



2012-13

Government Mid-year Financial Projections Statement

December 2012



2012-13

**GOVERNMENT MID-YEAR FINANCIAL
PROJECTIONS STATEMENT**

DECEMBER 2012

2012-13 Government Mid-year Financial Projections Statement
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Foreword

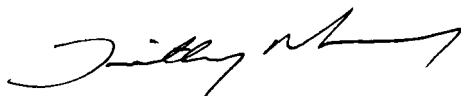
This *Government Mid-year Financial Projections Statement* (mid-year review) outlines developments in Western Australia's economic and financial outlook since finalisation of the 2012-13 State Budget, which was presented to Parliament on 17 May 2012.

It has been prepared under my instruction, and is based upon Government decisions I was aware of, or that were made available to me by the Treasurer, by close of business on the mid-year review cut-off date of 10 December 2012. The mid-year review does not include the impact of any decisions that may have been taken, or other issues arising, after the cut-off date.

The financial projections are informed by the economic assumptions outlined in Chapter 3: *The Western Australian Economy*, which were also finalised on 10 December 2012.

The mid-year review financial projections comply with external reporting standards including Australian Accounting Standards Board AASB 1049: *Whole of Government and General Government Sector Financial Reporting* and, where appropriate, Government Finance Statistics standards, promulgated in Australia by the Australian Bureau of Statistics. They are compiled using financial estimates provided by State public sector agencies that are consistent with Australian Accounting Standards. The disclosures in this publication meet the mid-year review requirements of both the Uniform Presentation Framework, agreed by the Australian Loan Council, and the *Government Financial Responsibility Act 2000*.

Unless otherwise stated, financial data for 2011-12 included in this publication (for comparative purposes) are consistent with final audited data contained in the 2011-12 *Annual Report on State Finances*, released on 26 September 2012.



Timothy Marney
UNDER TREASURER

December 2012

Financial Projections

HIGHLIGHTS

- Underpinned by strong growth in business investment and above-average population growth, the Western Australian economy is continuing to perform at above-trend levels. The economy is now expected to grow by 6.0% in 2012-13, up from 4.75% at budget-time.
- Softer economic growth in China has been reflected in lower iron ore prices which, coupled with a persistently high exchange rate, has significantly reduced the State's forecast mining royalty revenue.
- Economic and population growth have resulted in modest increases in taxation revenue, but these factors are driving significant demands for government services and infrastructure.
- In response, the Government has implemented further savings measures since the May 2012 budget. These measures total \$527 million in 2012-13, and have ensured an operating surplus of \$140 million remains in prospect for 2012-13.

Overview

Despite ongoing uncertainty in the global economy, the immediate outlook for the Western Australian economy has improved since the 2012-13 Budget. Gross State Product (GSP) grew by a record 6.7% in 2011-12, underpinned by a 38.2% increase in business investment and above-average population growth. Business investment will continue to be the key driver of growth in 2012-13, with GSP now forecast to increase by 6.0% (up from 4.75% at budget-time). This positive outlook also reflects stronger household consumption growth, a recovery in dwelling investment, and higher export volumes.

Consistent with budget expectations, economic growth in the outyears is forecast to be 4.25%, which is broadly in line with long-run average growth. Economic growth over this period is expected to rebalance away from business investment towards exports, as the construction phase of major resource projects is completed and production commences.

Nevertheless, there remain risks to the State's economic and financial outlook from the global economy. In particular, a softening of economic growth in China led to a sharp decline in iron ore prices in the September 2012 quarter. While export volumes have been largely unaffected, a general fall in commodity prices since budget has been accompanied by a persistently high \$US/\$A exchange rate. This has resulted in a significant downward revision to mining revenue of \$605 million in 2012-13 and almost \$3.2 billion over the four year forward estimates period. The divergence of movements between iron ore prices and the exchange rate has resulted in amendments to the forecasting methodology as part of this mid-year review (see feature box in Chapter 3: *The Western Australian Economy*).

On the domestic front, the State's strong population growth and high levels of business investment are supporting firm demand for labour. Employment growth for 2011-12 was a strong 3.7% and forecast employment growth for 2012-13 has been revised up to 3.25% (representing 6,339 additional jobs relative to the 2.75% at budget time). Reflecting this, payroll tax collections have been better than forecast at budget time, resulting in an upward revision of \$216 million in 2012-13 and a total of \$732 million over the four years to 2015-16.

Transfer duty¹ collections have also been stronger than forecast at budget. This largely reflects a number of large commercial property transactions, but underlying demand for housing also appears to have improved, reflecting tight rental market conditions, an increase in building approvals, and increasing first home buyer activity. As a result, forecast transfer duty revenue for 2012-13 has been revised up by \$122 million.

While the State's population share of national GST revenue remains at a historical low of 55% in 2012-13, forecast GST revenue has been revised up by \$170 million in 2012-13. This is largely due to increased estimates of the State's share of the national population following the 2011 Census. The decline in mining revenue noted above is also having a lagged positive impact on forecast GST revenue in the outyears. However, Western Australia's population share of GST revenue is still expected to fall significantly over the forward estimates period, to around 35% by 2015-16. Western Australia continues to lose \$13.5 billion over the forward estimates relative to an equal per capita share.

A softer revenue outlook for the electricity and water utilities, together with higher operating costs, will drive lower profitability and hence lower payments to the general government sector (down \$66 million in 2012-13 and \$978 million over the four years to 2015-16).

¹ Includes landholder duty.

Overall, total general government revenue over the budget period has been revised down by a total of \$1,203 million since the 2012-13 Budget.

In addition to the tighter revenue outlook, the State's strong economic and population growth is leading to increased demands for government services and infrastructure. These factors have underpinned major funding initiatives in this mid-year review, including:

- an additional \$85 million in 2012-13 to meet higher than anticipated demand for hospital services, including an additional \$20 million for elective surgery;
- additional funding of \$55 million in 2012-13, and a further \$267 million over the forward estimates, for the Department of Education to meet additional costs associated with higher than forecast student enrolments;
- an additional \$23 million in 2012-13 and a total of \$43 million over the forward estimates period to meet demand for training places;
- \$410 million over the four years to 2015-16 for high priority transport infrastructure projects including an extension of the Mitchell Freeway from Burns Beach Road to Hester Avenue and works on local government roads;
- \$80 million over the forward estimates period to build a train station with 2,000 parking bays at Aubin Grove in Perth's southern suburbs; and
- an additional \$9 million in 2012-13 to meet higher than anticipated demand for mental health inpatient services.

To accommodate the downturn in revenue and these additional spending demands, the Government has implemented a range of new savings measures since the 2012-13 Budget. A number of these measures were announced on 26 September 2012 and further measures have been approved as part of this mid-year review. The total impact of these savings measures is to improve the operating balance in 2012-13 and 2013-14 by \$527 million and \$84 million respectively (see feature box later in this chapter for detail on these measures).

Overall, changes to the revenue and expense outlook since budget-time have resulted in a reduction in the forecast general government operating balance in all years (with the exception of 2015-16), and an increase in total public sector net debt by 30 June 2016. The following table outlines the key budget aggregates.

Table 1

KEY BUDGET AGGREGATES
Western Australia

	2011-12 Actual	2012-13 Budget Estimate	2012-13 Mid-year Revision	2013-14 Forw ard Estimate	2014-15 Forw ard Estimate	2015-16 Forw ard Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	649	196	140	-187	393	1,770
Revenue (\$m)	25,220	25,477	25,318	26,356	27,910	30,323
Revenue Grow th (%)	5.5	2.9	0.4	4.1	5.9	8.6
Expenses (\$m)	24,571	25,281	25,178	26,543	27,517	28,553
Expense Grow th (%)	10.2	4.2	2.5	5.4	3.7	3.8
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	14,523	18,594	18,225	22,081	24,023	24,768
Asset Investment Program (\$m)	6,782	7,639	7,323	7,053	6,626	6,443
Cash Position (\$m)	-2,240	-3,364	-3,589	-3,281	-1,867	-538
KEY FINANCIAL RATIOS ^(a)						
Net Interest Cost to Revenue (%)	2.0	2.4	2.1	2.5	2.6	2.7
Net Financial Liabilities ^(b) to Revenue (%)	64.0	72.0	72.9	78.4	78.3	73.9

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

(b) As defined by Standard & Poor's for the purposes of credit rating assessments.

Of note, the general government operating balance in 2012-13 has declined from a forecast \$196 million at budget-time to a current estimate of \$140 million. An operating deficit of \$187 million is currently forecast for 2013-14, which largely reflects the impact of the softer revenue outlook noted above.

The Asset Investment Program remains at record levels, with spending of \$7.3 billion in 2012-13 and a total of \$27.4 billion over four years (up \$1.0 billion since budget).

As a result, net debt levels are now projected to increase to around \$24.8 billion by 30 June 2016.

The following table summarises the key economic assumptions underpinning this mid-year review.

Table 2

KEY ECONOMIC FORECASTS, WESTERN AUSTRALIA
(2012-13 Budget Forecasts Shown in Brackets)

	2011-12 Actual ^(a)	2012-13 Mid-year Revision	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
Real Gross State Product growth (%)	6.7 (6.0)	6.0 (4.75)	5.0 (4.75)	4.25 (4.25)	4.25 (4.25)
Real State Final Demand growth (%)	14.2 (9.0)	7.0 (6.75)	3.75 (4.25)	1.75 (2.0)	1.25 (3.25)
Employment growth (%)	3.7 (2.5)	3.25 (2.75)	2.25 (2.5)	2.0 (2.25)	1.75 (2.0)
Unemployment rate (%)	4.0 (4.25)	4.25 (4.25)	4.5 (4.25)	4.5 (4.0)	4.5 (4.0)
Wage Price Index growth (%)	4.3 (4.25)	4.5 (4.5)	4.25 (4.5)	4.25 (4.5)	4.25 (4.5)
Perth Consumer Price Index growth (%)	2.2 (2.5)	3.25 (3.5)	3.0 (3.25)	3.0 (3.25)	3.0 (3.25)
Iron ore price (\$US/tonne FOB)	137.0 (146.3)	118.4 (127.3)	109.8 (115.2)	107.2 (102.9)	104.5 (90.6)
Crude oil price (\$US per barrel)	95.0 (97.5)	89.3 (104.5)	90.4 (101.3)	89.3 (96.7)	87.8 (93.3)
Exchange rate (US cents)	103.2 (103.8)	103.4 (99.0)	101.0 (92.0)	98.2 (84.9)	95.4 (77.9)
Population growth (%)	3.0 (2.5)	2.8 (2.3)	2.4 (2.3)	2.3 (2.2)	2.3 (2.2)
Interest rate assumptions (%):					
– Public Bank Account interest earnings ^(b)	4.8 (4.6)	3.4 (3.9)	2.8 (4.7)	3.5 (4.9)	4.3 (5.0)
– Consolidated Account borrowings ^(b)	4.6 (5.2)	4.1 (4.6)	3.6 (4.6)	3.8 (4.9)	4.3 (4.9)

(a) Gross State Product (GSP) and State Final Demand (SFD) growth data are based on 2011-12 State Accounts data, released on 21 November 2012, updated with the latest quarterly State Final Demand data released on 5 December 2012.

(b) Average for the year.

Note: All data are annual averages. The forecasts assume no changes in Commonwealth Government policy settings.

General Government Sector

Operating Statement

An operating surplus of \$140 million is now forecast for 2012-13, with operating surpluses in prospect in both 2014-15 and 2015-16. An operating deficit of \$187 million is currently forecast for 2013-14.

Across the forward estimates (2012-13 to 2015-16), the operating balance has been revised down by a total of \$666 million. This reflects a significant reduction in revenue totalling \$1.2 billion over the four years to 2015-16, partly offset by an overall reduction in recurrent spending of \$537 million. This includes a range of new savings measures, detailed later in this chapter, which boost the operating surplus by around \$527 million in 2012-13 and \$84 million in 2013-14.

These savings measures have enabled additional spending on priority services including the effect of higher demand for health and education services associated with the growing economy and population.

The following table summarises the changes in general government revenue and expenses since the 2012-13 Budget.

Table 3

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2012-13 BUDGET**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	Total \$m
2012-13 BUDGET - NET OPERATING BALANCE	196	345	836	1,404	
Revenue					
<i>Revenue impact of 2012-13 corrective measures</i>	162.7	22.2	8.6	5.9	199.5
<i>Policy decisions</i>					
Revised Mining Rehabilitation Arrangement	-	39.9	45.4	51.5	136.8
Burswood Casino Expansion	8.0	10.0	13.0	17.0	48.0
Other	5.7	-0.8	-0.2	0.5	5.2
<i>Total policy</i>	13.7	49.1	58.2	69.0	190.0
<i>Parameter ^(a)</i>					
<i>Taxation</i>	448.3	413.4	330.6	322.7	1,515.1
- Payroll tax	215.7	204.4	168.5	143.8	732.4
- Total duty on transfers	121.5	77.7	20.4	28.2	247.8
- Insurance duty	45.9	52.1	56.8	61.4	216.2
- Other taxes	65.2	79.3	84.9	89.3	318.6
<i>Commonwealth grants</i>	-235.1	-185.9	41.7	453.1	73.9
- GST grants	169.9	232.1	328.4	719.4	1,449.8
- North West Shelf/condensation compensation	-100.4	-171.3	-223.6	-310.7	-806.0
- Other Commonwealth grants	-304.6	-246.7	-63.1	44.4	-569.9
<i>Royalty income</i>	-505.0	-754.7	-644.9	-447.5	-2,352.1
- Iron ore	-471.5	-691.9	-545.3	-317.9	-2,026.6
- Other royalties	-33.5	-62.8	-99.6	-129.6	-325.5
Revenue from public corporations ^(b)	-179.0	-250.7	-325.5	-372.4	-1,127.6
Other	135.1	43.7	65.1	54.7	298.6
<i>Total parameter</i>	-335.7	-734.1	-532.9	10.6	-1,592.1
TOTAL REVENUE	-159.3	-662.8	-466.1	85.5	-1,202.7

Note: Columns/rows may not add due to rounding

Table 3 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2012-13 BUDGET**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	Total \$m
Expenses					
<i>Expense impact of 2012-13 corrective measures</i>	-364.2	-61.7	-80.6	-30.8	-537.4
<i>Policy decisions</i>					
Roads Infrastructure	1.3	11.7	13.0	43.1	69.1
Pilbara Generation Capacity - Synergy Operating Subsidy	-	15.0	17.0	-	32.0
Early Psychosis Youth Centre	-	2.0	5.2	8.1	15.4
Attorney General Corporate (Shared) Services	9.2	4.4	1.2	-	14.7
Revised Mining Rehabilitation Arrangement	1.0	1.6	1.9	7.0	11.5
Aubin Grove Train Station Recurrent Expenses	0.3	1.1	2.6	6.9	10.9
ANZAC Centenary	2.8	5.2	-	-	8.0
Country High Schools Hostels Ex Gratia Scheme	2.0	4.8	-	-	6.7
Other	32.8	24.2	13.5	13.7	84.1
<i>Total Policy</i>	<i>49.3</i>	<i>69.9</i>	<i>54.4</i>	<i>78.9</i>	<i>252.5</i>
<i>Parameter ^(a)</i>					
Operating Subsidy for Synergy/Horizon	-0.6	-29.6	-113.2	-246.4	-389.8
Superannuation interest cost	-61.3	-66.5	-83.4	-104.6	-315.8
Debt servicing costs	-24.2	-111.0	-129.9	-34.5	-299.6
Depreciation	-36.4	-19.8	-44.2	-108.3	-208.8
Student Growth and Cost Pressures	54.9	74.4	87.8	105.0	322.1
Operating subsidy for Water Corporation	16.9	36.2	42.4	30.7	126.1
Natural Disaster Relief and Recovery Arrangements	85.9	-	-	-	85.9
Increased Hospital Activity	85.0	-	-	-	85.0
Training Delivery	22.7	7.6	5.9	7.1	43.3
Increased Daily Average Prisoner Population	10.5	10.5	10.5	10.5	42.0
Assets Transferred to Local Governments/Private Sector	-47.2	-50.5	96.8	-	-0.9
Other	105.9	9.5	130.7	12.5	258.7
<i>Total Parameter</i>	<i>212.1</i>	<i>-139.3</i>	<i>3.4</i>	<i>-328.0</i>	<i>-251.8</i>
TOTAL EXPENSES	-102.8	-131.1	-22.9	-280.0	-536.7
TOTAL VARIANCE	-56.5	-531.7	-443.2	365.5	-666.0
2012-13 MID-YEAR REVIEW - NET OPERATING BALANCE	140	-187	393	1,770	

(a) Parameter changes include movements due to issues not subject to policy decisions, such as variations in Commonwealth grants, cost escalation, movements in interest and depreciation, etc.

(b) Excludes corrective measures impact on dividends and tax equivalent revenue.

Note: Columns/rows may not add due to rounding

Revenue

A weaker revenue outlook, particularly for royalties and tax equivalent and dividend payments from public corporations, dominates revisions to the outlook since budget-time. Since the budget, general government operating revenue has been revised down by \$1.2 billion over the four years to 2015-16. Forecast revenue growth for 2012-13 is just 0.4%, down from the budget-time forecast of 2.9%. This compares to average revenue growth of 8.5% over the last decade, and follows the modest 5.5% revenue growth recorded in 2011-12.

Global economic uncertainty, particularly from events in the euro area, has resulted in the price of most commodities weakening since budget. With the exception of gold, commodity prices have generally softened so far in 2012-13. At the same time, the \$US/\$A exchange rate is expected to average US103.4 cents in 2012-13, over US4 cents higher than assumed at budget-time. Both of these factors are acting to reduce the State's royalty revenue.

A softer revenue outlook for the electricity and water utilities, together with higher operating costs, will drive lower profitability and hence lower payments to the general government sector (down \$66 million in 2012-13 and \$978 million over the four years to 2015-16).

Lower forecasts for royalties and public corporations are partially offset by a stronger outlook for tax collections (particularly payroll tax) and agency goods and services revenue.

Further details on the variations in forecast revenue and expenses are outlined below (a detailed table of general government sector revenue is available in Appendix 2: *General Government Operating Revenue*).

2012-13

General government revenue is estimated to be \$25.3 billion in 2012-13, \$159 million (or 0.6%) lower than the 2012-13 Budget forecast.

- Royalty income has been revised down by \$505 million in 2012-13, due to the net impact of:
 - lower iron ore prices, down from an average price of \$US127.30 per tonne at budget-time to the current estimate of \$US118.40 per tonne. This has reduced estimated royalty income in 2012-13 by \$286 million; and
 - a higher than expected \$US/\$A exchange rate, which is estimated to average US103.4 cents over the remainder of 2012-13, US4.4 cents higher than the budget assumption of US99.0 cents. Holding all other factors constant, this change is expected to reduce royalty income in 2012-13 by \$265 million.
- Taxation revenue has been revised up by \$456 million in the current year. This mainly reflects the impact of:
 - higher payroll tax collections (up \$216 million), reflecting robust conditions in the State's labour market, with strong employment and wages growth;
 - an upward revision to total duty on transfers (up \$122 million), mainly reflecting several high value commercial transactions in the first part of 2012-13;
 - an upward revision to forecast taxes on insurance (up \$46 million), reflecting higher than expected insurance premiums in the year to date;
 - higher land tax collections (up \$28 million), due to higher than expected increases in valuations for some types of land; and

- an increase in vehicle license duty (up \$27 million), reflecting higher than expected average monthly growth in collections and continuous trend growth in new vehicle sales.
- Commonwealth grants have been revised down by \$184 million in 2012-13, mainly due to the net impact of:
 - an upward revision to GST grants (up \$170 million), due mainly to an increase in the estimate of the State’s forecast share of the national population following the 2011 Census (the State’s share of the national population in 2012-13 has been revised up from 10.6% to 10.8%);
 - the inclusion of a \$50 million provision in 2012-13 for refunds of overpaid agency GST liabilities (see *Corrective Measures* feature box later in this chapter);
 - lower than anticipated North West Shelf grants (down \$95 million), reflecting a higher exchange rate and weaker oil prices, partly offset by an increase in LNG prices;
 - lower National Partnership payments for Health (down \$68 million), primarily reflecting changes to the Commonwealth’s schedule of grants for the Midland Health Campus, preventive health and essential vaccines; and
 - lower tied grants for capital purposes (down \$241 million), mainly reflecting the pre-payment of grants at the end of 2011-12 (referred to in the 2011-12 *Annual Report on State Finances*).
- Interest income has been revised up by \$13 million, reflecting the net impact of higher cash balances at 30 June 2012 (as a result of 2011-12 outcomes detailed in the 2011-12 *Annual Report on State Finances*, released in September 2012) and lower interest rate forecasts following the reductions in the official cash rate announced by the Reserve Bank of Australia since the May Budget.
- Dividends from public corporations are \$56 million higher than budget, mainly reflecting the net impact of:
 - the implementation of savings measures, including a one-off \$62 million dividend from the Western Australian Land Authority, and a \$19 million increase in interim dividend payments from the Water Corporation; and
 - lower than expected dividend outcomes for Western Power (down \$33 million), Verve Energy (down \$25 million), and Horizon Power (down \$15 million).
- Tax equivalent revenue is expected to be \$122 million lower than budget, reflecting lower than anticipated revenue from Synergy (down \$17 million), Verve Energy (down \$20 million), Western Power (down \$55 million) and Water Corporation (down \$14 million), on the back of lower profitability in 2012-13.
- Projected revenue from sales of goods and services in 2012-13 has been revised up by \$97 million. This largely reflects the flow-on impact of higher than expected outcomes in 2011-12.

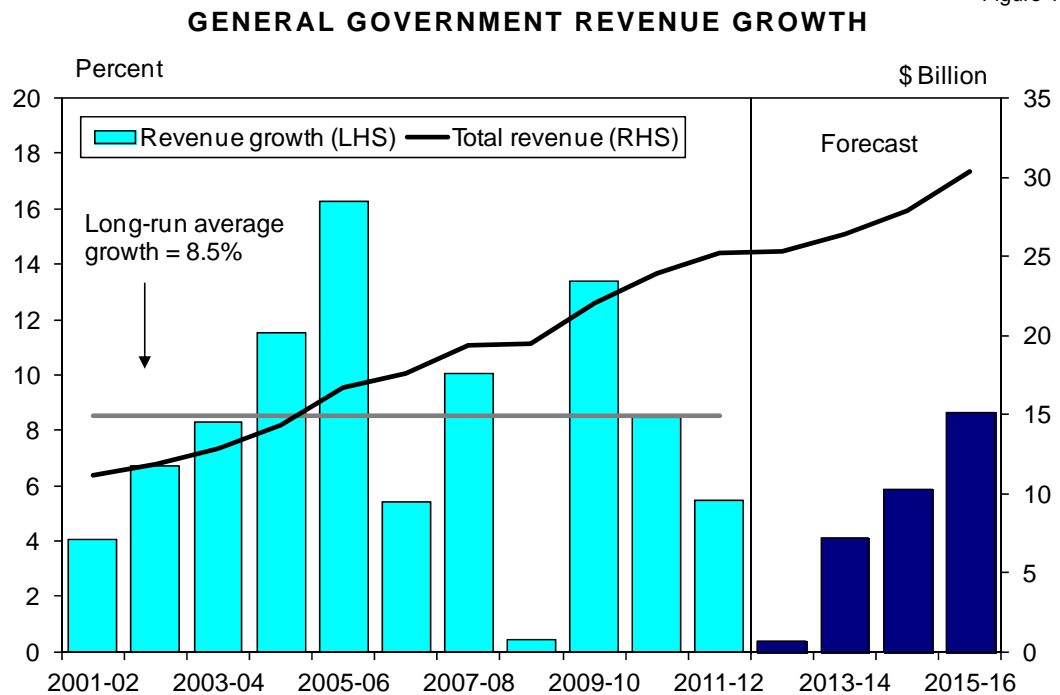
- ‘Other revenue’ has been revised up by \$29 million mainly reflecting movements in minor revenue items such contributions from external parties and revenue recovery in the health sector (previously classified as sales of goods and services).

2013-14 to 2015-16

General government revenue has been revised down by a net \$1.0 billion across the outyears. This mainly reflects the impact of:

- lower royalty income (down \$1,847 million), due to lower than expected commodity prices (with the exception of gold) and a higher than expected \$US/\$A exchange rate (see above);
- higher taxation revenue (up \$1,107 million), with upward revisions to payroll tax (\$517 million), insurance duty (\$170 million), duty on transfers (\$126 million), motor vehicle licence duty (\$106 million), and land tax (\$101 million);
- higher GST revenue grants (up a net \$1,280 million over the period 2013-14 to 2015-16). This is mainly due to the increase in the State’s share of the national population following the 2011 Census (noted above) and the lagged impact on the State’s GST share from the revised mining royalty outlook. Western Australia’s GST relativity is now expected to decline from 55% in 2012-13 to 35% in 2015-16;
- a downward revision to North West Shelf royalty grants and crude oil excise compensation grants (of \$706 million), reflecting a higher exchange rate, lower oil prices, and lower LNG prices;
- revisions to Commonwealth tied grants (down \$266 million), mainly due to the reclassification of revenue received by WA Health to sales of goods and services (\$208 million), revisions to natural disaster funding since the May 2012 budget, and changes to the timing of other grants;
- lower estimates for dividends and tax equivalent revenue (down \$912 million), largely driven by the net impact of:
 - lower customer revenue as a result of lower demand and a lower return on assets (particularly for Western Power following the Economic Regulation Authority’s determination for Western Power’s Access Arrangement); and
 - the implementation of a port access fee at the Port Hedland Port Authority (\$168 million across the outyears);
- higher estimates for agency sales of goods and services (up \$438 million), reflecting the reclassification of Commonwealth grants revenue received by WA Health (\$208 million, noted above) the Government’s decision to implement revised mining rehabilitation arrangements associated with the remediation of mine sites (\$137 million), and the outyear impact of growth in the revenue base in 2011-12 (noted above); and
- the impact of changes to the outlook for interest rates and cash holdings on interest income (down \$197 million), mainly due to the lower interest rate outlook since budget.

Figure 1



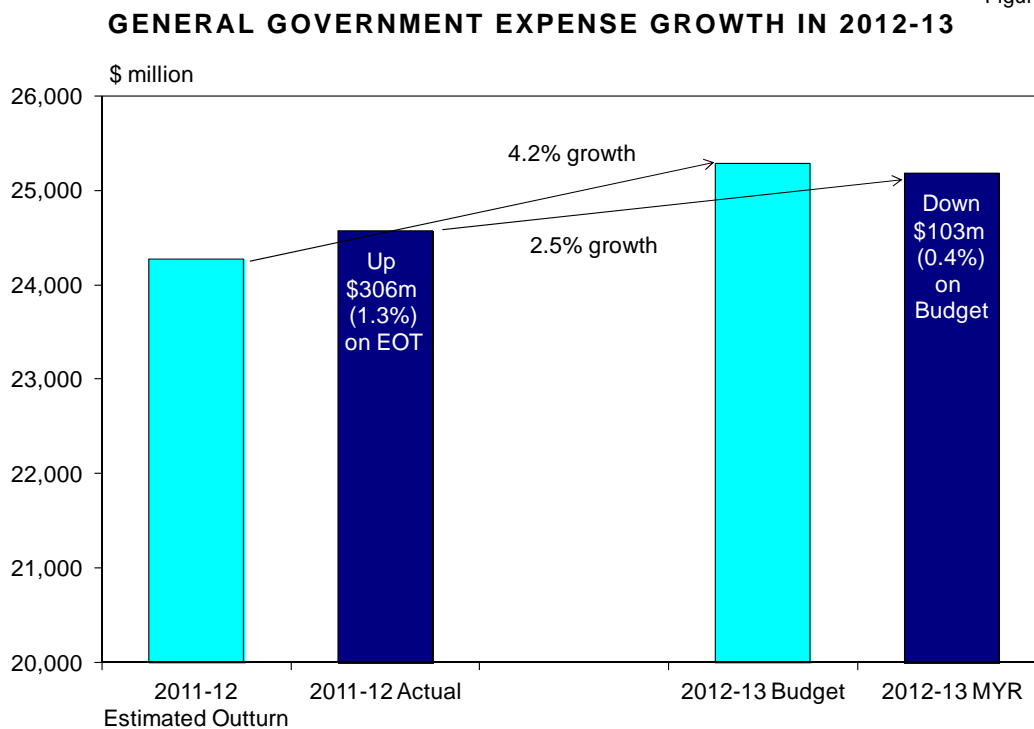
Expenses

2012-13

General government expenses are forecast to be \$25.2 billion in 2012-13, \$103 million (or 0.4%) lower than budget.

Expense growth for 2012-13 has reduced to an estimated 2.5%, down from the budget-time forecast of 4.2% and well below the long-run average of 8.4%. This decline is largely attributable to the range of savings measures implemented since the 2012-13 Budget (which will generate expense savings of around \$364 million in the current year) and the 'base' impact of higher than expected recurrent spending in 2011-12 (detailed in the 2011-12 *Annual Report on State Finances*).

Figure 2



Key changes in general government expenses since the time of the 2012-13 Budget include:

- an additional \$86 million for the Western Australian Natural Disaster Relief and Recovery Arrangement that will be spent on restoring roads affected by flooding in the Carnarvon, Pilbara and Mid-West Regions, and for the construction of housing units following the March 2011 Kimberley floods;
- an additional \$85 million to meet higher than anticipated demand for hospital services;
- an additional \$38 million will be spent on education programs as a result of the revised recurrent funding for Western Australia reflected in the Commonwealth Government's 2012-13 *Mid-year Economic and Fiscal Outlook*, as well as a further \$55 million to resource schools for growth in student enrolments;
- an additional \$23 million to ensure that training delivery continues to meet the needs of the Western Australian economy and to maintain the current level of training places for the 2013 calendar year;
- a higher operating subsidy to the Water Corporation (\$17 million) reflecting lower customer revenue as a consequence of decreased water consumption;
- \$14 million to address unavoidable rental increases for Government Regional Officer Housing;

- an additional \$11 million per annum, commencing in 2012-13, to address higher costs driven by an increase in the daily average prisoner population;
- increased spending to deliver agreed objectives under the National Partnership Agreement Supporting National Mental Health Reform (\$7 million) and to meet higher than expected demand for mental health inpatient services (\$9 million);
- \$8 million for refunds to mining companies that have withdrawn their mining tenement application requests;
- \$5 million per annum to reflect the integration of the Teacher Registration Board into the Department of Education Services on 7 December 2012;
- spending on additional fire management officers (\$5 million) to increase fire preparedness of the Department of Environment and Conservation;
- a reduction in superannuation interest costs (down \$61 million) reflecting the effect of financial market activity on the discount rate used to determine these costs²;
- a reduction in debt servicing costs (down \$24 million) reflecting the effect of lower interest rates following the reductions in the official cash rate announced by the Reserve Bank of Australia since the May 2012 budget; and
- the implementation of a range of savings measures totalling \$364 million announced since the 2012-13 Budget, in response to the weaker revenue outlook detailed above.

Corrective Measures

In response to the deterioration in the revenue outlook since the 2012-13 Budget, the Government has approved a further round of corrective measures. As announced in September 2012, these savings initiatives, which impact the majority of general government agencies, include:

- lowering the full-time equivalent (FTE) ceiling by around 1,200 FTEs to reflect actual (occupied) FTE levels across the general government sector. Agencies have been directed to actively manage their workforce within an approved ceiling. FTE ceilings (and salary budgets) have been reduced to account for the number of vacant positions across the sector as at 13 September 2012. The associated salary savings total around \$108 million in 2012-13;

² Long-term government bond rates are used by the actuary in year-end valuations of unfunded superannuation liabilities. Bond rates have remained at low levels during the first half of 2012-13, compared with a budget assumption that the bond rate would gradually trend back toward the long-term average (around 6%). A decrease in the bond rate means that unfunded liabilities increase in value (and vice versa). The mid-year review impact of these changes is estimated by Treasury.

- halting growth in leave liabilities, by capping these at 30 June 2012 levels. Public sector leave liabilities accumulate on agencies' balance sheets and put increasing pressure on salary expenditure costs each year. Agencies have implemented strategies to ensure accruing annual and long service leave liabilities are capped at 30 June 2012 levels from 30 June 2013 onwards, and have determined the operational arrangements in accordance with their individual circumstances. This measure is estimated to save around \$100 million in 2012-13 and has been incorporated at a global level in this mid-year review. The capping of leave liabilities will be included in individual agencies' budgets as part of the 2013-14 Budget process; and
- a 1.5% reduction to agencies' 2012-13 budgeted expenditure on procuring non-essential goods and services (such as consumables, consultants and communication). This measure has been targeted at the 31 largest agency spenders, resulting in an estimated saving of around \$63 million.

The Government has also included a range of additional measures in this mid-year review, including:

- implementation of revised dividend arrangements for a number of public corporations, including an increase in the interim dividend payable by the Water Corporation to 98% (up from 93%) for 2012-13 and each subsequent year, and payment by the Western Australian Land Authority of an additional \$62 million as a one-off dividend payment to the general government sector in 2012-13;
- the inclusion of a \$50 million provision in 2012-13 for refunds of overpaid agency GST liabilities which will be sought from the Australian Taxation Office this year;
- changes in the timing of grant expenditure for the Low Emissions Energy Development Fund, Browse LNG regional benefits package, and the Natural Resource Management program, as well as the cessation of the Lignor Financial Assistance Agreement;
- deferral of \$57 million of *Royalties for Regions* (RfR) recurrent expenditure from 2012-13 to 2013-14; and
- a \$53 million reduction in RfR recurrent expenditure in 2013-14, to be achieved by reducing the recurrent allocation to the Regional Community Services – Regional Strategic Projects Fund.

The corrective measures are estimated to save around \$527 million in the 2012-13 financial year.

Table 4

ESTIMATED IMPACT OF CORRECTIVE MEASURES

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<i>Revenue Measures</i>				
Revised dividend arrangements	113	22	9	6
Refund of overpaid GST	50	-	-	-
<i>Total</i>	163	22	9	6
<i>Expense measures</i>				
FTE ceiling reduction	108	-	-	-
Capping leave liabilities	100	87	89	31
Reduced procurement expenditure	63	-	-	-
Delayed grants expenditure				
Natural resource management program	5	-3	-3	-
Low emissions energy development fund	6	-	-6	-
Lignor financial assistance agreement	6	-	-	-
Browse LNG precinct regional benefits package	19	-19	-	-
Deferral of <i>Royalties for Regions</i> recurrent expenditure - 2012-13	57	-57	-	-
Reduced <i>Royalties for Regions</i> recurrent expenditure - 2013-14	-	53	-	-
<i>Total</i>	364	62	81	31
Total General Government Net Operating Balance Impact	527	84	89	37
Total Public Sector Net Debt Impact (at 30 June)	-346	-340	-334	-334

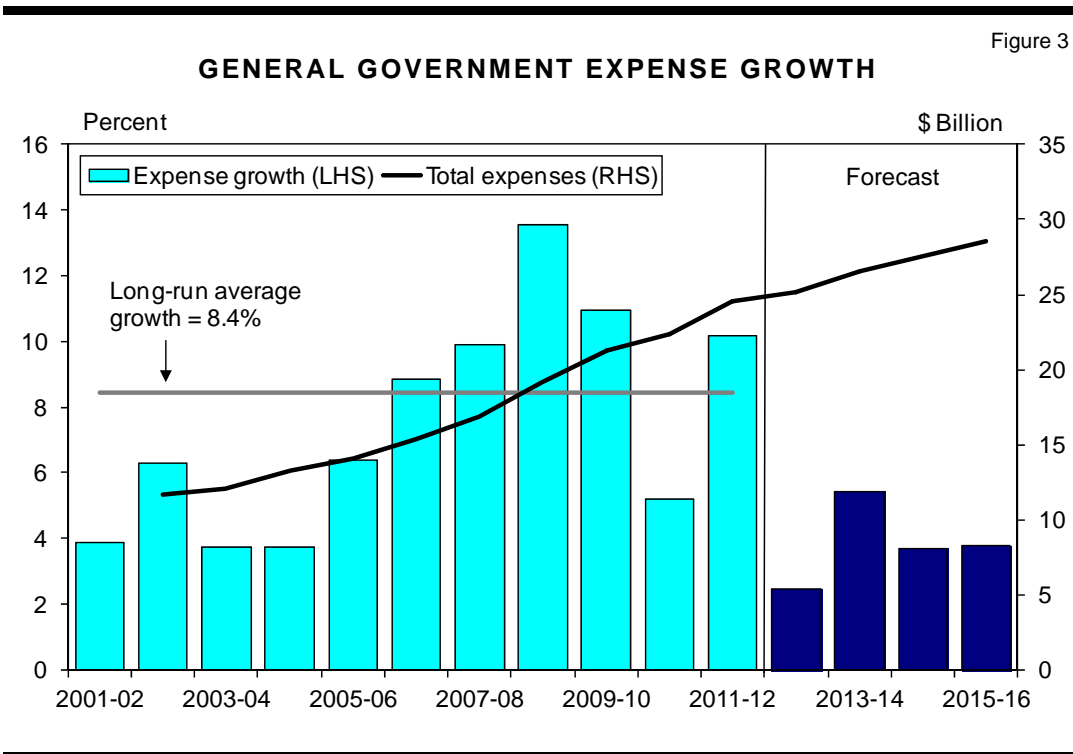
2013-14 to 2015-16

Compared to the budget-time projections, general government sector expenses are forecast to decrease by around \$434 million over the outyears from 2013-14. This is the net result of:

- spending to address service delivery issues that have arisen since the May 2012 Budget³. Significant items include:
 - an additional \$267 million will be spent to resource schools for growth in student enrolments and associated cost pressures;
 - an additional \$72 million to address unavoidable rental increases for Government Regional Officers Housing;
 - \$67 million for local government road projects;
 - \$30 million increase in the operating subsidy paid to Public Transport Authority for recurrent costs associated with the new Aubin Grove train station and the procurement of seven additional three-railcar sets, Transperth bus contracts and SmartRider maintenance contract costs pressures associated with increased patronage and changes in fuel costs;
 - \$24 million to accommodate expected refunds to mining companies that withdraw their mining tenement applications; and

³ See Appendix 3: *Major Spending Changes Since Budget* for further details.

