



Government of Western Australia
Department of Treasury

2012-13

Pre-election Financial Projections Statement

February 2013



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

2012-13

**PRE-ELECTION FINANCIAL
PROJECTIONS STATEMENT**

FEBRUARY 2013

2012-13 Pre-election Financial Projections Statement
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Foreword

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

The Legislative Assembly was dissolved on 30 January 2013 with the writs for the State election issued by the Governor on 6 February 2013.

Section 15 of the GFRA requires that the PFPS:

- includes financial projections for the budget year and three forward estimate years (in this case, the period 2012-13 to 2015-16);
- takes account of the economic and other assumptions which have a bearing on public sector finances;
- explains the implications of the financial projections for meeting the Government's financial targets;
- outlines any risks that could materially affect the financial projections; and
- reflects all decisions taken by the Government before the Legislative Assembly was dissolved, and any other information available to the Under Treasurer within three days of the dissolution.

This PFPS was prepared under my instruction, and is based upon Government decisions I was aware of, or that were communicated to me by the Government, by the cut-off date of 2 February 2013. The projections contained in this report comply with applicable Australian Accounting Standards and Government Finance Statistics principles, and are based on the economic assumptions outlined in Chapter 3: *The Western Australian Economy*. These assumptions were finalised on 2 February 2013.



Timothy Marney
UNDER TREASURER

7 February 2013

Financial Projections

HIGHLIGHTS

- The outlook for the Western Australian economy remains positive, with above-trend growth of 6.0% forecast in 2012-13 (unchanged from the recent mid-year review).
- This level of economic expansion, along with strong population growth, continues to drive demand for public sector services and infrastructure. However, revenue growth remains subdued.
- Notwithstanding the subdued revenue growth, the outlook for the State's finances has improved since the December 2012 mid-year review, with operating surpluses now forecast in all years. This primarily reflects revised forecasts for royalty revenue following a recovery in iron ore prices in recent months.
- The general government operating surplus for 2012-13 is now estimated at \$241 million, up from the \$140 million estimate in the mid-year review.
- Aggregate cash deficit forecasts over the forward estimates period for the general government sector and the total public sector are smaller than forecast in the mid-year review, reflecting the stronger general government sector royalty revenue forecasts. Nonetheless, the cash deficits remain substantial with the operating surpluses insufficient to fund the State's Asset Investment Program.
- Total public sector net debt is now forecast to reach \$23.7 billion by 30 June 2016, \$1.1 billion lower than the mid-year review projection.
- The forward estimates are highly sensitive to volatile commodity prices (particularly iron ore) and ratings agencies have indicated that the State's triple-A credit rating is at risk of being downgraded. This highlights the need to constrain expenditure growth in line with revenue growth, with an appropriate and significant surplus as a buffer against this volatility.

Overview

The outlook for the Western Australian economy remains unchanged from mid-year review time. Above-trend growth of 6.0% is expected in 2012-13, with a moderating outlook in the outyears as business investment peaks in 2013-14. Economic growth over the outyears is expected to be broadly in line with long-run average growth at 4.25%, with a rebalancing of growth away from business investment towards exports as the construction phase of major resource projects is completed and production commences.

However, as noted at the time of the mid-year review, the positive economic outlook is not filtering through to all State revenue, but is driving demand for government services and infrastructure through strong population growth (forecast at 2.8% in 2012-13, compared to long-run average growth of 2.0% per annum).

Since the December 2012 mid-year review projections were finalised on 10 December 2012:

- the outlook for iron ore prices has strengthened (by around \$US4.6 per tonne to an average of \$US123 per tonne in 2012-13, and around \$US15 per tonne per year on average across the outyears)¹; while
- the annual average \$US/\$A exchange rate has appreciated marginally (by around US0.7 cents in 2012-13 and between US1.3 cents and US1.4 cents in the outyears).

Accordingly, this *Pre-election Financial Projections Statement* (PFPS) includes a \$134 million increase in mining revenue in 2012-13 and a further \$1.9 billion increase across 2013-14 to 2015-16. These increases are partially offset by the lagged impact of the Commonwealth Grants Commission process on Western Australia's GST revenue, with:

- an aggregate \$340 million reduction in GST grants across the forward estimates attributable to the change in royalty forecasts; and
- a further \$405 million reduction in the outyears due to weaker financial conditions outlined in recent mid-year review projections for other jurisdictions.

¹ The iron ore price assumptions quoted in this PFPS reflect the 'effective' average annual price paid to domestic producers, adjusted for ore grade, moisture and freight rates. This adjustment is worth approximately \$US10 a tonne. Thus, the \$US123 per tonne assumed for the 2012-13 year equates to a 'raw' spot price of around \$US133 on average over the course of the year.

Forecasting Iron Ore Prices

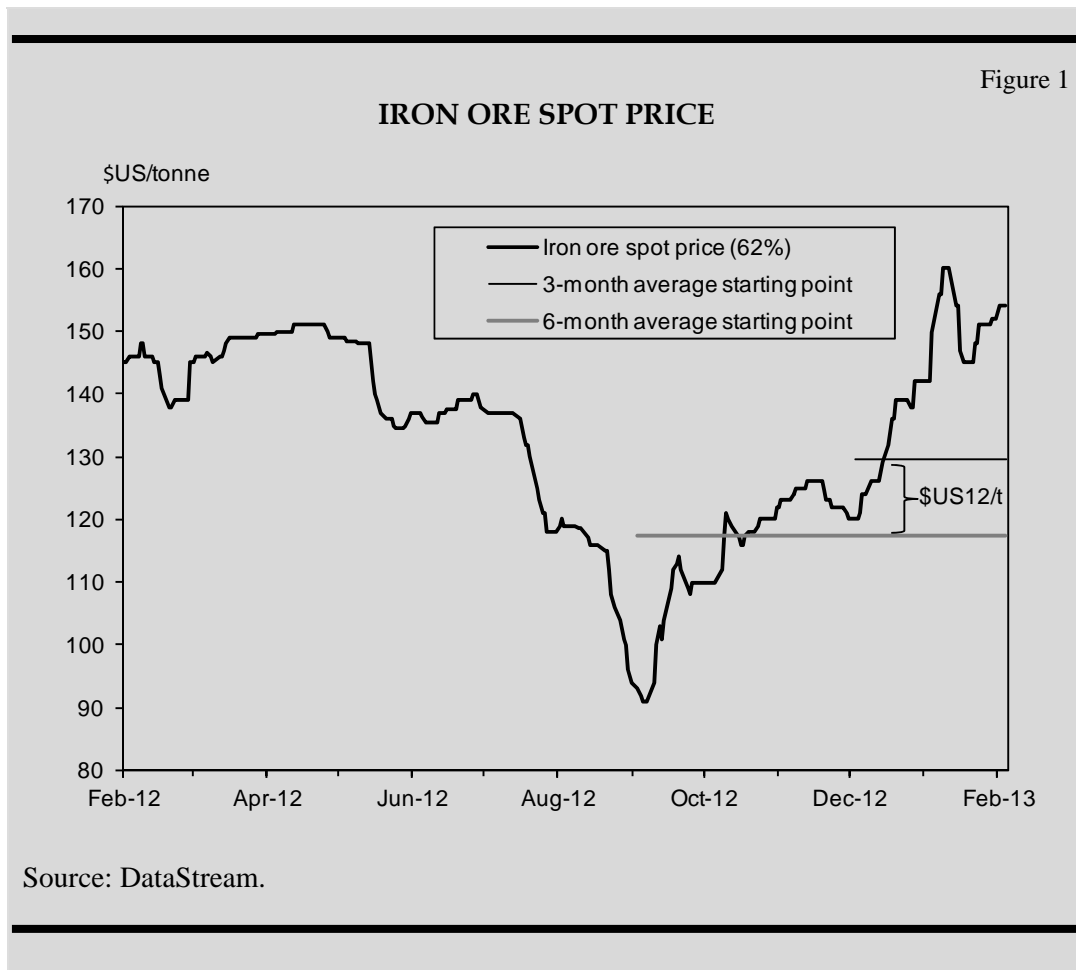
The methodology for forecasting iron ore prices for the PFPS is the same as that utilised for the mid-year review. The starting point for deriving the iron ore price assumptions over the forward estimates period in this PFPS is the assumed iron ore price for the June quarter 2013, which in turn is based on actual spot prices in December 2012 and January 2013.

Despite the implementation of this new methodology for the 2012-13 mid-year review, using the average of two months of prices as the starting point for deriving iron ore prices over a three year forward estimates period still provides scope for extreme short-term spot price movements (e.g. the spike in January 2013) to substantially skew royalty revenue estimates over the forward years. An alternative approach, which would reduce the potential for short-term factors to overly influence medium-term price assumptions and royalty estimates, would be to assume a starting point equal to a six month average iron ore price. If this alternative approach had been used, the starting point iron ore price for the PFPS would be around \$US12 per tonne lower.

As an illustration of the sensitivity of the financial projections to iron ore price variations, if the starting point for the iron ore assumptions for the outyears was \$US12 per tonne lower than currently assumed:

- the royalty revenue forecasts across the forward estimates period would be reduced by an aggregate \$1.4 billion;
- the general government sector operating balance would be a deficit of \$84 million in 2013-14 (compared with the \$390 million operating surplus currently projected); and
- net debt would increase to around \$24.9 billion by 30 June 2016 (compared with the current estimate of \$23.7 billion).

This serves to highlight the sensitivity of forward estimates to the volatility currently being experienced in iron ore prices, and the need to retain an appropriate buffer against adverse movements.



These changes have resulted in Western Australia’s projected GST ‘relativity’ falling to 27% by 2015-16 (down from 35% in the mid-year review).

Other changes in the financial outlook since the mid-year review include:

- the inclusion of the estimated cost of the Economic Regulation Authority’s (ERA’s) Further Final Decision on Western Power’s Third Access Arrangement, which totals \$186 million in additional recurrent expenditure over the forward estimates (in the form of increased operating subsidy payments to Synergy)²; and
- increased superannuation interest costs (totalling \$115 million) as the discount rate used to value these expenses has moved slightly higher since the mid-year review was finalised (see expense discussion later in this chapter).

² The ERA’s Further Final Decision was noted as a risk to the estimates at the time of the December 2012 mid-year review. The Decision impacts network revenue for Western Power (increasing that agency’s revenue) and also increases network costs for the retailer Synergy (which impacts general government subsidy costs to that agency).

The following table summarises the PFPS forecasts for the State's key financial aggregates. Relative to the mid-year review:

- general government sector operating surpluses are now in prospect in all years (the mid-year review included a projected operating deficit of \$187 million for 2013-14);
- total public sector net debt is projected to increase from \$14.5 billion at 30 June 2012 to \$23.7 billion by 30 June 2016 (around \$1.1 billion lower than the mid-year review forecast); and
- both the general government sector and total public sector are expected to be in a cash deficit position in 2012-13 (\$1.9 billion and \$3.5 billion respectively). The general government sector is forecast to be in a cash surplus position by 2015-16 (\$72 million), with the total public sector remaining in a cash deficit position (\$463 million in 2015-16). These cash results are an improvement relative to the mid-year review projections, largely reflecting the stronger royalty revenue projections.

Table 1

KEY BUDGET AGGREGATES
Western Australia

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Mid-year Review	PFPS Revision	PFPS Revision	PFPS Revision	PFPS Revision
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	649	140	241	390	782	1,785
Revenue (\$m)	25,220	25,318	25,477	27,041	28,400	30,412
Revenue Growth (%)	5.5	0.4	1.0	6.1	5.0	7.1
Expenses (\$m)	24,571	25,178	25,236	26,651	27,618	28,627
Expense Growth (%)	10.2	2.5	2.7	5.6	3.6	3.7
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	14,523	18,225	18,263	21,484	22,989	23,662
Asset Investment Program (\$m)	6,782	7,323	7,324	7,054	6,630	6,450
Cash Position (\$m)	-2,240	-3,589	-3,525	-2,683	-1,427	-463
KEY FINANCIAL RATIOS ^(a)						
Net Interest Cost to Revenue (%)	2.0	2.1	2.1	2.5	2.6	2.7
Net Financial Liabilities ^(b) to Revenue (%)	64.0	72.9	71.9	75.1	74.5	70.9

(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.

The following table summarises the key economic assumptions underpinning this PFPS.

Table 2

KEY ECONOMIC FORECASTS, WESTERN AUSTRALIA
(Mid-year Review Forecasts Shown in Brackets Where Revised)

	2011-12 Actual ^(a)	2012-13 PFPS Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
Real Gross State Product growth (%)	6.7	6.0	5.0	4.25	4.25
Real State Final Demand growth (%)	14.2	7.0	3.75	1.75	1.25
Employment growth (%)	3.7	3.25	2.25	2.0	1.75
Unemployment rate (%)	4.0	4.25	4.5	4.5	4.5
Wage Price Index growth (%)	4.3	4.5	4.25	4.25	4.25
Perth Consumer Price Index growth (%)	2.2	2.75 (3.25)	2.75 (3.0)	2.75 (3.0)	2.75 (3.0)
Iron ore price (\$US/tonne FOB)	137.0	123.0 (118.4)	127.2 (109.8)	122.7 (107.2)	118.3 (104.5)
Crude oil price (\$US per barrel)	95.0	92.7 (89.3)	95.1 (90.4)	91.6 (89.3)	88.8 (87.8)
Exchange rate (US cents)	103.2	104.1 (103.4)	102.4 (101.0)	99.6 (98.2)	96.8 (95.4)
Population growth (%)	3.0	2.8	2.4	2.3	2.3
Interest rate assumptions (%):					
– Public Bank Account interest earnings ^(b)	4.8	3.4	2.8	3.5	4.3
– Consolidated Account borrowings ^(b)	4.6	4.2 (4.1)	3.8 (3.6)	4.0 (3.8)	4.3

(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 SFD 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

Operating surpluses are projected for each year of the forward estimates period, with higher iron ore price forecasts relative to mid-year review being the key driver of the stronger outlook.

A \$241 million operating surplus is in prospect for 2012-13 (up \$101 million on the mid-year review forecast of \$140 million). The outlook for 2013-14 has turned around from a mid-year review deficit of \$187 million, to a \$390 million operating surplus forecast in this PFPS. Operating surpluses remain in prospect for 2014-15 and 2015-16.

While these projections suggest a better outlook for the general government sector relative to the mid-year review (and result in lower net debt forecasts for the State across the forward estimates period), they highlight that the State's finances are very sensitive to changes in global conditions that are beyond the control of State governments. This and other risks to the outlook are detailed later in this chapter.

The following table summarises key changes to the general government sector operating outlook since the time of the 2012-13 mid-year review.

Table 3

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2012-13 MID-YEAR REVIEW**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	Total \$m
2012-13 MID-YEAR REVIEW - NET OPERATING BALANCE	140	-187	393	1,770	
Revenue					
<i>Commonwealth grants</i>	15.9	-5.6	-185.0	-549.2	-723.9
- GST grants	-	-13.4	-186.4	-544.7	-744.5
- North West Shelf/condensate compensation	11.7	3.7	-2.6	-8.5	4.3
- Other Commonwealth grants	4.2	4.1	4.0	4.0	16.3
<i>Royalty income</i>	122.0	638.2	627.9	594.9	1,983.0
- Iron ore	126.3	644.7	634.9	604.0	2,009.9
- Other royalties	-4.3	-6.5	-7.0	-9.1	-26.9
Revenue from public corporations	16.4	50.6	44.8	38.8	150.5
Other	5.3	1.9	2.9	4.3	14.3
TOTAL REVENUE	159.6	685.0	490.5	88.8	1,423.9
Expenses					
Synergy Operating Subsidy - ERA Further Final Decision	25.2	64.8	55.4	40.4	185.9
Superannuation interest cost	32.1	24.6	27.2	30.7	114.6
Scarborough Beach Redevelopment Area	-	1.3	11.3	11.3	23.8
Future Development of Muresk Institute	2.0	2.9	2.9	-	7.8
Bushfire Risk Management Planning Process	1.1	4.7	-	-	5.8
Child and Parent Centres	-	1.1	2.1	2.5	5.7
Western Australian Certificate of Education Special Division Chief Executive Officer and Senior Legal Officer Salaries Determination	0.3	2.2	1.4	0.6	4.4
Interest expenses	1.0	6.0	-4.0	-22.0	-19.0
Other	-4.4	-1.9	2.7	7.6	4.0
TOTAL EXPENSES	58.5	108.1	101.3	73.4	341.3
TOTAL VARIANCE	101.1	577.0	389.2	15.4	1,082.6
2012-13 PFPS - NET OPERATING BALANCE	241	390	782	1,785	

Note: Columns/rows may not add due to rounding

Revenue

Relative to the December 2012 mid-year review, general government revenue in 2012-13 has been revised up by \$160 million to \$25,477 million, representing growth of 1.0% on the outturn for 2011-12. The revision to the outlook for 2012-13 mainly reflects:

- a \$134 million rise in mining revenue³, due largely to the net impact of:
 - higher iron ore prices, up from an average price of \$US118.4 per tonne at mid-year review to the current estimate of \$US123 per tonne. This has increased estimated royalty income in 2012-13 by \$149 million; and
 - a higher than expected \$US/\$A exchange rate of US104.1 cents in 2012-13 compared to US103.4 cents previously, estimated to reduce mining revenue by \$37 million; and

³ Including royalty revenue, North West Shelf and condensate compensation grants from the Commonwealth, and lease rentals (counted as 'Other revenue').

