,874	2,795	2,815
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		42,406	46,700	42,308	42,680	43,101	43,485
Investments in other public sector entities - direct injections		9,377	10,161	9,861	11,178	11,926	12,502
Investments in other entities		48	50	15	15	15	15
Other financial assets		8	8	8	8	9	9
Total financial assets		62,337	64,894	60,995	62,091	64,848	67,869
<i>Non-financial assets</i>							
Land		36,406	36,667	36,122	36,487	36,978	37,626
Property, plant and equipment		44,709	47,456	46,401	47,674	48,248	48,764
Biological assets		3	4	3	3	3	3
<i>Inventories</i>							
Land inventories		-	109	-	-	-	-
Other inventories		70	73	70	70	70	70
Intangibles		627	668	607	559	505	465
Non-current assets held for sale		125	88	40	34	34	34
Investment property		7	-	7	7	7	7
Other		248	246	388	379	382	387
Total non-financial assets		82,196	85,311	83,638	85,212	86,228	87,356
TOTAL ASSETS		144,532	150,205	144,634	147,304	151,076	155,225
LIABILITIES							
Deposits held		553	765	587	1,173	998	359
Advances received		360	368	368	377	360	342
Borrowings		28,109	29,827	29,192	29,384	29,809	31,392
Unfunded superannuation		6,541	6,812	6,452	6,348	6,219	6,148
Other employee benefits		3,033	2,999	3,076	3,116	3,146	3,168
Payables		1,277	1,433	1,285	1,300	1,318	1,322
Other liabilities		1,425	1,290	1,307	1,218	1,087	1,003
TOTAL LIABILITIES		41,297	43,494	42,267	42,915	42,936	43,734
NET ASSETS		103,236	106,711	102,367	104,389	108,140	111,491
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		5,907	3,904	1,911	2,622	4,925	6,700
Other reserves		97,329	102,807	100,456	101,766	103,215	104,792
NET WORTH	6	103,236	106,711	102,367	104,389	108,140	111,491
MEMORANDUM ITEMS							
<i>Net financial worth</i>		21,040	21,400	18,728	19,176	21,912	24,135
<i>Net financial liabilities</i>		30,744	35,462	33,441	34,682	33,115	31,852
<i>Net debt</i>							
Gross debt liabilities		29,022	30,960	30,146	30,934	31,167	32,092
Less: liquid financial assets		7,285	5,069	5,806	5,336	7,002	9,042
Less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		21,737	25,891	24,341	25,598	24,165	23,050

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	Note	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,567	9,036	8,934	9,240	9,746	10,247
Grants and subsidies received		9,773	10,500	10,418	12,338	13,203	12,596
Receipts from sales of goods and services		2,662	2,568	2,583	2,656	2,722	2,778
Interest receipts		158	142	161	160	163	171
Dividends and tax equivalents		2,280	1,853	2,035	1,927	1,984	1,936
Other receipts		7,230	6,892	7,396	7,141	6,865	6,857
<i>Total cash received</i>		30,670	30,992	31,527	33,462	34,684	34,586
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-13,801	-13,891	-13,972	-14,003	-14,129	-14,419
Payments for goods and services		-8,759	-8,657	-8,698	-8,841	-8,818	-9,089
Interest paid		-860	-979	-948	-991	-1,035	-1,099
Grants and subsidies paid		-5,125	-5,285	-5,464	-5,673	-5,351	-5,282
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,727	-1,594	-1,607	-1,569	-1,559	-1,573
<i>Total cash paid</i>		-30,271	-30,407	-30,689	-31,077	-30,891	-31,462
NET CASH FLOWS FROM OPERATING ACTIVITIES		399	585	838	2,385	3,792	3,124
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,438	-2,830	-2,868	-2,270	-1,609	-1,570
Sales of non-financial assets		82	173	174	167	143	287
<i>Total cash flows from investments in non-financial assets</i>		-2,357	-2,657	-2,694	-2,103	-1,466	-1,283
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		13	30	23	10	10	10
For liquidity purposes		76	28	231	54	13	13
<i>Cash paid</i>							
For policy purposes		-573	-1,391	-923	-1,458	-841	-725
For liquidity purposes		-57	-	-9	-37	-14	-6
<i>Total cash flows from investments in financial assets</i>		-541	-1,332	-680	-1,431	-832	-708
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,898	-3,989	-3,374	-3,533	-2,298	-1,991
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		16	17	17	17	17	18
Borrowings		4,318	2,176	1,629	1,359	1,586	2,192
Deposits received		-	-	-	-	-	-
Other financing receipts		156	190	231	199	113	132
<i>Total cash receipts from financing activities</i>		4,490	2,382	1,877	1,574	1,716	2,341
<i>Cash paid</i>							
Advances paid		-16	-17	-17	-17	-17	-18
Borrowings repaid		-182	-431	-527	-1,180	-1,119	-576
Deposits paid		-	-	-	-	-	-
Other financing payments		-271	-301	-289	-310	-233	-194
<i>Total payments for financing activities</i>		-469	-749	-832	-1,506	-1,370	-787
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,020	1,633	1,045	68	347	1,553
Net increase in cash and cash equivalents		1,521	-1,770	-1,491	-1,080	1,841	2,687
Cash and cash equivalents at the beginning of the year		4,839	5,745	6,360	4,870	3,790	5,631
Cash and cash equivalents at the end of the year		6,360	3,974	4,870	3,790	5,631	8,317
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		399	585	838	2,385	3,792	3,124
Net cash flows from investing in non-financial assets		-2,357	-2,657	-2,694	-2,103	-1,466	-1,283
Cash surplus/-deficit	6	-1,958	-2,072	-1,856	283	2,327	1,841

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		1,891	1,899	1,920	1,981	1,954	1,973
Capital grants		151	64	239	75	30	28
Sales of goods and services		18,311	19,289	18,877	19,499	20,069	20,371
Interest income		139	154	166	195	227	247
Other		446	547	503	532	551	594
<i>Total</i>		<i>20,938</i>	<i>21,953</i>	<i>21,705</i>	<i>22,281</i>	<i>22,832</i>	<i>23,213</i>
EXPENSES							
Salaries		1,044	1,099	1,105	1,129	1,151	1,170
Superannuation							
Concurrent costs		99	110	109	111	112	120
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		39	30	30	30	30	31
Depreciation and amortisation		2,015	2,164	2,074	2,141	2,182	2,273
Services and contracts		848	588	641	595	556	639
Other gross operating expenses		13,908	14,678	14,385	14,704	15,110	15,376
Other interest		779	840	808	832	925	986
Tax equivalents		560	587	608	623	626	637
Current transfers		1,120	1,181	1,196	1,234	1,248	1,218
Capital transfers		67	1	5	-	-	-
<i>Total</i>		<i>20,480</i>	<i>21,279</i>	<i>20,962</i>	<i>21,399</i>	<i>21,941</i>	<i>22,450</i>
NET OPERATING BALANCE	6	458	674	743	882	891	763
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		47	104	82	155	182	189
Net actuarial gains - superannuation		-6	2	1	1	2	1
Provision for doubtful debts		-15	-36	-35	-34	-31	-29
Changes in accounting policy/adjustment of prior periods		-1,043	-	-	-	-	-
<i>Total other economic flows</i>		<i>-1,017</i>	<i>70</i>	<i>47</i>	<i>122</i>	<i>152</i>	<i>162</i>
OPERATING RESULT		-559	744	790	1,003	1,043	925
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-957	-1,009	180	469	489	498
Gains recognised directly in equity		1,143	1,015	5	1	-	-
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>186</i>	<i>7</i>	<i>185</i>	<i>470</i>	<i>489</i>	<i>498</i>
<i>Movements in owner equity</i>							
Dividends		-1,560	-1,141	-1,191	-1,166	-1,218	-1,202
Capital injections		444	1,307	529	1,339	787	617
<i>Total movements in owner equity</i>		<i>-1,116</i>	<i>166</i>	<i>-662</i>	<i>172</i>	<i>-431</i>	<i>-585</i>
TOTAL CHANGE IN NET WORTH		-1,489	916	313	1,646	1,102	838
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	458	674	743	882	891	763
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,621	3,409	2,957	3,416	3,748	3,785
Changes in inventories		-319	516	525	193	110	131
Other movement in non-financial assets		84	175	176	185	205	212
<i>Less:</i>							
Sales of non-financial assets		495	680	696	700	669	694
Depreciation		2,015	2,164	2,074	2,141	2,182	2,273
<i>Total net acquisition of non-financial assets</i>		<i>-124</i>	<i>1,255</i>	<i>887</i>	<i>952</i>	<i>1,212</i>	<i>1,160</i>
NET LENDING/-BORROWING	6	582	-581	-144	-71	-321	-397

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2018	2019	2019	2020	2021	2022
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,441	1,258	1,110	1,817	1,774	1,301
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,648	5,036	5,077	5,459	5,497	5,491
Receivables		1,825	1,225	1,910	1,908	1,863	1,787
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		-	37	23	31	29	27
Other financial assets		743	620	641	506	392	307
Total financial assets		8,656	8,175	8,762	9,721	9,555	8,913
<i>Non-financial assets</i>							
Land		9,102	12,533	8,647	8,733	8,908	9,175
Property, plant and equipment		55,582	57,217	56,368	57,711	59,166	60,607
Biological assets		329	309	321	312	300	293
Inventories							
Land inventories		1,902	2,250	2,005	2,049	2,191	2,330
Other inventories		3,661	4,644	4,185	4,378	4,488	4,619
Intangibles		451	412	408	371	342	307
Non-current assets held for sale		59	23	59	59	59	59
Investment property		70	100	60	54	52	52
Other		158	107	171	169	174	174
Total non-financial assets		71,313	77,595	72,224	73,836	75,680	77,617
TOTAL ASSETS		79,969	85,771	80,986	83,557	85,235	86,530
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		372	343	343	327	310	292
Borrowings		22,726	23,163	22,952	23,827	24,386	24,702
Unfunded superannuation		90	53	57	24	-	-
Other employee benefits		354	354	359	363	360	366
Payables		5,277	5,583	5,825	6,009	6,120	6,314
Other liabilities		1,586	1,601	1,573	1,485	1,436	1,394
TOTAL LIABILITIES		30,406	31,097	31,110	32,036	32,611	33,068
NET ASSETS		49,563	54,674	49,876	51,522	52,624	53,462
<i>Of which:</i>							
Contributed equity		9,477	10,398	10,006	11,345	12,132	12,749
Accumulated surplus		18,344	20,720	18,721	18,501	18,247	17,921
Other reserves		21,742	23,556	21,148	21,676	22,244	22,791
NET WORTH	6	49,563	54,674	49,876	51,522	52,624	53,462
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-71,313	-77,595	-72,224	-73,836	-75,680	-77,617
<i>Net debt</i>							
Gross debt liabilities		23,099	23,506	23,295	24,154	24,696	24,994
Less: liquid financial assets		6,089	6,294	6,187	7,276	7,271	6,792
Less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		17,010	17,212	17,107	16,878	17,424	18,203

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		2,048	1,966	2,154	2,063	1,989	2,006
Receipts from sales of goods and services		18,366	19,513	18,798	19,530	20,092	20,500
Interest receipts		135	155	169	195	227	247
Dividends and tax equivalents		78	64	64	57	76	75
Other receipts		1,453	1,005	1,234	1,215	1,198	1,212
<i>Total cash received</i>		<i>22,078</i>	<i>22,704</i>	<i>22,419</i>	<i>23,060</i>	<i>23,582</i>	<i>24,039</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,234	-1,241	-1,247	-1,272	-1,302	-1,317
Payments for goods and services		-13,210	-13,802	-13,376	-13,627	-13,810	-14,287
Interest paid		-756	-787	-789	-839	-925	-999
Grants and subsidies paid		-663	-711	-717	-746	-766	-760
Tax equivalents		-516	-551	-604	-640	-644	-613
Other payments		-3,202	-3,036	-3,256	-3,289	-3,304	-3,303
<i>Total cash paid</i>		<i>-19,581</i>	<i>-20,128</i>	<i>-19,989</i>	<i>-20,411</i>	<i>-20,751</i>	<i>-21,279</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,497	2,576	2,430	2,649	2,831	2,760
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,621	-3,409	-2,957	-3,416	-3,748	-3,785
Sales of non-financial assets		495	680	696	700	669	694
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,126</i>	<i>-2,729</i>	<i>-2,261</i>	<i>-2,716</i>	<i>-3,079</i>	<i>-3,090</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		100	26	30	26	6	4
<i>Cash paid</i>							
For policy purposes		-21	-20	-5	-52	-22	-49
For liquidity purposes		-19	-66	-64	-30	-19	-12
<i>Total cash flows from investments in financial assets</i>		<i>60</i>	<i>-60</i>	<i>-40</i>	<i>-56</i>	<i>-35</i>	<i>-57</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,065	-2,789	-2,301	-2,772	-3,114	-3,148
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		13	-	-	-	-	-
Borrowings		12,475	8,641	5,239	6,935	6,474	6,045
Deposits received		-	-	-	-	-	-
Other financing receipts		623	1,503	1,015	1,583	945	800
<i>Total cash received</i>		<i>13,110</i>	<i>10,145</i>	<i>6,254</i>	<i>8,518</i>	<i>7,419</i>	<i>6,845</i>
<i>Cash paid</i>							
Advances paid		-16	-37	-29	-17	-17	-18
Borrowings repaid		-12,201	-8,667	-5,428	-6,469	-5,875	-5,678
Deposits paid		-	-	-	-	-	-
Other financing payments		-51	-65	-65	-59	-37	-37
Dividends paid		-1,560	-1,141	-1,191	-1,166	-1,218	-1,202
<i>Total cash paid</i>		<i>-13,827</i>	<i>-9,910</i>	<i>-6,713</i>	<i>-7,712</i>	<i>-7,147</i>	<i>-6,935</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		-717	235	-459	806	272	-90
Net increase in cash and cash equivalents		-285	22	-330	684	-11	-477
Cash and cash equivalents at the beginning of the year		2,174	1,577	1,889	1,559	2,243	2,232
Cash and cash equivalents at the end of the year		1,889	1,599	1,559	2,243	2,232	1,755
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,497	2,576	2,430	2,649	2,831	2,760
Net cash flows from investing in non-financial assets		-2,126	-2,729	-2,261	-2,716	-3,079	-3,090
Dividends paid		-1,560	-1,141	-1,191	-1,166	-1,218	-1,202
Cash surplus/deficit	6	-1,188	-1,294	-1,022	-1,233	-1,466	-1,532

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,118	8,328	8,220	8,653	9,138	9,631
Current grants and subsidies		8,529	9,552	9,542	11,534	12,499	12,356
Capital grants		1,263	936	856	767	687	228
Sales of goods and services		20,179	21,280	20,878	21,525	22,182	22,467
Interest income		284	277	310	332	369	399
Royalty income		5,231	5,057	5,549	5,304	5,153	5,188
Dividend and tax equivalents		340	208	227	197	196	198
Other		1,032	1,052	1,020	1,019	978	1,032
Total		44,974	46,690	46,602	49,331	51,202	51,497
EXPENSES							
Salaries		13,237	13,313	13,350	13,419	13,550	13,856
Superannuation							
Concurrent costs		1,299	1,334	1,315	1,316	1,324	1,416
Superannuation interest cost		177	206	189	188	195	198
Other employee costs		261	233	258	258	253	255
Depreciation and amortisation		3,358	3,658	3,578	3,669	3,731	3,777
Services and contracts		3,274	3,223	3,269	3,245	3,060	3,172
Other gross operating expenses		19,113	19,654	19,441	19,767	20,298	20,704
Other interest		1,645	1,826	1,742	1,810	1,942	2,076
Current transfers		3,975	4,260	4,313	4,616	4,375	4,326
Capital transfers		354	355	268	308	311	265
Total		46,693	48,063	47,724	48,595	49,041	50,045
NET OPERATING BALANCE	6	-1,720	-1,373	-1,122	736	2,162	1,452
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-85	120	219	94	218	262
Net actuarial gains - superannuation		204	-163	-261	-234	-206	-174
Provision for doubtful debts		-66	-49	-49	-48	-45	-42
Changes in accounting policy/adjustment of prior periods		-912	-	-	-	-	-
Total other economic flows		-859	-93	-91	-187	-33	46
OPERATING RESULT		-2,578	-1,466	-1,213	549	2,129	1,498
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-1,670	-285	312	1,451	1,595	1,773
Gains recognised directly in equity		1,134	1,015	5	-	-	-1
Change in net worth of the PFC sector		123	95	27	22	28	81
All other		-	-	-	-	-	-
Total all other movements in equity		-413	824	344	1,473	1,622	1,854
TOTAL CHANGE IN NET WORTH		-2,991	-642	-869	2,022	3,751	3,352
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-1,720	-1,373	-1,122	736	2,162	1,452
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,049	6,239	5,825	5,596	5,314	5,129
Changes in inventories		-321	516	524	193	110	131
Other movement in non-financial assets		596	230	231	270	220	226
<i>Less:</i>							
Sales of non-financial assets		566	853	869	777	770	755
Depreciation		3,358	3,658	3,578	3,669	3,731	3,777
Total net acquisition of non-financial assets		1,400	2,474	2,132	1,612	1,144	952
NET LENDING/-BORROWING	6	-3,119	-3,847	-3,254	-877	1,018	500