- \$15 million to establish an early psychosis youth centre in the metropolitan region;
- a reduction of \$361 million in the operating subsidy paid to Synergy due to the Economic Regulation Authority’s Final Determination on Western Power’s revised Access Arrangement and the resulting lower network costs to be incurred by Synergy;
- the outyear impact of the higher operating subsidy to the Water Corporation discussed earlier (\$109 million);
- the outyear impact of lower debt servicing costs (down \$275 million), mainly due to changes in the outlook for interest rates along with changes in the timing of borrowings;
- the outyear impact of discount rate changes on superannuation interest costs (down \$255 million); and
- the implementation of the corrective measures in both the 2012-13 Budget and this mid-year review, which aim to improve the efficiency of the public sector and ensure that key financial targets are met, without adversely impacting front line service delivery. In total, these measures deliver estimated recurrent savings of around \$2.4 billion between 2013-14 and 2015-16⁴.



Further detail on the material changes in agency spending is available in Appendix 3: *Major Spending Changes Since Budget*.

⁴ New corrective measures affecting expenses in this mid-year review total \$174 million over the period 2013-14 to 2015-16 (see feature box).

Capital Investment

The general government sector Asset Investment Program totals \$12.1 billion over the four years to 2015-16. This is \$149 million higher than projected at the time of the 2012-13 Budget.

2012-13

General government sector infrastructure spending is forecast to be \$3.2 billion in 2012-13, a decrease of \$110 million (or 3.3%) relative to the 2012-13 Budget. The reduction in the total program reflects changes in the timing of project expenditure. New spending that has been allocated since budget-time includes:

- \$12 million to enable the consolidation of cardiothoracic services at the Fiona Stanley Hospital through changes to the clinical services framework;
- additional funding of \$5 million for the New Perth Stadium and Sports Precinct, with associated spending on transport infrastructure discussed in *Total Public Sector* below; and
- \$7 million to Main Roads for transport infrastructure projects including the Greenough River bridge, an extension of the Mitchell Freeway to Hester Avenue, constructing a dual carriageway on Reid Highway and upgrading the South Coast Highway.

A general provision for slippage in the sector-wide infrastructure spend for 2012-13 has increased from \$500 million at budget-time, to \$750 million. This provision adjusts general government agencies' forecasts for underspending that typically emerges during the course of the year from unexpected delays in works and/or changes in the timing of cash payments⁵.

2013-14 to 2015-16

Spending on infrastructure is forecast to total \$8.9 billion across the outyears, \$258 million (or 3.0%) higher than budget. This is largely attributable to:

- \$334 million for transport infrastructure projects including the Greenough River bridge, an extension of the Mitchell Freeway from Burns Beach Road to Hester Avenue, constructing a dual carriageway on Reid Highway, grade separation of the Reid Highway-Malaga Drive intersection and realignment of the South Coast Highway;
- \$180 million following project definition for the New Perth Stadium over the period to 2015-16;
- an additional \$104 million for projects to upgrade and improve school facilities, and bring forward the construction of two secondary schools to meet anticipated population growth;

⁵ Relative to the 2011-12 mid-year review estimates, underspending by the general government sector on infrastructure in 2011-12 was \$804 million by 30 June 2012.

- \$80 million for the ongoing replacement of critical medical equipment in 2014-15 and 2015-16;
- \$62 million for the Spoilbank Marina Precinct development in Port Hedland;
- \$28 million for the reconfiguration of the existing coastal structures at Port Geographe (such as groynes) to address seagrass wrack accumulation and coastal erosion issues; and
- an additional \$10 million to procure additional or replacement office accommodation for Department of Child Protection staff in Midland, Armadale, Merredin and South Hedland.

A total of \$400 million has also been reflected in the projections as provisions for slippage in the program that will be caught up by 2015-16.

Further details on changes to infrastructure programs are disclosed in Appendix 3: *Major Spending Changes Since Budget*.

Balance Sheet

The net worth of the general government sector is forecast to increase from \$111.5 billion at 30 June 2012 to \$125.6 billion at 30 June 2016. This movement largely reflects:

- a \$2.1 billion increase in accumulated surplus outcomes over the period 2012-13 to 2015-16;
- a \$3.1 billion increase in projected land values (including land under roads); and
- a \$6.5 billion increase in the general government sector's equity holding in public corporations (reflecting surplus outcomes and projected values for land and the 'fair value' of property, plant and equipment).

Table 5

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2012	2013	2014	2015	2016
	\$m	\$m	\$m	\$m	\$m
2012-13 MID-YEAR REVIEW					
Assets	135,577	141,567	146,861	152,388	157,249
Liabilities	24,101	26,521	28,649	30,523	31,672
Net Worth	111,475	115,046	118,211	121,865	125,578
<i>Net Debt</i>	2,050	4,800	7,991	9,447	9,935
2012-13 BUDGET					
Assets	136,185	140,996	147,338	152,003	157,674
Liabilities	22,231	24,452	27,098	28,067	28,494
Net Worth	113,955	116,544	120,239	123,935	129,180
<i>Net Debt</i>	2,699	5,552	8,053	8,715	8,535
VARIANCE					
Assets	-609	571	-477	385	-425
Liabilities	1,871	2,069	1,551	2,455	3,177
Net Worth	-2,480	-1,498	-2,028	-2,070	-3,602
<i>Net Debt</i>	-649	-752	-62	732	1,401

Note: Columns may not add due to rounding.

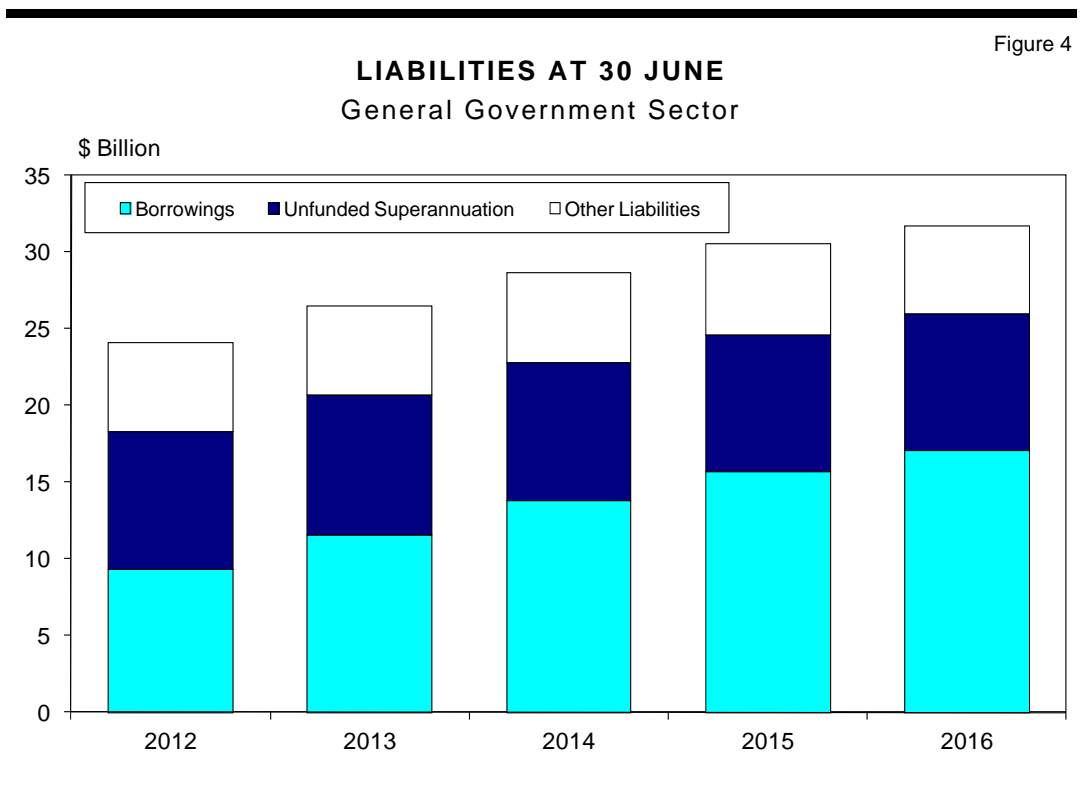
General government assets at 30 June 2016 are forecast to be \$157.2 billion, \$425 million lower than budget. Land values are forecast to be around \$2.4 billion lower than forecast at budget-time, reflecting the lower land under roads valuation at 30 June 2012 (detailed in the *2011-12 Annual Report on State Finances*). Financial assets at 30 June 2016 are forecast to be \$1.6 billion higher than budget, including the higher public corporation equity holding noted above and movements in investments, loans and placements (largely reflecting part of the change in the general government sector operating balance across the four years to 2015-16).

General government liabilities are forecast to increase from \$24.1 billion at 30 June 2012 to \$31.7 billion at 30 June 2016, an increase of \$3.2 billion compared with the budget forecast for 30 June 2016.

Forecast levels of borrowing at 30 June 2016 have increased since budget-time (up \$1.9 billion), reflecting the timing of borrowings supporting infrastructure spending and revisions to the operating outlook.

Forecast unfunded superannuation liabilities are projected to increase by around \$1.1 billion by 30 June 2016 (relative to the 2012-13 Budget). This reflects the impact of the persistently low ten year bond rate, used by the actuary to value these liabilities each year at 30 June. This increase is expected to slowly wind back across the forward estimates period, on the assumption that the discount rate will trend back to the long term average (around 6%) over time. This valuation effect does not substantially change expectations that unfunded superannuation liabilities will become immaterial over the next two or three decades (as the vast majority of new superannuation entitlements have been fully funded since 1998-99), and will not impact cash payments from the Consolidated Account, which are dependent on individual employee entitlements rather than the annual valuation of all such obligations.

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



Cash Flow Statement

Cash shortfalls are in prospect between 2012-13 and 2014-15, with a cash surplus of \$17 million forecast for the 2015-16 financial year.

The general government sector is forecast to record cash surpluses from operating activities (the cash equivalent of the operating surplus discussed earlier) in each year of the forward estimates period, increasing from \$1.0 billion at 30 June 2013 to \$2.6 billion at 30 June 2016. This reflects the expected trend in the accrual operating balance discussed earlier in this chapter.

However, net cash flows from investing activities are expected to drive growth in net debt until 2015-16 when a small cash surplus is expected to arise as the operating outlook strengthens.

Total Public Sector⁶

Summary

Operating deficits for the total public sector are forecast in 2012-13 and 2013-14, before a return to surplus outcomes for the remainder of the forward estimates period. These outcomes reflect the weaker general government sector revenue outlook discussed earlier, and weaker profitability (from lower forecast customer revenue and higher operating costs) in the public non-financial corporations (PNFC) sector.

Infrastructure spending has been revised up across the forward estimates period by a total of \$1.0 billion since budget, with a total spend of \$27.4 billion projected for the four years to 2015-16. The Asset Investment Program remains at record levels, reflecting investment in key social and economic projects across the State to support economic and population growth.

Reflecting the magnitude of the Asset Investment Program, total public sector net debt is forecast to rise to \$24.8 billion by 30 June 2016.

Operating Statement

An operating deficit of \$541 million is forecast for the total public sector in 2012-13, compared to the \$63 million surplus expected at the time of the budget. This turnaround reflects movements in the general government operating position discussed earlier, along with a decline in the surpluses forecast for the PNFC and public financial corporations (PFC) sectors.

Public Non-Financial Corporations

The outlook for the operating balance of the PNFC sector has deteriorated since the 2012-13 Budget. The forecast is now for an operating surplus in 2012-13 of \$39 million, a downward revision of \$442 million on the budget-time projection. Across the outyears, projected surplus outcomes have been reduced by a total of \$1.5 billion.

The weaker operating outlook largely reflects the impact of lower customer revenue for Government Trading Enterprises (GTEs) mainly as a result of lower demand and lower returns on assets, particularly for the electricity and water utilities. Partly offsetting these changes, a new Port Access Fee (commencing in April 2013) will increase profitability of the Port Hedland Port Authority. The new charge will fund future infrastructure spending that will enhance the function of the port.

⁶ Also known as the whole-of-government, the total public sector consolidates the general government sector (discussed earlier in this chapter), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State's ports, and the electricity and water utilities), and the public financial corporations sector (which includes agencies such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

The surplus outcomes forecast for the outyears are in part due to the Government's cumulative efficiency dividend imposed on the discretionary operating expenditure of GTEs as part of the 2012-13 Budget. The efficiency dividend commences at 2.5% in 2012-13, increasing to 6.0% by 2015-16 (with port authorities subject to a 1.5% dividend in 2012-13, increasing to 6.0% by 2015-16). This measure aims to strengthen the profitability of the GTEs and increase the return to the community through higher dividends and tax equivalent revenue to the general government sector, particularly in the outyears.

The 2012-13 Budget estimated that the GTE efficiency dividend across the forward estimates period would total around \$384 million in net debt terms. Of this amount:

- the Western Australian Land Information Authority is still determining the mechanism for its efficiency dividend of \$23 million to deliver a benefit to the State's finances, given that under its regulatory framework the benefits flow to customers; and
- the \$56 million efficiency dividend from Western Power has been delivered through a reduction in operating expenditure. However, the resulting financial benefits largely flow to customers rather than State finances due to the regulatory framework that Western Power operates within.

These agencies will continue to look for alternative measures in the lead up to the 2013-14 Budget.

The mid-year review incorporates an overall net \$170 million payment in 2012-13 from the general government sector to support electricity entities. In round terms, this comprises \$494 million of operating subsidies, partly offset by \$324 million of tax equivalent and dividend revenue.

This includes electricity tariff subsidies (which are made to offset the shortfall in electricity prices paid by customers relative to the cost of providing electricity), along with various other initiatives such as pensioner and senior concessions, and the Feed-in Tariff scheme.

The net payment from the State's water entities has been revised down since budget to \$95 million, reflecting lower customer demand in response to water efficiency measures.

Overall, the net payment from the general government sector to GTEs in 2012-13 is now expected to be \$550 million, up \$77 million on the budget-time forecast of \$473 million. This higher net payment to the GTEs reflects the impact of lower profitability on tax equivalent and dividend payments to the general government sector (discussed earlier in this chapter).

Public Financial Corporations

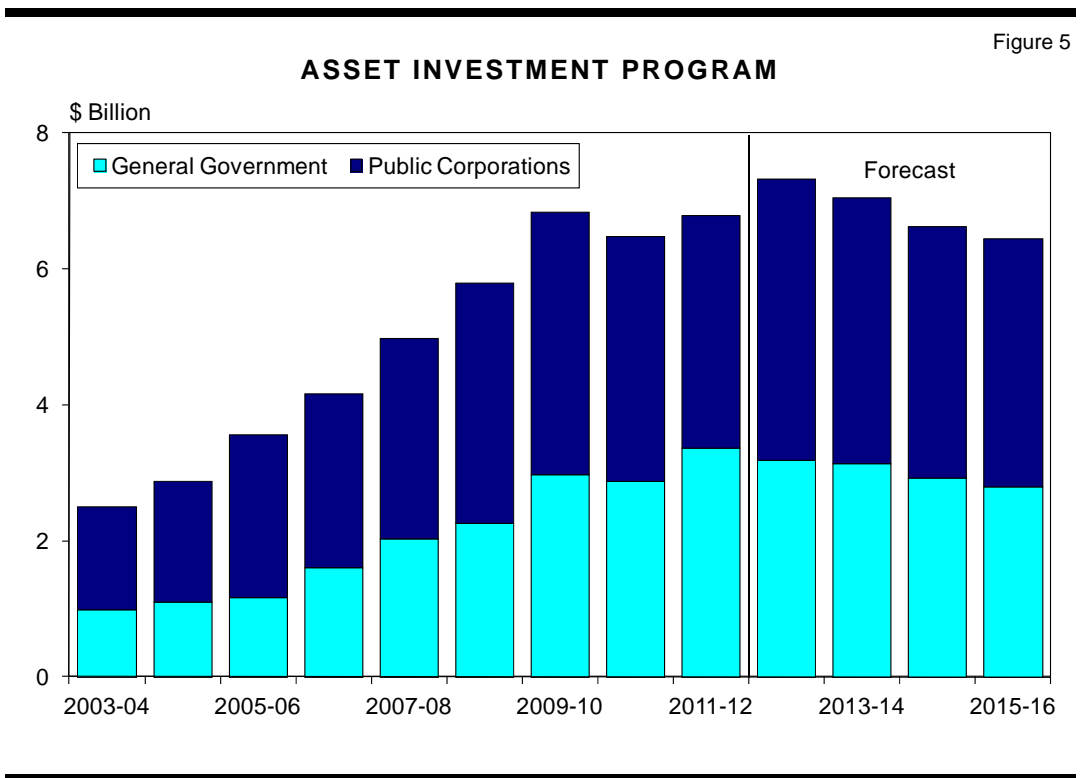
A surplus of \$145 million is forecast for the PFC sector in 2012-13. This outcome compares with the budget-time forecast of a \$190 million surplus, and reflects lower projected revenue from insurance premiums. The sector is also expected to achieve surpluses in each of the outyears.

Asset Investment Program

The State’s Asset Investment Program is estimated at \$27.4 billion over the four years to 2015-16 (up \$1.0 billion since budget), including expenditure of \$7.3 billion in 2012-13 (down slightly from the budget-time forecast of \$7.6 billion).

Infrastructure investment is delivering key State-building projects which support Western Australia’s growing population and robust economic growth.

Figure 5



2012-13

The expected \$7.3 billion total public sector infrastructure spend in 2012-13 follows a \$6.8 billion spend in 2011-12.

Relative to budget-time projections, changes in the program reflect the combined impact of general government sector capital expenditure (discussed earlier in this chapter), and adjustments to the Asset Investment Program of the PNFC sector, including:

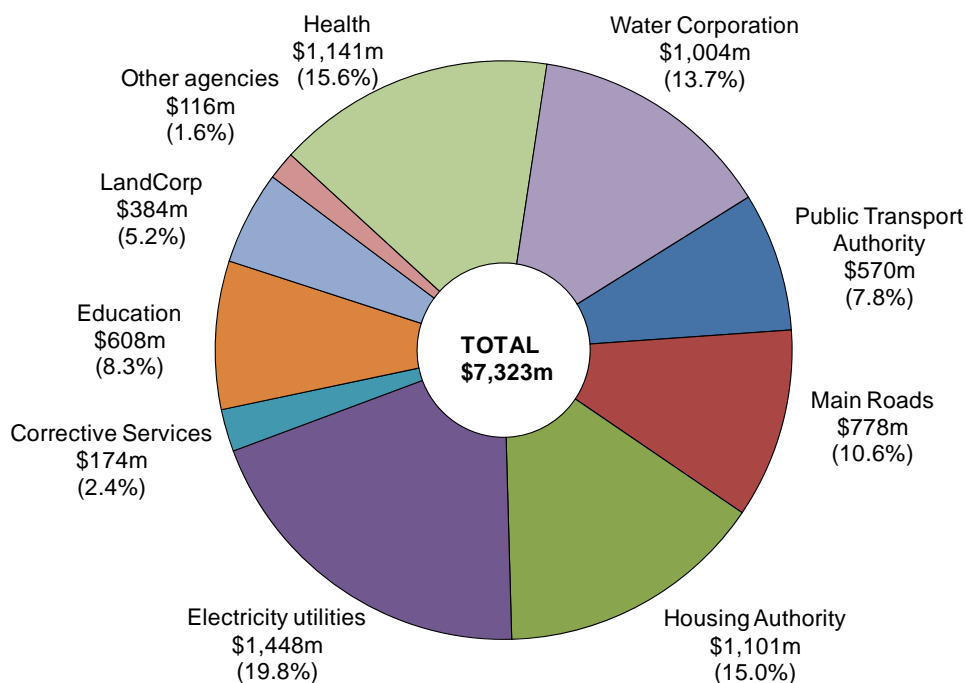
- \$69 million for site works and the upgrade of associated network infrastructure at the Boodarie Industrial Estate in South Hedland to facilitate the development of a new power station by an Independent Power Provider (see 'Pilbara Generation Capacity' in Appendix 3);
- \$22 million for transport infrastructure to support the New Perth Stadium;
- \$15 million for a new passenger train station, associated minor bus interchange, and a 2,000 bay car park at Aubin Grove, along with additional rail car sets;
- the impact of revised financial estimates on the Western Australian Land Authority's program of land sales, acquisitions and development expenditure, reducing expenditure by \$56 million; and
- the impact of revised financial forecasts on Metropolitan Redevelopment Authority projects, which includes deferral of capital spending totalling \$52 million in 2012-13.

Around 57% of the total public sector infrastructure spend in 2012-13 is to be delivered by the PNFC sector. Like the general government sector, individual agency programs will inevitably be subject to various unexpected scheduling delays by 30 June 2013. Accordingly, the PNFC forecasts include an underspend provision for 2012-13, identical in magnitude to the general government sector provision discussed earlier in this chapter.

The majority of the total public sector infrastructure spend in 2012-13 remains on the general government sector hospital program, and in electricity and water utility projects.

Figure 6

2012-13 ASSET INVESTMENT PROGRAM



2013-14 to 2015-16

The total public sector Asset Investment Program is forecast to be \$1.3 billion higher across the outyears than forecast at the time of the 2012-13 Budget. This increase reflects:

- the \$258 million increase in general government sector infrastructure spending discussed earlier; and
- an additional \$1.1 billion in spending by public corporations, mainly reflecting:
 - a \$1.0 billion increase in land and property development work conducted by the Housing Authority, reflecting movements in demand and the housing market and the planned continuation of the SharedStart Affordable Housing expression of interest program (with this increase largely matched by higher projected sales of land and affordable housing stock);
 - construction of a new passenger train station, associated minor bus interchange, and a 2,000 bay car park at Aubin Grove. Expenditure of \$71 million will include the purchase of an additional two three-railcar sets to meet the resultant increased travel demand associated with the station;
 - a further \$69 million in 2013-14 (following \$69 million in 2012-13, noted above) to facilitate the development of a new power station in South Hedland;
 - a further \$85 million for transport infrastructure to support the stadium; and

- a net saving of \$13 million resulting from revised financial forecasts for the Metropolitan Redevelopment Authority.

Further details of the material changes in spending since budget are available in Appendix 3: *Major Spending Changes Since Budget*.

Balance Sheet

Total public sector net worth is equal to that of the general government sector (discussed earlier in this chapter). This reflects the consolidation of the net worth of public corporations as an equity asset in the balance sheet of the general government sector.

Further detail on total public sector net debt is outlined below.

Cash Flow Statement

The total public sector is expected to record a cash shortfall of \$3.6 billion in 2012-13, broadly similar to the \$3.4 billion shortfall forecast at budget-time. In line with the budget-time projections, cash shortfalls are also in prospect in each of the outyears, reflecting continued high levels of infrastructure investment.

Net Debt⁷ and Other Liabilities

Net debt for the total public sector is forecast to reach \$24.8 billion by 30 June 2016. This increase largely reflects the net impact of:

- the lower than expected net debt outturn at 30 June 2012 (down \$646 million);
- the impact of the weaker operating outlook of the general government sector and the public corporations sectors (a \$2.5 billion increase in net debt);
- higher infrastructure spending (increasing net debt by \$1.0 billion);
- higher sales of land and fixed assets, mainly housing stock disposal by the Housing Authority (net debt down \$804 million); and
- other movements in net debt including revaluations of financial assets (\$151 million reduction in net debt).

The following table summarises changes in total public sector net debt projections since the 2012-13 Budget.

⁷ Net debt is a balance sheet measure based on Government Finance Statistics concepts. It is calculated as the difference between liquid financial assets (including loans made by governments) and financial liabilities that attract a debt servicing cost. Net debt is an important indicator of the strength of the public sector's financial position and the sustainability of the public sector's future call on cash.

Table 6

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2013	2014	2015	2016
	\$m	\$m	\$m	\$m
2012-13 BUDGET - TOTAL PUBLIC SECTOR NET DEBT	18,594	22,176	23,156	22,866
Plus improvement from 2011-12 outturn	-645.9			
<i>Less change in net cashflows from operating activities and dividends paid</i>				
- general government	18.7	-864.0	-521.2	-40.8
- public non-financial corporations	-317.8	-30.5	-280.1	-300.5
- public financial corporations	-103.7	-24.2	-1.5	-35.8
<i>Total public sector</i>	<i>-402.8</i>	<i>-918.7</i>	<i>-802.8</i>	<i>-377.2</i>
<i>Plus purchases of non-financial assets ^(a)</i>				
<i>Policy decisions</i>				
- New Perth Stadium	5.1	-18.2	1.7	196.9
- Transport Infrastructure to Support the New Perth Stadium	22.3	38.1	12.6	34.1
- Priority Transport Infrastructure	6.5	55.5	124.5	154.0
- Pilbara Generation Capacity - site works and network upgrade	68.5	69.5	-	-
- Aubin Grove Train Station	9.5	15.0	36.0	19.5
- Procurement of an Additional Five Three-railcar Sets	5.4	-	2.4	28.5
- Other	18.2	4.7	0.3	-
<i>Total policy decisions</i>	<i>135.5</i>	<i>164.6</i>	<i>177.5</i>	<i>433.0</i>
<i>Parameter movements</i>				
- Remove budget-time Smoothing Provision	1,000.0	-333.4	-333.4	-333.2
- New Smoothing Provision	-	-800.0	100.0	700.0
- 2012-13 Underspend Provision	-1,500.0	-	-	-
- RfR Underspend Provision	-69.7	-55.7	-41.3	-22.6
- Carryover from 2011-12	371.9	135.9	-5.6	-4.5
- Western Australian Land Authority - Revised Forecasts	-56.0	-15.2	52.6	-30.3
- Metropolitan Redevelopment Authority - Revised Forecasts	-51.6	-27.4	40.3	-25.4
- Housing Authority Capital	129.9	331.7	370.2	340.1
- Other	-276.6	230.9	227.2	42.2
<i>Total parameter movements</i>	<i>-452.1</i>	<i>-533.2</i>	<i>410.0</i>	<i>666.2</i>
<i>Total purchases of non-financial assets</i>	<i>-316.6</i>	<i>-368.6</i>	<i>587.5</i>	<i>1,099.2</i>
<i>Less proceeds from sale of non-financial assets</i>	<i>-139.0</i>	<i>227.6</i>	<i>375.6</i>	<i>340.3</i>
<i>Plus all other financing ^(b)</i>	<i>50.9</i>	<i>-47.7</i>	<i>-52.1</i>	<i>-101.8</i>
<i>Cumulative impact on net debt at 30 June</i>	<i>-369.8</i>	<i>-95.0</i>	<i>867.7</i>	<i>1,902.0</i>
2012-13 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT	18,225	22,081	24,023	24,768

(a) Material changes in infrastructure spending are outlined in Appendix 3.

(b) Includes revaluations of investment assets, restatement of agency net debt assets/liabilities, etc.

Note: Columns may not add due to rounding.

Net debt increases over the forward estimates are affordable when measured in terms of key financial ratios:

- total non-financial public sector net interest costs as a share of revenue are estimated to be 2.1% in 2012-13, rising to a forecast 2.7% by 2015-16. These levels remain well below the Government's 4.5% financial target limit. Further detail on this target is provided in Chapter 2: *Financial Strategy*; and
- the ratio of total non-financial public sector net financial liabilities⁸ to revenue is projected to be 72.9% in 2012-13, and peak at 78.4% in 2013-14 before declining to 73.9% by 30 June 2016. These projections are higher than expected at budget-time, but remain below those of other States and Territories, including the other triple-A rated States of New South Wales and Victoria.

⁸ Comprises net debt plus unfunded superannuation liabilities.

Statement of Risks

The inherent uncertainties associated with producing forecasts for an approximately \$239 billion economy and \$25 billion recurrent budget means that there will always be differences between the key aggregates forecast at mid-year and the final audited results. This Statement of Risks provides an overview of the known issues that have the potential to materially affect the financial projections contained in this mid-year review.

A brief analysis of the historical differences between the ‘current year’ estimates contained in previous mid-year reviews and the actual outcomes, for a number of key aggregates, is shown below.

- General government revenue has been underestimated in nine out of the last ten years by an average 3.9% per annum. For one year, 2008-09, revenue was overestimated by 3.0% (reflecting the impact of the Global Financial Crisis in that year). A 3.9% variance in the revenue estimate for 2012-13 in this mid-year review equates to \$987 million.
- General government expenses have been underestimated in five out of the last ten years by an average 1.2% per annum. For the other five years, expenses were overestimated, on average, by the same margin of 1.2% per annum. A 1.2% variance in the expense estimate for 2012-13 in this mid-year review equates to \$302 million.
- Over the last ten years, general government operating balances have varied between mid-year review estimates and final outcomes by between an \$868 million overestimation (2008-09) and a \$963 million underestimation (2005-06), reflecting the revenue and expenditure variability noted above.
- The State’s Asset Investment Program (AIP) was overestimated in each of the last ten years by an average 11.6% per annum. An 11.6% variance in the AIP estimate for 2012-13 in this mid-year review equates to \$849 million.

Revenue Estimates

The revenue estimates are sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore), house prices, employment and wages. The approximate sensitivity of the estimates to changes in these parameters is outlined in the following table.

Table 7

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES

Revenue item	Annual Variability ^(a)	Parameter
	\$m	
Royalty income and North West Shelf grants	±51	For each US1 cent decrease (increase) in the \$US/\$A exchange rate
Iron ore royalties	±32	For each \$US1 per tonne increase (decrease) in the price of iron ore
Petroleum royalties	±3	For each \$US1 increase (decrease) in the price of a barrel of crude oil
Payroll tax	±36	For each one percentage point increase (decrease) in wages or employment growth
Transfer duty	±20	For each one percentage point increase (decrease) in average property price
GST grants	±89	For a \$100 million increase in iron ore royalty revenue (due to increased value of production) in 2012-13 (all else being equal), Western Australia will lose an estimated \$89 million of GST grants in net present value terms (the loss will occur in later years due to the time lags in the Grants Commission process)

(a) These sensitivities are not mutually exclusive and vary over time in accordance with movements in the underlying level of each variable.

In addition to the above sensitivities, specific factors that represent a potential risk to the revenue estimates are discussed below. Risks to the economic outlook are discussed in Chapter 3: *The Western Australian Economy*.

Revenue is estimated to grow at an average 4.8% per annum over the forward estimates period. This compares with annual average growth of 8.5% over the last ten years.

Commonwealth Grants

GST Grants

Western Australia's GST grants are a function of the Commonwealth's national GST collections, Western Australia's population share and the Commonwealth Grants Commission's (CGC) annual recommendations on the States' and Territories' GST relativities (i.e. GST shares relative to their population shares).

Forecasts of the national GST pool are based on the Commonwealth's 2012-13 *Mid-year Economic and Fiscal Outlook*. With uncertainty still surrounding the outlook for growth in the global and domestic economies, there is a risk that GST collections could vary from those currently projected.

Population share estimates are periodically updated, and over time are affected by the relative economic prospects of States.

For 2012-13, the GST revenue estimates incorporate the CGC's approved recommendation of Western Australia's GST relativity (i.e. 55%). Projected GST relativities beyond 2012-13 have been revised up since the 2012-13 Budget (to 42% in 2013-14, 33% in 2014-15 and 35% in 2015-16), reflecting the lagged flow-on impact of downward revisions to the State's mining royalty estimates, and upward revisions to the State's estimated population share.

These relativities have been projected by the Department of Treasury on a 'no methodology change' basis. However, they could be altered by the implementation of recommendations from the Commonwealth's GST Distribution Review. The Commonwealth Government's response to this Review was not known at the time of finalising this mid-year review.

The recommendations of the Review could have both positive and negative impacts on Western Australia, particularly in relation to how the CGC assesses States' capacity to raise mining royalties.

In this regard, the CGC currently measures States' relative capacities to collect royalty revenue from onshore minerals under 'low rate' and 'high rate' categories, with iron ore 'fines' being classified to the 'low rate' category. The Review recommended that the CGC be asked to examine the treatment of iron ore 'fines' in light of Western Australia's decision to align the 'fines' royalty rate with the 'lump' iron ore rate; and that the CGC be asked to develop a new mining revenue assessment at the earliest opportunity.

Each of these recommendations increase the likelihood of a different treatment of iron ore for 2014-15 onwards.

The estimated impact on Western Australia's GST grants of three different scenarios (relative to iron ore 'fines' remaining 'low rate' in the CGC's model) is shown in the following table.

Table 8

INDICATIVE IMPACT OF CGC MINING ASSESSMENT – POSSIBLE SCENARIOS
Western Australia

	2013-14 \$m	2014-15 \$m	2015-16 \$m
Separate iron ore component	-	-89	-228
Combined 'low rate' and 'high rate' components	-	-205	-445
Iron ore 'fines' reclassified to 'high rate'	-	-287	-628

The Review also recommended that the CGC's mining revenue assessments be discounted by 3% to allow for currently unrecognised costs incurred by State governments in supporting mining activity (to apply to GST shares from 2013-14 onwards). This is estimated to increase Western Australia's GST grants by \$122 million in 2013-14, rising to \$151 million by 2015-16.

In addition, the Review reports a longer run aspiration of an equal per capita distribution of GST grants, which would substantially improve Western Australia's funding share (beyond the current forward estimates period).

The Review contains additional findings and recommendations on the interaction between State mining royalties (on iron ore and coal) and the Commonwealth's Minerals Resource Rent Tax (MRRT), including a 'proposal' to further penalise States (through the GST distribution process) that increase royalties. This poses another downside risk to the State's revenues (also, see below in relation to infrastructure funding).

Even on a 'no methodology change' basis, the accuracy of GST relativity projections is affected by, inter alia, the complexity of the CGC's methods, uncertainty surrounding projected own-source revenue growth in Western Australia and other States, and the CGC's response to new issues (e.g. data availability and suitability) that emerge over time.

Commonwealth Government Payments for Specific Purposes

Estimated payments for specific purposes total \$4,898 million in 2012-13. This includes National Specific Purpose Payments, National Partnership payments, National Health Reform funding and payments to Western Australia from Commonwealth own-purpose expenses.

The forward estimates of payments for specific purposes, and associated impacts on State spending, also have a significant margin of uncertainty, reflecting:

- the potential for Commonwealth policy changes, including possible new National Partnerships and greater intrusion by the Commonwealth into the delivery of State services;
- that some National Partnership payments are contingent on the State's performance and may require the State to match Commonwealth funding;
- that National Partnership agreements continue to impose inflexible input controls and onerous reporting requirements, which may limit the State's autonomy and ability to optimise the management of resources and improve service outcomes;
- in some cases, the need for the States to compete for national pools of funding, and to provide matching funding;
- the uncertainty over whether National Partnership agreements expiring during the forward estimates will be renewed or replaced. It is estimated that, for National Partnership agreements that expire during the forward estimates period, compared with 2012-13 Western Australia will receive around \$100 million less in 2013-14, around \$800 million less in 2014-15 and around \$900 million less annually thereafter. The extent to which these losses are offset by new or continued National Partnership agreements remains uncertain at this time; and
- parameter uncertainties (such as timing and indexation for inflation and wages growth).

Commonwealth Funding for Infrastructure

Immediately following the 2007 Federal election, the Commonwealth Government committed to establish a Western Australia Infrastructure Fund from Gorgon/Pluto Petroleum Resource Rent Tax revenue. The Commonwealth's commitment was to an estimated \$100 million per annum, which would be quarantined from the CGC process. However, despite attempts by the State Government to negotiate a Partnership Agreement with the Commonwealth, there is still no formal agreement to implement this commitment and it is not reflected as revenue in the State's forward estimates.