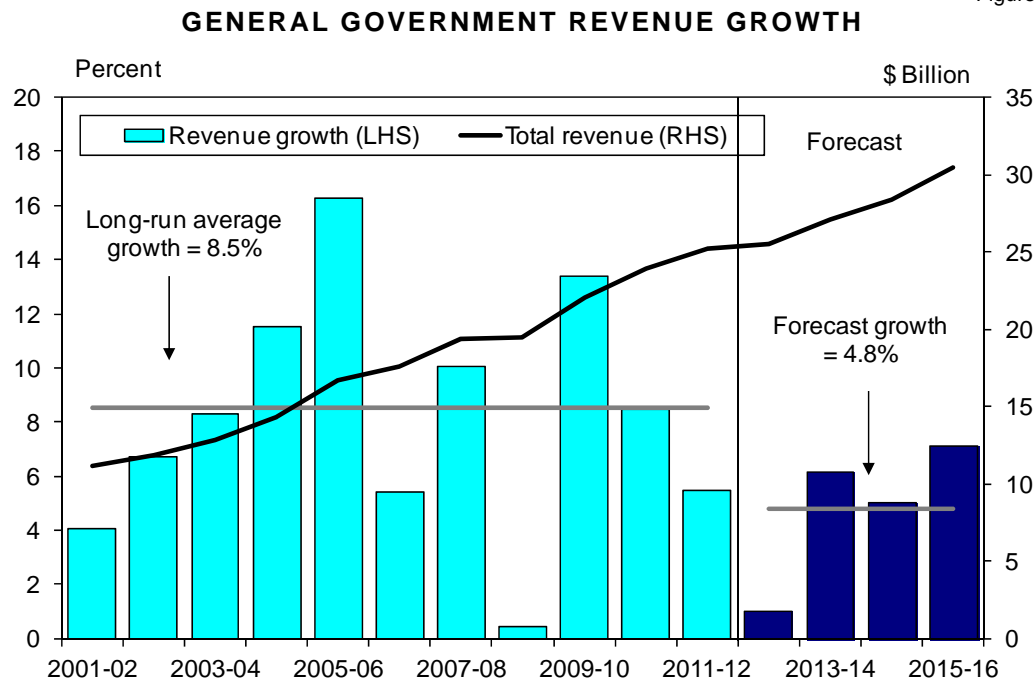
- a \$16 million increase in the forecast tax equivalent revenue across the electricity sector, largely attributable to increased profits for Verve Energy (predominantly due to higher demand for energy and services). This increase is partially offset by a deterioration in the profits of the other electricity agencies.

Over the outyears (2013-14 to 2015-16), general government revenue has been revised up by a total of \$1.3 billion relative to mid-year review forecasts, reflecting the net impact of:

- higher royalty revenue (up \$1,861 million), mainly due to higher than expected iron ore prices following a rebound in the spot price in December 2012 and January 2013 (up \$2,090 million), partially offset by higher \$US/\$A exchange rate assumptions over the forecast period (down \$280 million);
- a downward revision to North West Shelf royalty grants and crude oil excise compensation grants of \$7 million, reflecting the higher \$US/\$A exchange rate assumptions noted above, which more than offset slightly higher oil and LNG prices;
- a \$745 million reduction in GST grants, which reflects a further projected decline in Western Australia's share of national GST revenue, due to the stronger outlook for iron ore royalties and weaker than expected revenue projections in other jurisdictions' mid-year reviews. The State's GST relativity is now projected to decline from 55% in 2012-13 to a staggering 27% by the end of the forward estimates period (compared to an estimated 35% in 2015-16 at the time of the mid-year review); and
- a \$134 million increase in dividend and tax equivalent revenue from the State's electricity agencies.

General government revenue growth remains significantly lower than the long-run average growth rate of 8.5% recorded over the last decade. At 1.0%, growth in 2012-13 (relative to 2011-12) is particularly flat, reflecting the State's lower share of national GST collections in 2012-13, lower tied grants from the Commonwealth (which 'brought forward' significant payments to the State into 2011-12 from 2012-13), and the impact of a large one-off revenue in 2011-12 (following the rationalisation of two boards, see 2011-12 *Annual Report on State Finances*). Across the four year forecast period, general government revenue growth is expected to average 4.8% per annum.

Figure 2



Expenses

General government expenses are forecast to be \$25,236 million in 2012-13, \$58 million higher than forecast in the mid-year review. Across the outyears, expenses have also been revised up, by an aggregate \$283 million relative to the mid-year review projections.

Key changes to the outlook for expenses since the time of the mid-year review include:

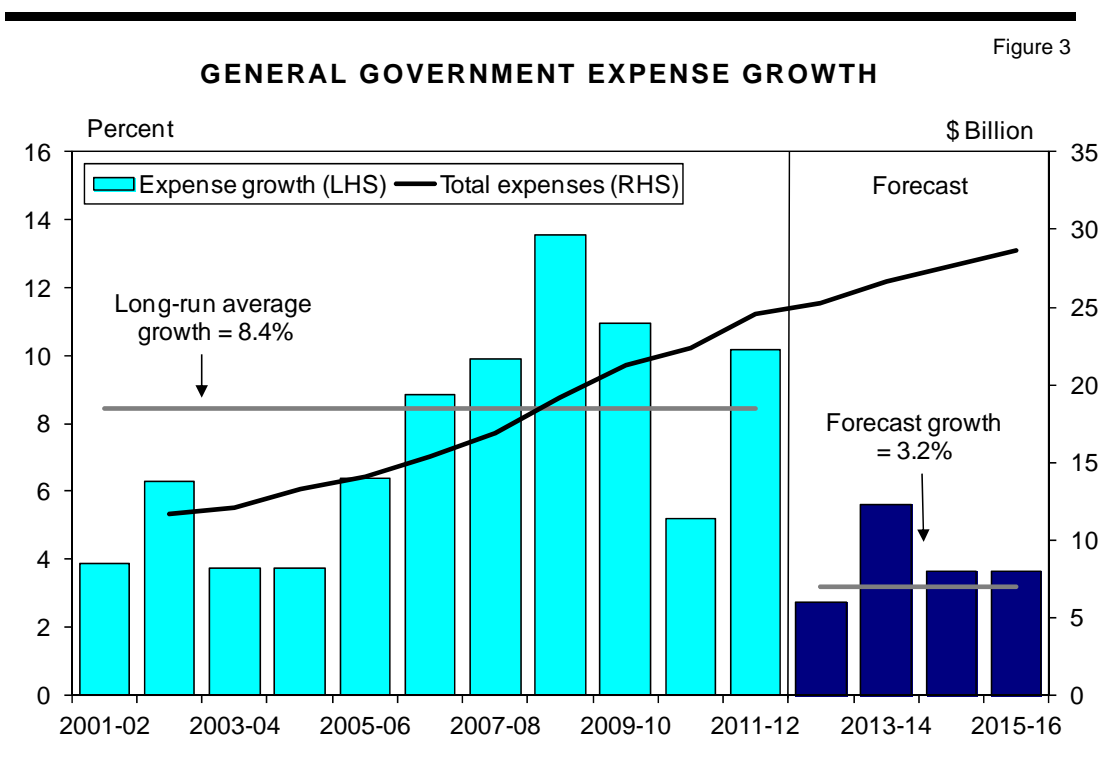
- higher subsidy payments to the State's energy retailer Synergy (up \$25 million in 2012-13 and \$161 million across the outyears) for higher network costs resulting from the ERA's Further Final Decision on Western Power's Third Access Arrangement (see earlier revenue discussion);
- higher superannuation interest costs (up \$32 million in 2012-13 and a further \$82 million across the outyears), reflecting an increase in the discount rate used to value unfunded superannuation liabilities⁴; and
- the impact of a Government decision to provide capital grant funding for the revitalisation of the Scarborough beachfront (with \$24 million of a total \$30 million to be incurred by 2015-16).

Further detail on changes in agency spending is available in Appendix 3: *Spending Changes Since the Mid-Year Review*.

⁴ Long-term government bond rates are used by the actuary in year-end valuation of unfunded superannuation liabilities. Bond rates remain at historically low levels this year, reflecting international financial conditions. However, forecast bond rates have strengthened marginally since the mid-year review resulting in an increase in forecast superannuation interest costs in this PFPS. An increase in the bond rate also means that unfunded liabilities decrease in value (and vice versa). The PFPS impact of these changes is estimated by Treasury.

These projections do not include spending on the Independent Public Schools (IPSs) initiative announced by the Government on 20 January 2013 (reflecting the uncertainty of the scope of the decision which is related to the number of schools which will take up IPS status). This issue is discussed in more detail in the Statement of Risks at the end of this chapter.

Expenses are expected to grow by 2.7% in 2012-13, well below the long-run average of 8.4% over the preceding decade. This reflects the cumulative impact of previous corrective measures (including those detailed in the December 2012 mid-year review), which also impact expected growth over the outyears.



Capital Investment

The general government sector Asset Investment Program totals \$3.2 billion in 2012-13, and \$12.1 billion over the four years to 2015-16.

Since the mid-year review cut-off date of 10 December 2012, the Government has approved \$3 million to be spent in support of regional dental services in Busselton and \$11 million to construct six new Child and Parent Centres. No other amendments have been made to projected general government sector infrastructure spending since the time of the mid-year review (see Appendix 3: *Spending Changes Since the Mid-Year Review* for details).

The sector’s infrastructure program is currently dominated by investment in hospitals and related fit-out costs. Substantial on-going investment is also underway in the State’s road network and schools.

The PFPS projections include the following provisions (which were disclosed in the December 2012 mid-year review):

- a \$750 million general provision for slippage in the sector-wide infrastructure spend for 2012-13 (this provision accounts for as yet unidentified underspending that typically emerges during the course of the year due to unexpected delays in works and/or changes in the timing of cash payments); and
- a \$400 million provision for slippage in the program from 2013-14 that is expected to be caught up in 2014-15 and 2015-16.

Balance Sheet

The net worth of the general government sector (i.e. the difference between total assets and total liabilities) is forecast to increase from \$111.5 billion at 30 June 2012 to \$127.2 billion at 30 June 2016.

Relative to the mid-year review, net worth is forecast to be \$1.6 billion higher by 30 June 2016, largely due to the stronger general government sector operating outlook noted earlier.

General government sector net debt and net financial liabilities (which includes unfunded superannuation entitlements) are discussed later in this chapter.

Table 4					
GENERAL GOVERNMENT					
Balance Sheet at 30 June					
	2012	2013	2014	2015	2016
	\$m	\$m	\$m	\$m	\$m
2012-13 PFPS					
Assets	135,577	141,771	147,258	153,000	158,024
Liabilities	24,101	26,245	27,906	29,560	30,799
Net Worth	111,475	115,526	119,352	123,440	127,225
<i>Net Debt</i>	<i>2,050</i>	<i>4,791</i>	<i>7,405</i>	<i>8,431</i>	<i>8,868</i>
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>	<i>2,050</i>	<i>4,800</i>	<i>7,991</i>	<i>9,447</i>	<i>9,935</i>
VARIANCE					
Assets	-	204	397	612	775
Liabilities	-	-276	-743	-963	-872
Net Worth	-	480	1,140	1,575	1,647
<i>Net Debt</i>	<i>-</i>	<i>-9</i>	<i>-586</i>	<i>-1,016</i>	<i>-1,067</i>

Note: Columns may not add due to rounding.

Cash Flow Statement

A cash deficit of \$1.9 billion is projected for 2012-13, largely unchanged from the time of the mid-year review.

A reduction in forecast cash deficits over the forward estimates period relative to the December 2012 mid-year review largely reflects the changes to the operating outlook detailed earlier in this chapter.

Total Public Sector⁵

Summary

The total public sector financial outlook remains mixed in this PFPS, with a total public sector operating deficit expected in 2012-13 before a return to surplus in 2013-14⁶.

Operating Statement

Although the stronger outlook for general government sector revenue is also reflected in the total public sector projections, an operating deficit (of \$405 million) is still expected in 2012-13 (down from a \$541 million deficit projected in the mid-year review).

However, 2013-14 is now expected to record a modest surplus of \$134 million, a turnaround from the \$478 million operating deficit projection at mid-year review time. Surplus outcomes are also forecast for 2014-15 and 2015-16.

Public Non-Financial Corporations

The public non-financial corporations sector is forecast to achieve a \$74 million operating surplus in 2012-13, up \$35 million on the mid-year review projections. Stronger surpluses are also forecast in each of the outyears.

These revisions reflect the net impact of changes to the operating outlook of agencies in the electricity sector, including:

- the impact of the ERA's Further Final Decision on Western Power's Third Access Arrangement; and
- higher profit for Verve Energy as a result of higher demand for energy and services.

Public Financial Corporations

There are no material changes to the outlook to the State's public financial corporations sector since the time of the mid-year review. Operating surpluses of around \$150 million are in prospect in each year of the forecast period.

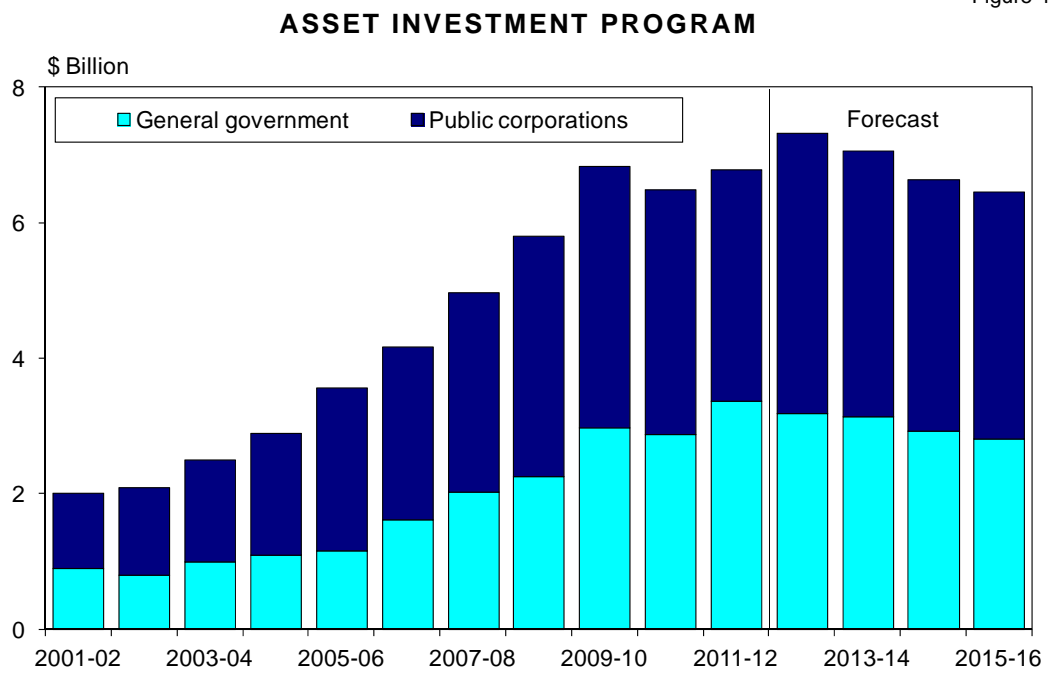
Asset Investment Program

The State's Asset Investment Program is estimated at \$27.5 billion over the four years to 2015-16, including \$7.3 billion in 2012-13. This high level of infrastructure investment, which is broadly unchanged from the mid-year review, is principally driven by the demands of the State's growing population and robust economic growth.

⁵ 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).

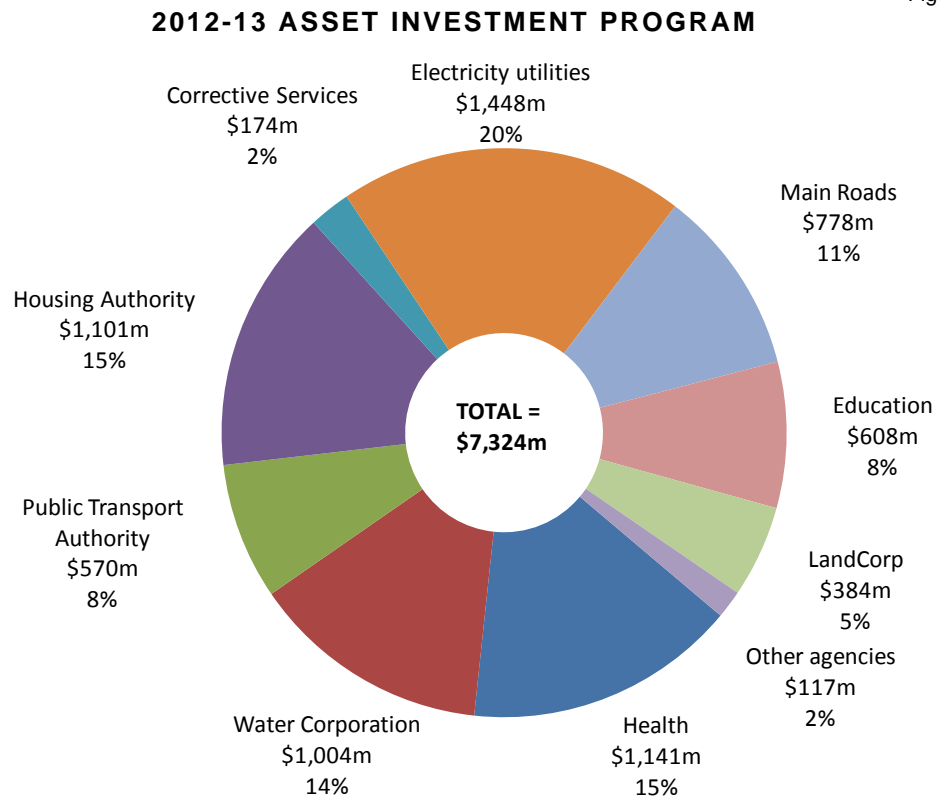
⁶ Although each of the sub-sectors of government are forecast to record operating surpluses in 2012-13, a consolidated total public sector deficit is in prospect this year. This reflects the elimination of dividend revenue in total public sector consolidation.

Figure 4



The Asset Investment Program is delivered in almost equal share by both the general government sector (discussed earlier) and the State’s public corporations. This compares with the dominance of the public corporations in the past, and reflects the impact of the historically unprecedented hospital program, which together with electricity, water, public housing, road and public transport investment, accounts for almost 85% of the public sector’s Asset Investment Program in 2012-13.

Figure 5



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

As was forecast at the time of the December 2012 mid-year review, the total public sector is expected to be in a cash deficit position in 2012-13 and in each of the outyears. This reflects that surpluses from operating (or day-to-day) activities are insufficient to fully fund spending on new infrastructure, with the resulting cash shortfall needing to be 'funded' by borrowings (see next section).