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2018	2019	2019	2020	2021	2022
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,777	1,316	1,404	1,555	1,711	1,899
Advances paid		368	403	415	449	458	464
Investments, loans and placements		10,327	8,562	9,256	9,122	10,809	12,832
Receivables		4,907	4,036	4,762	4,664	4,554	4,479
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		2,221	2,187	2,293	2,336	2,403	2,525
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		48	87	38	46	44	42
Other financial assets		8	8	8	8	9	9
<i>Total financial assets</i>		19,657	16,600	18,177	18,179	19,988	22,251
<i>Non-financial assets</i>							
Land		45,508	49,201	44,768	45,220	45,886	46,801
Property, plant and equipment		100,291	104,673	102,769	105,386	107,414	109,372
Biological assets		332	313	324	315	303	297
<i>Inventories</i>							
Land inventories		1,902	2,359	2,005	2,049	2,191	2,330
Other inventories		3,731	4,717	4,255	4,448	4,558	4,688
Intangibles		1,079	1,080	1,015	930	848	772
Non-current assets held for sale		183	111	99	93	93	93
Investment property		77	100	67	61	59	59
Other		405	353	559	548	557	561
<i>Total non-financial assets</i>		153,508	162,906	155,862	159,049	161,908	164,973
TOTAL ASSETS		173,165	179,506	174,039	177,228	181,896	187,224
LIABILITIES							
Deposits held		24	27	12	12	12	12
Advances received		360	368	368	377	360	342
Borrowings		50,835	52,989	52,143	53,212	54,195	56,094
Unfunded superannuation		6,631	6,865	6,509	6,372	6,219	6,148
Other employee benefits		3,386	3,353	3,435	3,479	3,506	3,534
Payables		6,427	6,926	6,966	7,193	7,337	7,515
Other liabilities		2,266	2,268	2,237	2,195	2,128	2,087
TOTAL LIABILITIES		69,929	72,796	71,672	72,839	73,756	75,733
NET ASSETS		103,236	106,711	102,367	104,389	108,140	111,491
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		24,258	24,631	20,639	21,131	23,179	24,628
Other reserves		78,978	82,080	81,727	83,258	84,960	86,863
NET WORTH	6	103,236	106,711	102,367	104,389	108,140	111,491
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-50,273	-56,195	-53,495	-54,660	-53,769	-53,481
<i>Net financial liabilities</i>		52,541	58,470	55,826	57,042	56,216	56,049
<i>Net debt</i>							
Gross debt liabilities		51,219	53,385	52,524	53,601	54,567	56,448
Less: liquid financial assets		12,473	10,281	11,076	11,125	12,978	15,196
Less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		38,746	43,103	41,448	42,475	41,589	41,252

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	Note	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,081	8,501	8,393	8,659	9,146	9,638
Grants and subsidies received		9,773	10,500	10,418	12,338	13,203	12,596
Receipts from sales of goods and services		20,411	21,512	20,811	21,583	22,219	22,598
Interest receipts		267	273	305	327	365	395
Dividends and tax equivalents		282	225	304	178	198	196
Other receipts		8,315	7,476	8,208	8,004	7,718	7,720
Total cash received		47,128	48,488	48,439	51,087	52,849	53,141
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-15,035	-15,132	-15,219	-15,274	-15,431	-15,736
Payments for goods and services		-21,016	-21,493	-21,106	-21,540	-21,719	-22,372
Interest paid		-1,591	-1,742	-1,713	-1,801	-1,933	-2,074
Grants and subsidies paid		-3,711	-4,007	-4,004	-4,329	-4,098	-4,011
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,439	-4,094	-4,320	-4,275	-4,262	-4,266
Total cash paid		-45,792	-46,468	-46,362	-47,219	-47,443	-48,459
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,336	2,020	2,077	3,868	5,405	4,682
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,049	-6,239	-5,825	-5,596	-5,314	-5,129
Sales of non-financial assets		566	853	869	777	770	755
Total cash flows from investments in non-financial assets		-4,482	-5,386	-4,955	-4,818	-4,545	-4,373
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		13	10	10	10	10	10
For liquidity purposes		175	54	260	59	19	16
<i>Cash paid</i>							
For policy purposes		-16	-10	-10	-10	-10	-10
For liquidity purposes		-76	-66	-74	-46	-33	-18
Total cash flows from investments in financial assets		96	-12	187	14	-14	-1
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,386	-5,398	-4,769	-4,805	-4,559	-4,375
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		16,793	10,817	6,868	8,294	8,061	8,237
Deposits received		-	-	-	-	-	-
Other financing receipts		156	170	226	146	91	83
Total cash received		16,949	10,988	7,094	8,440	8,151	8,320
<i>Cash paid</i>							
Advances paid		-16	-17	-17	-17	-17	-18
Borrowings repaid		-12,383	-9,099	-5,955	-7,649	-6,994	-6,254
Deposits paid		-	-	-	-	-	-
Other financing payments		-264	-243	-252	-234	-157	-146
Total cash paid		-12,663	-9,358	-6,223	-7,899	-7,168	-6,418
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,286	1,629	871	541	983	1,902
Net increase in cash and cash equivalents		1,236	-1,748	-1,821	-396	1,830	2,209
Cash and cash equivalents at the beginning of the year		7,012	7,321	8,248	6,428	6,032	7,862
Cash and cash equivalents at the end of the year		8,248	5,573	6,428	6,032	7,862	10,071
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,336	2,020	2,077	3,868	5,405	4,682
Net cash flows from investing in non-financial assets		-4,482	-5,386	-4,955	-4,818	-4,545	-4,373
Cash surplus/-deficit	6	-3,146	-3,366	-2,878	-950	861	309

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		1,231	1,385	1,374	1,440	1,521	1,616
Interest income		1,799	2,184	1,971	2,171	2,345	2,424
Other		10	1	1	-	-	-
Total		3,040	3,570	3,346	3,611	3,866	4,040
EXPENSES							
Salaries		59	58	58	59	60	62
Superannuation							
Concurrent costs		6	5	6	6	6	6
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	3	3	3	3	3
Depreciation and amortisation		4	5	5	6	7	7
Services and contracts		10	11	11	11	11	11
Other gross operating expenses		966	1,145	1,145	1,311	1,356	1,401
Other interest		1,540	1,966	1,767	1,940	2,106	2,178
Tax equivalents		117	50	48	32	40	48
Current transfers		4	5	5	5	5	5
Capital transfers		11	8	8	8	7	6
Total		2,721	3,256	3,055	3,380	3,601	3,727
NET OPERATING BALANCE	6	320	315	291	231	265	312
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		196	-	-	-	-	-
Net actuarial gains - superannuation		2	2	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
Changes in accounting policy/adjustment of prior periods		-108	-	-	-	-	-
Total other economic flows		90	2	-	-	-	-
OPERATING RESULT		410	316	291	232	265	312
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		1	-86	6	-2	-2	-
Gains recognised directly in equity		107	85	-	-	-	-
All other		-	-	-	-	-	-
Total other non-owner movements in equity		108	-1	6	-2	-2	-
<i>Movements in owner equity</i>							
Dividends		-223	-159	-179	-166	-157	-149
Capital injections		-86	-31	-46	-21	-39	-41
Total movements in owner equity		-309	-190	-225	-187	-196	-190
TOTAL CHANGE IN NET WORTH		209	126	73	43	67	122
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	320	315	291	231	265	312
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3	9	10	8	7	7
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>Less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		4	5	5	6	7	7
Total net acquisition of non-financial assets		-2	4	5	1	-	-
NET LENDING/-BORROWING	6	321	311	286	230	265	312

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2018	2019	2019	2020	2021	2022
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		303	202	289	299	309	319
Advances paid		3,980	4,473	4,437	4,882	4,884	4,885
Investments, loans and placements		59,075	65,193	60,574	61,934	63,294	65,663
Receivables		705	666	723	729	736	741
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,806	2,395	1,909	2,078	2,271	2,479
Other financial assets		5	6	5	5	5	5
Total financial assets		65,874	72,935	67,936	69,927	71,498	74,093
<i>Non-financial assets</i>							
Land		-	-	-	-	-	-
Property, plant and equipment		3	8	7	7	6	6
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		6	9	8	10	10	10
Non-current assets held for sale		-	-	-	-	-	-
Investment property		-	-	-	-	-	-
Other		3	2	3	3	3	3
Total non-financial assets		12	19	18	19	19	19
TOTAL ASSETS		65,886	72,954	67,954	69,946	71,517	74,112
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	3	2	2	2	2
Borrowings		59,214	65,865	61,052	62,557	63,606	65,611
Unfunded superannuation		5	7	6	7	8	9
Other employee benefits		11	13	12	12	12	12
Payables		234	274	81	50	45	45
Other liabilities		4,198	4,606	4,507	4,982	5,441	5,908
TOTAL LIABILITIES		63,665	70,767	65,660	67,610	69,114	71,586
NET ASSETS		2,221	2,187	2,293	2,336	2,403	2,525
<i>Of which:</i>							
Contributed equity		-100	-236	-145	-167	-206	-247
Accumulated surplus		2,297	2,575	2,395	2,451	2,545	2,690
Other reserves		23	-152	43	52	64	82
NET WORTH	6	2,221	2,187	2,293	2,336	2,403	2,525
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-12	-19	-18	-19	-19	-19
<i>Net debt</i>							
Gross debt liabilities		59,217	65,868	61,054	62,559	63,608	65,612
Less: liquid financial assets		63,358	69,868	65,300	67,115	68,487	70,867
Less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-4,141	-4,000	-4,246	-4,556	-4,879	-5,255

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

Note	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash received</i>						
Grants and subsidies received	-	5	5	5	5	5
Receipts from sales of goods and services	1,216	1,317	1,306	1,336	1,409	1,494
Interest receipts	1,797	2,184	1,971	2,171	2,345	2,424
Dividends and tax equivalents	-	-	-	-	-	-
Other receipts	149	153	152	158	166	173
<i>Total cash received</i>	3,162	3,660	3,435	3,671	3,925	4,096
<i>Cash paid</i>						
Wages, salaries and supplements, and superannuation	-66	-62	-62	-64	-65	-67
Payments for goods and services	-753	-834	-834	-879	-922	-964
Interest paid	-1,769	-1,966	-1,771	-1,940	-2,106	-2,178
Grants and subsidies paid	-	-	-	-	-	-
Tax equivalents	-46	-74	-117	-32	-40	-48
Other payments	-150	-159	-158	-164	-172	-180
<i>Total cash paid</i>	-2,784	-3,095	-2,942	-3,078	-3,305	-3,437
NET CASH FLOWS FROM OPERATING ACTIVITIES	378	565	493	593	620	659
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash flows from investments in non-financial assets</i>						
Purchase of non-financial assets	-3	-9	-10	-8	-7	-7
Sales of non-financial assets	-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>	-3	-9	-10	-8	-7	-7
<i>Cash flows from investments in financial assets</i>						
<i>Cash received</i>						
For policy purposes	-	-	-	-	-	-
For liquidity purposes	6,014	6,480	6,433	7,019	7,111	7,212
<i>Cash paid</i>						
For policy purposes	-99	-108	-163	-78	-47	-41
For liquidity purposes	-7,173	-7,188	-7,079	-7,752	-7,441	-7,565
<i>Total cash flows from investments in financial assets</i>	-1,258	-815	-810	-811	-376	-394
NET CASH FLOWS FROM INVESTING ACTIVITIES	-1,260	-824	-820	-819	-383	-400
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash received</i>						
Advances received	-	-	-	-	-	-
Borrowings	30,393	28,206	27,431	27,828	27,547	28,709
Deposits received	-	-	-	-	-	-
Other financing receipts	13	31	31	24	-	-
<i>Total cash received</i>	30,406	28,237	27,461	27,852	27,547	28,709
<i>Cash paid</i>						
Advances paid	-	-	-	-	-	-
Borrowings repaid	-30,969	-27,781	-26,994	-27,428	-27,546	-28,711
Deposits paid	-	-	-	-	-	-
Other financing payments	-	-	-	-	-	-
Dividends paid	-236	-152	-187	-146	-158	-147
<i>Total cash paid</i>	-31,205	-27,933	-27,181	-27,574	-27,704	-28,858
NET CASH FLOWS FROM FINANCING ACTIVITIES	-799	304	281	277	-157	-150
Net increase in cash and cash equivalents	-1,682	45	-46	52	80	109
Cash and cash equivalents at the beginning of the year	4,008	4,042	2,326	2,280	2,332	2,412
Cash and cash equivalents at the end of the year	2,326	4,087	2,280	2,332	2,412	2,521
KEY FISCAL AGGREGATES						
Net cash flows from operating activities	378	565	493	593	620	659
Net cash flows from investing in non-financial assets	-3	-9	-10	-8	-7	-7
Dividends paid	-236	-152	-187	-146	-158	-147
Cash surplus/-deficit	6	139	405	439	455	505

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	Note	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,114	8,324	8,216	8,649	9,134	9,627
Current grants and subsidies		8,529	9,552	9,542	11,534	12,499	12,356
Capital grants		1,263	936	856	767	687	228
Sales of goods and services		21,067	22,349	21,935	22,614	23,341	23,703
Interest income		585	586	644	745	797	761
Royalty income		5,231	5,057	5,549	5,304	5,153	5,188
Other		1,031	1,051	1,019	1,018	977	1,031
<i>Total</i>		<i>45,819</i>	<i>47,856</i>	<i>47,760</i>	<i>50,631</i>	<i>52,588</i>	<i>52,893</i>
EXPENSES							
Salaries		13,297	13,371	13,408	13,478	13,611	13,918
Superannuation							
Concurrent costs		1,305	1,340	1,320	1,322	1,330	1,422
Superannuation interest cost		177	206	189	188	195	198
Other employee costs		263	236	261	261	256	258
Depreciation and amortisation		3,362	3,663	3,583	3,675	3,738	3,784
Services and contracts		3,285	3,223	3,269	3,245	3,060	3,172
Other gross operating expenses		19,726	20,493	20,278	20,738	21,303	21,737
Other interest		1,688	1,917	1,873	1,992	2,131	2,192
Current transfers		3,975	4,261	4,313	4,616	4,375	4,326
Capital transfers		365	363	276	315	318	271
<i>Total</i>		<i>47,442</i>	<i>49,073</i>	<i>48,771</i>	<i>49,829</i>	<i>50,319</i>	<i>51,278</i>
NET OPERATING BALANCE	6	-1,623	-1,217	-1,010	801	2,269	1,615
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		111	120	219	94	218	262
Net actuarial gains - superannuation		206	-162	-261	-233	-206	-174
Provision for doubtful debts		-66	-49	-49	-48	-45	-42
Changes in accounting policy/adjustment of prior periods		-1,192	-	-	-	-	-
<i>Total other economic flows</i>		<i>-941</i>	<i>-91</i>	<i>-91</i>	<i>-187</i>	<i>-33</i>	<i>46</i>
OPERATING RESULT		-2,563	-1,308	-1,101	615	2,237	1,661
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-1,669	-433	228	1,407	1,515	1,691
Gains recognised directly in equity		1,241	1,100	5	-	-	-1
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>-428</i>	<i>667</i>	<i>233</i>	<i>1,407</i>	<i>1,515</i>	<i>1,691</i>
TOTAL CHANGE IN NET WORTH		-2,991	-642	-869	2,022	3,751	3,352
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-1,623	-1,217	-1,010	801	2,269	1,615
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,052	6,248	5,835	5,604	5,321	5,136
Changes in inventories		-321	516	524	193	110	131
Other movement in non-financial assets		596	230	231	270	220	226
<i>Less:</i>							
Sales of non-financial assets		567	853	870	778	770	756
Depreciation		3,362	3,663	3,583	3,675	3,738	3,784
<i>Total net acquisition of non-financial assets</i>		<i>1,398</i>	<i>2,478</i>	<i>2,136</i>	<i>1,614</i>	<i>1,144</i>	<i>952</i>
NET LENDING/-BORROWING	6	-3,021	-3,695	-3,147	-812	1,126	663