The Commonwealth has also committed to Western Australia receiving at least \$2 billion over ten years from the Regional Infrastructure Fund (out of a total of \$6 billion), which is to be financed primarily from the Commonwealth's MRRT. This poses a potential (but uncertain) upside risk, potentially counteracted by low MRRT collections to date and Commonwealth threats to reduce funding to States that increase royalties.

Royalty Income (\$4,366 million in 2012-13)

In 2012-13, royalty income accounts for an estimated 17% of the State's total revenue, and iron ore royalty income accounts for 15% of total revenue.

The royalty income estimates are particularly sensitive to movements in the \$US/\$A exchange rate and iron ore prices. Since budget-time:

- the spot price of iron ore (Australian, 62% purity, including cost, insurance and freight) has ranged between \$US91 per tonne and \$US148 per tonne; and
- the \$A has traded between US97 cents and US106 cents.

Exchange Rate

The \$US/\$A exchange rate projections underpinning these mid-year review estimates have been revised up since budget-time, reflecting movements in spot prices since budget and a modification to the forecasting methodology (see feature box in Chapter 3).

Movements in the \$US/\$A exchange rate remain inherently difficult to forecast, irrespective of forecasting methodology. This uncertainty exposes the royalty estimates to considerable variability, to the extent that actual exchange rate movements can differ substantially from those forecast. A higher than forecast \$US/\$A exchange rate would adversely affect royalty collections (and vice versa), with the recent decoupling of the exchange rate and commodity prices diminishing what has historically been a strong 'natural hedge'.

For illustrative purposes, the movement of the exchange rate from a low of US97 cents to a high of US106 cents, noted above, if sustained for a full year, would result in a \$459 million deterioration in royalty income for the year.

Iron Ore Prices

The iron ore price forecasting methodology has also been revised since budget-time, as discussed in Chapter 3. However, despite the improvement to the forecasting methodology, iron ore prices remain subject to considerable uncertainty. Large variations in iron ore prices across forecasters often reflect divergent views on prospects for economic development, steel demand in China and global iron ore supply, which are key determinants of iron ore demand. While there have been significant falls in iron ore prices in the second half of 2012 as Chinese demand for iron ore (and steel) eased, the \$US/\$A exchange rate has not depreciated simultaneously as has reliably been the case historically. This has heightened the risks to the State's royalty revenue.

Again, for illustrative purposes, a variation in the iron ore price, from \$US91 to \$US148 per tonne would, if sustained for a full year, result in a \$1.8 billion variation in royalty income for the year. If global economic conditions were to deteriorate sharply, iron ore prices could contract faster than assumed. Conversely, there is some upside risk to the iron ore price forecast if iron ore demand from China improves faster than expected and if global iron ore supply grows at a slower pace than currently anticipated.

Iron Ore Volumes

Iron ore production, particularly for the State's main producers, remains strong and export volumes are growing at a solid pace. Notwithstanding the high levels of production and export growth, the outlook for volumes over the forward estimates period is more uncertain than usual.

Projects currently under construction will support a continued expansion in production and exports. However, there have been a number of announcements recently indicating some scaling back of future capital investment programs, which would only have a modest impact in the very near term. The announced changes to date relate to projects that were not yet factored into the forecasts over the forward estimates and, therefore, have not impacted on the investment or production estimates. Actual production trends will very much depend on global economic conditions and their impact on China. A significant improvement in these conditions in the near term could lead to a reinstatement of postponed projects, which would minimise any production effects of the announced scale-backs. Conversely, a further weakening in conditions would have a more marked impact on iron ore production and export volumes towards the end of the forward estimates period.

State Taxes (\$8,195 million in 2012-13)

Transfer Duty

Property transactions are highly susceptible to fluctuations in market sentiment and are therefore highly volatile and difficult to forecast. The current transfer duty forecasts seek to balance the risk of continued weakness in the housing market with the risk that market sentiment could quickly change and cause a faster than expected recovery in transaction volumes.

Payroll Tax

The payroll tax forecasts are based on current trends in labour market conditions. If activity in the labour market is weaker than expected, actual payroll tax revenue would be lower than anticipated. The forward estimates are predicated on 15.7% growth in payroll tax collections in the current year and annual growth thereafter averaging 9.9%. This compares with average growth over the last ten years of 13.1%.

Spending Risks

Asset Investment

The estimates contained in this mid-year review are based on the latest infrastructure cost projections available to agencies. Further cost variations could arise depending on a range of factors including market conditions and the capacity of the construction sector. The infrastructure program also includes some projects that are subject to confirmation of Commonwealth funding for further planning, and definition of scope and design, finalisation of contract negotiations, and/or other events.

Corrective Measures

This mid-year review contains a number of general government savings measures that are estimated to deliver a net debt benefit of around \$334 million over the period to 30 June 2016, and an improvement to the general government operating balance of \$527 million in 2012-13 (see detail earlier in this chapter). These initiatives are on top of the package of corrective measures included in the 2012-13 Budget (worth \$4.9 billion in net debt terms over the period to 30 June 2016).

The projections in this mid-year review are based on the expectation that agencies, though challenging in some cases, will fully achieve these savings. While this is very clearly the Government's expectation, if savings measures are not fully achieved, there will be a deterioration in the net operating balance and net debt estimates contained in this mid-year review.

Decommissioning of the Office of Shared Services

In the 2012-13 Budget, additional funding was allocated to the Department of Finance to assist agencies re-establish their corporate services following the Government's decision to decommission the Office of Shared Services (OSS). The decommissioning of the OSS is scheduled to be completed by March 2014 and is currently on track. A recent report by the Department of Finance, *Corporate Services in Agencies Future Planning*, highlighted a number of risks that have the potential to result in increased expenditure for the decommissioning process, including:

- the tight decommissioning schedule, with any delay in the timetable adding significant costs to the project;
- agencies opting for new systems that are more expensive than anticipated in the decommissioning model; and

- redeployment of staff from the OSS to line agencies.

This mid-year review includes additional funding of \$30 million over the forward estimates period to assist agencies with the decommissioning process.

Funding for Schools

In February 2012, the Commonwealth Government released the final report of the Review of Funding for Schooling (also known as the 'Gonski review'). The Commonwealth introduced legislation regarding Australian school funding in November 2012, but the legislation did not contain any financial implications or a funding model. Therefore, the future impact on both government and non-government primary and secondary school funding, and on State finances more broadly, cannot be quantified at this time.

As a result of uncertainty with Commonwealth funding relationships, it is also not possible to accurately forecast the full financial impact of the transition of Year 7 students to secondary settings in Western Australian government schools in 2015. Some recurrent expenditure that is required prior to 2015, such as retraining of primary school teachers, was approved in the 2012-13 Budget process, but other recurrent expenses, such as teacher costs, were deferred to the 2014-15 Budget process when greater certainty about the funding model will be available. The 2012-13 Budget included total funding (both recurrent and capital) of \$341 million to progress implementation of this key Government initiative.

Student Enrolment Growth

Student enrolment growth in government schools of more than 3% in 2012 was significant, compared to total growth of 3.8% over the five years from 2007 to 2011, with much of the growth driven by increased international and interstate migration. Funding for additional enrolment growth in 2013 has been provided in this mid-year review, however if a repeat of 2012's significant growth occurs, funding will need to be revisited during the 2013-14 Budget process once the actual Semester 1 enrolments are known.

Skills Reform

Under the *National Partnership Agreement on Skills Reform* signed by the Commonwealth and States on 13 April 2012, the State has committed to implementing (in 2014) an entitlement to a government subsidised training place to a minimum of a person's first Certificate III qualification (subject to State-based criteria). The entitlement would be a student-centred and demand-driven approach to allocating skills training funding. There is significant uncertainty over the demand for training under an entitlement model, which could put pressure on the State's finances over the forward estimates. The design of the entitlement model may need to incorporate measures to manage demand, including adjusting the scope of the entitlement and the level of contribution that students make to the cost of training.

Government Trading Enterprises

Electricity Pricing

The Government decides electricity tariffs for the upcoming budget year as part of the annual budget process with assumptions also made regarding prices across the forward estimates. Accordingly, the assumptions made for electricity tariffs in this mid-year review may differ to those subsequently decided by the Government. Any such differences will have an impact on the operating subsidy paid to Synergy and Horizon Power, and will also impact the general government operating balance and total public sector net debt.

Western Power – Economic Regulation Authority Further Final Decision

The Economic Regulation Authority (ERA) released its final decision on Western Power's Access Arrangement in September 2012. The non-discretionary financial impacts of the Final Decision (totalling \$451 million in net debt terms to 30 June 2016) have been incorporated in this mid-year review, but the incremental impacts of the ERA's Further Final Decision have not been reflected due to the delayed delivery of the decision by the ERA and the time required to undertake robust modelling. It is anticipated that the financial impacts of the Further Final Decision will be included in the *Pre-election Financial Projections Statement*. These impacts are likely to be detrimental to the general government operating balance, with preliminary assessments suggesting these could be in the order of \$30 million per year.

Additional Capital Expenditure for Western Power

In its decision on Western Power's Access Arrangement, the ERA determined as efficient an additional \$790 million of asset investment above currently budgeted levels over 2012-13 to 2015-16. This additional capital expenditure is not reflected in this mid-year review, as Western Power is required to submit detailed business cases for additional capital expenditure for consideration by the Government during 2013-14 and beyond.

Horizon Power Generation Costs

Horizon Power will be undertaking a procurement process for electricity generation in the Pilbara in 2012-13 and 2013-14. The outcome of this process may result in higher generation costs than currently budgeted. Additional short-term generation will also be required to meet demand ahead of the new generation being commissioned. This short-term generation is likely to be at a higher price than currently budgeted and will be considered during the 2013-14 Budget.

Horizon Power Gas Costs

Horizon Power's current gas supply arrangements are estimated to expire towards the end of the forward estimates. Horizon Power will need to source gas from the market and this is likely to be at a higher cost than currently budgeted. However, the volume of gas required by Horizon Power is uncertain at this time.

Water Service Provider Tariffs

The ERA has completed its final report on the *Inquiry into the Efficient Costs and Tariffs of the Water Corporation, Aqwest and the Busselton Water Board*. The final report contains recommendations on water supply, wastewater and drainage tariffs for metropolitan and country residential and commercial customers that differ significantly from the current outyear assumptions. These recommendations are subject to Government decision, unlike the ERA's 'Determination' for Western Power. Normal practice is for the Government to consider the recommendations and determine appropriate water tariffs during the budget process.

Fiona Stanley Hospital Facilities Management Contract – Accounting Treatment

WA Health has revised the accounting treatment of the pre-operation costs for the Facilities Management contract at the Fiona Stanley Hospital. The capitalisation of this expenditure of \$43.4 million in 2012-13 rather than expense recognition as per the 2012-13 Budget and 2011-12 Annual Report is subject to audit by the Office of the Auditor General to ensure the financial statements represent a true and fair view and are prepared in accordance with accounting standards.

Health Information and Communications Technology

WA Health's Asset Investment Program includes an allocation of \$120 million over the next two years to undertake the procurement and implementation of ICT systems and infrastructure focussed on the requirements for the Albany Health Campus and the Fiona Stanley Hospital. Beyond the delivery of this \$120 million investment, WA Health will be required to identify and prioritise future ICT requirements including procurement, implementation and roll-out of existing and new systems and infrastructure. This future investment requirement for the State's health system could be substantial.

Hospital Activity

WA Health has reported that growth in demand for hospital services in 2012-13, both for emergency department and acute inpatient services, continues to exceed growth estimates in the clinical services plan. An additional \$85 million in 2012-13 has been provided to WA Health in this mid-year review, commensurate with current demand projections. However, if this growth is sustained over the full course of 2012-13 it will result in WA Health's activity and expenditure significantly exceeding that provided by the existing forward estimates.

Light Rail

The Government has announced its support for a light rail system to link Mirrabooka with the Perth central business district (CBD), and extending east-west through the CBD to the QEII Medical Centre and the Causeway. The first phase of the system is scheduled to be operational by 2018, with construction expected to commence in 2016. Consistent with sound asset management principles, the forward estimates include \$15.8 million for planning the light rail project. However, as an accurate estimate of cost will not be available until that planning work has been completed, the forward estimates do not include funding for the commencement of construction. It is noted, though, that application has been made to the Commonwealth Government for funding under the Nation Building Program.

National Disability Insurance Scheme

Western Australia is committed to a National Disability Insurance Scheme (NDIS) and is actively involved in its development, including discussions with the Commonwealth on possible launch site arrangements for the State. The full cost of the NDIS at a national level is estimated by the Commonwealth to be around \$16 billion (in 2013-14 prices). If a 50:50 funding split arrangement were to apply to Western Australia, it is currently estimated that the additional cost would be around \$112 million per annum (2013-14 prices). This represents a 15% increase on existing disability expenditure of around \$710 million per annum (2013-14 prices). However, there remains significant uncertainty around the cost estimates, partly reflecting that definitions of eligibility and reasonable and necessary support for people with disabilities are yet to be clarified and tested by launch sites.

Population Growth

Western Australia's population is expected to increase by 2.8% in 2012-13, with growth forecast to remain above its historical average (of 2% per annum) over the forward estimates period, supported by strong levels of net overseas migration.

If current migration rates continue, population growth is likely to increase at a stronger rate over the forecast period, increasing demand for services and infrastructure provided by the State's public sector. The State's revenue growth is much less sensitive to population growth and, therefore, would be expected to fall significantly short of the demand for increased spending.

Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006*. SPA balances provide a funding source for particular initiatives. It is important to note that each dollar that is spent from SPA balances will increase net debt (and reduce the net operating balance if the spending is for recurrent purposes) by the same amount. In this way, these SPA balances are no different from other funding sources, including new borrowings. Accordingly, to the extent that future decisions may involve spending from these SPA balances, the net debt (and potentially net operating balance) forecasts in this mid-year review will be impacted.

Structural Deficits

The Departments of Planning and Transport are projecting structural deficits in their respective budgets. In 2011-12, supplementary funding was provided to meet these shortfalls. Supplementary funding may again be sought to cover recurring shortfalls in 2012-13 should the agencies be unable to address the situation. A Value for Money review is currently in progress and it is expected that recommendations arising from this review will identify options to address deficit outcomes in these agencies.

The Department of Fisheries has also highlighted potential structural issues due to cost and demand pressures, and reductions in forecast revenue levied on commercial fishing. Supplementary funding may be sought to meet these issues in the short term, as well as consideration of prioritising services that the Department currently provides.

The Office of the Director of Public Prosecutions has indicated the likelihood of realising operating deficits across the forward estimates due to cost and demand pressures. The agency has been requested to review all services and functions to identify efficiencies. However, supplementary funding may be sought in 2012-13.

Wages Growth

Salaries costs represent around 40% of general government sector recurrent spending. The forward estimates are consistent with projected growth in staffing levels and Government wages policy (which seeks to limit wage growth to be in the range of forecast growth in the Consumer Price Index and the Wage Price Index). Should future salaries growth exceed these assumptions, the projected financial outcomes included in this mid-year review will be at risk.

Contingent Liabilities

Contingent liabilities are costs that the Government will have to meet should a particular event occur. Typically, contingent liabilities consist of guarantees, indemnities and sureties, as well as legal and contractual claims. They constitute a potential risk to the financial projections.

Native Title Claims

Perth and South West

In February 2012, the Government announced a significant cash and land offer to be made to Native Title claimants in Perth and the South West for descendents of the Noongar people. If accepted, the deal is to provide security of ownership for the region.

Negotiations still need to be progressed to finalise the offer, which may include a significant cash component over a ten year period, as well as transfer of large tracts of Crown land to the Noongar people.

As a final offer had not been made at the cut-off date for this mid-year review (10 December 2012), and as uncertainty remains with respect to the amount and timing of the expected cash component of the offer, these mid-year review projections make no provision for this matter.

Anketell Port

The State is entering into consultation and negotiation with Native Title holders in relation to the site for the Anketell Port and Strategic Industrial Area. It is expected that the cost of any Native Title settlement will ultimately be paid by, or recouped from, the successful port participants.

Other Contingent Assets and Liabilities

Details of the quantified contingent assets and liabilities of the State at 30 June 2012 are provided in the *2011-12 Annual Report on State Finances*. At that time quantified contingent assets totalled \$19 million and contingent liabilities totalled \$2.0 billion. No material change to that disclosure has been noted to date.

Financial Strategy

HIGHLIGHTS

- The Government is on track to meet all of its financial targets in 2012-13, including a forecast operating surplus for the general government sector of \$140 million.
- An operating deficit for the general government sector is currently forecast for 2013-14. Should a deficit still be in prospect when the 2013-14 Budget is being prepared, measures to address this shortfall will be considered at that time.
- All other financial targets are projected to be met across the forward estimates period.

Overview

This chapter provides an assessment of the mid-year review financial projections against the Government's financial targets, as required by the *Government Financial Responsibility Act 2000*. The following financial targets were detailed in the 2012-13 Budget:

- maintain or increase the real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- maintain the ratio of non-financial public sector net interest costs as a share of revenue at or below 4.5%;
- ensure that real per capita own-purpose general government expenses do not increase; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

The following table summarises compliance of the mid-year review projections with these targets.

Table 1

2012-13 MID-YEAR REVIEW – FINANCIAL TARGET COMPLIANCE

	2012-13	2013-14	2014-15	2015-16
Maintain or increase real net worth	Yes	Yes	Yes	Yes
Achieve a general government operating surplus	Yes	No	Yes	Yes
Maintain net interest costs as a share of revenue below 4.5%	Yes	Yes	Yes	Yes
Ensure real per capita own-purpose expenses do not increase	Yes	Yes	Yes	Yes
Maintain the State's tax competitiveness	Yes	Yes	Yes	Yes

Financial Targets

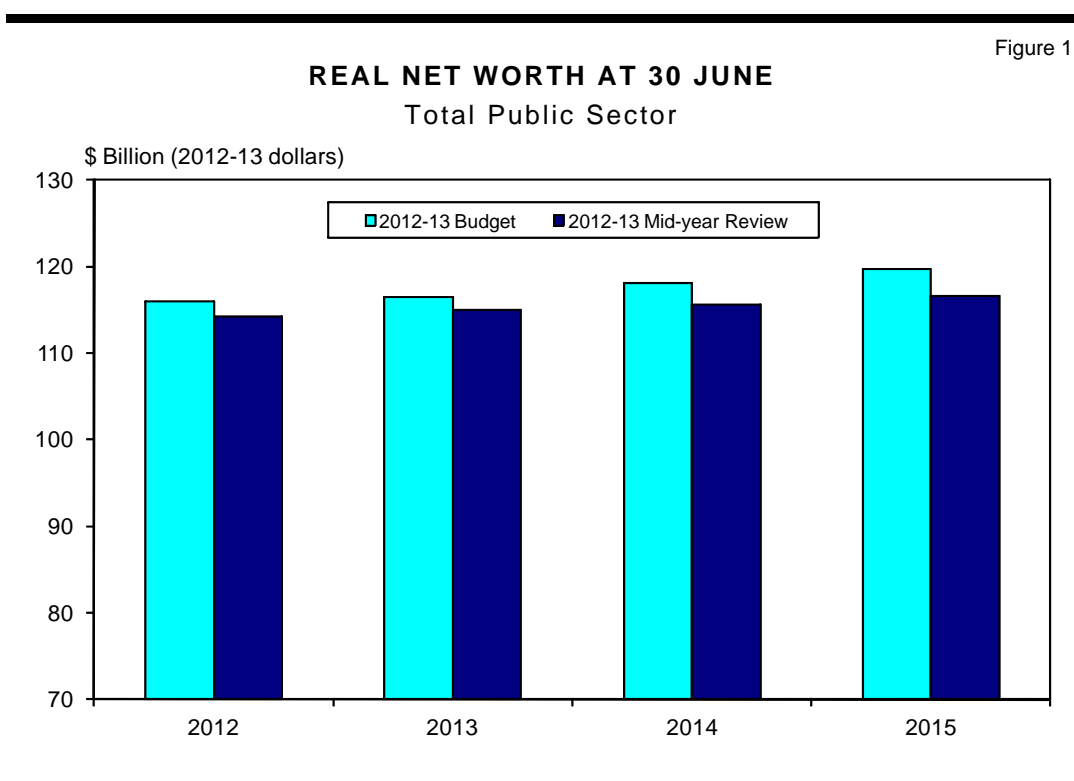
Net Worth: Maintain or Increase the Real Net Worth of the Total Public Sector

This target is expected to be met in 2012-13 and across the forward estimates period.

Net worth is the difference between total assets and total liabilities. This target seeks to maintain the real (i.e. inflation-adjusted) value of the public sector's net worth over time.

In nominal terms (i.e. excluding adjustments for projected inflation), net worth is forecast to increase by around \$14 billion across the forward estimates period, rising from \$111.5 billion at 30 June 2012 to an estimated \$125.6 billion by 30 June 2016. This is lower than net worth of \$129.2 billion at 30 June 2016 projected at budget-time, reflecting a weaker operating outlook and downward valuations of land under roads at 30 June 2012 (discussed in detail in the *2011-12 Annual Report on State Finances*).

The projected increase in net worth over the forward estimates period reflects the impact of an aggregate operating surplus outcome for the total public sector, and the forecast value of fixed assets (particularly land assets held across the whole-of-government, and property, plant and equipment held by public corporations).



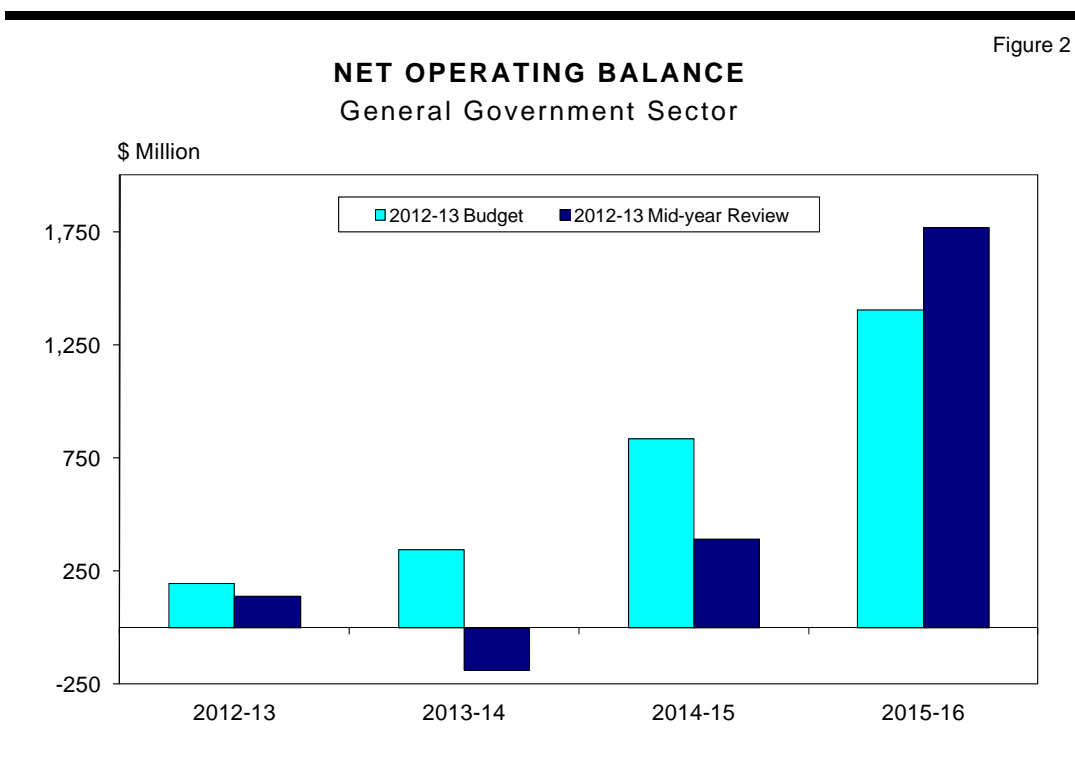
Operating Result: Achieve an Operating Surplus for the General Government Sector

This target is forecast to be met in 2012-13, and in 2014-15 and 2015-16. On current projections, the target is not met in 2013-14.

Operating surpluses (i.e. the balance of revenue over recurrent expenditure on the general government sector’s day-to-day operating activities, excluding capital investment) are an indicator that current services are being paid for by current users. Operating surpluses are essentially the Government’s savings and therefore an important source of cash funding for infrastructure investment.

The outlook for the general government sector operating balance across the forward estimates period has weakened since budget. This reflects a weaker revenue outlook, in particular lower royalty revenue and the impact of lower projected public corporation profitability on dividend and tax equivalent revenue. As discussed in Chapter 1, forecast general government revenue over the forward estimates period has been revised down by a total of \$1,203 million since budget-time.

The Government has responded to the weaker revenue outlook with a range of new savings measures. Had these measures not been implemented, the operating balance in 2012-13 would be an estimated \$387 million deficit, rather than the \$140 million surplus now forecast (see Chapter 1: *Financial Projections*).



Net Debt Affordability: Maintain Net Interest Costs As A Share Of Revenue¹ Below 4.5%

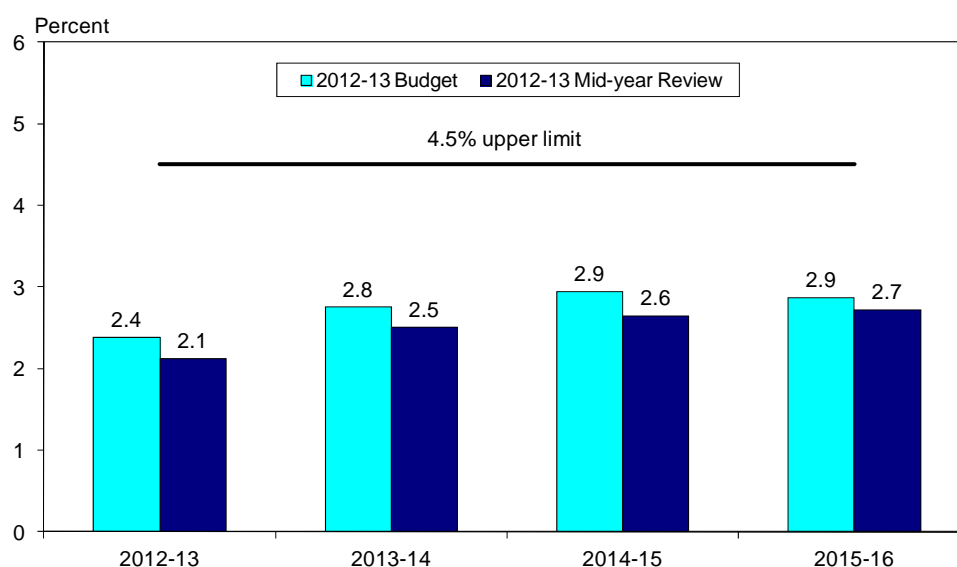
This target is expected to be met in the current year and across the forward estimates period.

Net interest costs as a share of revenue are forecast to range between 2.1% in 2012-13 and 2.7% by 2015-16, well below the Government's 4.5% upper target limit.

While total public sector net debt at 30 June 2016 is now forecast at \$24.8 billion (up from \$22.9 billion at the time of the budget), net interest costs as a share of revenue are now projected to be slightly lower relative to the budget forecasts (see chart below). This reflects lower interest rate assumptions across the forward estimates period, with the Reserve Bank of Australia having reduced the official cash rate three times – by a total of 75 basis points – since the 7 May 2012 cut-off date for the 2012-13 Budget.

Figure 3

NET INTEREST COSTS AS A SHARE OF REVENUE Total Non-Financial Public Sector



¹ For the total non-financial public sector.

Expense Growth: Ensure that Real Per Capita Own-Purpose Expenses² for the General Government Sector do not Increase

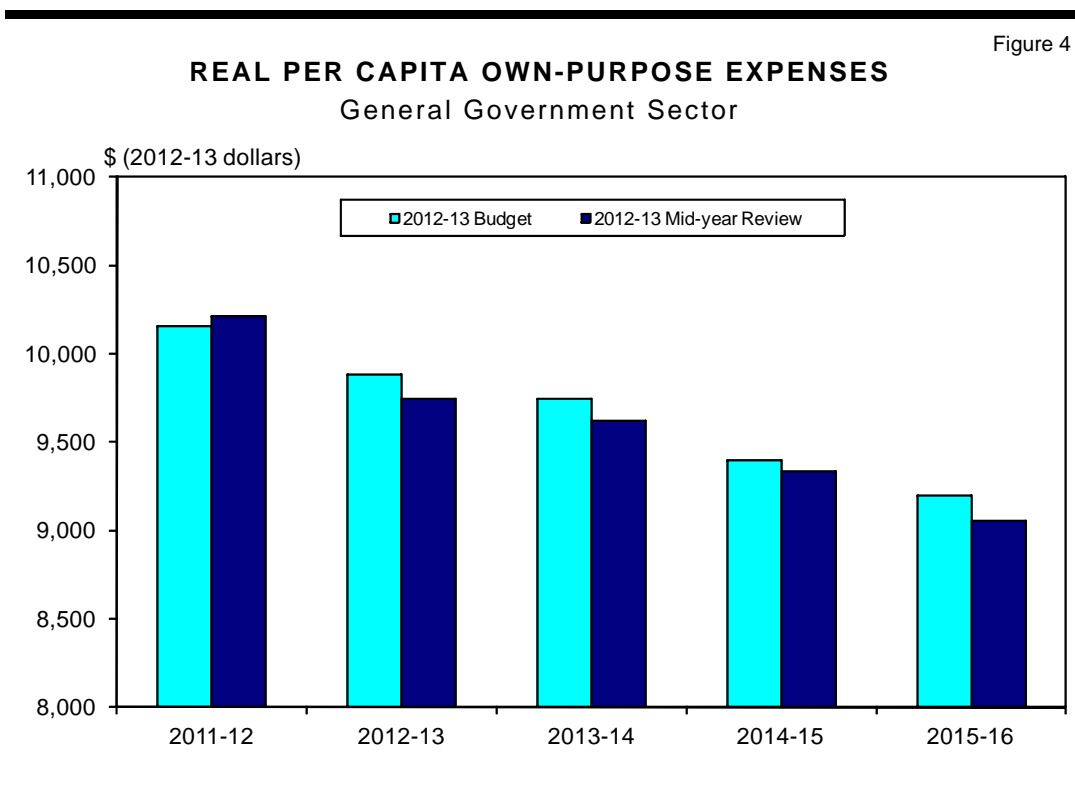
This target is expected to be met in 2012-13 and across each of the outyears.

The target allows for general government expense growth up to the combined growth in population and wages (as measured by the Wage Price Index), and excludes Commonwealth grants that are passed ‘through’ the State. Based on forecast growth in these parameters, the target allows for nominal expense growth of up to 7.3% in 2012-13 and an average of 6.6% across the outyears.

General government expense growth in 2012-13 is forecast to be 2.5% in nominal terms, which is well within target. This is down from an estimated 4.2% increase at the time of the budget, reflecting the impact of:

- the post-budget corrective measures implemented in 2012-13 (as discussed in Chapter 1); and
- the ‘base’ effect of a higher than expected outcome in 2011-12 expenses (detailed in the 2011-12 *Annual Report on State Finances*).

Across the outyears (2013-14 to 2015-16), expense growth is forecast to average 4.3% per annum, compared to the average 6.6% growth permitted under this target.



² Own-purpose expenses exclude Commonwealth grants on-passed through the State to third parties such as non-government schools and local governments.

The single largest component of general government sector expenses is salaries, which account for around 40% of total expenses. Since coming to office, reducing the rate of growth in salaries expenditure has been a major focus of the Government's expenditure management. The Government announced additional measures focusing on employee costs in September 2012, including capping leave liabilities at 30 June 2012 levels and lowering (by around 1,200 full-time equivalent positions) approved agency staff ceilings to reflect actual (occupied) levels across the general government sector. As a result of these measures (and the accumulated impact of past measures), total salaries growth is expected to average 4.8% across 2012-13 to 2015-16, well below the 11.7% and 12.4% highs in 2007-08 and 2008-09 respectively.

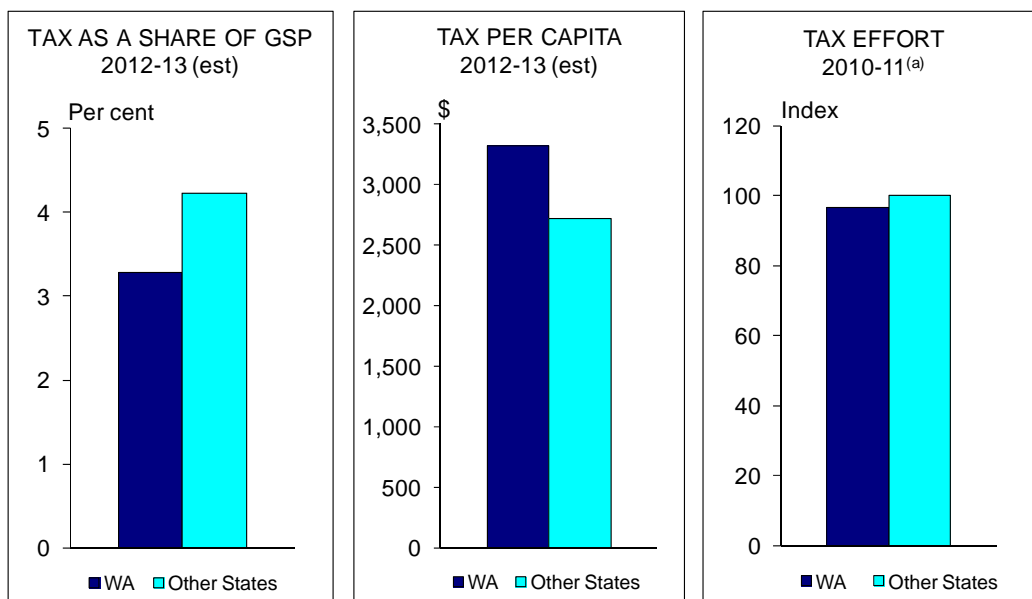
Tax Competitiveness: Provide a Fair and Efficient Tax System that is Competitive with Other States

The Government seeks to provide a fair and efficient taxation system that is competitive with other States and raises sufficient revenue to meet the infrastructure and service delivery needs of the Western Australian community. The competitiveness of Western Australia’s tax system can be assessed against a variety of criteria, including:

- tax revenue as a share of Gross State Product (GSP);
- tax revenue on a per capita basis; and
- tax ‘effort’ calculated from Commonwealth Grants Commission (CGC) data.

TAX COMPETITIVENESS
Various Measures

Figure 5



(a) Source: CGC. Tax effort refers to the level of tax actually raised in a State, divided by a State’s ‘standardised’ tax revenue (i.e. the level of tax revenue that the CGC estimates the State would have raised had it applied national average State tax rates). 2010-11 is the latest year for which data is available.

Tax as a proportion of the economy (i.e. GSP) is an internationally recognised measure of tax competitiveness, which, unlike tax per capita, accounts for differences in the size and composition of the economic and revenue base in each jurisdiction. According to this measure, the tax burden in Western Australia is expected to be lower than the average of other States in 2012-13 (3.3% compared to an average of 4.2% estimated for other States).

In contrast, per capita tax revenue in Western Australia is expected to exceed the average of other States in 2012-13. This mainly reflects the relative strength of the State's economic base (and hence its revenue raising capacity), rather than higher average tax rates.

In this regard, and based on the latest available data compiled by the CGC, Western Australia's tax 'effort' (i.e. its average tax rate) was 3.4% lower than the national average in 2010-11.

Taken in aggregate, these outcomes are consistent with competitive tax policy settings in Western Australia.

