



Government of **Western Australia**  
Department of **Treasury**

**2016-17**  
**PRE-ELECTION**  
**FINANCIAL PROJECTIONS**  
**STATEMENT**



February 2017





Government of **Western Australia**  
Department of **Treasury**

**2016-17**

**PRE-ELECTION FINANCIAL  
PROJECTIONS STATEMENT**

FEBRUARY 2017

2016-17 Pre-election Financial Projections Statement  
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An electronic copy of this report may be obtained at <http://www.treasury.wa.gov.au>  
ISSN 2201-442X (print)  
ISSN 2201-4438X (on-line)

# 2016-17 Pre-election Financial Projections Statement

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# Under Treasurer's Certification

Section 15 of the *Government Financial Responsibility Act 2000* (GFRA) requires that the Under Treasurer release a *Pre-election Financial Projections Statement* (PFPS) within 10 days of the dissolution of the Legislative Assembly.

The Legislative Assembly was dissolved on 30 January 2017, with the writs for the State election issued by the Governor on 1 February 2017.

The content of this PFPS meets the requirements of section 15 of the GFRA. In particular:

- Appendix 1 details the projections required by section 15(2)(a);
- Chapters 1 and 2 detail the economic and other assumptions underlying the PFPS projections (section 15(2)(b));
- Chapter 1 includes an explanation of the implications of the financial projections for meeting the financial targets set out in the last Government Financial Strategy Statement (section 15(2)(c));
- Chapter 1 also includes an analysis of key financial sensitivities to assumptions and a statement of risks that could materially affect the financial projections (sections 15(2)(d) and (e)); and
- this certification gives effect to the requirements of sections 15(2)(f) and 15(7).

The cut-off date for information and the finalisation of assumptions for inclusion in this PFPS was 2 February 2017, three days after the Legislative Assembly was dissolved and consistent with the requirements of sections 15(3)(b), 15(4) and 15(7)(b).

This PFPS is based upon all relevant decisions that I was aware of or that were made available to me by the Treasurer and other official sources, together with other relevant information known to Treasury, on or before the PFPS cut-off date.

It has been prepared in accordance with applicable Australian Accounting Standards and Government Finance Statistics principles, and is based on the economic forecasts and other assumptions outlined in Chapter 1: *Financial Projections* and Chapter 2: *The Western Australian Economy*. These assumptions were finalised by Treasury, under my direction, on 2 February 2017.



Michael Barnes  
UNDER TREASURER

9 February 2017



# Financial Projections

## HIGHLIGHTS

- The general government sector operating deficit for 2016-17 has narrowed to an estimated \$3,028 million, a \$360 million improvement from the \$3,388 million deficit projected in the 2016-17 Mid-year Review.
- This short-term improvement primarily reflects the impact of higher iron ore prices, which are now forecast to average \$US70.3 per tonne over 2016-17, up from \$US64.3 per tonne in the Mid-year Review.
- However, the longer-term outlook for the State's finances has deteriorated relative to the Mid-year Review, with:
  - general government sector operating deficits now forecast across the entire forward estimates period; and
  - total public sector net debt at 30 June 2020 now forecast to reach \$41.1 billion, up \$1.4 billion since the Mid-year Review.
- This deterioration primarily reflects a downward revision to Western Australia's forecast GST grants, the financial impact of recent Government decisions (including the agreement with the Commonwealth on the National Disability Insurance Scheme), and the inclusion in these *Pre-election Financial Projections Statement* (PFPS) forward estimates of a number of spending risks disclosed in the Mid-year Review.

## Introduction

The following table summarises the key financial aggregates for this PFPS.

<b>KEY BUDGET AGGREGATES</b>							Table 1
Western Australia							
	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20	
	Actual	Mid-year Review	PFPS Revision	Forward Estimate	Forward Estimate	Forward Estimate	
<b>GENERAL GOVERNMENT SECTOR</b>							
<b>Net Operating Balance (\$m)</b>	<b>-2,021</b>	<b>-3,388</b>	<b>-3,028</b>	<b>-1,498</b>	<b>-860</b>	<b>-535</b>	
Revenue (\$m)	26,485	26,513	26,941	28,757	30,020	31,378	
Revenue Growth (%)	-3.3	0.1	1.7	6.7	4.4	4.5	
Expenses (\$m)	28,506	29,901	29,969	30,255	30,880	31,913	
Expense Growth (%)	2.4	4.9	5.1	1.0	2.1	3.3	
<b>TOTAL PUBLIC SECTOR</b>							
Net Debt at 30 June (\$m)	27,347	33,389	33,246	37,391	39,977	41,113	
Asset Investment Program (\$m)	5,237	5,548	5,561	6,509	5,825	4,747	
Cash Position (\$m)	-4,731	-5,402	-5,260	-3,528	-2,403	-943	
Gross Borrowings at 30 June (\$m)	51,852	52,371	52,355	55,429	59,902	62,680	
<b>KEY FINANCIAL RATIOS <sup>(a)</sup></b>							
Cash Operating Surplus as a Share of Receipts (%)	-	-2.1	-1.8	3.3	4.0	4.4	
Net Debt to Revenue (%)	69.8	83.3	82.3	90.2	91.9	90.9	

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

Relative to the Mid-year Review, general government revenue has been revised up in 2016-17 and 2017-18 (mainly due to the impact of higher iron ore prices), but has been revised down in 2018-19 and 2019-20 (mainly for significantly lower GST grant forecasts in the last two outyears). Across the entire forward estimates period, the general government revenue forecasts have been revised up by a net \$547 million since the Mid-year Review.

General government expenses have been revised up in each year of the forward estimates period relative to the Mid-year Review, by a total of \$1.7 billion. This mainly reflects:

- the signing by the Premier and Prime Minister on 31 January 2017 of an agreement to transition to a State-run National Disability Insurance Scheme (NDIS) in Western Australia, which increases net debt to 30 June 2020 by an estimated \$533 million (see feature box below);
- Cabinet decisions taken after the 28 November 2016 cut-off date for the Mid-year Review, which total \$202 million in net debt terms to 30 June 2020; and
- items flagged as risks in the Mid-year Review which are considered sufficiently certain and/or unavoidable under current policy settings to warrant inclusion in the PFPS forward estimates (these items total \$366 million in net debt terms to 30 June 2020).

As a result of these revenue and expense variations, the general government sector operating deficit has improved in 2016-17 (by \$360 million) and 2017-18 (by a marginal \$36 million), but has deteriorated in 2018-19, and the operating surplus for 2019-20 forecast in the Mid-year Review is now also projected to be a deficit. Over the entire forecast period, general government operating balances have deteriorated by a net \$1.1 billion relative to the Mid-year Review. This deterioration is the major reason for a \$1.4 billion increase in the projected level of total public sector net debt at 30 June 2020, which is now forecast to reach \$41.1 billion.

Key assumptions underlying the PFPS financial projections are shown in the following table (these assumptions were finalised on the 2 February 2017 cut-off date for this PFPS). A detailed discussion of the economic outlook is available in Chapter 2: *The Western Australian Economy*.

<b>KEY ASSUMPTIONS<sup>(a)</sup></b>					
Western Australia					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual <sup>(b)</sup>	PFPS Revision	Forward Estimate	Forward Estimate	Forward Estimate
Real Gross State Product growth (%)	1.9	0.5 (1.0)	2.5 (2.25)	3.25	3.0
Real State Final Demand growth (%)	-3.9 (-4.0)	-6.75 (-6.0)	-1.25 (-1.75)	2.25	3.5
Employment growth (%)	0.2	-1.5	0.25	1.5	2.25
Unemployment rate (%) <sup>(c)</sup>	6.0	6.5	6.5	6.25	6.0
Wage Price Index growth (%)	1.9	1.5	1.75	2.5	3.0
Perth Consumer Price Index growth (%)	1.0	1.0	1.75	2.25	2.5
Iron ore price (\$US/tonne CFR) <sup>(c)(d)</sup>	50.9	70.3 (64.3)	66.0 (59.1)	63.6 (59.1)	63.7 (60.0)
Iron ore volumes (million dry tonnes)	757	797	817	827	830
Crude oil price (\$US per barrel) <sup>(c)</sup>	43.4	51.7 (48.3)	56.9 (52.8)	56.5 (54.7)	56.3 (56.1)
Exchange rate (US cents) <sup>(c)</sup>	72.8	75.3 (74.8)	75.1 (73.6)	74.7 (73.2)	74.3 (72.7)
Population growth (%)	1.2	1.2	1.3	1.6	1.8
Interest rate assumptions (%):					
– Public Bank Account earnings <sup>(c)</sup>	2.4	1.9 (1.8)	1.5	1.5	1.5
– Consolidated Account borrowings <sup>(c)</sup>	3.5	3.1	3.0	3.1 (3.0)	3.2

(a) 2016-17 Mid-year Review assumptions shown in parentheses where the forecasts have changed since then.  
(b) Gross State Product based on 2015-16 State Accounts and State Final Demand based on September quarter 2016 National Accounts.  
(c) Average over the year.  
(d) CFR is the benchmark 62% iron content delivered price to China, including cost and freight.

### National Disability Insurance Scheme

On 31 January 2017, the Western Australian and Commonwealth Governments signed a National Partnership Agreement (NPA) entitled *Bilateral Agreement between the Commonwealth and Western Australia – Transition to a National Disability Insurance Scheme in Western Australia* (Transition NPA). This provides for a three year transition to a Western Australian-operated NDIS, which will be consistent with the national scheme in all key components.

The transition period will commence on 1 July 2017, with a total of 39,097 clients expected to join the scheme by 30 June 2020. This includes 25,665 existing State disability services clients and an estimated 13,432 new clients. These numbers include the projected 9,847 participants in existing NDIS trial sites by 30 June 2017.

Under the Transition NPA, the Commonwealth will fund about 40% of average package costs for people aged up to 65, and the State will fund the remaining 60%. The State and Commonwealth will equally share the cost of agreed Local Coordination and Information, Linkages and Capacity Building functions. All other operational costs of the Western Australian NDIS authority will be met by the State.

The estimated financial impact to the State of the Transition NPA is set out below.

<b>NDIS TRANSITION NPA</b>				
	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Additional Recurrent Expenditure</b>	-	<b>309.7</b>	<b>264.4</b>	<b>604.2</b>
<i>Funded by</i>				
Commonwealth Grants:				
NDIS Transition NPA	-	169.7	267.6	474.8
Proposed NPA on Pay Equity for the Social and Community Services Sector	-	28.4	27.3	33.3
Revised Responsibilities for Aged Care and Disability Services in Western Australia NPA	-	-	-197.6	-197.6
Projected revenue from the DisabilityCare Australia Fund	-	19.0	19.7	20.4
State Recurrent Appropriation	-	92.5	147.4	273.3
<b>Total Recurrent Funding</b>	-	<b>309.7</b>	<b>264.4</b>	<b>604.2</b>
<b>Additional Capital Expenditure</b>	-	<b>20.0</b>	-	-
<i>Funded by</i>				
State Capital Appropriation	-	20.0	-	-
<b>Impact on General Government Net Operating Balance</b>	-	<b>-92.5</b>	<b>-147.4</b>	<b>-273.3</b>
<b>Cumulative Impact on Total Public Sector Net Debt at 30 June</b>	-	<b>112.5</b>	<b>259.9</b>	<b>533.2</b>

Note: Columns may not add due to rounding.

The above cost estimates are based on agreed client projections and average package costs over the transition period as set out in the Transition NPA. The Transition NPA also provides that the Western Australian Government will fund a minimum of 75% of any increases in costs associated with higher than expected participant numbers or higher package costs.

The estimated cost to the State of the Transition NPA of \$533 million over the period to 2019-20 is expected to be more than recouped in 2020-21 when the State is forecast to receive full repayment of its share of funds from the DisabilityCare Australia Fund (an estimated payment of \$609 million in 2020-21). However, the receipt of DisabilityCare Australia Fund payments is subject to:

- finalisation of a separate NPA on payments from the DisabilityCare Australia Fund to reimburse States and Territories for their NDIS expenditure; and
- changes to the Commonwealth *DisabilityCare Australia Fund Act 2013* to enable the State to receive funds under a Western Australian-operated NDIS.

The financial impact in 2020-21 and beyond is also subject to the negotiation of full scheme funding arrangements between the Western Australian and Commonwealth Governments. In this regard, the Commonwealth Government has committed in the Transition NPA to provide a capped, fixed per capita population contribution at full scheme, consistent with arrangements in other jurisdictions. However, until a further agreement is subsequently negotiated with the Commonwealth on full scheme funding arrangements, the precise quantum of the Commonwealth's contribution to the Western Australian NDIS beyond the transition period is uncertain.

## General Government Sector

### Operating Statement

The table below summarises the key changes in general government revenue and expenses since the 2016-17 Mid-year Review was finalised on 28 November 2016.

Table 4

<b>SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE VARIATIONS SINCE THE 2016-17 MID-YEAR REVIEW</b>					
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	Total \$m
<b>2016-17 MID-YEAR REVIEW - NET OPERATING BALANCE</b>	<b>-3,388</b>	<b>-1,534</b>	<b>-376</b>	<b>521</b>	
<b>Revenue</b>					
Payroll tax	-43	-43	-45	-47	-177
Commonwealth grants	-37	130	-247	-380	-535
- GST grants	-41	-136	-365	-666	-1,207
- North West Shelf/condensate compensation	33	49	15	-8	89
- National Health Reform	-33	-24	-27	-37	-121
- NDIS Transition	-	217	117	331	665
- Non-government schools	9	10	10	10	40
- Students First	2	3	4	4	13
- National Specific Purpose Payment agreements	-3	-7	-11	-15	-36
- Other Commonwealth grants	-5	18	10	-	23
Royalty income	377	374	189	138	1,079
- Iron ore	381	389	206	154	1,130
- Other royalties	-4	-14	-17	-16	-52
Revenue from public corporations	126	10	18	15	169
All other	4	32	6	-31	11
<b>TOTAL REVENUE</b>	<b>428</b>	<b>503</b>	<b>-79</b>	<b>-305</b>	<b>547</b>

Table 4 (cont.)

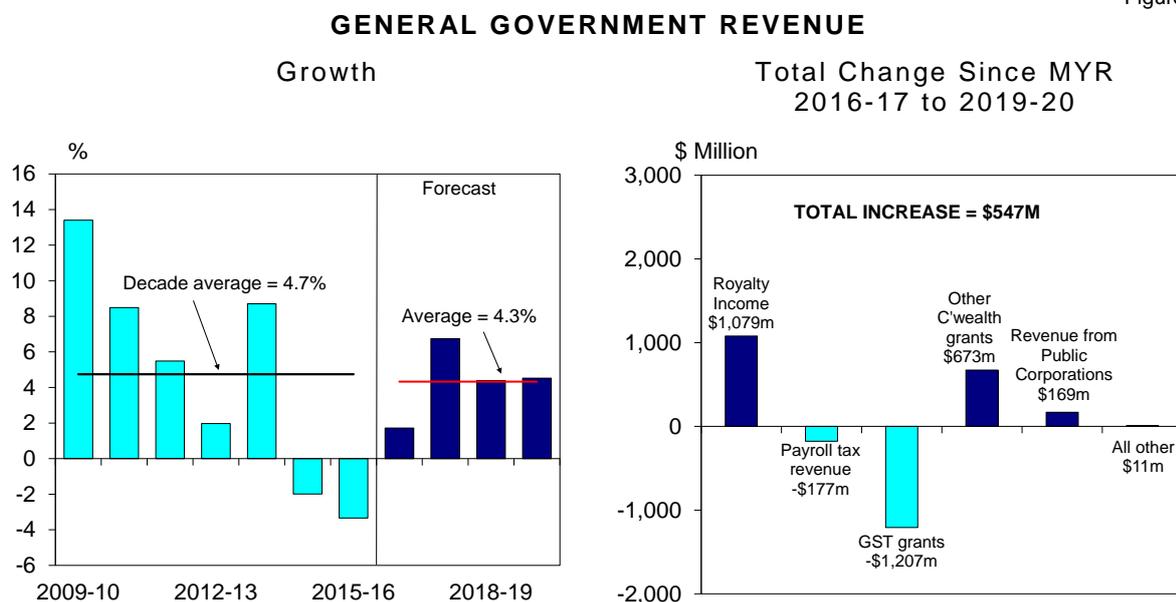
**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2016-17 MID-YEAR REVIEW**

	2016-17	2017-18	2018-19	2019-20	Total
	\$m	\$m	\$m	\$m	\$m
<b>Expenses</b>					
NDIS transition	-	310	264	604	1,178
First Home Owner Grant - \$5,000 grant extension	8	33	6	1	48
First Home Owner Grant - demand revision	-1	5	5	5	14
Natural Disaster Relief	30	-	-	-	30
Western Australian Building and Construction Code Monitoring Unit	1	2	2	2	7
Qantas Hub infrastructure grant	-	3	3	3	8
Public Transport Authority fuel costs	1	2	1	-	3
RfR - Water for Food Water Innovation and Infrastructure Fund	-	14	29	27	69
PFPS provisions:					
Road Trauma Trust Account recurrent spending	-	23	24	24	71
Daily Average Prisoner population	4	21	14	8	46
WA Police workers' compensation	-	17	16	17	50
Essential and municipal services to remote Aboriginal communities	-	-	-	46	46
Hardship Utility Grant Scheme	5	-	8	8	20
Perth Children's Hospital delays	7	-	-	-	7
Non-government schools on-passed grants	9	10	10	10	40
National Specific Purpose Payment agreements	-3	-7	-11	-15	-36
Water Corporation exit from State Fleet arrangements	-9	-12	-12	-12	-45
Magnetite Financial Assistance Program	6	3	-	-	9
Superannuation interest cost	7	6	6	5	24
Other interest	-1	10	19	49	77
All other	4	29	21	-31	23
<b>TOTAL EXPENSES</b>	<b>68</b>	<b>467</b>	<b>404</b>	<b>751</b>	<b>1,690</b>
<b>TOTAL VARIANCE</b>	<b>360</b>	<b>36</b>	<b>-483</b>	<b>-1,056</b>	<b>-1,143</b>
<b>2016-17 PFPS - NET OPERATING BALANCE</b>	<b>-3,028</b>	<b>-1,498</b>	<b>-860</b>	<b>-535</b>	

## Revenue

Relative to the Mid-year Review, general government revenue in 2016-17 has been revised up by \$428 million to \$26.9 billion. Revenue growth in 2016-17 has been revised up from a forecast 0.1% at the time of the Mid-year Review to 1.7% in this PFPS. This rate of growth remains well below the average 4.7% annual growth recorded over the last decade, but is a turnaround from the annual declines in the preceding two years (see following chart). Across the four year forecast period, general government revenue is expected to increase by an average 4.3% per annum.

Figure 1



The revision to the revenue outlook for 2016-17 since the Mid-year Review mainly reflects:

- higher royalty income (up \$377 million), largely due to the impact of a higher iron ore price, partly offset by higher iron ore freight deductions and a slightly higher than anticipated \$US/\$A exchange rate;
  - the iron ore price has exceeded expectations since the Mid-year Review cut-off date. Positive market sentiment has been supported by the anticipation of continued accommodative macroeconomic policy from the Chinese Government. However, supply growth remains robust and Chinese iron ore port inventories are now at record levels, representing downside risks to the iron ore price and Western Australia’s royalty income;
  - the iron ore price forecasting methodology used in this PFPS is unchanged from the Mid-year Review. Higher price assumptions in the PFPS reflect increases in iron ore spot and derivative prices since the Mid-year Review cut-off date of 28 November 2016;
- lower taxation revenue (down \$43 million), reflecting a downward revision to payroll tax due to weaker than expected collections since the Mid-year Review, with payroll tax continuing to decline in the State’s construction and resource-related industries;
  - payroll tax is now forecast to decline by 6.7% in 2016-17, down from an expected decline of 5.5% in the Mid-year Review;
- lower Commonwealth grants (down \$37 million), including:
  - lower GST revenue (down \$41 million), reflecting the impact of lower population and GST pool growth forecasts from the Commonwealth’s 2016-17 *Mid-Year Economic and Fiscal Outlook* (MYEFO);

- higher North West Shelf grants and condensate compensation (up \$33 million), due to higher oil and gas prices since the Mid-year Review; and
- lower National Health Reform Agreement funding (down \$33 million), reflecting alignment with revised activity parameters in the Commonwealth’s MYEFO; and
- higher revenue from public corporations (up \$126 million), reflecting higher dividend revenue (up \$95 million) and income tax equivalent revenue (up \$31 million), mainly for the impact of higher than expected investment returns for the Insurance Commission of Western Australia<sup>1</sup>.

Across the outyears (2017-18 to 2019-20), general government revenue has been revised up a total of \$119 million since the Mid-year Review, reflecting the net impact of:

- higher royalty income (up \$701 million), reflecting the outyear impact of market prices for iron ore, freight deductions and exchange rate movements;
- lower GST revenue (down \$1.2 billion), mainly reflecting the lagged redistribution of the higher royalty income noted above, the impact of downward revisions to the Commonwealth’s estimates of population growth in Western Australia relative to other States, and a downward revision to the national GST pool in the Commonwealth’s MYEFO;
- a \$135 million reduction in payroll tax revenue, due to the flow-on impact of the weaker than expected collections in 2016-17 noted earlier;
- higher North West Shelf grants and condensate compensation (up \$56 million), due to higher oil and gas prices since the Mid-year Review;
- additional grants of \$665 million from the Commonwealth for the NDIS transition agreement, detailed in the feature box earlier in this chapter;
- lower National Health Reform Agreement funding (down \$87 million), reflecting alignment with revised activity parameters in the Commonwealth’s MYEFO; and
- higher revenue from public corporations (up \$43 million), mainly due to:
  - higher dividend payments from Western Power (up \$27 million), reflecting an increase in capital contributions from local governments following the Government’s January 2017 approval of Round 6 of the State Underground Power Program; and
  - higher dividend and tax equivalent payments from the Water Corporation (up \$11 million), flowing from a reduction to the Corporation’s lease costs as a result of transferring its motor vehicle fleet from State Fleet to a private fleet manager.

The downward revisions to Western Australia’s forecast GST grants noted above result in a projected GST ‘relativity’ for the State of 0.600 by 2019-20, down from 0.661 in the Mid-year Review (see following table).

---

<sup>1</sup> These impacts are not affected by performance of the Motor Vehicle (Catastrophic Injuries) Fund, for which no dividend arrangement applies.