Changes to the cash flow statement since the mid-year review largely reflect the stronger royalty revenue outlook and lower GST grants discussed earlier.

Net Debt⁷ and Net Financial Liabilities⁸

In support of the infrastructure investment program, net debt for the total public sector is forecast to increase from \$14.5 billion at 30 June 2012 to \$23.7 billion by 30 June 2016. This is \$1.1 billion lower than the mid-year review projection, largely reflecting the improved general government sector operating outlook detailed earlier in this chapter.

The forward estimates also include a \$71 million increase in net debt for Verve Energy as a result of a larger financial contribution to the joint venture delivering the Muja AB electricity generation facility. This increase is due to delays in completing the works at this facility but is largely offset by improved profitability for Verve Energy over the forward estimates period (noted earlier).

The table below summarises changes in total public sector net debt projections since the December 2012 mid-year review.

Total non-financial public sector net financial liabilities as a share of revenue (an important ratio in the context of public sector credit ratings) are expected to increase from 64.0% in 2011-12 to 75.1% in 2013-14, before easing to 70.9% by 2015-16.

Growth in net financial liabilities over the forward estimates period is largely driven by increasing levels of net debt in support of infrastructure spending. Unfunded superannuation liabilities are projected to be \$8.7 billion at 30 June 2016, down around \$400 million from the level at 30 June 2012. These unfunded liabilities do not present a long-term risk to the State's finances as they are expected to decline to immaterial levels over the next two or three decades as entitlements are paid out to eligible employees (the vast majority of new superannuation entitlements have been fully funded since 1998-99).

Notwithstanding the affordability of this level of net financial liabilities on the State's balance sheet, both Moody's and Standard & Poor's have placed Western Australia's triple-A credit rating on a negative outlook in recent months (previously both credit rating agencies had the State on a stable outlook).

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.

⁸ Net financial liabilities discussed in this section comprises net debt and unfunded superannuation liabilities. This is consistent with aggregates commonly referred to in the State's credit rating context.

Table 5				
NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE				
	2013	2014	2015	2016
	\$m	\$m	\$m	\$m
2012-13 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT	18,225	22,081	24,023	24,768
<i>Less</i> change in net cashflows from operating activities and dividends paid				
- general government	16.5	581.6	445.2	61.6
- public non-financial corporations	48.9	17.4	-1.1	20.4
- public financial corporations	-	-	-	-
<i>Total public sector</i>	<i>65.4</i>	<i>599.0</i>	<i>444.1</i>	<i>82.0</i>
<i>Plus</i> purchases of non-financial assets ^(a)	1.1	1.0	4.2	7.4
<i>Less</i> proceeds from sale of non-financial assets	-	-	-	-
<i>Plus</i> all other financing ^(b)				
Joint Venture - Muja AB Generation Facility	102.4	-37.2	3.0	3.0
<i>Cumulative impact on net debt at 30 June</i>	<i>38.2</i>	<i>-597.1</i>	<i>-1,034.1</i>	<i>-1,105.8</i>
2012-13 PFPS - TOTAL PUBLIC SECTOR NET DEBT	18,263	21,484	22,989	23,662

(a) 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.

Statement of Risks

Changes Since the December 2012 Mid-Year Review

The following Statement of Risks is largely unchanged from that reflected in the December 2012 mid-year review. The main differences are:

- an update of the revenue sensitivities noted in the table below;
- the incremental impacts of the Economic Regulation Authority's (ERA's) Further Final Decision on Western Power's Third Access Arrangement. These impacts were unable to be quantified accurately at the time of the mid-year review and were therefore disclosed as a risk to the mid-year review projections, but are now included in these PFPS projections (following further modelling by Treasury and the relevant electricity entities);
- the identification of a potential revenue shortfall for Western Power for 2012-13, although this shortfall is expected to be recovered in future years;
- the Minister for Education announced further development and roll out of the Independent Public Schools initiative, the costs of which will relate to the number of schools that adopt the initiative;
- unspent increases in *Royalties for Regions* funding resulting from changes to the royalty forecasts in this PFPS; and
- the addition of a new risk relating to delays in the commissioning of Verve Energy's Muja AB generating facility.

Forecasting Uncertainties

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 forecasts of key aggregates and the final audited results. This Statement of Risks provides an overview of the known issues that have the potential to materially affect the financial projections contained in this PFPS.

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 PFPS equates to \$994 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 PFPS equates to \$303 million.

- Over the last ten years, general government operating balances have varied between mid-year review estimates (which like this PFPS are published between budget rounds) 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 PFPS equates to \$850 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 6

APPROXIMATE PARAMETER SENSITIVITY OF 2012-13 REVENUE ESTIMATES

Revenue item	Annual Variability ^(a)	Parameter
	\$m	
Royalty income and North West Shelf grants	±52	For each US1 cent decrease (increase) in the \$US/\$A exchange rate
Iron ore royalties	±31	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 prices
GST grants	±88	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 \$88 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.

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 (\$8,843 million in 2012-13)

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 since the 2012-13 mid-year review (to 42% in 2013-14, 30% in 2014-15 and 27% in 2015-16), reflecting the lagged impact of revisions to the State's mining royalty estimates and revised financial projections in other jurisdictions' mid-year reviews.

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 PFPS.

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 7

INDICATIVE IMPACT OF CGC MINING ASSESSMENT – POSSIBLE SCENARIOS

Western Australia

	2013-14 \$m	2014-15 \$m	2015-16 \$m
Separate iron ore component	-	-98	-250
Combined 'low rate' and 'high rate' components	-	-162	-354
Iron ore 'fines' reclassified to 'high rate'	-	-246	-565

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 \$123 million in 2013-14, rising to \$161 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 that increase royalties. This poses another downside risk to the State's revenue (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.

As an illustration of this uncertainty, Western Australia's 2012-13 GST relativity of 55% was substantially lower than the 60% projected in the December 2011 Government Mid-year Financial Projections Statement. The CGC is expected to recommend GST relativities for 2013-14 in late February or early March 2013. Its recommendation for Western Australia could be significantly less than or greater than the PFPS projection of 42% (significantly affecting the GST grant estimates across the forecast period). By way of illustration, each 1 percentage point variation in the GST relativity is worth between \$53 million and \$62 million from 2013-14 to 2015-16.

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 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 (\$4,488 million in 2012-13)

In 2012-13, royalty income accounts for an estimated 18% 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 release of the mid-year review in December 2012:

- the spot price of iron ore (Australian, 62% purity, including cost, insurance and freight) has ranged between \$US126 per tonne and \$US160 per tonne; and
- the \$A has traded between US103 cents and US106 cents.

Exchange Rate

The \$US/\$A exchange rate projections underpinning these PFPS estimates have been revised up since the time of the mid-year review.

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 US103 cents to a high of US106 cents, noted above, if sustained for a full year, would result in a \$156 million deterioration in royalty income for the year.

Iron Ore Prices

Trends in iron ore prices over the past six months highlight the volatility of iron ore spot prices and therefore the high degree of uncertainty inherent in the iron ore royalty estimates.

In the second half of 2012, iron ore spot prices fell significantly, from around \$US137.5 per tonne in mid-2012 to around \$US91 per tonne in mid-September. Prices partially recovered to around \$US125 per tonne by the end of November. The softening in spot prices relative to the first half of 2012, which largely reflected a run down in stockpiles in China over this period, led to a significant downward revision in the iron ore price assumptions in 2012-13 and 2013-14 in the mid-year review.

Subsequent to the mid-year review, iron ore spot prices rebounded strongly, peaking at \$US160 per tonne in early January but subsequently easing to around \$US150 per tonne. The post-mid-year review increase in prices is attributable to a combination of strong demand from China, including from its manufacturing sector, and constrained supply, including low stockpiles and restricted supply from India.

The upward revision to the price assumption for 2012-13 in this PFPS has significant implications for the outyears, as the starting point for the outyear assumptions is higher. Consequently, annual average prices across all years have been revised upwards. The recent volatility of iron ore prices, together with the prospect of some of the factors supporting the strong price growth in early 2013 unwinding as the year progresses, underscore the inherent uncertainty of iron ore royalty estimates over the forward estimates period.

The methodology for forecasting iron ore prices for the PFPS is the same as that utilised for the mid-year review. The starting point for deriving the iron ore price assumptions over the forward estimates period in this PFPS is the assumed iron ore price for the June quarter 2013, which in turn is based on actual spot prices in December 2012 and January 2013.

Despite the implementation of this new methodology for the 2012-13 mid-year review, using the average of two months of prices as the starting point for deriving iron ore prices over a three year forward estimates period still provides scope for extreme short-term spot price movements (e.g. the spike in January 2013) to substantially skew royalty revenue estimates over the forward years. An alternative approach, which would reduce the potential for short-term factors to overly influence medium-term price assumptions and royalty estimates, would be to assume a starting point equal to a six month average iron ore price. If this alternative approach had been used, the starting point iron ore price for the PFPS would be around \$US12 per tonne lower.

As an illustration of the sensitivity of the financial projections to iron ore price variations, if the starting point for the iron ore assumptions for the outyears was \$US12 per tonne lower than currently assumed:

- the royalty revenue forecasts across the forward estimates period would be reduced by an aggregate \$1.4 billion;
- the general government sector operating balance would be a deficit of \$84 million in 2013-14 (compared with the \$390 million operating surplus currently projected); and
- net debt would increase to around \$24.9 billion by 30 June 2016 (compared with the current estimate of \$23.7 billion).

This serves to highlight the sensitivity of forward estimates to the volatility currently being experienced in iron ore prices, and the need to retain an appropriate buffer against adverse movements.

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 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 (and, in some cases, already has), 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 (\$8,200 million in 2012-13)

Transfer Duty

Property transactions are highly susceptible to fluctuations in market sentiment and are therefore volatile and difficult to forecast. The current transfer duty forecasts seek to balance the risk of continued weakness in the non-first home buyer housing market⁹ with the risk that market sentiment could quickly change and cause a faster than expected recovery in transaction volumes. The forward estimates are predicated on 19.2% growth in total transfer duty in the current year and annual growth thereafter averaging 7.3%. This compares with average growth over the last ten years of 7.7%.

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 15.8% 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 PFPS 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 PFPS contains a number of general government savings measures announced in the December 2012 mid-year review and in previous budget rounds.

⁹ First home buyers are exempt from stamp duty if the value of the house purchased is below \$500,000 or the value of vacant land purchased is below \$300,000.

The projections in this PFPS are based on the expectation that agencies, though challenging in some cases, will fully achieve these savings. If savings measures are not fully achieved, there will be a deterioration in the net operating balance and net debt estimates contained in this PFPS.

Decommissioning of the Office of Shared Services

In the 2012-13 Budget, additional funding was allocated to the Department of Finance to assist agencies to re-establish their corporate services following the 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.

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.

On 20 January 2013, the Minister for Education announced an expansion of the Independent Public Schools (IPSs) initiative, indicating an intention to invite all government schools to participate in this scheme. Currently, 255 schools have been selected to be IPSs, at a total cost of \$42.3 million over six years. The existing program has been rolled out over four years, with between 34 and 84 schools selected in each intake. If an additional 84 government schools were to become IPSs commencing 1 January 2015, the estimated cost over four years for those schools would be \$14.5 million, including \$5 million for an initial development program and transition costs.

Fiona Stanley Hospital Facilities Management Contract – Accounting Treatment

The December 2012 mid-year review included a WA Health revision to 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.

Government Announcements

Writs for the 9 March State election, which move the Government to caretaker mode, were issued after the 2 February 2013 cut-off date for this PFPS. *The Electoral Act 1907* requires writs to be issued on the ‘first Wednesday of February in the expiry year’, in this instance 6 February 2013. Consequently, any Government announcements made after the PFPS cut-off date and prior to the issuance of writs have not been able to be included in this PFPS. Announcements made prior to 2 February 2013 that have not been communicated by the Government to the Under Treasurer are assumed to be election commitments of the Liberal Party or The Nationals and, accordingly, are not included as part of the PFPS.

Government Trading Enterprises

Electricity Pricing

Governments typically decide 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 PFPS may differ to those subsequently decided in finalising the 2013-14 Budget. 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. The assumed residential tariff increases reflected in this PFPS are 5% in 2013-14, 10% in 2014-15 and 10% in 2015-16. A 1 percentage point reduction in the assumed 5% increase for 2013-14 is estimated to increase the operating subsidy requirements for the electricity agencies over the forward estimates period by a total \$53 million.

Additional Capital Expenditure for Western Power

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

Horizon Power Generation Costs

Horizon Power is 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 may 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.

Verve Energy Muja AB Facility

In association with a private sector joint venture partner, Verve Energy has been undertaking the refurbishment of the Muja AB generation facility. Unforeseen issues associated with the refurbishment have resulted in commissioning delays and cost overruns relative to previous forecasts. Currently known cost overruns and revenue losses have been included in this PFPS, and Verve Energy will report back later in 2013 on the status of the project following the completion of further engineering and financial analysis. Further delays or cost increases in excess of those included in this PFPS may need to be considered as part of the 2013-14 Budget process.

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 'decision' for Western Power. Normal practice is for Governments to consider the ERA's recommendations and determine appropriate water tariffs during the annual budget process.

Western Power Revenue Shortfall

Western Power has identified a potential revenue shortfall of \$94 million for 2012-13, primarily due to lower forecasts for energy volumes, changes in customer behaviour, including tariff selection, and the impact of higher than projected photo-voltaic installations.

Western Power has advised that the issue is largely a matter of cash flow timing and has no impact on State net debt over the forward estimates period due to the fact that a mechanism exists within its regulatory framework to recover revenue shortfalls in future years. As such, no changes have been reflected in Western Power's financial projections included in this PFPS.

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 was provided to WA Health in the December 2012 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 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 decision of the Government has been to undertake detailed planning work to further define the scope and estimated cost of the project, including validation against other potential public transport solutions. 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.

The Auditor General's October 2012 performance audit report entitled *Major Capital Projects* highlighted the risks associated with the announcement of cost estimates for major projects prior to the completion of detailed planning work.

Any estimate of costs of major rail or light rail projects that are made ahead of the completion of detailed planning would be considered to be broadly indicative only.

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 to the State 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.

Royalties for Regions Spending

Royalties for Regions spending estimates remain unchanged from those detailed in the December 2012 mid-year review. This PFPS includes revisions to the outlook for royalty revenue. Based on the PFPS forecasts, the Royalties for Regions Fund will be credited with higher revenue over the period 2013-14 to 2015-16. However, changes to *Royalties for Regions* spending resulting from this additional funding, and any further changes to the revenue outlook later this year, will be considered as part of the 2013-14 Budget process.

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.

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. However, 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 PFPS will be impacted. Projected balances for the year ending 30 June 2013 for key SPAs are shown in Appendix 5 of this PFPS.

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.

The Western Australian Museum has indicated that supplementary funding is likely to be sought in 2012-13 to meet unfunded commitments. It is expected that a financial plan will be submitted as part of the 2013-14 Budget process to address the issue.

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 was provided in the December 2012 mid-year review. However, if 2012's significant growth is repeated, funding may need to be revisited during the 2013-14 Budget process once the actual Semester 1, 2013 enrolments are known.

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 PFPS will be at risk.

Contingent Liabilities

Contingent liabilities are costs that the public sector 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 descendants 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 PFPS (2 February 2013), and as uncertainty remains with respect to the amount and timing of the expected cash component of the offer, these PFPS 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

- All of the current financial targets are expected to be met in 2012-13 and across the forward estimates period.
- In contrast to the mid-year review, a general government operating surplus is now forecast for 2013-14, largely reflecting the impact of higher iron ore prices on the State's royalty revenue outlook.
- The PFPS is released against a backdrop of both Standard & Poor's and Moody's placing Western Australia's triple-A credit rating on a negative outlook (in late October and December 2012 respectively). A negative outlook equates to a one in three chance of a credit rating downgrade over the next two years.

Overview

The State's fiscal strategy was detailed in the 2012-13 Budget, and is framed around a series of financial targets. These targets are to:

- 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 with these targets based on the *Pre-election Financial Projections Statement* (PFPS) financial projections.

Table 1

**2012-13 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT
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	Yes	Yes	Yes
Maintain net interest costs as a share of revenue at or 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

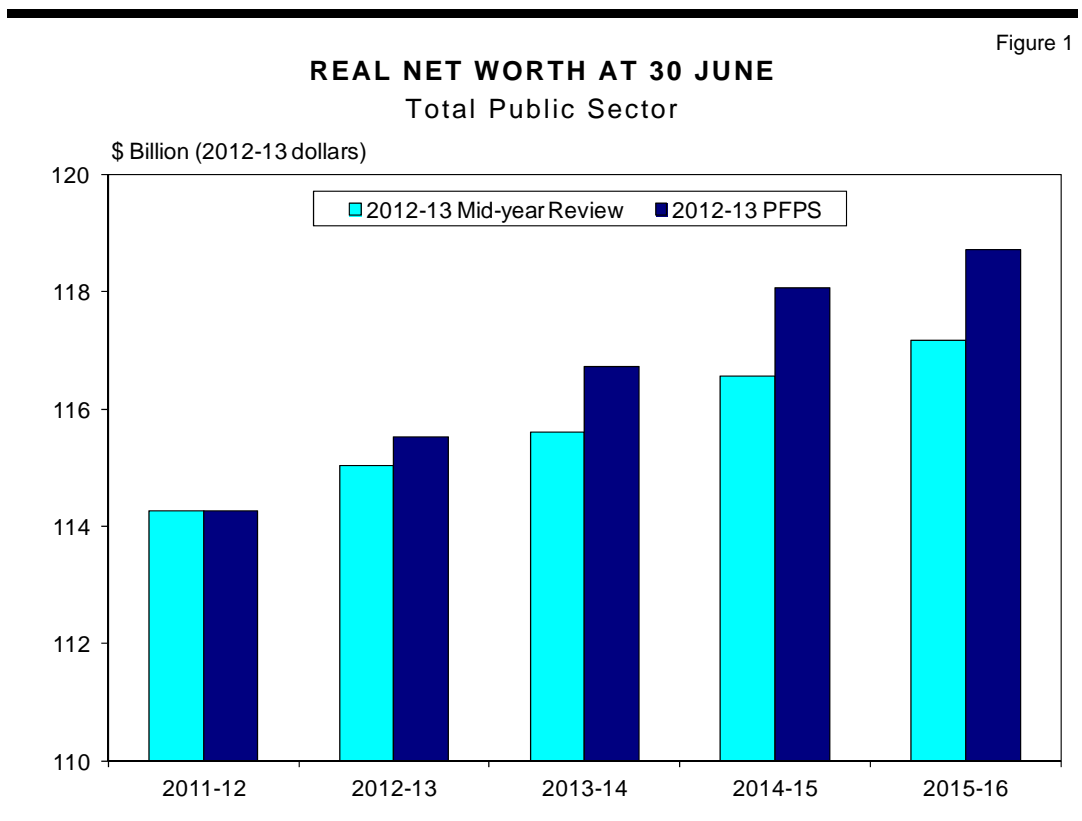
Financial Targets

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 outyears.