The Western Australian Economy

HIGHLIGHTS

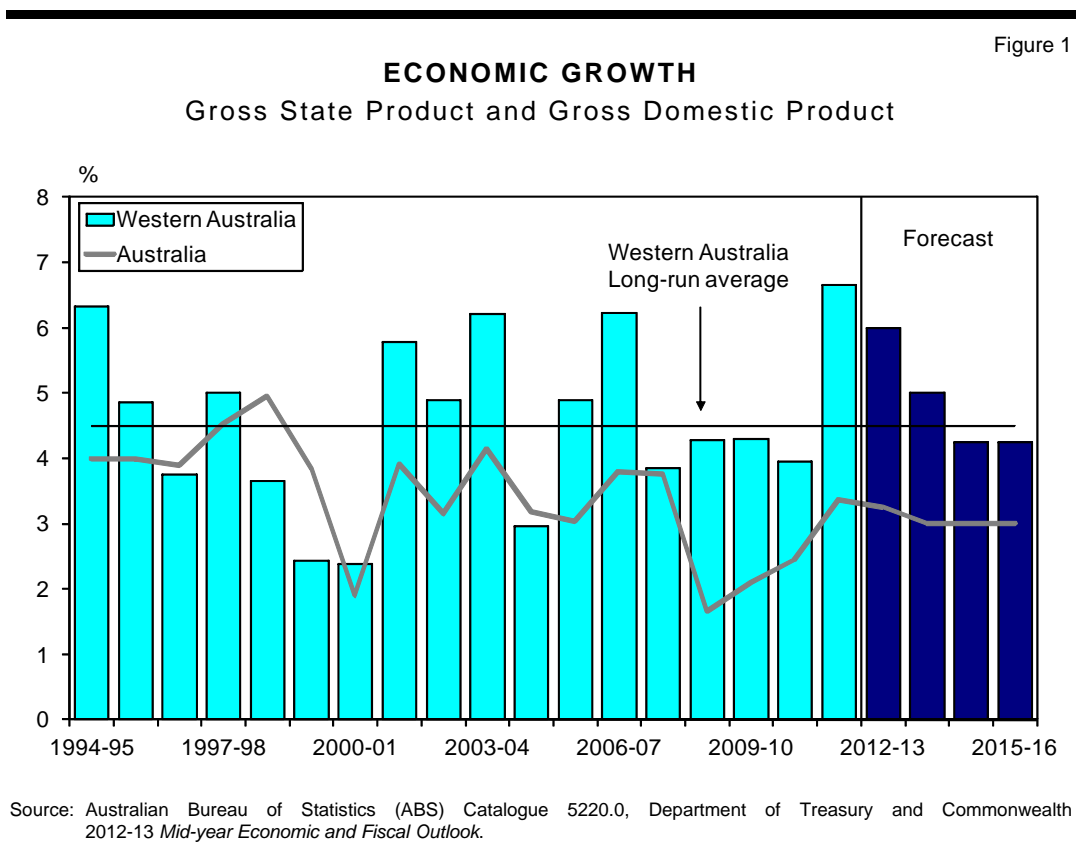
- Western Australia's economy continues to support the growth of the nation.
- Business investment remains the key driver of growth in domestic demand, and is underpinning above-average population growth and strong labour demand.
- In the medium term, economic growth is expected to rebalance away from business investment and towards exports, as major resource projects transition from construction to production.
- With the exception of payroll tax (see Chapter 1), Western Australia's strong economic growth is not flowing through to the State's revenue bases. In 2011-12, the State's economy grew by a record 6.7% (compared to average growth of 4.8% per annum over the past decade), while growth in general government sector revenue was just 5.5% (compared to average growth of 8.5% per annum over the past decade).

Overview

The immediate outlook for the Western Australian economy has improved since the 2012-13 Budget due to stronger than expected business investment and above-average population growth over the past year. Western Australia's real Gross State Product (GSP) grew by a record 6.7% in 2011-12, which was the strongest economic growth of all States and Territories, and compares to national Gross Domestic Product growth of 3.5%. Nonetheless, slower growth in China and declines in iron ore prices have contributed to a weaker outlook for the terms of trade (the ratio of export prices to import prices).

Overall, GSP is forecast to grow by a very strong 6.0% in 2012-13. Business investment is again expected to be the key driver of growth in 2012-13, reflecting increases in spending for major committed LNG and iron ore projects. Household consumption will be supported by above-average population growth, but expectations for a recovery in dwelling investment have been pushed back slightly following a decline in 2011-12. Growth in export volumes is expected to pick up in 2012-13, with the level of exports in 2011-12 weighed down by supply-side interruptions (e.g. adverse weather conditions, and project delays and shutdowns).

Economic growth in the outyears is expected to rebalance away from business investment and toward exports, as spending for a number of large resource projects winds down from 2013-14 onwards, and associated production volumes ramp up. The levels of business investment are projected to soften slightly over the outyears, with resource firms taking a more cautious approach to investment decisions for new projects. As a result, State Final Demand growth will moderate from its current high rates, but overall economic growth (as measured by GSP) is expected to remain close to trend due to strong growth in exports (see following figure).



High levels of business investment and above-average population growth have underpinned strong labour demand in Western Australia. Employment grew by a solid 3.7% in 2011-12, with forecast growth for 2012-13 revised up to 3.25% (from 2.75% at budget-time). However, the outlook for labour demand in the outyears has softened in line with the revised outlook for business investment, resulting in slightly lower employment and wage growth over the outyears.

Inflation is also likely to be slightly lower than forecast at budget-time following subdued consumer price growth in 2011-12.

Table 1

COMPONENTS OF GROSS STATE PRODUCT
Western Australia

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual %	Budget Estimate %	Mid-year Revision %	Forward Estimate %	Forward Estimate %	Forward Estimate %
Demand and Output ^(a)						
Household consumption	6.6	4.5	5.25	4.75	4.5	4.25
Dwelling investment	-14.6	7.5	4.5	7.5	4.25	4.25
Business investment	38.2	11.25	11.25	2.0	-2.5	-3.5
Government consumption	5.5	4.0	3.5	4.25	3.25	3.5
Government investment	9.4	-0.25	1.5	1.5	1.0	0.75
State Final Demand (SFD)	14.2	6.75	7.0	3.75	1.75	1.25
Merchandise exports	4.6	4.5	6.5	7.0	6.5	6.0
Merchandise imports	27.6	12.5	12.0	4.0	-2.75	-6.0
Net exports ^(b)	-3.7	-1.5	4.0	8.25	10.5	10.5
Gross State Product (GSP) ^(c)	6.7	4.75	6.0	5.0	4.25	4.25
GSP per capita	3.7	2.4	3.2	2.5	2.0	1.9
Nominal GSP	7.8	5.25	4.75	5.25	5.0	5.0
Income ^(a)						
Terms of trade	-1.5	-5.25	-7.25	-4.0	-3.5	-3.5
Gross State Income (GSI)	6.6	2.5	1.25	2.75	2.25	2.25
Labour market						
Population	3.0	2.3	2.8	2.4	2.3	2.3
Working age population (15-64)	2.8	2.0	2.4	2.0	1.9	1.8
Employment	3.7	2.75	3.25	2.25	2.0	1.75
Unemployment rate ^(d)	4.0	4.25	4.25	4.5	4.5	4.5
Participation rate (15-64) ^(d)	80.2	81.25	81.0	81.5	81.5	81.5
Prices						
Consumer Price Index (CPI)	2.2	3.5	3.25	3.0	3.0	3.0
Wage Price Index (WPI)	4.3	4.5	4.5	4.25	4.25	4.25
SFD deflator	1.6	1.75	2.5	2.25	2.25	2.5
GSP deflator	1.1	0.25	-1.25	0.25	0.5	0.75
Established house price index	-2.3	6.7	4.7	5.7	5.5	5.8
Other key parameters						
Exchange rate (US cents/\$A)	103.2	99.0	103.4	101.0	98.2	95.4
Iron ore price (\$US/tonne) (FOB)	137.0	127.3	118.4	109.8	107.2	104.5
Crude oil price (\$US/barrel)	95.0	104.5	89.3	90.4	89.3	87.8

(a) Based on 2011-12 State Accounts data, released on 21 November 2012 (ABS Catalogue Number 5220.0), updated with the latest quarterly State Final Demand data (for the September quarter 2012, released on 5 December 2012).

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

(c) Forecasts for ownership transfer costs, international trade in services, balancing item components, and the statistical discrepancy of the State Accounts are not separately reported.

(d) Data expressed in terms of the annual average during the financial year.

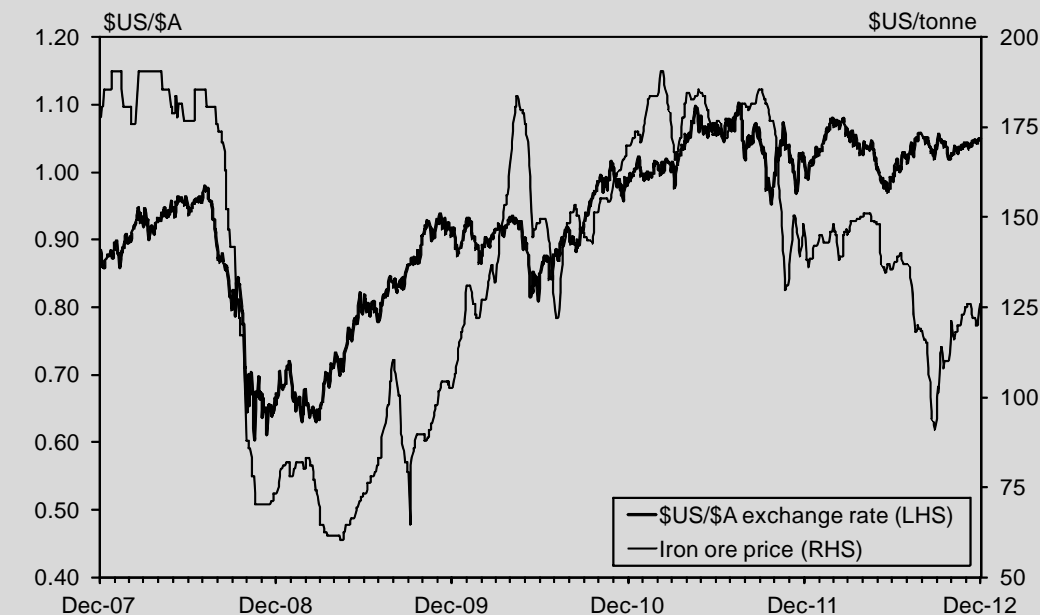
Exchange Rate and Iron Ore Price Forecasting Assumptions

The royalty income and North West Shelf grant estimates for this mid-year review are based on a new method for projecting the \$US/\$A exchange rate and \$US iron ore prices across the forecast period. The methodological revision is a result of the changing dynamics within exchange rate and iron ore markets, the current state of the global economy, and Australia’s position in it.

Volatility in the exchange rate and iron ore prices creates a high level of uncertainty for projected royalty collections by the State. In the past, movements in the Australian dollar and \$US commodity prices have often been highly correlated, with the revenue impact of fluctuations often largely offsetting. However, there has been a sustained divergence from this historical relationship since the 2012-13 Budget was finalised in May, as evident in the following figure. Iron ore spot prices fell in September 2012, reaching levels close to those observed during the global financial crisis, while the exchange rate remained high, hovering above US100 cents since June 2012 (see figure below). The iron ore spot price has recovered since September but remains well below the high levels witnessed in 2010 and 2011.

Figure 2

IRON ORE PRICE AND EXCHANGE RATE



Source: Datastream.

\$US/\$A Exchange Rate

At the time of the 2012-13 Budget, exchange rate projections were derived assuming that the prevailing six-week-average at the cut-off date returns to the historical long-run average (US75 cents) in a linear fashion by the final month of the forward estimates period.

As of November 2012, Treasury has adopted a revised market-based approach, which uses forward rates to derive the exchange rate assumptions over the budget forecast period. This approach is impartial and produces forecasts that are consistent with market expectations of the exchange rate and changes in interest rate differentials between the United States and Australia.

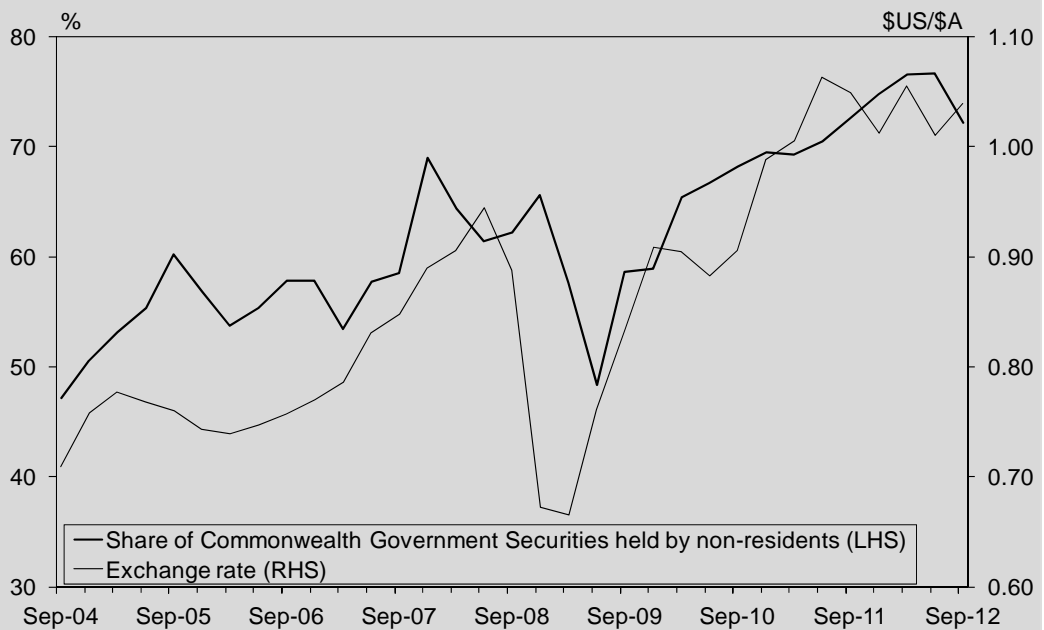
Under this new market-based approach, the exchange rate assumptions are derived using the 20-day (4-week) average of market quoted forward exchange rates (to smooth out volatility inherent in the daily rates) for contract maturities ranging from 1 month to 5 years, and interpolating values where monthly forward rates are not separately available.

Cause of Structural Change

The change in the relationship between commodity prices and the exchange rate reflects changes in the factors underpinning demand for the Australian dollar. Demand for the Australian dollar has traditionally been influenced by the outlook for commodity prices and exports, given Australia’s relatively high exposure to external demand. In recent years though, demand for the Australian dollar has increasingly been underpinned by foreign demand for Australia’s AAA-rated Commonwealth Government Bonds (see following figure). This reflects Australia’s comparatively high interest rates, politically stable economy, liberal financial system, and exposure to emerging economies in Asia.

Figure 3

FOREIGN INVESTMENT IN COMMONWEALTH GOVERNMENT SECURITIES



Source: ABS Catalogue 5302.0.

This phenomenon has persisted despite recent declines in iron ore prices, and is likely to continue in the medium term given a US dollar weakened by quantitative easing, and a euro currency weakened by sovereign debt concerns in the euro area. These factors are likely to persist for a number of years, as is the divergence of the exchange rate movements from commodity price changes.

\$US Iron Ore Price

The iron ore price paid to domestic producers – proxied by an estimated quarterly effective price – is assumed to be set on a quarterly basis, at the level of the average spot price in the previous quarter (lagged by a month) and adjusted for grade, moisture and freight rates. The effective price is projected to linearly return to a long-run average price currently forecast at \$US85/tonne (determined by taking into account a number of analysts' price estimates reported by Consensus Economics).

At budget-time, the quarterly effective price was assumed to revert to the long-run average in the final month of the budget outyear (i.e. June 2016). However, given the current dynamics in the iron ore market, the iron ore price is now expected to settle around its long-run average level over the next 8-10 years – which is more consistent with the expected time for iron ore supply and demand (especially from China) to balance. This profile is also consistent with Consensus Economics' definition of 'long-run'. In this mid-year review, the prevailing quarterly effective price is still assumed to revert to the long-run average price of \$US85/tonne but over a period of 10 years (i.e. a period that spans the average duration of the business cycle).

The following table highlights that the revenue impact of these changes in forecasting assumptions is a net reduction of \$194 million over the budget period. This is relatively immaterial when compared to total iron ore royalty revenue of \$18.6 billion over the same period. It results in iron ore price and exchange rate assumptions at the end of the forward estimates that are intuitively more plausible.

Table 2

ESTIMATED ROYALTY IMPACTS OF METHODOLOGY CHANGES

As at 10 December 2012

Iron ore (fines) \$US/t Assumptions	2012-13	2013-14	2014-15	2015-16	Sum
2012-13 MYR - Previous Methodology	118.4	107.2	99.9	92.6	
2012-13 MYR - New Methodology	118.4	109.8	107.2	104.5	
Variance (\$US/t)	-	2.5	7.2	11.9	
Revenue Impact (\$m)	-	107.2	356.2	677.9	1,141.4
Exchange rate (\$US/\$A) Assumptions	2012-13	2013-14	2014-15	2015-16	Sum
2012-13 MYR - Previous Methodology	104.0	99.7	91.7	83.7	
2012-13 MYR - New Methodology	103.4	101.0	98.2	95.4	
Variance (US cents)	-0.5	1.3	6.5	11.7	
Revenue Impact (\$m)	26.1	-77.5	-430.4	-853.1	-1,334.9
Total Revenue Impact (\$m)	26.1	29.6	-74.2	-175.1	-193.5

Source: Department of Treasury and Department of Mines and Petroleum.

International Conditions

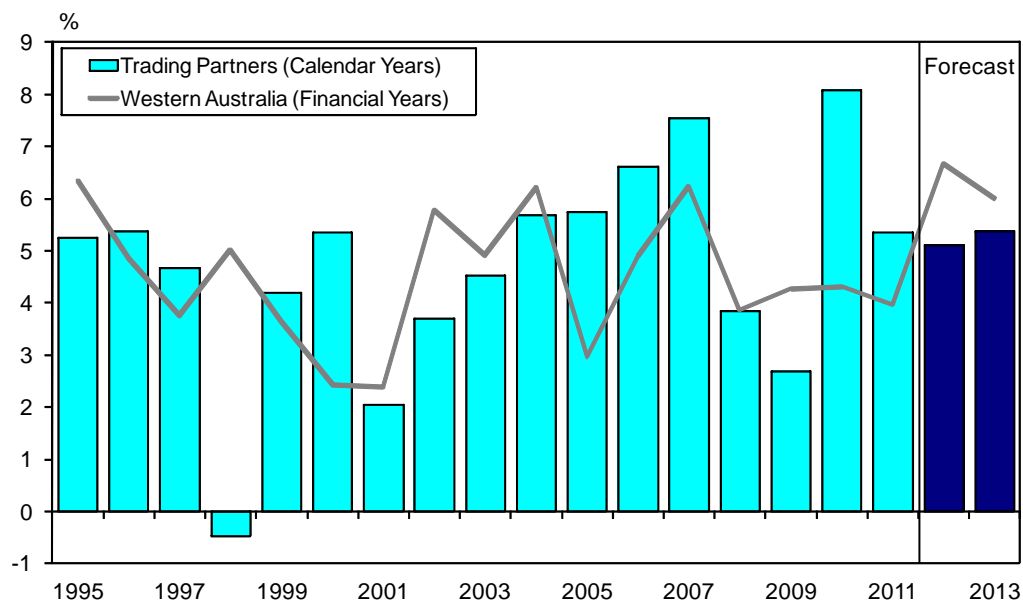
The overall outlook for the global economy has weakened slightly since the 2012-13 Budget, reflecting persistently weak demand from advanced economies and slower growth in emerging economies. A marked decline in activity for the euro area periphery (Greece, Ireland, Portugal, Spain and Italy) is weighing on world growth, with unemployment in the euro area at historically high levels. The recovery in the United States remains fragile, with a third round of quantitative easing announced in September.

Growth in China, Western Australia’s largest trading partner (accounting for 45.6% of the State’s exports in 2011-12), has softened recently, reflected in declines in iron ore prices in the September quarter. Various indicators suggest that there has been a slowdown in industrial production over the past year, partly in response to weaker external demand from advanced economies. The slowdown may also reflect a rebalancing of growth away from investment.

Reflecting the moderation in China’s growth, average growth for Western Australia’s key export markets (weighted by export share) is estimated to have slowed in 2012 to 5.1%, from 5.4% in 2011 (see figure below). However, growth is expected to recover to 5.4% in 2013.

WESTERN AUSTRALIA’S MAJOR EXPORT MARKETS^(a)
Annual Growth

Figure 4



(a) Includes China, Japan, South Korea, India and nine other countries. Together, these account for over 90% of the State’s exports in the year to September 2012.

Source: IMF and Department of Treasury.

The slowdown in China's industrial production translated into softer demand for steel and thus iron ore. To date, the adjustment to the softer demand from China has occurred through lower commodity prices, with Western Australia's export volumes largely unaffected.

Lower iron ore prices contributed to a 1.5% decline in the terms of trade in 2011-12. The terms of trade is forecast to decline by a further 7.25% in 2012-13. However, commodity prices are still at historically high levels.

Domestic Economic Activity

Household Sector

Private Consumption

Household consumption grew by a very strong 6.6% in 2011-12, which exceeded previous expectations and was stronger than growth nationally of 3.3%. This reflects the State's strong population growth and labour market conditions, as well as the high Australian dollar, which has improved the purchasing power of domestic consumers. Household spending has been supported by strong increases in discretionary components of spending such as 'hotels, cafes and restaurants', 'furnishings and household equipment', and 'recreation and culture'.

The immediate outlook for household consumption is positive. Growth in Western Australia's retail trade turnover in 2012-13 to date has been stronger than its historical average, in stark contrast to the weak conditions at the national level.

Overall, household consumption is forecast to grow by 5.25% in 2012-13 (up from the budget forecast of 4.5% growth), supported by low interest rates and above-average population growth (projected to be 2.8% in 2012-13, compared with long-run average growth of 2.0%). Growth in household consumption is expected to moderate to 4.75% in 2013-14 before returning to its long-run average rate of around 4.25% in 2015-16.

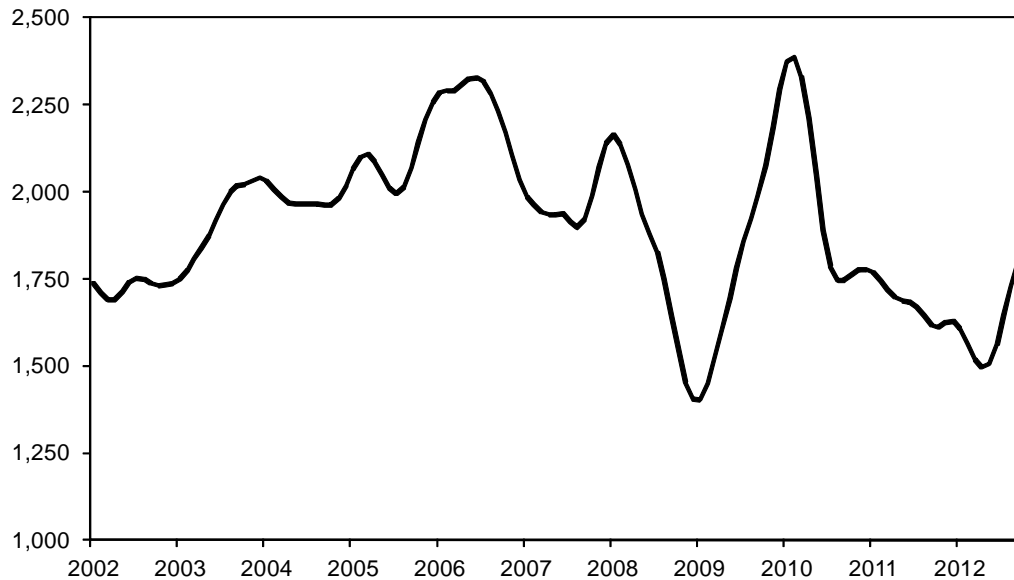
Housing Demand

Housing demand has been subdued in recent years due to the large outstanding stock of household debt carried over from prior to the global financial crisis.

However, partial indicators suggest that underlying demand for housing is improving. Perth rental market conditions are currently tight, the number of building approvals has increased (see figure), population growth is strong, and first home buyer activity has picked up. The ABS established house price index for Perth in the September quarter 2012 was 4.4% higher than its low point in the September quarter 2011, after declining by 4.7% in the previous year.

Figure 5

BUILDING APPROVALS Western Australia, Trend



Source: ABS Catalogue 8731.0.

Dwelling investment is forecast to grow by 4.5% in 2012-13 reflecting the expected improvement in underlying demand, but this is lower than the 7.5% growth forecast in the 2012-13 Budget. Growth is expected to strengthen further in 2013-14 to 7.5% supported by above-average population and income growth. Over the outyears, growth is projected to moderate to 4.25%. House prices are expected to increase by 4.7% in 2012-13, and broadly in line with forecast growth in household incomes across the outyears.

Business Sector

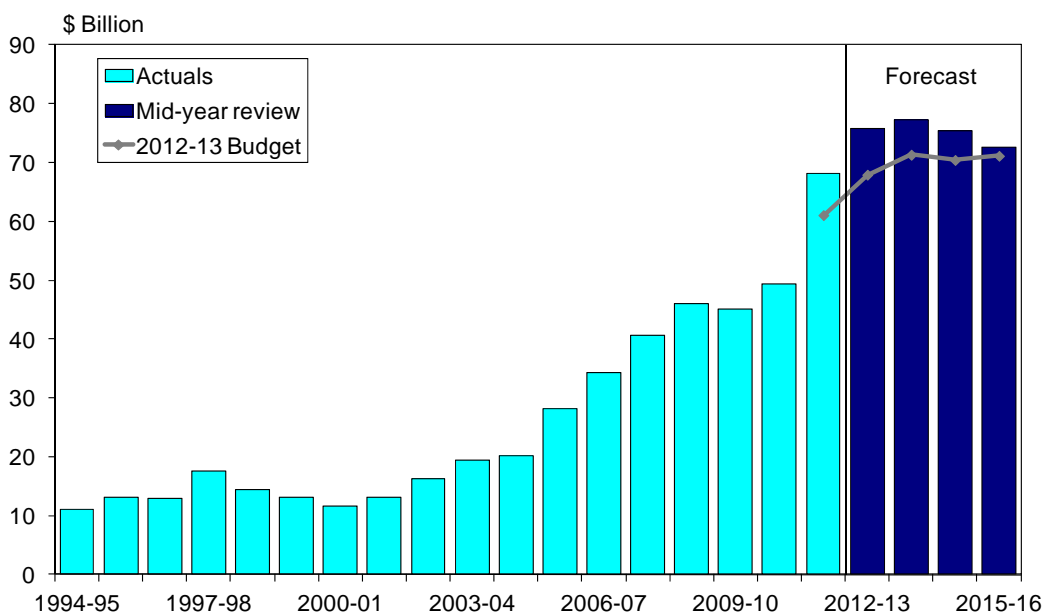
Business investment increased by an exceptionally strong 38.2% in 2011-12 to \$68.4 billion, underpinned by a 51.4% increase in non-dwelling construction and a 29.3% increase in machinery and equipment. During 2011-12, Western Australia accounted for 41.8% (or \$18.9 billion) of the total 22.0% (or \$45.2 billion) national increase in business investment.

Investment is expected to expand further in 2012-13, supported by continued strong spending on the Gorgon LNG project and increases in spending on other major LNG projects, such as Wheatstone, Prelude, and Ichthys. The short term outlook for iron ore investment also remains robust given much of the spending is already committed. However, new iron ore developments are likely to proceed at a slower rate than previously expected given the recent softening in iron ore prices.

Business investment is forecast to peak in 2013-14, and to moderate slightly in the outyears as major projects pass peak construction and transition to production. The flow of new project commencements is expected to remain strong compared to the historical average, but this is unlikely to completely offset project completions given the already very high levels of business investment (see following figure).

BUSINESS INVESTMENT IN WESTERN AUSTRALIA
Annual Levels, Chain Volume Terms

Figure 6



Source: ABS Catalogue 5220.0 and Department of Treasury.

Note: Data are adjusted for the 1997-98 sale of the Dampier to Bunbury Natural Gas Pipeline.

Government Sector

Public consumption and investment comprises spending by the Commonwealth, State and local governments.

Public consumption in Western Australia increased by 5.5% in 2011-12. This was lower than forecast in the 2012-13 Budget due to weaker growth in local and Commonwealth government spending. Growth is expected to moderate to 3.5% in 2012-13 before increasing to 4.25% in 2013-14, reflecting the expense growth projections from Chapter 1: *Financial Projections*.

Public investment increased by 9.4% in 2011-12, which is a significantly stronger outcome than forecast in the 2012-13 Budget. This primarily reflects an increase in local and Commonwealth government investment. Public investment is expected to increase by 1.5% in 2012-13, with weaker local and Commonwealth government investment partly offsetting an increase in State Government investment. The revised growth profile in public investment incorporates the Asset Investment Program projections provided in Chapter 1: *Financial Projections*.

International Trade

Exports

Merchandise exports from Western Australia grew by 4.6% over 2011-12, and accounted for around 46% of national exports. This was slightly weaker than expected due to project delays, adverse weather conditions, and project shutdowns, which are often necessary to facilitate expansions to project infrastructure.

Exports are expected to grow by 6.5% in 2012-13, supported by expansions in iron ore capacity and a ramp-up in production by the Pluto LNG project. Consistent with this outlook, resource export volumes have increased in 2012-13 to date. Exports are forecast to grow at a strong pace in the outyears (between 6% and 7% per annum), as iron ore and LNG projects transition from construction to production.

Expansions in production capacity are expected to be the key driver of export volumes over coming years, rather than fluctuations in external demand. This reflects low production costs for Western Australia's capital-intensive iron ore projects relative to current iron ore prices and overseas competitors (e.g. China's domestic iron ore producers). Softer demand from China since the 2012-13 Budget has been reflected in weaker iron ore export prices, rather than export volumes.

Imports

Merchandise imports rose by 27.6% in 2011-12, reflecting strong demand for capital items in the resources sector. Imports are expected to continue to increase in 2012-13 and 2013-14, fuelled by growth in household consumption and high demand for capital machinery and equipment. The flow of imports is expected to decline in 2014-15 and 2015-16, in line with the expected moderation in business investment.

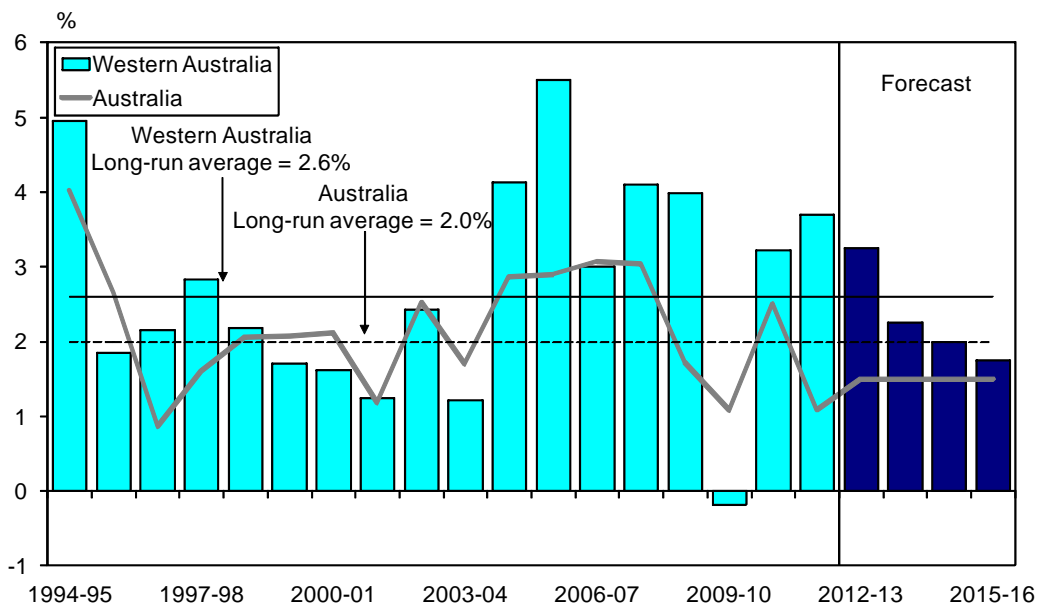
Labour Market

Employment

Western Australia remains a key driver of employment growth at the national level (see figure below). Employment in the State grew by 3.7% in 2011-12, underpinned by labour demand in the health care and social assistance, and mining industries. The current high levels of employment are expected to support employment growth of 3.25% in 2012-13, up from forecast growth of 2.75% in the 2012-13 Budget.

Figure 7

EMPLOYMENT GROWTH
Annual and long-run average



Source: ABS Catalogue 6202.0, Department of Treasury and Commonwealth 2012-13 Mid Year Economic and Fiscal Outlook.

Employment growth is expected to soften over the outyears as resource investment peaks and growth in domestic demand moderates. Employment is forecast to grow by 2.25% in 2013-14, and gradually moderate over the remaining outyears to reach 1.75% in 2015-16. Notably, these forecasts are still stronger than those for the national economy.

Unemployment

Western Australia’s unemployment rate averaged 4.0% in 2011-12, and remains substantially lower than the national average (5.2% in 2011-12). The average unemployment rate in 2012-13 to date remains low, with strong employment growth largely absorbing increases in the labour supply resulting from high levels of immigration to the State.

The unemployment rate is expected to average 4.25% in 2012-13 consistent with budget expectations. It is forecast to rise to 4.5% in the outyears, as the peak in business investment leads to softer growth in the domestic economy and an associated moderation in labour demand. The participation rate of people aged 15-64 is projected to rise in 2013-14, and remain constant over the last two outyears.

Wages and Earnings

The State’s Wage Price Index (WPI) grew by 4.3% in 2011-12, consistent with the 4.25% estimate in the 2012-13 Budget. Growth in the WPI is expected to strengthen to 4.5% in 2012-13 based on relatively strong growth in the September quarter 2012 and tight labour market conditions.

Wage growth is forecast to moderate slightly to 4.25% in 2013-14 and remain steady at this rate over the remaining outyears, in line with trend growth. This is consistent with a softening in labour demand, and a slightly higher unemployment rate.

Inflation

Consumer Price Index

Perth's Consumer Price Index (CPI) increased by a moderate 2.2% in 2011-12, following growth of 2.8% in 2010-11. The subdued growth in 2011-12 was consistent with an easing in inflationary pressures at the national level over the past year.

Consumer prices in Perth are forecast to rise by 3.25% in 2012-13 (compared to the 2012-13 Budget estimate of 3.5%), reflecting the introduction of the carbon tax, above-average population growth and reasonably strong wage growth.

Perth's CPI is forecast to grow by around 3.0% in the outyears (slightly lower than the budget forecast of 3.25%). Growth in 2015-16 incorporates an estimated 0.2 percentage point increase to reflect the planned introduction of an Emissions Trading Scheme.

These forecasts are broadly consistent with the Reserve Bank of Australia's latest projections for headline inflation at the national level (including the estimated carbon tax impact).

Risks

Global Risks

Downside risks to global growth have become more elevated over the past year, reflecting uncertainty surrounding the policy responses to the economic challenges faced by the United States and the euro area. Prospects for the euro area remain dependent on decisions regarding a banking union, recapitalisation of banks, structural reform and fiscal adjustment. Policy uncertainty also remains a key risk in the United States, with a fragile recovery now being supported by a third round of quantitative easing.

Bond yields in the euro area have broadly eased since the middle of 2012. Investors' concerns appear to have been allayed, at least temporarily, by the European Central Bank's preparedness to intervene in credit markets. Nonetheless, little progress has been made towards a long term solution for the sovereign debt problems faced by these economies, leaving the euro area susceptible to ongoing volatility.

The implications of these global risks for Western Australia will largely be determined by growth prospects in China and uncertainty in local and regional financial markets.

Industrial production in China has clearly slowed over the past year. As expected, the adjustment to this softening in demand has occurred through lower commodity prices. The immediate risk to domestic demand in Western Australia has been offset to some extent by the large pipeline of major resource projects that are already under construction. These projects are difficult to wind back once commenced, particularly for major LNG projects which account for over 85% of the value of resource projects under construction.

In the long run, the continued industrialisation of China is likely to support external demand. A rebalancing of China's growth away from investment could assist with ensuring more sustainable growth in future years.

Domestic Risks

The decline in dwelling investment in 2011-12 was greater than forecast in the 2012-13 Budget, despite evidence of a pick-up in underlying housing demand. A recovery in housing demand is expected to support established house prices in 2012-13 and flow through to a pick-up in dwelling investment. However, there is a risk that conditions may remain subdued due to the large outstanding stock of household debt and relatively low (but improving) housing affordability¹.

The \$US/\$A exchange rate remains high by historical standards despite weaker global demand and declines in commodity prices over the past year. This reflects a relatively weak US dollar, interest rate differentials between Australia and other countries, and foreign demand for Commonwealth Government securities. The strong Australian dollar acts as a constraint on the State's royalty revenue, as most commodity exports are priced in US dollars. It also reduces the cost competitiveness of new resource projects in Western Australia relative to other countries. These disadvantages are partly offset by lower import prices, which increase the purchasing power of consumers.

Western Australia's population growth remains stronger than the rest of Australia, supported by high levels of net overseas migration. This presents some upside risk to growth, by potentially boosting household consumption and inflation, and flowing through to housing demand and higher house prices. Strong population growth has also increased demand for services and infrastructure provided by the Western Australian public sector.