<b>PROJECTED GST RELATIVITIES FOR WESTERN AUSTRALIA<sup>(a)(b)</sup></b>					
	2015-16	2016-17	2017-18	2018-19	2019-20
2016-17 Mid-year Review	0.300	0.303	0.388	0.561	0.661
2016-17 PFPS	0.300	0.303	0.380	0.531	0.600

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

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

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

## Expenses

General government expenses are forecast to total \$30 billion in 2016-17, \$68 million higher than anticipated in the Mid-year Review. Across the three outyears (2017-18 to 2019-20), expenses have been revised up by a total of \$1.6 billion since the Mid-year Review.

Significant changes to expenses since finalisation of the Mid-year Review include:

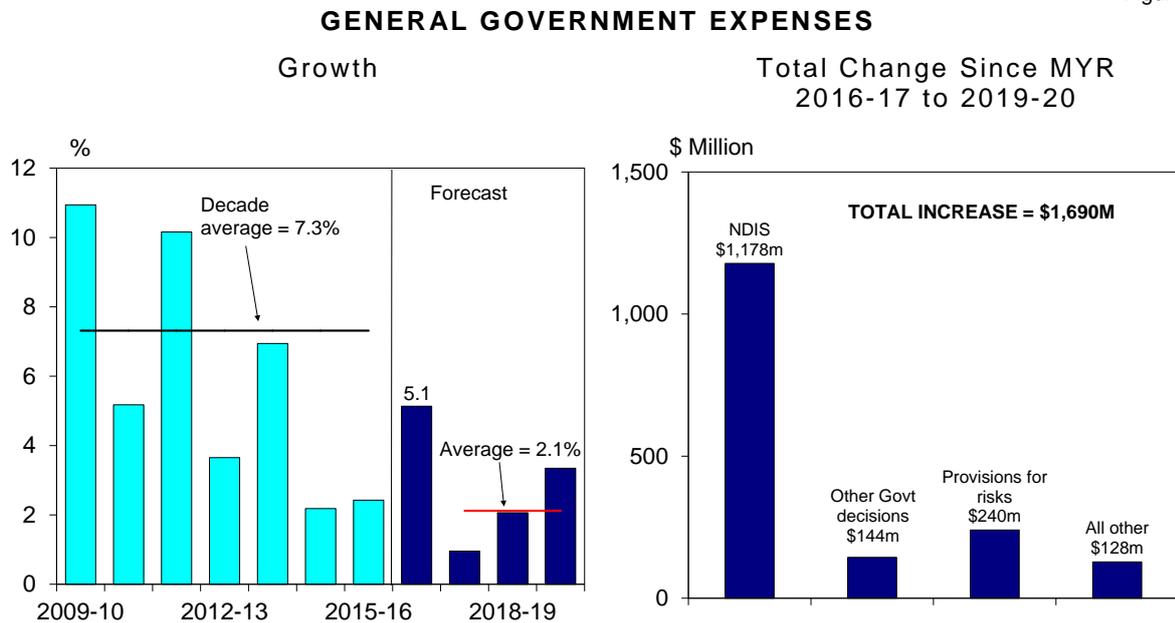
- Government decisions taken since the 28 November 2016 cut-off date for the Mid-year Review, including:
  - signing of an agreement with the Commonwealth for a three year transition to a Western Australian-operated NDIS commencing on 1 July 2017, resulting in additional recurrent spending of \$1,178 million over 2017-18 to 2019-20 (partly offset by additional Commonwealth funding of \$665 million);
  - \$69 million of spending across the three outyears on the Water for Food Water Innovation and Infrastructure Fund, funded by Royalties for Regions; and
  - additional First Home Owner Grant (FHOG) expenditure (\$7 million in 2016-17 and \$55 million in total from 2017-18 to 2019-20), reflecting an increase in grant payments from \$10,000 to \$15,000 for 12 months from 1 January 2017, and a demand-driven increase in grants expected to flow from the decision to change Keystart lending criteria;
- provisions made by Treasury for a number of risks identified in the Mid-year Review that are considered sufficiently certain and/or unavoidable under current policy settings to warrant inclusion in the PFPS forward estimates, namely:
  - recurrent Road Trauma Trust Account spending of \$71 million over 2017-18 to 2019-20 (and an additional \$165 million in capital spending);
  - expenditure of \$50 million over 2017-18 to 2019-20 related to proposed amendments to the *Workers' Compensation and Injury Management Act 1981* to include coverage for police officers (partly offset by the expected recoup of \$26 million from RiskCover, resulting in a net additional cost of \$24 million over the forward estimates period);

- an additional \$4 million in 2016-17 for costs associated with a higher than expected daily average prisoner population (DAPP) since the Mid-year Review was finalised, and a further \$42 million over 2017-18 to 2019-20 to fund the DAPP at around its current level;
- \$46 million in 2019-20 for continuation of recurrent essential and municipal services for remote Aboriginal communities;
- continuation of funding for the Hardship Utility Grant Scheme in 2018-19 and 2019-20 (\$15 million), with an additional \$5 million in 2016-17 as well to reflect a higher than anticipated number of grant applications in the year to date; and
- additional recurrent expenditure of \$7 million in 2016-17 (and a further \$7.5 million in capital expenditure) for further delays in the construction and commissioning of the Perth Children’s Hospital;
- spending changes following the release of the Commonwealth’s MYEFO, notably the net impact of:
  - higher grants on-passed to non-government schools (up \$9 million in 2016-17 and \$30 million across the three outyears); and
  - lower grants for National Specific Purpose Payment agreements (down \$3 million in 2016-17 and \$33 million over the three forward estimate years), including the disability, skills and workforce development, and affordable housing agreements; and
- other material parameter movements, including:
  - additional spending of \$30 million for Western Australia Natural Disaster Relief and Recovery Arrangements claims in 2016-17;
  - lower State Fleet expenses (down \$9 million in 2016-17 and \$36 million over the three outyears), reflecting a decision by the Minister for Water to transfer the Water Corporation’s motor vehicle fleet to a private fleet manager; and
  - higher interest costs (up \$77 million over the three outyears), mainly due to marginally higher interest rates and higher Consolidated Account borrowings.

Further detail on material changes in spending since the Mid-year Review is available in Appendix 3.

Expense growth is now estimated at 5.1% in 2016-17, broadly similar to the 4.9% expected at the time of the Mid-year Review. However, reflecting the increased spending associated with the NDIS transition arrangements, other Government decisions, and the provisions for crystallising risks outlined above, expense growth in the three outyears is now forecast to average 2.1% per annum (compared with 1.4% in the Mid-year Review).

Figure 2



**Balance Sheet**

The net worth<sup>2</sup> of the general government sector is forecast to marginally decline over the forward estimates period, from \$114.9 billion at 30 June 2016 to an estimated \$114.7 billion at 30 June 2020. This is an \$846 million deterioration from the Mid-year Review, and reflects the weaker general government sector operating outlook noted earlier. Relative to the Mid-year Review, forecast general government borrowings are up \$1.1 billion by 30 June 2020, while investments, loans and placements are down \$331 million.

<sup>2</sup> Net worth is the total value of assets owned by the general government sector (including the sector’s ownership interest in the net value of State public corporations) less the total value of the sector’s liabilities (including borrowings, unfunded superannuation liabilities, accounts payable, etc.).

Table 6

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	2016	2017	2018	2019	2020
	\$m	\$m	\$m	\$m	\$m
<b>2016-17 PFPS</b>					
Assets	147,566	149,918	154,074	158,769	162,542
Liabilities	32,700	37,250	41,670	45,556	47,821
<i>Net Worth</i>	114,866	112,667	112,404	113,213	114,720
<b>Net Debt</b>	<b>13,717</b>	<b>19,348</b>	<b>23,173</b>	<b>25,510</b>	<b>26,845</b>
<b>2016-17 MID-YEAR REVIEW</b>					
Assets	147,566	149,424	153,522	158,662	162,368
Liabilities	32,700	37,329	41,761	45,638	46,802
<i>Net Worth</i>	114,866	112,095	111,761	113,023	115,566
<b>Net Debt</b>	<b>13,717</b>	<b>19,496</b>	<b>23,355</b>	<b>25,199</b>	<b>25,431</b>
<b>VARIANCE</b>					
Assets	-	494	552	107	173
Liabilities	-	-78	-91	-82	1,019
<i>Net Worth</i>	-	572	643	190	-846
<b>Net Debt</b>	-	<b>-148</b>	<b>-182</b>	<b>311</b>	<b>1,414</b>

Note: Columns may not add due to rounding.

General government sector net debt is discussed later in this chapter.

## Cash Flow Statement

Cash deficits<sup>3</sup> are now forecast for the general government sector across the entire forward estimates period. The projected cash deficit for 2016-17 is now \$4 billion, an improvement of \$144 million on the deficit forecast at Mid-year Review time. This largely reflects the cash impact of the improved operating outcome for 2016-17 noted earlier.

A marginal improvement in the cash deficit of \$40 million is also expected for 2017-18. However, the outlook for 2018-19 and 2019-20 has deteriorated by a total of \$1.6 billion since the Mid-year Review, mainly attributable to the cash impact of the forecast reduction in GST grant revenue and the higher operating expenditure across the outyears, outlined earlier in this chapter.

<sup>3</sup> The cash surplus/deficit is the net result of operating receipts less operating payments, and receipts from the sale of used assets less payments for physical assets. A cash surplus is generally consistent with declining net debt, while a deficit will result in an increase in net debt.

## Total Public Sector

### Summary

Operating deficits for the total public sector are in prospect across each year of the forward estimates period. Primarily reflecting movements in the general government sector, the forecast operating deficit is projected to narrow in 2016-17, while deficits are expected to widen across the forward estimates period relative to the Mid-year Review.

Net debt for the total public sector is expected to increase from \$27.3 billion at 30 June 2016 to \$41.1 billion at 30 June 2020 (\$1.4 billion higher relative to Mid-year Review). Higher forecast net debt primarily reflects the deterioration in the general government cash position from 2018-19 to 2019-20 noted above.

### Operating Statement

An operating deficit of \$3.5 billion is projected in 2016-17 for the total public sector (down \$507 million on the \$4 billion Mid-year Review projection), followed by a marginal \$67 million narrowing in the projected deficit for 2017-18 (\$1,824 million). The operating outlook in the remaining two years of the forward estimates is weaker, including an operating deficit of \$746 million for 2019-20, a turnaround from the \$294 million operating surplus forecast in the Mid-year Review.

These forecasts are primarily due to the change in the general government sector operating outlook discussed earlier. The public corporations sectors are projected to achieve operating surplus outcomes in each year of the forward estimates period.

### Public Non-Financial Corporations

Relative to the Mid-year Review, the operating outlook for the public non-financial corporations sector remains largely unchanged in 2016-17, with a \$352 million operating surplus in prospect. Slightly stronger surplus outcomes are projected for 2017-18 to 2019-20.

Key revisions since the Mid-year Review include:

- a forecast \$57 million increase to Western Power's revenue from 2016-17 to 2019-20 due to local government capital contributions and general government recurrent funding for Round 6 of the State Underground Power Program approved by Cabinet in January 2017;
- lower revenue and expenses of approximately \$160 million respectively over the forward estimates period, reflecting the wind-up of the Potato Marketing Corporation from 31 December 2016<sup>4</sup>; and
- the inclusion of a \$46 million provision in 2019-20 for the expected continuation of recurrent essential and municipal services for remote Aboriginal communities.

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<sup>4</sup> Approval of the wind-up of the Corporation was given by the Government in April 2016. The timing and required changes to the forward estimates were not finalised until December 2016, after the 28 November 2016 Mid-year Review cut-off date.

## Public Financial Corporations

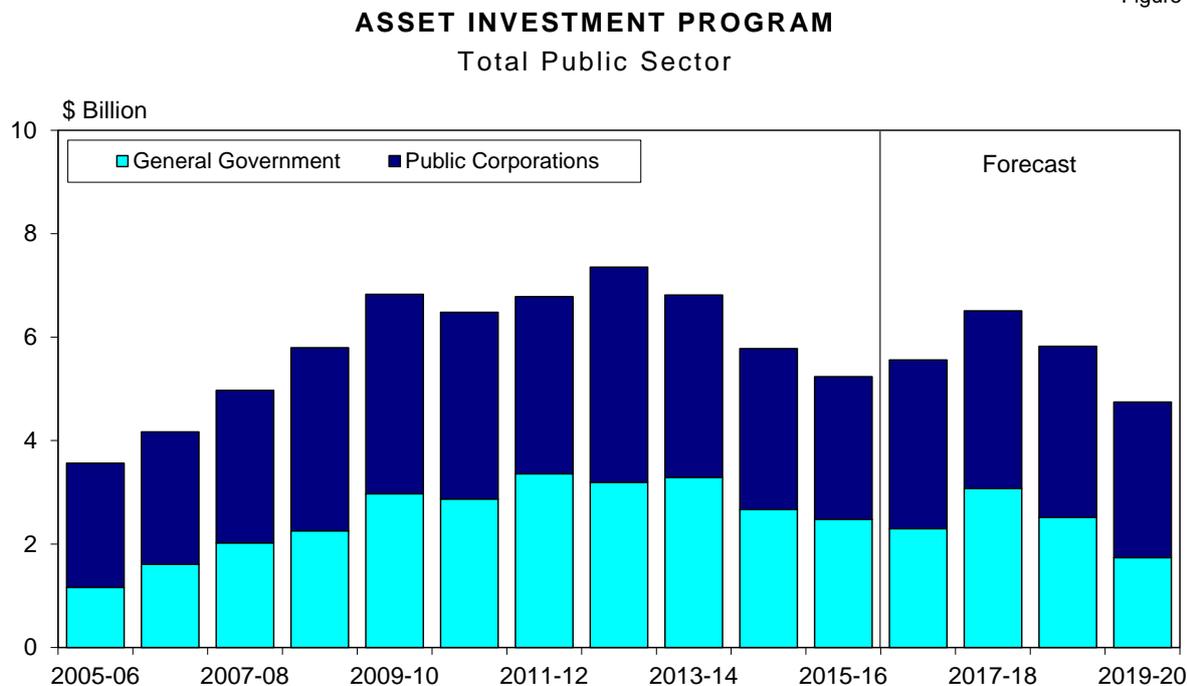
The public financial corporations sector is expected to record an operating surplus of \$415 million for 2016-17 (up \$241 million from the \$174 million operating surplus estimated at Mid-year Review), mainly reflecting better than expected performance for the Insurance Commission of Western Australia (ICWA) and RiskCover. Outyear operating surplus forecasts remain largely unchanged from the Mid-year Review (up around \$6 million per annum). These revisions largely reflect:

- higher revenue (\$136 million) and lower expenses (\$67 million) for ICWA in 2016-17, primarily due to:
  - higher than expected investment returns; and
  - lower claims expenses (down \$91 million) arising from a downward revision to the actuary's assessment of future claims liabilities, partly offset by an increase in tax equivalent expenses associated with the Commission's higher than expected profit in 2016-17;
- the impact of fewer insurance claims on RiskCover expenses (down \$38 million in 2016-17); and
- revisions to Keystart's operating outlook, reflecting:
  - changes to lending criteria approved by Cabinet in December 2016, which are forecast to increase both revenue (\$57 million) and expenses (\$31 million) due to an expected increase in customer demand; and
  - lower revenue (down \$69 million) and expenses (down \$39 million) resulting from the continued downturn in the broader housing market, reducing previous loan forecasts over the period to 2019-20.

### Asset Investment Program

The State’s Asset Investment Program (AIP) is estimated at \$5.6 billion in 2016-17 and a total of \$22.6 billion over the four years to 2019-20, up \$296 million since the Mid-year Review.

Figure 3

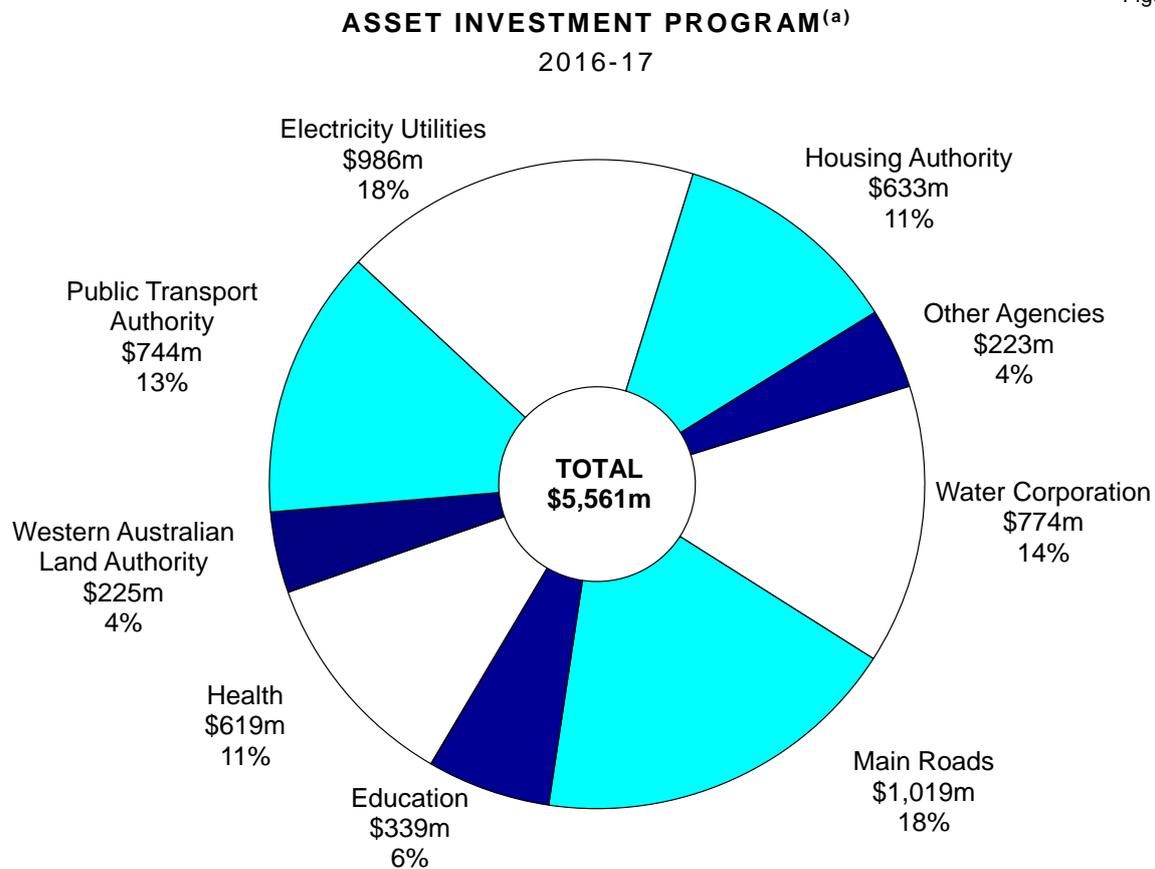


The general government sector AIP is estimated at \$2.3 billion in 2016-17 and a total of \$9.6 billion over the four years to 2019-20. This is a \$232 million increase relative to the Mid-year Review and is largely attributable to:

- the inclusion of a provision for future capital investment to be funded by the Road Trauma Trust Account (\$165 million over the three years 2017-18 to 2019-20);
- a December 2016 Cabinet decision to fund more early childhood education facilities in 2018, an additional primary school, and an increase in the capacity of three of the new primary schools to be delivered in 2019, at a cost of \$36 million over the period 2016-17 to 2018-19; and
- a \$20 million provision in 2017-18 for a new information and communication technology system to support the State-operated NDIS.

The public corporations sector AIP is estimated at \$3.3 billion in 2016-17 and a total of \$13 billion over the four years to 2019-20. This is a \$91 million increase since Mid-year Review and is largely attributable to an additional \$74 million in spending for Round 6 of the State Underground Power Program approved by Cabinet in January 2017.

Figure 4



(a) Segments may not add due to rounding.

Further detail on material changes in AIP spending since the Mid-year Review is available in Appendix 3.

## Balance Sheet

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

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

## Cash Flow Statement

A cash deficit of \$5.3 billion is forecast for the total public sector in 2016-17, a \$142 million improvement relative to the 2016-17 Mid-year Review. This mainly reflects a \$160 million improvement in net cash from operating activities, largely due to the improved general government sector operating outcome outlined earlier in this chapter.

The cash deficit for 2017-18 (\$3.5 billion) is broadly unchanged from Mid-year Review. However, the outlook for 2018-19 and 2019-20 has deteriorated by a total of \$1.6 billion, again mainly attributable to the cash impact of the revised operating outlook for the general government sector.

## Net Debt

Total public sector net debt is forecast to increase from \$27.3 billion at 30 June 2016 to \$41.1 billion at 30 June 2020, \$1.4 billion higher than forecast in the Mid-year Review. The higher net debt outlook reflects:

- a \$1.1 billion deterioration in the operating cash position of the total public sector, largely reflecting the weaker operating outlook for the general government sector; and
- a \$296 million increase in infrastructure spending (discussed in detail in Appendix 3).

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

<b>NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE</b>					Table 7
	2017 \$ m	2018 \$ m	2019 \$ m	2020 \$ m	
<b>2016-17 Mid-year Review - Total Public Sector Net Debt</b>	<b>33,389</b>	<b>37,576</b>	<b>39,671</b>	<b>39,709</b>	
<i>Less change in net cash flows from operating activities and dividends paid</i>					
- general government	159.5	139.6	-434.5	-1,038.2	
- public non-financial corporations	-1.9	27.1	22.4	5.9	
- public financial corporations	2.6	8.8	6.0	7.1	
<i>Total public sector</i>	<i>160.2</i>	<i>175.5</i>	<i>-406.1</i>	<i>-1,025.3</i>	
<i>Plus purchases of non-financial assets</i> <sup>(a)</sup>					
New primary schools	9.2	25.2	1.8	-	
State Underground Power Program	-	17.1	38.8	17.7	
Treasury Provisions:					
Road Trauma Trust Account spending	-	53.5	55.7	56.2	
Transition to National Disability Insurance Scheme	-	20.0	-	-	
Perth Children's Hospital Information and Communication Technology	7.5	-	-	-	
All other <sup>(b)</sup>	-3.7	21.2	-16.1	-8.2	
<i>Total purchase of non-financial assets</i>	<i>13.0</i>	<i>136.9</i>	<i>80.2</i>	<i>65.7</i>	
<i>Less proceeds from sale of non-financial assets</i>	<i>-5.0</i>	<i>5.6</i>	<i>-5.5</i>	<i>-7.0</i>	
<i>Plus all other financing</i>	<i>-0.8</i>	<i>2.3</i>	<i>-0.7</i>	<i>-0.2</i>	
<i>Cumulative impact on net debt at 30 June</i>	<i>-143.0</i>	<i>-184.9</i>	<i>306.1</i>	<i>1,403.9</i>	
<b>2016-17 PFPS - Total Public Sector Net Debt</b>	<b>33,246</b>	<b>37,391</b>	<b>39,977</b>	<b>41,113</b>	

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

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

## The Debt Challenge

Total public sector net debt is the most commonly used measure of debt levels in Western Australia.