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2018	2019	2019	2020	2021	2022
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		2,079	1,517	1,692	1,853	2,019	2,217
Advances paid		4,345	4,873	4,850	5,329	5,340	5,348
Investments, loans and placements		16,733	18,462	15,358	15,086	17,060	19,476
Receivables		4,976	4,154	4,984	4,885	4,782	4,701
Equity - Investments in other entities		1,854	2,481	1,947	2,124	2,314	2,521
Other financial assets		13	15	13	13	14	14
Total financial assets		30,001	31,503	28,845	29,291	31,529	34,276
<i>Non-financial assets</i>							
Land		45,508	49,201	44,768	45,220	45,886	46,801
Property, plant and equipment		100,294	104,681	102,775	105,392	107,420	109,377
Biological assets		332	313	324	315	303	297
Inventories							
Land inventories		1,902	2,359	2,005	2,049	2,191	2,330
Other inventories		3,731	4,717	4,255	4,448	4,558	4,688
Intangibles		1,085	1,089	1,023	939	857	782
Non-current assets held for sale		183	111	99	93	93	93
Investment property		77	100	67	61	59	59
Other		408	355	562	551	560	564
Total non-financial assets		153,520	162,925	155,880	159,068	161,927	164,992
TOTAL ASSETS		183,521	194,428	184,724	188,359	193,457	199,268
LIABILITIES							
Deposits held		23	26	11	11	11	11
Advances received		360	368	368	377	360	342
Borrowings		57,379	63,561	58,723	59,799	60,759	62,684
Unfunded superannuation		6,636	6,872	6,516	6,379	6,227	6,157
Other employee benefits		3,398	3,366	3,447	3,490	3,518	3,546
Payables		6,473	7,063	6,930	7,127	7,265	7,443
Other liabilities		6,016	6,461	6,362	6,787	7,178	7,592
TOTAL LIABILITIES		80,285	87,717	82,358	83,970	85,317	87,777
NET ASSETS		103,236	106,711	102,367	104,389	108,140	111,491
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		26,555	27,206	23,035	23,582	25,725	27,318
Other reserves		76,680	79,504	79,332	80,807	82,415	84,173
NET WORTH	6	103,236	106,711	102,367	104,389	108,140	111,491
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-50,285	-56,215	-53,513	-54,679	-53,787	-53,500
<i>Net financial liabilities</i>		52,139	58,696	55,460	56,803	56,102	56,022
<i>Net debt</i>							
Gross debt liabilities		57,763	63,955	59,103	60,187	61,130	63,038
Less: liquid financial assets		23,157	24,852	21,900	22,268	24,420	27,041
Less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		34,606	39,103	37,203	37,919	36,711	35,997

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Note	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,077	8,492	8,384	8,650	9,137	9,628
Grants and subsidies received		9,773	10,500	10,418	12,338	13,203	12,596
Receipts from sales of goods and services		21,346	22,514	21,800	22,568	23,266	23,711
Interest receipts		604	645	671	763	801	762
Dividends and tax equivalents		-	-	-	-	-	-
Other		8,460	7,626	8,357	8,158	7,880	7,889
Total cash received		48,260	49,777	49,629	52,477	54,287	54,587
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-15,101	-15,194	-15,281	-15,338	-15,496	-15,803
Payments for goods and services		-21,489	-22,011	-21,622	-22,067	-22,278	-22,955
Interest paid		-1,899	-1,896	-1,879	-2,006	-2,131	-2,195
Grants and subsidies paid		-3,712	-4,002	-3,999	-4,324	-4,094	-4,006
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,581	-4,240	-4,466	-4,427	-4,421	-4,433
Total cash paid		-46,782	-47,344	-47,246	-48,162	-48,420	-49,392
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,478	2,433	2,382	4,315	5,867	5,194
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,052	-6,248	-5,835	-5,604	-5,321	-5,136
Sales of non-financial assets		567	853	870	778	770	756
Total cash flows from investments in non-financial assets		-4,485	-5,394	-4,965	-4,826	-4,551	-4,380
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		13	10	10	10	10	10
For liquidity purposes		6,189	6,534	6,693	7,078	7,130	7,229
<i>Cash paid</i>							
For policy purposes		-16	-10	-10	-10	-10	-10
For liquidity purposes		-7,249	-7,253	-7,153	-7,798	-7,473	-7,583
Total cash flows from investments in financial assets		-1,063	-719	-460	-720	-344	-354
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,548	-6,114	-5,425	-5,545	-4,895	-4,734
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		18,015	19,109	21,478	20,181	20,555	22,457
Deposits received		-	-	-	-	-	-
Other financing receipts		57	62	63	68	44	42
Total cash received		18,072	19,171	21,540	20,249	20,599	22,498
<i>Cash paid</i>							
Advances paid		-16	-17	-17	-17	-17	-18
Borrowings repaid		-14,181	-16,965	-20,127	-19,136	-19,487	-20,476
Deposits paid		-	-	-	-	-	-
Other financing payments		-251	-212	-221	-210	-157	-146
Total cash paid		-14,448	-17,194	-20,365	-19,363	-19,661	-20,640
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,624	1,977	1,175	887	938	1,858
Net increase in cash and cash equivalents		-446	-1,703	-1,867	-344	1,910	2,319
Cash and cash equivalents at the beginning of the year		11,019	11,361	10,573	8,706	8,362	10,272
Cash and cash equivalents at the end of the year		10,573	9,658	8,706	8,362	10,272	12,591
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,478	2,433	2,382	4,315	5,867	5,194
Net cash flows from investing in non-financial assets		-4,485	-5,394	-4,965	-4,826	-4,551	-4,380
Cash surplus/-deficit	6	-3,007	-2,961	-2,582	-511	1,315	814

Note: Columns may not add due to rounding.

NOTE 1: STATEMENT OF COMPLIANCE

The public sector financial statements projections presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2015*.

The presentation in this appendix is consistent with AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements constitute general purpose financial reports for the total public sector (also known as the whole of government), general government sector, and each of the subsidiary public corporations sectors. The financial projections of the consolidated general government (centrally funded agencies such as the Department of Education and WA Health) and the public non-financial corporations (such as water and electricity utilities, and the ports) are also presented as the total non-financial public sector.

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

(a) The reporting entity

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

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

(b) Basis of preparation

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the 2017-18 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2017-18 ARSF.

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

(c) Unaudited data

These financial projections are not audited.

(d) Comparative figures

Comparative information for 2017-18 is based on the audited actual data presented in the 2017-18 ARSF.

NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

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

NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

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

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

TRANSFER EXPENSES^(a)						
General Government						
	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local government	356	341	436	379	327	258
Local government on-passing	169	181	89	184	191	197
Private and not-for-profit sector	1,381	1,570	1,601	1,712	1,504	1,474
Private and not-for-profit sector on-passing	1,233	1,301	1,288	1,355	1,426	1,500
Other sectors of government	1,922	1,913	1,952	2,075	1,992	2,010
<i>Total Current Transfers</i>	<i>5,061</i>	<i>5,305</i>	<i>5,366</i>	<i>5,705</i>	<i>5,439</i>	<i>5,439</i>
<i>CAPITAL TRANSFERS</i>						
Local government	55	79	57	39	35	32
Local government on-passing	113	113	58	120	125	130
Private and not-for-profit sector	107	144	134	129	129	79
Private and not-for-profit sector on-passing	17	18	18	19	22	24
Other sectors of government	151	64	239	75	30	28
<i>Total Capital Transfers</i>	<i>442</i>	<i>418</i>	<i>506</i>	<i>383</i>	<i>341</i>	<i>293</i>

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

Note: Columns may not add due to rounding.

NOTE 5: CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT/GOVERNMENT PURPOSE CLASSIFICATION

The following allocation of general government expenses and purchases of non-financial assets is consistent with the new Classification of the Functions of Government (COFOG) introduced to the GFS framework in 2017-18 and published for the first time in Western Australia's whole-of-government disclosures in the 2017-18 *Annual Report on State Finances*. The former Government Purpose Classification (GPC) presentation for 2018-19 that appeared in the 2018-19 Budget and prior years is also presented in this note. Presentation of the GPC will cease at the conclusion of the 2018-19 reporting cycle at which time only the COFOG allocation will be produced. This change is in line with reporting by all States and Territories under the UPF.

CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT (a) General Government

	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual ^(b)	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate ^(c)	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	1,624	1,715	1,544	1,661	1,757	1,879
Public order and safety	3,425	3,473	3,506	3,523	3,443	3,450
Economic affairs	1,313	1,334	1,395	1,280	1,141	1,049
Environmental protection	392	397	396	393	382	384
Housing and community amenities	1,167	1,143	1,383	1,134	1,139	1,075
Health	8,917	9,058	9,090	9,219	9,385	9,692
Recreation, culture and religion	700	721	765	734	751	746
Education	7,460	7,646	7,655	7,795	8,009	8,333
Social protection	2,636	2,508	2,436	2,578	2,417	2,442
Transport	2,316	2,488	2,512	2,791	2,529	2,518
Not allocated ^(d)	-	-6	-	-	-	-
Total General Government Expenses	29,949	30,478	30,684	31,107	30,954	31,568
<i>Purchases of new non-financial assets</i>						
General public services	137	130	147	127	85	85
Public order and safety	143	190	188	197	115	90
Economic affairs	24	47	36	58	67	55
Environmental protection	37	38	42	31	29	30
Housing and community amenities	74	25	48	78	78	143
Health	346	356	336	252	122	93
Recreation, culture and religion	158	176	171	107	47	35
Education	419	494	546	418	243	189
Social protection	17	3	3	3	2	2
Transport	1,083	1,372	1,351	1,248	820	598
Provisions ^(e)	-	-	-	-250	-	250
Total Purchases of Non-financial Assets	2,438	2,830	2,868	2,270	1,609	1,570

(a) Data in this table are for consolidated general government aggregates and exclude internal transactions within the sector. In relation to purchases of non-financial assets, the information in this table represents spending on fixed assets by general government agencies, identified by function as defined in the GFS framework, which may be different to agency totals in the Asset Investment Program.

(b) Since publication of the 2017-18 *Annual Report on State Finances*, there have been some re-allocations of spending to the various COFOG categories, based on data availability and correspondence with the Australian Bureau of Statistics. These refinements and improvements were also a feature of the previous GPC allocation process.

(c) Unpublished.

(d) Includes provisions not allocated by COFOG.

(e) Includes a provision for yet to be identified underspending in the Asset Investment Program that typically emerges during the year.

Note: Columns may not add due to rounding.

GOVERNMENT PURPOSE CLASSIFICATION (a)

General Government

	2017-18	2018-19	2018-19
	Actual	Budget	Mid-year
	\$m	Estimate	Revision
		\$m	\$m
<i>Expenses</i>			
General public services	374	318	307
Public order and safety	3,397	3,438	3,470
Education	7,245	7,433	7,446
Health	8,917	9,058	9,090
Social security and welfare	2,225	2,244	2,058
Housing and community amenities	1,787	1,619	1,977
Recreation and culture	875	881	957
Fuel and energy	306	179	186
Agriculture, forestry, fishing and hunting	380	446	444
Mining and mineral resources other than fuels; manufacturing; and construction	242	211	291
Transport and communications	2,343	2,517	2,539
Other economic affairs	609	744	681
Other purposes	1,249	1,395	1,237
Not allocated ^(b)	-	-6	-
Total General Government Expenses	29,949	30,478	30,684
<i>Purchases of new non-financial assets</i>			
General public services	130	122	140
Public order and safety	140	188	185
Education	384	476	526
Health	346	356	336
Social security and welfare	18	3	3
Housing and community amenities	101	53	77
Recreation and culture	174	193	191
Fuel and energy	2	1	3
Agriculture, forestry, fishing and hunting	18	37	29
Mining and mineral resources other than fuels; manufacturing; and construction	4	2	3
Transport and communications	1,083	1,372	1,351
Other economic affairs	38	26	25
Other purposes	-	-	-
Total Purchases of Non-financial Assets	2,438	2,830	2,868

(a) Data in this table are for consolidated general government aggregates and exclude internal transactions within the sector. In relation to purchases of non-financial assets, the information in this table represents spending on fixed assets by general government agencies, identified by function as defined in the GFS framework, which may be different to agency totals in the Asset Investment Program.

(b) Includes provisions not allocated by GPC.

Note: Columns may not add due to rounding.

NOTE 6: CONVERGENCE DIFFERENCES

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

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

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Operating Balance

	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB 1049 net operating balance	-618	-906	-674	1,020	2,489	1,891
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments	-	-	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-	-	-
GFS net operating balance	-618	-906	-674	1,020	2,489	1,891
<u>Public non-financial corporations</u>						
AASB 1049 net operating balance	458	674	743	882	891	763
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	-	24	-	-	-	-
Dividends	1,560	1,141	1,191	1,166	1,218	1,202
Total GFS expense adjustments	1,560	1,165	1,191	1,166	1,218	1,202
Total GFS adjustments to AASB 1049 net operating balance	-1,560	-1,165	-1,191	-1,166	-1,218	-1,202
GFS net operating balance	-1,102	-491	-448	-285	-327	-439
<u>Total non-financial public sector</u>						
AASB 1049 net operating balance	-1,720	-1,373	-1,122	736	2,162	1,452
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	-	24	-	-	-	-
Total GFS expense adjustments	-	24	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	-	-24	-	-	-	-
GFS net operating balance	-1,720	-1,397	-1,122	736	2,162	1,452
<u>Public financial corporations</u>						
AASB 1049 net operating balance	320	315	291	231	265	312
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dividends	223	159	179	166	157	149
Total GFS expense adjustments	223	159	179	166	157	149
Total GFS adjustments to AASB 1049 net operating balance	-223	-159	-179	-166	-157	-149
GFS net operating balance	97	156	112	66	108	163
<u>Total public sector</u>						
AASB 1049 net operating balance	-1,623	-1,217	-1,010	801	2,269	1,615
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	-	24	-	-	-	-
Total GFS expense adjustments	-	24	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	-	-24	-	-	-	-
GFS net operating balance	-1,623	-1,241	-1,010	801	2,269	1,615

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Lending

	2017-18 Actual \$m	2018-19 Budget Estimate \$m	2018-19 Mid-year Revision \$m	2019-20 Mid-year Revision \$m	2020-21 Mid-year Revision \$m	2021-22 Mid-year Revision \$m
<u>General government</u>						
AASB 1049 net lending/-borrowing	-2,141	-2,124	-1,918	360	2,557	2,099
Plus Net operating balance convergence difference (noted above)	-	-	-	-	-	-
GFS net lending/-borrowing	-2,141	-2,124	-1,918	360	2,557	2,099
<u>Public non-financial corporations</u>						
AASB 1049 net lending/-borrowing	582	-581	-144	-71	-321	-397
Plus Net operating balance convergence difference (noted above)	-1,560	-1,165	-1,191	-1,166	-1,218	-1,202
GFS net lending/-borrowing	-978	-1,746	-1,336	-1,237	-1,539	-1,599
<u>Total non-financial public sector</u>						
AASB 1049 net lending/-borrowing	-3,119	-3,847	-3,254	-877	1,018	500
Plus Net operating balance convergence difference (noted above)	-	-24	-	-	-	-
GFS net lending/-borrowing	-3,119	-3,871	-3,254	-877	1,018	500
<u>Public financial corporations</u>						
AASB 1049 net lending/-borrowing	321	311	286	230	265	312
Plus Net operating balance convergence difference (noted above)	-223	-159	-179	-166	-157	-149
GFS net lending/-borrowing	99	152	107	65	108	163
<u>Total public sector</u>						
AASB 1049 net lending/-borrowing	-3,021	-3,695	-3,147	-812	1,126	663
Plus Net operating balance convergence difference (noted above)	-	-24	-	-	-	-
GFS net lending/-borrowing	-3,021	-3,718	-3,147	-812	1,126	663