Western Australia's strong economic performance over the past year seems to be inconsistent with recent indicators of weaker consumer and business sentiment at the State level. Measures of consumer confidence have been relatively weak over the past year, despite strong growth in retail sales in Western Australia and cuts in the cash rate by the Reserve Bank of Australia, totalling 175 basis points since October 2011. Business sentiment in Western Australia also appears to have moderated, with resource firms being more cautious following recent volatility in commodity prices.

¹ While housing affordability has improved in recent years, it is still relatively low by historical standards. Housing affordability has been improving on the back of modest average annual growth in house prices (as measured by the ABS established house price index) of 0.6% over the past five years (from 2007 to 2012), compared to growth in average weekly earnings of 6.2% per year. By contrast, house prices in the previous five years (using the latest data) grew at an unsustainable rate of 20.0% per year, compared to earnings growth of 6.4% per year.

There is a risk that these indicators could translate into weaker economic activity, resulting in softer household and business demand than anticipated by the forecasts.

Western Australian's Contribution to the National Economy

The Western Australian economy makes a larger contribution to Australia's national economy relative to its 10.6% share of the national population.

In 2011-12, Western Australia's GSP accounted for 16.2% of Australia's GDP, with the State accounting for 27.6% of national business investment and 14.2% of national dwelling investment. State Final Demand accounted for 13.7% of national final demand despite a contraction in the State's dwelling activity. In the external sector, Western Australia represented 46.1% of national exports and 15% of national imports.

Reflecting the strength of the State's economy, Western Australia was a key driver of population and employment growth at the national level, accounting for 22.1% and 36.8% of national population growth and employment growth respectively (see following table). The State's unemployment rate was substantially lower than the national average.

Table 3

COMPONENTS OF GROSS STATE PRODUCT, AND LABOUR MARKET

2011-12

Demand and Output^(a)	WA	Australia	WA Share (nominal)
	%	%	%
Household Consumption	6.6	3.3	10.6
Dwelling Investment	-14.6	-3.7	14.2
Business Investment	38.2	22.0	27.6
Government Consumption	5.5	3.4	10.3
Government Investment	9.4	-4.1	11.5
State Final Demand (SFD)	14.2	5.3	13.7
Merchandise Exports	4.6	4.6	46.1
Merchandise Imports	27.6	11.4	15.0
Net exports	-3.7	-37.9	
Gross State/Domestic Product (GSP/GDP)	6.7	3.5	16.2
Labour Market	WA	Australia	WA Share
			%
Population	2,399,447	22,542,095	10.6
Population growth (levels)	69,912	316,952	22.1
Population growth (%)	3.0	1.4	
Employment	1,267,752	11,443,524	11.1
Employment growth (levels)	45,220	122,734	36.8
Employment growth (%)	3.7	1.1	
Unemployment rate (%)	4.0	5.2	
Participation rate (%)	68.6	65.4	

(a) Based on 2011-12 State Accounts data, released on 21 November 2012 (ABS Catalogue Number 5220.0), updated with the latest quarterly State Final Demand data (for the September quarter 2012, released on 5 December 2012).

(b) Annual average change over the year to March 2012.

Detailed Financial Projections

This appendix contains detailed financial projections for the Western Australian public sector and its sub-sectors. The tables in this section satisfy Uniform Presentation Framework requirements, and are consistent with Australian Accounting Standards and the presentation of whole-of-government financial projections contained in the 2012-13 Budget.

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		7,173	7,739	8,195	8,831	9,576	10,425
Current grants and subsidies		8,678	8,083	8,139	7,594	7,458	8,272
Capital grants		1,082	929	688	631	731	651
Sales of goods and services		1,929	1,933	2,030	2,167	2,277	2,393
Interest income		304	268	281	235	271	279
Revenue from public corporations							
Dividends from other sector entities		704	764	820	818	995	1,112
Tax equivalent income		381	504	382	481	582	647
Royalty income		4,343	4,871	4,366	5,178	5,594	6,116
Other		627	388	417	421	427	429
Total	3	25,220	25,477	25,318	26,356	27,910	30,323
EXPENSES							
Salaries		9,605	10,013	9,881	10,376	10,997	11,603
Superannuation							
Concurrent costs		913	949	935	1,002	1,083	1,190
Superannuation interest cost		317	343	281	306	318	326
Other employee costs		419	406	443	447	445	469
Depreciation and amortisation		990	1,101	1,064	1,181	1,211	1,216
Services and contracts		1,728	1,916	1,862	1,990	2,049	2,096
Other gross operating expenses		4,656	4,611	4,942	4,858	4,920	5,158
Other interest		371	424	400	454	559	687
Current transfers	4	5,053	4,902	4,903	5,242	5,213	5,249
Capital transfers	4	520	616	467	688	722	560
Total	5	24,571	25,281	25,178	26,543	27,517	28,553
NET OPERATING BALANCE	6	649	196	140	-187	393	1,770
<i>Other economic flows</i>							
Net gains on assets/liabilities		92	2	3	5	15	42
Net actuarial gains - superannuation		-1,676	234	-330	-4	-33	-88
Provision for doubtful debts		-26	-2	-2	-	-	-
All other		-	-	-	-	-	-
Total other economic flows		-1,611	233	-329	-	-19	-47
OPERATING RESULT		-962	430	-189	-187	374	1,723
<i>All other movements in equity</i>							
Revaluations		-4	1,656	2,104	2,029	2,176	2,073
Gains recognised directly in equity		-7	-1	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		-263	-92	-706	-117	14	-73
Change in net worth of the public corporations sectors		508	596	2,362	1,440	1,090	-10
All other		-	-	-	-	-	-
Total all other movements in equity		234	2,160	3,760	3,351	3,280	1,990
TOTAL CHANGE IN NET WORTH		-728	2,589	3,571	3,165	3,654	3,713
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	649	196	140	-187	393	1,770
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	3,358	3,301	3,191	3,140	2,925	2,796
Changes in inventories		-	-1	-2	-	-	-
Other movement in non-financial assets		183	-47	1	314	-163	4
<i>less:</i>							
Sales of non-financial assets		184	220	262	243	179	226
Depreciation		990	1,101	1,064	1,181	1,211	1,216
Total net acquisition of non-financial assets		2,366	1,931	1,864	2,031	1,372	1,358
NET LENDING/-BORROWING	6	-1,717	-1,735	-1,724	-2,218	-979	412

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Note	2012	2013	2013	2014	2015	2016
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		840	668	575	537	517	524
Advances paid		675	666	662	644	625	609
Investments, loans and placements		6,200	4,020	5,882	5,005	5,453	6,473
Receivables		2,488	2,581	2,484	2,741	2,815	2,939
Investment property		8	9	8	8	8	8
Shares and other equity							
Investments in other public sector entities - equity method		43,389	44,551	45,752	47,192	48,282	48,272
Investments in other public sector entities - direct injections		5,544	6,077	6,056	6,465	6,790	7,130
Investments in other entities		10	-	10	10	10	10
Other financial assets		-	-	-	-	-	-
Total financial assets		59,153	58,573	61,427	62,601	64,500	65,966
<i>Non-financial assets</i>							
Land		37,599	40,384	38,180	38,933	39,818	40,677
Property, plant and equipment		37,849	41,287	41,111	44,576	47,313	49,862
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		95	98	93	91	90	88
Other inventories		63	68	62	62	62	62
Intangibles		511	377	463	408	418	406
Non-current assets held for sale		91	33	86	54	53	53
Other		213	173	142	133	133	135
Total non-financial assets		76,423	82,423	80,140	84,260	87,888	91,283
TOTAL ASSETS		135,577	140,996	141,567	146,861	152,388	157,249
LIABILITIES							
Deposits held		528	290	454	428	444	480
Advances received		454	440	439	424	408	393
Borrowings		8,871	10,264	11,113	13,412	15,278	16,670
Unfunded superannuation		8,937	8,420	9,106	8,990	8,925	8,945
Other employee benefits		2,797	2,749	2,828	2,863	2,900	2,642
Payables		885	609	936	937	938	940
Other liabilities		1,630	1,680	1,645	1,596	1,630	1,603
TOTAL LIABILITIES		24,101	24,452	26,521	28,649	30,523	31,672
NET ASSETS		111,475	116,544	115,046	118,211	121,865	125,578
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		9,547	10,550	10,460	10,273	10,676	12,429
Other reserves		101,928	105,994	104,587	107,938	111,189	113,149
NET WORTH	6	111,475	116,544	115,046	118,211	121,865	125,578
MEMORANDUM ITEMS							
<i>Net financial worth</i>		35,052	34,121	34,907	33,951	33,977	34,294
<i>Net financial liabilities</i>		13,881	16,507	16,901	19,706	21,095	21,108
<i>Net debt</i>							
Gross debt liabilities		9,853	10,994	12,006	14,264	16,130	17,542
less: liquid financial assets		7,715	5,354	7,118	6,185	6,595	7,607
less: convergence differences impacting net debt		88	88	88	88	88	-
<i>Net debt</i>		2,050	5,552	4,800	7,991	9,447	9,935
Note: Columns may not add due to rounding.							

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		7,091	7,749	8,204	8,842	9,585	10,440
Grants and subsidies received		9,831	8,993	8,823	8,225	8,187	8,904
Receipts from sales of goods and services		1,983	1,971	2,059	2,183	2,305	2,409
Interest receipts		299	262	274	228	262	271
Dividends and tax equivalents		1,127	1,164	1,170	1,216	1,560	1,744
Other receipts		6,101	5,997	5,764	6,278	6,912	7,446
Total cash received		26,433	26,135	26,294	26,972	28,812	31,214
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-10,635	-11,255	-11,219	-11,764	-12,452	-13,439
Payments for goods and services		-6,815	-6,858	-7,167	-7,219	-7,310	-7,586
Interest paid		-353	-414	-364	-444	-542	-675
Grants and subsidies paid		-5,289	-5,289	-5,201	-5,620	-5,554	-5,584
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,388	-1,312	-1,318	-1,220	-1,342	-1,342
Total cash paid		-24,480	-25,128	-25,268	-26,268	-27,200	-28,626
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,953	1,007	1,026	704	1,612	2,588
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,358	-3,301	-3,191	-3,140	-2,925	-2,796
Sales of non-financial assets		184	220	262	243	179	226
Total cash flows from investments in non-financial assets		-3,174	-3,080	-2,929	-2,898	-2,746	-2,570
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		6	-	-	-	-	-
For liquidity purposes		1	-	-	-	-	-
<i>Cash paid</i>							
For policy purposes		-669	-751	-759	-477	-325	-339
For liquidity purposes		-6	-	-15	-	-	-
Total cash flows from investments in financial assets		-668	-752	-773	-477	-326	-340
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,842	-3,832	-3,703	-3,375	-3,072	-2,910
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		14	14	15	15	15	16
Borrowings		3,416	2,523	2,376	2,060	2,067	1,593
Deposits received		-	-	-	-	-	-
Other financing receipts		32	34	40	38	91	38
Total cash receipts from financing activities		3,463	2,571	2,431	2,113	2,173	1,647
<i>Cash paid</i>							
Advances paid		-14	-14	-15	-15	-15	-16
Borrowings repaid		-95	-127	-129	-171	-140	-139
Deposits paid		-	-	-	-	-	-
Other financing payments		-86	-72	-73	-112	-130	-144
Total payments for financing activities		-196	-214	-216	-299	-285	-299
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,267	2,357	2,215	1,815	1,887	1,348
Net increase in cash and cash equivalents		1,378	-469	-462	-856	427	1,026
Cash and cash equivalents at the beginning of the year		5,418	5,094	6,796	6,334	5,479	5,906
Cash and cash equivalents at the end of the year		6,796	4,625	6,334	5,479	5,906	6,932
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,953	1,007	1,026	704	1,612	2,588
Net cash flows from investing in non-financial assets		-3,174	-3,080	-2,929	-2,898	-2,746	-2,570
Cash surplus/-deficit	6	-1,221	-2,074	-1,904	-2,194	-1,134	17
Note: Columns may not add due to rounding.							

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		2,194	1,989	2,042	2,084	2,034	2,007
Capital grants		188	159	107	213	178	130
Sales of goods and services		15,676	16,186	16,242	17,314	18,563	19,881
Interest income		253	316	213	239	281	322
Other		408	439	431	448	448	481
<i>Total</i>		<i>18,719</i>	<i>19,089</i>	<i>19,035</i>	<i>20,299</i>	<i>21,505</i>	<i>22,822</i>
EXPENSES							
Salaries		1,024	1,103	1,121	1,156	1,195	1,253
Superannuation							
Concurrent costs		97	104	106	111	117	128
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		50	39	42	42	43	45
Depreciation and amortisation		1,698	1,607	1,792	1,863	1,924	1,977
Services and contracts		844	732	819	809	760	749
Other gross operating expenses		12,173	12,462	12,656	13,392	14,138	15,061
Other interest		991	1,123	949	1,078	1,167	1,228
Tax equivalents		373	469	356	455	558	625
Current transfers		784	887	906	961	1,017	1,060
Capital transfers		52	81	248	32	4	4
<i>Total</i>		<i>18,085</i>	<i>18,608</i>	<i>18,996</i>	<i>19,899</i>	<i>20,925</i>	<i>22,131</i>
NET OPERATING BALANCE	6	635	481	39	400	580	691
<i>Other economic flows</i>							
Net gains on assets/liabilities		55	106	134	268	311	373
Net actuarial gains - superannuation		-58	-	-	-	-	-
Provision for doubtful debts		-17	-16	-17	-17	-18	-19
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>-20</i>	<i>90</i>	<i>117</i>	<i>250</i>	<i>293</i>	<i>353</i>
OPERATING RESULT		614	571	156	650	873	1,044
<i>Other non-owner movements in equity</i>							
Revaluations		321	688	2,652	1,370	1,090	-4
Gains recognised directly in equity		455	-51	-43	-53	-59	-64
Changes in accounting policy/correction of prior period errors		-22	-6	247	153	69	63
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>754</i>	<i>631</i>	<i>2,855</i>	<i>1,471</i>	<i>1,100</i>	<i>-5</i>
<i>Movements in owner equity</i>							
Dividends		-696	-758	-782	-779	-959	-1,079
Capital injections		645	705	512	409	325	339
<i>Total movements in owner equity</i>		<i>-52</i>	<i>-53</i>	<i>-270</i>	<i>-370</i>	<i>-634</i>	<i>-740</i>
TOTAL CHANGE IN NET WORTH		1,317	1,149	2,741	1,751	1,339	300
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	635	481	39	400	580	691
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,447	4,364	4,160	3,957	3,729	3,650
Changes in inventories		-8	113	118	18	7	88
Other movement in non-financial assets		-24	-123	-289	185	-58	-55
<i>less:</i>							
Sales of non-financial assets		743	1,452	1,274	1,409	1,566	1,574
Depreciation		1,698	1,607	1,792	1,863	1,924	1,977
<i>Total net acquisition of non-financial assets</i>		<i>973</i>	<i>1,295</i>	<i>923</i>	<i>888</i>	<i>187</i>	<i>131</i>
NET LENDING/-BORROWING	6	-338	-814	-883	-488	393	560
Note: Columns may not add due to rounding.							

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2012	2013	2013	2014	2015	2016
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,090	903	1,162	1,190	1,355	1,402
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,009	5,469	5,499	5,488	5,485	5,704
Receivables		1,278	1,201	1,181	1,237	1,372	1,481
Investment property		27	21	27	27	27	27
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		19	28	8	-	-	-
Other financial assets		1,028	1,003	1,003	947	912	866
Total financial assets		7,450	8,625	8,880	8,890	9,150	9,478
<i>Non-financial assets</i>							
Land		14,152	14,822	16,189	17,221	17,942	17,510
Property, plant and equipment		45,828	46,609	47,419	48,791	49,857	50,935
Biological assets		333	341	329	326	320	314
Inventories							
Land inventories		1,736	1,933	2,013	2,122	2,175	2,059
Other inventories		3,379	3,843	3,498	3,516	3,522	3,611
Intangibles		418	264	374	365	349	324
Non-current assets held for sale		19	28	19	19	19	19
Other		172	117	109	103	103	116
Total non-financial assets		66,037	67,957	69,950	72,464	74,288	74,887
TOTAL ASSETS		73,488	76,582	78,830	81,354	83,438	84,365
LIABILITIES							
Deposits held		3	-	3	3	3	3
Advances received		454	440	439	424	408	393
Borrowings		18,609	20,598	21,152	21,939	22,695	23,297
Unfunded superannuation		150	82	115	78	40	2
Other employee benefits		397	369	397	400	404	406
Payables		4,258	4,610	4,280	4,373	4,439	4,530
Other liabilities		1,972	1,510	2,057	1,999	1,970	1,958
TOTAL LIABILITIES		25,841	27,610	28,442	29,215	29,960	30,588
NET ASSETS		47,647	48,972	50,388	52,139	53,478	53,777
<i>Of which:</i>							
Contributed equity		5,544	6,077	6,056	6,465	6,790	7,130
Accumulated surplus		18,961	18,749	18,213	17,957	17,750	17,573
Other reserves		23,142	24,146	26,120	27,717	28,937	29,074
NET WORTH	6	47,647	48,972	50,388	52,139	53,478	53,777
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-66,037	-67,957	-69,950	-72,464	-74,288	-74,887
<i>Net debt</i>							
Gross debt liabilities		19,065	21,038	21,594	22,365	23,107	23,692
less: liquid financial assets		5,099	6,372	6,662	6,678	6,839	7,105
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		13,966	14,666	14,932	15,687	16,268	16,587
Note: Columns may not add due to rounding.							

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		2,214	2,151	2,153	2,308	2,217	2,142
Receipts from sales of goods and services		15,829	16,183	16,211	17,230	18,451	19,769
Interest receipts		253	316	214	239	281	322
Dividends and tax equivalents		73	41	45	45	47	87
Other receipts		1,262	948	1,031	1,033	1,024	1,230
<i>Total cash received</i>		19,632	19,638	19,653	20,855	22,020	23,550
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,166	-1,241	-1,285	-1,327	-1,373	-1,449
Payments for goods and services		-11,804	-11,640	-11,591	-12,284	-12,967	-13,586
Interest paid		-964	-1,027	-869	-1,020	-1,105	-1,175
Grants and subsidies paid		-523	-664	-679	-722	-763	-802
Tax equivalents		-418	-397	-346	-393	-543	-605
Other payments		-2,546	-2,519	-3,026	-3,046	-3,075	-3,498
<i>Total cash paid</i>		-17,421	-17,487	-17,795	-18,793	-19,826	-21,115
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,211	2,151	1,858	2,062	2,194	2,436
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,447	-4,364	-4,160	-3,957	-3,729	-3,650
Sales of non-financial assets		743	1,452	1,274	1,409	1,566	1,574
<i>Total cash flows from investments in non-financial assets</i>		-2,703	-2,912	-2,886	-2,548	-2,163	-2,075
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		177	5	86	17	14	37
<i>Cash paid</i>							
For policy purposes		-	-	-5	-	-	-
For liquidity purposes		-210	-4	-110	-6	-6	-235
<i>Total cash flows from investments in financial assets</i>		-32	1	-30	12	8	-197
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,736	-2,911	-2,915	-2,536	-2,155	-2,273
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		12,748	16,071	8,013	2,725	2,777	2,048
Deposits received		-	-	-	-	-	-
Other financing receipts		723	827	830	803	364	394
<i>Total cash received</i>		13,472	16,898	8,843	3,528	3,141	2,442
<i>Cash paid</i>							
Advances paid		-14	-14	-15	-15	-15	-16
Borrowings repaid		-11,778	-15,189	-6,944	-2,232	-2,011	-1,430
Deposits paid		-	-	-	-	-	-
Other financing payments		-62	-64	-18	-26	-32	-34
Dividends paid		-695	-757	-782	-779	-959	-1,083
<i>Total cash paid</i>		-12,549	-16,024	-7,758	-3,052	-3,018	-2,563
NET CASH FLOWS FROM FINANCING ACTIVITIES		923	874	1,085	476	123	-121
Net increase in cash and cash equivalents		398	114	28	2	162	43
Cash and cash equivalents at the beginning of the year		1,125	958	1,522	1,550	1,552	1,714
Cash and cash equivalents at the end of the year		1,522	1,072	1,550	1,552	1,714	1,756
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,211	2,151	1,858	2,062	2,194	2,436
Net cash flows from investing in non-financial assets		-2,703	-2,912	-2,886	-2,548	-2,163	-2,075
Dividends paid		-695	-757	-782	-779	-959	-1,083
Cash surplus/-deficit	6	-1,188	-1,518	-1,809	-1,265	-928	-722
Note: Columns may not add due to rounding.							

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		6,852	7,338	7,790	8,406	9,134	9,970
Current grants and subsidies		8,678	8,083	8,139	7,594	7,458	8,272
Capital grants		1,082	929	688	631	731	651
Sales of goods and services		17,203	17,698	17,818	19,025	20,372	21,801
Interest income		520	547	459	440	514	560
Royalty income		4,343	4,871	4,366	5,178	5,594	6,116
Dividend and tax equivalents		60	82	108	109	106	141
Other		955	758	771	795	797	793
Total		39,694	40,306	40,140	42,178	44,707	48,304
EXPENSES							
Salaries		10,629	11,116	11,002	11,532	12,192	12,856
Superannuation							
Concurrent costs		1,010	1,053	1,041	1,114	1,201	1,318
Superannuation interest cost		317	343	281	306	318	326
Other employee costs		303	260	271	269	260	279
Depreciation and amortisation		2,688	2,708	2,856	3,044	3,135	3,194
Services and contracts		2,566	2,641	2,673	2,791	2,801	2,837
Other gross operating expenses		16,415	16,665	17,179	17,831	18,629	19,785
Other interest		1,324	1,510	1,313	1,496	1,689	1,874
Current transfers		3,470	3,553	3,518	3,857	3,924	4,023
Capital transfers		384	538	608	504	544	430
Total		39,107	40,387	40,743	42,744	44,693	46,922
NET OPERATING BALANCE	6	587	-81	-603	-566	14	1,381
<i>Other economic flows</i>							
Net gains on assets/liabilities		147	107	137	272	325	414
Net actuarial gains - superannuation		-1,735	234	-330	-4	-33	-88
Provision for doubtful debts		-43	-18	-19	-17	-18	-19
All other		-	-	-	-	-	-
Total other economic flows		-1,631	323	-212	251	274	307
OPERATING RESULT		-1,044	243	-815	-316	288	1,688
<i>All other movements in equity</i>							
Revaluations		317	2,344	4,756	3,399	3,267	2,069
Gains recognised directly in equity		448	-51	-44	-53	-60	-64
Changes in accounting policy/correction of prior period errors		-285	-99	-459	36	83	-10
Change in net worth of the PFC sector		-164	152	133	99	76	30
All other		-	-	-	-	-	-
Total all other movements in equity		316	2,347	4,386	3,481	3,366	2,025
TOTAL CHANGE IN NET WORTH		-728	2,589	3,571	3,165	3,654	3,713
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	587	-81	-603	-566	14	1,381
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,768	7,633	7,316	7,048	6,621	6,439
Changes in inventories		-8	112	117	18	7	88
Other movement in non-financial assets		158	-170	-288	499	-221	-51
<i>less:</i>							
Sales of non-financial assets		891	1,640	1,501	1,602	1,713	1,793
Depreciation		2,688	2,708	2,856	3,044	3,135	3,194
Total net acquisition of non-financial assets		3,339	3,227	2,787	2,919	1,559	1,489
NET LENDING/-BORROWING	6	-2,752	-3,307	-3,390	-3,485	-1,545	-108
Note: Columns may not add due to rounding.							

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2012	2013	2013	2014	2015	2016
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,591	1,359	1,472	1,487	1,616	1,635
Advances paid		222	226	223	220	217	217
Investments, loans and placements		10,209	9,479	11,381	10,493	10,937	12,177
Receivables		3,670	3,522	3,540	3,783	3,970	4,143
Investment property		35	30	35	35	35	35
Shares and other equity							
Investments in other public sector entities - equity method		1,286	1,656	1,420	1,518	1,594	1,625
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		28	28	17	10	10	10
Other financial assets		-	-	-	-	-	-
<i>Total financial assets</i>		17,041	16,300	18,087	17,546	18,379	19,841
<i>Non-financial assets</i>							
Land		51,751	55,206	54,369	56,154	57,760	58,186
Property, plant and equipment		83,676	87,897	88,530	93,368	97,170	100,797
Biological assets		335	343	331	328	322	316
Inventories							
Land inventories		1,831	2,031	2,106	2,213	2,265	2,146
Other inventories		3,443	3,911	3,559	3,577	3,584	3,672
Intangibles		929	640	837	773	766	730
Non-current assets held for sale		110	61	105	74	72	72
Other		385	290	251	236	236	250
<i>Total non-financial assets</i>		142,461	150,380	150,090	156,724	162,175	166,170
TOTAL ASSETS		159,502	166,680	168,176	174,270	180,555	186,011
LIABILITIES							
Deposits held		193	67	191	191	191	191
Advances received		454	440	439	424	408	393
Borrowings		27,479	30,862	32,265	35,350	37,974	39,967
Unfunded superannuation		9,086	8,503	9,222	9,067	8,965	8,947
Other employee benefits		3,193	3,117	3,224	3,263	3,304	3,048
Payables		5,050	4,965	5,095	5,120	5,163	5,197
Other liabilities		2,571	2,181	2,694	2,644	2,684	2,691
<i>TOTAL LIABILITIES</i>		48,026	50,136	53,130	56,059	58,690	60,434
NET ASSETS		111,475	116,544	115,046	118,211	121,865	125,578
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		28,575	29,364	28,739	28,296	28,493	30,068
Other reserves		82,900	87,180	86,307	89,915	93,372	95,509
NET WORTH	6	111,475	116,544	115,046	118,211	121,865	125,578
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-30,985	-33,836	-35,043	-38,513	-40,310	-40,593
<i>Net financial liabilities</i>		32,300	35,520	36,480	40,041	41,915	42,228
<i>Net debt</i>							
Gross debt liabilities		28,126	31,370	32,895	35,965	38,573	40,551
less: liquid financial assets		12,022	11,063	13,075	12,200	12,770	14,028
less: convergence differences impacting net debt		88	88	88	88	88	-
<i>Net debt</i>		16,016	20,218	19,732	23,678	25,715	26,522

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		6,760	7,342	7,793	8,413	9,141	9,981
Grants and subsidies received		9,831	8,993	8,823	8,225	8,187	8,904
Receipts from sales of goods and services		17,411	17,738	17,822	18,959	20,288	21,710
Interest receipts		514	540	451	432	506	552
Dividends and tax equivalents		88	51	87	88	105	143
Other receipts		6,973	6,919	6,766	7,289	7,914	8,653
<i>Total cash received</i>		<i>41,577</i>	<i>41,583</i>	<i>41,744</i>	<i>43,406</i>	<i>46,141</i>	<i>49,945</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-11,801	-12,496	-12,503	-13,091	-13,825	-14,888
Payments for goods and services		-17,857	-18,083	-18,304	-19,049	-19,810	-20,703
Interest paid		-1,279	-1,404	-1,197	-1,430	-1,610	-1,809
Grants and subsidies paid		-3,574	-3,781	-3,707	-4,014	-4,080	-4,224
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-3,598	-3,418	-3,931	-3,836	-3,970	-4,380
<i>Total cash paid</i>		<i>-38,108</i>	<i>-39,182</i>	<i>-39,641</i>	<i>-41,419</i>	<i>-43,295</i>	<i>-46,004</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,469	2,401	2,102	1,987	2,846	3,941
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,768	-7,633	-7,316	-7,048	-6,621	-6,439
Sales of non-financial assets		891	1,640	1,501	1,602	1,713	1,793
<i>Total cash flows from investments in non-financial assets</i>		<i>-5,877</i>	<i>-5,993</i>	<i>-5,815</i>	<i>-5,446</i>	<i>-4,909</i>	<i>-4,646</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		6	-	-	-	-	-
For liquidity purposes		178	5	86	17	14	37
<i>Cash paid</i>							
For policy purposes		-6	-	-	-	-	-
For liquidity purposes		-216	-4	-125	-6	-6	-235
<i>Total cash flows from investments in financial assets</i>		<i>-37</i>	<i>1</i>	<i>-39</i>	<i>11</i>	<i>7</i>	<i>-198</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,914	-5,992	-5,855	-5,434	-4,901	-4,843
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		16,164	18,594	10,390	4,785	4,844	3,641
Deposits received		-	-	-	-	-	-
Other financing receipts		52	84	82	306	90	42
<i>Total cash received</i>		<i>16,217</i>	<i>18,678</i>	<i>10,471</i>	<i>5,091</i>	<i>4,934</i>	<i>3,683</i>
<i>Cash paid</i>							
Advances paid		-14	-14	-15	-15	-15	-16
Borrowings repaid		-11,873	-15,316	-7,073	-2,403	-2,152	-1,569
Deposits paid		-	-	-	-	-	-
Other financing payments		-108	-111	-65	-79	-123	-128
<i>Total cash paid</i>		<i>-11,995</i>	<i>-15,442</i>	<i>-7,153</i>	<i>-2,497</i>	<i>-2,289</i>	<i>-1,713</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,222	3,236	3,318	2,594	2,644	1,971
Net increase in cash and cash equivalents		1,776	-355	-434	-854	589	1,068
Cash and cash equivalents at the beginning of the year		6,542	6,052	8,318	7,884	7,030	7,619
Cash and cash equivalents at the end of the year		8,318	5,697	7,884	7,030	7,619	8,687
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,469	2,401	2,102	1,987	2,846	3,941
Net cash flows from investing in non-financial assets		-5,877	-5,993	-5,815	-5,446	-4,909	-4,646
Cash surplus/-deficit	6	-2,408	-3,592	-3,713	-3,459	-2,063	-705

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		957	956	923	986	1,021	1,096
Interest income		1,768	2,260	1,876	2,150	2,399	2,593
Other		5	-	-	-	-	-
<i>Total</i>		2,730	3,216	2,799	3,135	3,419	3,689
EXPENSES							
Salaries		42	44	45	49	51	53
Superannuation							
Concurrent costs		4	4	4	5	5	5
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		15	18	17	18	18	18
Services and contracts		13	13	13	15	16	17
Other gross operating expenses		1,086	831	830	897	961	1,043
Other interest		1,626	2,071	1,706	1,945	2,183	2,373
Tax equivalents		8	35	26	26	24	21
Current transfers		3	4	4	4	4	4
Capital transfers		-	4	7	4	4	4
<i>Total</i>		2,798	3,026	2,654	2,964	3,268	3,542
NET OPERATING BALANCE	6	-69	190	145	172	151	147
<i>Other economic flows</i>							
Net gains on assets/liabilities		-58	-	-	-	-	-
Net actuarial gains - superannuation		-2	-	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		-60	-	-	-	-	-
OPERATING RESULT		-129	190	145	172	151	147
<i>Other non-owner movements in equity</i>							
Revaluations		15	7	2	7	8	3
Gains recognised directly in equity		97	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-94	2	69	3	-	-
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		18	9	71	11	8	3
<i>Movements in owner equity</i>							
Dividends		-52	-47	-83	-83	-83	-120
Capital injections		-	-	-	-	-	-
<i>Total movements in owner equity</i>		-52	-47	-83	-83	-83	-120
TOTAL CHANGE IN NET WORTH		-164	152	133	99	76	30
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-69	190	145	172	151	147
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		13	7	7	5	4	5
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		15	18	17	18	18	18
<i>Total net acquisition of non-financial assets</i>		-2	-11	-11	-13	-14	-14
NET LENDING/-BORROWING	6	-67	201	156	184	165	161

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2012	2013	2013	2014	2015	2016
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		16	23	17	17	18	18
Advances paid		3,411	5,072	5,003	5,047	5,096	5,106
Investments, loans and placements		38,338	38,301	41,325	43,720	45,134	45,251
Receivables		1,035	848	1,054	1,057	1,062	1,067
Investment property		510	575	551	595	633	671
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,208	1,361	1,305	1,415	1,522	1,636
Other financial assets		39	52	39	39	39	39
Total financial assets		44,558	46,232	49,294	51,891	53,505	53,788
<i>Non-financial assets</i>							
Land		118	35	118	118	118	118
Property, plant and equipment		250	240	253	260	267	269
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		14	12	12	11	10	9
Non-current assets held for sale		-	-	-	-	-	-
Other		6	75	68	66	64	62
Total non-financial assets		386	362	451	455	458	457
TOTAL ASSETS		44,944	46,594	49,745	52,346	53,963	54,246
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	1	3	3	3	3
Borrowings		40,269	41,771	44,834	47,185	48,553	48,617
Unfunded superannuation		11	10	11	12	12	12
Other employee benefits		9	8	9	9	9	9
Payables		93	145	96	115	142	172
Other liabilities		3,272	3,003	3,371	3,504	3,649	3,807
TOTAL LIABILITIES		43,658	44,938	48,325	50,827	52,368	52,621
NET ASSETS		1,286	1,656	1,420	1,518	1,594	1,625
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,054	1,298	1,114	1,202	1,271	1,298
Other reserves		233	358	306	316	324	327
NET WORTH	6	1,286	1,656	1,420	1,518	1,594	1,625
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-386	-362	-451	-455	-458	-457
<i>Net debt</i>							
Gross debt liabilities		40,272	41,772	44,837	47,188	48,556	48,620
less: liquid financial assets		41,765	43,396	46,345	48,785	50,248	50,375
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-1,493	-1,624	-1,508	-1,597	-1,691	-1,755

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		6	5	5	5	5	5
Receipts from sales of goods and services		922	936	888	965	1,044	1,125
Interest receipts		1,717	2,260	1,877	2,150	2,399	2,593
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		124	124	118	127	135	145
<i>Total cash received</i>		<i>2,770</i>	<i>3,325</i>	<i>2,887</i>	<i>3,247</i>	<i>3,582</i>	<i>3,868</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-44	-49	-50	-53	-56	-58
Payments for goods and services		-767	-748	-753	-804	-853	-922
Interest paid		-1,517	-2,071	-1,706	-1,945	-2,183	-2,373
Grants and subsidies paid		-	-	-	-	-	-
Tax equivalents		-7	-4	-5	-5	-23	-24
Other payments		-173	-171	-160	-174	-186	-200
<i>Total cash paid</i>		<i>-2,508</i>	<i>-3,044</i>	<i>-2,674</i>	<i>-2,980</i>	<i>-3,300</i>	<i>-3,577</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		262	281	213	266	282	291
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-13	-7	-7	-5	-4	-5
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>		<i>-13</i>	<i>-7</i>	<i>-7</i>	<i>-5</i>	<i>-4</i>	<i>-5</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		6,110	1,096	1,156	1,201	1,334	1,414
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-6,303	-1,827	-4,952	-1,405	-1,551	-1,595
<i>Total cash flows from investments in financial assets</i>		<i>-193</i>	<i>-731</i>	<i>-3,796</i>	<i>-204</i>	<i>-217</i>	<i>-181</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-206	-738	-3,802	-209	-221	-186
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		38,986	41,599	38,525	35,577	35,496	35,200
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<i>Total cash received</i>		<i>38,986</i>	<i>41,599</i>	<i>38,525</i>	<i>35,577</i>	<i>35,496</i>	<i>35,200</i>
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-37,358	-41,091	-37,038	-35,571	-35,492	-35,197
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-81	-47	-83	-83	-83	-120
<i>Total cash paid</i>		<i>-37,439</i>	<i>-41,138</i>	<i>-37,120</i>	<i>-35,654</i>	<i>-35,575</i>	<i>-35,317</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,547	461	1,405	-77	-78	-117
Net increase in cash and cash equivalents		1,603	5	-2,184	-20	-17	-12
Cash and cash equivalents at the beginning of the year		2,060	2,043	3,664	1,479	1,459	1,442
Cash and cash equivalents at the end of the year		3,664	2,048	1,479	1,459	1,442	1,430
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		262	281	213	266	282	291
Net cash flows from investing in non-financial assets		-13	-7	-7	-5	-4	-5
Dividends paid		-81	-47	-83	-83	-83	-120
Cash surplus/-deficit	6	168	228	124	178	195	167