- The ‘total public sector’ comprises both the general government sector (agencies like the Departments of Health and Education and the Western Australia Police, whose operations are predominantly funded by tax, royalty and other central revenue collections) and public corporations (like Western Power, the Water Corporation and the port authorities, whose operations are predominantly funded by user charges).
- ‘Net debt’ equals gross borrowings and other debt liabilities (like finance leases), less liquid financial assets (like cash holdings and other liquid investments).

At 30 June 2017, total public sector net debt in Western Australia is estimated to reach \$33.2 billion. This reflects gross debt liabilities (predominantly borrowings) of \$52.8 billion, partially offset by liquid financial assets of \$19.5 billion.

In comparison with other States, Western Australia’s debt levels are high, and are forecast to continue growing. In 2016-17, Western Australia’s:

- ratio of net debt to revenue for the total non-financial public sector (a sub-set of the total public sector and a key focus of credit rating agency assessments) is estimated to be 82.3%. This is the highest of all States, with the equivalent ratio in other States ranging from a low of 27.1% in Tasmania to a high of 70.2% in South Australia; and
- net debt as a share of the economy is estimated to be 14.4%<sup>5</sup>. Again, this is the highest of all States, with the equivalent ratio ranging from 4.3% in New South Wales to 13% in South Australia.

These outcomes are primarily the result of higher levels of per capita infrastructure spending and public sector wages in Western Australia compared to other States, as well as the decline in general government revenue in Western Australia since 2013-14 (which has necessitated additional borrowings).

Some level of debt to fund long-lived infrastructure assets is appropriate in order to spread the up-front cost of such assets over generations of users who will benefit from those assets, especially where the infrastructure in question earns direct returns through user charges.

However, the overall quantum – and trajectory – of the State’s debt levels is of concern. Also of concern is the increasing proportion of this debt held by the (non-income producing) general government sector. At 30 June 2017, general government sector net debt is estimated to be \$19.3 billion, or around 58% of total public sector net debt. This is a substantially higher proportion than previous years (indeed, the general government sector was in a net asset position at 30 June 2010, meaning that liquid financial assets exceeded gross debt liabilities at that time).

<sup>5</sup> Total non-financial public sector net debt as a share of Gross State Product.

General government sector debt is predominantly serviced by tax, royalty and other central revenue collections. This means that as general government sector debt levels increase, a greater proportion of central revenue available to fund service delivery is instead being consumed by interest costs on that debt.

Interest costs on general government sector debt totalled \$664 million in 2015-16, and are forecast to rise to \$1,179 million by 2019-20 (an increase of \$515 million). General government sector interest costs are the:

- second fastest growing area of recurrent expenditure in absolute dollar terms, behind only Health; and
- fastest growing area of recurrent expenditure in percentage growth terms, with average growth of 15.4% per annum forecast over the period to 2019-20.

It is also important to note that the cost of servicing debt is a long-term proposition, particularly in the current environment where the general government sector is not forecast to pay down any debt in the foreseeable future.

Reflecting the above challenges, the credit rating agencies have lowered Western Australia's credit rating in recent years, to AA+ (with a negative outlook) by Standard & Poor's and to Aa2 (with a stable outlook) by Moody's. By international standards, these are still very high credit ratings. However, they are now at the bottom end of credit ratings for the Australian States, being the equal lowest (with Tasmania and the Northern Territory) for Moody's, and the second lowest for Standard & Poor's (with only South Australia rated lower).

The reduced credit ratings for Western Australia, combined with the size of this State's borrowing requirement relative to other States, have seen the yields on Western Australia's bonds increase relative to other States. This has resulted in Western Australia paying more for its debt than any other State.

Against this background, it is clear that:

- Western Australia is facing a significant debt challenge; and
- the incoming Government will need a clear and robust plan for addressing this challenge.

## Implications for the Government's Financial Targets

Section 15(2)(c) of the *Government Financial Responsibility Act 2000* requires that the PFPS explain the implications of the financial projections for meeting the financial targets set out in the Government Financial Strategy Statement<sup>6</sup>.

The financial targets detailed in the Government Financial Strategy Statement in the 2016-17 Budget are to:

- ensure that general government sector expense growth does not exceed revenue growth;
- maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend per year;
- maintain the total non-financial public sector (TNPS) net debt to revenue ratio at or below 55%;
- maintain a cash operating surplus for the TNPS of at least 5% of operating cash receipts; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

The following table shows that, based on the revised financial projections detailed in this PFPS, compliance with the financial targets is unchanged (relative to the Mid-year Review) for 2016-17 to 2018-19, but has deteriorated for 2019-20.

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<sup>6</sup> Consistent with the same Act, the Government Financial Strategy Statement is released once a year by the Treasurer (detailed in the 2016-17 Budget Paper No. 3: *Economic and Fiscal Outlook*, pages 53-59) and includes a range of medium-term financial targets.

Table 8

<b>2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT FINANCIAL TARGET COMPLIANCE</b>					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Forecast	Forecast	Forecast	Forecast
Ensure expense growth does not exceed revenue growth					
- Current estimate (revenue growth minus expense growth)	-5.8	-3.4	5.8	2.3	1.2
- <b>2016-17 PFPS compliance</b>	<b>No</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
- 2016-17 Mid-year Review compliance	No	No	Yes	Yes	Yes
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend					
- Current estimate	-52.2	-84.4	-0.7	19.0	44.1
- <b>2016-17 PFPS compliance</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
- 2016-17 Mid-year Review compliance	No	No	No	No	Yes
Maintain TNPS net debt at or below 55% of revenue					
- Current estimate	69.8	82.3	90.2	91.9	90.9
- <b>2016-17 PFPS compliance</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
- 2016-17 Mid-year Review compliance	No	No	No	No	No
Maintain a TNPS cash operating surplus of at least 5% of receipts					
- Current estimate	-	-1.8	3.3	4.0	4.4
- <b>2016-17 PFPS compliance</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
- 2016-17 Mid-year Review compliance	No	No	No	No	Yes
Maintain the State's tax competitiveness					
- <b>2016-17 PFPS compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
- 2016-17 Mid-year Review compliance	Yes	Yes	Yes	Yes	Yes

The PFPS projections are consistent with only two of the five financial targets forecast to be met in any forward estimate year. In this regard:

- the target to maintain the State's tax competitiveness is forecast to continue to be met in each year of the forward estimates; and
- the target to ensure that general government sector expense growth does not exceed revenue growth is forecast to be met from 2017-18.

Of particular note, the TNPS net debt to revenue ratio is forecast to remain well above the 55% target limit across the entire forward estimates period. By way of illustration, an \$18 billion reduction in net debt by 30 June 2020 would be required to meet this target.

## Statement of Risks

### Changes since the 2016-17 Mid-Year Review

The majority of the risk items outlined in the 2016-17 Mid-year Review<sup>7</sup> remain valid. Where there has been no change to these risk items, they are not repeated here. The discussion below highlights changes to the Statement of Risks relative to the Mid-year Review.

### Government Decisions

The Mid-year Review highlighted some Government decisions that were taken after the 28 November 2016 cut-off date and, therefore, were not included in the forward estimates at that time.

These decisions, including the State's contribution for the construction of facilities at Perth Airport to support expanded long-haul international flights, and funding to establish a unit within the Department of Commerce to monitor and enforce the Western Australian Building and Construction Industry Code of Conduct, are now reflected in the PFPS forward estimates. In addition:

- *National Disability Insurance Scheme* – on 31 January 2017, the Western Australian and Commonwealth Governments signed the *Bilateral Agreement between the Commonwealth and Western Australia – Transition to a National Disability Insurance Scheme in Western Australia*. The costs associated with this agreement, which provides for a three year transition to a Western Australian-operated NDIS, are now reflected in the forward estimates (see feature box earlier in this chapter); and
- *Perth Freight Link* – the Government recently announced it had finalised its route selection (involving a tunnel) for the Perth Freight Link Section 2. However, there is no additional impact to the State's finances as a result of this announcement, as the funding for Section 2 incorporated in the 2016-17 Budget was already predicated on this route. The long-term implications of this project for access to the inner harbour are not clear at this stage, but in any event are well beyond the current forward estimates period.

### Provisions for Risks with a High Degree of Certainty

A number of risk items identified in the Mid-year Review are considered to be sufficiently certain and/or unavoidable under current policy settings to warrant inclusion in the PFPS forward estimates (information on the projected costs of these items is provided in Appendix 3). Provisions for the following issues are included in the PFPS forward estimates:

- further delays to the completion and commissioning of the Perth Children's Hospital;
- the proposed introduction of workers' compensation coverage for police officers;
- a higher than previously forecast prisoner population; and
- continuation of funding across the entire forward estimates period for the Road Trauma Trust Account program, the Hardship Utility Grant program, and essential and municipal services for remote Aboriginal communities.

<sup>7</sup> See 2016-17 Government Mid-year Financial Projections Statement, Chapter 1: Financial Projections (pages 32-42).

### **Additional Risk Disclosure – Urban Rail Network Investment**

The PFPS estimates do not include any allowance for the purchase of additional rolling stock to facilitate increasing the frequency of rail services or further urban rail network expansions, beyond those required for the Forrestfield-Airport Link. Further purchases of the current rolling stock design are unlikely to be optimal to cater for network expansion and meet forecast demand under long-term transport planning. The procurement of a new rolling stock design will therefore be necessary. The costs incurred under a new contract will be affected by factors such as the design chosen, the order size and the delivery schedule.

In addition, the PFPS estimates do not include upgrades of the urban rail network signalling system. The existing signalling system is a limitation on further increases to rail line capacity (in terms of the frequency of trains that can be operated). Elements of the system are also nearing obsolescence. Investment in a modern Automatic Train Control system will be required at some stage to increase service frequencies to meet the demand forecasts under long-term transport planning. The timing of this investment will be affected by future Government decisions regarding network expansion and rolling stock procurement.

### **Changes in Other Risks and Sensitivities**

A range of assumptions underlie the State's financial projections and these are subject to continual change due to shifts in economic conditions, decisions by external parties (such as the Commonwealth) and other factors. Key changes since the Mid-year Review include:

- *GST Grants* – the Commonwealth released its 2016-17 MYEFO after the 28 November 2016 cut-off date for the Mid-year Review, with revised estimates for the GST grant pool and States' populations. These revisions have significantly reduced Western Australia's GST grant estimates over the period to 2019-20, as discussed earlier in this chapter. Accordingly, the downside risk on the population estimates for GST purposes as reported in the Mid-year Review has now largely materialised in this PFPS;
- *Expiring National Partnership Agreements* – there have been changes in the expected funding for some National Partnership (NP) agreements, as reflected earlier in this chapter and in the more detailed disclosures in Appendices 2 and 3. In addition to the new NDIS transitional agreement noted earlier, a number of changes to NPs follow from the Commonwealth's MYEFO. Given the uncertainty about expiring NPs, in most cases it is assumed there is no continued funding (either Commonwealth or State) past an NP's expiry date, and that the additional or enhanced services generated by the NP will cease;
- *Custodial Estate Capacity* – as noted in the Mid-year Review, the Department of Corrective Services is developing and implementing short to medium-term strategies to manage current growth in the prison population. In addition to these strategies, the PFPS estimates include a provision for business case planning for medium and longer-term expansion of the custodial estate. It is expected that an investment decision will be required in the next year or so to address expansion of the custodial estate to accommodate prisoner growth in the longer term;

- in addition to the existing contingent liability associated with the State's *Home Indemnity Insurance* (HII) arrangements (detailed in the *2015-16 Annual Report on State Finances*), the appointment of an administrator to the Builton Group in January 2017 gives rise to a potentially earlier than expected stream of payments under the HII arrangements. The magnitude of the impact of this event is still to be determined with any certainty but is not expected to exceed \$9 million in total over the next twelve months;
- the revenue sensitivities outlined in the Mid-year Review have been revised, as shown in the following table; and

Table 9

**APPROXIMATE PARAMETER SENSITIVITY OF THE REVENUE ESTIMATES**  
2016-17

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±80	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	±76	For each \$US1 per tonne increase/decrease in the price of iron ore
Petroleum royalties and North West Shelf grants	±10	For each \$US1 increase/decrease in the price of a barrel of oil
Payroll tax	±33	For each 1% increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Underlying transfer duty		
- Prices	±13	For each 1% increase/decrease in average property prices
- Transactions	±9	For each 1% increase/decrease in transaction levels
GST grants	±89	For a \$100 million increase/decrease in iron ore royalty revenue (due to increased/decreased value of production), all else being equal, Western Australia will lose/gain an estimated \$89 million of GST grants in net present value terms (the loss/gain will occur in later years due to the time lags in the Commonwealth Grants Commission process)

- the table below provides an updated comparison of Consolidated Account interest rate outcomes under the 'most likely' and 'high' interest rate paths modelled by the Western Australian Treasury Corporation. As indicated, annual Consolidated Account interest expenses would be around \$213 million higher by 2019-20 under the 'high' scenario.

Table 10

**CONSOLIDATED ACCOUNT INTEREST RATE SCENARIOS**

	2016-17	2017-18	2018-19	2019-20
<b>Most Likely (%)</b>	<b>3.12</b>	<b>3.04</b>	<b>3.08</b>	<b>3.23</b>
<b>High (%)</b>	3.16	3.27	3.55	3.90
<i>Variance (%)</i>	<i>0.04</i>	<i>0.23</i>	<i>0.47</i>	<i>0.67</i>
<i>Variance (\$m)</i>	3	58	137	213

There are no other material changes to the remaining issues identified in the 2016-17 Mid-year Review Statement of Risks.



# The Western Australian Economy

## HIGHLIGHTS

- The outlook for the Western Australian economy remains broadly consistent with expectations outlined in the 2016-17 Mid-year Review, with the majority of economic forecasts remaining unchanged.
- However, following release of the September quarter National Accounts by the Australian Bureau of Statistics (ABS) on 7 December 2016, Gross State Product (GSP) growth in 2016-17 has been revised down from 1% in the Mid-year Review to 0.5%. This is mainly due to weaker than expected business investment, which declined by a large 12.4% in the September quarter 2016.
- On the other hand, stronger than anticipated growth in consumer spending (which increased by 0.7% in the September quarter) has translated into a small upward revision to forecast GSP growth in 2017-18, from 2.25% in the Mid-year Review to 2.5%.
- Consistent with the Mid-year Review, GSP growth is projected to lift to 3.25% in 2018-19 and 3% in 2019-20 as business investment stabilises and consumer spending continues to strengthen on the back of a gradual recovery in population and wages growth. However, these rates of growth remain well below long-run average GSP growth of 4.7% per annum.
- Soft conditions in Western Australia's labour and housing markets remain consistent with forecasts of weak tax revenue in 2016-17.

## Economic Outlook

As outlined in the 2016-17 Mid-year Review, the State's economy is expected to grow at below-trend rates over the forecast period, as it continues to transition from mining construction-led growth to a period of more modest growth driven by net exports.

The near term outlook for economic growth has softened since the Mid-year Review, with GSP growth in 2016-17 revised down from 1% to 0.5%. This primarily reflects a larger than expected contraction in the State's domestic economy, as published in the September quarter National Accounts, released by the ABS after the Mid-year Review cut-off date (28 November 2016).

The larger than anticipated fall in State Final Demand (SFD) was mainly due to a 12.4% decrease in business investment in the September quarter 2016 and a larger than expected decline in dwelling investment, which have resulted in downward revisions to both of these parameters in 2016-17 (see Table 1).

Table 1

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

	2015-16 Actual	2016-17 Mid-year Review	2016-17 PFPS Revision	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate
<b>Demand and Output <sup>(a)</sup></b>						
Household Consumption	1.5	1.25	1.75	2.0	2.5	3.0
Dwelling Investment	2.4	-9.25	-10.25	1.5	3.25	3.25
Business Investment	-16.7	-28.25	-32.5	-17.0	2.0	6.5
Government Consumption	2.8	4.5	4.5	1.75	3.75	2.75
Government Investment	-3.4	7.5	7.5	8.0	-6.5	-2.0
State Final Demand	-3.9	-6.0	-6.75	-1.25	2.25	3.5
Merchandise Exports	6.1	8.0	8.0	6.5	4.5	2.5
Merchandise Imports	-11.1	-10.75	-12.25	-4.5	1.5	3.0
Net Exports <sup>(b)</sup>	18.1	18.5	19.25	10.5	5.5	2.5
Gross State Product <sup>(c)</sup>	1.9	1.0	0.5	2.5	3.25	3.0
<b>Labour market</b>						
Employment	0.2	-1.5	-1.5	0.25	1.5	2.25
Unemployment Rate <sup>(d)</sup>	6.0	6.5	6.5	6.5	6.25	6.0
Participation Rate <sup>(d)</sup>	68.3	66.8	66.8	66.2	66.0	66.2
<b>Population</b>						
Population	1.2	1.2	1.2	1.3	1.6	1.8
Working Age Population (15-64)	0.6	0.4	0.4	0.6	1.0	1.3
<b>Prices</b>						
Consumer Price Index	1.0	1.0	1.0	1.75	2.25	2.5
Wage Price Index	1.9	1.5	1.5	1.75	2.5	3.0
SFD Deflator	1.2	1.1	1.1	1.7	2.3	2.6
GSP Deflator	-6.1	3.8	5.5	-	1.0	2.2
Median House Price	-2.9	-0.5	-0.5	1.3	2.7	1.0
<b>Other key parameters <sup>(d)</sup></b>						
Exchange Rate \$US/\$A (cents)	72.8	74.8	75.3	75.1	74.7	74.3
Iron Ore Price (\$US/t) cost and freight inclusive (CFR)	50.9	64.3	70.3	66.0	63.6	63.7
Crude Oil Price (\$US/barrel)	43.4	48.3	51.7	56.9	56.5	56.3

(a) Based on 2015-16 annual State Accounts data, updated with the latest State Final Demand data for the September quarter 2016.

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

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

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

Business investment is now forecast to fall by 32.5% in 2016-17 (down from -28.25% previously), consistent with a faster than expected fall in investment over the year to date as well as a downward revision to capital expenditure expectations for the mining industry in the September quarter 2016<sup>1</sup>.

Dwelling investment is now forecast to decline by 10.25% in 2016-17 (down from -9.25% previously), mainly due to a larger than expected contraction in new dwelling construction in the September quarter 2016.

<sup>1</sup> These are national data, but Western Australia accounts for the majority of national private new capital expenditure on mining (e.g. 65.9% in 2015-16).

The soft business and dwelling investment results in the September quarter were partially offset by a stronger than expected rise in household consumption, indicating that consumer spending has not slowed as rapidly as anticipated. This is consistent with a modest lift in consumer confidence in the September quarter 2016. As a result, growth in household consumption has been revised up to 1.75% in 2016-17, and to 2% in 2017-18. Nonetheless, these rates of growth remain well below long-run average growth in household consumption of 4% per annum.

The stronger outlook for consumption has resulted in a small upward revision to forecast GSP growth in 2017-18, to 2.5%. Again, however, this remains well below long-run average GSP growth of 4.7% per annum.

The outlook for merchandise imports is for a slightly larger than expected decline in 2016-17, consistent with the revised outlook for business investment. This has translated into a modest upward revision to forecast growth in net exports in 2016-17, from 18.5% to 19.25%. Merchandise exports have been tracking largely as anticipated, with strong growth expected over the next few years as LNG production ramps up.

While there has been continued volatility in labour market data in recent months, conditions remain in line with expectations outlined in the Mid-year Review. Employment is expected to fall modestly over the remainder of the current financial year, while the State's participation rate is forecast to continue to trend down, containing the unemployment rate to an average of 6.5% over 2016-17.

The 0.4% increase in Perth's Consumer Price Index in the December quarter 2016 indicates that inflation is tracking in line with the Mid-year Review forecast of 1% in 2016-17.

The outlook for global growth remains largely consistent with expectations at Mid-year Review. The International Monetary Fund (IMF) published an update to its October Economic Outlook in January 2017. Global growth forecasts were unchanged. There were some upward revisions to growth in advanced economies, in particular the US, but these were offset by downward revisions to emerging market and developing countries, including India, Indonesia and Thailand. The IMF's economic growth forecast for China in 2017 was revised up from 6.2% to 6.5%, reflecting the impact of policy stimulus. However, the IMF notes that these policies have increased the risk of a sharper slowdown or a disruptive adjustment over coming years.

## Risks

The timing and magnitude of the tapering in capital expenditure on the large LNG projects currently under construction in Western Australia remains the key risk to the domestic economic outlook. In particular, a sharper than expected fall in business investment could translate into weaker than anticipated economic growth.

The volatility of monthly labour force data makes forecasting labour market parameters challenging. Notwithstanding this, there is a risk that the unemployment rate may be higher than forecast, particularly if the participation rate does not fall in line with expectations.

Price pressure has remained very subdued since the Mid-year Review, highlighting a risk that weak domestic economic activity could flow through to lower than expected growth in Perth's Consumer Price Index in the near term.

Considerable uncertainty remains over the future direction of US Government policy following the inauguration of Donald Trump as the US President. Previous norms regarding US policy with respect to international trade and geopolitics may change under the current administration. In particular, any actions which limit the accessibility of the US market to our major trading partners, particularly China, would likely have a negative impact on the Western Australian economy.