In nominal terms, net worth is forecast to increase by around \$15.7 billion across the forward estimates, rising from \$111.5 billion at 30 June 2012 to an estimated \$127.2 billion by 30 June 2016.

The increase in net worth over the forecast period, relative to the December 2012 mid-year review, largely reflects the impact of stronger general government sector revenue projections.



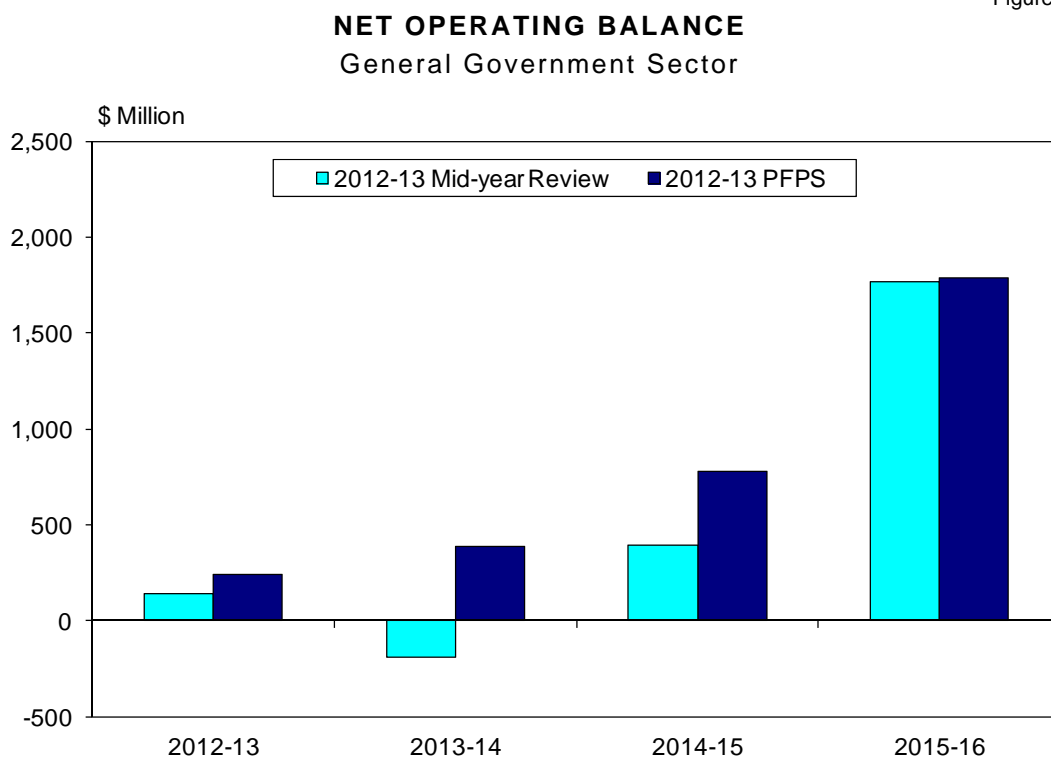
Operating Result: Achieve an Operating Surplus for the General Government Sector

This target is forecast to be met in each year of the forward estimates period.

In contrast to the mid-year review projections, an operating surplus of \$390 million is now forecast for 2013-14. This represents a \$577 million turnaround on the \$187 million operating deficit forecast for 2013-14 in the mid-year review. This primarily reflects the impact on royalty revenue from the rebound in iron ore prices over December 2012 and January 2013, and highlights the volatility inherent in the State’s revenue estimates.

Nonetheless, the operating surpluses forecast for 2012-13 and 2013-14 are small in the context of the State’s revenue base, at just 0.9% and 1.4% of forecast general government revenue in 2012-13 and 2013-14 respectively. They are also small in the context of general government sector infrastructure investment, which is estimated at \$3.2 billion in 2012-13 and \$3.1 billion in 2013-14. To provide more of a buffer against increased revenue volatility, and to reduce the need for new borrowings to fund infrastructure investment, it is essential that larger operating surpluses are budgeted for and delivered in coming years.

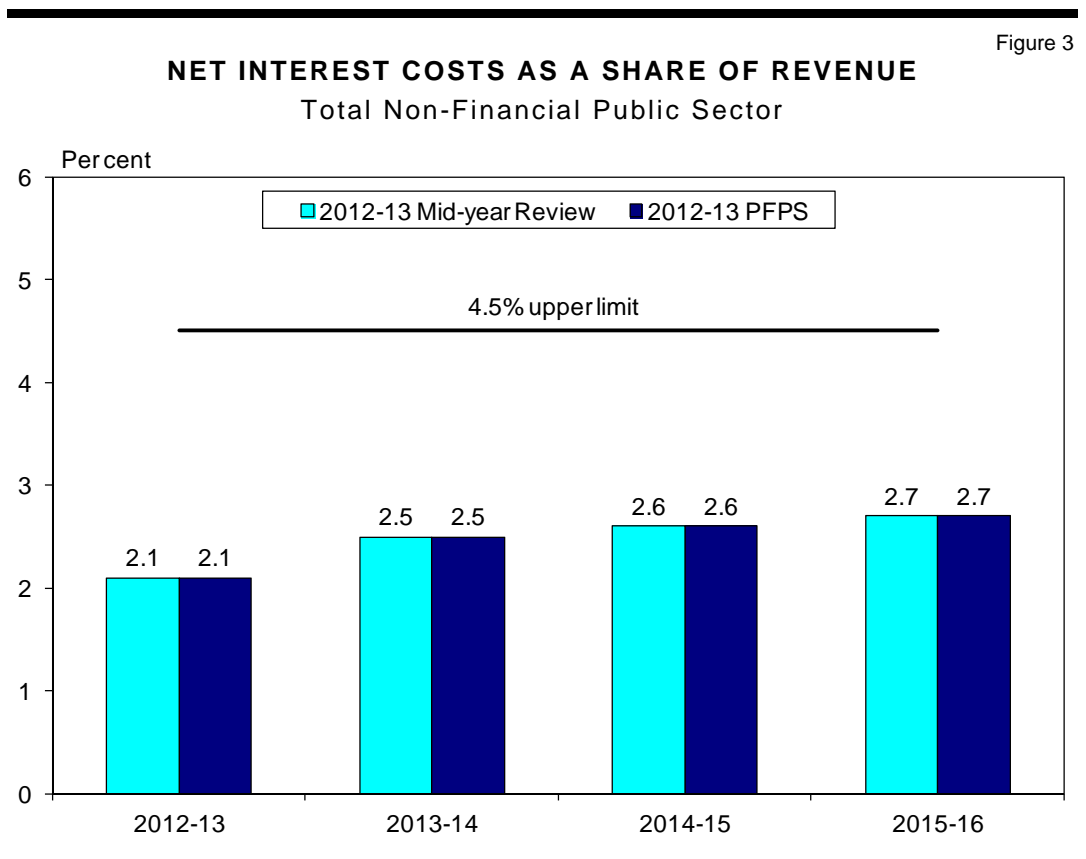
Figure 2



Net Debt Affordability: Maintain Net Interest Costs as a Share of Revenue¹ at or Below 4.5%

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

The current projections for net interest costs as a share of revenue are consistent with those included in the 2012-13 mid-year review, with the ratio forecast to increase from 2.1% in 2012-13 to 2.7% by 2015-16. The lower net debt projections contained in this PFPS (relative to the mid-year review) are offset by slightly higher interest rate assumptions, resulting in no overall change to the net interest costs target ratio.

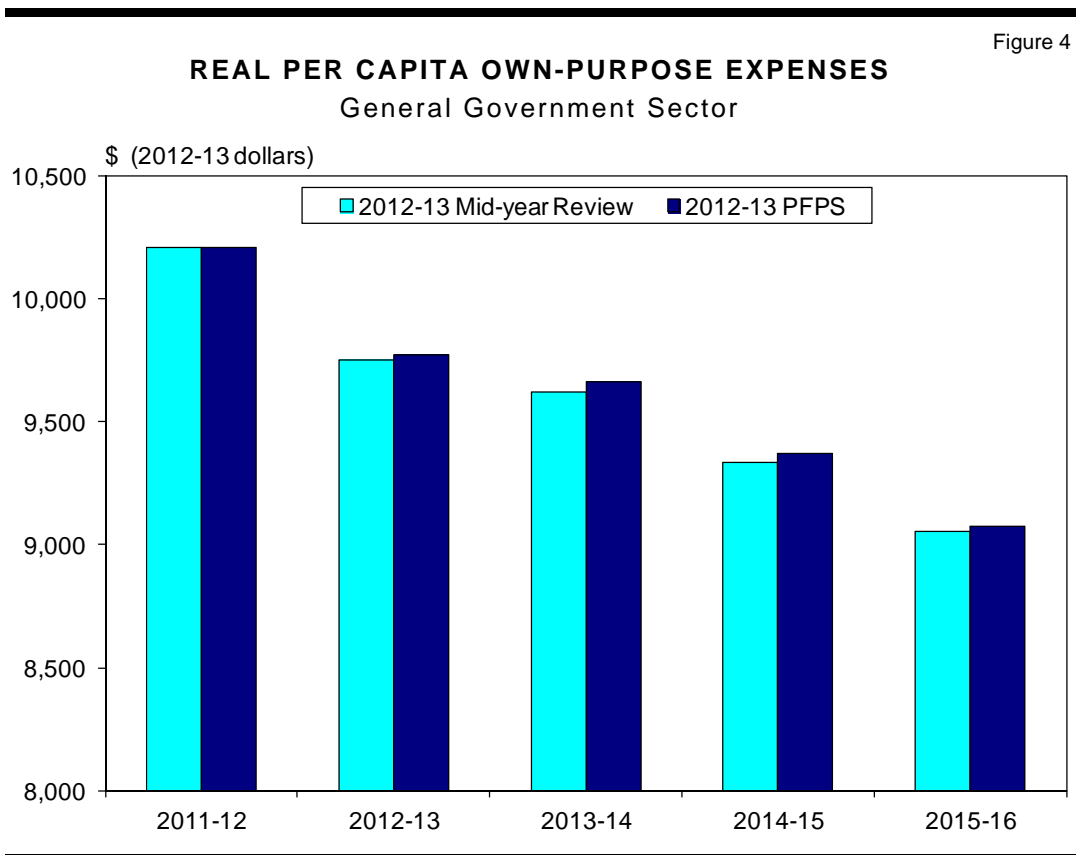


¹ For the total non-financial public sector.

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 the forward estimates period.

Projections for expense growth across the forward estimates are largely consistent with those in the 2012-13 mid-year review, with nominal growth of 2.7% expected in 2012-13 (up 0.2% relative to the mid-year review). Expense growth outcomes projected in the PFPS are dependent on agencies achieving savings measures implemented in recent budget rounds and in the 2012-13 mid-year review.



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

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

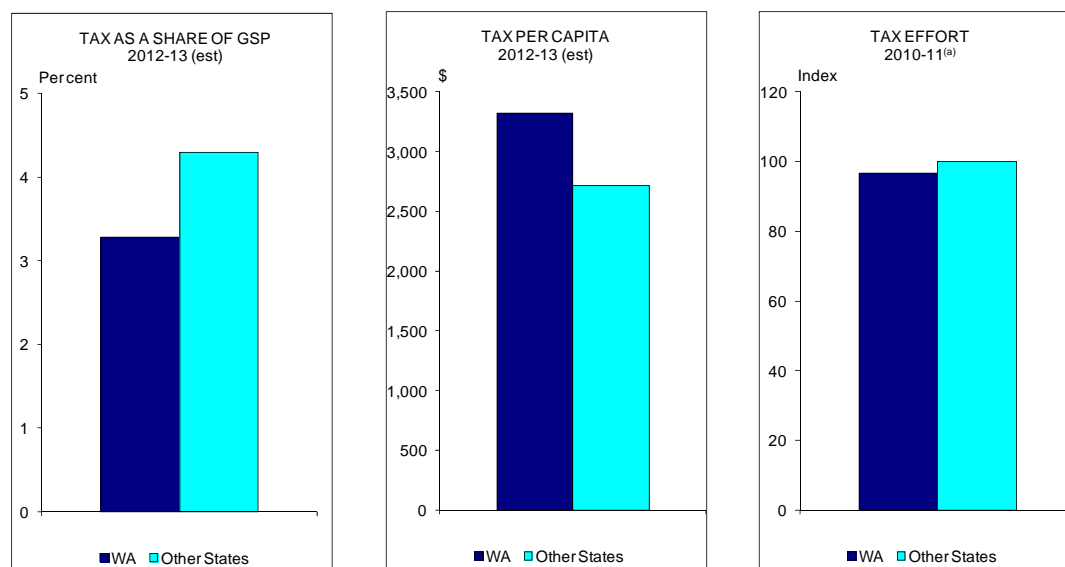
Based on available data, this target is expected to be met in 2012-13 and across the forward estimates period.

As noted in the 2012-13 mid-year review:

- tax revenue as a share of Gross State Product in Western Australia is expected to be lower than the average of other States in 2012-13 (3.3% compared to an average of 4.3% estimated for other States);
- Western Australia is expected to exceed the average of other States in 2012-13 for tax per capita. This mainly reflects the relative strength of the State's economic base (and hence its revenue raising capacity), as opposed to having higher average tax rates; and
- tax 'effort' calculated from the latest available Commonwealth Grants Commission (CGC) data indicates that Western Australia's tax effort was 3.4% lower than the national average in 2010-11.

Figure 5

TAX COMPETITIVENESS Various Measures



(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.

The Western Australian Economy

HIGHLIGHTS

- The outlook for the Western Australian economy remains largely unchanged from the 2012-13 mid-year review.
- The key changes in assumptions since the mid-year review are a downward revision to projected growth in the Consumer Price Index and upward revisions to iron ore price and exchange rate estimates.
- Business investment remains the key driver of growth in domestic demand, and is underpinning above-average population growth and strong labour demand.
- In the outyears, economic growth is expected to rebalance away from business investment and towards exports, as major resource projects transition from construction to production.
- As highlighted in the mid-year review, Western Australia's strong economic growth is not flowing through to the State's revenue base. In 2012-13, economic growth of 6.0% is forecast, which compares to expected growth in general government sector revenue of just 1.0%.

Overview

The outlook for the Western Australian economy remains consistent with the expectations incorporated in the mid-year review released in December 2012. Projections for inflation have been revised down to reflect a weaker than expected outcome in the December quarter. Higher than expected commodity prices (with the exception of gold) and the persistent strength in the \$US/\$A exchange rate have also led to upward revisions in these parameter assumptions relative to the mid-year review.

Western Australia's economy is forecast to grow by 6.0% in 2012-13, following growth of 6.7% in 2011-12. Business investment is expected to be the key driver of growth in domestic demand in 2012-13, reflecting increases in spending for major committed LNG and iron ore projects. Above-average population growth will support household consumption, with dwelling investment anticipated to recover following a decline in 2011-12. Growth in export volumes is also projected to pick up, despite a moderation in the terms of trade.

Economic growth in the outyears is expected to rebalance away from business investment and towards exports, as a number of major resource projects pass peak construction and transition to production. As a result, domestic demand growth will moderate from its current high rates, but overall economic growth (as measured by Gross State Product) is expected to remain close to trend supported by strong growth in exports.

High levels of business investment and above-average population growth have underpinned strong labour demand in Western Australia. However, the outlook for labour demand in the outyears is expected to soften following a peak in business investment, resulting in a projected slowing in employment and wage growth over the outyears (unchanged since the mid-year review).

Table 1

COMPONENTS OF GROSS STATE PRODUCT
Western Australia

	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual %	PFPS Estimate %	Forward Estimate %	Forward Estimate %	Forward Estimate %
Demand and Output ^(a)					
Household consumption	6.6	5.25	4.75	4.5	4.25
Dwelling investment	-14.6	4.5	7.5	4.25	4.25
Business investment	38.2	11.25	2.0	-2.5	-3.5
Government consumption	5.5	3.5	4.25	3.25	3.5
Government investment	9.4	1.5	1.5	1.0	0.75
State Final Demand (SFD)	14.2	7.0	3.75	1.75	1.25
Merchandise exports	4.6	6.5	7.0	6.5	6.0
Merchandise imports	27.6	12.0	4.0	-2.75	-6.0
Net exports ^(b)	-3.7	4.0	8.25	10.5	10.5
Gross State Product (GSP) ^(c)	6.7	6.0	5.0	4.25	4.25
GSP per capita	3.7	3.2	2.5	2.0	1.9
Nominal GSP	7.8	4.75	5.25	5.0	5.0
Income ^(a)					
Terms of trade	-1.5	-7.25	-4.0	-3.5	-3.5
Gross State Income (GSI)	6.6	1.25	2.75	2.25	2.25
Labour market					
Population	3.0	2.8	2.4	2.3	2.3
Working age population (15-64)	2.8	2.4	2.0	1.9	1.8
Employment	3.7	3.25	2.25	2.0	1.75
Unemployment rate ^(d)	4.0	4.25	4.5	4.5	4.5
Participation rate (15-64) ^(d)	80.2	81.0	81.5	81.5	81.5
Prices					
Consumer Price Index (CPI)	2.2	2.75	2.75	2.75	2.75
Wage Price Index (WPI)	4.3	4.5	4.25	4.25	4.25
SFD deflator	1.6	2.5	2.25	2.25	2.5
GSP deflator	1.1	-1.25	0.25	0.5	0.75
Established house price index	-2.3	4.7	5.7	5.5	5.8
Other key parameters					
Exchange rate (US cents/\$A)	103.2	104.1	102.4	99.6	96.8
Iron ore price (\$US/tonne) (FOB)	137.0	123.0	127.2	122.7	118.3
Crude oil price (\$US/barrel)	95.0	92.7	95.1	91.6	88.8

(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.