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		6,850	7,335	7,787	8,403	9,131	9,966
Current grants and subsidies		8,678	8,083	8,139	7,594	7,458	8,272
Capital grants		1,082	929	688	631	731	651
Sales of goods and services		17,867	18,371	18,457	19,705	21,082	22,563
Interest income		924	980	878	898	978	1,012
Royalty income		4,343	4,871	4,366	5,178	5,594	6,116
Other		954	758	771	795	797	793
<i>Total</i>		40,699	41,327	41,087	43,204	45,770	49,372
EXPENSES							
Salaries		10,671	11,160	11,047	11,581	12,243	12,909
Superannuation							
Concurrent costs		1,014	1,057	1,045	1,118	1,206	1,324
Superannuation interest cost		317	343	281	306	318	326
Other employee costs		305	262	273	272	262	281
Depreciation and amortisation		2,702	2,726	2,874	3,063	3,154	3,212
Services and contracts		2,579	2,653	2,686	2,806	2,816	2,854
Other gross operating expenses		17,204	17,212	17,725	18,423	19,280	20,495
Other interest		1,587	1,755	1,562	1,751	1,937	2,105
Current transfers		3,470	3,554	3,518	3,857	3,924	4,023
Capital transfers		384	542	615	508	548	434
<i>Total</i>		40,233	41,264	41,627	43,683	45,687	47,963
NET OPERATING BALANCE	6	466	63	-541	-478	83	1,409
<i>Other economic flows</i>							
Net gains on assets/liabilities		89	107	137	272	325	414
Net actuarial gains - superannuation		-1,737	234	-330	-4	-33	-88
Provision for doubtful debts		-43	-18	-19	-17	-18	-19
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		-1,692	323	-212	251	274	307
OPERATING RESULT		-1,226	386	-753	-228	356	1,716
<i>All other movements in equity</i>							
Revaluations		332	2,351	4,758	3,406	3,274	2,071
Gains recognised directly in equity		545	-51	-44	-53	-60	-64
Changes in accounting policy/correction of prior period errors		-379	-96	-390	40	83	-10
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		498	2,203	4,324	3,393	3,298	1,997
TOTAL CHANGE IN NET WORTH		-728	2,589	3,571	3,165	3,654	3,713
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	466	63	-541	-478	83	1,409
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,782	7,639	7,323	7,053	6,626	6,443
Changes in inventories		-8	112	117	18	7	88
Other movement in non-financial assets		158	-170	-288	499	-221	-51
<i>less:</i>							
Sales of non-financial assets		892	1,640	1,501	1,602	1,713	1,793
Depreciation		2,702	2,726	2,874	3,063	3,154	3,212
<i>Total net acquisition of non-financial assets</i>		3,338	3,216	2,776	2,906	1,545	1,475
NET LENDING/-BORROWING	6	-2,872	-3,153	-3,317	-3,384	-1,463	-67

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2012	2013	2013	2014	2015	2016
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,606	1,381	1,488	1,503	1,633	1,652
Advances paid		3,630	5,296	5,222	5,264	5,310	5,319
Investments, loans and placements		18,575	10,261	15,568	13,306	13,089	13,852
Receivables		4,255	3,967	4,206	4,442	4,615	4,785
Investment property		545	605	586	629	668	706
Equity - Investments in other entities		1,236	1,389	1,322	1,425	1,533	1,646
Other financial assets		39	52	39	39	39	39
<i>Total financial assets</i>		<i>29,886</i>	<i>22,952</i>	<i>28,431</i>	<i>26,609</i>	<i>26,887</i>	<i>28,000</i>
<i>Non-financial assets</i>							
Land		51,869	55,242	54,487	56,272	57,878	58,304
Property, plant and equipment		83,926	88,137	88,783	93,628	97,437	101,066
Biological assets		335	343	331	328	322	316
Inventories							
Land inventories		1,831	2,031	2,106	2,213	2,265	2,146
Other inventories		3,443	3,911	3,559	3,577	3,584	3,672
Intangibles		943	652	849	784	776	739
Non-current assets held for sale		110	61	105	74	72	72
Other		391	365	318	301	298	310
<i>Total non-financial assets</i>		<i>142,847</i>	<i>150,742</i>	<i>150,539</i>	<i>157,177</i>	<i>162,632</i>	<i>166,626</i>
TOTAL ASSETS		172,733	173,694	178,969	183,787	189,519	194,626
LIABILITIES							
Deposits held		192	67	190	190	190	190
Advances received		454	440	439	424	408	393
Borrowings		37,776	35,114	39,961	41,629	43,545	45,009
Unfunded superannuation		9,097	8,512	9,233	9,079	8,977	8,959
Other employee benefits		3,203	3,125	3,234	3,272	3,314	3,058
Payables		5,032	4,977	5,110	5,140	5,210	5,276
Other liabilities		5,503	4,914	5,756	5,842	6,010	6,164
TOTAL LIABILITIES		61,258	57,150	63,923	65,576	67,654	69,048
NET ASSETS		111,475	116,544	115,046	118,211	121,865	125,578
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,629	30,662	29,853	29,498	29,763	31,366
Other reserves		81,846	85,882	85,194	88,713	92,102	94,211
NET WORTH	6	111,475	116,544	115,046	118,211	121,865	125,578
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-31,372	-34,198	-35,492	-38,966	-40,767	-41,048
<i>Net financial liabilities</i>		32,608	35,587	36,814	40,391	42,300	42,694
<i>Net debt</i>							
Gross debt liabilities		38,422	35,621	40,590	42,242	44,143	45,591
less: liquid financial assets		23,811	16,938	22,278	20,073	20,032	20,823
less: convergence differences impacting net debt		88	88	88	88	88	-
<i>Net debt</i>		<i>14,523</i>	<i>18,594</i>	<i>18,225</i>	<i>22,081</i>	<i>24,023</i>	<i>24,768</i>

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Note	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		6,709	7,289	7,745	8,360	9,084	9,920
Grants and subsidies received		9,831	8,993	8,823	8,225	8,187	8,904
Receipts from sales of goods and services		18,061	18,392	18,426	19,615	20,995	22,469
Interest receipts		920	1,065	954	934	1,026	1,046
Dividends and tax equivalents		-	-	-	-	-	-
Other		7,093	7,039	6,880	7,411	8,043	8,793
Total cash received		42,613	42,777	42,828	44,545	47,335	51,133
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-11,845	-12,544	-12,553	-13,144	-13,880	-14,946
Payments for goods and services		-18,351	-18,548	-18,773	-19,543	-20,326	-21,259
Interest paid		-1,485	-1,740	-1,529	-1,727	-1,914	-2,082
Grants and subsidies paid		-3,568	-3,777	-3,702	-4,009	-4,075	-4,219
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-3,715	-3,531	-4,038	-3,952	-4,094	-4,514
Total cash paid		-38,963	-40,141	-40,595	-42,375	-44,289	-47,020
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,650	2,635	2,233	2,170	3,046	4,112
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,782	-7,639	-7,323	-7,053	-6,626	-6,443
Sales of non-financial assets		892	1,640	1,501	1,602	1,713	1,793
Total cash flows from investments in non-financial assets		-5,890	-5,999	-5,822	-5,451	-4,913	-4,650
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		6	-	-	-	-	-
For liquidity purposes		6,288	1,101	1,242	1,218	1,347	1,451
<i>Cash paid</i>							
For policy purposes		-6	-	-	-	-	-
For liquidity purposes		-6,518	-1,831	-5,077	-1,410	-1,557	-1,830
Total cash flows from investments in financial assets		-230	-730	-3,835	-192	-210	-379
NET CASH FLOWS FROM INVESTING ACTIVITIES		-6,120	-6,729	-9,657	-5,643	-5,123	-5,029
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		27,171	25,175	30,571	31,843	33,989	35,134
Deposits received		-	-	-	-	-	-
Other financing receipts		52	84	82	306	90	42
Total cash received		27,224	25,259	30,653	32,149	34,079	35,176
<i>Cash paid</i>							
Advances paid		-14	-14	-15	-15	-15	-16
Borrowings repaid		-21,252	-21,390	-25,767	-29,454	-31,293	-33,059
Deposits paid		-	-	-	-	-	-
Other financing payments		-108	-111	-65	-79	-123	-128
Total cash paid		-21,374	-21,515	-25,847	-29,549	-31,431	-33,203
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,849	3,744	4,806	2,600	2,649	1,973
Net increase in cash and cash equivalents		3,379	-350	-2,618	-874	572	1,056
Cash and cash equivalents at the beginning of the year		8,602	8,095	11,981	9,362	8,489	9,060
Cash and cash equivalents at the end of the year		11,981	7,745	9,362	8,489	9,060	10,117
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,650	2,635	2,233	2,170	3,046	4,112
Net cash flows from investing in non-financial assets		-5,890	-5,999	-5,822	-5,451	-4,913	-4,650
Cash surplus/-deficit	6	-2,240	-3,364	-3,589	-3,281	-1,867	-538

Note: Columns may not add due to rounding.

NOTE 1: STATEMENT OF COMPLIANCE

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*, applying to all reporting periods from 1 July 2008.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements constitute general purpose financial reports for the total public sector (also known as the whole-of-government), general government sector, and each of the subsidiary public corporations sectors. Financial projections for the total non-financial public sector (i.e. general government and the public non-financial corporations – such as water and electricity utilities, and the ports) are also presented.

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.

(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 2011-12 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2011-12 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 subject to audit.

(d) Comparative figures

Comparative information for 2011-12 is based on the audited actual data presented in the 2011-12 ARSF.

NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

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

NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

Transfer expenses are defined as the provision of something of value for no specific return or consideration and include 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 Uniform Presentation Framework disclosure requirements.

TRANSFER EXPENSES ^(a)
General Government

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	Estimate	Revision	Revision	Revision	Revision	Revision
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local government	450	324	318	430	548	586
Local government on-passing	154	161	162	169	177	185
Private and not-for-profit sector	1,407	1,569	1,554	1,674	1,484	1,376
Private and not-for-profit sector on-passing	831	848	817	875	958	1,080
Other sectors of government	2,211	2,000	2,052	2,094	2,045	2,021
<i>Total Current Transfers</i>	<i>5,053</i>	<i>4,902</i>	<i>4,903</i>	<i>5,242</i>	<i>5,213</i>	<i>5,249</i>
<i>CAPITAL TRANSFERS</i>						
Local government	64	188	85	178	157	63
Local government on-passing	101	105	105	109	114	118
Private and not-for-profit sector	123	139	145	160	244	216
Private and not-for-profit sector on-passing	40	24	25	27	30	33
Other sectors of government	192	159	107	213	178	130
<i>Total Capital Transfers</i>	<i>520</i>	<i>616</i>	<i>467</i>	<i>688</i>	<i>722</i>	<i>560</i>

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

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

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	327	676	539	901	1,114	1,400
Public order and safety	3,013	2,863	2,969	3,010	3,116	3,229
Education	5,870	6,099	6,145	6,227	6,429	6,809
Health	6,268	6,604	6,731	6,937	7,190	7,391
Social security and welfare	1,677	1,743	1,742	1,868	1,946	2,004
Housing and community amenities	1,983	1,834	1,714	2,001	2,104	2,127
Recreation and culture	831	816	827	848	910	824
Fuel and energy	528	535	534	503	395	333
Agriculture, forestry, fishing and hunting	400	384	377	364	354	336
Mining and mineral resources other than fuels; manufacturing; and construction	200	220	221	228	218	227
Transport and communications	1,871	1,815	1,836	1,908	1,962	2,023
Other economic affairs	753	759	685	809	703	641
Other purposes	853	932	857	940	1,078	1,210
Total General Government Expenses	24,571	25,281	25,178	26,543	27,517	28,553
<i>Purchases of new non-financial assets</i>						
General public services	260	218	252	186	193	244
Public order and safety	282	401	422	334	199	75
Education	691	567	654	546	379	297
Health	1,141	1,130	1,102	1,141	717	229
Social security and welfare	62	57	69	61	38	12
Housing and community amenities	132	166	48	99	232	326
Recreation and culture	184	186	251	110	194	401
Fuel and energy	10	5	10	2	3	2
Agriculture, forestry, fishing and hunting	18	30	32	21	24	23
Mining and mineral resources other than fuels; manufacturing; and construction	1	3	3	1	1	1
Transport and communications	544	857	871	913	838	804
Other economic affairs	34	181	226	128	57	32
Other purposes	-	-500	-750	-400	50	350
Total Purchases of Non-financial Assets	3,358	3,301	3,191	3,140	2,925	2,796

(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 has a different sectoral coverage to the Asset Investment Program.

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

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net operating balance	649	196	140	-187	393	1,770
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	-	-	88
Total GFS expense adjustments	-	-	-	-	-	88
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-	-	-88
GFS net operating balance	649	196	140	-187	393	1,682
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	635	481	39	400	580	691
Less GFS expense adjustments						
Capitalised interest	37	42	42	48	54	51
Dividends	696	758	782	779	959	1,079
Total GFS expense adjustments	734	800	824	827	1,013	1,131
Total GFS adjustments to AASB 1049 net operating balance	-734	-800	-824	-827	-1,013	-1,131
GFS net operating balance	-99	-319	-784	-427	-433	-440
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	587	-81	-603	-566	14	1,381
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	37	42	42	48	54	51
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	-	-	88
Total GFS expense adjustments	37	42	42	48	54	139
Total GFS adjustments to AASB 1049 net operating balance	-37	-42	-42	-48	-54	-139
GFS net operating balance	550	-122	-645	-614	-40	1,242
<u>Public financial corporations</u>						
AASB1049 net operating balance	-69	190	145	172	151	147
Less GFS expense adjustments						
Dividends	52	47	83	83	83	120
Total GFS expense adjustments	52	47	83	83	83	120
Total GFS adjustments to AASB 1049 net operating balance	-52	-47	-83	-83	-83	-120
GFS net operating balance	-121	144	62	88	69	28
<u>Total public sector</u>						
AASB1049 net operating balance	466	63	-541	-478	83	1,409
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	37	42	42	48	54	51
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	-	-	-	-	88
Total GFS expense adjustments	37	42	42	48	54	139
Total GFS adjustments to AASB 1049 net operating balance	-37	-42	-42	-48	-54	-139
GFS net operating balance	429	21	-583	-526	29	1,270

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Lending/-Borrowing

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net lending/-borrowing	-1,717	-1,735	-1,724	-2,218	-979	412
Plus Net operating balance convergence difference (noted above)	-	-	-	-	-	-88
GFS net lending/-borrowing	-1,717	-1,735	-1,724	-2,218	-979	324
<u>Public non-financial corporations</u>						
AASB1049 net lending/-borrowing	-338	-814	-883	-488	393	560
Plus Net operating balance convergence difference (noted above)	-734	-800	-824	-827	-1,013	-1,131
GFS net lending/-borrowing	-1,072	-1,614	-1,707	-1,315	-620	-571
<u>Total non-financial public sector</u>						
AASB1049 net lending/-borrowing	-2,752	-3,307	-3,390	-3,485	-1,545	-108
Plus Net operating balance convergence difference (noted above)	-37	-42	-42	-48	-54	-139
GFS net lending/-borrowing	-2,789	-3,349	-3,431	-3,533	-1,599	-247
<u>Public financial corporations</u>						
AASB1049 net lending/-borrowing	-67	201	156	184	165	161
Plus Net operating balance convergence difference (noted above)	-52	-47	-83	-83	-83	-120
GFS net lending/-borrowing	-120	155	73	101	83	42
<u>Total public sector</u>						
AASB1049 net lending/-borrowing	-2,872	-3,153	-3,317	-3,384	-1,463	-67
Plus Net operating balance convergence difference (noted above)	-37	-42	-42	-48	-54	-139
GFS net lending/-borrowing	-2,909	-3,194	-3,359	-3,432	-1,517	-206

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)
Net Worth at 30 June

	2012	2013	2013	2014	2015	2016
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net worth	111,475	116,544	115,046	118,211	121,865	125,578
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	-
Provision for doubtful debts						
General government sector	202	189	202	202	202	202
Impact on public corporations net worth	22	29	21	22	24	25
Total GFS net worth adjustments	312	306	311	312	314	227
GFS net worth	111,787	116,850	115,357	118,523	122,179	125,805
<u>Public non-financial corporations</u>						
AASB1049 net worth	47,647	48,972	50,388	52,139	53,478	53,777
<i>Plus</i>						
Impact of general government equity injections	-5,239	-6,077	-5,988	-6,465	-6,790	-7,130
Provision for doubtful debts	22	29	21	22	24	25
Total GFS net worth adjustments	-5,217	-6,048	-5,967	-6,443	-6,767	-7,105
GFS net worth	42,430	42,924	44,421	45,696	46,711	46,672
<u>Total non-financial public sector</u>						
AASB1049 net worth	111,475	116,544	115,046	118,211	121,865	125,578
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	-
Provision for doubtful debts						
Total non-financial public sector	223	218	223	224	225	227
Impact on public corporations net worth	-	-	-	-	-	-
Total GFS net worth adjustments	312	306	311	312	314	227
GFS net worth	111,787	116,850	115,357	118,523	122,179	125,805
<u>Public financial corporations</u>						
AASB1049 net worth	1,286	1,656	1,420	1,518	1,594	1,625
<i>Plus</i>						
Provision for doubtful debts	-	-	-	-	-	-
Total GFS net worth adjustments	-	-	-	-	-	-
GFS net worth	1,287	1,656	1,420	1,518	1,595	1,625
<u>Total public sector</u>						
AASB1049 net worth	111,475	116,544	115,046	118,211	121,865	125,578
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	-
Provision for doubtful debts	223	218	223	224	226	227
Total GFS net worth adjustments	312	306	311	312	314	227
GFS net worth	111,787	116,850	115,357	118,523	122,179	125,805

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)**Cash Surplus/-Deficit**

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	-1,221	-2,074	-1,904	-2,194	-1,134	17
Less Acquisitions under finance leases and similar arrangements	19	-	-	417	-	-
GFS cash surplus/-deficit	-1,239	-2,074	-1,904	-2,611	-1,134	17
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-1,188	-1,518	-1,809	-1,265	-928	-722
Less Acquisitions under finance leases and similar arrangements	63	-	1	265	-	-
GFS cash surplus/-deficit	-1,251	-1,518	-1,810	-1,530	-929	-722
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-2,408	-3,592	-3,713	-3,459	-2,063	-705
Less Acquisitions under finance leases and similar arrangements	82	-	1	682	-	-
GFS cash surplus/-deficit	-2,490	-3,592	-3,714	-4,141	-2,063	-705
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	168	228	124	178	195	167
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	168	228	124	178	195	167
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-2,240	-3,364	-3,589	-3,281	-1,867	-538
Less Acquisitions under finance leases and similar arrangements	82	-	1	682	-	-
GFS cash surplus/-deficit	-2,322	-3,364	-3,590	-3,963	-1,867	-538

NOTE 7: LOAN COUNCIL ALLOCATION

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's cash deficit position¹.

An LCA deficit of \$4,932 million is forecast for 2012-13, \$1,351 million higher than the budget-time projection of \$3,581 million. This revision is largely driven by the impact of a substantial increase in Keystart home lending activities (\$1.1 billion), reflecting a lower than expected outturn in 2011-12, and anticipated strengthening of demand for Keystart's mortgage products in 2012-13, primarily due to changes in lending criteria.

An LCA deficit of \$3,690 million is forecast for 2013-14. The lower outcome compared to the 2012-13 forecast primarily reflects:

- a higher cash deficit for the general government sector (up \$290 million) and for the public non-financial corporations sector (down \$544 million), mainly due to changes to the outlook discussed in Chapter 1 of this mid-year review; and
- lower memorandum items (down \$1.7 billion), mainly due to:
 - the impact of moderating growth in Keystart home lending projections in 2013-14, following the amended 2012-13 projection noted above; and
 - a \$681 million increase in acquisitions under finance leases and similar arrangements, mainly for the Mundaring Water Treatment Plant and commencement of the facilities management contract for the Fiona Stanley Hospital.

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

LOAN COUNCIL ALLOCATIONS

Western Australia

	2012-13		2013-14 Nomination \$m
	Budget Estimate \$m	Mid-year Revision \$m	
	General government cash surplus/deficit	2,074	
Public non-financial corporations sector cash surplus/deficit	1,518	1,809	1,265
<i>Total non-financial public sector cash surplus/deficit</i>	<i>3,592</i>	<i>3,713</i>	<i>3,459</i>
Acquisitions under finance leases and similar arrangements	-	1	682
<i>GFS cash surplus/deficit</i>	<i>3,592</i>	<i>3,714</i>	<i>4,141</i>
<i>Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Plus: Memorandum items</i>	<i>-11</i>	<i>1,218</i>	<i>-451</i>
Loan Council Allocation	3,581	4,932	3,690
<i>Tolerance Limit ^(a)</i>			<i>868</i>

(a) The tolerance limit is set at 2% of total non-financial public sector operating receipts and is specified at the time of the nomination. The limit provides an upper and lower bound for LCA variation reporting purposes.

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

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,096	3,368	3,584	3,943	4,332	4,753
Property taxes						
<i>Land tax</i>	552	541	569	626	688	757
Transfer duty	1,261	1,450	1,486	1,608	1,740	1,926
Landholder duty	101	53	138	66	74	82
<i>Total duty on transfers</i>	1,362	1,502	1,624	1,674	1,814	2,008
Other stamp duties	-	-	-	-	-	-
Metropolitan Region Improvement Tax	84	83	86	95	104	115
Emergency Services Levy	220	231	231	252	261	270
Loan guarantee fees	25	107	105	116	121	125
<i>Total other property taxes</i>	329	422	423	463	487	509
Taxes on provision of goods and services						
Lotteries Commission	140	141	141	147	153	159
Video lottery terminals	-	1	1	1	1	1
Casino tax	108	117	125	130	135	140
Betting tax	38	37	37	38	39	40
Other	19	-	-	-	-	-
<i>Total taxes on gambling</i>	305	295	303	315	327	339
Insurance duty	487	512	558	603	650	702
Other	22	22	22	24	25	25
<i>Total taxes on insurance</i>	509	534	580	627	675	727
Taxes on use of goods and performance of activities						
Vehicle licence duty	367	388	416	449	484	522
Permits - oversize vehicles and loads	7	5	5	6	6	6
Motor vehicle recording fee	46	47	46	48	49	52
Motor vehicle registrations	599	636	646	681	713	752
<i>Total motor vehicle taxes</i>	1,019	1,077	1,113	1,183	1,252	1,331
Total Taxation	7,173	7,739	8,195	8,831	9,576	10,425

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST grants	3,454	2,792	2,961	2,371	1,991	2,240
North West Shelf grants	925	1,012	917	893	904	1,017
Compensation for Commonwealth crude oil excise arrangements	75	56	50	49	50	56
<i>Grants Through the State</i>						
Schools assistance – non-government schools	831	848	817	875	958	1,080
Local government financial assistance grants	154	161	162	169	177	185
Local government roads	101	105	105	109	114	118
First Home Owners' Boost	1	-	-	-	-	-
Other	-	25	25	25	25	25
<i>National Specific Purpose Payment Agreement Grants</i>						
National Healthcare	1,312	-	-	-	-	-
National Schools	378	405	401	435	480	531
National Agreement for Skills and Workforce Development	139	143	145	152	160	165
National Disability Services	110	123	126	147	158	168
National Affordable Housing	129	132	134	139	145	150
<i>National Health Reform ^(a)</i>	-	1,402	1,395	1,530	1,720	1,928
<i>Other Grants/National Partnerships</i>						
Health	505	467	399	442	365	371
Housing	2	14	14	14	15	15
Transport	68	67	70	69	52	52
Other	493	332	417	174	145	172
Total Current Grants and Subsidies	8,678	8,083	8,139	7,594	7,458	8,272
CAPITAL GRANTS						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	40	24	25	27	30	33
<i>Nation Building and Jobs Plan</i>						
Schools	40	-	-	-	-	-
Housing	20	-	-	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	181	139	82	195	166	124
Transport	505	608	485	298	436	471
Other	296	158	96	112	100	22
Total Capital Grants	1,082	929	688	631	731	651

(a) The new National Health Reform arrangements commenced on 1 July 2012.

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
	\$m	\$m	\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
WA Health	460	429	484	510	533	557
Department of Transport	177	194	181	186	191	202
Department of Education	155	167	172	177	183	189
State Training Providers	114	122	121	126	129	132
Department of Training and Workforce Development	43	47	47	48	48	48
Western Australian Land Information Authority	110	120	120	138	140	153
Department of Environment and Conservation	111	106	106	108	109	111
Department of the Attorney General	92	86	96	102	105	106
Department of Commerce	85	74	74	71	69	70
Western Australia Police	43	43	47	48	47	47
Department of Culture and the Arts	30	33	31	30	23	22
Department of Fisheries	32	30	30	31	32	32
Department of Corrective Services	31	24	24	25	25	25
All Other	445	457	497	567	642	697
Total Sale of Goods and Services	1,929	1,933	2,030	2,167	2,277	2,393
INTEREST INCOME	304	268	281	235	271	279
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	704	764	820	818	995	1,112
Tax Equivalent Regime	381	504	382	481	582	647
Total Revenue from Public Corporations	1,085	1,267	1,201	1,298	1,577	1,759
ROYALTY INCOME	4,343	4,871	4,366	5,178	5,594	6,116
OTHER						
Lease rentals	91	82	82	84	86	88
Fines	159	173	174	180	178	178
Revenue not elsew here counted	377	133	161	157	162	162
Total Other	627	388	417	421	427	429
TOTAL REVENUE	25,220	25,477	25,318	26,356	27,910	30,323

Note: Columns may not add due to rounding.

Major Spending Changes Since Budget

This appendix provides details of material changes in general government expenses and total public sector infrastructure spending since the 2012-13 Budget. The portfolio disclosures in this appendix are consistent with arrangements at the time of the mid-year review cut-off date.

Spending changes detailed in this appendix include:

- all material decisions made between the cut-off date for the 2012-13 Budget (7 May 2012) and the cut-off date for this mid-year review (10 December 2012); and
- other changes of a material nature affecting agency spending over the forward estimates period¹. These include the impact of issues such as variations in Commonwealth-funded programs, higher cost and demand for government services, depreciation, and the settlement of Enterprise Bargaining Agreements.

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

In September 2012, the Government approved a further round of corrective measures in response to the deterioration in the revenue outlook since the 2012-13 Budget. A summary of the sector-wide corrective measures is included in Chapter 1.

¹ For general government expenses, materiality is determined in dollar terms. For example, adjustments to forecast recurrent costs for the State's largest Department, Health, are only included if they exceed \$10 million in any one year. For agencies with an expense base of less than \$100 million per annum, any change in excess of \$1 million is included. For changes in infrastructure spending, a change in annual spending in excess of 1% or \$1 million in a year (whichever is larger) is considered material for the purposes of disclosure in this appendix.

Major Spending Changes (by Portfolio)

PARLIAMENT

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
LEGISLATIVE ASSEMBLY				
Expenses				
Special Acts Review	0.2	-0.5	-0.8	-1.0

Legislative Assembly*Expenses***Special Acts Review**

A review of the projected costs of entitlements for Members of Parliament based on the Salaries and Allowances Tribunal's determination handed down in August 2012 resulted in a \$2.1 million decrease in projected expenditure over the forward estimates period.

PREMIER; MINISTER FOR STATE DEVELOPMENT

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
LOTTERIES COMMISSION				
Asset Investment				
Building Maintenance and Information Technology Upgrade	3.0	-	-	-
PREMIER AND CABINET				
Expenses				
ANZAC Centenary	2.8	5.2	-	-
STATE DEVELOPMENT				
Expenses				
Cessation of Lignor Financial Assistance Agreement	-6.2	-	-	-
Macedon Project – Expenditure on Social Infrastructure	-	1.3	1.3	1.3
Ord-East Kimberley Expansion Project – Change in Asset Transfer Expense	-	-11.1	-	-

Lotteries Commission*Asset Investment***Building Maintenance and Information Technology Upgrade**

An additional \$3 million will be spent in 2012-13 on high priority building maintenance, replacement of building fit-out, and electronic document and records management system upgrades.

Premier and Cabinet

Expenses

ANZAC Centenary

An additional \$8 million will be spent over 2012-13 and 2013-14 on the construction of the ANZAC Interpretive Centre in Albany and restorative works for Mt Clarence (including works to the Avenue of Honour, Padre White Lookout and the Desert Mounted Corps Memorial and carpark surrounds). Of this amount, \$2.8 million will be funded from the *Royalties for Regions* program in 2012-13.

State Development

Expenses

Cessation of Lignor Financial Assistance Agreement

Expenditure has been revised down by \$6.2 million in 2012-13 due to the Lignor Financial Assistance Agreement not being renewed. Funding for the agreement was originally approved to assist Lignor Ltd to establish a timber processing plant in the Mirambeena Timber Precinct, which is no longer proceeding.

Macedon Project – Expenditure on Social Infrastructure

An additional \$3.8 million will be spent over three years, commencing in 2013-14, to provide grants to the Shire of Ashburton for the development of social infrastructure in Onslow, including a basketball and netball complex. This will be externally funded by the joint venture partners for the Macedon project.

Ord-East Kimberley Expansion Project – Change in Asset Transfer Expense

An \$11.1 million reduction in planned operating expenses will occur due to a lower proportion of Ord-East Kimberley assets being transferred (as non-cash expenses) to non-government entities and the public sector retaining a greater proportion of the assets.

DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
WA HEALTH				
Expenses				
Activity Levels above Clinical Services Framework 2010-2020 Targets	85.0	-	-	-
Asset Investment				
Clinical Services Framework 2010-2020 Changes – Single Site Services	11.9	4.0	-	-
Medical Equipment Replacement Program	-	-	40.0	40.0
ROTTNEST ISLAND AUTHORITY				
Expenses				
Rottnest Island Roofing	-	3.2	1.9	-

WA Health*Expenses***Activity Levels Above Clinical Services Framework 2010-2020 (CSF) Targets**

An additional \$85 million will be spent in 2012-13 to meet higher than anticipated demand for hospital services, compared to the activity targets forecast for emergency department and inpatient services in the 2012-13 Budget under WA Health's CSF. This includes an additional \$20 million for elective surgery activity.

*Asset Investment***Clinical Services Framework 2010-2020 Changes – Single Site Services (Fiona Stanley Hospital)**

An additional \$15.9 million will be spent over 2012-13 and 2013-14 to accommodate the consolidation of cardiothoracic services at the Fiona Stanley Hospital (FSH). Changes to service alignment for cardiothoracic and major trauma services contained in the CSF facilitated the need for a scope change to the FSH project. The additional expenditure on the FSH is fully offset through savings on other capital works projects.

Medical Equipment Replacement Program

An additional \$80 million will be spent over 2014-15 and 2015-16 to continue the ongoing replacement of critical medical equipment.

Rottnest Island Authority

Expenses

Rottnest Island Roofing

An additional \$5 million will be spent over 2013-14 and 2014-15 to undertake roofing and structural repairs on accommodation units and commercial buildings on Rottnest Island.

MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS

MAJOR PORTFOLIO SPENDING CHANGES

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
MINES AND PETROLEUM				
Expenses				
Mining Rehabilitation Fund – Reform of Western Australia’s Mining Security System	1.0	1.6	1.9	7.0
Mining Tenement Refunds	8.0	8.0	8.0	8.0
FISHERIES				
Expenses				
Additional Shark Mitigation Strategies	0.5	1.3	1.3	0.6
Enhancing Service Delivery	1.9	-	-	-
Remediation of Beacon Island	-	1.6	-	-

Mines and Petroleum

Expenses

Mining Rehabilitation Fund (MRF) – Reform of Western Australia’s Mining Security System

An additional \$11.5 million will be spent over the forward estimates period on the establishment of the MRF, which will replace the current bond securities system, with the aim of covering the cost of mines rehabilitation in the event of mining companies failing to meet their environmental obligations. The funding will allow the Department to increase compliance monitoring, conduct assessment and planning in relation to remediation of abandoned mines, and administer the MRF.

Mining Tenement Refunds

An additional \$32 million has been provided over the forward estimates period to accommodate expected refunds to mining companies that have withdrawn their mining tenement applications. This is based on the actual level of refunds over recent years.

Fisheries

Expenses

Additional Shark Mitigation Strategies

An additional \$3.6 million has been provided over the forward estimates period for a range of shark surveillance and tagging initiatives and a community awareness program, to reduce the likelihood of shark attacks along the Western Australian coastline. This forms part of a new \$6.9 million shark mitigation package, with the remaining amounts to be spent by the Department of the Premier and Cabinet (\$500,000) and the Department of Commerce (\$2.2 million), in addition to minor capital expenditure by the Department of Fisheries (\$600,000).

Enhancing Service Delivery

An additional \$1.9 million has been provided in 2012-13 to provide a more financially sustainable expenditure base. This will support the Department in achieving its service delivery outcomes, including monitoring, compliance and research functions associated with managing the fisheries of the State.

Remediation of Beacon Island

An additional \$1.6 million will be spent in 2013-14 to remove buildings from Beacon Island and perform remediation works to restore the site to its natural condition.

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

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
REGIONAL DEVELOPMENT AND LANDS				
Expenses				
Northampton Lead Investigation	-	1.3	-	-
SOUTH WEST DEVELOPMENT COMMISSION				
Expenses				
Improving Facilities in the South West	5.4	-	-	-
WESTERN AUSTRALIAN LAND AUTHORITY				
Asset Investment				
Geraldton Batavia Coast Marina Stage 2	-0.2	3.6	7.3	7.6
Royalties for Regions - Pilbara Cities – Port Hedland	1.5	5.7	23.1	33.3
Spoilbank Marina				
Revised Financial Forecasts	-56.0	-15.2	52.6	-30.3

Regional Development and Lands

Expenses

Northampton Lead Investigation

An additional \$1.3 million will be spent in 2013-14 to undertake an investigation into the presence and distribution of lead tailings in the town of Northampton and develop a management strategy for impacted properties.

South West Development Commission

Expenses

Improving Facilities in the South West

An additional \$5.4 million will be spent in 2012-13 to facilitate the redevelopment of open space and ageing public housing in the Bunbury suburb of Withers, construction of pedestrian walkways and cycle ways in Busselton, and the first leg of the Margaret River perimeter road.

Western Australian Land Authority

Asset Investment

Geraldton Batavia Coast Marina Stage 2

An additional \$18.4 million will be spent across the forward estimates period to undertake further development of Geraldton's waterfront to revitalise a 6.14 ha stretch of vacant land currently separating the city's central business district from its marina. Once complete, the Batavia Coast Marina precinct will offer a master-planned mix of commercial, residential and tourism developments within landscaped surrounds and public open space for the community to enjoy.

Royalties for Regions - Pilbara Cities – Port Hedland Spoilbank Marina

An additional \$63.6 million will be spent across the forward estimates period on the Spoilbank Marina Precinct development that will revitalise Port Hedland, delivering a vibrant mix of activities including recreational boating facilities, a hotel, mixed use development, caravan park and public open spaces.

Revised Financial Forecasts

The revised financial estimates reflect the Authority's strategic direction in terms of land sales, acquisitions and development expenditure. These forecasts encompass a range of measures such as deferring development expenditure and acquisitions on a number of projects in order to remain within existing debt levels.

TREASURER; MINISTER FOR TRANSPORT; EMERGENCY SERVICES

MAJOR PORTFOLIO SPENDING CHANGES

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
TRANSPORT				
Expenses				
Fremantle Rail Container Subsidy	3.8	4.0	3.0	2.6
Grain Freight Network – Transitional Assistance Package	-4.8	-	-	-
Asset Investment				
Port Geographe Coastal Reconfiguration	0.4	24.0	3.8	-
BUNBURY PORT AUTHORITY				
Asset Investment				
Purchase of Freehold Land Lot 10 Estuary Drive, Vittoria, Bunbury	2.0	-	-	-
ESPERANCE PORT AUTHORITY				
Asset Investment				
Container Crane	1.4	-	-	-
Hughes Road Upgrade	2.3	2.4	-	-
Rail Refurbishment Works	2.0	-	-	-
PUBLIC TRANSPORT AUTHORITY OF WESTERN AUSTRALIA				
Expenses				
Interest	-	-9.3	-9.1	-7.7
Various Operating Costs	9.8	6.3	8.7	15.0
Additional Fare, Advertising and Infringement Revenue	-12.3	-11.7	-11.8	-12.3
Asset Investment				
Aubin Grove Train Station	9.5	15.0	36.0	19.5
Procurement of an Additional Five Three-Railcar Sets	5.4	-	2.4	28.5
COMMISSIONER OF MAIN ROADS				
Expenses				
Local Government Roads	1.3	11.7	13.0	41.0
Road Maintenance Contracts	-6.0	-14.0	-18.4	-18.7
Road Transfers from State to Local Government	-	-	10.2	-
Western Australian Natural Disaster Relief and Recovery Arrangements	40.6	-	-	-
Asset Investment				
Greenough River Bridge	1.0	11.0	6.0	-
Mitchell Freeway Extension – Burns Beach Road to Hester Avenue	1.0	5.0	20.0	127.0
Reid Highway (Duffy Road to Erindale Road) – Dual Carriageway	1.5	3.5	41.0	2.0
Reid Highway/Malaga Drive Intersection – Grade Separation	0.5	11.0	35.0	25.0
South Coast Highway – Ravensthorpe Heavy Vehicle Route	1.0	15.0	14.0	-
<i>Royalties for Regions</i> – Marble Bar Road – Newman to Ripon Hills	1.5	10.0	8.5	-
DEPARTMENT OF FIRE AND EMERGENCY SERVICES				
Expenses				
Volunteer Firefighter and Emergency Services Assistance Scheme	-	1.0	-	-
RiskCover Insurance	3.3	3.3	3.3	3.3
Western Australian Natural Disaster Relief and Recovery Arrangements	45.3	-	-	-
Asset Investment				
Bunbury Career/Volunteer Co-located Fire Station	1.5	6.6	-	-

Transport

Expenses

Fremantle Rail Container Subsidy

An additional \$13.6 million will be spent over the forward estimates period on the continuation of the Fremantle Rail Container Subsidy to encourage the transportation of containers to and from the Fremantle Port by rail rather than by road.