# Detailed Financial Projections

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

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Table 1.1

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

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year	PFFS	Forward	Forward	Forward
		\$m	Review	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		9,069	8,536	8,494	8,715	9,076	9,456
Current grants and subsidies		7,407	7,844	7,820	8,911	10,241	11,410
Capital grants		895	413	399	1,018	662	406
Sales of goods and services		2,155	2,229	2,225	2,305	2,357	2,407
Interest income		192	182	182	170	176	187
Revenue from public corporations							
Dividends from other sector entities		1,415	1,034	1,129	1,117	1,193	1,200
Tax equivalent income		631	490	521	578	577	633
Royalty income		4,126	5,181	5,558	5,339	5,228	5,211
Other		594	604	612	604	510	469
<b>Total</b>	3	<b>26,485</b>	<b>26,513</b>	<b>26,941</b>	<b>28,757</b>	<b>30,020</b>	<b>31,378</b>
<b>EXPENSES</b>							
Salaries		11,383	11,972	11,973	11,934	12,180	12,425
Superannuation							
Concurrent costs		1,167	1,216	1,216	1,204	1,221	1,239
Superannuation interest cost		218	211	218	215	221	226
Other employee costs		370	369	364	369	375	379
Depreciation and amortisation		1,359	1,441	1,433	1,460	1,488	1,516
Services and contracts		2,195	2,410	2,442	2,365	2,404	2,479
Other gross operating expenses		5,518	5,664	5,645	5,977	6,184	6,656
Other interest		664	786	786	900	1,050	1,179
Current transfers	4	5,164	5,284	5,348	5,363	5,453	5,537
Capital transfers	4	469	548	545	468	305	277
<b>Total</b>	5	<b>28,506</b>	<b>29,901</b>	<b>29,969</b>	<b>30,255</b>	<b>30,880</b>	<b>31,913</b>
<b>NET OPERATING BALANCE</b>	6	<b>-2,021</b>	<b>-3,388</b>	<b>-3,028</b>	<b>-1,498</b>	<b>-860</b>	<b>-535</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-148	-27	-28	-5	4	41
Net actuarial gains - superannuation		-589	254	329	-129	-157	-170
Provision for doubtful debts		-54	-4	-4	-4	-4	-4
Changes in accounting policy/adjustment of prior periods		110	-	-	-	-	-
<b>Total other economic flows</b>		<b>-679</b>	<b>223</b>	<b>296</b>	<b>-138</b>	<b>-157</b>	<b>-133</b>
<b>OPERATING RESULT</b>		<b>-2,700</b>	<b>-3,165</b>	<b>-2,732</b>	<b>-1,636</b>	<b>-1,017</b>	<b>-667</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-2,549	126	124	966	1,266	1,310
Gains recognised directly in equity		8	-	-	-	-	-
Change in net worth of the public corporations sectors		-1,192	268	409	408	560	865
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>-3,733</b>	<b>394</b>	<b>533</b>	<b>1,373</b>	<b>1,825</b>	<b>2,175</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-6,433</b>	<b>-2,771</b>	<b>-2,199</b>	<b>-263</b>	<b>809</b>	<b>1,507</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-2,021</b>	<b>-3,388</b>	<b>-3,028</b>	<b>-1,498</b>	<b>-860</b>	<b>-535</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,475	2,259	2,296	3,077	2,518	1,737
Changes in inventories		15	1	3	-	-	-
Other movement in non-financial assets		15	247	247	469	79	86
<i>Less:</i>							
Sales of non-financial assets		102	180	202	174	156	128
Depreciation		1,359	1,441	1,433	1,460	1,488	1,516
<b>Total net acquisition of non-financial assets</b>		<b>1,043</b>	<b>885</b>	<b>911</b>	<b>1,913</b>	<b>954</b>	<b>179</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-3,064</b>	<b>-4,273</b>	<b>-3,939</b>	<b>-3,411</b>	<b>-1,814</b>	<b>-714</b>

Note: Columns may not add due to rounding.

Table 1.2

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	Note	2016	2017	2017	2018	2019	2020
		Actual	Mid-year Review	PFPS Revision	Forw ard Estimate	Forw ard Estimate	Forw ard Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		820	745	745	760	793	816
Advances paid		711	719	719	723	725	722
Investments, loans and placements		4,042	3,439	3,576	4,269	5,858	6,911
Receivables		2,921	2,830	3,029	2,824	2,791	2,803
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		47,654	47,922	48,063	48,471	49,030	49,895
Investments in other public sector entities - direct injections		8,180	8,940	8,937	9,233	9,517	9,794
Investments in other entities		48	44	44	46	56	71
Other financial assets		8	8	8	8	8	8
<b>Total financial assets</b>		<b>64,384</b>	<b>64,647</b>	<b>65,122</b>	<b>66,334</b>	<b>68,778</b>	<b>71,020</b>
<i>Non-financial assets</i>							
Land		38,551	38,688	38,688	39,097	39,653	40,583
Property, plant and equipment		43,256	44,509	44,526	47,501	49,229	49,930
Biological assets		4	4	2	2	2	2
<i>Inventories</i>							
Land inventories		113	112	112	120	120	119
Other inventories		84	85	87	87	87	87
Intangibles		650	656	656	639	603	525
Non-current assets held for sale		32	35	35	35	35	27
Investment property		8	8	8	8	8	8
Other		484	681	683	251	254	241
<b>Total non-financial assets</b>		<b>83,182</b>	<b>84,776</b>	<b>84,796</b>	<b>87,740</b>	<b>89,991</b>	<b>91,522</b>
<b>TOTAL ASSETS</b>		<b>147,566</b>	<b>149,424</b>	<b>149,918</b>	<b>154,074</b>	<b>158,769</b>	<b>162,542</b>
<b>LIABILITIES</b>							
Deposits held		518	554	555	386	244	285
Advances received		392	376	376	360	343	327
Borrowings		18,379	23,470	23,458	28,179	32,298	34,683
Unfunded superannuation		7,939	7,418	7,350	7,198	7,086	6,991
Other employee benefits		2,892	2,953	2,953	2,984	3,036	3,074
Payables		1,228	1,236	1,234	1,279	1,326	1,341
Other liabilities		1,352	1,322	1,324	1,285	1,223	1,121
<b>TOTAL LIABILITIES</b>		<b>32,700</b>	<b>37,329</b>	<b>37,250</b>	<b>41,670</b>	<b>45,556</b>	<b>47,821</b>
<b>NET ASSETS</b>		<b>114,866</b>	<b>112,095</b>	<b>112,667</b>	<b>112,404</b>	<b>113,213</b>	<b>114,720</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		8,460	8,540	8,973	7,336	6,316	5,644
Other reserves		106,406	103,555	103,694	105,068	106,897	109,077
<b>NET WORTH</b>	6	<b>114,866</b>	<b>112,095</b>	<b>112,667</b>	<b>112,404</b>	<b>113,213</b>	<b>114,720</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		31,684	27,319	27,871	24,664	23,222	23,198
<i>Net financial liabilities</i>		24,150	29,543	29,129	33,040	35,325	36,490
<i>Net debt</i>							
Gross debt liabilities		19,289	24,399	24,389	28,925	32,885	35,294
Less: liquid financial assets		5,572	4,903	5,040	5,752	7,375	8,449
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>13,717</b>	<b>19,496</b>	<b>19,348</b>	<b>23,173</b>	<b>25,510</b>	<b>26,845</b>

Note: Columns may not add due to rounding.

Table 1.3

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

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year	PFPS	Forw ard	Forw ard	Forw ard
		\$m	Review	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		9,130	8,552	8,509	8,729	9,091	9,470
Grants and subsidies received		8,310	8,240	8,190	9,928	10,915	11,820
Receipts from sales of goods and services		2,294	2,273	2,269	2,367	2,401	2,463
Interest receipts		187	173	174	163	169	180
Dividends and tax equivalents		2,087	1,647	1,745	1,696	1,774	1,831
Other receipts		5,922	6,836	7,062	7,398	6,985	6,898
<i>Total cash received</i>		<i>27,929</i>	<i>27,721</i>	<i>27,948</i>	<i>30,280</i>	<i>31,334</i>	<i>32,661</i>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-13,374	-13,611	-13,613	-13,611	-13,848	-14,123
Payments for goods and services		-8,083	-8,397	-8,406	-8,758	-9,005	-9,590
Interest paid		-631	-762	-761	-875	-1,015	-1,152
Grants and subsidies paid		-5,485	-5,645	-5,706	-5,719	-5,637	-5,688
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,648	-1,404	-1,402	-1,338	-1,349	-1,344
<i>Total cash paid</i>		<i>-29,221</i>	<i>-29,819</i>	<i>-29,887</i>	<i>-30,301</i>	<i>-30,855</i>	<i>-31,896</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-1,291</b>	<b>-2,098</b>	<b>-1,939</b>	<b>-21</b>	<b>479</b>	<b>765</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,475	-2,259	-2,296	-3,077	-2,518	-1,737
Sales of non-financial assets		102	180	202	174	156	128
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,373</i>	<i>-2,079</i>	<i>-2,094</i>	<i>-2,903</i>	<i>-2,362</i>	<i>-1,609</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		140	10	10	10	10	10
For liquidity purposes		101	78	78	43	15	44
<i>Cash paid</i>							
For policy purposes		-798	-970	-967	-362	-327	-349
For liquidity purposes		-136	-11	-11	-	-	-
<i>Total cash flows from investments in financial assets</i>		<i>-694</i>	<i>-893</i>	<i>-890</i>	<i>-309</i>	<i>-302</i>	<i>-295</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,067</b>	<b>-2,972</b>	<b>-2,984</b>	<b>-3,212</b>	<b>-2,664</b>	<b>-1,904</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		16	16	16	16	17	17
Borrowings		5,194	5,053	5,053	4,405	4,213	2,451
Deposits received		-	-	-	-	-	-
Other financing receipts		41	45	45	61	57	74
<i>Total cash receipts from financing activities</i>		<i>5,250</i>	<i>5,114</i>	<i>5,114</i>	<i>4,482</i>	<i>4,286</i>	<i>2,542</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-97	-168	-179	-79	-77	-78
Deposits paid		-	-	-	-	-	-
Other financing payments		-447	-441	-441	-260	-239	-265
<i>Total payments for financing activities</i>		<i>-560</i>	<i>-625</i>	<i>-636</i>	<i>-356</i>	<i>-333</i>	<i>-360</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>4,691</b>	<b>4,489</b>	<b>4,478</b>	<b>4,126</b>	<b>3,954</b>	<b>2,182</b>
<b>Net increase in cash and cash equivalents</b>		<b>333</b>	<b>-581</b>	<b>-445</b>	<b>893</b>	<b>1,769</b>	<b>1,043</b>
Cash and cash equivalents at the beginning of the year		4,440	4,773	4,773	4,327	5,221	6,990
Cash and cash equivalents at the end of the year		4,773	4,192	4,327	5,221	6,990	8,033
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-1,291	-2,098	-1,939	-21	479	765
Net cash flows from investing in non-financial assets		-2,373	-2,079	-2,094	-2,903	-2,362	-1,609
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-3,664</b>	<b>-4,177</b>	<b>-4,033</b>	<b>-2,924</b>	<b>-1,883</b>	<b>-844</b>

Note: Columns may not add due to rounding.

Table 1.4

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Operating Statement

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year	PFPS	Forw ard	Forw ard	Forw ard
		\$m	Review	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		2,212	2,140	2,145	2,073	1,966	1,894
Capital grants		200	216	211	189	34	9
Sales of goods and services		19,170	19,389	19,362	18,642	19,763	20,533
Interest income		159	122	122	115	142	151
Other		651	540	535	588	594	678
<i>Total</i>		<i>22,392</i>	<i>22,407</i>	<i>22,376</i>	<i>21,607</i>	<i>22,500</i>	<i>23,264</i>
<b>EXPENSES</b>							
Salaries		1,191	1,262	1,262	1,213	1,233	1,241
Superannuation							
Concurrent costs		123	128	128	122	124	124
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		51	43	43	44	44	44
Depreciation and amortisation		1,988	2,069	2,069	2,130	2,162	2,183
Services and contracts		981	885	885	769	672	632
Other gross operating expenses		14,689	15,200	15,168	14,165	14,920	15,493
Other interest		807	843	843	841	879	899
Tax equivalents		527	458	459	547	544	599
Current transfers		1,072	1,098	1,099	1,134	1,166	1,208
Capital transfers		70	67	67	-	7	13
<i>Total</i>		<i>21,500</i>	<i>22,055</i>	<i>22,024</i>	<i>20,964</i>	<i>21,750</i>	<i>22,435</i>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>892</b>	<b>352</b>	<b>352</b>	<b>643</b>	<b>750</b>	<b>829</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		21	104	99	149	211	272
Net actuarial gains - superannuation		-23	-	-	-	-	-
Provision for doubtful debts		-16	-21	-21	-21	-22	-23
Changes in accounting policy/adjustment of prior periods		-686	-	-	-	-	-
<i>Total other economic flows</i>		<i>-704</i>	<i>84</i>	<i>78</i>	<i>128</i>	<i>189</i>	<i>249</i>
<b>OPERATING RESULT</b>		<b>189</b>	<b>436</b>	<b>430</b>	<b>771</b>	<b>939</b>	<b>1,078</b>
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-1,520	715	715	622	663	838
Gains recognised directly in equity		1,655	50	50	-15	-5	-9
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>135</i>	<i>765</i>	<i>765</i>	<i>607</i>	<i>658</i>	<i>829</i>
<i>Movements in owner equity</i>							
Dividends		-1,273	-1,006	-1,005	-1,064	-1,136	-1,139
Capital injections		712	760	757	297	283	277
<i>Total movements in owner equity</i>		<i>-561</i>	<i>-245</i>	<i>-248</i>	<i>-768</i>	<i>-853</i>	<i>-863</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-237</b>	<b>956</b>	<b>947</b>	<b>610</b>	<b>744</b>	<b>1,045</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>892</b>	<b>352</b>	<b>352</b>	<b>643</b>	<b>750</b>	<b>829</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,877	3,281	3,284	3,425	3,300	3,000
Changes in inventories		1,009	210	210	169	192	128
Other movement in non-financial assets		156	116	116	191	192	269
<i>Less:</i>							
Sales of non-financial assets		718	712	712	890	860	962
Depreciation		1,988	2,069	2,069	2,130	2,162	2,183
<i>Total net acquisition of non-financial assets</i>		<i>1,335</i>	<i>825</i>	<i>828</i>	<i>766</i>	<i>662</i>	<i>252</i>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>-442</b>	<b>-473</b>	<b>-476</b>	<b>-123</b>	<b>88</b>	<b>577</b>

Note: Columns may not add due to rounding.

Table 1.5

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

	Note	2016	2017	2017	2018	2019	2020
		Actual	Mid-year Review	FFPS Revision	Forward Estimate	Forward Estimate	Forward Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,267	1,314	1,312	1,207	1,032	1,291
Advances paid		-	-	-	-	-	-
Investments, loans and placements		5,072	4,472	4,464	4,702	4,815	4,942
Receivables		1,137	1,443	1,441	1,617	1,896	2,004
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		24	21	21	23	24	26
Other financial assets		849	800	800	736	649	533
<i>Total financial assets</i>		<b>8,349</b>	<b>8,050</b>	<b>8,039</b>	<b>8,284</b>	<b>8,417</b>	<b>8,796</b>
<i>Non-financial assets</i>							
Land		14,682	14,682	14,682	14,829	15,125	15,579
Property, plant and equipment		54,064	55,087	55,084	56,151	57,070	57,866
Biological assets		330	331	331	334	334	336
Inventories							
Land inventories		2,059	2,082	2,082	2,113	2,074	2,063
Other inventories		4,417	4,627	4,627	4,796	4,988	5,116
Intangibles		439	426	426	404	390	384
Non-current assets held for sale		28	28	28	28	28	28
Investment property		65	65	65	65	65	65
Other		144	120	120	105	106	106
<i>Total non-financial assets</i>		<b>76,229</b>	<b>77,448</b>	<b>77,445</b>	<b>78,825</b>	<b>80,180</b>	<b>81,543</b>
<b>TOTAL ASSETS</b>		<b>84,579</b>	<b>85,498</b>	<b>85,484</b>	<b>87,109</b>	<b>88,597</b>	<b>90,339</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		392	376	376	360	343	327
Borrowings		22,716	22,651	22,649	23,389	23,896	24,440
Unfunded superannuation		120	78	78	27	-	-
Other employee benefits		442	423	423	426	430	433
Payables		5,197	5,309	5,305	5,499	5,728	5,903
Other liabilities		1,657	1,651	1,651	1,797	1,845	1,837
<b>TOTAL LIABILITIES</b>		<b>30,525</b>	<b>30,489</b>	<b>30,483</b>	<b>31,498</b>	<b>32,242</b>	<b>32,939</b>
<b>NET ASSETS</b>		<b>54,054</b>	<b>55,009</b>	<b>55,001</b>	<b>55,611</b>	<b>56,355</b>	<b>57,400</b>
<i>Of which:</i>							
Contributed equity		8,164	8,924	8,921	9,217	9,501	9,777
Accumulated surplus		19,344	19,640	19,638	19,324	19,112	19,037
Other reserves		26,546	26,445	26,442	27,070	27,742	28,586
<b>NET WORTH</b>	6	<b>54,054</b>	<b>55,009</b>	<b>55,001</b>	<b>55,611</b>	<b>56,355</b>	<b>57,400</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-76,229	-77,448	-77,445	-78,825	-80,180	-81,543
<i>Net debt</i>							
Gross debt liabilities		23,108	23,027	23,025	23,749	24,239	24,767
Less: liquid financial assets		6,339	5,786	5,777	5,908	5,847	6,233
Less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<b>16,769</b>	<b>17,241</b>	<b>17,248</b>	<b>17,841</b>	<b>18,392</b>	<b>18,534</b>

Note: Columns may not add due to rounding.

Table 1.6

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

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year	PFPS	Forw ard	Forw ard	Forw ard
		\$m	Review	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		2,498	2,319	2,320	2,265	2,003	1,908
Receipts from sales of goods and services		19,335	19,570	19,545	18,943	20,002	20,782
Interest receipts		148	131	131	117	144	151
Dividends and tax equivalents		69	117	117	65	69	58
Other receipts		1,416	900	895	1,001	1,005	1,053
<i>Total cash received</i>		<b>23,465</b>	<b>23,038</b>	<b>23,008</b>	<b>22,391</b>	<b>23,224</b>	<b>23,953</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,402	-1,469	-1,469	-1,403	-1,413	-1,429
Payments for goods and services		-14,316	-14,682	-14,654	-13,340	-13,973	-14,438
Interest paid		-836	-803	-803	-791	-830	-869
Grants and subsidies paid		-761	-795	-795	-819	-836	-862
Tax equivalents		-609	-507	-508	-545	-549	-598
Other payments		-2,991	-2,644	-2,643	-2,856	-2,967	-3,135
<i>Total cash paid</i>		<b>-20,915</b>	<b>-20,900</b>	<b>-20,872</b>	<b>-19,756</b>	<b>-20,569</b>	<b>-21,330</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,550</b>	<b>2,138</b>	<b>2,135</b>	<b>2,635</b>	<b>2,655</b>	<b>2,622</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,877	-3,281	-3,284	-3,425	-3,300	-3,000
Sales of non-financial assets		718	712	712	890	860	962
<i>Total cash flows from investments in non-financial assets</i>		<b>-2,159</b>	<b>-2,569</b>	<b>-2,572</b>	<b>-2,535</b>	<b>-2,440</b>	<b>-2,039</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		332	38	38	39	25	24
<i>Cash paid</i>							
For policy purposes		-3	-3	-3	-21	-17	-31
For liquidity purposes		-359	-72	-72	-33	-28	-12
<i>Total cash flows from investments in financial assets</i>		<b>-31</b>	<b>-37</b>	<b>-37</b>	<b>-15</b>	<b>-19</b>	<b>-19</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-2,190</b>	<b>-2,606</b>	<b>-2,608</b>	<b>-2,550</b>	<b>-2,459</b>	<b>-2,058</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		12,583	24,826	24,850	20,970	20,515	20,566
Deposits received		-	-	-	-	-	-
Other financing receipts		894	1,016	1,013	416	403	455
<i>Total cash received</i>		<b>13,477</b>	<b>25,842</b>	<b>25,863</b>	<b>21,385</b>	<b>20,918</b>	<b>21,022</b>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-12,283	-24,029	-24,036	-20,467	-20,102	-20,130
Deposits paid		-	-	-	-	-	-
Other financing payments		-45	-37	-37	-34	-34	-36
Dividends paid		-1,273	-1,006	-1,005	-1,064	-1,136	-1,138
<i>Total cash paid</i>		<b>-13,617</b>	<b>-25,087</b>	<b>-25,094</b>	<b>-21,581</b>	<b>-21,288</b>	<b>-21,321</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-140</b>	<b>755</b>	<b>769</b>	<b>-195</b>	<b>-369</b>	<b>-299</b>
<b>Net increase in cash and cash equivalents</b>		<b>221</b>	<b>287</b>	<b>296</b>	<b>-110</b>	<b>-173</b>	<b>266</b>
Cash and cash equivalents at the beginning of the year		1,560	1,781	1,781	2,076	1,966	1,793
Cash and cash equivalents at the end of the year		1,781	2,067	2,076	1,966	1,793	2,058
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,550	2,138	2,135	2,635	2,655	2,622
Net cash flows from investing in non-financial assets		-2,159	-2,569	-2,572	-2,535	-2,440	-2,039
Dividends paid		-1,273	-1,006	-1,005	-1,064	-1,136	-1,138
<b>Cash surplus/-deficit</b>	6	<b>-882</b>	<b>-1,437</b>	<b>-1,441</b>	<b>-964</b>	<b>-921</b>	<b>-555</b>

Note: Columns may not add due to rounding.