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Worth at 30 June

	2018	2019	2019	2020	2021	2022
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net worth	103,236	106,711	102,367	104,389	108,140	111,491
<i>Plus</i>						
Provision for doubtful debts						
General government sector	265	263	265	265	265	265
Impact on public corporations net worth	87	36	119	150	178	203
Total GFS net worth adjustments	352	299	384	415	443	468
GFS net worth	103,588	107,010	102,751	104,803	108,583	111,959
<u>Public non-financial corporations</u>						
AASB1049 net worth	49,563	54,674	49,876	51,522	52,624	53,462
<i>Plus</i>						
Impact of general government equity injections	-8,959	-10,188	-9,723	-11,117	-11,926	-12,592
Provision for doubtful debts	87	36	119	150	178	203
Total GFS net worth adjustments	-8,872	-10,152	-9,604	-10,967	-11,748	-12,389
GFS net worth	40,691	44,522	40,272	40,555	40,876	41,073
<u>Total non-financial public sector</u>						
AASB1049 net worth	103,236	106,711	102,367	104,389	108,140	111,491
<i>Plus</i>						
Provision for doubtful debts						
Total non-financial public sector	352	299	384	415	443	468
Impact on public corporations net worth	-	-	-	-	-	-
Total GFS net worth adjustments	352	299	384	415	443	468
GFS net worth	103,587	107,010	102,751	104,803	108,583	111,959
<u>Public financial corporations</u>						
AASB1049 net worth	2,221	2,187	2,293	2,336	2,403	2,525
<i>Plus</i>						
Provision for doubtful debts	-	-	-	-	-	-
Total GFS net worth adjustments	-	-	-	-	-	-
GFS net worth	2,221	2,187	2,293	2,336	2,403	2,525
<u>Total public sector</u>						
AASB1049 net worth	103,236	106,711	102,367	104,389	108,140	111,491
<i>Plus</i>						
Provision for doubtful debts	352	299	384	415	443	468
Total GFS net worth adjustments	352	299	384	415	443	468
GFS net worth	103,587	107,010	102,751	104,803	108,583	111,959

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Change in Net Worth

	2018	2019	2019	2020	2021	2022
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 change in net worth	-2,991	-642	-869	2,022	3,751	3,352
Plus change in:						
Provision for doubtful debts						
General government sector	-1	-	-	-	-	-
Impact on public corporations net worth	3	8	32	31	28	25
Total GFS change in net worth adjustments	2	8	32	31	28	25
GFS change in net worth	-2,989	-634	-836	2,053	3,779	3,377
<u>Public non-financial corporations</u>						
AASB1049 change in net worth	-1,489	916	313	1,646	1,102	838
Plus change in:						
Impact of general government equity injections	-472	-1,357	-764	-1,394	-809	-666
Provision for doubtful debts	3	8	32	31	28	25
Total GFS change in net worth adjustments	-469	-1,349	-732	-1,363	-781	-641
GFS change in net worth	-1,958	-433	-419	283	321	197
<u>Total non-financial public sector</u>						
AASB1049 change in net worth	-2,991	-642	-869	2,022	3,751	3,352
Plus change in:						
Provision for doubtful debts						
Total non-financial public sector	2	8	32	31	28	25
Total GFS change in net worth adjustments	2	8	32	31	28	25
GFS change in net worth	-2,989	-634	-836	2,053	3,779	3,377
<u>Public financial corporations</u>						
AASB1049 change in net worth	209	126	73	43	67	122
Total GFS change in net worth adjustments	-	-	-	-	-	-
GFS change in net worth	209	126	73	43	67	122
<u>Total public sector</u>						
AASB1049 change in net worth	-2,991	-642	-869	2,022	3,751	3,352
Plus change in:						
Provision for doubtful debts	2	8	32	31	28	25
Total GFS change in net worth adjustments	2	8	32	31	28	25
GFS change in net worth	-2,989	-634	-836	2,053	3,779	3,377

Note: Columns may not add due to rounding.

APPENDIX 2

General Government Operating Revenue

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

Table 2.1

OPERATING REVENUE
General Government

	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	\$m	\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,279	3,460	3,511	3,729	3,990	4,274
Property taxes						
<i>Land tax</i>	840	803	798	806	827	847
Transfer duty	1,223	1,331	1,120	1,187	1,285	1,355
Landholder duty	234	101	101	100	100	100
<i>Total duty on transfers</i>	1,457	1,432	1,221	1,287	1,385	1,455
Metropolitan Region Improvement Tax	93	85	91	97	100	102
Perth Parking Levy	58	58	58	59	60	60
Emergency Services Levy	338	372	372	383	381	381
Loan guarantee fees	143	155	155	163	174	174
Building and Construction Industry Training Fund Levy	25	35	33	36	35	31
<i>Total other property taxes</i>	658	704	709	738	750	749
Taxes on provision of goods and services						
Lotteries Commission	156	160	160	160	161	161
Video lottery terminals	-	-	-	-	-	-
Casino tax	61	71	71	71	71	71
Betting tax	41	64	64	98	103	108
<i>Total taxes on gambling</i>	258	295	295	328	335	341
Insurance duty	625	645	647	677	711	746
Other	20	17	17	20	20	20
<i>Total taxes on insurance</i>	645	662	664	697	731	767
<i>On-demand Transport Levy</i>	-	3	3	30	30	30
Taxes on use of goods and performance of activities						
Vehicle licence duty	355	360	379	384	391	399
Permits - oversize vehicles and loads	7	8	8	8	8	8
Motor vehicle recording fee	61	59	59	60	61	63
Motor vehicle registrations	937	956	991	1,047	1,112	1,189
<i>Total motor vehicle taxes</i>	1,360	1,383	1,436	1,499	1,572	1,658
<i>Mining Rehabilitation Levy</i>	29	28	28	28	28	28
<i>Landfill Levy</i>	75	83	83	83	83	83
Total Taxation	8,601	8,853	8,748	9,225	9,730	10,231

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
General Purpose Grants						
GST grants	2,249	3,255	3,290	4,045	4,307	5,112
Commonwealth-funded 70% floor	-	-	-	997	975	453
North West Shelf grants	695	801	909	700	602	530
Commonwealth compensation for changed crude oil excise arrangements	28	44	50	39	33	29
Grants Through the State						
Schools assistance – non-government schools	1,233	1,301	1,288	1,355	1,426	1,500
Local government financial assistance grants	169	181	89	184	191	197
Local government roads	113	113	58	120	125	130
National Specific Purpose Payment Agreement Grants						
National Agreement for Skills and Workforce						
Development	152	159	157	159	161	162
National Disability Services	158	88	88	24	-	-
National Housing and Homelessness Agreement ^(a)	140	145	164	167	170	163
Quality Schools	660	737	743	833	930	1,032
National Health Reform	2,174	2,252	2,234	2,387	2,530	2,682
Other Grants/National Partnerships						
Health	386	122	125	87	86	82
Housing	14	5	-	-	-	-
Transport	74	91	95	155	111	56
Disability Services	96	35	35	27	609	109
Other	187	224	218	256	244	117
Total Current Grants and Subsidies	8,529	9,552	9,542	11,534	12,499	12,356
CAPITAL GRANTS						
Grants Through the State						
Schools assistance – non-government schools	17	18	18	19	22	24
Other Grants/National Partnerships						
Housing	48	-	130	-	-	-
Transport	990	908	686	743	662	203
Other	208	10	22	5	4	-
Total Capital Grants	1,263	936	856	767	687	228

(a) The National Housing and Homelessness Agreement came into effect from 1 July 2018 and replaces the funding previously provided under both the National Affordable Housing Agreement and the National Partnership Agreement on Homelessness.

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	\$m	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
WA Health	694	736	736	760	783	795
Department of Transport	156	163	169	171	170	170
Department of Education	202	187	187	191	195	199
State Training Providers/TAFE Colleges	114	126	116	122	125	127
Department of Training and Workforce Development	40	42	34	35	36	38
Western Australian Land Information Authority	104	119	101	129	132	145
Department of Biodiversity, Conservation and Attractions	101	101	101	102	102	102
Department of Justice	136	136	136	134	135	136
Department of Mines, Industry Regulation and Safety	153	157	157	160	146	133
All Other	756	789	832	823	879	928
Total Sale of Goods and Services	2,456	2,556	2,569	2,626	2,705	2,774
INTEREST INCOME	170	146	169	165	168	176
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	1,718	1,229	1,314	1,256	1,300	1,275
Tax Equivalent Regime	677	636	655	654	665	686
Total Revenue from Public Corporations	2,395	1,865	1,969	1,910	1,966	1,961
ROYALTY INCOME	5,231	5,057	5,549	5,304	5,153	5,188
OTHER						
Lease rentals	105	99	99	105	105	105
Fines	206	198	202	201	201	201
Revenue not elsew here counted	376	310	307	290	230	240
Total Other	688	607	608	596	536	546
TOTAL REVENUE	29,332	29,572	30,010	32,127	33,443	33,459

Note: Columns may not add due to rounding.

Major Spending Changes

Spending changes detailed in this appendix include:

- all material decisions made between the 9 April 2018 cut-off date for the 2018-19 Budget and the 3 December 2018 cut-off date for this Mid-year Review; and
- parameter changes of a material nature affecting agency spending over the forward estimates period. These include the impact of issues such as variations in Commonwealth-funded programs, higher cost and demand for government services, and depreciation.

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

Voluntary Targeted Separation Scheme

The Voluntary Targeted Separation Scheme (VTSS) closed for most agencies on 30 June 2018. Additional savings from separations finalised between the 9 April 2018 cut-off date for the 2018-19 Budget and 30 June 2018 are shown in the following table. Information on agency savings for separations finalised before the 9 April 2018 cut-off date is available in Chapter 5 of the 2018-19 Budget Paper No. 3: *Economic and Fiscal Outlook*. Details on the final costs and number of separations of the scheme are available in the 2017-18 *Annual Report on State Finances*.

Table 3.1

VOLUNTARY TARGETED SEPARATION SCHEME
Impact on Agency Expenses

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	Total \$m
General Government Sector					
Communities	-10.4	-10.5	-10.6	-10.8	-42.3
Health	-7.8	-7.9	-8.0	-8.1	-31.8
Justice	-6.3	-6.3	-6.4	-6.5	-25.4
Mines, Industry Regulation and Safety	-5.7	-5.8	-5.8	-5.9	-23.2
Primary Industries and Regional Development	-2.7	-2.7	-2.8	-2.8	-11.1
Local Government, Sport and Cultural Industries	-2.4	-2.4	-2.5	-2.5	-9.8
Commissioner of Main Roads	-2.3	-2.3	-2.3	-2.3	-9.2
Education	-	-	-	-9.0	-9.0
Biodiversity, Conservation and Attractions	-1.0	-1.0	-1.0	-1.0	-3.9
Finance	-0.6	-0.6	-0.7	-0.7	-2.6
Premier and Cabinet	-0.5	-0.5	-0.5	-0.5	-2.0
Transport	-0.4	-0.4	-0.4	-0.4	-1.7
Public Transport Authority	-0.4	-0.4	-0.4	-0.4	-1.6
Office of the Director of Public Prosecutions	-0.2	-0.2	-0.2	-0.2	-0.9
Fire and Emergency Services	-0.2	-0.2	-0.2	-0.2	-0.9
Western Australian Electoral Commission	-0.2	-0.2	-0.2	-0.2	-0.7
Mental Health Commission	-0.1	-0.1	-0.1	-0.2	-0.6
Commissioner for Equal Opportunity	-0.1	-0.1	-0.1	-0.1	-0.5
WA Health Promotion Foundation	-	-0.2	-0.2	-0.2	-0.5
Commissioner for Children and Young People	-0.1	-0.1	-0.1	-0.1	-0.5
Economic Regulation Authority	-0.1	-0.1	-0.1	-0.1	-0.3
Office of the Inspector of Custodial Services	-0.1	-0.1	-0.1	-0.1	-0.3
Office of the Information Commissioner	-0.1	-0.1	-0.1	-0.1	-0.2
Registrar, WA Industrial Relations Commission	-0.1	-0.1	-0.1	-0.1	-0.2
WA Sports Centre Trust	-(a)	-(a)	-(a)	-(a)	-0.2
Total	-41.8	-42.4	-42.8	-52.4	-179.5

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

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

In total, the VTSS is expected to deliver net savings of \$578 million over the period 2018-19 to 2021-22.

Government Office Accommodation Reform Program

This Mid-year Review includes further adjustments to agency budgets as a result of progressing the Government Office Accommodation Reform Program (see table below). The Program is projected to realise net debt savings totalling \$125 million over the five years to 2021-22. Savings will continue to be allocated to agencies' budgets as part of future Budget processes.

Table 3.2

GOVERNMENT OFFICE ACCOMMODATION REFORM PROGRAM
Impact on Agency Budgets

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	Total \$m
Expenses					
Finance	-1.2	0.7	2.6	- (a)	2.0
Biodiversity, Conservation and Attractions	- (a)	- (a)	- (a)	- (a)	-0.1
Local Government, Sport and Cultural Industries	-0.1	- (a)	- (a)	- (a)	-0.2
Education	-0.1	-0.1	-0.1	-0.1	-0.3
Salaries and Allowances Tribunal	-0.1	-0.1	-0.1	-0.1	-0.3
Training and Workforce Development	-0.1	-0.1	-0.1	-0.1	-0.4
WA Health	- (a)	-0.2	-0.2	-0.2	-0.6
Primary Industries and Regional Development	-0.2	-0.4	-0.4	-0.4	-1.3
Transport	0.1	- (a)	-0.8	-0.8	-1.5
Water and Environmental Regulation	-1.0	-0.8	-0.5	-0.3	-2.6
Communities	-0.8	-0.8	-0.8	-0.4	-2.8
Premier and Cabinet	-1.2	-1.2	-1.1	-1.1	-4.6
Commissioner of Main Roads	-1.3	-1.3	-1.3	-1.3	-5.1
Western Australia Police Force	-1.5	-1.4	-1.3	-1.2	-5.4
Planning, Lands and Heritage	-1.6	-1.6	-1.6	-1.6	-6.5
Justice	-0.2	-0.8	-3.6	-3.5	-8.1
Total					-37.9

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

Note: Column may not add due to rounding.

Major Spending Changes

GOVERNMENT ADMINISTRATION

Table 3.3

MAJOR SPENDING CHANGES				
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
PREMIER AND CABINET				
Expenses				
Election Commitment – Kalamunda Community Centre	3.0	-	-	-
Rebuilding Yarloop Community Centre	1.0	-	-	-
Election Commitment – Brockman House Community Centre	0.3	-	-	-
GOVERNOR'S ESTABLISHMENT				
Asset Investment				
Refurbishment of Government House	0.9	-	-	-
Roof Repair and Restoration and Air-conditioning Replacement Projects	-0.9	-	-	-
WESTERN AUSTRALIAN ELECTORAL COMMISSION				
Expenses				
Election Commitment – Disclosure of Political Donations	0.1	0.3	0.3	0.3
Darling Range By-election	0.3	-	-	-
ABORIGINAL AFFAIRS PLANNING AUTHORITY				
Expenses				
Maintenance of Estates	1.8	-	-	-
COMMISSIONER FOR EQUAL OPPORTUNITY				
Expenses				
Secondment Costs of Acting Commissioner	0.1	-	-	-

Department of the Premier and Cabinet**Expenses***Election Commitment – Kalamunda Community Centre*

An amount of \$3 million will be provided in 2018-19 to support the redevelopment of the Kalamunda Community Centre.

Rebuilding Yarloop Community Centre

A contribution of \$1 million will be provided in 2018-19 towards rebuilding the Yarloop Community Centre following the 2016 bushfires. This is in addition to a \$750,000 Lotterywest grant and \$861,000 from the Shire of Harvey towards the \$2.6 million total project cost.

Election Commitment – Brockman House Community Centre

An amount of \$250,000 will be provided in 2018-19 to progress design work for the new Brockman House Community Centre in Beechboro. This is in addition to \$100,000 provided in 2017-18 for a feasibility study and site investigation.

Governor's Establishment

Asset Investment

Refurbishment of Government House

A total of \$876,000 will be spent in 2018-19 on the refurbishment of the Vice Regal suites, grounds and associated areas (\$656,000) and the representational guest rooms (\$220,000) at Government House. These upgrades will benefit the State by enabling increased use of Government House by international governments and organisations and their official representatives. These works were funded from savings of \$900,000 in the Roof Repair and Restoration and Air-conditioning Replacement Projects (see below).

Roof Repair and Restoration and Air-conditioning Replacement Projects

Savings of \$900,000 have been realised in the Roof Repair and Restoration (\$143,000) and Air-conditioning Replacement (\$757,000) projects at Government House through efficiencies achieved by combining the timing of the projects, resulting in a more competitive tender outcome.

Western Australian Electoral Commission

Expenses

Election Commitment – Disclosure of Political Donations

Subject to the passage of legislation, a total of \$900,000 will be spent over 2018-19 to 2021-22 to implement the Government's election commitment for the disclosure of political donations.

Darling Range By-election

An additional \$260,000 in recurrent expenditure in 2018-19 has been approved to meet the costs of conducting the State by-election for the District of Darling Range on 23 June 2018.

Aboriginal Affairs Planning Authority

Expenses

Maintenance of Estates

An additional \$1.8 million will be spent in 2018-19 on the maintenance of estates held by the Authority and those managed on behalf of the Aboriginal Lands Trust. Works include general infrastructure repairs, bush fire mitigation and management of contaminated sites.