Grain Freight Network – Transitional Assistance Package

Reduced expenditure of \$4.8 million in 2012-13 on the Transitional Assistance Package reflects the need for a lower than budgeted subsidy based on actual freight movements.

Asset Investment

Port Geographe Coastal Reconfiguration

An additional \$28.2 million will be spent over three years, commencing in 2012-13, on a significant reconfiguration of the existing coastal structures at Port Geographe to address seagrass wrack accumulation and coastal erosion issues.

Bunbury Port Authority

Asset Investment

Purchase of Freehold Land Lot 10 Estuary Drive, Vittoria, Bunbury

An additional \$2 million will be spent in 2012-13 on the acquisition of Lot 10 Estuary Drive, Vittoria, Bunbury. The land will be leased until required for the future phased expansion of the port.

Esperance Port Authority

Asset Investment

Container Crane

An additional \$1.4 million will be spent in 2012-13 to purchase critical spare parts for the port's container crane.

Hughes Road Upgrade

An additional \$4.7 million will be spent over 2012-13 and 2013-14 to improve the safety of the road within the port.

Rail Refurbishment Works

An additional \$2 million will be spent in 2012-13 to upgrade port rail infrastructure to ensure compliance with rail safety standards.

Public Transport Authority of Western Australia

Expenses

Interest

The Authority has reviewed its interest forecasts in conjunction with the Western Australian Treasury Corporation, and has reduced forecast interest expenditure by \$26 million over three years, commencing in 2013-14. This primarily reflects lower than previously forecast interest rates.

Various Operating Costs

An additional \$39.7 million will be spent over four years, commencing in 2012-13, on costs associated with the operation of the new Aubin Grove train station and seven additional three-railcar sets. The additional expenditure is also due to other network-wide pressures associated with Transperth bus and SmartRider maintenance contracts associated with increased patronage.

Additional Fare, Advertising and Infringement Revenue

The Authority is projecting higher than expected revenue of \$48 million over the forward estimates period. This includes additional fare revenue from higher than expected patronage, and additional infringement and advertising revenue. Higher revenue reduces the general government operating subsidy paid to the Authority by \$12 million in 2012-13 and \$48 million over forward estimates period.

Asset Investment

Aubin Grove Train Station

An additional \$80 million will be spent over the forward estimates period on the construction of a new passenger train station, associated minor bus interchange, and a 2,000 bay car park at Aubin Grove. This includes the purchase of an additional two three-railcar sets to meet the increased travel demand associated with the station.

Procurement of an Additional Five Three-Railcar Sets

An additional \$55.8 million will be spent over five years, commencing in 2012-13, to deliver an additional five three-railcar sets in 2016.

Commissioner of Main Roads

Expenses

Local Government Roads

An additional \$67 million will be spent over the forward estimates period on works to be carried out on local government roads.

Road Maintenance Contracts

Whilst still maintaining the level of road maintenance, due to rise and fall clauses in certain Main Roads contracts the latest assumptions for the oil price will result in a \$57.1 million decrease in spending (over four years) on road maintenance.

Road Transfers from State to Local Government

In accordance with the criteria set out in the *Main Roads Act 1930*, the State will transfer the Eneabba-Coolimba Road, which has a value of \$10.2 million, to the Shire of Carnamah in 2014-15.

Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA)

WANDRRA assists in the recovery of communities whose social, financial and economic well-being has been severely impacted by a natural disaster. An additional \$40.6 million will be spent in 2012-13 on restoring roads affected by flooding in the Kimberley, Gascoyne, Pilbara and Mid-West Regions.

Asset Investment

Greenough River Bridge

An additional \$18 million will be spent over three years, commencing in 2012-13, to replace the Greenough River Bridge to support efficient road freight transport by allowing large combination heavy vehicles to travel via Brand Highway and reducing the impact of large flood events on the community and the transport industry.

Mitchell Freeway Extension – Burns Beach Road to Hester Avenue

An additional \$315 million will be spent over five years, commencing in 2012-13, to extend the Mitchell Freeway from Burns Beach Road to Hester Avenue by constructing a freeway standard dual carriageway, an interchange at Burns Beach Road and Neerabup Road, a dual carriageway between Hester Avenue and Wanneroo Road, converting Neerabup Road west of the freeway to a dual carriageway, and a single carriageway to Wanneroo Road.

Reid Highway (Duffy Road to Erindale Road) – Dual Carriageway

An additional \$48 million will be spent over the forward estimates period, to construct an additional lane in each direction on Reid Highway between Duffy Road and Erindale Road, a new bridge over the Mitchell Freeway, modifications to the ramp intersections and the upgrade of the Duffy Road/Reid Highway intersection.

Reid Highway/Malaga Drive Intersection – Grade Separation

An additional \$75 million will be spent over five years, commencing in 2012-13, to construct a grade separated interchange at Reid Highway and Malaga Drive. This project will improve safety and relieve congestion at the intersection. The proposed investment includes the construction of two bridges on Reid Highway, a dedicated bus lane to improve public transport efficiency on Malaga Drive, and an off-road principal shared path to improve safety and amenity for pedestrians and cyclists.

South Coast Highway – Ravensthorpe Heavy Vehicle Route

An additional \$30 million will be spent over three years, commencing in 2012-13, to realign 3.5 kilometres of road, upgrade the existing main street of Ravensthorpe and undertake intersection works to improve the safety of the road.

***Royalties for Regions* – Marble Bar Road – Newman to Ripon Hills**

An additional \$20 million will be spent over three years, commencing in 2012-13, to increase the safety of Marble Bar Road.

Department of Fire and Emergency Services

Expenses

Volunteer Firefighter and Emergency Services Assistance Scheme

A one-off grant of \$1 million in 2013-14 will support the establishment of a volunteer assistance scheme to assist emergency services volunteers when they experience times of financial hardship.

RiskCover Insurance

The Department's funding and expense limit have been increased by \$3.3 million per annum in light of increased RiskCover insurance premiums.

Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA)

The Department, on behalf of the State Government, administers the WANDRRA.

Following an unprecedented number of natural disasters occurring in Western Australia in 2010-11 and 2011-12, the associated level of claims expected to be made for these events during 2012-13 is estimated to total \$85.9 million. This includes \$41.2 million for payments to the Housing Authority for the construction of housing units for the Warmun Indigenous Community following the March 2011 Kimberley floods, \$40.6 million to Main Roads for the restoration of roads across the State, and \$4.1 million to be spent by the Department on clean ups and low interest subsidies.

*Asset Investment***Bunbury Career/Volunteer Co-located Fire Station**

A co-located fire station in Bunbury is to be constructed at a cost of \$8.1 million over 2012-13 and 2013-14 to replace the existing ageing facility built in the late 1960's. The new facility will provide fire services that meet the growing needs of the community and its immediate surroundings.

MINISTER FOR FINANCE; COMMERCE; SMALL BUSINESS**MAJOR PORTFOLIO SPENDING CHANGES**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
FINANCE				
Expenses				
Service Net	1.6	2.3	3.1	3.9

Finance*Expenses***Service Net**

An additional \$10.9 million will be spent over the forward estimates period to provide internet hosting and conference services to government agencies and some local authorities. This centralised service provides agencies with cheaper internet access and an increased level of protection from hostile cyber attacks.

**MINISTER FOR PLANNING; CULTURE AND THE ARTS;
SCIENCE AND INNOVATION****MAJOR PORTFOLIO SPENDING CHANGES**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
METROPOLITAN REDEVELOPMENT AUTHORITY				
Asset Investment				
Revised Financial Forecasts	-51.6	-27.4	40.3	-25.4
PLANNING				
Expenses				
Additional Salaries Expenditure	2.4	-	-	-
Additional Accommodation Expenditure	3.5	-	-	-
CULTURE AND THE ARTS				
Expenses				
Depreciation	-1.7	-1.9	-1.6	-2.4
Museum of Modern Art Exhibitions – Insurance	2.3	-	-	-
Reduction in Own-source Revenue	-1.1	-2.6	-4.3	-1.5

Metropolitan Redevelopment Authority

Asset Investment

Revised Financial Forecasts

The Business Plan for the Authority mainly reflects the revised financial forecasts for all of its key projects, such as Elizabeth Quay, Perth City Link, Riverside, the Perth Cultural Centre, the East Perth Power Station, Subi Centro, Midland, Armadale and Wungong. These forecasts reflect factors such as the acceleration of revenues for Elizabeth Quay offset by significant delays in revenues across several other projects. Capital spending has been deferred where possible, taking into consideration the importance of maintaining the current timeframes for delivery to ensure the impact on the private sector is minimised.

Planning

Expenses

Additional Salaries Expenditure

An additional \$2.4 million has been provided in 2012-13 to meet a funding shortfall in the Department's salaries expenditure.

Additional Accommodation Expenditure

An additional \$3.5 million has been provided in 2012-13 to meet a funding shortfall in the Department's accommodation costs.

Culture and the Arts

Expenses

Depreciation

Depreciation expenses on the portfolio's asset base have been revised downwards by \$7.7 million over the forward estimates period following a review of building valuations and actual expenditure.

Museum of Modern Art Exhibitions – Insurance

An amount of \$2.3 million will be spent in 2012-13 by the Art Gallery to meet the cost of insurance cover for the Museum of Modern Art Exhibitions.

Reduction in Own-source Revenue

Expenditure has been revised downwards by \$9.5 million over the forward estimates period to reflect a corresponding reduction in own source revenue primarily due to the removal of ticketing fees following the sale of BOCS Ticketing and Marketing Services.

MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
SPORT AND RECREATION				
Asset Investment				
New Perth Stadium	5.1	-18.2	1.7	196.9
WESTERN AUSTRALIAN SPORTS CENTRE TRUST				
Expenses				
Athletics Track Maintenance	-	-	-	1.8
Depreciation	-3.7	-2.0	-2.3	-2.5
Perth Arena Naming Rights	2.1	1.4	1.4	1.4
Perth Rectangular Stadium – Depreciation	0.8	2.6	2.6	2.6
RACING, GAMING AND LIQUOR				
Expenses				
Deed of Settlement and Release – GolfWest	-(a)	-	-	-
BURSWOOD PARK BOARD				
Expenses				
Hotel Development at Burswood – Increased Burswood Park Levy	-	-	0.6	1.3

(a) Commercial in confidence.

Sport and Recreation

Asset Investment

New Perth Stadium

The State Government has approved the new Perth Stadium Project Definition Plan (PDP) which defines the scope of the project, and includes a budget for the Stadium infrastructure and its surrounding Sports Precinct. An amount of \$458.5 million will be spent over the forward estimates period on Stadium and Sports Precinct design and construction works, pre-construction site works and project management. This is up \$185.5 million since the 2012-13 Budget, reflecting the final, escalated project costs and delivery program detailed in the PDP approved by the Government in August 2012. The initial 2012-13 Budget provision was based on indicative, unescalated cost estimates, pending approval of the PDP.

Western Australian Sports Centre Trust

Expenses

Athletics Track Maintenance

An additional \$1.8 million will be spent in 2015-16 to replace the athletics track at the Western Australian Athletics Stadium as part of the life cycle restorative maintenance program.

Depreciation

Depreciation expenses have been revised downwards by \$10.5 million over the forward estimates period mainly as a result of a revaluation of the Trust's asset portfolio.

Perth Arena Naming Rights

An amount of \$6.4 million will be spent over the forward estimates period to ensure the name 'Perth Arena' is retained.

Perth Rectangular Stadium – Depreciation

Additional depreciation expenses of \$8.6 million over the forward estimates period have been recognised for the new Perth Rectangular Stadium following the appointment of the Trust as the responsible authority.

Racing, Gaming and Liquor

Expenses

Deed of Settlement and Release – GolfWest

An amount will be paid to the GolfWest Trading Company (GolfWest) in 2012-13 by way of a 'Deed of Settlement and Release' as compensation for the costs, damages, expenses and/or losses incurred by GolfWest as a result of the new Perth Stadium development. The amount of this compensation is commercial in confidence at the time of finalising this mid-year review.

Burswood Park Board

Expenses

Hotel Development at Burswood – Increased Burswood Park Levy

An additional \$1.9 million will be spent over 2014-15 and 2015-16 on the management and improvement of the Burswood Park reserve, funded from additional revenue that will be received through the Burswood Park Levy due to projected increases in gaming revenues associated with the Burswood hotel development.

MINISTER FOR EDUCATION; ENERGY; INDIGENOUS AFFAIRS

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
COUNTRY HIGH SCHOOL HOSTELS AUTHORITY				
Asset Investment				
<i>Royalties for Regions – Geraldton Residential College</i>	0.5	2.1	-	-
EDUCATION				
Expenses				
Commonwealth Funding	38.1	15.0	13.0	11.3
Depreciation	-37.7	-40.2	-42.2	-43.6
Independent Public Schools	3.2	1.9	1.9	2.0
Student Growth and Cost Pressure Funding	54.9	74.4	87.8	105.0
Asset Investment				
Education Infrastructure Upgrades	0.7	6.9	29.8	67.5
EDUCATION SERVICES				
Expenses				
Low Interest Loan Scheme	-3.1	-3.1	-3.1	-3.1
SCHOOL CURRICULUM AND STANDARDS AUTHORITY				
Asset Investment				
New Accommodation	-2.3	-	-	-
SYNERGY				
Expenses				
Operating Subsidy	-2.8	-23.7	-105.7	-231.7
Asset Investment				
Critical Information Technology Infrastructure	5.5	7.1	1.5	2.3
HORIZON POWER				
Expenses				
Operating Subsidy	2.2	-5.9	-7.5	-14.7
Asset Investment				
Pilbara Generation Capacity – site works and network upgrade	69.0	49.0	-	-

Country High School Hostels Authority

Asset Investment

Royalties for Regions – Geraldton Residential College

An additional \$2.6 million will be spent over 2012-13 and 2013-14 for additions and improvements to the Geraldton Residential College. This will allow for the addition of 16 individual bedrooms in the female student wing, and refurbishment of an existing dormitory, including upgrading bedrooms and creating activity and recreation spaces.

Education

Expenses

Commonwealth Funding

An additional \$77.4 million will be spent over the forward estimates period on education programs as a result of the revised recurrent funding for Western Australia reflected in the Commonwealth Government's 2012-13 Budget and *Mid-year Economic and Fiscal Outlook*.

Depreciation

The Department's non-cash depreciation expenses have been revised down by \$163.7 million over the forward estimates period reflecting a change in accounting policy to revise the estimated useful life of school buildings from 40 years to 50 years.

Independent Public Schools

An additional \$9 million will be spent across the forward estimates period to meet costs associated with the fourth intake of Independent Public Schools.

Student Growth and Cost Pressure Funding

An additional \$332.1 million will be spent over the forward estimates period to resource schools for growth in student enrolments and associated cost pressures. Actual student enrolments in 2012 were approximately 8,000 higher than forecast at the time of the 2012-13 Budget. The additional funding provides for an additional 681 full-time equivalent staff in the public school system.

Asset Investment

Education Infrastructure Upgrades

An additional \$104.9 million will be spent over the forward estimates period to upgrade and improve school facilities, and bring forward the construction of two secondary schools to meet anticipated population growth.

Education Services

Expenses

Low Interest Loan Scheme

Notional interest expense for the Low Interest Loan Scheme is estimated to reduce by \$12.5 million over the forward estimates period as lower interest rates have resulted in a smaller variance between the market rate and those applied by the scheme. The scheme provides subsidised loans totalling \$25 million per annum to non-government schools.

School Curriculum and Standards Authority

Asset Investment

New Accommodation

An office accommodation fit out worth \$2.3 million in 2012-13 will not progress as previously budgeted. The Authority will not be co-locating with the Department of Education Services and the Teacher Registration Board in 2014 as the new premises do not meet the strict security required for examination development and logistics. Alternative accommodation solutions will be investigated.

Synergy

Expenses

Operating Subsidy

The Economic Regulation Authority's Final Determination on Western Power's revised Access Arrangement resulted in lower network costs to be incurred by Synergy. This determination has resulted in a \$363.9 million reduction over the forward estimates period in the operating subsidy paid to Synergy.

Asset Investment

Critical Information Technology Infrastructure

An additional \$16.3 million will be spent over the forward estimates period on upgrading Synergy's critical call centre communication infrastructure, the ongoing replacement of critical assets and a critical core server disaster recovery program.

Horizon Power

Expenses

Operating Subsidy

Changes to Horizon Power's demand and energy forecasts will increase its Non-Tariff Adjustment Payment operating subsidy requirement by \$19.1 million over the forward estimates period. Conversely, a decline in residential demand within Horizon Power's service areas will decrease its Tariff Adjustment Payment operating subsidy requirement by \$44.9 million over the forward estimates period. The net change over the forward estimates period is a reduction in Horizon Power's operating subsidy requirement of \$25.8 million.

*Asset Investment***Pilbara Generation Capacity – site works and network upgrade**

An additional \$118 million will be spent on site works and the upgrade of associated network infrastructure at the Boodarie Industrial Estate in South Hedland to facilitate the development of a new power station by an Independent Power Provider (IPP). The forward estimates assume that these costs will be recovered by the eventual IPP.

MINISTER FOR CHILD PROTECTION; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; WOMEN'S INTERESTS; YOUTH

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
CHILD PROTECTION				
Asset Investment				
Office Accommodation	1.5	4.5	5.6	-
COMMUNITIES				
Expenses				
Country High School Hostels Ex Gratia Scheme	2.0	4.8	-	-
Seniors Cost of Living Rebate (SCoLR)	-1.2	-1.4	2.9	7.3

Child Protection*Asset Investment***Office Accommodation**

In order to address critical accommodation pressures, an additional \$11.6 million will be spent over three years, commencing in 2012-13, to procure additional or replacement office accommodation for service delivery staff in Midland, Armadale, Merredin and South Hedland.

Communities*Expenses***Country High School Hostels Ex Gratia Scheme**

People who were subjected to abuse as a resident of a hostel under the Country High School Hostels Authority will be eligible to apply for ex gratia payments of up to \$45,000.

Seniors Cost of Living Rebate (SCoLR)

Projected spending on the SCoLR has been adjusted to reflect more up to date data, including increased workforce participation offset by an increase in the uptake of the Seniors Card and SCoLR. These adjustments have resulted in reduced spending relative to budget projections of \$1.2 million in 2012-13 and \$1.4 million in 2013-14, and increased spending of \$2.9 million in 2014-15 and \$7.3 million in 2015-16.

MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; HOUSING

MAJOR PORTFOLIO SPENDING CHANGES

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
HOUSING AUTHORITY				
Expenses				
<i>Royalties for Regions – Derby Indigenous Visitors Hostel</i>	0.6	1.2	1.3	1.3

Housing Authority

Expenses

Royalties for Regions – Derby Indigenous Visitors Hostel

An additional \$4.4 million will be spent over the forward estimates period to meet the operating costs of the Derby Indigenous Visitors Hostel.

MINISTER FOR ENVIRONMENT; WATER

MAJOR PORTFOLIO SPENDING CHANGES

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
BOTANIC GARDENS AND PARKS AUTHORITY				
Expenses				
Externally Funded Contracts	-	1.9	2.0	2.1
WATER				
Expenses				
Operational Expenditure Savings	-1.6	-1.7	-1.8	-
Asset Investment				
Increased Groundwater Investigation	1.6	1.7	1.8	-
BUNBURY WATER BOARD				
Asset Investment				
Water Quality Centre	2.4	-0.5	-	-

Botanic Gardens and Parks Authority

Expenses

Externally Funded Contracts

An additional \$7.9 million will be spent over four years, commencing in 2013-14, to progress the Restoration Seedbank Initiative, the Fire Ecology project, the Kings Park Festival and stage two of a contract to provide improved and additional visitor facilities to the Kings Park Precinct. These initiatives are externally funded and negotiations with the associated proponents are in the process of being finalised.

Water

Expenses

Operational Expenditure Savings

The Department's operating expenditure has been revised down by \$5.1 million over three years, commencing in 2012-13, due to the implementation of operational efficiencies, which are to fund increased groundwater investigations in the Asset Investment Program.

Asset Investment

Increased Groundwater Investigation

An additional \$5.1 million will be spent over three years, commencing in 2012-13, for groundwater investigations, funded from the operational expenditure savings noted above.

Bunbury Water Board

Asset Investment

Water Quality Centre

An additional \$1.9 million will be spent over 2012-13 and 2013-14 to construct a Water Quality Centre and Storage Facility and ongoing maintenance of the Board's reservoirs and mains replacement program.

MINISTER FOR MENTAL HEALTH; DISABILITY SERVICES

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
MENTAL HEALTH COMMISSION				
Expenses				
Additional Funding for Mental Health Inpatient Services	9.1	-	-	-
Early Psychosis Youth Centre	-	2.0	5.2	8.1
National Partnership Agreement Supporting National Mental Health Reform	6.7	6.0	6.4	7.0
DISABILITY SERVICES COMMISSION				
Expenses				
National Disability Specific Purpose Payments	2.9	6.0	7.4	17.8

Mental Health Commission

Expenses

Additional Funding for Mental Health Inpatient Services

An additional \$9.1 million will be spent in 2012-13 to meet the demand for mental health inpatient services which are anticipated to be higher than previously projected targets.

Early Psychosis Youth Centre

An additional \$15.3 million will be spent over three years, commencing in 2013-14, to establish an early psychosis youth centre in the metropolitan region. A proposed second centre is subject to a commitment by the Commonwealth to provide ongoing funding beyond 2015-16 through a National Partnership agreement which is currently under negotiation. Early intervention for young people who are experiencing psychosis has been identified by the Mental Health Review (i.e. the 'Stokes Review') as requiring prioritised investment.

National Partnership Agreement Supporting National Mental Health Reform

An additional \$26.1 million will be spent over the forward estimates period to deliver agreed objectives as part of the National Partnership Agreement Supporting National Mental Health Reform. This involves delivering 30 support packages for people with severe and persistent mental illness and establishing a multidisciplinary clinical team that will provide community-based support to assist children experiencing mental health problems and their families.

Disability Services Commission

Expenses

National Disability Specific Purpose Payments (SPP)

The Commonwealth 2012-13 Budget and 2012-13 *Mid-year Economic and Fiscal Outlook* included revised estimates for National Disability Services SPPs to Western Australia as part of the National Disability Agreement. An additional \$34.0 million will be spent over the forward estimates period to reflect upward revisions to Commonwealth funding contributions to support people with disabilities and their families and carers.

ATTORNEY GENERAL

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
ATTORNEY GENERAL				
Expenses				
Corporate (Shared) Services	9.2	4.4	1.2	-
Cost and Demand Pressures	5.8	3.6	3.7	3.8
<i>Criminal Injuries Compensation Act 2003</i>	5.0	5.0	5.0	5.0
Asset Investment				
Corporate (Shared) Services Funding – ICT Upgrades	2.2	2.1	-	-

Attorney General

Expenses

Corporate (Shared) Services

An additional \$14.8 million will be spent over three years, commencing in 2012-13, to meet the costs associated with providing a corporate shared service for the Department of the Attorney General, the Department of Corrective Services and four other small agencies.

Cost and Demand Pressures

An additional \$16.8 million has been provided over the forward estimates period to address unavoidable cost and demand pressures, including RiskCover premiums, accused costs, library resources, copyright charges and rent expenses.

Criminal Injuries Compensation Act 2003

An additional \$20 million will be spent over the forward estimates period to meet the anticipated increased costs of award payments made in accordance with the *Criminal Injuries Compensation Act 2003*. The estimated total cost of award payments in 2012-13 is \$32.5 million.

*Asset Investment***Corporate (Shared) Services Funding – ICT Upgrades**

A total of \$4.2 million will be invested over two years to allow the Department to upgrade payroll, financial and budget planning systems required to operate a corporate (shared) services function.

MINISTER FOR POLICE; ROAD SAFETY**MAJOR PORTFOLIO SPENDING CHANGES**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
WESTERN AUSTRALIA POLICE				
Expenses				
Government Regional Officers Housing (GROH)	11.0	14.7	19.7	25.6
Western Australia Police Industrial Agreement 2011	7.7	-	-	-

Western Australia Police*Expenses***Government Regional Officers Housing (GROH)**

An additional \$71 million will be spent over the forward estimates period to address unavoidable GROH rental increases. These increases are driven by market-based rent assessments for properties owned by the private rental market and the Housing Authority, as well as the Housing Authority's cost-based rental assessments for remote areas without a significant private rental market.

Western Australia Police Industrial Agreement 2011

An additional \$7.7 million has been provided in 2012-13 to assist in meeting the above-CPI cost of the Police Officer Enterprise Bargaining Agreement.

MINISTER FOR TRAINING AND WORKFORCE DEVELOPMENT; CORRECTIVE SERVICES

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
TRAINING AND WORKFORCE DEVELOPMENT				
Expenses				
Training Delivery – Commonwealth Funded	2.1	4.4	5.9	7.1
Training Delivery – State Funded	20.6	3.2	-	-
CORRECTIVE SERVICES				
Expenses				
Daily Average Prisoner (DAP) Population – Offender Increase	10.5	10.5	10.5	10.5
RiskCover Shortfall	4.9	4.9	4.9	4.9

Training and Workforce Development

Expenses

Training Delivery

An additional \$43.4 million will be spent over the forward estimates period (including \$22.7 million in 2012-13) to ensure that training delivery continues to meet the needs of the Western Australian economy.

Corrective Services

Expenses

Daily Average Prisoner (DAP) Population – Offender Increase

An additional \$10.5 million per annum will be spent, commencing in 2012-13, for cost increases associated with the DAP population increasing to 4,782. This is up from a projected DAP population of 4,640 at the time of the budget.

RiskCover Shortfall

An additional \$4.9 million per annum will be spent over the forward estimates period to accommodate the increase in insurance premiums driven largely by high workers' compensation claims.

PROVISIONS

MAJOR SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
Expenses				
Teacher Registration Board	5.0	5.0	5.0	5.0
Pilbara Generation Capacity – Synergy operating subsidy	-	15.0	17.0	-
Asset Investment				
Transport Infrastructure to support the new Perth Stadium	22.3	38.1	12.6	34.1
Pilbara Generation Capacity – site works and network upgrade	-	21.0	-	-

Provisions

Expenses

Teacher Registration Board

The mid-year review includes a financial provision to reflect the integration of the Teacher Registration Board into the Department of Education Services on 7 December 2012. The board was established by proclamation of the *Teacher Registration Act 2012* and replaces the Western Australian College of Teaching. The provision, which includes expenses of \$5 million per annum, is matched by an equivalent annual revenue stream.

Pilbara Generation Capacity - Synergy operating subsidy provision

The operating subsidy paid to Synergy is assumed to increase by \$32 million over the forward estimates period as a result of Horizon Power's Pilbara Generation Capacity activities. This amount will be held as a provision, with release subject to final approvals of the Minister for Energy and the Treasurer.

Asset Investment

Transport Infrastructure to support the new Perth Stadium

The State Government has approved the Project Definition Plan for transport infrastructure associated with the new Perth Stadium. A total of \$339.3 million will be spent on the construction of the rail and road transport infrastructure, including \$196.7 million over the forward estimates period (up from \$102 million in the 2012-13 Budget). This includes a new train station alongside the Stadium, rail signal upgrades, upgrades to the East Perth train station, two new bus facilities, a new pedestrian bridge over the Swan River, and road enhancements and improvements. In addition, \$19.4 million will be spent on project management by the Public Transport Authority and Main Roads.

Pilbara Generation Capacity - site works and network upgrade provision

An additional \$21 million held as a provision for site works and network upgrades at the Boodarie Industrial Estate in South Hedland, with release subject to further justification being provided to the Minister for Energy and the Treasurer. If spent, it is assumed that these costs will be recovered by the eventual IPP.

The Treasurer's Advance

The Treasurer's Advance is provided for under the *Financial Management Act 2006* (FMA). It authorises the Treasurer to make short-term recoverable advances to agencies for the temporary financing of works and services (referred to as 'net unrecouped balances') and to provide new or supplementary funding during the year for extraordinary or unforeseen matters (known as 'excesses and new items').

The total amount drawn against recoverable advances, excesses and new items for 2012-13 must remain within the \$651.5 million limit authorised by the FMA, unless adjusted by Parliament by enacting a *Treasurer's Advance Authorisation Act*.

Based on the mid-year review estimates, the expected outturn for the 2012-13 Treasurer's Advance is \$315 million.

Table 4.1 shows the estimated position of the Treasurer's Advance for 2012-13, consistent with the agency data underlying the financial projections presented in this mid-year review.

TREASURER'S ADVANCE			Table 4.1
	2011-12 Actual \$m	2012-13 Projection ^(a) \$m	
AUTHORISED LIMIT	577.1	651.5	
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	398.8	318.6	
Comprising:			
Net recoverable advances as at 30 June	9.5	20.0	
Overdrawn Special Purpose Account ^(b)	0.9	-	
Approved Excesses and New Items			
- recurrent	324.0	228.7	
- capital	64.4	69.9	
(a) Detailed disclosure of the final audited outcome for 2012-13 will be available in the 2012-13 <i>Annual Report on State Finances</i> , to be released by 28 September 2013.			
(b) The Treasurer has given approval to the Department of Mines and Petroleum to overdraw a Special Purpose Account (SPA). Any overdrawn SPA is taken to be an advance to be charged in the relevant financial year to the Treasurer's Advance Account.			
Note: Columns may not add due to rounding.			

Transfers, Excesses and New Items

Table 4.3 details excesses and/or new items that are projected to occur during 2012-13 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 2012-13. 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 2013.

Section 25 of the FMA allows appropriations originally allocated in the 2012-13 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 2012-13 Budget include:

- \$3.2 million (including both recurrent and capital appropriations) that were centrally provisioned to be administered by the Department of Treasury will be transferred to the Department of Transport to assist the recipient agency to transition from the decommissioned shared corporate services environment and re-establish its corporate services function;
- \$1.4 million was transferred in 2012-13 from WA Health to the Mental Health Commission (MHC) to reflect the transfer of administrative responsibility for the Council of Official Visitors to the MHC.
- \$0.6 million from the MHC to WA Health for the Drug and Alcohol Office component of the general government efficiency dividend to reflect the transfer of the Office to the MHC from 1 January 2012;
- \$0.5 million for the transfer of Information Technology policy functions from the Public Sector Commission to the Department of Finance;
- \$0.3 million reflects the transfer of Human Resource and Organisational Development functions from the Department of Finance to the Department of Treasury; and
- \$0.1 million from appropriations administered by the Department of Treasury to the Electoral Commission to assist the recipient agency to transition from the decommissioned shared corporate services environment and re-establish its corporate services function.

TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date ^(b)
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
Recurrent Appropriations					
Premier and Cabinet					
5	Delivery of services	0.6	-	-	-
Public Sector Commission					
6	Delivery of services	-0.5	-	-	-
WA Health					
11	Delivery of services	-0.8	-	92.0	-
Fisheries					
15	Delivery of services	-	-	2.4	-
16	Administered Grants, Subsidies and Other Transfer Payments	-	-	0.2	-
Western Australian Electoral Commission					
17	Delivery of services	0.1	-	-	-
Pilbara Development Commission					
25	Delivery of services	-	-	0.3	-
Land Information Authority					
28	Delivery of services	-	-	0.2	-
Treasury					
29	Delivery of services	0.3	-	0.4	-
31	Regional Power Corporation (Horizon Power)	-	-	2.2	-
33	Water Corporation of Western Australia	-	-	16.9	-
37	Department of Finance	-1.9	-	-	-
38	Goods and Services Tax Administration Costs	-	-	0.7	-
46	All Other Grants, Subsidies and Transfer Payments	-	-	0.3	-
Attorney General					
49	Delivery of services	-	-	7.3	-
Commissioner for Equal Opportunity					
51	Delivery of services	-	-	0.2	-
Education					
57	Delivery of services	-	-	23.3	-
Finance					
62	Delivery of services	0.2	-	-	-
WA Police					
67	Delivery of services	-	-	30.2	-
Racing, Gaming and Liquour					
72	Delivery of services	-	-	0.1	-
73	Administered Grants, Subsidies and Other Transfer Payments	-	-	7.8	-
Culture and the Arts					
76	Delivery of services	-0.6	-	-	-
77	Art Gallery of Western Australia	-	-	2.1	-
Training and Workforce Development					
82	Delivery of services	-	-	9.7	-

Note: Columns may not add due to rounding.

Table 4.2 (cont.)

TRANSFERS, EXCESSES AND NEW ITEMS

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date ^(b)
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
	Transport				
84	Delivery of services	1.8	-	-	-
	Fire and Emergency Services				
88	Delivery of services	-	-	- ^(c)	-
	Child Protection				
89	Delivery of services	-	-	7.2	-
	Communities				
90	Delivery of services	-	-	1.3	-
	Corrective Services				
98	Delivery of services	-	-	16.4	-
	Mental Health Commission				
107	Delivery of services	0.8	-	7.6	-
<i>Total Recurrent</i>		-	-	228.7	-
Capital Appropriations					
	Child Protection				
89	Capital Appropriation	-	-	1.5	-
	Treasury				
117	Department of Corrective Services	-	-	9.4	-
119	Department of Finance	-1.4	-	14.5	-
124	Regional Power Corporation (Horizon Power)	-	-	0.1	-
	Attorney General				
133	Capital Appropriation	-	-	17.2	-
	Western Australian Sports Centre Trust				
142	Capital Appropriation	-	-	0.2	-
	Transport				
151	Capital Appropriation	1.4	-	0.4	-
	Public Transport Authority				
153	Capital Appropriation	-	-	0.4	-
	Fire and Emergency Services				
155	Capital Appropriation	-	-	2.3	-
	Water				
163	Capital Appropriation	-	-	1.6	-
	Provision for Transport Infrastructure to Support the New Perth Stadium ^(d)				
NEW	Capital Appropriation	-	22.3	-	-
<i>Total Capital</i>		-	22.3	47.6	-
TOTAL		-	22.3	276.3	-

(a) Authorised under section 25 of the FMA.

(b) Mid-year review cut-off day, 10 December 2012.

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

(d) To be allocated to agency appropriations in the 2013-14 Budget.

Note: Columns may not add due to rounding.

Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* (FMA). All such accounts include a trust fund statement outlining the purpose of the individual SPA. Some SPAs arise as a result of statute (e.g. the Fiona Stanley Hospital Construction Account and the Royalties for Regions Fund), while others are established administratively under the authority of the FMA.

This appendix contains information on SPAs established to deliver key Government policy outcomes. This is not an exhaustive list of all SPAs, but covers the major/material SPAs in existence as at 10 December 2012. The SPA balances and transactions in and out of these accounts form part of the overall consolidated projections for 2012-13 outlined elsewhere in this mid-year review.

The SPA balances detailed in this appendix provide a funding source for particular initiatives. However, it is important to note that each dollar that is spent from these SPA balances will increase net debt (and reduce the net operating balance if the spending is for recurrent purposes) by the same amount. In this way, these SPA balances are no different from other funding sources, including new borrowings.

Fiona Stanley Hospital Construction Account

This SPA was established in October 2007 to set aside funds to be used for the construction of the Fiona Stanley Hospital. The hospital is expected to reach practical completion in December 2013 and to commence operation in April 2014. Construction will utilise all available funds in the SPA.

Receipts reflect interest revenue earned on the account balances. Funds are drawn from the account and paid to WA Health as payments for construction work fall due.

Table 5.1

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT

	2011-12 \$m	2012-13 \$m
<i>Balance at 1 July</i>	808	309
Receipts	33	135
Payments	532	338
Balance at 30 June	309	106

Note: Columns may not add due to rounding.

New Children's Hospital Account

This SPA was established in October 2010 to hold money for the construction and start up of the New Children's Hospital. The hospital is expected to be completed by late 2015 and utilise all available funds in the SPA.

Receipts reflect moneys appropriated by Parliament, including \$100 million from the better than expected operating surplus for the 2009-10 financial year, \$70 million from the better than expected operating surplus for the 2010-11 financial year (paid into the account in July 2012), a one-off contribution of \$350 million funded from a joint payment to the State by BHP Billiton and Rio Tinto in relation to amendments to relevant State Agreements Acts, and a one-off royalty back-payment of \$55 million (related to the Robe River Mesa J mine). Funds are drawn from the SPA and paid to WA Health as payments for construction work fall due.