Gross State Product

Western Australia's economy continues to grow at a strong pace, with overall growth supported by strong growth in domestic demand. State Final Demand (a measure of the domestic economy, excluding net exports) in the September quarter 2012 was 9.6% higher than the same quarter of the previous year, following annual average growth of 14.2% in 2011-12. The increase over the year to the September quarter was supported by business investment, which was 18.3% higher than the previous year.

Business investment is expected to expand further in 2012-13, due to continued strong spending on the Gorgon LNG project and increases in spending on other major LNG projects, such as Wheatstone, Prelude, and Ichthys. Notwithstanding recent volatility in iron ore prices, the short-term outlook for iron ore investment also remains robust given much of the spending is already committed. Business investment is forecast to peak in 2013-14, and to moderate in the outyears as major projects pass peak construction and transition to production.

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

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. Reflecting this, dwelling investment declined sharply in 2011-12, and was 10.4% lower in the September quarter 2012 than the previous year. However, partial indicators suggest that underlying demand for housing is improving, and dwelling investment is forecast to recover over coming years supported by above-average population and income growth.

Western Australia's strong economic growth contrasts with a slowing in global growth over 2012, reflecting persistently weak demand in advanced economies and slower growth in emerging economies. Growth in China, Western Australia's largest trading partner, softened in 2012 partly in response to weaker external demand from advanced economies. However, conditions in China stabilised towards the end of the year, supported by a pick-up in infrastructure spending and an easing in monetary policy.

The softer demand from China has been reflected in lower commodity prices relative to 2011-12, with the terms of trade forecast to decline by 7.25% in 2012-13. However, Western Australia's export volumes have been largely unaffected, reflecting low production costs for the State's capital-intensive iron ore projects relative to iron ore prices and overseas competitors' costs (including China's domestic iron ore producers).

Labour Market

Employment

Employment in Western Australia remains at high levels, following growth of 3.7% in 2011-12 underpinned by demand for labour in the health care and social assistance, and mining industries. Employment is expected to grow by 3.25% in 2012-13, but growth is expected to soften over the outyears as resource investment peaks and growth in domestic demand moderates.

Unemployment

Western Australia's unemployment rate picked up in the December quarter 2012 due to increases in labour supply, but remains low in 2012-13 to date (4.1%). The unemployment rate is expected to average 4.25% in 2012-13, up from 4.0% in 2011-12. It is forecast to rise to 4.5% in the outyears, as a peak in business investment in 2013-14 flows through to softer growth in the domestic economy and an associated moderation in labour demand.

Wages and Earnings

Wage growth, as measured by the Wage Price Index, is expected to strengthen to 4.5% in 2012-13, from 4.3% in 2011-12. This reflects 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 inflation has been subdued over the past year, consistent with an easing in inflationary pressures at the national level. The Perth Consumer Price Index (CPI) rose by only 0.3% in the December quarter 2012, following an increase of 1.1% in the previous quarter (partly reflecting the introduction of the carbon tax).

Reflecting a weaker than expected outcome in the December quarter, consumer prices in Perth are forecast to rise by 2.75% in 2012-13 (compared to the mid-year review estimate of 3.25%), despite the introduction of the carbon tax, above-average population growth and reasonably strong wage growth. Perth's CPI is forecast to grow by around 2.75% in the outyears, consistent with an anticipated slowing in domestic demand growth.

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 and the 2012-13 mid-year review.

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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	Mid-year Review	PFPS Revision	PFPS Revision	PFPS Revision	PFPS Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		7,173	8,195	8,200	8,831	9,576	10,425
Current grants and subsidies		8,678	8,139	8,154	7,588	7,273	7,723
Capital grants		1,082	688	689	632	732	651
Sales of goods and services		1,929	2,030	2,030	2,167	2,277	2,393
Interest income		304	281	282	237	274	283
Revenue from public corporations							
Dividends from other sector entities		704	820	820	843	1,034	1,145
Tax equivalent income		381	382	398	506	588	653
Royalty income		4,343	4,366	4,488	5,817	6,222	6,711
Other		627	417	417	421	427	429
Total	3	25,220	25,318	25,477	27,041	28,400	30,412
EXPENSES							
Salaries		9,605	9,881	9,883	10,381	11,001	11,607
Superannuation							
Concurrent costs		913	935	936	1,004	1,086	1,196
Superannuation interest cost		317	281	313	330	345	357
Other employee costs		419	443	443	447	445	469
Depreciation and amortisation		990	1,064	1,064	1,181	1,211	1,216
Services and contracts		1,728	1,862	1,864	1,997	2,052	2,096
Other gross operating expenses		4,656	4,942	4,934	4,855	4,918	5,158
Other interest		371	400	401	460	555	665
Current transfers	4	5,053	4,903	4,929	5,306	5,270	5,290
Capital transfers	4	520	467	469	691	735	573
Total	5	24,571	25,178	25,236	26,651	27,618	28,627
NET OPERATING BALANCE	6	649	140	241	390	782	1,785
<i>Other economic flows</i>							
Net gains on assets/liabilities		92	3	3	5	15	42
Net actuarial gains - superannuation		-1,676	-330	-6	18	-2	-47
Provision for doubtful debts		-26	-2	-2	-	-	-
All other		-	-	-	-	-	-
Total other economic flows		-1,611	-329	-6	22	12	-5
OPERATING RESULT		-962	-189	235	412	794	1,780
<i>All other movements in equity</i>							
Revaluations		-4	2,104	2,110	2,055	2,162	2,074
Gains recognised directly in equity		-7	-1	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		-263	-706	-693	-15	28	-61
Change in net worth of the public corporations sectors		508	2,362	2,399	1,373	1,104	-7
All other		-	-	-	-	-	-
Total all other movements in equity		234	3,760	3,816	3,413	3,294	2,005
TOTAL CHANGE IN NET WORTH		-728	3,571	4,051	3,825	4,088	3,785
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	649	140	241	390	782	1,785
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	3,358	3,191	3,192	3,141	2,929	2,803
Changes in inventories		-	-2	-2	-	-	-
Other movement in non-financial assets		183	1	1	314	-163	4
<i>less:</i>							
Sales of non-financial assets		184	262	262	243	179	226
Depreciation		990	1,064	1,064	1,181	1,211	1,216
Total net acquisition of non-financial assets		2,366	1,864	1,865	2,032	1,376	1,365
NET LENDING/-BORROWING	6	-1,717	-1,724	-1,624	-1,642	-594	420