Commissioner for Equal Opportunity

Expenses

Secondment Costs of Acting Commissioner

An additional \$82,000 has been approved in 2018-19 for the salary and associated on-costs of the seconded Acting Commissioner and his personal assistant.

FINANCIAL ADMINISTRATION

MAJOR SPENDING CHANGES

Table 3.4

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
GOLD CORPORATION				
Asset Investment				
Upgrades to the Enterprise Resource Planning Software Replacement Project	4.8	-	-	-
FINANCE				
Expenses				
First Home Owner Grant Forecasts (Administered)	-11.8	-11.3	-11.2	-11.2
Relocation of the Scitech Discovery Centre	0.3	-	-	-
GovNext-ICT Infrastructure Payment ^(a)	-	-	-	-

(a) Commercial-in-Confidence.

Gold Corporation

Asset Investment

Upgrades to the Enterprise Resource Planning Software Replacement Project

The Corporation will spend an additional \$4.8 million in 2018-19 on upgrades to its Enterprise Resource Planning Software Replacement Project. These upgrades support the Corporation's ongoing operations and the development of new product offerings for the gold depository market.

Finance

Expenses

First Home Owner Grant Forecasts (Administered)

Estimated First Home Owner Grant (FHOG) expenditure has been revised down by a total of \$46 million over the four years to 2021-22, reflecting weaker than expected demand for first home purchases (and consequently lower FHOG expenditure) consistent with broader housing market trends in 2018-19 to date.

Relocation of the Scitech Discovery Centre

Expenditure of \$250,000 has been approved to develop a business case investigating appropriate locations of a future Scitech facility.

GovNext-ICT Infrastructure Payment

The Government has approved an increase in spending by the Department of Finance to progress implementation of the GovNext-ICT program. The amount of funding is not disclosed in order to avoid prejudicing commercial negotiations.

JOBS AND ECONOMIC DEVELOPMENT

MAJOR SPENDING CHANGES

Table 3.5

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
PRIMARY INDUSTRIES AND REGIONAL DEVELOPMENT				
Expenses				
Community Resource Centres	-	5.0	5.0	5.0
New Externally Funded Projects	2.9	3.6	3.7	1.2
Shark SMART Drumline Trial	1.9	1.6	-	-
Regional Investment Initiative – Allocation of Provision	-0.9	-0.9	-(a)	-
– Southern Forests Food Council	0.6	0.9	-(a)	-
– Gascoyne Aboriginal Heritage and Cultural Centre	0.2	-	-	-
– Lock Hospitals Memorial Project	0.1	-	-	-
Revised Government Regional Officer Housing Expenses	-0.1	-0.2	-0.3	-0.9
Shark Mitigation Community Awareness Campaign	1.1	-	-	-
MINES, INDUSTRY REGULATION AND SAFETY				
Expenses				
Government Support Package for Koolyanobbing Iron Ore (Administered)	14.4	23.4	25.2	25.3
Magnetite Financial Assistance Program (Administered)	13.7	26.5	-	-
Home Indemnity Insurance Scheme (Administered)	7.3	24.2	8.7	1.7
FOREST PRODUCTS COMMISSION				
Asset Investment				
Impact of Financial Parameters Update on Asset Investment Program	-3.5	-	-	-

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

Primary Industries and Regional Development

Expenses

Community Resource Centres

Following a review of the program and extensive consultation, an additional \$5 million per annum from 2019-20 to 2021-22 will be spent to maintain funding levels for the Community Resource Centres (CRCs) program. This will allow the CRCs to maintain the range of services currently provided. The Department of Primary Industries and Regional Development will work with the CRC network to expand the traineeship component of the program, strengthen auditing processes and enhance the level of engagement between CRCs and government agencies.

New Externally Funded Projects

Additional expenditure of \$11.4 million from 2018-19 to 2021-22 will support the research and development of 10 new externally funded projects, such as Alternative Pollination, Grain Disease Modelling and National Hay Agronomy. The projects will assist in driving the growth and productivity of the State's primary industries.

Shark SMART Drumline Trial

An additional \$3.5 million will be spent over the two years to 2019-20 to trial ten SMART (Shark-Management-Alert-in-Real-Time) drumlines.

Regional Investment Initiative – Allocation of Provision

A total of \$1.8 million, funded from the \$8.8 million Regional Investment Initiative provision, has been approved for the following projects:

- \$1.5 million over 2018-19 to 2020-21 to enable the Southern Forests Food Council (SFFC) to continue operations for a further three years, and also support the SFFC to transition into a self-sustaining business from 2021-22;
- \$180,000 in 2018-19 to undertake a detailed business case, including the development of proposed governance arrangements, to enable a final decision to be taken on the future of the Gascoyne Aboriginal Heritage and Cultural Centre in Carnarvon; and
- \$140,000 will be provided in 2018-19 to the Shire of Carnarvon to build a memorial statue commemorating the closing of the Lock Hospitals and recognising past injustices to the Aboriginal community.

Revised Government Regional Officer Housing Expenses

Forecasts for recurrent expenditure on Government Regional Officer Housing by the Department have been revised down by \$1.5 million over the forward estimates period, reflecting a reduced number of rental properties as well as lower rental costs in regional centres.

Shark Mitigation Community Awareness Campaign

Additional expenditure of \$1.1 million in 2018-19 will deliver a shark hazard mitigation community awareness advertising campaign, improvements to the SharkSmart website, and a mobile phone application to enhance shark hazard communication.

Mines, Industry Regulation and Safety

Expenses

Government Support Package for Koolyanobbing Iron Ore (Administered)

As part of the Government Support Package to continue mining and exporting of Koolyanobbing iron ore deposits through Esperance Port, an estimated \$88.3 million will be spent over four years from 2018-19 on royalty rebates, comprising \$83.3 million to Mineral Resources Limited (MRL), and a residual \$5 million to Cleveland Cliffs Inc. MRL purchased the operation from Cliffs, which had planned to close the mine by the end of 2017-18. Overall, the Government Support Package has an estimated \$50.8 million impact on net debt over the forward estimates period. This compares to an estimated \$96.7 million net debt impact in the absence of the Government Support Package (see feature box in Chapter 1).

Magnetite Financial Assistance Program (Administered)

An additional \$40.2 million over two years from 2018-19 is estimated to be spent on the extension of the program by 12 months until 31 December 2019. Under this extension, the current 50% royalty rebate will continue until 30 June 2019, with a 25% rebate applying from 1 July to 31 December 2019.

Home Indemnity Insurance Scheme (Administered)

Expenditure on the State's Home Indemnity Insurance scheme is projected to increase by \$41.9 million over the forward estimates period due to the decision to extend the scheme until 30 June 2020, and as a result of a revised actuarial assessment of the State's current and projected claims exposure under the scheme. Increased expenditure will be more than offset by additional premium revenue, resulting in a net debt improvement of \$14.6 million over the same period. The State Government has been fully underwriting the scheme in Western Australia since 2013-14.

Forest Products Commission**Asset Investment*****Impact of Financial Parameters Update on Asset Investment Program***

The Commission is in the process of revising its strategy on land acquisitions for the establishment of softwood plantations. As a result, it is reducing its asset investment expenditure associated with land acquisition by \$3.5 million in 2018-19.

HEALTH

MAJOR SPENDING CHANGES

Table 3.6

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WA HEALTH				
Expenses				
HealthNext	11.1	18.3	-7.1	-9.9
National Partnership Agreement - National Bowel Cancer Screening Program – Participant Follow-up Function	0.8	1.0	1.0	1.0
National Partnership Agreement – Rheumatic Fever Strategy	0.9	0.9	1.0	-
Project Agreement - Encouraging More Clinical Trials in Australia	- (a)	0.5	0.3	0.1
Asset Investment				
HealthNext	11.7	15.6	4.8	-
Karratha Health Campus	-26.0	-	-	-
Nickol Bay Hospital Site Disposal (b)	2.8	5.0	-	-
Peel Health Campus (b)	1.0	3.9	-	-
St John of God Midland Public Hospital – Mental Health Emergency Centre (b)	1.0	-	-	-

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

(b) Reprioritisation of existing funds to new projects.

WA Health

Expenses

HealthNext

An additional \$29.4 million will be spent in 2018-19 and 2019-20, partially offset by a \$17 million reduction in expenditure in 2020-21 and 2021-22, to support WA Health's transition from owning information and communications technology (ICT) infrastructure to purchasing it as a service under the whole-of-government GovNext-ICT program. Capital investment of \$32.1 million has also been allocated for this project (see Asset Investment below). This initiative is internally funded by WA Health using cash balances.

National Partnership Agreement – National Bowel Cancer Screening Program – Participant Follow-up Function

A total of \$3.8 million of Commonwealth funding will be spent over 2018-19 to 2021-22 under a new four year National Partnership Agreement. This will support patients who have had a positive screening result and implement and promote the National Bowel Cancer Screening Program in Western Australia.

National Partnership Agreement – Rheumatic Fever Strategy

Commonwealth funding of \$2.8 million will be spent over three years from 2018-19 to 2020-21 to improve the detection, monitoring, and management of acute rheumatic fever and rheumatic heart disease in Aboriginal and Torres Strait Islander and other high-risk communities. This Agreement enables the continuation of existing services the Western Australian Country Health Service has been providing since 2009.

Project Agreement – Encouraging More Clinical Trials in Australia

A total of \$871,000 of Commonwealth funding will be spent over four years to 2021-22 under the Project Agreement for Encouraging More Clinical Trials in Australia to streamline clinical trial processes. This will be achieved through initiatives that include establishing new and enhanced central coordination units for clinical trials, implementing a new data collection and reporting system, and embedding research into core hospital governance arrangements.

Asset Investment

HealthNext

An additional \$32.1 million will be invested over three years to 2020-21 to support WA Health to transition from owning ICT infrastructure to purchasing it as a service under the whole-of-government GovNext-ICT program. WA Health will also be transforming its ICT services and service teams to realise potential operational benefits in the longer term. This initiative is internally funded by WA Health using existing cash balances.

Karratha Health Campus

A reduction of \$26 million in capital investment has been reflected in 2018-19 as a result of project savings. An estimated \$30.2 million (2018-19 to 2020-21) will remain for ongoing project commitments, and to cover any costs that may eventuate during the two year defects and liabilities period.

Nickol Bay Hospital Site Disposal

WA Health will spend \$7.8 million over 2018-19 and 2019-20 to undertake the demolition and remediation of the Nickol Bay Hospital site, which was vacated following the completion and commissioning of the Karratha Health Campus.

Peel Health Campus

Uncommitted capital expenditure of \$4.9 million from within WA Health's Asset Investment Program (AIP) has been reprioritised to reconfigure the Emergency Department, and increase the capacity of short stay accommodation, at the Peel Health Campus. These improvements will contribute to better service delivery and patient outcomes.

St John of God Midland Public Hospital – Mental Health Emergency Centre

A total of \$950,000 of uncommitted capital expenditure from within WA Health's AIP has been reprioritised to plan and undertake preliminary work for the establishment of a Mental Health Emergency Centre at the St John of God Midland Public Hospital.

EDUCATION AND TRAINING

MAJOR SPENDING CHANGES

Table 3.7

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
EDUCATION				
Expenses				
Schools – Cost and Demand Update	19.8	42.3	64.9	80.7
National School Reform Agreement – Non-Government Schools (Administered)	1.8	-13.3	-27.9	-31.5
Universal Access to Early Childhood Education (UAECE) Extension	15.2	29.8	2.0	-
National School Reform Agreement – Government Schools	-	-	-	30.8
Revision to Government Regional Officer Housing Expenses	-1.9	-5.8	-7.4	-9.5
Revision to Leave Liability Forecasts	-11.6	-	-	-
Western Australian Football Commission Accommodation – Tuart College	0.1	0.2	0.2	0.2
Moora Residential College	0.2	0.4	0.4	0.4
Asset Investment				
2021 New Primary Schools Program	7.6	18.5	6.9	-
Moora Residential College	0.3	4.6	3.7	0.2
TRAINING AND WORKFORCE DEVELOPMENT/TAFE COLLEGES				
Expenses				
Revisions to International Student Training Expenses	-7.5	-8.5	-10.0	-11.5
Update of Financial Projections	-5.6	-6.1	-4.3	- ^(a)
Review of Departmental Functions	-	-3.2	-3.2	-3.3
BUILDING AND CONSTRUCTION INDUSTRY TRAINING BOARD				
Expenses				
Alignment to 2018-19 Operational Plan	-0.2	-0.5	-0.5	-0.4

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

Education

Expenses

Schools – Cost and Demand Update

Recurrent expenditure for government schools will increase by a total of \$207.7 million over the period 2018-19 to 2021-22, relative to the 2018-19 Budget forecast. The adjustment reflects up-to-date projections for student enrolment growth and education costs, as forecast under the Department of Education's Cost and Demand Model.

The update is primarily driven by parameter adjustments under the model, and an upwards revision to government schools' student enrolment estimates, following the Semester 2, 2018 student enrolment census. This is reflective of a further increase in the government school sector's share of total student enrolments, continuing the trend of recent years.

National School Reform Agreement – Non-Government Schools (Administered)

As part of the National School Reform Agreement signed by the Western Australian and Commonwealth Governments on 3 December 2018, Western Australia will rebalance its spending in both the non-government schools (NGS) and government schools sectors. This will mean that the State's contribution to the NGS sector will transition to 20% of the Schooling Resource Standard (SRS) by 2023. Over the life of the agreement to 2023, a total of \$131 million will be redirected from the NGS sector to the government schools sector. Across the forward estimates period, per capita grants to NGS have been reduced by \$71 million. These impacts will be more than offset by an increase in the Commonwealth Government's contribution under the agreement.

The overall reduction in per-capita grants to NGS also includes the impact of a downward revision to projected student enrolment growth, relative to the 2018-19 Budget forecast.

Universal Access to Early Childhood Education (UAECE) Extension

Recurrent expenditure will increase by \$47.1 million over 2018-19 to 2020-21, reflecting a one-year extension to Commonwealth funding under the UAECE National Partnership to align with the 2018-19 Commonwealth Budget.

This will enable the Government to maintain the provision of 15 hours per week of kindergarten to all age-eligible children in the 2019 school year, with the State providing 11 hours and the Commonwealth providing four hours per week.

National School Reform Agreement – Government Schools

Recurrent expenditure for government schools will increase by \$30.8 million in 2021-22, reflecting the impact of the National School Reform Agreement signed by the Western Australian and Commonwealth Governments on 3 December 2018.

As part of the bilateral agreement with the Commonwealth, an additional \$200 million will be spent in the public education sector over the life of the agreement to 2023, of which \$131 million will be redirected from the non-government schools sector (as noted earlier).

Revision to Government Regional Officer Housing Expenses

Forecasts for recurrent spending on Government Regional Officer Housing have been revised downwards by \$24.5 million over 2018-19 to 2021-22, primarily reflecting a general decrease in rental prices in regional areas.

Revision to Leave Liability Forecasts

Recurrent expenditure is projected to decrease by \$11.6 million in 2018-19 reflecting updated leave liability forecasts for the Department of Education.

Western Australian Football Commission Accommodation – Tuart College

An additional \$0.8 million has been allocated over 2018-19 to 2021-22 for property management and maintenance costs at Tuart College, to enable the use of a portion of the site as interim accommodation for the Western Australian Football Commission (WAFC). The WAFC will be temporarily relocated to Tuart College to enable the development of the Inner City College and the construction of new headquarters for the WAFC at Subiaco Oval.

Moora Residential College

Following an announcement by the Commonwealth Government that capital funding totalling \$8.7 million will be provided to refurbish the accommodation facilities at the Moora Residential College (see below), a total of \$1.3 million will be spent over 2018-19 to 2021-22 to maintain the ongoing operation and staffing requirements of the College.

Asset Investment

2021 New Primary Schools Program

An additional \$33.1 million will be invested over 2018-19 to 2020-21 to expand the existing program for new primary schools to open in the 2021 school year.

This investment will deliver two additional new primary schools in Baldivis and Yanchep, and increased student capacity for new primary schools in Brabham, Harrisdale North and Southern River.

Moora Residential College

An amount of \$8.7 million will be invested over 2018-19 to 2021-22 reflecting the Commonwealth Government's announced capital grant for the refurbishment of student accommodation facilities at Moora Residential College.

Training and Workforce Development/TAFE Colleges

Expenses

Revisions to International Student Training Expenses

Recurrent expenditure has been revised down by a total of \$37.5 million over the period 2018-19 to 2021-22, to reflect lower forecasts for international student enrolments and course fee revenue. Notwithstanding the revision to expenditure and fee revenue, international student enrolments are estimated to grow over the same period.

Update of Financial Projections

Total recurrent spending by the five TAFE Colleges is estimated to decrease by \$16 million over the forward estimates period, primarily reflecting lower levels of forecast demand for fee-for-service training.