Table 5.2

NEW CHILDREN'S HOSPITAL ACCOUNT

	2011-12 \$m	2012-13 \$m
<i>Balance at 1 July</i>	-	423
Receipts	505	70
Payments	82	238
Balance at 30 June	423	255

Note: Columns may not add due to rounding.

Perth's New Major Stadium Construction Account

This SPA was established in October 2011 to set aside funds to be used for the construction of the New Major Stadium. The stadium is expected to be completed by 2018 and utilise all available funds in the SPA as part of the funding to support the construction.

Receipts reflect moneys appropriated by Parliament in the 2012-13 Budget, with \$100 million from the better than expected operating surplus for the 2010-11 financial year. Funds will be drawn from the SPA as payments for construction work fall due. Further contributions to the account will depend on available cash surpluses in the outyears.

Table 5.3

PERTH'S NEW MAJOR STADIUM CONSTRUCTION ACCOUNT

	2011-12 \$m	2012-13 \$m
<i>Balance at 1 July</i>	-	-
Receipts	-	100
Payments	-	5
Balance at 30 June	-	95

Note: Columns may not add due to rounding.

Perth Parking Licensing Account

This SPA was established in July 1999 to set aside funds to be used to encourage a balanced transport system for gaining access to the Perth city area.

Receipts reflect money paid by way of application fees, license fees, penalties, money appropriated by Parliament and interest revenue earned on the account balances. Funds drawn from the account are spent on the Central Area Transit system, improving public transport access, enhancing the pedestrian environment and supporting bicycle access, and for administration of the *Perth Parking Management Act 1999*.

Table 5.4

PERTH PARKING LICENSING ACCOUNT

	2011-12 \$m	2012-13 \$m
<i>Balance at 1 July</i>	39	56
Receipts	32	32
Payments	15	29
Balance at 30 June	56	59

Note: Columns may not add due to rounding.

Road Trauma Trust Account

This account was established in July 2002 to provide for road safety initiatives.

Receipts reflect prescribed penalties paid during the period, other funds collected under the *Road Traffic Act 1974*, and interest revenue earned on the account balance. Key road safety initiatives funded from the account in 2012-13 include improvements to metropolitan intersections, vehicle run-off treatments on regional roads, community education campaigns to reduce speeding, drink and drug driving, electronic school zone sign project, neurotrauma research, strategic traffic enforcement and increasing breath and drug testing by Western Australia Police.

ROAD TRAUMA TRUST ACCOUNT			Table 5.5
	2011-12 \$m	2012-13 \$m	
<i>Balance at 1 July</i>	3	43	
Receipts	63	89	
Payments	22	88	
Balance at 30 June	43	44	

Note: Columns may not add due to rounding.

Royalties for Regions Fund

The Royalties for Regions Fund was established in December 2008 to set aside 25% of the State's annual royalty income to fund investment in regional Western Australia.

Receipts reflect moneys appropriated by Parliament and interest revenue earned on the account balance. Funds are drawn to support regional economic, business and social infrastructure. Details on *Royalties for Regions* expenditure over the forward estimates period is contained in Appendix 7.

ROYALTIES FOR REGIONS FUND			Table 5.6
	2011-12 \$m	2012-13 \$m	
<i>Balance at 1 July</i>	670	687	
Receipts	1,257	1,245	
Payments	1,240	1,059	
Balance at 30 June	687	873	

Note: Columns may not add due to rounding.

Royalties for Regions Southern Inland Health Initiative

This SPA was established in June 2012 to hold funds for expenditure on the Southern Inland Health Initiative, pursuant to section 9(1) of the *Royalties for Regions Act 2009*.

Access to health care services will be improved through the provision of additional resources, improvements to local hospitals and health facilities and investment in telehealth services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions.

Table 5.7

ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE

	2011-12 \$m	2012-13 \$m
<i>Balance at 1 July</i>	-	226
Receipts	226	18
Payments	-	36
Balance at 30 June	226	208

Note: Columns may not add due to rounding.

Western Australian Future Fund

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

Around \$1 billion in 'seed capital' will be transferred from the Royalties for Regions Fund over the period 2012-13 to 2015-16. From 2016-17 onwards, a minimum of 1% of the State's annual royalty revenue will be paid into the Future Fund.

The Future Fund is indicatively estimated to have a balance of around \$4.7 billion in twenty years' time, with annual interest earnings at that time of around \$270 million per annum (up from an estimated \$230 million at budget-time, reflecting finalisation of the Future Fund investment framework and associated revision to the long-run return).

Table 5.8

WESTERN AUSTRALIAN FUTURE FUND

	2011-12 \$m	2012-13 \$m
<i>Balance at 1 July</i>	-	-
Receipts	-	292
Payments	-	-
Balance at 30 June	-	292

Note: Columns may not add due to rounding.

Oakajee Port Development Account

As this appendix only refers to current SPA balances, it does not include the Oakajee SPA. The Government remains committed to the Oakajee project and has allocated \$339 million over the forward years to the Oakajee SPA.

Implementation of the General Government Efficiency Dividend

The 2012-13 Budget included an efficiency dividend on the general government sector, in order to provide better value for money services and achieve sound financial management outcomes. The efficiency dividend commenced in 2012-13 at 2% of agencies' cash appropriations (1% for the Department of Education) and increases by 1% per annum thereafter. Funding for services purchased from the not-for-profit sector (component 1 eligible contracts) and the seniors cost of living rebate has been quarantined from the efficiency dividend. Agencies achieving savings of less than \$300,000 in any year have also been exempted for that year.

The efficiency dividend is estimated to deliver savings of \$1.9 billion over the period 2012-13 to 2015-16. General government agencies (and the Public Transport Authority) have reflected these savings in their operating budgets, following an evaluation of their projected spending activities. Since the announcement in the 2012-13 Budget, the Government has made the following adjustments to individual agencies' efficiency dividend savings:

- the Parliamentary Services Department has been fully exempted from the efficiency dividend, as its spending is mostly non-discretionary;
- the Drug and Alcohol Office component of the efficiency dividend has been transferred from the Department of Health to the Mental Health Commission;
- the 2012-13 savings of the Department for Child Protection have been reduced, by excluding funding provided to purchase homelessness services from the not-for-profit sector; and
- the Department of the Attorney General has been exempted for the part of its efficiency dividend associated with funding for the Legal Aid Commission.

Examples of how agencies will achieve their efficiency dividend at the operational level are shown below.

Agriculture and Food

The Department of Agriculture and Food will implement a cost-effectiveness framework, undertake a staff engagement strategy and conduct quarterly holistic business reviews aimed at driving efficiency gains that do not reduce the Department's strategic intent or impact. Staff will be re-assigned from less critical functions and processes re-aligned accordingly. The Department will also decrease its number of vehicles, travel expenditure, and use fewer consultants and contract staff.

Attorney General

The Department of the Attorney General will achieve savings through vacancy management, and by reducing expenditure on travel and goods and services such as consulting, contracts, human resource services, and consumables and equipment.

Botanic Gardens and Parks Authority

The Botanic Gardens and Parks Authority (BGPA) will reduce maintenance expenditure on buildings and infrastructure, delay replacement of visitor information and interpretive signage. The BGPA will also stop conducting biodiversity (fungi) surveys in Bold Park and Kings Park.

Child Protection

The Department for Child Protection will streamline processes (particularly in the areas of ICT and the current Secure Care facility's bed usage and requirements), and reduce expenditure on corporate and policy support functions (non-front line services), communications, training, administration, stationery and printing.

Commerce

The Department of Commerce will achieve savings through streamlining and automating processes, containing staffing levels, rationalising office space and limiting the outsourcing of activities.

Commissioner of Main Roads

The Commissioner of Main Roads will achieve savings through more efficient data collection of road conditions, a reduction in contract staff, and reduced expenditure on air travel.

Communities

The Department for Communities will decrease expenditure on the administration of certain programs, as well discretionary expenditure on items such as publications, printing and travel.

Corrective Services

The Department of Corrective Services will achieve savings through workforce re-alignment and efficiencies, rationalising accommodation, reprioritising procurement spending, and efficiency improvements in departmental mobility (including fleet management, as well as rationalising travel and parking expenditure).

Corruption and Crime Commission

The Corruption and Crime Commission will reduce expenditure on communications, and goods and services and contracts (including expenditure on research and policy activities).

Culture and the Arts

The Department of Culture and the Arts will achieve savings through vacancy management (not filling non-essential vacancies and/or renewing fixed term contracts), and a reduction in discretionary spending. The Department will also decrease its spending on travel, communication, consumables and minor equipment.

Disability Services Commission

The Disability Services Commission will achieve savings through funding and procurement reforms within the disability sector for non-essential services. In addition, spending will be reduced on communication, consumables, utilities, travel, maintenance on newer homes and contract staff. The Commission will also rationalise its minor equipment and office accommodation, as well as implement a more strategic approach to contracting and maintenance arrangements, and improved efficiency across its accommodation services. Furthermore, the 3% Commission administration component on all family and community living plans will be harvested.

Education

The Department will achieve savings through reductions to Central Office staff numbers, office accommodation savings and an increase to school salary pool rates to reflect the full cost of schools employing relief staff. The Department will also reduce spending on travel, consultancies, colour printing and the Central Office vehicle fleet.

Education Services

The Department of Education Services will achieve savings through vacancy management and by decreasing expenditure on non-essential travel, administration, and services and contracts (particularly non-essential projects procured from the private sector). The Department will also reprioritise its regulatory services, if additional measures are required to make the requisite savings.

Environment and Conservation

The Department of Environment and Conservation will achieve savings through more efficient delivery of business support, administrative, and corporate services, including implementing vacancy management and increased cost recovery measures. The Department will also amalgamate regional and metropolitan parks management, and reprioritise Perth Observatory functions. Further strategies include improved utilisation of metropolitan office accommodation, and better targeting of staff housing in the south-west.

Finance

The Department of Finance will achieve savings through managing vacancies (including reduced spending on consultants, contract staff and recruitment advertising), rationalising office accommodation costs and decreased ICT expenditure.

Fire and Emergency Services

The Department of Fire and Emergency Services will reduce its expenditure on travel, software licenses and employment consultants. The Department will also amend its vehicle acquisitions policy (resulting in lower fringe benefits tax payments), and improve its procurement practices.

Fisheries

The Department of Fisheries will achieve savings associated with the reduction of compliance and research activities in the West Coast Rock Lobster (Managed) Fishery in line with the introduction of a full quota management system.

Health

The Department of Health will achieve savings through two main approaches. Firstly, the delivery of hospital activity at a lower price with focus areas including management of staffing levels, rostering arrangements for clinical staff, procurement reforms and improving quality of care and reducing length of stay through quality programs. Secondly, a reduction in discretionary expenditure for non-Health Service business units including controls on staffing levels and a review of opportunities to harvest savings through procurement of goods and services.

Indigenous Affairs

The Department of Indigenous Affairs will achieve savings through rationalising office accommodation costs and a reduction in spending on under-utilised grant and sponsorship programs.

Local Government

The Department of Local Government will achieve savings through active management of employee vacancy rates, rationalisation of accommodation and general operational expenditure, savings in fringe benefits tax and a reduction in travel costs through the use of video-conferencing.

Mental Health Commission

The Mental Health Commission will rationalise contract staff and unused expenditure in allocations to new projects, streamline service deliverables and reduce planned expenditure on corporate support and administrative functions. The Commission will also negotiate a revised service agreement with the Department of Health.

Mines and Petroleum

The Department of Mines and Petroleum will achieve savings associated with the withdrawal of the Varanus Island prosecution case, and will reduce expenditure on recruitment advertising and ICT.

Office of the Director of Public Prosecutions

The Office of the Director of Public Prosecutions will achieve savings through vacancy management.

Office of the Environmental Protection Authority

The Office of the Environmental Protection Authority will achieve savings through vacancy management and a reduction in contract staff. The Office will also decrease its vehicle fleet and reduce spending on consumables such as stationery and printing.

Planning

The Department of Planning will achieve savings through vacancy management and rationalising accommodation costs.

Premier and Cabinet

The Department of the Premier and Cabinet will achieve savings through vacancy and leave management, and by reviewing funding commitments to external agencies. The Department will also reduce its expenditure on travel and other discretionary items.

Public Sector Commission

The Public Sector Commission will meet its efficiency dividend through actively managing vacancy rates and reducing expenditure on communication, services and contracts, and consumables.

Public Transport Authority

The Public Transport Authority will harvest savings associated with the reduced cost of borrowing and competitive tendering outcomes. In addition, the Authority will manage vacancy rates, and implement more cost effective ways to deliver services. Expenditure on rent, internal audit, and brush cutting and mowing will also be reduced.

Regional Development and Lands

The Department of Regional Development and Lands will improve procurement practices and reprioritise the use of external contractors for non-frontline support services.

School Curriculum and Standards Authority

The School Curriculum and Standards Authority will achieve savings through increased electronic delivery of information, rather than printing and posting documents to individual schools. The Authority will also rationalise spending on guides and award ceremonies, discontinue its trial of online examinations and reprioritise the filming of practical examinations.

Small Business Development Corporation

The Small Business Development Corporation is currently undertaking a strategic review of its programs and services, in order to reprioritise its suite of programs and achieve savings from 2013-14. Savings are expected to be made by not replacing redundant and one-off programs.

Sport and Recreation

The Department of Sport and Recreation will achieve savings through reduced expenditure in capital investment programs, services and contracts, travel, consumables and vehicles.

State Development

The Department of State Development will achieve budget savings through staff vacancy management, leave clearance and through reduced expenditure on legal fees, external consultants, travel and office consumables.

Swan River Trust

The Swan River Trust will achieve savings through a range of measures, including reprioritising activities and programs, and restoration works.

Training and Workforce Development

The Department of Training and Workforce Development, in collaboration with the State Training Providers, will achieve savings through service delivery reforms, and by reducing spending on administration, ICT and consumables. In addition, the Department will rationalise non-critical skills training. This strategy focuses on rationalising general institution-based training and does not impact apprenticeships, traineeships, or priority areas identified in the State Priority Occupation List.

Transport

The Department of Transport will achieve savings associated with claiming GST input tax credits in respect of the Taxi User Subsidy Scheme. The Department will also reduce expenditure on vehicles and travel. It is expected that the current Value for Money Review of the Department will identify additional measures from 2013-14.

Treasury

The Department of Treasury will reduce expenditure on administration and project support. In addition, the recent implementation of Treasury's new budget management system (Strategic Information Management System) will deliver ongoing savings as a result of a revised support and maintenance model.

Western Australia Police

The Western Australia Police (WAPOL) will achieve savings by modifying recruitment and deployment practices, and transitioning Custody Officer positions to Police Auxiliary Officer positions. WAPOL will also implement an efficiency dividend to its portfolio-managed budgets and reduce expenditure on vehicle costs, fringe benefits tax, and communication.

Western Australian Tourism Commission

The Western Australian Tourism Commission will achieve savings by consolidating accommodation requirements, reviewing all project and program costs, and reducing expenditure on travel, administration and computer support services.

Water

The Department of Water will consolidate its office accommodation and reduce operational expenditure on vehicles. The Department also continuously tests its resourcing and service delivery model to ensure additional efficiencies at the margins are identified and harvested promptly.

Royalties for Regions

Forecast spending by *Royalties for Regions* in 2012-13 is estimated to be \$1,128 million, \$6 million (or 0.5%) higher than the 2012-13 Budget presented to Parliament on 17 May 2012.

The table below provides an update of the projections for the *Royalties for Regions* program. Notable changes to the program since the 2012-13 Budget include:

- the reflow of expenditure, caused by delays in the progress of projects from 2011-12 into 2012-13 and subsequent years. Expenditure has also been rescheduled to more accurately reflect the current expected timing of expenditure in 2012-13 and the forward estimate years; and
- a forecast reduction to the *Royalties for Regions* program, flowing from the revised outlook for royalty income for the period 2013-14 to 2015-16.

Table 7.1

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16	Total
	Actual	Budget Estimate	Mid-Year Revision	Mid-Year Revision	Mid-Year Revision	Mid-Year Revision	Five Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
COUNTRY LOCAL GOVERNMENT FUND							
Local Government - Local Infrastructure Asset Renewal and New Assets	66.0	50.7	28.3	49.6	57.1	13.8	214.7
Administration of Funds	0.3	8.1	3.1	8.1	10.6	6.0	28.0
Regional Groupings of Local Governments	28.8	27.4	27.4	28.1	42.8	68.8	196.0
Support to Regional Groupings of Local Governments	0.9	1.9	1.9	1.9	1.9	2.9	9.5
Local Government Facilitation	-	-	0.4	0.5	0.6	-	1.4
Capacity Building - Regional Governance Services and Asset Management Tools	3.4	2.0	2.8	4.7	6.1	4.4	21.4
TOTAL - COUNTRY LOCAL GOVERNMENT FUND	99.4	90.0	63.8	92.8	119.0	96.0	471.1
REGIONAL COMMUNITY SERVICES FUND							
Regional Community Programs and Schemes							
Country Age Pension Fuel Card	24.9	24.8	23.1	24.5	23.2	24.4	120.1
Regional Workers Incentives	45.2	49.2	49.2	50.7	52.6	55.2	252.9
Boarding Away From Home	1.3	2.2	2.0	2.0	2.0	2.0	9.3
Community Resource Centres	11.4	12.0	12.0	12.7	16.0	16.7	68.8
Wild Dogs Management Plan	0.6	1.2	0.4	0.7	0.7	0.5	3.0
Performing Arts Regional Tours Boost	0.3	0.3	0.1	0.3	0.3	0.3	1.3
Foodbank	0.2	0.2	0.2	0.2	-	-	0.6
Better Beginnings - Early Literacy	0.8	0.7	0.8	0.8	-	-	2.3
Responsible Parenting Support Services	4.3	9.6	8.3	10.5	10.5	-	33.7
Rangelands Reform Program	0.6	0.8	0.6	0.6	0.2	-	2.0
Orange School Bus Initiatives	3.6	2.3	1.7	2.7	1.0	-	9.0
Exploration Incentive Scheme	26.3	13.1	13.1	24.6	-	-	64.0
Public Sector Regional Leadership	-(a)	1.2	1.1	1.0	0.3	-	2.4
Regional Buy Local Initiatives	-	1.0	1.0	-	-	-	1.0
Regional Events Program	3.7	10.0	10.3	11.6	12.2	2.7	40.5
Kimberley Science and Conservation Strategy (Asset Investment)	-(a)	1.3	1.6	1.5	-	-	3.1
Kimberley Science and Conservation Strategy (Operating)	0.5	0.9	1.1	1.3	1.0	-	3.8
Marine Parks Management (Asset Investment)	0.2	0.7	1.8	-	0.1	-	2.1
Marine Parks Management (Operating)	0.2	2.8	2.1	3.6	5.5	2.6	14.0
Racecourse Infrastructure Grants	-	-	1.2	4.4	1.0	-	6.6
Regional Community Programs and Schemes Subtotal	124.2	134.4	131.6	153.7	126.6	104.3	640.5
Regional Health Programs							
Patient Assisted Travel Scheme	8.8	9.4	9.4	9.7	10.1	10.6	48.7
Royal Flying Doctor Service	4.0	5.7	5.1	5.3	4.0	-	18.4
Rural Generalist (Practice) Pathways	1.5	2.0	2.0	2.0	2.8	-	8.3
St John Ambulance Services in Country WA (Asset Investment)	-	0.5	1.4	-	0.5	-	1.9
St John Ambulance Services in Country WA (Operating)	2.9	7.1	4.0	4.5	12.8	12.7	36.9
Pilbara Cardiovascular Screen Program	-	0.3	0.6	0.3	0.3	-	1.2
Regional Men's Health	0.7	1.0	0.8	1.1	0.8	0.8	4.2
Regional Health Programs Subtotal	17.9	26.0	23.3	22.9	31.3	24.1	119.5
Aboriginal Initiatives							
Regional Youth Justice Strategy Kimberley and Pilbara Expansion (Asset Investment)	-	0.3	0.3	-	-	-	0.3
Regional Youth Justice Strategy Kimberley and Pilbara Expansion (Operating)	11.1	9.0	13.4	14.0	15.0	16.2	69.7
Clontarf Colleges	0.9	2.3	1.1	1.2	1.4	-	4.5
WA Indigenous Tourism Operators Committee	0.3	0.3	0.3	-	-	-	0.7
Aboriginal Justice Program - Enhanced Driver Training and Education for Regional and Remote Communities	-	0.8	0.7	1.1	2.0	1.8	5.5
Aboriginal Justice Program - Enhanced Services for Victims of Crime within Regional and Remote Communities	-	0.5	0.4	1.1	1.5	-	3.0
Aboriginal Community Emergency Response Fund	-	2.5	2.5	7.6	-	-	10.0
Northwest Drug and Alcohol Support Program (Asset Investment)	-	2.3	2.0	0.4	-	-	2.4
Northwest Drug and Alcohol Support Program (Operating)	1.4	2.7	4.1	5.7	5.8	5.8	22.7
Improving Water Quality in Remote Aboriginal Communities	1.4	4.9	4.9	1.6	4.3	-	12.2
Governance and Leadership Development Program	-	0.7	-	1.0	1.3	-	2.3
Indigenous Visitor Hostels (Asset Investment)	1.3	10.4	10.4	1.4	-	-	13.0
Indigenous Visitor Hostels (Operating)	-	-	-	0.6	1.2	1.3	3.1
Jigalong Essential Services Pilot	-	6.0	-	6.0	4.0	-	10.0
Remote Indigenous Health Clinics	2.2	6.0	4.0	10.0	6.0	-	22.2
Aboriginal Initiatives Subtotal	18.6	48.6	44.0	51.5	42.5	24.9	181.5

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

Source: Department of Regional Development and Lands.

Table 7.1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16	Total
	Actual	Budget Estimate	Mid-Year Revision	Mid-Year Revision	Mid-Year Revision	Mid-Year Revision	Five Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Strategic Projects							
Regional Strategic Projects	42.2	51.0	49.9	65.9	120.1	174.2	452.2
Regional Strategic Projects Subtotal	42.2	51.0	49.9	65.9	120.1	174.2	452.2
TOTAL - REGIONAL COMMUNITY SERVICES FUND	202.9	260.0	248.9	294.0	320.4	327.5	1,393.7
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND							
Regional Capital Works Initiative							
Regional Capital Works Initiative	2.1	23.8	21.0	12.4	35.4	10.0	81.0
Regional Capital Works Initiative Subtotal	2.1	23.8	21.0	12.4	35.4	10.0	81.0
Pilbara Cities Initiative							
Nickol Bay Hospital Upgrade (Asset Investment)	3.0	-	2.5	-	-	-	5.5
Nickol Bay Hospital Upgrade (Operating)	1.0	-	-	-	-	-	1.0
Karratha Health Campus	0.9	-	-	-	14.1	45.0	60.0
Pilbara Health Partnership (Asset Investment)	- ^(a)	2.3	2.3	2.9	-	-	5.2
Pilbara Health Partnership (Operating)	3.0	4.9	6.0	5.6	7.0	-	21.7
Pilbara Cities Office	0.5	0.8	0.8	0.9	1.2	2.9	6.3
Pilbara Underground Power (Asset Investment)	23.5	0.3	32.9	-	-	-	56.4
Pilbara Underground Power (Operating)	0.3	0.8	0.5	0.7	-	-	1.5
Karratha Service Workers Accommodation	3.0	0.7	0.7	-	-	-	3.6
South Hedland Town Centre Revitalisation	7.3	-	-	-	-	-	7.3
Pilbara Water Opportunities	0.7	0.5	0.4	-	-	-	1.1
West Pilbara Water	0.2	-	-	-	-	-	0.2
Northern Towns Development Fund	10.0	10.4	9.6	11.6	6.1	-	37.3
Pilbara Cities Strategic Infrastructure (Asset Investment)	7.7	41.7	31.9	42.1	20.1	35.8	137.6
Pilbara Cities Strategic Infrastructure (Operating)	26.5	53.9	72.4	127.3	56.9	29.6	312.7
Pilbara Cities Community Projects (Asset Investment)	3.5	-	4.0	4.0	8.0	-	19.5
Pilbara Cities Community Projects (Operating)	28.9	16.3	6.8	12.4	5.1	30.0	83.1
Karratha-Wickham Coast Road	-	-	-	-	0.5	-	0.5
Pilbara Fabrication and Services Common Use Facility	- ^(a)	3.0	3.0	2.0	-	-	5.0
Community Priority Road Infrastructure	-	-	-	18.0	-	-	18.0
Pilbara Cities Initiative Subtotal	120.0	135.7	173.7	227.4	119.1	143.2	783.5
Regional Housing							
Housing for Workers (Asset Investment)	24.5	99.4	200.7	48.1	55.5	56.9	385.7
Housing for Workers (Operating)	0.1	0.6	3.6	-	-	-	3.7
Non-Government Organisation Housing	35.0	-	-	-	-	-	35.0
Regional Housing Subtotal	59.6	100.0	204.4	48.1	55.5	56.9	424.5
Kimberley Revitalisation							
Ord-East Kimberley Expansion Project (Asset Investment)	14.7	72.0	108.4	-	-	-	123.1
Ord-East Kimberley Expansion Project (Operating)	4.0	3.8	-	-	-	-	4.0
Ord-East Kimberley Expansion Project - Phase 2 (Asset Investment)	-	39.1	39.1	51.9	-	-	91.0
Broome Small Boat Facility Stage 1	1.2	2.0	2.3	0.4	25.0	5.2	34.1
Kununurra Courthouse	4.2	11.7	9.0	27.9	-	-	41.1
Fitzroy Crossing Courthouse	-	2.5	1.9	2.0	-	-	3.9
Kimberley Revitalisation Subtotal	24.1	131.0	160.6	82.3	25.0	5.2	297.2
Gascoyne Revitalisation							
Gascoyne Development Plan	37.8	16.0	11.0	24.6	15.0	14.0	102.4
Camarvon Fascine Redevelopment Planning	0.5	-	-	-	-	-	0.5
Camarvon Library and Art Centre	1.2	-	-	-	-	-	1.2
Camarvon Police and Justice Complex	4.1	5.1	5.0	-	-	-	9.1
Exmouth Health Clinic	0.1	3.0	0.5	6.2	1.1	0.3	8.1
Tantabiddi Boat Ramp Upgrade	2.2	-	-	-	-	-	2.2
Camarvon Hospital	0.3	14.7	1.5	18.4	0.7	-	20.8
Camarvon Boat Ramp Construction	1.2	-	-	-	-	-	1.2
Coral Bay Seasonal Staff Accommodation (Asset Investment)	15.3	-	-	-	-	-	15.3
Coral Bay Seasonal Staff Accommodation (Operating)	1.1	0.2	0.2	0.2	0.2	0.2	1.9
Gascoyne Irrigation Pipeline	5.7	0.1	0.3	-	-	-	6.0
Gascoyne Revitalisation Subtotal	69.4	39.0	18.4	49.3	17.0	14.5	168.6
Mid West Revitalisation							
Midwest Investment Plan (Asset Investment)	0.6	19.2	13.66	17.0	5.4	-	36.7
Midwest Investment Plan (Operating)	5.0	8.3	5.8	24.9	77.6	70.0	183.3
Midwest Unit	0.3	0.8	0.8	0.8	0.8	0.5	3.0
Midwest Solar Farm - Midwest Initiative	-	2.5	5.0	-	-	-	5.0
Mid West Revitalisation Subtotal	5.9	30.8	25.2	42.6	83.8	70.5	228.0

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

Source: Department of Regional Development and Lands.

Table 7.1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16	Total
	Actual	Budget Estimate	Mid-Year Revision	Mid-Year Revision	Mid-Year Revision	Mid-Year Revision	Five Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Health Infrastructure							
Kalgoorlie Hospital	9.1	-	2.4	-	-	-	11.5
Albany Hospital	20.3	20.3	20.3	-	-	-	40.6
Esperance Hospital	0.5	5.5	5.4	12.9	-	-	18.8
Busselton Health Campus	4.7	26.0	26.6	9.2	-	-	40.5
Regional Health Infrastructure Subtotal	34.6	51.8	54.7	22.1	-	-	111.4
Southern Inland Health Initiative							
District Medical Workforce Investment Program	6.5	19.1	17.1	23.0	55.2	81.0	182.9
District Hospital Investment Program (Asset Investment)	1.3	9.7	4.7	59.4	71.2	10.2	146.7
District Hospital Investment Program (Operating)	2.3	4.0	3.5	4.3	8.1	8.0	26.1
Primary Health Centres Demonstration Program	0.2	3.1	0.5	19.0	21.6	2.1	43.4
Small Hospital and Nursing Post Refurbishment Program	-	7.3	12.3	22.8	54.5	19.1	108.8
Telehealth Investment Program (Asset Investment)	2.7	2.7	1.4	1.4	-	-	5.5
Telehealth Investment Program (Operating)	0.4	3.0	2.2	3.0	7.9	17.5	31.0
Residential Aged and Dementia Care Investment Program	-	0.2	-	1.0	10.0	9.0	20.0
Southern Inland Health Initiative Subtotal	13.4	49.1	41.7	133.9	228.5	146.9	564.4
Regional Skills and Training							
<u>Skills Training Initiative (Asset Investment)</u>							
- Broome West Kimberley Trade Training Centre	-	2.1	3.3	2.5	4.2	-	10.0
- Derby Extension and Workshop Facilities	- ^(a)	0.7	2.5	3.7	-	-	6.2
- Kimberley Training Institute - Halls Creek Campus Upgrade	0.1	2.1	2.1	0.7	-	-	2.8
- Pilbara Institute - Upgrade and Expansion of South Hedland and Karratha Campus	-	1.9	1.5	6.0	5.0	3.0	15.5
- Durack Institute of Technology - Centre for Health Industries Training and Workforce Development	-	2.0	0.7	7.0	6.3	1.0	15.0
- Durack Institute of Technology - Centre for Resource Sector Workforce Training	-	1.0	0.5	3.0	5.0	0.5	9.0
- Great Southern Institute of Technology - Community Services and Health Science Block	-	1.0	0.6	4.5	0.7	-	5.8
- Busselton Sustainability	-	-	-	0.5	-	-	0.5
- Challenger Institute of Technology - Peel Health and Community Training Centre	-	0.8	0.4	4.1	1.6	-	6.0
- Polytechnic West - Pinjarra Apprentice Training Facility	-	0.4	0.4	-	-	-	0.4
- Project Management	-	-	-	0.5	0.5	-	1.0
- STP Critical ICT Capital Infrastructure (Regional)	-	2.9	2.9	2.5	-	-	5.4
<u>Skills Training Initiative (Operating)</u>							
- Future Development of Muresk	-	2.0	-	10.0	-	-	10.0
- Agricola Residential College	-	-	-	20.0	-	-	20.0
- Aboriginal Workforce Development Pilot	1.0	-	-	1.0	-	-	2.0
- Project Management - Planning	0.5	0.5	0.5	-	-	-	1.0
Regional Work Camp Enhancement Program (Asset Investment)	0.8	12.2	7.5	6.9	-	-	15.2
Regional Work Camp Enhancement Program (Operating)	-	2.4	-	2.4	7.8	-	10.2
Regional Skills and Training Subtotal	2.4	32.0	22.8	75.2	31.0	4.5	136.0
Regional Schools							
Regional Schools Plan - Esperance Primary School	1.4	6.8	8.6	-	-	-	10.0
Regional Schools Plan - Derby District High School	0.5	11.0	7.0	7.5	-	-	15.0
Regional Schools Plan - Broome Senior High School	0.4	7.2	4.0	5.6	-	-	10.0
Regional Schools Plan - Camarvon Senior High School	-	2.0	2.0	5.0	-	-	7.0
Regional Schools Plan - Hedland Senior High School	0.1	-	3.0	2.9	-	-	6.0
Regional Schools Plan - Karratha Senior High School	-	6.5	3.0	6.5	-	-	9.5
Regional Schools Plan - Pinjarra Senior High School	1.4	6.5	5.6	-	-	-	7.0
Regional Schools Plan - Collie Senior High School	0.3	0.7	2.2	0.5	-	-	3.0
Regional Schools Plan - Merredin Senior High School	1.0	-	-	-	-	-	1.0
Regional Schools Plan - Northam Senior High School	0.4	1.3	1.6	8.0	-	-	10.0
Regional Schools Plan - Narrogin Senior High School	0.6	2.5	2.9	3.5	-	-	7.0
Regional Schools Plan - Katanning Senior High School	0.1	0.8	1.4	0.5	-	-	2.0
Regional Schools Plan - Denmark Senior High School	0.5	6.5	4.5	2.0	-	-	7.0
Regional Schools Plan - Administration Cost	0.2	0.3	0.5	0.3	-	-	1.0
Regional Schools - Future Expansion	-	-	-	-	-	20.0	20.0
Regional Schools Plan - Year 7 Relocation	-	2.5	2.5	24.7	15.5	-	42.6
Regional Residential College Upgrades	11.0	21.8	7.7	10.6	20.7	-	50.0
Regional Schools Subtotal	18.0	76.4	56.4	77.6	36.2	20.0	208.2
Portlink Inland Freight Corridor							
Portlink Inland Freight Corridor Planning	-	2.3	1.4	2.0	1.6	-	5.0
Portlink Inland Freight Corridor Subtotal	-	2.3	1.42	2.0	1.6	-	5.0
Regional Development - Water and NRM Initiatives							
Regional Development Water and NRM Initiatives	21.2	13.5	13.5	20.3	15.6	2.5	73.2
Regional Natural Resource Management - State Barrier Fence	0.1	4.9	4.5	3.6	1.8	-	10.0
Regional Development - Water and NRM Initiatives Subtotal	21.4	18.5	18.0	23.8	17.4	2.5	83.2

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

Source: Department of Regional Development and Lands.

Table 7.1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16	Total
	Actual	Budget Estimate	Mid-Year Revision	Mid-Year Revision	Mid-Year Revision	Mid-Year Revision	Five Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Centres Development Plan (SuperTowns)							
SuperTowns Development Project Fund	78.0	-	-	-	-	-	78.0
SuperTowns Development Planning Fund	7.2	-	0.2	-	-	-	7.5
Regional Centres Development Plan (SuperTowns) Subtotal	85.3	-	0.2	-	-	-	85.5
Regional Infrastructure Projects							
Regional Mobile Communications Project	7.6	18.1	18.1	14.3	-	-	40.0
Regional Emergency Communications	0.6	- ^(a)	-	-	-	-	0.6
Community Safety Network (Asset Investment)	25.9	20.0	28.3	14.4	5.0	-	73.6
Community Safety Network (Operating)	0.4	3.2	3.2	3.9	6.4	0.3	14.2
Recreational Boating Facilities Scheme (Asset Investment)	1.5	0.6	0.6	-	-	-	2.1
Recreational Boating Facilities Scheme (Operating)	0.2	4.7	4.7	5.0	5.0	1.3	16.2
Regional Airports Development Scheme	3.2	5.0	7.0	4.5	3.9	-	18.6
Conservation Parks Infrastructure and Roads	2.5	7.7	7.7	7.5	-	-	17.7
Bunbury to Albany Gas Pipeline	0.4	0.5	0.5	1.0	9.5	8.5	20.0
Rushton Park	0.1	-	-	-	-	-	0.1
Living Lakes	0.4	1.2	- ^(a)	1.3	-	-	1.7
Collie Water Plan (Asset Investment)	-	4.7	-	-	4.7	-	4.7
Collie Water Plan (Operating)	- ^(a)	-	-	0.5	-	-	0.5
Burt Street Heritage Precinct Project	1.4	-	-	-	-	-	1.4
ANZAC Centenary - Mt Clarence Memorial	-	-	2.8	-	-	-	2.8
Regional Infrastructure Projects Subtotal	44.1	65.7	72.9	52.4	34.6	10.0	214.0
TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND	500.4	755.9	871.6	849.2	685.0	484.2	3,390.4
NEW REGIONAL AND STATEWIDE INITIATIVES							
New Regional and Statewide Initiatives (Asset Investment)	-	-	-	14.4	-	-	14.4
New Regional and Statewide Initiatives (Operating)	-	4.2	1.0	2.1	-	0.7	3.8
TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES	-	4.2	1.0	16.4	-	0.7	18.2
Administering the Royalties for Regions Fund	9.1	11.6	12.4	13.7	13.4	14.1	62.6
Capital Investment provision	-	-	-	69.7	-55.7	-41.3	- 189.4
TOTAL - ROYALTIES FOR REGIONS FUND	811.8	1,121.7	1,127.9	1,210.4	1,096.5	900.0	5,146.6

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

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

Source: Department of Regional Development and Lands.