Table 1.7

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

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year	FFPS	Forward	Forward	Forward
		\$m	Review	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		8,564	8,034	7,992	8,195	8,535	8,891
Current grants and subsidies		7,407	7,844	7,820	8,911	10,241	11,410
Capital grants		895	413	399	1,018	662	406
Sales of goods and services		20,900	21,168	21,139	20,504	21,668	22,478
Interest income		325	269	269	258	294	313
Royalty income		4,126	5,181	5,558	5,339	5,228	5,211
Dividend and tax equivalents		334	133	258	158	171	166
Other		1,111	1,041	1,045	1,087	993	1,045
<b>Total</b>		<b>43,662</b>	<b>44,083</b>	<b>44,480</b>	<b>45,469</b>	<b>47,791</b>	<b>49,920</b>
<b>EXPENSES</b>							
Salaries		12,574	13,234	13,235	13,147	13,413	13,665
Superannuation							
Concurrent costs		1,291	1,344	1,344	1,326	1,345	1,363
Superannuation interest cost		218	211	218	215	221	226
Other employee costs		255	255	250	257	262	264
Depreciation and amortisation		3,348	3,510	3,502	3,589	3,649	3,699
Services and contracts		3,169	3,298	3,330	3,137	3,080	3,115
Other gross operating expenses		19,744	20,355	20,304	19,634	20,581	21,613
Other interest		1,446	1,594	1,594	1,714	1,905	2,054
Current transfers		3,683	3,923	3,982	4,091	4,304	4,485
Capital transfers		338	400	402	278	278	281
<b>Total</b>		<b>46,064</b>	<b>48,124</b>	<b>48,161</b>	<b>47,388</b>	<b>49,037</b>	<b>50,765</b>
<b>NET OPERATING BALANCE</b>	6	<b>-2,401</b>	<b>-4,041</b>	<b>-3,681</b>	<b>-1,919</b>	<b>-1,246</b>	<b>-845</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-127	77	71	144	215	313
Net actuarial gains - superannuation		-612	254	329	-129	-157	-170
Provision for doubtful debts		-69	-25	-25	-26	-26	-27
Changes in accounting policy/adjustment of prior periods		-602	-	-	-	-	-
<b>Total other economic flows</b>		<b>-1,410</b>	<b>307</b>	<b>374</b>	<b>-11</b>	<b>32</b>	<b>116</b>
<b>OPERATING RESULT</b>		<b>-3,811</b>	<b>-3,735</b>	<b>-3,307</b>	<b>-1,930</b>	<b>-1,214</b>	<b>-729</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-4,069	841	839	1,589	1,929	2,148
Gains recognised directly in equity		1,663	50	50	-16	-6	-9
Change in net worth of the PFC sector		-216	73	219	94	98	97
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>-2,622</b>	<b>963</b>	<b>1,107</b>	<b>1,667</b>	<b>2,022</b>	<b>2,236</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-6,433</b>	<b>-2,771</b>	<b>-2,199</b>	<b>-263</b>	<b>809</b>	<b>1,507</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-2,401</b>	<b>-4,041</b>	<b>-3,681</b>	<b>-1,919</b>	<b>-1,246</b>	<b>-845</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,232	5,541	5,554	6,502	5,818	4,738
Changes in inventories		1,024	211	213	169	193	128
Other movement in non-financial assets		171	363	363	660	271	354
<i>Less:</i>							
Sales of non-financial assets		701	893	888	1,063	1,015	1,090
Depreciation		3,348	3,510	3,502	3,589	3,649	3,699
<b>Total net acquisition of non-financial assets</b>		<b>2,378</b>	<b>1,710</b>	<b>1,739</b>	<b>2,679</b>	<b>1,617</b>	<b>431</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-4,779</b>	<b>-5,752</b>	<b>-5,420</b>	<b>-4,598</b>	<b>-2,862</b>	<b>-1,276</b>

Note: Columns may not add due to rounding.

Table 1.8

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

	Note	2016	2017	2017	2018	2019	2020
		Actual	Mid-year Review	PFPS Revision	Forward Estimate	Forward Estimate	Forward Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,599	1,541	1,538	1,617	1,616	1,858
Advances paid		319	343	343	363	381	395
Investments, loans and placements		9,111	7,908	8,037	8,968	10,670	11,850
Receivables		3,934	4,349	4,546	4,494	4,734	4,842
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		1,780	1,853	1,999	2,093	2,192	2,289
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		73	65	65	69	80	97
Other financial assets		8	8	8	8	8	8
<b>Total financial assets</b>		<b>16,823</b>	<b>16,067</b>	<b>16,536</b>	<b>17,611</b>	<b>19,681</b>	<b>21,339</b>
<i>Non-financial assets</i>							
Land		53,233	53,370	53,370	53,926	54,779	56,162
Property, plant and equipment		97,320	99,596	99,610	103,651	106,299	107,795
Biological assets		334	335	333	336	336	338
<i>Inventories</i>							
Land inventories		2,172	2,193	2,193	2,233	2,193	2,182
Other inventories		4,501	4,711	4,714	4,883	5,075	5,203
Intangibles		1,090	1,082	1,082	1,043	993	909
Non-current assets held for sale		60	63	63	63	63	56
Investment property		73	73	73	73	73	73
Other		629	801	803	356	360	347
<b>Total non-financial assets</b>		<b>159,412</b>	<b>162,224</b>	<b>162,241</b>	<b>166,565</b>	<b>170,171</b>	<b>173,065</b>
<b>TOTAL ASSETS</b>		<b>176,235</b>	<b>178,291</b>	<b>178,777</b>	<b>184,176</b>	<b>189,853</b>	<b>194,404</b>
<b>LIABILITIES</b>							
Deposits held		28	32	32	32	32	32
Advances received		392	376	376	360	343	327
Borrowings		41,095	46,120	46,107	51,568	56,194	59,123
Unfunded superannuation		8,059	7,496	7,429	7,225	7,086	6,991
Other employee benefits		3,335	3,376	3,376	3,409	3,466	3,508
Payables		6,303	6,623	6,617	6,833	7,103	7,281
Other liabilities		2,157	2,171	2,173	2,344	2,415	2,423
<b>TOTAL LIABILITIES</b>		<b>61,369</b>	<b>66,196</b>	<b>66,110</b>	<b>71,771</b>	<b>76,640</b>	<b>79,684</b>
<b>NET ASSETS</b>		<b>114,866</b>	<b>112,095</b>	<b>112,667</b>	<b>112,404</b>	<b>113,213</b>	<b>114,720</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		27,811	28,188	28,618	26,667	25,436	24,688
Other reserves		87,055	83,907	84,049	85,737	87,777	90,033
<b>NET WORTH</b>	6	<b>114,866</b>	<b>112,095</b>	<b>112,667</b>	<b>112,404</b>	<b>113,213</b>	<b>114,720</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		<i>-44,546</i>	<i>-50,129</i>	<i>-49,574</i>	<i>-54,160</i>	<i>-56,958</i>	<i>-58,345</i>
<i>Net financial liabilities</i>		<i>46,399</i>	<i>52,047</i>	<i>51,638</i>	<i>56,323</i>	<i>59,230</i>	<i>60,731</i>
<i>Net debt</i>							
Gross debt liabilities		41,515	46,529	46,515	51,960	56,569	59,482
Less: liquid financial assets		11,029	9,792	9,919	10,947	12,668	14,103
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>30,486</b>	<b>36,737</b>	<b>36,597</b>	<b>41,013</b>	<b>43,902</b>	<b>45,379</b>

Note: Columns may not add due to rounding.

Table 1.9

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

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year	PFPS	Forw ard	Forw ard	Forw ard
		\$m	Review	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		8,621	8,040	7,998	8,200	8,540	8,896
Grants and subsidies received		8,310	8,240	8,190	9,928	10,915	11,820
Receipts from sales of goods and services		21,204	21,390	21,362	20,865	21,949	22,783
Interest receipts		309	269	269	253	288	307
Dividends and tax equivalents		274	252	349	151	157	153
Other receipts		7,015	7,410	7,630	8,037	7,636	7,610
<i>Total cash received</i>		<i>45,733</i>	<i>45,601</i>	<i>45,798</i>	<i>47,435</i>	<i>49,486</i>	<i>51,567</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,776	-15,080	-15,082	-15,014	-15,261	-15,551
Payments for goods and services		-21,693	-22,325	-22,307	-21,319	-22,196	-23,250
Interest paid		-1,440	-1,530	-1,528	-1,640	-1,820	-1,996
Grants and subsidies paid		-3,711	-4,096	-4,157	-4,248	-4,445	-4,617
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,127	-3,535	-3,532	-3,664	-3,765	-3,903
<i>Total cash paid</i>		<i>-45,747</i>	<i>-46,567</i>	<i>-46,606</i>	<i>-45,884</i>	<i>-47,487</i>	<i>-49,318</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-14</b>	<b>-966</b>	<b>-808</b>	<b>1,550</b>	<b>1,999</b>	<b>2,249</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,232	-5,541	-5,554	-6,502	-5,818	-4,738
Sales of non-financial assets		701	893	888	1,063	1,015	1,090
<i>Total cash flows from investments in non-financial assets</i>		<i>-4,532</i>	<i>-4,648</i>	<i>-4,666</i>	<i>-5,439</i>	<i>-4,802</i>	<i>-3,648</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		140	10	10	10	10	10
For liquidity purposes		433	116	116	82	40	68
<i>Cash paid</i>							
For policy purposes		-16	-10	-10	-10	-10	-10
For liquidity purposes		-496	-83	-83	-33	-28	-12
<i>Total cash flows from investments in financial assets</i>		<i>61</i>	<i>33</i>	<i>33</i>	<i>49</i>	<i>12</i>	<i>56</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-4,471</b>	<b>-4,615</b>	<b>-4,632</b>	<b>-5,390</b>	<b>-4,790</b>	<b>-3,592</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrow ings		17,777	29,879	29,903	25,375	24,728	23,018
Deposits received		-	-	-	-	-	-
Other financing receipts		49	42	42	38	40	43
<i>Total cash received</i>		<i>17,825</i>	<i>29,922</i>	<i>29,945</i>	<i>25,413</i>	<i>24,768</i>	<i>23,061</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrow ings repaid		-12,380	-24,196	-24,215	-20,546	-20,179	-20,208
Deposits paid		-	-	-	-	-	-
Other financing payments		-391	-423	-423	-228	-186	-184
<i>Total cash paid</i>		<i>-12,787</i>	<i>-24,635</i>	<i>-24,654</i>	<i>-20,790</i>	<i>-20,381</i>	<i>-20,409</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>5,038</b>	<b>5,286</b>	<b>5,291</b>	<b>4,623</b>	<b>4,387</b>	<b>2,652</b>
<b>Net increase in cash and cash equivalents</b>		<b>553</b>	<b>-294</b>	<b>-150</b>	<b>783</b>	<b>1,596</b>	<b>1,309</b>
Cash and cash equivalents at the beginning of the year		5,999	6,552	6,552	6,403	7,186	8,782
Cash and cash equivalents at the end of the year		6,552	6,258	6,403	7,186	8,782	10,091
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-14	-966	-808	1,550	1,999	2,249
Net cash flows from investing in non-financial assets		-4,532	-4,648	-4,666	-5,439	-4,802	-3,648
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-4,546</b>	<b>-5,613</b>	<b>-5,474</b>	<b>-3,888</b>	<b>-2,803</b>	<b>-1,399</b>

Note: Columns may not add due to rounding.

Table 1.10

**PUBLIC FINANCIAL CORPORATIONS**  
Operating Statement

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year Review	PFPS Revision	Forw ard Estimate	Forw ard Estimate	Forw ard Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		982	1,193	1,343	1,370	1,446	1,526
Interest income		1,776	1,897	1,891	2,018	2,256	2,446
Other		-	1	1	-	-	-
<b>Total</b>		<b>2,758</b>	<b>3,091</b>	<b>3,235</b>	<b>3,388</b>	<b>3,702</b>	<b>3,973</b>
<b>EXPENSES</b>							
Salaries		53	57	56	58	60	62
Superannuation							
Concurrent costs		5	6	6	6	6	6
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		6	7	6	7	7	7
Services and contracts		11	11	11	10	11	11
Other gross operating expenses		835	1,097	972	1,220	1,296	1,380
Other interest		1,663	1,696	1,696	1,824	2,042	2,232
Tax equivalents		104	32	62	31	34	35
Current transfers		5	5	5	5	5	5
Capital transfers		2	5	5	3	3	3
<b>Total</b>		<b>2,686</b>	<b>2,917</b>	<b>2,820</b>	<b>3,166</b>	<b>3,465</b>	<b>3,743</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>72</b>	<b>174</b>	<b>415</b>	<b>222</b>	<b>237</b>	<b>230</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-4	-	-	-	-	-
Net actuarial gains - superannuation		1	-	-	-	-	-
Provision for doubtful debts		2	-	-	-	-	-
Changes in accounting policy/adjustment of prior periods		-168	-	-	-	-	-
<b>Total other economic flows</b>		<b>-169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING RESULT</b>		<b>-97</b>	<b>174</b>	<b>415</b>	<b>222</b>	<b>237</b>	<b>230</b>
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-107	-	-	-1	-1	-2
Gains recognised directly in equity		191	-	-	-	-	-
All other		-	-	-	-	-	-
<b>Total other non-owner movements in equity</b>		<b>84</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-1</b>	<b>-2</b>
<i>Movements in owner equity</i>							
Dividends		-230	-101	-196	-127	-137	-131
Capital injections		13	-	-	-	-	-
<b>Total movements in owner equity</b>		<b>-216</b>	<b>-101</b>	<b>-196</b>	<b>-127</b>	<b>-137</b>	<b>-131</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-229</b>	<b>73</b>	<b>219</b>	<b>94</b>	<b>98</b>	<b>97</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>72</b>	<b>174</b>	<b>415</b>	<b>222</b>	<b>237</b>	<b>230</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5	8	8	7	8	9
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>Less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		6	7	6	7	7	7
<b>Total net acquisition of non-financial assets</b>		<b>-2</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>74</b>	<b>174</b>	<b>414</b>	<b>222</b>	<b>237</b>	<b>229</b>

Note: Columns may not add due to rounding.

Table 1.11

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

	Note	2016	2017	2017	2018	2019	2020
		Actual	Mid-year Review	FFPS Revision	Forward Estimate	Forward Estimate	Forward Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		275	260	245	252	261	268
Advances paid		4,413	3,495	3,447	3,711	3,842	3,953
Investments, loans and placements		52,977	53,686	53,721	56,776	61,637	64,720
Receivables		873	868	863	854	849	847
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,471	1,611	1,666	1,828	2,006	2,206
Other financial assets		11	11	11	11	11	11
<b>Total financial assets</b>		<b>60,020</b>	<b>59,931</b>	<b>59,952</b>	<b>63,431</b>	<b>68,604</b>	<b>72,005</b>
<i>Non-financial assets</i>							
Land		-	-	-	-	-	-
Property, plant and equipment		4	4	5	4	4	4
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		8	7	8	9	9	9
Non-current assets held for sale		87	-	-	-	-	-
Investment property		224	242	236	259	281	304
Other		5	2	2	2	2	2
<b>Total non-financial assets</b>		<b>328</b>	<b>255</b>	<b>251</b>	<b>273</b>	<b>296</b>	<b>320</b>
<b>TOTAL ASSETS</b>		<b>60,347</b>	<b>60,186</b>	<b>60,203</b>	<b>63,705</b>	<b>68,900</b>	<b>72,325</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		3	3	3	3	3	3
Borrowings		54,523	54,090	54,059	57,114	61,811	64,672
Unfunded superannuation		8	10	10	11	13	15
Other employee benefits		10	10	10	10	10	10
Payables		284	185	248	221	200	201
Other liabilities		3,739	4,034	3,874	4,252	4,671	5,135
<b>TOTAL LIABILITIES</b>		<b>58,567</b>	<b>58,333</b>	<b>58,203</b>	<b>61,611</b>	<b>66,708</b>	<b>70,036</b>
<b>NET ASSETS</b>		<b>1,780</b>	<b>1,853</b>	<b>1,999</b>	<b>2,093</b>	<b>2,192</b>	<b>2,289</b>
<i>Of which:</i>							
Contributed equity		16	16	16	16	16	16
Accumulated surplus		1,743	1,816	1,963	2,058	2,158	2,256
Other reserves		21	20	20	19	18	16
<b>NET WORTH</b>	6	<b>1,780</b>	<b>1,853</b>	<b>1,999</b>	<b>2,093</b>	<b>2,192</b>	<b>2,289</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-328	-255	-251	-273	-296	-320
<i>Net debt</i>							
Gross debt liabilities		54,526	54,093	54,062	57,117	61,814	64,675
Less: liquid financial assets		57,665	57,441	57,412	60,738	65,739	68,941
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>-3,139</b>	<b>-3,347</b>	<b>-3,350</b>	<b>-3,622</b>	<b>-3,924</b>	<b>-4,265</b>

Note: Columns may not add due to rounding.

Table 1.12

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

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year Review	PFPS Revision	Forw ard Estimate	Forw ard Estimate	Forw ard Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		-	5	5	5	5	5
Receipts from sales of goods and services		1,114	1,270	1,431	1,358	1,430	1,529
Interest receipts		1,724	1,897	1,891	2,018	2,256	2,446
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		145	149	155	156	164	174
<b>Total cash received</b>		<b>2,982</b>	<b>3,321</b>	<b>3,482</b>	<b>3,536</b>	<b>3,854</b>	<b>4,154</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-58	-61	-60	-62	-64	-66
Payments for goods and services		-757	-848	-907	-881	-919	-961
Interest paid		-1,866	-1,702	-1,702	-1,824	-2,042	-2,232
Grants and subsidies paid		-	-	-1	-1	-	-
Tax equivalents		-63	-106	-108	-33	-32	-34
Other payments		-207	-239	-242	-250	-263	-278
<b>Total cash paid</b>		<b>-2,952</b>	<b>-2,956</b>	<b>-3,019</b>	<b>-3,051</b>	<b>-3,321</b>	<b>-3,571</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>31</b>	<b>365</b>	<b>463</b>	<b>486</b>	<b>534</b>	<b>583</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5	-8	-8	-7	-8	-9
Sales of non-financial assets		-	-	-	-	-	-
<b>Total cash flows from investments in non-financial assets</b>		<b>-4</b>	<b>-7</b>	<b>-7</b>	<b>-7</b>	<b>-7</b>	<b>-8</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		4,417	5,681	5,430	4,383	4,540	4,686
<i>Cash paid</i>							
For policy purposes		-	-	-	-1	-1	-2
For liquidity purposes		-3,962	-4,923	-4,718	-4,861	-4,905	-5,066
<b>Total cash flows from investments in financial assets</b>		<b>455</b>	<b>757</b>	<b>712</b>	<b>-479</b>	<b>-367</b>	<b>-381</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>451</b>	<b>750</b>	<b>704</b>	<b>-486</b>	<b>-374</b>	<b>-390</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		30,883	42,995	43,020	40,524	39,718	39,035
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<b>Total cash received</b>		<b>30,883</b>	<b>42,995</b>	<b>43,020</b>	<b>40,524</b>	<b>39,718</b>	<b>39,035</b>
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-29,000	-43,873	-43,916	-40,266	-39,596	-38,933
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-211	-146	-242	-118	-125	-118
<b>Total cash paid</b>		<b>-29,211</b>	<b>-44,019</b>	<b>-44,158</b>	<b>-40,384</b>	<b>-39,722</b>	<b>-39,052</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,671</b>	<b>-1,024</b>	<b>-1,138</b>	<b>139</b>	<b>-3</b>	<b>-16</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,153</b>	<b>91</b>	<b>29</b>	<b>139</b>	<b>156</b>	<b>177</b>
Cash and cash equivalents at the beginning of the year		3,242	5,395	5,395	5,424	5,563	5,719
Cash and cash equivalents at the end of the year		5,395	5,485	5,424	5,563	5,719	5,896
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		31	365	463	486	534	583
Net cash flows from investing in non-financial assets		-4	-7	-7	-7	-7	-8
Dividends paid		-211	-146	-242	-118	-125	-118
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-185</b>	<b>211</b>	<b>214</b>	<b>361</b>	<b>401</b>	<b>456</b>

Note: Columns may not add due to rounding.

Table 1.13

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

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year Review	FFPS Revision	Forward Estimate	Forward Estimate	Forward Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		8,560	8,031	7,988	8,191	8,531	8,887
Current grants and subsidies		7,407	7,844	7,820	8,911	10,241	11,410
Capital grants		895	413	399	1,018	662	406
Sales of goods and services		21,583	22,034	22,158	21,512	22,738	23,616
Interest income		635	552	547	529	586	613
Royalty income		4,126	5,181	5,558	5,339	5,228	5,211
Other		1,110	1,041	1,044	1,087	992	1,045
<i>Total</i>		<i>44,316</i>	<i>45,095</i>	<i>45,515</i>	<i>46,586</i>	<i>48,978</i>	<i>51,186</i>
<b>EXPENSES</b>							
Salaries		12,627	13,290	13,290	13,205	13,473	13,727
Superannuation							
Concurrent costs		1,296	1,350	1,350	1,332	1,351	1,369
Superannuation interest cost		218	211	218	215	221	226
Other employee costs		257	258	252	259	264	267
Depreciation and amortisation		3,354	3,517	3,508	3,596	3,656	3,706
Services and contracts		3,179	3,298	3,330	3,137	3,080	3,115
Other gross operating expenses		20,279	21,133	20,961	20,502	21,512	22,616
Other interest		1,643	1,677	1,677	1,791	1,984	2,139
Current transfers		3,683	3,924	3,983	4,091	4,304	4,485
Capital transfers		340	405	407	281	280	284
<i>Total</i>		<i>46,875</i>	<i>49,063</i>	<i>48,976</i>	<i>48,410</i>	<i>50,124</i>	<i>51,932</i>
<b>NET OPERATING BALANCE</b>	6	<b>-2,559</b>	<b>-3,968</b>	<b>-3,462</b>	<b>-1,824</b>	<b>-1,146</b>	<b>-746</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-131	77	71	144	215	313
Net actuarial gains - superannuation		-610	254	329	-129	-157	-170
Provision for doubtful debts		-68	-25	-25	-26	-26	-27
Changes in accounting policy/adjustment of prior periods		-743	-	-	-	-	-
<i>Total other economic flows</i>		<i>-1,552</i>	<i>307</i>	<i>374</i>	<i>-11</i>	<i>32</i>	<i>116</i>
<b>OPERATING RESULT</b>		<b>-4,111</b>	<b>-3,662</b>	<b>-3,087</b>	<b>-1,834</b>	<b>-1,114</b>	<b>-630</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-4,176	840	838	1,587	1,928	2,147
Gains recognised directly in equity		1,854	50	50	-16	-6	-9
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>-2,322</i>	<i>890</i>	<i>888</i>	<i>1,572</i>	<i>1,922</i>	<i>2,137</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-6,433</b>	<b>-2,771</b>	<b>-2,199</b>	<b>-263</b>	<b>809</b>	<b>1,507</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-2,559</b>	<b>-3,968</b>	<b>-3,462</b>	<b>-1,824</b>	<b>-1,146</b>	<b>-746</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,237	5,548	5,561	6,509	5,825	4,747
Changes in inventories		1,024	211	213	169	193	128
Other movement in non-financial assets		171	363	363	660	271	354
<i>Less:</i>							
Sales of non-financial assets		701	893	888	1,064	1,016	1,090
Depreciation		3,354	3,517	3,508	3,596	3,656	3,706
<i>Total net acquisition of non-financial assets</i>		<i>2,376</i>	<i>1,711</i>	<i>1,740</i>	<i>2,679</i>	<i>1,617</i>	<i>432</i>
<b>NET LENDING/-BORROWING</b>	6	<b>-4,935</b>	<b>-5,679</b>	<b>-5,202</b>	<b>-4,503</b>	<b>-2,763</b>	<b>-1,178</b>

Note: Columns may not add due to rounding.