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	Mid-year	FFPS	FFPS	FFPS	FFPS
		\$m	Review	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		840	575	574	534	515	522
Advances paid		675	662	662	644	625	609
Investments, loans and placements		6,200	5,882	5,909	5,138	5,803	6,971
Receivables		2,488	2,484	2,621	2,892	2,945	3,063
Investment property		8	8	8	8	8	8
Shares and other equity							
Investments in other public sector entities - equity method		43,389	45,752	45,788	47,162	48,265	48,258
Investments in other public sector entities - direct injections		5,544	6,056	6,060	6,575	6,922	7,273
Investments in other entities		10	10	10	10	10	10
Other financial assets		-	-	-	-	-	-
Total financial assets		59,153	61,427	61,632	62,963	65,093	66,715
<i>Non-financial assets</i>							
Land		37,599	38,180	38,185	38,963	39,832	40,691
Property, plant and equipment		37,849	41,111	41,108	44,584	47,321	49,876
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		95	93	93	91	90	88
Other inventories		63	62	62	62	62	62
Intangibles		511	463	461	405	415	403
Non-current assets held for sale		91	86	86	54	53	53
Other		213	142	142	133	133	134
Total non-financial assets		76,423	80,140	80,140	84,295	87,907	91,309
TOTAL ASSETS		135,577	141,567	141,771	147,258	153,000	158,024
LIABILITIES							
Deposits held		528	454	454	428	444	479
Advances received		454	439	439	424	408	393
Borrowings		8,871	11,113	11,131	12,957	14,610	16,098
Unfunded superannuation		8,937	9,106	8,816	8,701	8,633	8,647
Other employee benefits		2,797	2,828	2,827	2,862	2,899	2,641
Payables		885	936	936	937	938	940
Other liabilities		1,630	1,645	1,643	1,597	1,628	1,601
TOTAL LIABILITIES		24,101	26,521	26,245	27,906	29,560	30,799
NET ASSETS		111,475	115,046	115,526	119,352	123,440	127,225
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		9,547	10,460	10,897	11,309	12,133	13,942
Other reserves		101,928	104,587	104,629	108,043	111,307	113,283
NET WORTH	6	111,475	115,046	115,526	119,352	123,440	127,225
MEMORANDUM ITEMS							
<i>Net financial worth</i>		35,052	34,907	35,387	35,056	35,533	35,915
<i>Net financial liabilities</i>		13,881	16,901	16,461	18,680	19,655	19,616
<i>Net debt</i>							
Gross debt liabilities		9,853	12,006	12,024	13,809	15,462	16,971
less : liquid financial assets		7,715	7,118	7,145	6,316	6,943	8,102
less: convergence differences impacting net debt		88	88	88	88	88	-
<i>Net debt</i>		2,050	4,800	4,791	7,405	8,431	8,868
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	Mid-year	PFPS	PFPS	PFPS	PFPS
		\$m	Review	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		7,091	8,204	8,209	8,842	9,585	10,440
Grants and subsidies received		9,831	8,823	8,836	8,222	8,003	8,356
Receipts from sales of goods and services		1,983	2,059	2,059	2,183	2,305	2,409
Interest receipts		299	274	274	230	265	275
Dividends and tax equivalents		1,127	1,170	1,169	1,261	1,627	1,782
Other receipts		6,101	5,764	5,784	6,907	7,542	8,049
<i>Total cash received</i>		26,433	26,294	26,332	27,644	29,327	31,312
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-10,635	-11,219	-11,221	-11,769	-12,456	-13,443
Payments for goods and services		-6,815	-7,167	-7,157	-7,230	-7,304	-7,582
Interest paid		-353	-364	-367	-447	-541	-653
Grants and subsidies paid		-5,289	-5,201	-5,229	-5,687	-5,623	-5,637
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,388	-1,318	-1,317	-1,224	-1,346	-1,346
<i>Total cash paid</i>		-24,480	-25,268	-25,290	-26,358	-27,271	-28,662
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,953	1,026	1,042	1,286	2,057	2,649
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,358	-3,191	-3,192	-3,141	-2,929	-2,803
Sales of non-financial assets		184	262	262	243	179	226
<i>Total cash flows from investments in non-financial assets</i>		-3,174	-2,929	-2,931	-2,899	-2,750	-2,578
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		6	-	-	-	-	-
For liquidity purposes		1	-	-	4	1	-
<i>Cash paid</i>							
For policy purposes		-669	-759	-763	-481	-333	-339
For liquidity purposes		-6	-15	-58	-	-	-
<i>Total cash flows from investments in financial assets</i>		-668	-773	-821	-477	-333	-339
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,842	-3,703	-3,751	-3,375	-3,083	-2,917
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		14	15	15	15	15	16
Borrowings		3,416	2,376	2,394	1,588	1,853	1,689
Deposits received		-	-	-	-	-	-
Other financing receipts		32	40	40	38	91	38
<i>Total cash receipts from financing activities</i>		3,463	2,431	2,449	1,641	1,959	1,743
<i>Cash paid</i>							
Advances paid		-14	-15	-15	-15	-15	-16
Borrowings repaid		-95	-129	-129	-171	-140	-139
Deposits paid		-	-	-	-	-	-
Other financing payments		-86	-73	-73	-112	-130	-144
<i>Total payments for financing activities</i>		-196	-216	-216	-299	-285	-299
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,267	2,215	2,233	1,342	1,674	1,445
Net increase in cash and cash equivalents		1,378	-462	-476	-747	648	1,177
Cash and cash equivalents at the beginning of the year		5,418	6,796	6,796	6,320	5,573	6,221
Cash and cash equivalents at the end of the year		6,796	6,334	6,320	5,573	6,221	7,397
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,953	1,026	1,042	1,286	2,057	2,649
Net cash flows from investing in non-financial assets		-3,174	-2,929	-2,931	-2,899	-2,750	-2,578
Cash surplus/-deficit	6	-1,221	-1,904	-1,888	-1,613	-693	72
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	Mid-year	FFPS	FFPS	FFPS	FFPS
		\$m	Review	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		2,194	2,042	2,067	2,152	2,090	2,048
Capital grants		188	107	107	215	189	141
Sales of goods and services		15,676	16,242	16,312	17,326	18,572	19,887
Interest income		253	213	216	245	284	325
Other		408	431	431	448	448	481
<i>Total</i>		<i>18,719</i>	<i>19,035</i>	<i>19,133</i>	<i>20,386</i>	<i>21,584</i>	<i>22,883</i>
EXPENSES							
Salaries		1,024	1,121	1,121	1,157	1,195	1,253
Superannuation							
Concurrent costs		97	106	106	112	118	129
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		50	42	42	42	43	45
Depreciation and amortisation		1,698	1,792	1,792	1,863	1,924	1,977
Services and contracts		844	819	819	810	760	749
Other gross operating expenses		12,173	12,656	12,700	13,388	14,134	15,057
Other interest		991	949	952	1,080	1,169	1,230
Tax equivalents		373	356	372	481	564	631
Current transfers		784	906	906	962	1,018	1,060
Capital transfers		52	248	248	32	14	14
<i>Total</i>		<i>18,085</i>	<i>18,996</i>	<i>19,060</i>	<i>19,926</i>	<i>20,938</i>	<i>22,146</i>
NET OPERATING BALANCE	6	635	39	74	460	646	737
<i>Other economic flows</i>							
Net gains on assets/liabilities		55	134	134	268	311	373
Net actuarial gains - superannuation		-58	-	-	-	-	-
Provision for doubtful debts		-17	-17	-17	-17	-18	-19
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>-20</i>	<i>117</i>	<i>117</i>	<i>250</i>	<i>293</i>	<i>353</i>
OPERATING RESULT		614	156	191	710	939	1,090
<i>Other non-owner movements in equity</i>							
Revaluations		321	2,652	2,653	1,370	1,091	-3
Gains recognised directly in equity		455	-43	-43	-53	-59	-64
Changes in accounting policy/correction of prior period errors		-22	247	247	51	55	51
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>754</i>	<i>2,855</i>	<i>2,857</i>	<i>1,369</i>	<i>1,087</i>	<i>-15</i>
<i>Movements in owner equity</i>							
Dividends		-696	-782	-782	-804	-998	-1,112
Capital injections		645	512	516	515	347	351
<i>Total movements in owner equity</i>		<i>-52</i>	<i>-270</i>	<i>-266</i>	<i>-289</i>	<i>-651</i>	<i>-761</i>
TOTAL CHANGE IN NET WORTH		1,317	2,741	2,782	1,790	1,375	314
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	635	39	74	460	646	737
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,447	4,160	4,160	3,957	3,729	3,650
Changes in inventories		-8	118	118	18	7	88
Other movement in non-financial assets		-24	-289	-227	264	26	33
<i>less:</i>							
Sales of non-financial assets		743	1,274	1,274	1,409	1,566	1,574
Depreciation		1,698	1,792	1,792	1,863	1,924	1,977
<i>Total net acquisition of non-financial assets</i>		<i>973</i>	<i>923</i>	<i>985</i>	<i>967</i>	<i>271</i>	<i>219</i>
NET LENDING/-BORROWING	6	-338	-883	-912	-507	375	517
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	Mid-year Review	PFPS Revision	PFPS Revision	PFPS Revision	PFPS Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,090	1,162	1,126	1,148	1,311	1,358
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,009	5,499	5,499	5,488	5,485	5,704
Receivables		1,278	1,181	1,181	1,248	1,378	1,482
Investment property		27	27	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	8	108	63	63	63
Other financial assets		1,028	1,003	1,003	947	912	866
Total financial assets		7,450	8,880	8,943	8,921	9,174	9,499
<i>Non-financial assets</i>							
Land		14,152	16,189	16,191	17,222	17,943	17,510
Property, plant and equipment		45,828	47,419	47,419	48,791	49,857	50,935
Biological assets		333	329	329	326	320	314
Inventories							
Land inventories		1,736	2,013	2,013	2,122	2,175	2,059
Other inventories		3,379	3,498	3,498	3,516	3,522	3,611
Intangibles		418	374	374	365	349	324
Non-current assets held for sale		19	19	19	19	19	19
Other		172	109	109	103	103	116
Total non-financial assets		66,037	69,950	69,952	72,465	74,289	74,887
TOTAL ASSETS		73,488	78,830	78,895	81,386	83,463	84,386
LIABILITIES							
Deposits held		3	3	3	3	3	3
Advances received		454	439	439	424	408	393
Borrowings		18,609	21,152	21,163	21,885	22,633	23,214
Unfunded superannuation		150	115	115	77	38	-
Other employee benefits		397	397	397	400	404	406
Payables		4,258	4,280	4,297	4,396	4,440	4,532
Other liabilities		1,972	2,057	2,053	1,983	1,943	1,931
TOTAL LIABILITIES		25,841	28,442	28,466	29,168	29,870	30,480
NET ASSETS		47,647	50,388	50,429	52,218	53,593	53,907
<i>Of which:</i>							
Contributed equity		5,544	6,056	6,060	6,575	6,922	7,273
Accumulated surplus		18,961	18,213	18,247	18,026	17,830	17,657
Other reserves		23,142	26,120	26,122	27,617	28,840	28,977
NET WORTH	6	47,647	50,388	50,429	52,218	53,593	53,907
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-66,037	-69,950	-69,952	-72,465	-74,289	-74,887
<i>Net debt</i>							
Gross debt liabilities		19,065	21,594	21,605	22,312	23,044	23,610
less: liquid financial assets		5,099	6,662	6,625	6,636	6,795	7,061
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		13,966	14,932	14,980	15,675	16,249	16,548
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	Mid-year	PFPS	PFPS	PFPS	PFPS
		\$m	Review	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		2,214	2,153	2,179	2,370	2,284	2,193
Receipts from sales of goods and services		15,829	16,211	16,197	17,114	18,329	19,641
Interest receipts		253	214	216	245	284	326
Dividends and tax equivalents		73	45	45	45	47	87
Other receipts		1,262	1,031	1,114	1,174	1,162	1,369
<i>Total cash received</i>		19,632	19,653	19,751	20,948	22,106	23,617
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,166	-1,285	-1,285	-1,328	-1,373	-1,449
Payments for goods and services		-11,804	-11,591	-11,596	-12,287	-12,969	-13,587
Interest paid		-964	-869	-875	-1,035	-1,118	-1,174
Grants and subsidies paid		-523	-679	-679	-722	-773	-812
Tax equivalents		-418	-346	-345	-413	-570	-610
Other payments		-2,546	-3,026	-3,064	-3,058	-3,071	-3,495
<i>Total cash paid</i>		-17,421	-17,795	-17,844	-18,844	-19,874	-21,128
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,211	1,858	1,907	2,104	2,232	2,489
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,447	-4,160	-4,160	-3,957	-3,729	-3,650
Sales of non-financial assets		743	1,274	1,274	1,409	1,566	1,574
<i>Total cash flows from investments in non-financial assets</i>		-2,703	-2,886	-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	86	86	54	14	37
<i>Cash paid</i>							
For policy purposes		-	-5	-5	-	-	-
For liquidity purposes		-210	-110	-210	-6	-6	-235
<i>Total cash flows from investments in financial assets</i>		-32	-30	-130	49	8	-197
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,736	-2,915	-3,015	-2,499	-2,155	-2,273
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		12,748	8,013	8,024	2,661	2,768	2,028
Deposits received		-	-	-	-	-	-
Other financing receipts		723	830	834	807	372	394
<i>Total cash received</i>		13,472	8,843	8,858	3,468	3,140	2,422
<i>Cash paid</i>							
Advances paid		-14	-15	-15	-15	-15	-16
Borrowings repaid		-11,778	-6,944	-6,944	-2,232	-2,011	-1,430
Deposits paid		-	-	-	-	-	-
Other financing payments		-62	-18	-18	-26	-32	-34
Dividends paid		-695	-782	-782	-804	-998	-1,115
<i>Total cash paid</i>		-12,549	-7,758	-7,758	-3,077	-3,057	-2,595
NET CASH FLOWS FROM FINANCING ACTIVITIES		923	1,085	1,100	391	83	-174
Net increase in cash and cash equivalents		398	28	-8	-4	160	43
Cash and cash equivalents at the beginning of the year		1,125	1,522	1,522	1,514	1,510	1,670
Cash and cash equivalents at the end of the year		1,522	1,550	1,514	1,510	1,670	1,713
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,211	1,858	1,907	2,104	2,232	2,489
Net cash flows from investing in non-financial assets		-2,703	-2,886	-2,886	-2,548	-2,163	-2,075
Dividends paid		-695	-782	-782	-804	-998	-1,115
Cash surplus/-deficit	6	-1,188	-1,809	-1,760	-1,248	-929	-702
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	Mid-year	PFPS	PFPS	PFPS	PFPS
		\$m	Review	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		6,852	7,790	7,795	8,406	9,134	9,970
Current grants and subsidies		8,678	8,139	8,154	7,588	7,273	7,723
Capital grants		1,082	688	689	632	732	651
Sales of goods and services		17,203	17,818	17,888	19,036	20,380	21,807
Interest income		520	459	461	448	520	568
Royalty income		4,343	4,366	4,488	5,817	6,222	6,711
Dividend and tax equivalents		60	108	108	109	106	141
Other		955	771	771	795	797	793
Total		39,694	40,140	40,356	42,830	45,164	48,363
EXPENSES							
Salaries		10,629	11,002	11,004	11,537	12,196	12,861
Superannuation							
Concurrent costs		1,010	1,041	1,042	1,115	1,204	1,325
Superannuation interest cost		317	281	313	330	345	357
Other employee costs		303	271	271	269	260	279
Depreciation and amortisation		2,688	2,856	2,856	3,044	3,135	3,194
Services and contracts		2,566	2,673	2,675	2,800	2,804	2,837
Other gross operating expenses		16,415	17,179	17,215	17,824	18,623	19,782
Other interest		1,324	1,313	1,317	1,505	1,686	1,853
Current transfers		3,470	3,518	3,518	3,853	3,925	4,024
Capital transfers		384	608	610	506	556	442
Total		39,107	40,743	40,823	42,784	44,735	46,953
NET OPERATING BALANCE	6	587	-603	-467	46	430	1,410
<i>Other economic flows</i>							
Net gains on assets/liabilities		147	137	137	272	325	414
Net actuarial gains - superannuation		-1,735	-330	-6	18	-2	-47
Provision for doubtful debts		-43	-19	-19	-17	-18	-19
All other		-	-	-	-	-	-
Total other economic flows		-1,631	-212	111	273	305	348
OPERATING RESULT		-1,044	-815	-355	318	735	1,758
<i>All other movements in equity</i>							
Revaluations		317	4,756	4,764	3,425	3,254	2,071
Gains recognised directly in equity		448	-44	-44	-53	-60	-64
Changes in accounting policy/correction of prior period errors		-285	-459	-446	36	83	-10
Change in net worth of the PFC sector		-164	133	133	99	76	30
All other		-	-	-	-	-	-
Total all other movements in equity		316	4,386	4,407	3,507	3,353	2,027
TOTAL CHANGE IN NET WORTH		-728	3,571	4,051	3,825	4,088	3,785
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	587	-603	-467	46	430	1,410
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,768	7,316	7,317	7,049	6,626	6,446
Changes in inventories		-8	117	117	18	7	88
Other movement in non-financial assets		158	-288	-226	578	-137	37
<i>less:</i>							
Sales of non-financial assets		891	1,501	1,501	1,602	1,713	1,793
Depreciation		2,688	2,856	2,856	3,044	3,135	3,194
Total net acquisition of non-financial assets		3,339	2,787	2,851	2,998	1,647	1,585
NET LENDING/-BORROWING	6	-2,752	-3,390	-3,318	-2,953	-1,217	-175
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	Mid-year	FFPS	FFPS	FFPS	FFPS
		\$m	Review	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,591	1,472	1,435	1,442	1,570	1,589
Advances paid		222	223	223	220	217	217
Investments, loans and placements		10,209	11,381	11,408	10,627	11,287	12,674
Receivables		3,670	3,540	3,660	3,922	4,104	4,268
Investment property		35	35	35	35	35	35
Shares and other equity							
Investments in other public sector entities - equity method		1,286	1,420	1,420	1,518	1,594	1,625
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		28	17	117	73	73	73
Other financial assets		-	-	-	-	-	-
<i>Total financial assets</i>		17,041	18,087	18,297	17,837	18,880	20,480
<i>Non-financial assets</i>							
Land		51,751	54,369	54,376	56,185	57,775	58,201
Property, plant and equipment		83,676	88,530	88,528	93,376	97,178	100,811
Biological assets		335	331	331	328	322	316
Inventories							
Land inventories		1,831	2,106	2,106	2,213	2,265	2,146
Other inventories		3,443	3,559	3,559	3,577	3,584	3,672
Intangibles		929	837	834	771	764	728
Non-current assets held for sale		110	105	105	74	72	72
Other		385	251	251	236	236	250
<i>Total non-financial assets</i>		142,461	150,090	150,091	156,761	162,196	166,196
TOTAL ASSETS		159,502	168,176	168,388	174,598	181,076	186,676
LIABILITIES							
Deposits held		193	191	191	191	191	191
Advances received		454	439	439	424	408	393
Borrowings		27,479	32,265	32,294	34,842	37,243	39,313
Unfunded superannuation		9,086	9,222	8,930	8,778	8,671	8,648
Other employee benefits		3,193	3,224	3,224	3,262	3,304	3,048
Payables		5,050	5,095	5,095	5,120	5,163	5,197
Other liabilities		2,571	2,694	2,689	2,629	2,655	2,663
<i>TOTAL LIABILITIES</i>		48,026	53,130	52,862	55,246	57,636	59,451
NET ASSETS		111,475	115,046	115,526	119,352	123,440	127,225
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		28,575	28,739	29,211	29,402	30,030	31,665
Other reserves		82,900	86,307	86,316	89,950	93,410	95,559
NET WORTH	6	111,475	115,046	115,526	119,352	123,440	127,225
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-30,985	-35,043	-34,565	-37,409	-38,756	-38,972
<i>Net financial liabilities</i>		32,300	36,480	36,102	39,000	40,424	40,669
<i>Net debt</i>							
Gross debt liabilities		28,126	32,895	32,924	35,457	37,843	39,896
less: liquid financial assets		12,022	13,075	13,065	12,288	13,074	14,480
less: convergence differences impacting net debt		88	88	88	88	88	-
<i>Net debt</i>		16,016	19,732	19,770	23,081	24,681	25,417
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	Mid-year Review	PFPS Revision	PFPS Revision	PFPS Revision	PFPS Revision
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		6,760	7,793	7,798	8,413	9,141	9,981
Grants and subsidies received		9,831	8,823	8,836	8,222	8,003	8,356
Receipts from sales of goods and services		17,411	17,822	17,807	18,843	20,166	21,582
Interest receipts		514	451	454	440	512	560
Dividends and tax equivalents		88	87	87	88	105	143
Other receipts		6,973	6,766	6,871	8,059	8,682	9,396
Total cash received		41,577	41,744	41,854	44,065	46,609	50,019
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-11,801	-12,503	-12,505	-13,096	-13,829	-14,892
Payments for goods and services		-17,857	-18,304	-18,299	-19,064	-19,805	-20,700
Interest paid		-1,279	-1,197	-1,206	-1,448	-1,621	-1,787
Grants and subsidies paid		-3,574	-3,707	-3,709	-4,019	-4,093	-4,236
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-3,598	-3,931	-3,968	-3,852	-3,971	-4,381
Total cash paid		-38,108	-39,641	-39,687	-41,479	-43,319	-45,996
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,469	2,102	2,167	2,586	3,290	4,023
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,768	-7,316	-7,317	-7,049	-6,626	-6,446
Sales of non-financial assets		891	1,501	1,501	1,602	1,713	1,793
Total cash flows from investments in non-financial assets		-5,877	-5,815	-5,816	-5,447	-4,913	-4,653
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		6	-	-	-	-	-
For liquidity purposes		178	86	86	59	14	38
<i>Cash paid</i>							
For policy purposes		-6	-	-	-	-	-
For liquidity purposes		-216	-125	-269	-6	-6	-235
Total cash flows from investments in financial assets		-37	-39	-183	53	8	-197
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,914	-5,855	-5,999	-5,394	-4,905	-4,850
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		16,164	10,390	10,419	4,248	4,622	3,717
Deposits received		-	-	-	-	-	-
Other financing receipts		52	82	82	306	90	42
Total cash received		16,217	10,471	10,500	4,554	4,712	3,759
<i>Cash paid</i>							
Advances paid		-14	-15	-15	-15	-15	-16
Borrowings repaid		-11,873	-7,073	-7,073	-2,403	-2,152	-1,569
Deposits paid		-	-	-	-	-	-
Other financing payments		-108	-65	-65	-79	-123	-128
Total cash paid		-11,995	-7,153	-7,153	-2,497	-2,289	-1,713
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,222	3,318	3,347	2,057	2,422	2,047
Net increase in cash and cash equivalents		1,776	-434	-484	-751	807	1,219
Cash and cash equivalents at the beginning of the year		6,542	8,318	8,318	7,833	7,082	7,889
Cash and cash equivalents at the end of the year		8,318	7,884	7,833	7,082	7,889	9,109
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,469	2,102	2,167	2,586	3,290	4,023
Net cash flows from investing in non-financial assets		-5,877	-5,815	-5,816	-5,447	-4,913	-4,653
Cash surplus/-deficit	6	-2,408	-3,713	-3,649	-2,861	-1,623	-630

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	Mid-year Review	PFPS Revision	PFPS Revision	PFPS Revision	PFPS Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		957	923	923	986	1,021	1,096
Interest income		1,768	1,876	1,880	2,158	2,396	2,573
Other		5	-	-	-	-	-
Total		2,730	2,799	2,803	3,144	3,417	3,669
EXPENSES							
Salaries		42	45	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	17	17	18	18	18
Services and contracts		13	13	13	15	16	17
Other gross operating expenses		1,086	830	830	897	961	1,043
Other interest		1,626	1,706	1,710	1,954	2,181	2,352
Tax equivalents		8	26	26	26	24	21
Current transfers		3	4	4	4	4	4
Capital transfers		-	7	7	4	4	4
Total		2,798	2,654	2,658	2,972	3,266	3,521
NET OPERATING BALANCE	6	-69	145	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		-	-	-	-	-	-
Total other economic flows		-60	-	-	-	-	-
OPERATING RESULT		-129	145	145	171	151	147
<i>Other non-owner movements in equity</i>							
Revaluations		15	2	2	7	8	3
Gains recognised directly in equity		97	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-94	69	69	3	-	-
All other		-	-	-	-	-	-
Total other non-owner movements in equity		18	71	71	11	8	3
<i>Movements in owner equity</i>							
Dividends		-52	-83	-83	-83	-83	-120
Capital injections		-	-	-	-	-	-
Total movements in owner equity		-52	-83	-83	-83	-83	-120
TOTAL CHANGE IN NET WORTH		-164	133	133	99	76	30
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-69	145	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	17	17	18	18	18
Total net acquisition of non-financial assets		-2	-11	-11	-13	-14	-14
NET LENDING/-BORROWING	6	-67	156	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	Mid-year Review	PFPS Revision	PFPS Revision	PFPS Revision	PFPS Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		16	17	17	17	18	18
Advances paid		3,411	5,003	5,003	5,047	5,096	5,106
Investments, loans and placements		38,338	41,325	41,329	43,736	45,160	45,266
Receivables		1,035	1,054	1,054	1,057	1,062	1,067
Investment property		510	551	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	1,305	1,305	1,415	1,522	1,636
Other financial assets		39	39	39	39	39	39
Total financial assets		44,558	49,294	49,298	51,907	53,530	53,803
<i>Non-financial assets</i>							
Land		118	118	118	118	118	118
Property, plant and equipment		250	253	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	68	68	66	64	62
Total non-financial assets		386	451	451	455	458	457
TOTAL ASSETS		44,944	49,745	49,748	52,362	53,989	54,261
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	3	3	3	3	3
Borrowings		40,269	44,834	44,838	47,201	48,579	48,632
Unfunded superannuation		11	11	11	12	12	12
Other employee benefits		9	9	9	9	9	9
Payables		93	96	96	115	142	172
Other liabilities		3,272	3,371	3,371	3,504	3,649	3,807
TOTAL LIABILITIES		43,658	48,325	48,329	50,844	52,394	52,636
NET ASSETS		1,286	1,420	1,420	1,518	1,594	1,625
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,054	1,114	1,114	1,202	1,270	1,298
Other reserves		233	306	306	316	324	327
NET WORTH	6	1,286	1,420	1,420	1,518	1,594	1,625
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-386	-451	-451	-455	-458	-457
<i>Net debt</i>							
Gross debt liabilities		40,272	44,837	44,841	47,204	48,582	48,635
less: liquid financial assets		41,765	46,345	46,348	48,801	50,273	50,390
less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		-1,493	-1,508	-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	Mid-year Review	FFPS Revision	FFPS Revision	FFPS Revision	FFPS Revision	FFPS Revision
	\$m	\$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	5
Receipts from sales of goods and services	922	888	888	965	1,044	1,125	1,125
Interest receipts	1,717	1,877	1,880	2,158	2,396	2,573	2,573
Dividends and tax equivalents	-	-	-	-	-	-	-
Other receipts	124	118	118	127	135	145	145
<i>Total cash received</i>	2,770	2,887	2,891	3,255	3,580	3,848	3,848
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation	-44	-50	-50	-53	-56	-58	-58
Payments for goods and services	-767	-753	-753	-804	-853	-922	-922
Interest paid	-1,517	-1,706	-1,710	-1,954	-2,181	-2,352	-2,352
Grants and subsidies paid	-	-	-	-	-	-	-
Tax equivalents	-7	-5	-5	-5	-23	-24	-24
Other payments	-173	-160	-160	-174	-186	-200	-200
<i>Total cash paid</i>	-2,508	-2,674	-2,678	-2,989	-3,297	-3,557	-3,557
NET CASH FLOWS FROM OPERATING ACTIVITIES	262	213	213	266	282	291	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	-5
Sales of non-financial assets	-	-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>	-13	-7	-7	-5	-4	-5	-5
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	6,110	1,156	1,156	1,201	1,334	1,414	1,414
<i>Cash paid</i>							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	-6,303	-4,952	-4,952	-1,405	-1,551	-1,595	-1,595
<i>Total cash flows from investments in financial assets</i>	-193	-3,796	-3,796	-204	-217	-181	-181
NET CASH FLOWS FROM INVESTING ACTIVITIES	-206	-3,802	-3,802	-209	-221	-186	-186
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	38,986	38,525	38,525	35,577	35,496	35,200	35,200
Deposits received	-	-	-	-	-	-	-
Other financing receipts	-	-	-	-	-	-	-
<i>Total cash received</i>	38,986	38,525	38,525	35,577	35,496	35,200	35,200
<i>Cash paid</i>							
Advances paid	-	-	-	-	-	-	-
Borrowings repaid	-37,358	-37,038	-37,038	-35,571	-35,492	-35,197	-35,197
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-	-	-	-	-	-	-
Dividends paid	-81	-83	-83	-83	-83	-120	-120
<i>Total cash paid</i>	-37,439	-37,120	-37,120	-35,654	-35,575	-35,317	-35,317
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,547	1,405	1,405	-77	-78	-117	-117
Net increase in cash and cash equivalents	1,603	-2,184	-2,184	-20	-17	-12	-12
Cash and cash equivalents at the beginning of the year	2,060	3,664	3,664	1,479	1,459	1,442	1,442
Cash and cash equivalents at the end of the year	3,664	1,479	1,479	1,459	1,442	1,430	1,430
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	262	213	213	266	282	291	291
Net cash flows from investing in non-financial assets	-13	-7	-7	-5	-4	-5	-5
Dividends paid	-81	-83	-83	-83	-83	-120	-120
Cash surplus/deficit	6	168	124	178	195	167	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	Mid-year	PFPS	PFPS	PFPS	PFPS
		\$m	Review	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		6,850	7,787	7,792	8,403	9,131	9,966
Current grants and subsidies		8,678	8,139	8,154	7,588	7,273	7,723
Capital grants		1,082	688	689	632	732	651
Sales of goods and services		17,867	18,457	18,527	19,717	21,090	22,569
Interest income		924	878	881	907	984	1,019
Royalty income		4,343	4,366	4,488	5,817	6,222	6,711
Other		954	771	771	795	797	793
<i>Total</i>		40,699	41,087	41,302	43,857	46,228	49,432
EXPENSES							
Salaries		10,671	11,047	11,049	11,586	12,247	12,913
Superannuation							
Concurrent costs		1,014	1,045	1,046	1,120	1,209	1,330
Superannuation interest cost		317	281	313	330	345	357
Other employee costs		305	273	274	272	262	281
Depreciation and amortisation		2,702	2,874	2,874	3,063	3,154	3,212
Services and contracts		2,579	2,686	2,688	2,815	2,820	2,854
Other gross operating expenses		17,204	17,725	17,761	18,416	19,273	20,492
Other interest		1,587	1,562	1,566	1,759	1,934	2,084
Current transfers		3,470	3,518	3,518	3,853	3,925	4,024
Capital transfers		384	615	617	510	560	446
<i>Total</i>		40,233	41,627	41,707	43,723	45,730	47,994
NET OPERATING BALANCE	6	466	-541	-405	134	498	1,438
<i>Other economic flows</i>							
Net gains on assets/liabilities		89	137	137	272	325	414
Net actuarial gains - superannuation		-1,737	-330	-6	18	-2	-47
Provision for doubtful debts		-43	-19	-19	-17	-18	-19
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		-1,692	-212	111	272	305	348
OPERATING RESULT		-1,226	-753	-294	406	803	1,786
<i>All other movements in equity</i>							
Revaluations		332	4,758	4,766	3,433	3,261	2,074
Gains recognised directly in equity		545	-44	-44	-53	-60	-64
Changes in accounting policy/correction of prior period errors		-379	-390	-378	40	83	-10
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		498	4,324	4,345	3,419	3,285	1,999
TOTAL CHANGE IN NET WORTH		-728	3,571	4,051	3,825	4,088	3,785
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	466	-541	-405	134	498	1,438
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,782	7,323	7,324	7,054	6,630	6,450
Changes in inventories		-8	117	117	18	7	88
Other movement in non-financial assets		158	-288	-226	578	-137	37
<i>less:</i>							
Sales of non-financial assets		892	1,501	1,501	1,602	1,713	1,793
Depreciation		2,702	2,874	2,874	3,063	3,154	3,212
<i>Total net acquisition of non-financial assets</i>		3,338	2,776	2,840	2,985	1,633	1,571
NET LENDING/-BORROWING	6	-2,872	-3,317	-3,245	-2,852	-1,135	-133