Review of Departmental Functions

The Department of Training and Workforce Development's recurrent expenditure has been reduced by \$9.7 million over the period 2019-20 to 2021-22, to reflect efficiencies identified following an internal review of the Department's core activities and functions to align with service delivery priorities. The reduction in expenditure primarily reflects lower employee benefits costs.

Building and Construction Industry Training Board

Expenses

Alignment to 2018-19 Operational Plan

Total expenditure has been revised down by \$1.6 million from 2018-19 to 2021-22, reflecting lower levels of forecast construction activity, and lower receipts into the Building and Construction Industry Training Fund Levy.

The adjustment brings the Building and Construction Industry Training Board's financial forecasts into alignment with the 2018-19 operational plan.

COMMUNITY SAFETY

MAJOR SPENDING CHANGES

Table 3.8

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WESTERN AUSTRALIA POLICE FORCE				
Expenses				
Medically Retired Police Officer Support Scheme (Administered)	-	16.1	-	-
Asset Investment				
Officer Accommodation and Child Friendly Interview Rooms in Remote Western Australia	1.2	2.6	-	-
Police Station Upgrade Program – Western Australia Police Academy Roof Repairs	0.3	2.4	0.3	-
JUSTICE				
Expenses				
National Redress Scheme for Survivors of Institutional Child Sexual Abuse	19.7	81.3	25.7	24.4
LEGAL AID COMMISSION OF WESTERN AUSTRALIA				
Expenses				
Funding for Community Legal Centres	2.0	-	-	-
FIRE AND EMERGENCY SERVICES				
Expenses				
Western Australia Natural Disaster Relief and Recovery Arrangements	89.4	65.3	-	-
CHEMISTRY CENTRE (WA)				
Asset Investment				
Replacement of Scientific Equipment	1.5	-	-	-

Western Australia Police Force

Expenses

Medically Retired Police Officer Support Scheme (Administered)

The Government has approved additional spending of \$16.1 million in 2019-20, for the provision of an ex-gratia type payment scheme for eligible police officers who have been medically retired under section 8 of the *Police Act 1892* due to a work-related illness or injury. The Scheme will open in 2019 and provide a maximum payment of \$150,000.

Asset Investment

Officer Accommodation and Child Friendly Interview Rooms in Remote Western Australia

Additional Commonwealth funding totalling \$3.8 million will be provided to upgrade police officer accommodation and facilities in remote Western Australia. This will be spent over 2018-19 and 2019-20 to construct officer accommodation at Jigalong and Warburton, improve office accommodation space at Kununurra and Kalgoorlie, and to fit out existing premises to provide child friendly interview spaces at South Hedland and Karratha.

Police Station Upgrade Program – Western Australia Police Academy Roof Repairs

Asset investment expenditure of \$3 million over 2018-19 to 2020-21 has been approved to carry out roof repairs and rectify internal water damage at the Western Australia Police Academy in Joondalup. This investment is critical to avoid future damage, and is primarily funded through project underspends from the Cockburn and Ballajura police station projects.

Justice

Expenses

National Redress Scheme for Survivors of Institutional Child Sexual Abuse

In response to the Government's commitment for Western Australia to participate in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse (the Scheme), the Department of Justice will spend \$151.1 million over 2018-19 to 2021-22¹. This comprises Western Australia's Scheme payments to the Commonwealth (\$147.6 million), and the establishment of a Response Coordination Unit (\$3.5 million) to administer the State's participation in the Scheme.

Legal Aid Commission of Western Australia

Expenses

Funding for Community Legal Centres

To maintain 2017-18 levels of service delivered by the community legal centre sector, an additional \$2 million will be spent in 2018-19 on grants to community legal centres.

The increase in expenditure is funded from the Confiscation Proceeds Account, administered under the *Criminal Property Confiscation Act 2000*.

Department of Fire and Emergency Services

Expenses

Western Australia Natural Disaster Relief and Recovery Arrangements

An additional \$154.7 million will be provided through the Department of Fire and Emergency Services to Main Roads over 2018-19 and 2019-20 to enable the payment of eligible Western Australia Natural Disaster Relief and Recovery Arrangements (WANDRRA) claims, following a number of natural disasters in 2016-17. This included severe flooding in January and February 2017, which impacted 92 local government areas. It is expected that this cost will be partially offset by the receipt of Commonwealth recoups of approximately \$115 million by 2020-21.

¹ A further \$1.9 million will be spent by the Department of Communities to facilitate the assessment process for the Scheme, bringing the State's total commitment over the forward estimates period to \$153 million. Funding is to be set aside in a Special Purpose Account to support these costs (see Appendix 5: *Special Purpose Accounts*).

Chemistry Centre (WA)

Asset Investment

Replacement of Scientific Equipment

The Chemistry Centre (WA) will spend an additional \$1.5 million in 2018-19 to replace specialist scientific equipment that has reached its end-of-life.

COMMUNITY SERVICES

MAJOR SPENDING CHANGES

Table 3.9

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
COMMUNITIES				
Expenses				
National Housing and Homelessness Agreement	16.1	16.8	17.4	15.8
National Redress Scheme for Survivors of Institutional Child Sexual Abuse	0.5	0.7	0.3	0.4
Asset Investment				
East Kimberley Transitional Housing Project	9.7	11.9	9.7	-
LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES				
Expenses				
Western Australian Football Commission (WAFC) – Debt Extinguishment	5.6	-	-	-
Perth Cultural Centre Public Realm Management and Activation	1.4	1.5	1.6	-
Asset Investment				
Western Australian Football Commission (WAFC) – Accommodation Fit-out	2.2	-	-	-
WESTERN AUSTRALIAN SPORTS CENTRE TRUST				
Expenses				
Depreciation Expense	14.2	13.5	13.6	13.6
Revised Financial Forecasts	21.6	-3.3	-3.0	-2.9
Perth Motorplex Management	5.3	-	-	-
Asset Investment				
Perth Motorplex Management	0.8	-	-	-

Communities

Expenses

National Housing and Homelessness Agreement

The National Housing and Homelessness Agreement (NHHA) came into effect from 1 July 2018 and replaces the funding previously provided under both the National Affordable Housing Agreement and the National Partnership Agreement on Homelessness. The additional expenditure of \$66.1 million over four years reflects the provision of ongoing Commonwealth funding for the specialist homelessness services component of the NHHA.

National Redress Scheme for Survivors of Institutional Child Sexual Abuse

An additional \$1.9 million will be spent by the Department of Communities over 2018-19 to 2021-22 on resources to source, evaluate and provide relevant case records as part of the assessment process for the National Redress Scheme for Survivors of Institutional Child Sexual Abuse.

Asset Investment

East Kimberley Transitional Housing Project

As part of the North West Aboriginal Housing Fund, capital expenditure totalling \$31.3 million from 2018-19 to 2020-21 has been allocated for the acquisition of land, and construction of a total of 50 new dwellings in Kununurra, Halls Creek and Wyndham, expanding Communities' East Kimberley Transitional Housing Project.

Local Government, Sport and Cultural Industries

Expenses

Western Australian Football Commission (WAFC) – Debt Extinguishment

In line with previously agreed arrangements between the State Government, the Australian Football League and the WAFC, relating (in part) to the WAFC's future accommodation, it is expected that \$5.6 million will be spent in 2018-19 to extinguish the balance of the WAFC's debt.

The debt will be extinguished following the WAFC's vacation of the site, the ceding of its current lease of Subiaco Oval and the transfer of three WAFC-owned properties to the State. The net debt impact of the payment is largely offset by a provision previously included as part of the 2017-18 Mid-year Review.

Perth Cultural Centre Public Realm Management and Activation

A total of \$4.6 million will be spent over the period 2018-19 to 2020-21 to reflect the transfer of responsibility for public realm management and activation activities at the Perth Cultural Centre from the Metropolitan Redevelopment Authority to the Perth Theatre Trust (with effect from 1 July 2018).

Asset Investment

Western Australian Football Commission (WAFC) – Accommodation Fit-out

An amount of \$2.2 million has been allocated in 2018-19 for the adaptation and fit-out of a portion of Tuart College to provide interim accommodation to the WAFC during redevelopment works at Subiaco Oval.

Western Australian Sports Centre Trust

Expenses

Depreciation Expense

Depreciation expense will increase by \$54.9 million over the period 2018-19 to 2021-22. This largely reflects a reclassification of assets (pertaining to Optus Stadium) and the ongoing revaluation of buildings and infrastructure.

Revised Financial Forecasts

Increased expenditure of \$12.4 million over 2018-19 to 2021-22 is largely a result of higher patronage forecasts for Optus Stadium. This expenditure is offset by increased events revenue, revenue from the finalisation of naming rights at RAC Arena, and a refinancing of lease costs associated with Optus Stadium.

Perth Motorplex Management

An amount of \$5.3 million will be spent in 2018-19 to meet the costs associated with the continued management and operation of the Perth Motorplex.

Asset Investment

Perth Motorplex Management

An amount of \$798,000 will be spent in 2018-19 on urgent and essential capital works associated with the continued management and operation of the Perth Motorplex.

TRANSPORT

MAJOR SPENDING CHANGES

Table 3.10

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
TRANSPORT				
Expenses				
Intergovernmental Agreement on Identity Matching Services	0.2	-	-	-
Asset Investment				
Intergovernmental Agreement on Identity Matching Services	1.3	1.3	-	-
COMMISSIONER OF MAIN ROADS				
Expenses				
State Road Funds to Local Government Agreement Update	-	11.5	19.9	30.3
Depreciation and Road Transfer Update	-14.1	-17.2	-8.1	-9.0
Operating Expenditure Update	-	-	-20.0	-25.9
METRONET – Bayswater Station – Roadworks Contribution	-	22.0	5.6	9.4
Great Northern Highway – Roy Hill Bridge	20.7	-	-	-
Commonwealth Interstate Road Transport Grants	-2.3	-2.8	-2.8	-2.8
Commonwealth Heavy Vehicle Safety and Productivity Program Round 6	0.3	0.5	0.6	-
Asset Investment				
Provision for Road Projects Under Development	-	145.5	229.0	226.7
Commonwealth Heavy Vehicle Safety and Productivity Program Round 6	2.5	5.0	4.9	-
PUBLIC TRANSPORT AUTHORITY				
Expenses ^(a)				
Revised Interest Expenses	-8.3	-17.6	-12.0	-4.6
Revised Fuel Expenses	3.7	2.7	4.0	4.7
Asset Investment				
METRONET – Bayswater Station – Morley-Ellenbrook Line – Forward Works	-	-	37.3	22.7
METRONET – Upgrades to Stations	-0.3	-0.3	-11.0	-11.3
KIMBERLEY PORTS AUTHORITY				
Asset Investment				
Broome Port Channel Dredging	8.3	-	-	-
SOUTHERN PORTS AUTHORITY				
Expenses ^(a)				
Government Support Package for Koolyanobbing Iron Ore	21.9	29.5	26.9	15.2

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

Transport

Expenses

Intergovernmental Agreement on Identity Matching Services

An additional \$225,000 will be spent in 2018-19 to scope and implement the information and communications technology (ICT) system requirements associated with the Intergovernmental Agreement on Identity Matching Services.

Asset Investment

Intergovernmental Agreement on Identity Matching Services

An additional \$2.6 million across 2018-19 and 2019-20 will be invested to implement the immediate ICT system requirements associated with the Intergovernmental Agreement on Identity Matching Services.

Commissioner of Main Roads

Expenses

State Road Funds to Local Government Agreement Update

An additional \$61.7 million will be allocated to local roads under the State Road Funds to Local Government Agreement from 2019-20 to 2021-22. This increase in expenditure is tied to a forecast increase in motor vehicle licence revenue hypothecated to Main Roads under the *Road Traffic (Administration) Act 2008*, and will go towards State Strategic Priorities, in negotiation with local governments.

Depreciation and Road Transfer Update

Depreciation, amortisation and road transfer expenses have decreased by a net \$48.4 million over the forward estimates period. This includes a \$31.2 million reduction in depreciation and amortisation expenses based on updated asset values and capital works schedules, and a \$17.2 million decrease in the value of approved road transfers to local governments.

Operating Expenditure Update

Following a review of project schedules and timing of State and Commonwealth funding, Main Roads' operating expenditure has been revised down by \$45.9 million across 2020-21 and 2021-22.

METRONET – Bayswater Station – Roadworks Contribution

Grant expenditure will increase by \$37 million from 2019-20 to 2021-22 for road-related works to be undertaken by the Public Transport Authority as part of the upgrade to Bayswater Station. Grants will be funded from unallocated motor vehicle licence revenue.

Great Northern Highway – Roy Hill Bridge

A total of \$20.7 million will be spent in 2018-19 to construct a freight rail bridge and on a minor road realignment on the Great Northern Highway near Port Hedland. Works will be fully funded by Roy Hill Iron Ore.

Commonwealth Interstate Road Transport Grants

Main Roads' operating expenditure has been reduced by \$10.7 million over the forward estimates period to offset a reduction in Commonwealth funding due to the repeal of the *Interstate Road Transport Act 1985*.

Commonwealth Heavy Vehicle Safety and Productivity Program Round 6

Main Roads' operating expenditure will increase by a net \$1.3 million over 2018-19 to 2020-21, reflecting:

- a \$7.5 million increase in grant expenditure to local governments to reflect transfers of Commonwealth funding approved for local road projects under the Heavy Vehicle Safety and Productivity Program (HVSPP); and
- reprioritisation of \$6.2 million of operating expenditure towards asset investment to meet the State's contribution for HVSPP projects on State roads, as discussed in the *Asset Investment* section below.

Asset Investment

Provision for Road Projects Under Development

A provision of \$601.3 million within the forward estimates period (with a further \$143 million across 2022-23 and 2023-24) has been made for additional asset investment on new road projects, including future road-related works for the METRONET program. Subject to business case development and further negotiation between the State and Commonwealth Governments, the provision includes allocations for:

- Tonkin Highway Gap (Guildford Road to Great Eastern Highway);
- Mitchell Freeway Extension (Hester Avenue to Romeo Road);
- planning and business case development for Tonkin Highway Extension Stage 3 (Thomas Road to South Western Highway); and
- METRONET road-related projects under development.

Commonwealth Heavy Vehicle Safety and Productivity Program Round 6

A total of \$12.4 million will be spent on ten projects on State roads approved under the HVSPP. The Commonwealth will contribute \$6.2 million towards the projects, with the State's contribution to be met through the reprioritisation of operating expenditure. The projects will improve productivity and safety of heavy vehicle operations through road upgrades and construction of rest areas and parking.

Public Transport Authority

Expenses

Revised Interest Expenses

Changes in the timing of asset investment expenditure and lower expected interest rates will reduce the Authority's debt servicing costs by \$42.4 million over the period 2018-19 to 2021-22.

Revised Fuel Expenses

Higher fuel cost projections for buses will increase expenditure by \$15.1 million from 2018-19 to 2021-22. The increase reflects higher oil price forecasts and a lower expected \$US/\$A exchange rate.

Asset Investment

METRONET – Bayswater Station – Morley-Ellenbrook Line – Forward Works

A further \$60 million will be invested over 2020-21 and 2021-22 on the new Bayswater Station, in order to accommodate the future Morley-Ellenbrook Line. The additional spending is funded by \$37 million of unallocated motor vehicle license revenue and \$23 million redirected from the existing METRONET – Upgrades to Stations program.

METRONET – Upgrades to Stations

Over the forward estimates period, \$23 million of an existing asset investment provision will be directed to a significant upgrade to the Bayswater Station for forward works associated with the future Morley-Ellenbrook Line.

Kimberley Ports Authority

Asset Investment

Broome Port Channel Dredging

The Authority will spend an additional \$8.3 million in 2018-19 (funded from the Royalties for Regions program) to meet the increased costs of dredging works in the channel at the Broome Port to allow all-tide access, primarily for cruise ships. The increased cost of these works reflects geotechnical conditions being more challenging than originally anticipated (e.g. increased rock hardness and volume of sand and rock to be removed).

Southern Ports Authority

Expenses

Government Support Package for Koolyanobbing Iron Ore

As part of the Government Support Package to continue mining and exporting of Koolyanobbing iron ore deposits through Esperance Port, the Authority will receive an operating subsidy of \$93.5 million over the period 2018-19 to 2021-22 to comply with the Ministerial Direction tabled on 23 August 2018. The subsidy includes a port pricing discount and foregone contract termination payments. Overall, the Government Support Package has a net debt impact of \$50.8 million over the forward estimates period (see feature box in Chapter 1).