Table 1.14

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

	Note	2016	2017	2017	2018	2019	2020
		Actual	Mid-year	PFPS	Forward	Forward	Forward
		\$m	Review	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,873	1,800	1,782	1,867	1,876	2,125
Advances paid		4,729	3,835	3,787	4,071	4,220	4,345
Investments, loans and placements		18,322	13,755	13,947	12,490	14,203	15,455
Receivables		4,140	4,643	4,807	4,716	4,916	5,010
Equity - Investments in other entities		1,544	1,676	1,731	1,897	2,086	2,303
Other financial assets		18	18	18	19	19	19
<i>Total financial assets</i>		<b>30,626</b>	<b>25,727</b>	<b>26,073</b>	<b>25,060</b>	<b>27,319</b>	<b>29,257</b>
<i>Non-financial assets</i>							
Land		53,233	53,370	53,370	53,926	54,779	56,162
Property, plant and equipment		97,324	99,600	99,615	103,656	106,303	107,800
Biological assets		334	335	333	336	336	338
Inventories							
Land inventories		2,172	2,193	2,193	2,233	2,193	2,182
Other inventories		4,501	4,711	4,714	4,883	5,075	5,203
Intangibles		1,097	1,089	1,090	1,052	1,001	919
Non-current assets held for sale		147	63	63	63	63	56
Investment property		297	315	310	332	355	378
Other		634	803	805	358	362	349
<i>Total non-financial assets</i>		<b>159,740</b>	<b>162,480</b>	<b>162,492</b>	<b>166,838</b>	<b>170,468</b>	<b>173,385</b>
<b>TOTAL ASSETS</b>		<b>190,366</b>	<b>188,207</b>	<b>188,564</b>	<b>191,898</b>	<b>197,787</b>	<b>202,643</b>
<b>LIABILITIES</b>							
Deposits held		27	31	31	31	31	31
Advances received		392	376	376	360	343	327
Borrowings		51,852	52,371	52,355	55,429	59,902	62,680
Unfunded superannuation		8,068	7,506	7,438	7,236	7,099	7,006
Other employee benefits		3,345	3,386	3,386	3,419	3,476	3,518
Payables		6,370	6,664	6,693	6,885	7,133	7,312
Other liabilities		5,446	5,776	5,617	6,133	6,590	7,049
<b>TOTAL LIABILITIES</b>		<b>75,499</b>	<b>76,111</b>	<b>75,897</b>	<b>79,493</b>	<b>84,574</b>	<b>87,922</b>
<b>NET ASSETS</b>		<b>114,866</b>	<b>112,095</b>	<b>112,667</b>	<b>112,404</b>	<b>113,213</b>	<b>114,720</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,555	30,004	30,581	28,725	27,593	26,944
Other reserves		85,312	82,091	82,086	83,679	85,620	87,776
<b>NET WORTH</b>	6	<b>114,866</b>	<b>112,095</b>	<b>112,667</b>	<b>112,404</b>	<b>113,213</b>	<b>114,720</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-44,873	-50,385	-49,824	-54,434	-57,255	-58,665
<i>Net financial liabilities</i>		46,417	52,061	51,556	56,331	59,340	60,969
<i>Net debt</i>							
Gross debt liabilities		52,271	52,779	52,763	55,820	60,276	63,038
Less: liquid financial assets		24,924	19,389	19,516	18,428	20,299	21,925
Less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<b>27,347</b>	<b>33,389</b>	<b>33,246</b>	<b>37,391</b>	<b>39,977</b>	<b>41,113</b>

Note: Columns may not add due to rounding.

Table 1.15

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

	Note	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
		Actual	Mid-year	PFPS	Forw ard	Forw ard	Forw ard
		\$m	Review	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		8,556	7,946	7,905	8,101	8,436	8,787
Grants and subsidies received		8,310	8,240	8,190	9,928	10,915	11,820
Receipts from sales of goods and services		21,979	22,359	22,461	21,901	23,042	23,938
Interest receipts		667	593	589	581	647	647
Dividends and tax equivalents		-	-	-	-	-	-
Other		7,156	7,555	7,781	8,187	7,794	7,778
<i>Total cash received</i>		<i>46,668</i>	<i>46,692</i>	<i>46,926</i>	<i>48,698</i>	<i>50,835</i>	<i>52,970</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,834	-15,141	-15,142	-15,076	-15,325	-15,618
Payments for goods and services		-22,112	-22,873	-22,882	-21,877	-22,779	-23,838
Interest paid		-1,940	-1,658	-1,658	-1,773	-1,966	-2,122
Grants and subsidies paid		-3,711	-4,092	-4,153	-4,244	-4,440	-4,612
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,266	-3,675	-3,678	-3,809	-3,918	-4,067
<i>Total cash paid</i>		<i>-46,863</i>	<i>-47,440</i>	<i>-47,513</i>	<i>-46,780</i>	<i>-48,428</i>	<i>-50,257</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-195</b>	<b>-747</b>	<b>-587</b>	<b>1,918</b>	<b>2,407</b>	<b>2,713</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,237	-5,548	-5,561	-6,509	-5,825	-4,747
Sales of non-financial assets		701	893	888	1,064	1,016	1,090
<i>Total cash flows from investments in non-financial assets</i>		<i>-4,536</i>	<i>-4,655</i>	<i>-4,673</i>	<i>-5,446</i>	<i>-4,810</i>	<i>-3,656</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		140	10	10	10	10	10
For liquidity purposes		4,850	5,797	5,546	4,465	4,580	4,754
<i>Cash paid</i>							
For policy purposes		-16	-10	-10	-10	-10	-10
For liquidity purposes		-4,457	-5,006	-4,801	-4,894	-4,933	-5,078
<i>Total cash flows from investments in financial assets</i>		<i>516</i>	<i>791</i>	<i>745</i>	<i>-429</i>	<i>-353</i>	<i>-324</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-4,020</b>	<b>-3,864</b>	<b>-3,928</b>	<b>-5,875</b>	<b>-5,163</b>	<b>-3,981</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrow ings		18,612	18,667	18,672	19,896	19,492	18,873
Deposits received		-	-	-	-	-	-
Other financing receipts		49	42	42	37	39	42
<i>Total cash received</i>		<i>18,660</i>	<i>18,708</i>	<i>18,714</i>	<i>19,933</i>	<i>19,531</i>	<i>18,914</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrow ings repaid		-11,333	-13,862	-13,881	-14,810	-14,821	-15,961
Deposits paid		-	-	-	-	-	-
Other financing payments		-391	-423	-423	-228	-186	-184
<i>Total cash paid</i>		<i>-11,740</i>	<i>-14,301</i>	<i>-14,320</i>	<i>-15,054</i>	<i>-15,024</i>	<i>-16,161</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>6,921</b>	<b>4,408</b>	<b>4,394</b>	<b>4,879</b>	<b>4,507</b>	<b>2,753</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,706</b>	<b>-204</b>	<b>-120</b>	<b>922</b>	<b>1,752</b>	<b>1,486</b>
Cash and cash equivalents at the beginning of the year		9,239	11,946	11,946	11,825	12,748	14,499
Cash and cash equivalents at the end of the year		11,946	11,742	11,826	12,748	14,499	15,985
<b>KEY FISCAL AGGREGATES</b>							
Net cash flow s from operating activities		-195	-747	-587	1,918	2,407	2,713
Net cash flow s from investing in non-financial assets		-4,536	-4,655	-4,673	-5,446	-4,810	-3,656
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-4,731</b>	<b>-5,402</b>	<b>-5,260</b>	<b>-3,528</b>	<b>-2,403</b>	<b>-943</b>

Note: Columns may not add due to rounding.

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## NOTE 1: STATEMENT OF COMPLIANCE

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The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*.

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

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## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

*(a) The reporting entity*

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

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

*(b) Basis of preparation*

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the 2015-16 *Annual Report on State Finances (ARSF)*, which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2015-16 ARSF.

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

*(c) Unaudited data*

These financial projections are not audited.

*(d) Comparative figures*

Comparative information has been restated where necessary to match changes in classification advised by the Australian Bureau of Statistics and/or any changes to applicable Australian Accounting Standards.

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### NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

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A detailed dissection of general government revenue (which includes the UPF taxation disclosure) is included at Appendix 2: *General Government Operating Revenue*.

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### NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

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

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

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#### TRANSFER EXPENSES (a) General Government

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Mid-year Review	PFPS Revision	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local government	413	230	260	230	276	252
Local government on-passing	85	173	172	180	188	197
Private and not-for-profit sector	1,319	1,545	1,565	1,643	1,730	1,840
Private and not-for-profit sector on-passing	1,110	1,167	1,176	1,226	1,281	1,342
Other sectors of government	2,237	2,169	2,174	2,085	1,978	1,906
<i>Total Current Transfers</i>	<i>5,164</i>	<i>5,284</i>	<i>5,348</i>	<i>5,363</i>	<i>5,453</i>	<i>5,537</i>
<i>CAPITAL TRANSFERS</i>						
Local government	88	108	110	52	40	33
Local government on-passing	54	108	108	112	116	121
Private and not-for-profit sector	111	101	101	97	96	95
Private and not-for-profit sector on-passing	15	17	17	17	18	19
Other sectors of government	200	216	211	190	34	9
<i>Total Capital Transfers</i>	<i>469</i>	<i>548</i>	<i>545</i>	<i>468</i>	<i>305</i>	<i>277</i>

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

Note: Columns may not add due to rounding.

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

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Mid-year	PFPS	Forward	Forward	Forward
	\$m	Review	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	206	363	348	376	429	450
Public order and safety	3,372	3,465	3,470	3,439	3,389	3,406
Education	7,017	7,149	7,159	7,312	7,475	7,694
Health	8,306	8,810	8,825	8,773	9,180	9,366
Social security and welfare	2,114	2,345	2,350	2,575	2,622	2,999
Housing and community amenities	2,043	1,662	1,661	1,591	1,657	1,755
Recreation and culture	789	829	829	843	823	820
Fuel and energy	464	476	476	342	245	187
Agriculture, forestry, fishing and hunting	386	396	396	384	355	329
Mining and mineral resources other than fuels; manufacturing; and construction	216	230	236	239	201	199
Transport and communications	2,003	2,300	2,330	2,304	2,419	2,558
Other economic affairs	620	706	714	770	626	548
Other purposes	968	1,170	1,176	1,308	1,459	1,601
<b>Total General Government Expenses</b>	<b>28,506</b>	<b>29,901</b>	<b>29,969</b>	<b>30,255</b>	<b>30,880</b>	<b>31,913</b>
<i>Purchases of new non-financial assets</i>						
General public services	191	198	205	134	102	128
Public order and safety	167	215	221	133	70	63
Education	326	347	356	417	354	245
Health	385	597	605	399	207	76
Social security and welfare	32	29	29	42	11	6
Housing and community amenities	151	38	38	30	238	321
Recreation and culture	110	200	200	164	209	108
Fuel and energy	1	2	2	2	1	1
Agriculture, forestry, fishing and hunting	27	28	28	26	19	17
Mining and mineral resources other than fuels; manufacturing; and construction	8	15	15	1	1	1
Transport and communications	1,032	1,054	1,062	1,677	1,276	751
Other economic affairs	46	86	86	52	30	20
Other purposes	-	-550	-550	-	-	-
<b>Total Purchases of Non-financial Assets</b>	<b>2,475</b>	<b>2,259</b>	<b>2,296</b>	<b>3,077</b>	<b>2,518</b>	<b>1,737</b>

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

Note: Columns may not add due to rounding.

## NOTE 6: CONVERGENCE DIFFERENCES

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

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

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Operating Balance

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Mid-year	PFPS	Forw ard	Forw ard	Forw ard
	\$m	Review	Revision	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB 1049 net operating balance	-2,021	-3,388	-3,028	-1,498	-860	-535
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Total GFS Expense adjustments	88	-	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	-88	-	-	-	-	-
<b>GFS net operating balance</b>	<b>-2,109</b>	<b>-3,388</b>	<b>-3,028</b>	<b>-1,498</b>	<b>-860</b>	<b>-535</b>
<u>Public non-financial corporations</u>						
AASB 1049 net operating balance	892	352	352	643	750	829
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	31	12	12	15	17	15
Dividends	1,273	1,006	1,005	1,064	1,136	1,139
Total GFS expense adjustments	1,304	1,018	1,017	1,079	1,154	1,154
Total GFS adjustments to AASB 1049 net operating balance	-1,304	-1,018	-1,017	-1,079	-1,154	-1,154
<b>GFS net operating balance</b>	<b>-411</b>	<b>-666</b>	<b>-665</b>	<b>-436</b>	<b>-403</b>	<b>-325</b>
<u>Total non-financial public sector</u>						
AASB 1049 net operating balance	-2,401	-4,041	-3,681	-1,919	-1,246	-845
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	31	12	12	15	17	15
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Total GFS expense adjustments	119	12	12	15	17	15
Total GFS adjustments to AASB 1049 net operating balance	-119	-12	-12	-15	-17	-15
<b>GFS net operating balance</b>	<b>-2,520</b>	<b>-4,053</b>	<b>-3,693</b>	<b>-1,934</b>	<b>-1,263</b>	<b>-860</b>
<u>Public financial corporations</u>						
AASB 1049 net operating balance	72	174	415	222	237	230
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dividends	230	101	196	127	137	131
Total GFS expense adjustments	230	101	196	127	137	131
Total GFS adjustments to AASB 1049 net operating balance	-230	-101	-196	-127	-137	-131
<b>GFS net operating balance</b>	<b>-158</b>	<b>73</b>	<b>219</b>	<b>95</b>	<b>100</b>	<b>99</b>
<u>Total public sector</u>						
AASB 1049 net operating balance	-2,559	-3,968	-3,462	-1,824	-1,146	-746
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	31	12	12	15	17	15
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Total GFS expense adjustments	119	12	12	15	17	15
Total GFS adjustments to AASB 1049 net operating balance	-119	-12	-12	-15	-17	-15
<b>GFS net operating balance</b>	<b>-2,678</b>	<b>-3,980</b>	<b>-3,474</b>	<b>-1,838</b>	<b>-1,163</b>	<b>-761</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Lending

	2015-16 Actual \$m	2016-17 Mid-year Review \$m	2016-17 PFPS Revision \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
<u>General government</u>						
AASB 1049 net lending/-borrowing	-3,064	-4,273	-3,939	-3,411	-1,814	-714
Plus Net operating balance convergence difference (noted above)	-88	-	-	-	-	-
<b>GFS net lending/-borrowing</b>	<b>-3,152</b>	<b>-4,273</b>	<b>-3,939</b>	<b>-3,411</b>	<b>-1,814</b>	<b>-714</b>
<u>Public non-financial corporations</u>						
AASB 1049 net lending/-borrowing	-442	-473	-476	-123	88	577
Plus Net operating balance convergence difference (noted above)	-1,304	-1,018	-1,017	-1,079	-1,154	-1,154
<b>GFS net lending/-borrowing</b>	<b>-1,746</b>	<b>-1,491</b>	<b>-1,493</b>	<b>-1,202</b>	<b>-1,066</b>	<b>-577</b>
<u>Total non-financial public sector</u>						
AASB 1049 net lending/-borrowing	-4,779	-5,752	-5,420	-4,598	-2,862	-1,276
Plus Net operating balance convergence difference (noted above)	-119	-12	-12	-15	-17	-15
<b>GFS net lending/-borrowing</b>	<b>-4,898</b>	<b>-5,764</b>	<b>-5,432</b>	<b>-4,613</b>	<b>-2,880</b>	<b>-1,291</b>
<u>Public financial corporations</u>						
AASB 1049 net lending/-borrowing	74	174	414	222	237	229
Plus Net operating balance convergence difference (noted above)	-230	-101	-196	-127	-137	-131
<b>GFS net lending/-borrowing</b>	<b>-156</b>	<b>73</b>	<b>218</b>	<b>95</b>	<b>100</b>	<b>98</b>
<u>Total public sector</u>						
AASB 1049 net lending/-borrowing	-4,935	-5,679	-5,202	-4,503	-2,763	-1,178
Plus Net operating balance convergence difference (noted above)	-119	-12	-12	-15	-17	-15
<b>GFS net lending/-borrowing</b>	<b>-5,054</b>	<b>-5,691</b>	<b>-5,214</b>	<b>-4,518</b>	<b>-2,780</b>	<b>-1,193</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Worth at 30 June

	2016 Actual \$m	2017 Mid-year Review \$m	2017 PFPS Revision \$m	2018 Forward Estimate \$m	2019 Forward Estimate \$m	2020 Forward Estimate \$m
<u>General government</u>						
AASB1049 net worth	114,866	112,095	112,667	112,404	113,213	114,720
<i>Plus</i>						
Provision for doubtful debts						
General government sector	263	262	262	262	262	262
Impact on public corporations net worth	31	21	21	25	33	41
Total GFS net worth adjustments	293	284	284	287	295	303
<b>GFS net worth</b>	<b>115,160</b>	<b>112,379</b>	<b>112,951</b>	<b>112,692</b>	<b>113,508</b>	<b>115,024</b>
<u>Public non-financial corporations</u>						
AASB1049 net worth	54,054	55,009	55,001	55,611	56,355	57,400
<i>Plus</i>						
Impact of general government equity injections	-7,674	-8,630	-8,627	-8,958	-9,258	-9,566
Provision for doubtful debts	31	21	21	25	33	41
Total GFS net worth adjustments	-7,643	-8,609	-8,606	-8,933	-9,225	-9,525
<b>GFS net worth</b>	<b>46,411</b>	<b>46,400</b>	<b>46,395</b>	<b>46,678</b>	<b>47,130</b>	<b>47,875</b>
<u>Total non-financial public sector</u>						
AASB1049 net worth	114,866	112,095	112,667	112,404	113,213	114,720
<i>Plus</i>						
Provision for doubtful debts						
Total non-financial public sector	293	284	283	287	295	303
Impact on public corporations net worth	-	-	-	-	-	-
Total GFS net worth adjustments	293	284	284	287	295	303
<b>GFS net worth</b>	<b>115,160</b>	<b>112,379</b>	<b>112,951</b>	<b>112,692</b>	<b>113,508</b>	<b>115,024</b>
<u>Public financial corporations</u>						
AASB1049 net worth	1,780	1,853	1,999	2,093	2,192	2,289
<i>Plus</i>						
Provision for doubtful debts	-	-	-	-	-	-
Total GFS net worth adjustments	-	-	-	-	-	-
<b>GFS net worth</b>	<b>1,780</b>	<b>1,853</b>	<b>1,999</b>	<b>2,094</b>	<b>2,192</b>	<b>2,289</b>
<u>Total public sector</u>						
AASB1049 net worth	114,866	112,095	112,667	112,404	113,213	114,720
<i>Plus</i>						
Provision for doubtful debts	293	284	284	287	295	303
Total GFS net worth adjustments	293	284	284	287	295	303
<b>GFS net worth</b>	<b>115,160</b>	<b>112,379</b>	<b>112,951</b>	<b>112,692</b>	<b>113,508</b>	<b>115,024</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Change in Net Worth

	2016 Actual \$m	2017 Mid-year Review \$m	2017 PFPS Revision \$m	2018 Forw ard Estimate \$m	2019 Forw ard Estimate \$m	2020 Forw ard Estimate \$m
<u>General government</u>						
AASB1049 change in net worth	-6,433	-2,771	-2,199	-263	809	1,507
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-	-	-	-	-
Provision for doubtful debts						
General government sector	27	-	-	-	-	-
Impact on public corporations net worth	6	-9	-9	4	8	8
Total GFS change in net worth adjustments	-55	-10	-10	4	8	8
<b>GFS change in net worth</b>	<b>-6,488</b>	<b>-2,781</b>	<b>-2,209</b>	<b>-259</b>	<b>816</b>	<b>1,515</b>
<u>Public non-financial corporations</u>						
AASB1049 change in net worth	-237	956	947	610	744	1,045
Plus change in:						
Impact of general government equity injections	-782	-957	-954	-331	-300	-308
Provision for doubtful debts	6	-9	-9	4	8	8
Total GFS change in net worth adjustments	-776	-966	-963	-327	-292	-300
<b>GFS change in net worth</b>	<b>-1,014</b>	<b>-11</b>	<b>-16</b>	<b>283</b>	<b>453</b>	<b>745</b>
<u>Total non-financial public sector</u>						
AASB1049 change in net worth	-6,433	-2,771	-2,199	-263	809	1,507
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-	-	-	-	-
Provision for doubtful debts						
Total non-financial public sector	33	-10	-10	4	8	8
Total GFS change in net worth adjustments	-55	-10	-10	4	8	8
<b>GFS change in net worth</b>	<b>-6,488</b>	<b>-2,781</b>	<b>-2,209</b>	<b>-259</b>	<b>816</b>	<b>1,515</b>
<u>Public financial corporations</u>						
AASB1049 change in net worth	-229	73	219	94	98	97
Total GFS change in net worth adjustments	-	-	-	-	-	-
<b>GFS change in net worth</b>	<b>-229</b>	<b>73</b>	<b>219</b>	<b>94</b>	<b>98</b>	<b>97</b>
<u>Total public sector</u>						
AASB1049 change in net worth	-6,433	-2,771	-2,199	-263	809	1,507
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-	-	-	-	-
Provision for doubtful debts	33	-10	-10	4	8	8
Total GFS change in net worth adjustments	-55	-10	-10	4	8	8
<b>GFS change in net worth</b>	<b>-6,488</b>	<b>-2,781</b>	<b>-2,209</b>	<b>-259</b>	<b>816</b>	<b>1,515</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Cash Surplus/-Deficit

	2015-16 Actual \$m	2016-17 Mid-year Review \$m	2016-17 PFPS Revision \$m	2017-18 Forw ard Estimate \$m	2018-19 Forw ard Estimate \$m	2019-20 Forw ard Estimate \$m
<u>General government</u>						
AASB 1049 cash surplus/-deficit	-3,664	-4,177	-4,033	-2,924	-1,883	-844
Less Acquisitions under finance leases and similar arrangements	-	291	291	469	61	86
<b>GFS cash surplus/-deficit</b>	<b>-3,664</b>	<b>-4,468</b>	<b>-4,324</b>	<b>-3,394</b>	<b>-1,944</b>	<b>-929</b>
<u>Public non-financial corporations</u>						
AASB 1049 cash surplus/-deficit	-882	-1,437	-1,441	-964	-921	-555
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>-882</b>	<b>-1,437</b>	<b>-1,442</b>	<b>-964</b>	<b>-921</b>	<b>-555</b>
<u>Total non-financial public sector</u>						
AASB 1049 cash surplus/-deficit	-4,546	-5,613	-5,474	-3,888	-2,803	-1,399
Less Acquisitions under finance leases and similar arrangements	-	291	291	469	61	86
<b>GFS cash surplus/-deficit</b>	<b>-4,546</b>	<b>-5,905</b>	<b>-5,765</b>	<b>-4,358</b>	<b>-2,865</b>	<b>-1,485</b>
<u>Public financial corporations</u>						
AASB 1049 cash surplus/-deficit	-185	211	214	361	401	456
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>-185</b>	<b>211</b>	<b>214</b>	<b>361</b>	<b>401</b>	<b>456</b>
<u>Total public sector</u>						
AASB 1049 cash surplus/-deficit	-4,731	-5,402	-5,260	-3,528	-2,403	-943
Less Acquisitions under finance leases and similar arrangements	-	291	291	469	61	86
<b>GFS cash surplus/-deficit</b>	<b>-4,731</b>	<b>-5,694</b>	<b>-5,551</b>	<b>-3,997</b>	<b>-2,464</b>	<b>-1,029</b>

Note: Columns may not add due to rounding.