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	Mid-year	FFPS	PFPS	PFPS	PFPS
		\$m	Review	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,606	1,488	1,451	1,458	1,587	1,606
Advances paid		3,630	5,222	5,222	5,264	5,310	5,319
Investments, loans and placements		18,575	15,568	15,571	13,964	14,189	15,015
Receivables		4,255	4,206	4,327	4,581	4,751	4,911
Investment property		545	586	586	629	668	706
Equity - Investments in other entities		1,236	1,322	1,422	1,488	1,595	1,709
Other financial assets		39	39	39	39	39	39
<i>Total financial assets</i>		<i>29,886</i>	<i>28,431</i>	<i>28,619</i>	<i>27,423</i>	<i>28,139</i>	<i>29,306</i>
<i>Non-financial assets</i>							
Land		51,869	54,487	54,494	56,303	57,893	58,318
Property, plant and equipment		83,926	88,783	88,780	93,636	97,445	101,080
Biological assets		335	331	331	328	322	316
Inventories							
Land inventories		1,831	2,106	2,106	2,213	2,265	2,146
Other inventories		3,443	3,559	3,559	3,577	3,584	3,672
Intangibles		943	849	847	782	773	736
Non-current assets held for sale		110	105	105	74	72	72
Other		391	318	318	301	298	310
<i>Total non-financial assets</i>		<i>142,847</i>	<i>150,539</i>	<i>150,540</i>	<i>157,214</i>	<i>162,652</i>	<i>166,652</i>
TOTAL ASSETS		172,733	178,969	179,159	184,637	190,792	195,957
LIABILITIES							
Deposits held		192	190	190	190	190	190
Advances received		454	439	439	424	408	393
Borrowings		37,776	39,961	39,966	41,644	43,564	45,020
Unfunded superannuation		9,097	9,233	8,942	8,789	8,683	8,660
Other employee benefits		3,203	3,234	3,233	3,272	3,313	3,057
Payables		5,032	5,110	5,110	5,140	5,210	5,276
Other liabilities		5,503	5,756	5,753	5,826	5,983	6,138
TOTAL LIABILITIES		61,258	63,923	63,633	65,285	67,352	68,733
NET ASSETS		111,475	115,046	115,526	119,352	123,440	127,225
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,629	29,853	30,324	30,604	31,300	32,963
Other reserves		81,846	85,194	85,202	88,748	92,140	94,261
NET WORTH	6	111,475	115,046	115,526	119,352	123,440	127,225
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-31,372	-35,492	-35,014	-37,862	-39,213	-39,427
<i>Net financial liabilities</i>		32,608	36,814	36,436	39,350	40,808	41,136
<i>Net debt</i>							
Gross debt liabilities		38,422	40,590	40,595	42,258	44,163	45,602
less: liquid financial assets		23,811	22,278	22,244	20,686	21,085	21,940
less: convergence differences impacting net debt		88	88	88	88	88	-
<i>Net debt</i>		<i>14,523</i>	<i>18,225</i>	<i>18,263</i>	<i>21,484</i>	<i>22,989</i>	<i>23,662</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	Mid-year	PFPS	PFPS	PFPS	PFPS
		\$m	Review	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		6,709	7,745	7,750	8,360	9,084	9,920
Grants and subsidies received		9,831	8,823	8,836	8,222	8,003	8,356
Receipts from sales of goods and services		18,061	18,426	18,412	19,499	20,873	22,341
Interest receipts		920	954	951	932	1,018	1,055
Dividends and tax equivalents		-	-	-	-	-	-
Other		7,093	6,880	6,984	8,181	8,811	9,536
Total cash received		42,613	42,828	42,933	45,194	47,789	51,209
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-11,845	-12,553	-12,555	-13,149	-13,885	-14,950
Payments for goods and services		-18,351	-18,773	-18,768	-19,558	-20,321	-21,257
Interest paid		-1,485	-1,529	-1,532	-1,736	-1,911	-2,062
Grants and subsidies paid		-3,568	-3,702	-3,705	-4,014	-4,088	-4,231
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-3,715	-4,038	-4,075	-3,968	-4,094	-4,515
Total cash paid		-38,963	-40,595	-40,635	-42,425	-44,299	-47,014
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,650	2,233	2,298	2,769	3,490	4,194
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,782	-7,323	-7,324	-7,054	-6,630	-6,450
Sales of non-financial assets		892	1,501	1,501	1,602	1,713	1,793
Total cash flows from investments in non-financial assets		-5,890	-5,822	-5,823	-5,452	-4,917	-4,658
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		6	-	-	-	-	-
For liquidity purposes		6,288	1,242	1,242	1,259	1,348	1,451
<i>Cash paid</i>							
For policy purposes		-6	-	-	-	-	-
For liquidity purposes		-6,518	-5,077	-5,221	-1,410	-1,557	-1,830
Total cash flows from investments in financial assets		-230	-3,835	-3,979	-151	-209	-378
NET CASH FLOWS FROM INVESTING ACTIVITIES		-6,120	-9,657	-9,801	-5,603	-5,126	-5,036
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		27,171	30,571	30,572	31,841	33,984	35,136
Deposits received		-	-	-	-	-	-
Other financing receipts		52	82	82	306	90	42
Total cash received		27,224	30,653	30,653	32,147	34,074	35,178
<i>Cash paid</i>							
Advances paid		-14	-15	-15	-15	-15	-16
Borrowings repaid		-21,252	-25,767	-25,739	-29,990	-31,509	-32,986
Deposits paid		-	-	-	-	-	-
Other financing payments		-108	-65	-65	-79	-123	-128
Total cash paid		-21,374	-25,847	-25,819	-30,084	-31,647	-33,129
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,849	4,806	4,835	2,063	2,426	2,049
Net increase in cash and cash equivalents		3,379	-2,618	-2,669	-771	790	1,207
Cash and cash equivalents at the beginning of the year		8,602	11,981	11,981	9,312	8,541	9,331
Cash and cash equivalents at the end of the year		11,981	9,362	9,312	8,541	9,331	10,539
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		3,650	2,233	2,298	2,769	3,490	4,194
Net cash flows from investing in non-financial assets		-5,890	-5,822	-5,823	-5,452	-4,917	-4,658
Cash surplus/-deficit	6	-2,240	-3,589	-3,525	-2,683	-1,427	-463

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	Mid-year Review	PFPS Revision	PFPS Revision	PFPS Revision	PFPS Revision
	\$m	\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local government	450	318	318	432	548	586
Local government on-passing	154	162	162	169	177	185
Private and not-for-profit sector	1,407	1,554	1,554	1,667	1,485	1,377
Private and not-for-profit sector on-passing	831	817	817	875	958	1,080
Other sectors of government	2,211	2,052	2,078	2,162	2,101	2,062
<i>Total Current Transfers</i>	<i>5,053</i>	<i>4,903</i>	<i>4,929</i>	<i>5,306</i>	<i>5,270</i>	<i>5,290</i>
<i>CAPITAL TRANSFERS</i>						
Local government	64	85	85	178	157	63
Local government on-passing	101	105	105	109	114	118
Private and not-for-profit sector	123	145	147	162	246	218
Private and not-for-profit sector on-passing	40	25	25	27	30	33
Other sectors of government	192	107	107	215	189	141
<i>Total Capital Transfers</i>	<i>520</i>	<i>467</i>	<i>469</i>	<i>691</i>	<i>735</i>	<i>573</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	Mid-year	PFPS	PFPS	PFPS	PFPS
	\$m	Review	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	327	539	537	903	1,118	1,410
Public order and safety	3,013	2,969	2,969	3,013	3,117	3,230
Education	5,870	6,145	6,146	6,232	6,434	6,813
Health	6,268	6,731	6,731	6,936	7,189	7,391
Social security and welfare	1,677	1,742	1,742	1,868	1,946	2,004
Housing and community amenities	1,983	1,714	1,714	2,002	2,115	2,138
Recreation and culture	831	827	828	847	910	824
Fuel and energy	528	534	560	568	451	374
Agriculture, forestry, fishing and hunting	400	377	375	361	351	333
Mining and mineral resources other than fuels; manufacturing; and construction	200	221	221	229	219	227
Transport and communications	1,871	1,836	1,837	1,910	1,963	2,024
Other economic affairs	753	685	687	810	705	640
Other purposes	853	857	890	971	1,101	1,219
Total General Government Expenses	24,571	25,178	25,236	26,651	27,618	28,627
<i>Purchases of new non-financial assets</i>						
General public services	260	252	233	172	174	243
Public order and safety	282	422	420	334	199	75
Education	691	654	670	549	406	306
Health	1,141	1,102	1,107	1,152	714	227
Social security and welfare	62	69	69	61	38	12
Housing and community amenities	132	48	48	99	232	326
Recreation and culture	184	251	253	110	194	401
Fuel and energy	10	10	10	2	3	2
Agriculture, forestry, fishing and hunting	18	32	32	21	24	23
Mining and mineral resources other than fuels; manufacturing; and construction	1	3	3	1	1	1
Transport and communications	544	871	871	913	838	804
Other economic affairs	34	226	225	128	57	32
Other purposes	-	-750	-750	-400	50	350
Total Purchases of Non-financial Assets	3,358	3,191	3,192	3,141	2,929	2,803

(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	Mid-year	PFPS	PFPS	PFPS	PFPS
	Review	Revision	Revision	Revision	Revision	Revision
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net operating balance	649	140	241	390	782	1,785
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	140	241	390	782	1,697
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	635	39	74	460	646	737
Less GFS expense adjustments						
Capitalised interest	37	42	42	48	54	51
Dividends	696	782	782	804	998	1,112
Total GFS expense adjustments	734	824	824	852	1,052	1,163
Total GFS adjustments to AASB 1049 net operating balance	-734	-824	-824	-852	-1,052	-1,163
GFS net operating balance	-99	-784	-750	-392	-406	-427
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	587	-603	-467	46	430	1,410
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	-645	-509	-2	376	1,271
<u>Public financial corporations</u>						
AASB1049 net operating balance	-69	145	145	172	151	147
Less GFS expense adjustments						
Dividends	52	83	83	83	83	120
Total GFS expense adjustments	52	83	83	83	83	120
Total GFS adjustments to AASB 1049 net operating balance	-52	-83	-83	-83	-83	-120
GFS net operating balance	-121	62	62	88	69	28
<u>Total public sector</u>						
AASB1049 net operating balance	466	-541	-405	134	498	1,438
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	-583	-447	86	444	1,298

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)
Net Lending/-Borrowing

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Mid-year	PFPS	PFPS	PFPS	PFPS
	\$m	Review	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net lending/-borrowing	-1,717	-1,724	-1,624	-1,642	-594	420
Plus Net operating balance convergence difference (noted above)	-	-	-	-	-	-88
GFS net lending/-borrowing	-1,717	-1,724	-1,624	-1,642	-594	332
<u>Public non-financial corporations</u>						
AASB1049 net lending/-borrowing	-338	-883	-912	-507	375	517
Plus Net operating balance convergence difference (noted above)	-734	-824	-824	-852	-1,052	-1,163
GFS net lending/-borrowing	-1,072	-1,707	-1,735	-1,359	-677	-646
<u>Total non-financial public sector</u>						
AASB1049 net lending/-borrowing	-2,752	-3,390	-3,318	-2,953	-1,217	-175
Plus Net operating balance convergence difference (noted above)	-37	-42	-42	-48	-54	-139
GFS net lending/-borrowing	-2,789	-3,431	-3,360	-3,000	-1,271	-314
<u>Public financial corporations</u>						
AASB1049 net lending/-borrowing	-67	156	156	184	165	161
Plus Net operating balance convergence difference (noted above)	-52	-83	-83	-83	-83	-120
GFS net lending/-borrowing	-120	73	73	101	83	42
<u>Total public sector</u>						
AASB1049 net lending/-borrowing	-2,872	-3,317	-3,245	-2,852	-1,135	-133
Plus Net operating balance convergence difference (noted above)	-37	-42	-42	-48	-54	-139
GFS net lending/-borrowing	-2,909	-3,359	-3,287	-2,899	-1,189	-273

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

	2012	2013	2013	2014	2015	2016
	Actual	Mid-year	PFPS	PFPS	PFPS	PFPS
	\$m	Review	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net worth	111,475	115,046	115,526	119,352	123,440	127,225
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	-
Provision for doubtful debts						
General government sector	202	202	202	202	202	202
Impact on public corporations net worth	22	21	21	22	24	25
Total GFS net worth adjustments	312	311	311	312	314	227
GFS net worth	111,787	115,357	115,837	119,664	123,753	127,451
<u>Public non-financial corporations</u>						
AASB1049 net worth	47,647	50,388	50,429	52,218	53,593	53,907
<i>Plus</i>						
Impact of general government equity injections	-5,544	-5,988	-6,060	-6,575	-6,922	-7,273
Provision for doubtful debts	22	21	21	22	24	25
Total GFS net worth adjustments	-5,522	-5,967	-6,039	-6,553	-6,898	-7,248
GFS net worth	42,125	44,421	44,390	45,666	46,695	46,659
<u>Total non-financial public sector</u>						
AASB1049 net worth	111,475	115,046	115,526	119,352	123,440	127,225
<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	223	223	224	225	227
Impact on public corporations net worth	-	-	-	-	-	-
Total GFS net worth adjustments	312	311	311	312	314	227
GFS net worth	111,787	115,357	115,837	119,664	123,753	127,451
<u>Public financial corporations</u>						
AASB1049 net worth	1,286	1,420	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	1,420	1,420	1,518	1,595	1,625
<u>Total public sector</u>						
AASB1049 net worth	111,475	115,046	115,526	119,352	123,440	127,225
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	-
Provision for doubtful debts	223	223	223	224	226	227
Total GFS net worth adjustments	312	311	311	312	314	227
GFS net worth	111,787	115,357	115,837	119,664	123,753	127,451

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

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Mid-year	PFPS	PFPS	PFPS	PFPS
	Review	Revision	Revision	Revision	Revision	Revision
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	-1,221	-1,904	-1,888	-1,613	-693	72
Less Acquisitions under finance leases and similar arrangements	19	-	-	417	-	-
GFS cash surplus/-deficit	-1,239	-1,904	-1,888	-2,030	-693	72
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-1,188	-1,809	-1,760	-1,248	-929	-702
Less Acquisitions under finance leases and similar arrangements	63	1	1	265	-	-
GFS cash surplus/-deficit	-1,251	-1,810	-1,761	-1,513	-930	-702
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-2,408	-3,713	-3,649	-2,861	-1,623	-630
Less Acquisitions under finance leases and similar arrangements	82	1	1	682	-	-
GFS cash surplus/-deficit	-2,490	-3,714	-3,650	-3,543	-1,623	-630
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	168	124	124	178	195	167
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	168	124	124	178	195	167
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-2,240	-3,589	-3,525	-2,683	-1,427	-463
Less Acquisitions under finance leases and similar arrangements	82	1	1	682	-	-
GFS cash surplus/-deficit	-2,322	-3,590	-3,526	-3,365	-1,428	-463