ENVIRONMENT

MAJOR SPENDING CHANGES				
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WATER AND ENVIRONMENTAL REGULATION				
Expenses				
Environmental Protection Authority	1.4	1.9	-	-
BIODIVERSITY, CONSERVATION AND ATTRACTIONS				
Expenses				
Government Regional Officer Housing Expenses	-0.6	-1.1	-1.0	-1.0
Biodiversity Conservation Legislation Fees and Charges	- ^(a)	0.1	0.1	0.1

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

Water and Environmental Regulation

Expenses

Environmental Protection Authority

The Government has approved an additional \$3.3 million over 2018-19 and 2019-20 to reduce the existing environmental approvals backlog and improve assessment timeframes of State-significant proposals requiring assessment by the Environmental Protection Authority.

Biodiversity, Conservation and Attractions

Expenses

Government Regional Officer Housing Expenses

Forecasts for recurrent expenditure on Government Regional Officer Housing have been revised down by \$3.7 million over 2018-19 to 2021-22, primarily reflecting a general decrease in rental prices in regional areas, and a reduction in the number of properties required compared to previous forecasts.

Biodiversity Conservation Legislation Fees and Charges

An additional \$0.4 million will be spent (funded from fee revenue) from 2018-19 to 2021-22 to administer the new licensing regime under the Biodiversity Conservation Regulations 2018. The reforms will provide a contemporary regulatory approach to activities involving fauna and flora.

PLANNING AND LAND USE

MAJOR SPENDING CHANGES

Table 3.12

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WESTERN AUSTRALIAN LAND AUTHORITY (LANDCORP)				
Expenses ^(a)				
Demolition of Subiaco Oval	5.1	28.7	-	-
Forrestdale Business Park West	7.5	-	-	-
Asset Investment				
Port Hedland Marina	-40.8	-15.5	-30.7	64.0
Demolition of Subiaco Oval	5.1	28.7	-	-
Forrestdale Business Park West	7.5	-	-	-
METROPOLITAN REDEVELOPMENT AUTHORITY				
Expenses ^(a)				
Forrestdale Business Park East Loan	12.2	-	-	-
Project Normalisation Costs	0.5	0.5	0.5	-
Yagan Square Operational Costs	1.4	-	-	-
East Perth Power Station Preparatory Investigations	1.0	-	-	-
Asset Investment				
Yagan Square Capital Works	6.1	-	-	-
Midland Capital Works	3.0	2.0	-	-

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

Western Australian Land Authority (LandCorp)

Expenses

Demolition of Subiaco Oval

An increase in LandCorp's operating subsidy of \$33.7 million over 2018-19 and 2019-20 has been approved to fund the demolition of the Subiaco Oval. The demolition will enable the construction of the Inner City College in advance of the 2020 school year.

Forrestdale Business Park West

The operating subsidy paid to LandCorp will increase by an additional \$7.5 million in 2018-19 to fund critical land assembly associated with the Forrestdale Business Park West development.

Asset Investment

Port Hedland Marina

A net reduction of \$23 million in expenditure has been reflected over 2018-19 to 2021-22 as a result of revised timing and changes to the scope of the Port Hedland Marina project.

Demolition of Subiaco Oval

LandCorp will capitalise the above general government operating subsidy as part of its Asset Investment Program.

Forrestdale Business Park West

LandCorp will capitalise the above general government operating subsidy as part of its Asset Investment Program.

Metropolitan Redevelopment Authority

Expenses

Forrestdale Business Park East Loan

An additional \$12.2 million will be used in 2018-19 to repay a loan from LandCorp in relation to the Forrestdale Business Park East Development Contribution Plan.

Project Normalisation Costs

A total of \$1.5 million will be spent over 2018-19 to 2020-21 to facilitate the Authority's exit from various project areas as they achieve completion, including the regulatory costs of revoking redevelopment schemes for completed projects.

Yagan Square Operational Costs

An additional \$1.4 million will be spent on operating and activating the Yagan Square precinct during 2018-19.

East Perth Power Station Preparatory Investigations

The Authority will spend \$1 million in 2018-19 on a range of feasibility studies and site audits in relation to the East Perth Power Station site to inform potential private sector development proposals.

Asset Investment

Yagan Square Capital Works

Additional capital expenditure of \$6.1 million in 2018-19 has been approved to finalise all remaining construction and commissioning works related to the Yagan Square precinct.

Midland Capital Works

The Authority will spend an additional \$5 million over 2018-19 and 2019-20 to finalise required capital works in the Midland redevelopment area.

UTILITIES

MAJOR SPENDING CHANGES

Table 3.13

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
SYNERGY				
Asset Investment				
Spare Gas Turbine Components for Kwinana Power Station	5.0	3.0	-	-
HORIZON POWER				
Expenses ^(a)				
Operating Subsidy for Electricity Concessions and Rebates	1.4	1.7	1.7	1.7

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

Synergy

Asset Investment

Spare Gas Turbine Components for Kwinana Power Station

An additional \$8 million will be invested over 2018-19 and 2019-20 for the purchase of spare gas turbine components for Kwinana Power Station. The facility provides 'peaking' generation and is running at higher than anticipated utilisation levels to meet the rapid increase in demand during the daily peak once intermittent renewable generation (e.g. rooftop solar) falls away. Access to spare gas turbine components will reduce the risk of extended outages in the event of plant failure.

Horizon Power

Expenses

Operating Subsidy for Electricity Concessions and Rebates

The operating subsidy for electricity concessions, rebates and remote communities will increase by \$6.5 million to 2021-22. This is primarily driven by a reduction in demand and higher than forecast diesel prices, generation costs and operating expenditure in Aboriginal and remote communities.

PROVISIONS

Table 3.14

MAJOR SPENDING CHANGES				
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
PROVISIONS				
Expenses				
Point of Consumption Wagering Tax – Industry Funding	3.0	7.6	7.9	8.6
Workers' Compensation for Western Australia Police Force	-	-8.1	-8.0	-
Road Trauma Trust Account Spending	-1.3	-3.5	-0.2	0.3
Asset Investment				
Removal of Carryover Provisions Relating to 2017-18 Underspend	-	-	-200.0	-200.0
Provision for Outyear Slippage	-	-500.0	-	500.0
METRONET Projects under Development	-	-	-	300.0
Road Trauma Trust Account Spending	-3.0	-8.1	-0.4	0.6
Land Transport Infrastructure Projects	-	-	-	-625.0

Expenses

Point of Consumption Wagering Tax – Industry Funding

Western Australia will introduce a point of consumption wagering tax from 1 January 2019, at a rate of 15% of net wagering revenue. The tax will apply to all forms of wagering, replacing the existing range of taxation arrangements applying to different wagering products in Western Australia.

In October 2018, following consultation with industry, the Government approved an amendment to the Betting Tax Bill 2018 to provide the racing industry with 30% of revenue raised from the point of consumption wagering tax. The resulting increase in net debt of \$27.1 million over the four years to 2021-22, relative to the financial impact estimated at the time of the 2018-19 Budget, is consistent with the Government's undertaking that adequate funding to industry will be maintained following the introduction of the tax.

Workers' Compensation for Western Australia Police Force

A total of \$16.1 million previously provisioned over 2019-20 and 2020-21 for a workers' compensation scheme for police officers has been removed as further work on scheme design will be considered as part of the 2019-20 Budget.

Road Trauma Trust Account Spending

The 2018-19 Budget included a \$78.3 million provision for anticipated spending from the Road Trauma Trust Account (RTTA) over the forward estimates period. This spending provision has been updated in recognition of a downward revision to RTTA revenue forecasts (by a total of \$15.5 million over the forward estimates period) approved as part of this Mid-year Review. The revenue adjustment reduces the expenditure provision to \$62.8 million, \$43.9 million of which is forecast as asset investment, and \$18.8 million is forecast to be expensed.

This spending provision is consistent with current policy settings so that RTTA revenue is fully spent in each year. RTTA spending is allocated to agencies as part of the annual Budget process, and 2018-19 spending has been reflected in the budgets of the Western Australia Police Force, the Departments of Transport and Education, WA Health, the Mental Health Commission and the Commissioner of Main Roads.

Asset Investment

Removal of Carryover Provisions Relating to 2017-18 Underspend

A \$400 million underspending global provision was included in the 2017-18 estimated outturn at the time of the 2018-19 Budget to accommodate yet to be identified underspending that may emerge in the Asset Investment Program between the Budget cut-off date (9 April 2018) and 30 June 2018. This spending was assumed to be caught up by the end of the forward estimates period.

The 2017-18 actual outturn recorded a total \$471 million underspend in the Asset Investment Program (or \$871 million underspending by agencies excluding the above provision). Spending carryover from that underspend has been accommodated where required in this Mid-year Review, and the outyear provisions removed accordingly.

Provision for Outyear Slippage

Agency estimates of project delivery schedules (and associated expenditure) are generally not able to account for unforeseen and unavoidable risks that can delay project delivery. Spending budgeted for one year that does not take place due to slower than expected progress is termed 'slippage', with this amount normally carried over into a later year or years. It is normal practice in Budgets and Mid-year Reviews for provision to be made for outyear slippage.

A \$500 million provision for likely slippage in the timing of works has been included in 2019-20. This slippage is assumed to be caught up by 2021-22 and is therefore neutral in net debt terms over the forward estimates period. This provision will be updated at Budget-time to reflect the latest information on agency infrastructure programs.

METRONET Projects under Development

A further \$300 million asset investment provision has been made in 2021-22 for METRONET projects that are currently under development, bringing the total provision to \$1.05 billion over the forward estimates period. The additional provision is partly funded from proceeds of the sale of Landgate's shareholding in Property Exchange Australia Limited (see Chapter 1 for more detail on this transaction).

Road Trauma Trust Account Spending

See above.

Land Transport Infrastructure Projects

A provision for \$625 million of infrastructure spending in 2021-22 was included in the 2018-19 Budget for a new Land Transport Infrastructure National Partnership Agreement to replace the current agreement that expires in 2018-19. This provision has been removed following progress with the negotiation of the new National Partnership Agreement.

The Treasurer's Advance

Under the *Financial Management Act 2006* (FMA), the Treasurer's Advance provides the Treasurer with authorisation to make short-term recoverable advances to agencies for the temporary financing of works and services. In addition, new or supplementary funding can be provided during the year for extraordinary or unforeseen matters (also known as 'excesses and new items'), up to an approved limit.

Based on these Mid-year Review estimates, the total amount forecast to be drawn against recoverable advances, excesses and new items in 2018-19 is \$378.1 million. Of this amount, there have been \$6 million in draw downs for excesses or new items, while net recoverable advances stood at \$20 million at the 3 December 2018 cut-off date, which is within the \$652.2 million limit for 2018-19, authorised by the FMA¹.

Table 4.1 shows the projected position of the Treasurer's Advance at 30 June 2019.

TREASURER'S ADVANCE			Table 4.1
	2017-18	2018-19	
	Actual	Projection ^(a)	
	\$m	\$m	
AUTHORISED LIMIT	646.1	652.2	
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	126.4	378.1	
Comprising			
Net recoverable advances as at 30 June	45.1	20.0	
Overdrawn Special Purpose Accounts	-	-	
Excesses and New Items			
- recurrent	42.6	344.4	
- capital	38.7	13.7	

(a) Detailed disclosure of the final audited outcome for 2018-19 will be available in the 2018-19 *Annual Report on State Finances*, due to be released by 28 September 2019.

Note: Columns may not add due to rounding.

¹ Section 29 of the FMA authorises the Treasurer's Advance limit to be equivalent to 3% of the total amount appropriated for the previous year by the Appropriation Acts. For 2018-19, the \$652.2 million limit represents 3% of the total \$21.7 billion appropriated by Appropriation Bills 1 and 2 in the 2017-18 Budget.

Transfers, Excesses and New Items

Table 4.3 details excesses and/or new items that are projected to occur during 2018-19 and the expected impact of these on the Treasurer’s Advance under the authority of section 27 of the FMA.

The projections shown in Table 4.3 are subject to movements in agencies’ appropriations through the remainder of 2018-19. Funding in excess of budget for appropriation items shown in the table will only occur if management responses do not achieve compensating shortfalls in other spending supported by these items prior to 30 June 2019.

Section 25 of the FMA allows appropriation originally allocated in the 2018-19 Budget to be transferred to other agencies for the provision of an appropriation-funded service that is now to be delivered by the other agency. These transfers have no impact on the Treasurer’s Advance. Appropriation transfers approved since the presentation of the 2018-19 Budget include:

- \$24.3 million from the provision for the Voluntary Targeted Separation Scheme administered by Treasury to a number of agencies shown in the following table. These transfers reimbursed agencies for costs associated with separations finalised during the month of June 2018;

2018-19 VOLUNTARY TARGETED SEPARATION SCHEME		Table 4.2
Item	Agency	Transfer from Appropriation \$m
5	Premier and Cabinet	0.4
38	Finance	0.3
42	Primary Industries and Regional Development	0.8
44	Mines, Industry Regulation and Safety	0.4
49	WA Health	10.7
54	Education	0.8
58	Justice (including Legal Aid Commission of Western Australia) ^(a)	1.3
59	Fire and Emergency Services	0.1
64	Office of the Inspector of Custodial Services	0.1
66	Communities	2.6
68	Local Government, Sport and Cultural Industries	0.6
71	Library Board of Western Australia	0.3
73	Western Australian Museum	0.1
75	Western Australian Sports Centre Trust	0.1
76	Transport	0.4
80	Biodiversity, Conservation and Attractions	0.3
81	Planning, Lands and Heritage	4.8
Total		24.3

(a) Transfer from appropriation for Justice has been revised down by \$0.3 million since the publication of the September 2018 *Quarterly Financial Results Report* due to the incorrect inclusion of Holding Account draw downs for accumulated leave in September data.

Note: Column may not add due to rounding.

- \$0.2 million from the Public Sector Commission to the Department of Mines, Industry Regulation and Safety for costs associated with implementation of the new Public Service and Government Officers General Agreement and satellite industrial agreements; and
- \$0.1 million from the Department of Education to the Department of Jobs, Tourism, Science and Innovation for the transfer of the Japanese Scholarship Program and Curtin Miri Scholarships.

Table 4.3

2018-19 TRANSFERS, EXCESSES AND NEW ITEMS

Item	Budget \$m	Transfers ^(a) \$m	New Items \$m	Treasurer's Advance		Draw n against Treasurer's Advance to date ^(b) \$m
				Approved Excesses \$m	Revised Appropriation Limit \$m	
Recurrent Appropriations						
Premier and Cabinet						
Item 5: Delivery of Services	126.7	0.4	-	1.6	128.7	-
Public Sector Commission						
Item 7: Delivery of Services	23.6	-0.2	-	-	23.5	-
Commissioner for Equal Opportunity						
Item 11: Delivery of Services	3.5	-	-	0.3	3.8	-
Treasury						
Item 15: Delivery of Services	61.1	-	-	11.2	72.3	-
<i>Operating Subsidy Payments</i>						
Item 16: Bunbury Water Corporation	0.7	-	-	-(c)	0.7	-
Item 22: Regional Power Corporation (Horizon Power)	9.7	-	-	1.4	11.2	-
Item 23: Southern Ports Authority	0.3	-	-	21.9	22.2	-
Item 25: Western Australian Land Authority	27.7	-	-	24.9	52.5	-
<i>Grants, Subsidies and Transfer Payments</i>						
Item 28: Metropolitan Redevelopment Authority	10.4	-	-	32.0	42.3	2.4
Item 31: Provision for Voluntary Targeted Separation Scheme	55.8	-24.3	-	-	31.5	-
Item 36: All Other Grants, Subsidies and Transfer Payments	6.6	-	-	0.2	6.8	-
New Item: National Redress Scheme for Survivors of Institutional Child Sexual Abuse	-	-	153.0	-	153.0	-
Finance						
Item 38: Delivery of Services	151.1	0.3	-	1.2	152.7	-
Jobs, Tourism, Science and Innovation						
Item 40: Delivery of Services	151.4	0.1	-	-	151.5	-
Primary Industries and Regional Development						
Item 42: Delivery of Services	166.3	0.8	-	0.8	167.9	-
Mines, Industry Regulation and Safety						
Item 44: Delivery of Services	125.1	0.6	-	-	125.7	-
Item 45: Administered Grants, Subsidies and Other Transfer Payments	43.6	-	-	40.2	83.8	-
WA Health						
Item 49: Delivery of Services	4,819.2	10.7	-	23.1	4,853.0	-
Education						
Item 54: Delivery of Services	4,042.0	0.8	-	17.0	4,059.8	-
Item 55: Administered Grants, Subsidies and Other Transfer Payments	451.2	-0.1	-	1.8	452.9	-

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

2018-19 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.3 (cont.)