## APPENDIX 2

# General Government Operating Revenue

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

Table 2.1

**OPERATING REVENUE**  
General Government

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Mid-year	PFPS	Forw ard	Forw ard	Forw ard
	\$m	Review	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>TAXATION</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,502	3,310	3,267	3,291	3,411	3,570
Property taxes						
<i>Land tax</i>	948	893	893	915	961	1,007
Transfer duty	1,338	1,253	1,253	1,297	1,378	1,438
Landholder duty	419	101	101	100	101	103
<i>Total duty on transfers</i>	1,756	1,354	1,354	1,397	1,480	1,541
Metropolitan Region Improvement Tax	98	99	99	108	113	119
Perth Parking Levy	57	58	58	60	60	60
Emergency Services Levy	307	323	323	337	347	350
Loan guarantee fees	134	142	142	153	165	181
<i>Total other property taxes</i>	596	621	621	658	685	710
Taxes on provision of goods and services						
Lotteries Commission	163	164	164	166	172	176
Video lottery terminals	-	1	1	1	1	1
Casino tax	65	68	68	70	71	71
Betting tax	42	45	45	46	47	48
<i>Total taxes on gambling</i>	270	277	277	283	291	296
Insurance duty	592	647	647	686	726	768
Other	24	20	20	22	23	23
<i>Total taxes on insurance</i>	615	667	667	708	749	791
Taxes on use of goods and performance of activities						
Vehicle licence duty	346	346	346	350	356	362
Permits - oversize vehicles and loads	7	8	8	8	8	8
Motor vehicle recording fee	60	56	56	56	56	57
Motor vehicle registrations	874	907	907	944	976	1,010
<i>Total motor vehicle taxes</i>	1,286	1,317	1,317	1,359	1,397	1,437
<i>Mining Rehabilitation Levy</i>	28	27	27	27	27	27
<i>Landfill Levy</i>	69	70	70	76	76	76
<b>Total Taxation</b>	<b>9,069</b>	<b>8,536</b>	<b>8,494</b>	<b>8,715</b>	<b>9,076</b>	<b>9,456</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Mid-year	PFPS	Forward	Forward	Forward
	\$m	Review	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>CURRENT GRANTS AND SUBSIDIES</b>						
General Purpose Grants						
GST grants	1,881	2,011	1,970	2,595	3,813	4,500
North West Shelf grants	616	520	552	612	545	525
Commonwealth compensation for changed crude oil excise arrangements	29	29	30	34	30	29
Grants Through the State						
Schools assistance – non-government schools	1,110	1,167	1,176	1,226	1,281	1,342
Local government financial assistance grants	85	173	172	180	188	197
Local government roads	54	108	108	112	116	121
National Specific Purpose Payment Agreement Grants						
National Agreement for Skills and Workforce						
Development	157	161	160	162	165	167
National Disability Services	147	163	161	167	173	180
National Affordable Housing	143	147	146	148	150	152
Students First	558	598	600	739	882	933
National Health Reform	1,844	2,045	2,011	2,146	2,289	2,440
National Disability Insurance Scheme - Transition Arrangements <sup>(a)</sup>						
	-	-	-	217	117	331
Other Grants/National Partnerships						
Health	422	306	314	320	294	295
Housing	16	19	19	1	1	-
Transport	69	93	93	76	63	63
Other	275	305	307	177	136	136
<b>Total Current Grants and Subsidies</b>	<b>7,407</b>	<b>7,844</b>	<b>7,820</b>	<b>8,911</b>	<b>10,241</b>	<b>11,410</b>
<b>CAPITAL GRANTS</b>						
Grants Through the State						
Schools assistance – non-government schools	15	17	17	17	18	19
Other Grants/National Partnerships						
Housing	163	145	145	84	-	-
Transport	698	224	224	894	633	387
Other	18	27	14	22	10	-
<b>Total Capital Grants</b>	<b>895</b>	<b>413</b>	<b>399</b>	<b>1,018</b>	<b>662</b>	<b>406</b>

Note: Columns may not add due to rounding.

(a) This represents the net change to Commonwealth grants, with changes expected to occur across a range of associated National Partnership agreements. Further details are available in the feature box in Chapter 1.

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2015-16	2016-17	2016-17	2017-18	2018-19	2019-20
	Actual	Mid-year	PFPS	Forward	Forward	Forward
	\$m	Review	Revision	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
<b>SALES OF GOODS AND SERVICES</b>						
WA Health	632	766	766	780	801	829
Department of Transport	171	165	165	157	161	173
Department of Education	158	167	167	169	172	176
State Training Providers/TAFE Colleges	130	131	131	128	124	126
Department of Training and Workforce Development	54	51	51	51	53	53
Western Australian Land Information Authority	123	123	123	129	138	154
Department of Parks and Wildlife	40	42	42	42	43	43
Department of the Attorney General	101	107	107	111	108	108
Department of Commerce	99	95	95	95	93	79
Department of Mines and Petroleum	54	64	64	70	70	69
All Other	594	518	515	571	594	599
<b>Total Sale of Goods and Services</b>	<b>2,155</b>	<b>2,229</b>	<b>2,225</b>	<b>2,305</b>	<b>2,357</b>	<b>2,407</b>
<b>INTEREST INCOME</b>	<b>192</b>	<b>182</b>	<b>182</b>	<b>170</b>	<b>176</b>	<b>187</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>						
Dividends	1,415	1,034	1,129	1,117	1,193	1,200
Tax Equivalent Regime	631	490	521	578	577	633
<b>Total Revenue from Public Corporations</b>	<b>2,047</b>	<b>1,524</b>	<b>1,651</b>	<b>1,695</b>	<b>1,770</b>	<b>1,833</b>
<b>ROYALTY INCOME</b>	<b>4,126</b>	<b>5,181</b>	<b>5,558</b>	<b>5,339</b>	<b>5,228</b>	<b>5,211</b>
<b>OTHER</b>						
Lease rentals	92	95	95	95	94	92
Fines	206	206	206	214	205	199
Revenue not elsew here counted	297	303	311	295	212	178
<b>Total Other</b>	<b>594</b>	<b>604</b>	<b>612</b>	<b>604</b>	<b>510</b>	<b>469</b>
<b>TOTAL REVENUE</b>	<b>26,485</b>	<b>26,513</b>	<b>26,941</b>	<b>28,757</b>	<b>30,020</b>	<b>31,378</b>

Note: Columns may not add due to rounding.

# Spending Changes Since the Mid-Year Review

Spending changes detailed in this appendix include all material changes to general government expenses and total public sector infrastructure spending between the 28 November 2016 cut-off date for the 2016-17 Mid-year Review and the 2 February 2017 cut-off date for this PFPS.

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

Funds previously allocated to the Royalties for Regions (RfR) program (through global spending provisions) have been allocated to a number of specific projects since the 28 November 2016 cut-off date for the Mid-year Review. With the exception of the Water Innovation and Infrastructure projects, these funding decisions have no additional impact on whole-of-government financial projections relative to the Mid-year Review.

The RfR-funded Water Innovation and Infrastructure projects, costing \$72.7 million over the forward estimates, were approved after the 2016-17 Mid-year Review cut-off date. While the reduction in RfR global provisions for these projects was reflected as part of the Mid-year Review, the impact on the Department of Water's budget was not updated until the projects had been formally approved by Cabinet.

## Major Spending Changes (by Portfolio)

**PREMIER; MINISTER FOR TOURISM; SCIENCE**

<b>MAJOR SPENDING CHANGES</b>					Table 1
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	
<b>WESTERN AUSTRALIAN TOURISM COMMISSION</b>					
<b>Expenses</b>					
Qantas Hub Infrastructure Grant	-	2.8	2.8	2.8	

**Tourism****Expenses***Qantas Hub Infrastructure Grant*

Funding of \$14 million over five years will be provided by the State to support the additional Commonwealth border services at domestic terminal T3 required to support direct flights between Perth and London, which are expected to commence in March 2018.

## MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

MAJOR SPENDING CHANGES

Table 2

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>EDUCATION</b>				
<b>Expenses</b>				
Digital Literacy in Schools and Inspiring Australia – Science Engagement Program Grants	0.5	0.5	0.2	0.2
Depreciation Expense – Additional Primary Schools Package	-	-	0.2	0.5
<b>Asset Investment</b>				
Additional Primary Schools Package	9.2	25.2	1.8	-
Royalties for Regions – Carnarvon Community College	-	1.2	12.0	7.5

### Education

#### Expenses

##### *Digital Literacy in Schools and Inspiring Australia – Science Engagement Program Grants*

Additional expenditure of \$1.5 million over 2016-17 to 2019-20 has been approved to recognise the State's participation in the Commonwealth Government's Digital Literacy in Schools Grants initiative and Inspiring Australia – Science Engagement Program.

##### *Depreciation Expense – Additional Primary Schools Package*

An increase to the 2019 new primary school program will generate additional depreciation expenses of \$678,000 over 2018-19 and 2019-20.

#### Asset Investment

##### *Additional Primary Schools Package*

In December 2016, the Government approved increased investment of \$36 million (over the period 2016-17 to 2018-19) for more early childhood education facilities in 2018, an additional primary school, and increased capacity for three of the new primary schools to be delivered in 2019.

##### *Royalties for Regions – Carnarvon Community College*

Additional investment of \$20.7 million from 2017-18 to 2019-20 will be funded by Royalties for Regions to finalise the redevelopment of Carnarvon Community College, including the relocation of all secondary students onto a single site.

**MINISTER FOR HEALTH; CULTURE AND THE ARTS****MAJOR SPENDING CHANGES**

Table 3

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>WA HEALTH</b>				
<b>Expenses</b>				
Royalties for Regions – Turquoise Coast District Health Service	-	4.0	4.7	4.8
National Partnership on Adult Public Dental Services	6.5	-	-	-
Transition Care Program	1.5	4.4	-	-
Perth Children's Hospital Concessional Parking Scheme	0.5	1.0	1.0	1.1
<b>Asset Investment</b>				
Royalties for Regions – Turquoise Coast District Health Service	-	0.7	0.5	0.5

**WA Health****Expenses*****Royalties for Regions – Turquoise Coast District Health Service***

An additional \$13.4 million will be spent from 2017-18 to 2019-20 to meet the current and future health needs of the local population and visitors to the Turquoise Coast area including Jurien Bay, Dongara and Lancelin. The new expenditure will employ additional doctors and nurses to provide maternity, emergency, acute care, E-Health and community services.

***National Partnership on Adult Public Dental Services***

An additional \$6.5 million will be spent in 2016-17 to improve oral health and reduce waiting times for adult patients who are eligible for public dental services. The increase in expenditure is a result of an extension to the National Partnership on Adult Public Dental Services.

***Transition Care Program***

The State and Commonwealth Governments have agreed to provide an extra 75 Transition Care Program places to deliver care for elderly Western Australians in community aged care centres. Of these 75 extra places, the Commonwealth has agreed to part-fund 60 places. WA Health's expense limit has been increased by \$5.8 million over 2016-17 to 2017-18 to reflect this agreement.

***Perth Children's Hospital Concessional Parking Scheme***

An additional \$3.6 million will be spent over four years to establish concessional parking arrangements for families and carers of children accessing services at the Perth Children's Hospital.

**Asset Investment*****Royalties for Regions – Turquoise Coast District Health Service***

An additional \$1.7 million will be spent from 2017-18 to 2019-20 to enable the construction of aged care residential beds in Dongara and a helicopter landing site at Jurien Bay.

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

### MAJOR SPENDING CHANGES

Table 4

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>TREASURY</b>				
<b>Expenses</b>				
Non-Government Schools Commonwealth Payment Update (Administered)	9.3	9.8	10.1	10.4
<b>WESTERN POWER</b>				
<b>Asset Investment</b>				
State Underground Power Program	-	17.1	38.8	17.7

### Treasury

#### Expenses

##### *Non-Government Schools Commonwealth Payment Update (Administered)*

Additional Commonwealth funding of \$39.7 million over the four years to 2019-20 will be on-passed to non-government schools, reflecting changes in the Commonwealth's 2016-17 *Mid-Year Economic and Fiscal Outlook*. This transaction has no impact on the net operating balance or net debt.

#### Western Power

##### Asset Investment

##### *State Underground Power Program*

Western Power will spend an additional \$73.5 million on Round 6 of the State Underground Power Program (SUPP) over 2017-18 to 2019-20. Round 6 of the SUPP will enable 17 projects to be undertaken across eight local governments, and reflects revised funding arrangements between the Department of Finance, Western Power and local governments (refer also to the Department of Finance).

## MINISTER FOR STATE DEVELOPMENT; TRANSPORT; INNOVATION

### MAJOR SPENDING CHANGES

Table 5

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>MAIN ROADS</b>				
<b>Expenses</b>				
Royalties for Regions – Local Government Commodity Freight Routes Fund	7.2	7.8	10.9	12.0
Royalties for Regions – Aglime Routes Upgrade Project	-	-	15.0	-
<b>Asset Investment</b>				
Mitchell Freeway – Hodges Drive to Hepburn Avenue and Reid Highway to Erindale Road Southbound Widening	-	7.4	66.6	-
Mitchell Freeway – Cedric Street to Vincent Street Southbound Widening	-	4.0	36.0	-
Reallocation from Existing Asset Investment Program	-	-11.4	-102.6	-
<b>MID WEST PORTS AUTHORITY</b>				
<b>Asset Investment</b>				
Purchase of Shore Tensioning Units	1.0	-	-	-

### Main Roads

#### Expenses

##### *Royalties for Regions – Local Government Commodity Freight Routes Fund*

A total of \$37.9 million will be spent over the forward estimates from the Royalties for Regions program to extend the Commodity Routes Supplementary Fund under the State Road Funds to Local Government Agreement 2011-12 to 2015-16. The Fund supports road upgrades on high priority freight routes associated with the transport of commodities such as grain or timber.

##### *Royalties for Regions – Aglime Routes Upgrade Project*

A total of \$15 million will be spent in 2018-19 to upgrade key roads between Lancelin and Goomalling to facilitate transport of agricultural lime sand from coastal areas to inland agricultural areas. Funded by the Royalties for Regions program, the works include intersection upgrades and widening priority sections of local government roads.

#### Asset Investment

##### *Mitchell Freeway – Hodges Drive to Hepburn Avenue and Reid Highway to Erindale Road Southbound Widening*

Reallocation of \$74 million from within Main Roads' Asset Investment Program has been approved to construct an additional lane on the Mitchell Freeway southbound between Hodges Drive and Hepburn Avenue and between Reid Highway and Erindale Road. The project funding is contributed by the Commonwealth and State Governments on an 80:20 basis.

***Mitchell Freeway – Cedric Street to Vincent Street Southbound Widening***

Reallocation of \$40 million from within Main Roads' Asset Investment Program has been approved to construct an additional lane on the Mitchell Freeway southbound between Cedric Street and Vincent Street. The project funding is contributed by the Commonwealth and State Governments on an 80:20 basis.

***Reallocation from Existing Asset Investment Program***

Reallocation of \$114 million to support the two Mitchell Freeway widening projects above has been made from within Main Roads' existing budget settings. Savings have been reallocated from NorthLink WA (\$76.3 million), North West Coastal Highway – Minilya to Barradale (\$18.3 million), Great Eastern Highway – Walgoolan to Coolgardie (\$13.6 million), and Kwinana Freeway – Roe Highway to Russell Road (\$5.8 million).

**Mid West Ports Authority**

**Asset Investment**

***Purchase of Shore Tensioning Units***

A \$950,000 increase in the Mid West Ports Authority's 2016-17 minor capital works program has been approved to allow the purchase of two shore tensioning units.

**ATTORNEY GENERAL; MINISTER FOR COMMERCE**

<b>MAJOR SPENDING CHANGES</b>				
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>COMMERCE</b>				
<b>Expenses</b>				
Western Australian Building and Construction Code Monitoring Unit	1.4	1.9	1.9	2.0
Royalties for Regions – State Agricultural Telecommunication Infrastructure Improvement Fund	2.7	15.2	3.7	0.4

Table 6

**Commerce****Expenses*****Western Australian Building and Construction Code Monitoring Unit***

Additional spending of \$7.2 million over the forward estimates period has been approved to establish the Western Australian Building and Construction Code Monitoring Unit, which will monitor compliance with and enforce the *Western Australian Building and Construction Industry Code of Conduct 2016*.

***Royalties for Regions – State Agricultural Telecommunication Infrastructure Improvement Fund***

A total of \$22 million will be contributed over the forward estimates period towards the construction of high-priority agriculture telecommunications infrastructure and technology in regional Western Australia, through co-investment with industry and private organisations.

## MINISTER FOR ENVIRONMENT; HERITAGE

MAJOR SPENDING CHANGES				
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>PARKS AND WILDLIFE</b>				
<b>Expenses</b>				
Royalties for Regions – Lucky Bay Campground Redevelopment Stage 2	-	3.0	-	-

Table 7

### Parks and Wildlife

#### Expenses

##### *Royalties for Regions – Lucky Bay Campground Redevelopment Stage 2*

Additional spending of \$3 million in 2017-18 has been approved as part of the Stage 2 redevelopment of the Lucky Bay campground east of Esperance. This will include the establishment of eight to 10 premium camp sites with their own deck, verandah, ablutions and camp kitchen.

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

### MAJOR SPENDING CHANGES

Table 8

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>FIRE AND EMERGENCY SERVICES</b>				
<b>Asset Investment</b>				
Success Career Fire and Rescue Service Fire Station <sup>(a)</sup>	-	-	-	-
<b>OFFICE OF EMERGENCY MANAGEMENT</b>				
<b>Expenses</b>				
Western Australia Natural Disaster Relief and Recovery Arrangements	30.0	-	-	-

(a) Commercial-in-confidence.

### Fire and Emergency Services

#### Asset Investment

##### *Success Career Fire and Rescue Service Fire Station*

The Government has agreed to acquire land as a replacement site for the new fire station. The land purchase amount is currently commercial-in-confidence as negotiations still need to be progressed.

### Office of Emergency Management

#### Expenses

##### *Western Australia Natural Disaster Relief and Recovery Arrangements*

An additional \$30 million will be spent in 2016-17 to replace roads, bridges and other public assets following a number of natural disaster events, including floods in the South and Mid-West regions, the Yarloop bushfire and Cyclone Olwyn in the North West.

## MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY

### MAJOR SPENDING CHANGES

Table 9

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>WATER</b>				
<b>Expenses</b>				
Royalties for Regions – Water for Food Water Innovation and Infrastructure Fund	-	13.5	28.7	27.2
<b>Asset Investment</b>				
Royalties for Regions – Water for Food Water Innovation and Infrastructure Fund	-	-	1.8	1.5

### Water

#### Expenses

##### *Royalties for Regions – Water for Food Water Innovation and Infrastructure Fund*

Recurrent expenditure of \$69.4 million over the forward estimates period has been approved for the Water for Food Water Innovation and Infrastructure Fund. This includes:

- the Myalup-Wellington Project;
- the Southern Forests Irrigation Scheme;
- Water Irrigation Innovation Grants; and
- Water Investigations.

The Royalties for Regions investment associated with the Myalup-Wellington Project and Southern Forests Irrigation Scheme will be released contingent upon both projects being able to successfully secure the required Commonwealth and private sector funding.

#### Asset Investment

##### *Royalties for Regions – Water for Food Water Innovation and Infrastructure Fund*

An additional \$3.3 million in capital expenditure over the forward estimates period has been approved as part of the Water Investigations project under the Water for Food Water Innovation and Infrastructure Fund described above.

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

### MAJOR SPENDING CHANGES

Table 10

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>REGIONAL DEVELOPMENT</b>				
<b>Expenses</b>				
Royalties for Regions – Ageing in the Bush	-	-	35.2	17.2
Royalties for Regions – Capel Civic Centre Completion	-	-	-	2.2
Royalties for Regions – Coolgardie Post Office and Associated Buildings Refurbishment	-	1.0	2.2	-
Royalties for Regions – Esperance Indoor Sports Stadium	-	3.1	1.0	-
Royalties for Regions – Leonora Ageing in Place Project	-	6.0	3.2	-
Royalties for Regions – Margaret River Hub for Entertainment, Arts and Regional Tourism	-	-	3.1	-
Royalties for Regions – Norseman: The Heart of the Great Western Woodlands	-	1.2	0.4	-
<b>WESTERN AUSTRALIAN LAND AUTHORITY (LANDCORP)</b>				
<b>Expenses</b>				
Royalties for Regions – Extension of Moonamang Road, Kununurra	5.5	10.4	0.4	-

## Regional Development

### Expenses

#### *Royalties for Regions – Ageing in the Bush*

An amount of \$52.4 million will be provided over 2018-19 and 2019-20 as a contribution towards improving aged housing availability across the South West, Great Southern, Peel and Wheatbelt regions. A total of 182 new independent living units will be constructed across the regions and 22 units for key workers constructed in the Great Southern region.