Item	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Revised Appropriation Limit \$m	Draw n against Treasurer's Advance to date ^(b) \$m
			New Items \$m	Approved Excesses \$m			
Western Australia Police Force							
Item 57: Delivery of Services	1,367.4	-	-	1.3		1,368.7	-
Justice							
Item 58: Delivery of Services	1,177.3	1.3	-	-		1,178.6	-
Fire and Emergency Services							
Item 59: Delivery of Services	22.8	0.1	-	-		22.9	-
Item 60: Western Australia Natural Disaster Relief and Recovery Arrangements	45.0	-	-	3.6		48.6	3.6
Office of the Inspector of Custodial Services							
Item 64: Delivery of Services	3.3	0.1	-	-		3.4	-
Communities							
Item 66: Delivery of Services	1,720.8	2.6	-	-		1,723.4	-
Local Government, Sport and Cultural Industries							
Item 68: Delivery of Services	110.3	0.8	-	2.9		114.0	-
Item 71: Library Board of Western Australia	31.4	0.1	-	-		31.5	-
Item 72: Perth Theatre Trust	8.2	-	-	1.0		9.2	-
Item 73: Western Australia Museum	22.2	0.1	-	-		22.4	-
Western Australian Sports Centre Trust							
Item 75: Delivery of Services	80.0	0.1	-	-		80.1	-
Transport							
Item 76: Delivery of Services	77.3	0.4	-	4.0		81.7	-
Water and Environmental Regulation							
Item 79: Delivery of Services	82.4	-	-	0.2		82.6	-
Biodiversity, Conservation and Attractions							
Item 80: Delivery of Services	239.3	0.3	-	-		239.7	-
Planning, Lands and Heritage							
Item 81: Delivery of Services	92.3	4.8	-	-		97.1	-
Western Australian Land Information Authority							
Item 83: Delivery of Services	34.5	-	-	0.8		35.3	-
Total Recurrent		-	153.0	191.4			6.0

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

Table 4.3 (cont.)

2018-19 TRANSFERS, EXCESSES AND NEW ITEMS

Item	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance		Revised Appropriation Limit \$m	Draw n against Treasurer's Advance to date ^(b) \$m
			New Items \$m	Excesses \$m		
Capital Appropriations						
Treasury						
<i>Government Equity Contributions</i>						
Item 88: Animal Resources						
Authority	0.8	-	-	1.1	1.9	-
Item 94: Electricity Networks						
Corporation (Western Power)	109.2	-	-	1.4	110.7	-
Item 96: Metropolitan Redevelopment						
Authority	100.2	-	-	4.7	104.9	-
Education						
Item: 112: Capital Appropriation	251.8	-	-	2.0	253.8	-
Chemistry Centre (WA)						
Item 115: Capital Appropriation	1.0	-	-	1.5	2.5	-
Communities						
Item 116: Capital Appropriation	2.1	-	-	0.7	2.8	-
Western Australian Sports Centre Trust						
Item 119: Capital Appropriation	13.8	-	-	0.8	14.6	-
Transport						
Item 120: Capital Appropriation	17.5	-	-	1.4	18.9	-
Total Capital		-	-	13.7		-
TOTAL		-	153.0	205.1		6.0

(a) Authorised under section 25 of the FMA.

(b) Mid-year Review cut-off date, 3 December 2018.

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

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

Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* or by specific legislation (e.g. Royalties for Regions Fund). Accounts established by legislation are governed by the relevant provisions of the statute, while accounts that are established administratively are governed by a special purpose statement (operating accounts) or a trust statement (trust accounts) that outlines the purpose of the account.

This appendix contains information on key SPAs. It is not an exhaustive list of all SPAs, but covers the major/material SPAs in existence at the 3 December 2018 cut-off date for this Mid-year Review. The forecast SPA balances (and transactions in and out of these accounts) form part of the overall consolidated projections for 2018-19 outlined elsewhere in this publication.

Changes to forecast receipts and payments in 2018-19 relative to the 2018-19 Budget, reflect movements in the financial projections of this Mid-year Review and variations in account balances for the 2017-18 outturn (which were disclosed in the 2017-18 *Annual Report on State Finances* released on 26 September 2018).

Debt Reduction Account

In line with the Government's election commitments, a Debt Reduction Account was established in 2017-18 to apply windfall funds to the repayment of Consolidated Account borrowings.

In 2018-19, a total of \$411 million is expected to flow into the account from:

- a large, one-off duty assessment for a high value commercial property transaction which was issued by the Commissioner of State Revenue in late 2016-17;
- excess cash returned to the Consolidated Account by agencies in 2017-18; and
- surplus funds from RiskCover.

Commonwealth funding equivalent to increasing the State's share of GST to 70% of its population share of national collections is to be applied to debt reduction and will flow through this account. This arrangement commences in 2019-20. A total of \$2.4 billion in these GST top-up payments is expected to be paid into the Debt Reduction Account over 2019-20 to 2021-22.

DEBT REDUCTION ACCOUNT			Table 5.1
	2017-18 \$m	2018-19 \$m	
<i>Balance at 1 July</i>	-	-	
Receipts	98	411	
Payments	98	411	
Closing Balance	-	-	

Note: Columns may not add due to rounding.

Fiona Stanley Hospital Construction Account

This SPA was established in October 2007 to set aside funds to be used for the construction of the Fiona Stanley Hospital. The hospital achieved practical completion in December 2013, followed by completion of phased commissioning in February 2015.

During 2017-18, WA Health returned \$18 million to the SPA in unspent construction funds. Final invoicing and completion of project close-out activities are expected to be finalised, and the SPA to be wound up, by 30 June 2019. Consistent with the enabling legislation for the Account, residual funds on closure of the SPA will be returned to the Consolidated Account.

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT			Table 5.2
	2017-18 \$m	2018-19 \$m	
<i>Balance at 1 July</i>	20	39	
Receipts	18	1	
Payments	-	-	
Return of residual balance to Consolidated Account	-	39	
Closing Balance	39	-	

Note: Columns may not add due to rounding.

Forrestfield-Airport Link Account

This SPA was established in May 2016 to manage a funding contribution from the Commonwealth for the construction of the Forrestfield-Airport Link. All SPA funding was drawn down by the Public Transport Authority in 2017-18. No further SPA transactions are expected in 2018-19 and the SPA will be closed.

FORRESTFIELD-AIRPORT LINK ACCOUNT			Table 5.3
	2017-18 \$m	2018-19 \$m	
<i>Balance at 1 July</i>	219	-	
Receipts	3	-	
Payments	222	-	
Closing Balance	-	-	

Note: Columns may not add due to rounding.

METRONET Account

This SPA was established in August 2017 to support the delivery of METRONET transport infrastructure projects. Forecast receipts for 2018-19 reflect State funding (\$52 million), Commonwealth funding (\$364 million), proceeds from land sales (\$26 million) and interest earnings (\$2 million).

Funds are drawn down for project payments as works progress. In 2018-19, forecast payments include \$143 million for transport infrastructure and \$2 million for METRONET Office operating costs.

As part of this Mid-year Review, the Government has approved a new \$300 million provision for METRONET projects under development, such as the Morley-Ellenbrook Line. This provision is part-funded by the sale of Landgate's shareholding in PEXA (\$185 million). These funds will be paid into the METRONET Account in 2019-20.

METRONET ACCOUNT

Table 5.4

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	-	10
Receipts	30	444
Payments	20	145
Closing Balance	10	310

Note: Columns may not add due to rounding.

METRONET Roads Account

A new Special Purpose Account will be established to hold motor vehicle licence (MVL) revenue allocated to future METRONET road works currently under development. MVL revenue will be deposited in the account from 2019-20. A total of \$1 billion in MVL revenue is forecast to be received in 2019-20. This is \$58 million higher than estimated at the time of the 2018-19 Budget, with \$46 million of this increase to be allocated to the METRONET Roads Account.

Metropolitan Region Improvement Fund

This account was established under the *Metropolitan Region Improvement Tax Act 1959* to hold funds for the management of the Metropolitan Region Scheme, including receipts from the Metropolitan Region Improvement Tax (MRIT).

Receipts in 2018-19 reflect MRIT collections (\$91 million), proceeds from the sale of land and buildings (\$19 million), rent and interest income (\$14 million) with the balance (\$2 million) from other fees and non-rental revenue. Forecast payments in 2018-19 are for the acquisition of land and buildings (\$30 million), service delivery costs (\$31 million), and works in progress on a range of smaller infrastructure projects (\$2 million).

METROPOLITAN REGION IMPROVEMENT FUND			Table 5.5
	2017-18 \$m	2018-19 \$m	
<i>Balance at 1 July</i>	348	399	
Receipts	117	126	
Payments	66	63	
Closing Balance	399	462	

Note: Columns may not add due to rounding.

Mining Rehabilitation Fund

The Mining Rehabilitation Fund was established in July 2013 to hold levy collections under the *Mining Rehabilitation Fund Act 2012*.

Receipts reflect forecast levy contributions from mining operators. Funds can be used to undertake rehabilitation activities where a tenement operator fails to meet rehabilitation obligations, and all other options available to recover funds from the operator have been exhausted. Interest earnings are used to support administration of the Fund and for rehabilitation works at abandoned mine sites (up to an approved limit of \$5 million per year).

MINING REHABILITATION FUND			Table 5.6
	2017-18 \$m	2018-19 \$m	
<i>Balance at 1 July</i> ^(a)	92	122	
Receipts	31	31	
Payments	1	2	
Closing Balance	122	151	

(a) The opening balance of \$92 million at 1 July 2017 was restated from the \$91 million reported in the 2016-17 *Annual Report on State Finances*. The restatement incorporates a minor movement in receipts and payments finalised for the former Department of Mines and Petroleum's annual report for 2016-17.

Note: Columns may not add due to rounding.

Municipal and Essential Services Account

This account was established in 2015 to administer the Commonwealth's final \$90 million contribution for essential and municipal services for remote Aboriginal communities in Western Australia.

Between 2015-16 and 2017-18, \$83 million of the funding provided by the Commonwealth has been spent. The remaining funds from the SPA are expected to be fully drawn down for spending in remote communities during 2018-19.

MUNICIPAL AND ESSENTIAL SERVICES ACCOUNT

Table 5.7

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	42	7
Receipts	-	-
Payments	35	7
Closing Balance	7	-

Note: Columns may not add due to rounding.

National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse Account

The Government has approved the establishment of this account to hold funds to meet the cost of payments associated with the State's participation in the National Redress Scheme for Institutional Child Sexual Abuse, and for civil litigation claims by victims of historical child sexual abuse.

Receipts in 2018-19 reflect an initial allocation of \$153 million to meet estimated payments from the account over the four years to 2021-22. The proceeds from the planned commercialisation of Landgate's automated land titling service will be used to repay the Consolidated Account for this initial contribution to the account, and to provide additional funding to meet the cost of payments beyond the forward estimates period and over the ten-year life of the National Redress Scheme. Payments of \$20 million are expected from the account in 2018-19.

NATIONAL REDRESS SCHEME AND CIVIL LITIGATION FOR SURVIVORS OF INSTITUTIONAL CHILD SEXUAL ABUSE ACCOUNT

Table 5.8

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	-	-
Receipts	-	153
Payments	-	20
Closing Balance	-	133

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 the Perth Children's Hospital.

The hospital achieved practical completion in April 2017 and fully opened on 10 June 2018. A total of \$27 million was drawn down during 2017-18 to meet residual construction costs. Project closure arrangements for the hospital are expected to be finalised in 2019 to accommodate the 24-month defect liability period, with any remaining funds in the account to be returned to the Consolidated Account.

PERTH CHILDREN'S HOSPITAL ACCOUNT		Table 5.9
	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	40	13
Receipts	-	-
Payments	27	12
Closing Balance	13	- (a)

(a) Amount less than \$500,000.
Note: Columns may not add due to rounding.

Perth Parking Licensing Account

This SPA was established in July 1999 to set aside funds to be used to encourage a balanced transport system for gaining access to the Perth city area. Receipts consist of licence fees, penalties and money appropriated by the Parliament.

Funds drawn from the account are spent on the Central Area Transit (CAT) bus system, Free Transit Zone public transport services within central Perth, improving public transport access, enhancing the pedestrian environment, supporting bicycle access and for administration of the *Perth Parking Management Act 1999*. Lower spending in 2018-19 (relative to 2017-18) reflects the completion of payments to the Public Transport Authority for the CAT bus replacement program.

PERTH PARKING LICENSING ACCOUNT		Table 5.10
	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	23	54
Receipts	58	58
Payments	27	21
Closing Balance	54	91

Note: Columns may not add due to rounding.

Perth Stadium Account

This SPA was established in October 2011 to hold funds to be used for the construction of Optus Stadium and the surrounding sports precinct, including associated transport infrastructure. The stadium commenced operations in January 2018 and the Matagarup footbridge was opened in July 2018.

Forecast payments of \$11 million in 2018-19 reflect the remaining payments for minor transport infrastructure and stadium works. Following completion of the project, any remaining funds will be returned to the Consolidated Account.

PERTH STADIUM ACCOUNT

Table 5.11

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	96	13
Receipts	128	1
Payments	210	11
Closing Balance	13	3

Note: Columns may not add due to rounding.

Road Trauma Trust Account

This account was established to provide for road safety initiatives. Receipts reflect prescribed penalties paid during the year, other funds collected under the *Road Traffic (Administration) Act 2008*, and interest revenue earned on the account balance.

In addition to the spending program identified at Budget-time, an additional \$11 million will be spent in 2018-19 on the delivery of a number of road safety initiatives delayed from 2017-18.

ROAD TRAUMA TRUST ACCOUNT

Table 5.12

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	57	53
Receipts	105	103
Payments	109	123
Closing Balance	53	33

Note: Columns may not add due to rounding.

Royalties for Regions Fund

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

Receipts reflect interest on Fund balances and the statutory funding for the program based on 25% of royalty forecasts at the time of the 2018-19 Budget, adjusted for the \$1 billion legislated cap on the Fund balance. Payments from the Fund include transfers to agencies that deliver RfR projects.

Details of the RfR program and other regional spending are available in Chapter 4: *Investing in Regional Western Australia*.

ROYALTIES FOR REGIONS FUND		
	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	1,000	1,000
Receipts	871	971
Payments	871	971
Closing Balance	1,000	1,000

Note: Columns may not add due to rounding.

Royalties for Regions Regional Reform Fund

This SPA was approved as part of the 2015-16 Budget to receive \$150 million, transferred from the RfR Fund, commencing in June 2015. The account will fund strategic reform initiatives in regional Western Australia, with regional Aboriginal reform initiatives to be the first area of focus. To date, \$100 million has been transferred to this SPA, with the next contribution of \$16 million to be made in 2019-20. Payments in 2018-19 are expected to fund the Kimberley Schools project, the North West Aboriginal Housing initiative and improvements to essential and municipal services in remote Aboriginal communities.

ROYALITES FOR REGIONS REGIONAL REFORM FUND		
	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	100	96
Receipts	-	-
Payments	4	28
Closing Balance	96	68

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 (SIHI), pursuant to section 9(1) of the *Royalties for Regions Act 2009*, with funds paid into this account sourced from the RfR Fund. Payments from the SPA support improved access to core health services by providing additional resources and improvements to local hospitals and health facilities, aged care and telehealth services in the Great Southern, Mid-West, Goldfields, South West and Wheatbelt regions.

The delivery of country health programs is being funded through the RfR Fund without the need for this SPA. As a result, the SPA is to be closed in 2018-19. Any balance remaining in the account will be returned to the RfR Fund in accordance with the SIHI Special Purpose Statement.

Table 5.15

ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE		
	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	56	23
Receipts	113	-
Payments	146	-
Return of residual balance to RfR Fund	-	23
Closing Balance	23	-

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 waste levy. The purpose of the account is to fund nominated programs and other waste management initiatives approved by the Minister for Environment.

Table 5.16

WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT		
	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	33	39
Receipts	20	22
Payments	15	21
Closing Balance ^(a)	39	39

(a) The closing balance of \$39 million at 30 June 2018 (opening balance at 1 July) has been restated from the \$38 million reported in the 2017-18 *Annual Report on State Finances*, reflecting adjustment to the rounding of the closing balance at that time.

Note: Columns may not add due to rounding.

Western Australian Future Fund

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

Forecast receipts include 1% of the State's Budget-time forecast of royalty revenue (\$51 million) and interest earned on the account balance (\$40 million).

Table 5.17

WESTERN AUSTRALIAN FUTURE FUND		
	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	1,126	1,215
Receipts	90	91
Payments	-	-
Closing Balance	1,215	1,306

Note: Columns may not add due to rounding.

Consistent with its election commitment, the Government intends introducing legislation into Parliament in 2019 to re-purpose the Western Australian Future Fund and allow the Fund's interest earnings to be accessed for health research and innovation.