#### *Royalties for Regions – Capel Civic Centre Completion*

A contribution of \$2.2 million will be provided in 2019-20 towards the completion of the Capel Civic Precinct development.

#### *Royalties for Regions – Coolgardie Post Office and Associated Buildings Refurbishment*

A contribution of \$3.2 million will be provided over 2017-18 and 2018-19 to facilitate further upgrades to the internal areas of Coolgardie's Post Office Complex.

#### *Royalties for Regions – Esperance Indoor Sports Stadium*

An amount of \$4.1 million will be provided over 2017-18 and 2018-19 towards the construction of an indoor sports and recreation centre in Esperance.

***Royalties for Regions – Leonora Ageing in Place Project***

A contribution of \$9.2 million will be provided over 2017-18 to 2018-19 towards the construction of an independent living village consisting of 16 units for older residents in Leonora.

***Royalties for Regions – Margaret River Hub for Entertainment, Arts and Regional Tourism***

An amount of \$3.1 million will be provided in 2018-19 towards the redevelopment of the Margaret River Cultural Centre.

***Royalties for Regions – Norseman: The Heart of the Great Western Woodlands***

An amount of \$1.6 million will be provided over 2017-18 and 2018-19 towards the development of a new cultural, visitor and community precinct in Norseman.

**Western Australian Land Authority (LandCorp)**

**Expenses**

***Royalties for Regions – Extension of Moonamang Road, Kununurra***

A total of \$16.3 million will be spent over 2016-17 to 2018-19 to fund the extension of Moonamang Road. The funding will provide for the Western Australian portion of the road infrastructure required to support the development and ongoing operation of Project Sea Dragon, a land-based prawn aquaculture project. The release of the funding is contingent on Project Sea Dragon proceeding to development.

**MINISTER FOR MENTAL HEALTH; CHILD PROTECTION**

Table 11

**MAJOR SPENDING CHANGES**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>CHILD PROTECTION AND FAMILY SUPPORT</b>				
<b>Expenses</b>				
Kalgoorlie-Boulder Earlier Intervention and Family Support Pilot Program	0.4	0.7	0.9	-
The Beacon Homeless Shelter Additional 25 Beds	-	0.3	0.3	0.3

**Child Protection and Family Support****Expenses*****Kalgoorlie-Boulder Earlier Intervention and Family Support Pilot Program***

A total of \$2 million will be spent from 2016-17 to 2018-19 on the Kalgoorlie-Boulder Earlier Intervention and Family Support Pilot Program to address juvenile antisocial behaviour and crime, and to reduce the number of children entering out-of-home care.

***The Beacon Homeless Shelter Additional 25 Beds***

An additional \$750,000 will be spent from 2017-18 to 2019-20 to enable the Salvation Army to open an additional 25 beds at The Beacon homeless shelter in Northbridge.

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

### MAJOR SPENDING CHANGES

Table 12

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>MINES AND PETROLEUM</b>				
<b>Expenses</b>				
Magnetite Financial Assistance Program (Administered)	5.8	3.3	-	-
<b>FINANCE</b>				
<b>Expenses</b>				
First Home Owner Grant Scheme (Administered):				
– Increased Grant Payments	7.8	33.3	5.5	1.2
– Revised Keystart Criteria	-0.5	4.6	5.3	5.0
State Fleet	-8.8	-11.9	-12.0	-12.3
State Underground Power Program	-	-	-	3.2
<b>Asset Investment</b>				
State Fleet	6.9	-	-7.0	-7.0

### Mines and Petroleum

#### Expenses

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

Estimated expenditure on the Magnetite Financial Assistance Program, which provides a rebate of 50% of royalty payments to eligible companies, has been revised up by \$9.1 million over 2016-17 and 2017-18 due to the revised iron ore price assumptions discussed in Chapter 1.

#### Finance

#### Expenses

##### *First Home Owner Grant Scheme (Administered)*

Additional First Home Owner Grant expenditure of \$47.8 million over the forward estimates period was approved by Cabinet in December 2016 to provide for an increase in grant payments of \$5,000 (from \$10,000 to \$15,000) for 12 months from 1 January 2017. An estimated \$14.3 million will also be required to accommodate the additional grants expected to flow from the December 2016 decision to change the Keystart lending criteria.

##### *State Fleet*

There will be a reduction of \$45 million in State Fleet expenses, including depreciation, over the forward estimates period, reflecting the Minister for Water's decision to transfer the Water Corporation's motor vehicle fleet from State Fleet to a private fleet manager.

***State Underground Power Program***

The Department of Finance will spend an additional \$3.2 million in 2019-20 in grants for Round 6 of the State Underground Power Program to enable 17 underground power projects to be completed across eight local governments (refer also to Western Power).

**Asset Investment**

***State Fleet***

There will be a net reduction of \$7.1 million in the State Fleet vehicle acquisition program over the forward estimates period, reflecting the Minister for Water's decision to transfer the Water Corporation's motor vehicle fleet from State Fleet to a private fleet manager. The Water Corporation is absorbing the impact of the required asset purchases from within its existing financial parameters.

## MINISTER FOR AGRICULTURE AND FOOD

### MAJOR SPENDING CHANGES

Table 13

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>AGRICULTURE AND FOOD</b>				
<b>Expenses</b>				
Royalties for Regions – Extension of Doppler Radar Coverage	-(a)	4.6	0.4	-

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

### Agriculture and Food

#### Expenses

##### *Royalties for Regions – Extension of Doppler Radar Coverage*

A total of \$5 million over three years, commencing in 2016-17, will be provided for the upgrade of weather radars in Geraldton and Albany to identify weather events at the paddock level and eliminate duplicated chemical sprays.

## Provisions

<b>MAJOR SPENDING CHANGES</b>				
	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
<b>PROVISIONS</b>				
<b>Expenses</b>				
Daily Average Prisoner Population	3.8	20.7	13.6	7.6
Hardship Utility Grant Scheme	5.0	-	7.5	7.8
Workers' Compensation for Western Australia Police	-	16.8	16.5	16.7
Essential and Municipal Services – Remote Aboriginal Communities <sup>(a)</sup>	-	-	-	46.0
Road Trauma Trust Account Spending	-	22.9	23.9	24.1
Delayed Completion of the Perth Children's Hospital	7.0	-	-	-
Transition to National Disability Insurance Scheme (NDIS)	-	309.7	264.4	604.2
<b>Asset Investment</b>				
Road Trauma Trust Account Spending	-	53.5	55.7	56.2
Perth Children's Hospital Information and Communication Technology	7.5	-	-	-
Transition to NDIS	-	20.0	-	-

(a) Represented in general government expenses as grants and subsidies.

The PFPS includes a number of provisions for expenditure deemed highly likely to materialise over the forward estimates period.

A number of these items were flagged as risks in the Mid-year Review, but in Treasury's opinion are sufficiently certain and/or unavoidable under current policy settings to warrant inclusion in the PFPS forward estimates.

Provisions for these items have been made by Treasury. Funding will only be included in the relevant agencies' budgets following receipt of formal funding submissions from those agencies, scrutiny of those submissions by Treasury, and decisions by the incoming Government to release funding.

### Expenses

#### *Daily Average Prisoner Population*

The Mid-year Review included an additional \$25.4 million in 2016-17 (only) for higher than expected growth in the daily average prisoner population (DAPP). Since then, the DAPP has continued to grow, and Treasury has provisioned a further \$3.8 million in 2016-17. In addition, another \$41.9 million has been provisioned over 2017-18 to 2019-20 to maintain the funded DAPP at around its current level.

There is clearly a risk that the DAPP may continue increasing beyond its current level over the forward estimates period. Should this eventuate, additional funding (over and above the provision included in this PFPS) will be required, unless the prison system is made more efficient and the cost per prisoner per day is reduced.

***Hardship Utility Grant Scheme***

Additional expenditure has been provisioned for 2018-19 and 2019-20 to reflect the expected continuation of the Hardship Utility Grant Scheme (HUGS). This provision, when combined with the existing ongoing base level of funding built into the forward estimates, results in projected HUGS expenditure of \$9 million in 2018-19 and \$9.3 million in 2019-20. This is consistent with the \$8.8 million budget approved for 2017-18. A provision for additional expenditure of \$5 million has also been included in 2016-17 in light of a higher than expected number of applications in the year to date.

***Workers' Compensation for Western Australia Police***

A \$50 million expenditure provision over 2017-18 to 2019-20 has been included in this PFPS to reflect proposed amendments to the *Workers' Compensation and Injury Management Act 1981* to include coverage for police officers as 'workers' under that legislation (announced by the Government in November 2016). Costs of approximately \$8.6 million per annum are expected to be recouped from RiskCover for workers' compensation reimbursements, resulting in an estimated net cost of \$24.2 million over the forward estimates period.

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

A \$46 million provision has been included in 2019-20 for the expected continuation of the delivery of essential and municipal services for remote Aboriginal communities. This cost represents the average level of recurrent spending over recent years.

***Road Trauma Trust Account Spending***

A \$236.3 million provision for anticipated spending from the Road Trauma Trust Account (RTTA) over 2017-18 to 2019-20 is reflected in this PFPS. Of this, \$165.4 million is forecast to be capitalised and \$70.9 million is forecast to be expensed. This spending provision reflects an expectation – consistent with current policy settings – that the revenue that is forecast to flow in to the RTTA will be fully spent each year, and that the cash balance in the RTTA will be progressively reduced to zero by the end of the forward estimates period.

***Delayed Completion of the Perth Children's Hospital***

Additional recurrent expenditure of \$7 million has been provisioned in 2016-17 to meet the costs associated with continuing delays to the Perth Children's Hospital. This spending provides for project resources and contractual commitments, and supports the safe commissioning and opening of the hospital.

***Transition to National Disability Insurance Scheme (NDIS)***

Additional recurrent expenditure of \$1,178 million will be incurred over 2017-18 to 2019-20 as a result of the Bilateral Agreement between the Commonwealth and State Governments for the Transition to a National Disability Insurance Scheme in Western Australia. This expenditure is partly offset by additional Commonwealth funding of \$665 million over the same period. Further details on the Agreement and its impact on the State's finances can be found in the feature box in Chapter 1.

## **Asset Investment**

### ***Road Trauma Trust Account Spending***

See above.

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

Additional capital investment of \$7.5 million in 2016-17 has been provisioned to meet the cost of the Information and Communication Technology (ICT) resources required to complete and undertake the deployment of the required ICT systems at the Perth Children's Hospital during the commissioning phase.

### ***Transition to NDIS***

A provision of \$20 million has been allocated in 2017-18 for expenditure on a new information and communication technology system to support the operation of the State-run NDIS.

## The Treasurer's Advance

Under the *Financial Management Act 2006* (FMA), the Treasurer's Advance provides the Treasurer with authorisation to make short-term recoverable advances to agencies for the temporary financing of works and services. In addition, new or supplementary funding can be provided during the year for extraordinary or unforeseen matters (known as 'excesses and new items'), up to an approved limit. The total amount forecast to be drawn against recoverable advances, excesses and new items is \$436.5 million, which is within the \$632.4 million limit for 2016-17 authorised by the FMA<sup>1</sup>.

The \$436.5 million forecast for 2016-17 compares with a \$353.1 million projection at the time of the 2016-17 Mid-year Review. The majority of this increase is due to upward revisions to recurrent appropriation forecasts, particularly for WA Health (up \$34 million) and natural disaster relief (up \$30 million).

Table 4.1 shows the projected position of the Treasurer's Advance at 30 June 2017.

<b>TREASURER'S ADVANCE AS AT 30 JUNE</b>			Table 4.1
	2015-16 Actual	2016-17 Projection <sup>(a)</sup>	
	\$m	\$m	
<b>AUTHORISED LIMIT</b>	<b>645.2</b>	<b>632.4</b>	
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	<i>511.8</i>	<i>436.5</i>	
Comprising			
Net recoverable advances as at 30 June	10.2	20.0	
Overdraw n Special Purpose Accounts	10.4	-	
Excesses and New Items			
- recurrent	261.5	305.0	
- capital	229.7	111.6	

(a) Detailed disclosure of the final audited outcome for 2016-17 will be available in the 2016-17 *Annual Report on State Finances*, due to be released by 28 September 2017.

Note: Columns may not add due to rounding.

<sup>1</sup> Section 29 of the FMA authorises the Treasurer's Advance limit to be equivalent to 3% of the total amount appropriated for the previous year by the Appropriation Acts. For 2016-17, the \$632.4 million limit represents 3% of the total \$21.1 billion appropriated by Appropriation Bills 1 and 2 in the 2015-16 Budget.

## Transfers, Excesses and New Items

Table 4.2 details excesses and new items that are projected to occur during 2016-17 and the expected impact of these on the Treasurer's Advance under the authority of section 27 of the FMA.

The projections shown in Table 4.2 are subject to movements in agencies' appropriations through the remainder of 2016-17. Funding in excess of budget for appropriation items shown in the table will only occur if management responses do not achieve compensating shortfalls in other spending supported by these items prior to 30 June 2017.

Section 25 of the FMA allows appropriation originally allocated in the 2016-17 Budget to be transferred to other agencies for the provision of an appropriation-funded service that is now to be delivered by the other agency. These transfers have no impact on the Treasurer's Advance. Appropriation transfers approved since the presentation of the 2016-17 Budget include:

- \$4 million of recurrent appropriation from the Department of Finance to a number of agencies in response to recent updates to public sector procurement policy;
- \$0.5 million of recurrent appropriation provisioned in the Department of Treasury to the Department of Local Government and Communities for the Chinese New Year 2017 Activation Project;
- \$0.5 million of recurrent appropriation from the Department of Agriculture and Food to the Department of State Development to expand agribusiness in Western Australia;
- \$0.4 million of recurrent appropriation from the Department of the Premier and Cabinet to the Office of Emergency Management for the transfer of five full-time staff and associated funding to coordinate the Western Australia Natural Disaster Relief and Recovery Arrangements;
- \$0.3 million of recurrent appropriation from the Department of Treasury to the Department of the Premier and Cabinet to coordinate and administer the Anzac Day Trust Account; and
- \$0.2 million of recurrent appropriation from the Mental Health Commission to the Department of the Premier and Cabinet to develop a communications plan for the Western Australian Meth Strategy.

## 2016-17 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2

Item	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Treasurer's Advance		Draw n against Treasurer's Advance to date <sup>(b)</sup> \$m
				Approved Excesses \$m	Revised Appropriation Limit \$m	
<b>Recurrent Appropriations</b>						
Premier and Cabinet						
Item 5: Delivery of Services	169.6	-0.2	-	10.5	180.0	-
Item 6: Administered Grants, Subsidies and Other Transfer Payments	15.8	0.3	-	-	16.1	-
WA Tourism Commission						
Item 10: Delivery of Services	65.1	0.1	-	2.1	67.3	-
Chemistry Centre (WA)						
Item 11: Delivery of Services	6.5	-	-	0.7	7.1	-
Western Australia Police						
Item 12: Delivery of Services	1,293.6	0.4	-	7.4	1,301.4	-
Training and Workforce Development						
Item 14: Delivery of Services	350.5	0.1	-	1.8	352.4	-
Lands						
Item 25: Delivery of Services	48.1	-	-	1.9	50.0	-
Education						
Item 28: Delivery of Services	3,969.6	0.4	-	-	3,970.0	-
Schools Curriculum and Standards Authority						
Item 31: Delivery of Services	35.6	-	-	0.4	36.0	-
WA Health						
Item 35: Delivery of Services	4,919.6	0.5	-	149.4	5,069.6	-
Culture and the Arts						
Item 36: Delivery of Services	36.0	0.1	-	1.3	37.5	-
Item 38: Library Board of Western Australia	29.2	-	-	0.5	29.7	-
Item 39: Perth Theatre Trust	9.0	-	-	0.1	9.1	-
Treasury						
Item 41: Delivery of Services	53.0	-	-	0.1	53.1	-
<i>Operating Subsidy Payments</i>						
Item 42: Bunbury Water Corporation	0.7	-	-	-(c)	0.7	-
Item 43: Busselton Water Corporation	0.6	-	-	-(c)	0.7	-
Item 48: Regional Power Corporation (Horizon Power)	44.1	-	-	4.8	48.9	-
Item 51: Western Australian Land Authority	36.3	-	-	3.0	39.3	-

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

Table 4.2 (cont.)

**2016-17 TRANSFERS, EXCESSES AND NEW ITEMS**

Item	Budget \$m	Transfers <sup>(a)</sup> \$m	Treasurer's Advance			Revised Appropriation Limit \$m	Draw n against Treasurer's Advance to date <sup>(b)</sup> \$m
			New Items \$m	Approved Excesses \$m			
<i>Grants, Subsidies and Transfer Payments</i>							
Item 53: Attorney General	4.8	-	-	1.2		6.0	-
Item 56: Metropolitan Redevelopment Authority	26.1	-0.5	-	-		25.6	-
Item 64: All Other Grants, Subsidies and Transfer Payments	6.3	-0.3	-	0.6		6.6	-
New Item: Bell Group Administration Wind Up and Associated Costs	-	-	8.1	-		8.1	6.0
New Item: Department of Transport	-	-	0.1	-		0.1	-
<i>State Development</i>							
Item 67: Delivery of Services	37.0	0.5	-	-		37.5	-
<i>Finance</i>							
Item 69: Delivery of Services	176.2	-4.0	-	-		172.1	-
Item 70: Administered Grants, Subsidies and Other Transfer Payments	204.2	-	-	7.8		212.0	-
<i>Attorney General</i>							
Item 73: Delivery of Services	248.8	0.2	-	1.3		250.4	-
<i>Commissioner for Equal Opportunity</i>							
Item 75: Delivery of Services	3.5	-	-	0.1		3.6	-
<i>Commerce</i>							
Item 80: Delivery of Services	56.9	0.1	-	1.7		58.7	-
<i>Parks and Wildlife</i>							
Item 83: Delivery of Services	206.9	0.1	-	-		207.0	-
<i>Zoological Parks Authority</i>							
Item 87: Delivery of Services	11.2	-	-	0.2		11.3	-
<i>Office of Emergency Management</i>							
Item 92: Delivery of Services	5.0	0.4	-	-		5.5	-
New Item: Administered Grants, Subsidies and Other Transfer Payments	-	-	30.0	-		30.0	-
<i>Fire and Emergency Services</i>							
Item 91: Delivery of Services	17.7	0.1	-	-		17.7	-
<i>Fisheries</i>							
Item 93: Delivery of Services	49.6	0.1	-	-		49.7	-
<i>Corrective Services</i>							
Item 94: Delivery of Services	877.0	0.1	-	29.6		906.8	-

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

### 2016-17 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2 (cont.)

Item	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Treasurer's Advance		Draw n against Treasurer's Advance to date <sup>(b)</sup> \$m
				Approved Excesses \$m	Revised Appropriation Limit \$m	
Water						
Item 96: Delivery of Services	69.3	0.1	-	1.8	71.2	-
Sports and Recreation						
Item 97: Delivery of Services	42.8	-	-	0.3	43.0	-
Western Australian Sports Centre Trust						
Item 100: Delivery of Services	51.0	-	-	0.7	51.6	-
Agriculture and Food						
Item 101: Delivery of Services	114.7	-0.3	-	0.7	115.1	-
Transport						
Item 104: Delivery of Services	59.9	0.3	-	-	60.2	-
Commissioner of Main Roads						
Item 106: Delivery of Services	318.2	-	-	3.0	321.2	-
Local Government and Communities						
Item 107: Delivery of Services	99.8	0.5	-	-	100.3	-
Racing, Gaming and Liquor						
Item 109: Delivery of Services	5.2	-	-	0.8	6.1	0.6
Planning						
Item 111: Delivery of Services	47.5	0.1	-	-	47.7	-
Disability Services Commission						
Item 114: Delivery of Services	711.9	0.2	-	-	712.1	-
Mental Health Commission						
Item 115: Delivery of Services	668.7	-0.2	-	17.5	686.0	-
Child Protection and Family Support						
Item 119: Delivery of Services	582.5	0.1	-	-	582.7	-
Mines and Petroleum						
Item 120: Delivery of Services	83.1	0.2	-	-	83.4	-
Mines and Petroleum						
Item 121: Administered Grants, Subsidies and Other Transfer Payments	29.4	-	-	15.6	45.0	-
<b>Total Recurrent</b>		-	<b>38.2</b>	<b>266.8</b>		<b>6.6</b>

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

Table 4.2 (cont.)

**2016-17 TRANSFERS, EXCESSES AND NEW ITEMS**

Item	Budget \$m	Transfers <sup>(a)</sup> \$m	Treasurer's Advance		Revised Appropriation Limit \$m	Draw n against Treasurer's Advance to date <sup>(b)</sup> \$m
			New Items \$m	Excesses \$m		
<b>Capital Appropriations</b>						
Chemistry Centre (WA) Item 125: Capital Appropriation	1.5	-	-	0.3	1.8	-
Western Australia Police Item 126: Capital Appropriation	44.0	-	-	9.5	53.5	-
Education Item 129: Capital Appropriation	155.4	-	-	13.7	169.2	-
Treasury <i>Government Equity Contributions</i>						
Item 136: Animal Resources Authority	0.5	-	-	0.3	0.8	-
Item 139: Electricity Networks Corporation (Western Power)	96.4	-	-	18.0	114.4	-
Item 142: Regional Power Corporation (Horizon Power)	1.1	-	-	0.8	1.9	-
New Item: Forest Products Commission	-	-	2.1	-	2.1	-
Registrar, Western Australian Industrial Relations Commission Item 151: Capital Appropriation	1.3	-	-	0.8	2.1	0.8
Fisheries Item 157: Capital Appropriation	1.0	-	-	1.3	2.3	-
Water Item 159: Capital Appropriation	10.1	-	-	1.3	11.4	-
Western Australian Sports Centre Trust Item 160: Capital Appropriation	3.4	-	-	0.7	4.2	-
Child Protection and Family Support Item 168: Capital Appropriation	0.7	-	-	1.6	2.3	-
Commissioner of Main Roads New Item: Capital Appropriation	-	-	61.0	-	61.0	-
<b>Total Capital</b>		-	<b>63.1</b>	<b>48.4</b>		<b>0.8</b>
<b>TOTAL</b>		-	<b>101.3</b>	<b>315.2</b>		<b>7.4</b>

(a) Authorised under section 25 of the FMA.

(b) *Pre-election Financial Projections Statement* cut-off date, 2 February 2017.

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

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