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	Mid-year	PFPS	PFPS	PFPS	PFPS
	\$m	Review	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,096	3,584	3,584	3,943	4,332	4,753
Property taxes						
<i>Land tax</i>	552	569	569	626	688	757
Transfer duty	1,261	1,486	1,486	1,608	1,740	1,926
Landholder duty	101	138	138	66	74	82
<i>Total duty on transfers</i>	1,362	1,624	1,624	1,674	1,814	2,008
Other stamp duties	-	-	5	-	-	-
Metropolitan Region Improvement Tax	84	86	86	95	104	115
Emergency Services Levy	220	231	231	252	261	270
Loan guarantee fees	25	105	105	116	121	125
<i>Total other property taxes</i>	329	423	428	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	125	125	130	135	140
Betting tax	38	37	37	38	39	40
Other	19	-	-	-	-	-
<i>Total taxes on gambling</i>	305	303	303	315	327	339
Insurance duty	487	558	558	603	650	702
Other	22	22	22	24	25	25
<i>Total taxes on insurance</i>	509	580	580	627	675	727
Taxes on use of goods and performance of activities						
Vehicle licence duty	367	416	416	449	484	522
Permits - oversize vehicles and loads	7	5	5	6	6	6
Motor vehicle recording fee	46	46	46	48	49	52
Motor vehicle registrations	599	646	646	681	713	752
<i>Total motor vehicle taxes</i>	1,019	1,113	1,113	1,183	1,252	1,331
Total Taxation	7,173	8,195	8,200	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	Mid-year	PFPS	PFPS	PFPS	PFPS
	\$m	Review	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST grants	3,454	2,961	2,961	2,357	1,805	1,695
North West Shelf grants	925	917	928	897	902	1,009
Compensation for Commonwealth crude oil excise arrangements	75	50	51	49	50	55
<i>Grants Through the State</i>						
Schools assistance – non-government schools	831	817	817	875	958	1,080
Local government financial assistance grants	154	162	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	401	401	435	480	531
National Agreement for Skills and Workforce Development	139	145	145	152	160	165
National Disability Services	110	126	126	147	158	168
National Affordable Housing	129	134	134	139	145	150
<i>National Health Reform ^(a)</i>	-	1,395	1,395	1,530	1,720	1,928
<i>Other Grants/National Partnerships</i>						
Health	505	399	399	442	365	371
Housing	2	14	14	14	15	15
Transport	68	70	70	69	52	52
Other	493	417	420	177	148	176
Total Current Grants and Subsidies	8,678	8,139	8,154	7,588	7,273	7,723
CAPITAL GRANTS						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	40	25	25	27	30	33
<i>Nation Building and Jobs Plan</i>						
Schools	40	-	-	-	-	-
Housing	20	-	-	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	181	82	82	195	166	124
Transport	505	485	485	298	436	471
Other	296	96	98	113	101	22
Total Capital Grants	1,082	688	689	632	732	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	Mid-year	PFPS	PFPS	PFPS	PFPS
	\$m	Review	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
WA Health	460	484	484	510	533	557
Department of Transport	177	181	181	186	191	202
Department of Education	155	172	168	172	178	184
State Training Providers	114	121	121	126	129	132
Department of Training and Workforce Development	43	47	49	51	51	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	96	96	102	105	106
Department of Commerce	85	74	74	71	69	70
Western Australia Police	43	47	47	48	47	47
Department of Culture and the Arts	30	31	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	497	499	568	644	702
Total Sale of Goods and Services	1,929	2,030	2,030	2,167	2,277	2,393
INTEREST INCOME	304	281	282	237	274	283
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	704	820	820	843	1,034	1,145
Tax Equivalent Regime	381	382	398	506	588	653
Total Revenue from Public Corporations	1,085	1,201	1,218	1,349	1,622	1,797
ROYALTY INCOME	4,343	4,366	4,488	5,817	6,222	6,711
OTHER						
Lease rentals	91	82	82	84	86	88
Fines	159	174	174	180	178	178
Revenue not elsew here counted	377	161	161	157	162	162
Total Other	627	417	417	421	427	429
TOTAL REVENUE	25,220	25,318	25,477	27,041	28,400	30,412

Note: Columns may not add due to rounding.

Spending Changes Since the Mid-Year Review

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

Spending changes detailed in this appendix include:

- all decisions made between the mid-year review cut-off date (10 December 2012) and the cut-off date for this *Pre-election Financial Projections Statement* (2 February 2013); and
- other changes affecting agency spending over the forward estimates period. These include the impact of issues such as variations in Commonwealth-funded programs, and spending driven by changes in underlying operating assumptions, etc.

The material in this appendix should be read in conjunction with Chapter 1: *Financial Projections*.

Spending Changes (by Portfolio)

PREMIER; MINISTER FOR STATE DEVELOPMENT

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
PREMIER AND CABINET Expenses				
Shark Observation Tower - Cottesloe Beach	0.3	-	-	-

Premier and Cabinet*Expenses***Shark Observation Tower – Cottesloe Beach**

An additional \$300,000 will be spent in 2012-13 on the construction of an observation tower to provide an improved vantage point for surf lifesavers at Cottesloe Beach.

DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
WA HEALTH Asset Investment				
Busselton Dental Clinic	1.1	1.0	0.5	-

WA Health*Asset Investment***Busselton Dental Clinic**

An additional \$2.6 million will be spent over the period 2012-13 to 2014-15 on the construction and fit-out of a General Dental Clinic at Busselton. The clinic will form part of the new Busselton Health Campus and will provide for an expansion from two to six public dental chairs in Busselton. The project is supported by Commonwealth funding.

TREASURER; MINISTER FOR TRANSPORT; EMERGENCY SERVICES

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
COMMISSIONER OF MAIN ROADS Expenses				
Road Maintenance Contracts	0.3	2.1	1.1	0.4
PUBLIC TRANSPORT AUTHORITY OF WESTERN AUSTRALIA ^(a) Expenses				
Fuel Price Forecast	0.1	2.2	0.4	0.1
FIRE AND EMERGENCY SERVICES Expenses				
Bushfire Risk Management Planning Process	1.1	4.7	-	-

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

Commissioner of Main Roads

Expenses

Road Maintenance Contracts

Due to rise and fall clauses in certain Main Roads contracts, the latest assumptions for the oil price is estimated to result in a \$3.9 million increase in spending over four years on road maintenance.

Public Transport Authority of Western Australia

Expenses

Fuel Price Forecast

An additional \$2.8 million is estimated to be spent over four years from 2012-13, reflecting changes in fuel price assumptions.

Fire and Emergency Services

Expenses

Bushfire Risk Management Planning Process

An additional \$1.1 million in 2012-13 and \$4.7 million in 2013-14 will be spent to improve the management of bushfire related risk and address the recommendations of the Perth Hills Bushfire Review. This includes the reallocation of part of the funding allocated to address issues associated with the Margaret River Bushfire (see *Provisions* at the end of this appendix).

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 ^(a)				
Expenses				
Scarborough Beach Redevelopment Area	-	1.3	11.3	11.3
PLANNING				
Expenses				
Rockingham Kwinana Development Office	-	0.4	-	-

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

Metropolitan Redevelopment Authority

Expenses

Scarborough Beach Redevelopment Area

The Government has approved the provision of \$30 million for the revitalisation of the Scarborough Beach Redevelopment Area. Of this, a total of \$23.8 million will be spent over the period 2013-14 to 2015-16. The remaining funds will be spent in 2016-17. As the redevelopment area is not held as an asset on the public sector balance sheet, this contribution will be expensed by the Authority.

Planning

Expenses

Rockingham Kwinana Development Office

An additional \$360,000 will be spent in 2013-14 for the continued operation of the Rockingham Kwinana Development Office.

MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

MAJOR PORTFOLIO SPENDING CHANGES

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
RACING, GAMING AND LIQUOR Expenses				
Deed of Settlement and Release – Compensation for the New Perth Stadium Development	_(a)	-	-	-

(a) Commercial in confidence.

Racing, Gaming and Liquor

Expenses

Deed of Settlement and Release – Compensation for the New Perth Stadium Development

Compensation is to be paid to stakeholders for losses incurred as a result of the Perth Stadium development. A notional amount is included in this PFPS but remains commercial in confidence at the time of finalising this report.

MINISTER FOR EDUCATION; ENERGY; INDIGENOUS AFFAIRS

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
EDUCATION				
Expenses				
Child and Parent Centres	-	1.1	2.1	2.5
Asset Investment				
Child and Parent Centres	-	-	3.7	7.4
EDUCATION SERVICES				
Expenses				
Vocational Education Training regulation	-	0.6	0.4	0.2
Western Australian Aboriginal Education and Training Council	0.3	0.1	-	-
SCHOOL CURRICULUM AND STANDARDS AUTHORITY				
Expenses				
Western Australian Certificate of Education	0.3	2.2	1.4	0.6
SYNERGY ^(a)				
Expenses				
Operating Subsidy - ERA Further Final Decision	25.2	64.8	55.4	40.4
INDIGENOUS AFFAIRS				
Expenses				
Stolen Wages Reparation Scheme	0.7	-	-	-

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

Education

Expenses

Child and Parent Centres

An additional \$5.7 million will be spent over three years commencing from the 2014 school year for the operating costs of six new Child and Parent Centres located at existing government school sites. These purpose built facilities will be fully operational from the commencement of the 2016 school year.

Asset Investment

Child and Parent Centres

A total of \$11.0 million will be spent over two years to construct the six new Child and Parent Centres noted above.

Education Services

Expenses

Vocational Education Training regulation

An additional \$1.2 million will be spent between 2013-14 and 2015-16 on the regulation of vocational education training (VET) providers in Western Australia. The additional costs will be fully offset by a new fee regime (to be levied on providers) that is aligned with the national VET regulator, the Australian Quality Skills Authority.

Western Australian Aboriginal Education and Training Council

An additional \$0.4 million will be spent to support the operations of the Western Australian Aboriginal Education and Training Council, which facilitates the delivery of education and training services to Aboriginal people in Western Australia. The expenses will be fully offset by Commonwealth funding under the *Indigenous Education (Target Assistance) Act 2000*.

School Curriculum and Standards Authority

Expenses

Western Australian Certification of Education

The School Curriculum and Standards Authority is to spend up to \$4.4 million over four years to coordinate amendments to the Western Australian Certificate of Education (WACE), including restructuring of courses, introduction of new Year 10 literacy and numeracy tests, and revising the criteria for achieving the WACE. The amendments will take effect from 2015.

Synergy

Expenses

Operating Subsidy – ERA Further Final Decision

The Economic Regulation Authority's Further Final Decision on Western Power's Third Access Arrangement has increased network tariffs charged to Synergy, requiring a \$185.9 million increase over the forward estimates period in the operating subsidy paid to Synergy.

Indigenous Affairs

Expenses

Stolen Wages Reparation Scheme

The expenditure limit for the Stolen Wages Reparation Scheme has increased following a higher than expected number of eligible applicants.

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 Expenses				
National Partnership on Homelessness	-	1.3	-	-

Child Protection

Expenses

National Partnership on Homelessness

An additional \$1.3 million will be spent in 2013-14 on the Domestic Violence Outreach and Mobile Clinical Outreach services, as part of the State's contribution to the one-year renewal of the National Partnership Agreement on Homelessness.

ATTORNEY GENERAL

MAJOR PORTFOLIO SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
ATTORNEY GENERAL Expenses				
Establishment of a Commissioner for Victims of Crime	-	0.4	0.4	0.4
Sustainable Support Services for Victims of Crime	-	0.8	0.8	0.8
LEGAL AID COMMISSION Expenses				
Establishment of a Family Violence Prevention Legal Service Perth	0.6	-	-	-

Attorney General

Expenses

Establishment of a Commissioner for Victims of Crime

Recurrent spending of \$1.1 million has been approved over the period 2013-14 to 2015-16 for the establishment of a Commissioner for Victims of Crime and associated support staff. This will enhance the support available for victims of crime in Western Australia and ensure that associated needs are recognised and fulfilled by the justice system.

Sustainable Support Services for Victims of Crime

An additional \$0.8 million per year from 2013-14 will be spent to enhance service delivery for support services for victims of crime throughout metropolitan and regional areas. This will allow for the three main services (the Child Witness Service, the Victim Support Service, and the Family Violence Intervention Service) to engage additional resources to address increased demand for services.

Legal Aid Commission

Expenses

Establishment of a Family Violence Prevention Legal Service Perth

Spending of \$0.6 million has been approved in 2012-13 to establish a Family Violence Prevention Legal Service in the Perth metropolitan area. This service is to be delivered by a suitable not-for-profit organisation. A business case for funding beyond 2012-13 will be submitted by the Department of the Attorney General for consideration in the 2013-14 Budget.

MINISTER FOR LOCAL GOVERNMENT; HERITAGE; CITIZENSHIP AND MULTICULTURAL INTERESTS

MAJOR PORTFOLIO SPENDING CHANGES

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
LOCAL GOVERNMENT Expenses				
Companion Animal Support Shelters	0.2	0.2	0.2	0.2

Local Government

Expenses

Companion Animal Support Shelters

An additional \$800,000 has been provided over four years to support six animal shelters for unwanted and neglected cats and dogs, in response to the growing cost of caring for such animals, primarily in the metropolitan area.

MINISTER FOR ENVIRONMENT; WATER

MAJOR SPENDING CHANGES

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
WATER CORPORATION ^(a)				
Expenses				
<i>Royalties for Regions – Peel Recycled Water Scheme – Feasibility Study</i>	0.5	-	-	-

(a) Represented in general government expenses as grants and subsidies from the Royalties for Regions Fund.

Water Corporation

Expenses

Royalties for Regions – Peel Recycled Water Scheme – Feasibility Study

Up to \$500,000 will be spent in 2012-13 to investigate the feasibility of a climate-independent water supply, utilising treated wastewater from the Water Corporation's wastewater treatment plants at Munster (Woodman Point) and Mandurah (Gordon Road). The water supply will support industry, mining and agriculture in the Peel region. The study will be funded by *Royalties for Regions*, using funds which at the time of the mid-year review were held in the Regional and Statewide Initiatives Fund.

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				
Future Development of Muresk Institute	2.0	2.9	2.9	-

Training and Workforce Development

Expenses

Future Development of Muresk Institute

An additional \$7.8 million will be spent on staff and operational costs at Muresk Institute between 2012-13 and 2014-15 as part of Stage One of the Muresk Revitalisation Project. The additional expense will be fully offset by user charges levied on Muresk land and buildings, and student tuition and accommodation fees.

PROVISIONS

MAJOR SPENDING CHANGES				
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
Expenses				
Margaret River Bushfire	-5.0	-	-	-
Special Division Chief Executive Officer and Senior Legal Officer Salaries Determination	1.2	2.4	2.4	2.4

Provisions

Expenses

Margaret River Bushfire

The 2012-13 Budget included \$5 million in 2012-13 for the Margaret River Bushfire. This spending has been reallocated to Fire and Emergency Services as part of the Bushfire Risk Management Planning Process (see disclosure earlier in this appendix).

Expenses

Special Division Chief Executive Officer and Senior Legal Officer Salaries Determination

The Salaries and Allowance Tribunal has determined that eligible officers be awarded a 3.25% salary increase from 1 January 2013.

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 PFPS estimates, the expected outturn for the 2012-13 Treasurer's Advance is \$320.1 million (compared with \$315 million at the time of the December 2012 mid-year review).

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 PFPS.

Table 4.1

TREASURER'S ADVANCE

	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>	<i>398.8</i>	<i>320.1</i>
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	252.5
- capital	64.4	47.6

(a) Detailed disclosure of the final audited outcome for 2012-13 will be available in the 2012-13 *Annual Report on State Finances*, 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 4.3 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:

- \$3.5 million to reflect the transfer of responsibilities for State and national testing from the Department of Education to the School Curriculum and Standards Authority;
- \$2.4 million in 2012-13 for the transfer of shark patrol funding from the Department of Fisheries to the Department of the Premier and Cabinet;
- \$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;
- \$1.0 million from the Department of Training and Workforce Development to the Department of Education for the transfer of the function for Kindergarten to Year 12 (K-12) Curriculum Development Services;

- \$0.5 million for the transfer of Information Technology policy functions from the Public Sector Commission to the Department of Finance; and
- the transfer to agencies of \$5.7 million (including both recurrent and capital appropriations) for agency transition costs relating to the decommissioning of shared services (these costs were provisioned in a central appropriation at the time of the 2012-13 Budget). Table 4.2 below details the allocation by agency for 2012-13.

DECOMMISSIONING OF SHARED SERVICES AGENCY TRANSITION COSTS		Table 4.2
Item	Agency	Amount \$m
<i>Recurrent Appropriations</i>		
17	Western Australian Electoral Commission	0.1
55	Office of the Information Commissioner	0.1
65	Small Business Development Corporation	0.2
71	Western Australian Sports Centre Trust	0.8
84	Transport	1.8
<i>Total Recurrent</i>		2.9
<i>Capital Appropriations</i>		
139	Small Business Development Corporation	0.1
142	Western Australian Sports Centre Trust	1.3
151	Transport	1.4
<i>Total Capital</i>		2.8
TOTAL		5.7

Note: Columns may not add due to rounding.

Table 4.3

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	
Recurrent Appropriations					
Premier and Cabinet					
5	Delivery of services	3.0	-	-	-
Public Sector Commission					
6	Delivery of services	-0.5	-	-	-
WA Health					
11	Delivery of services	-1.4	-	92.6	-
Fisheries					
15	Delivery of services	-	-	2.4	-
16	Administered Grants, Subsidies and Other Transfer Payments	-2.4	-	0.2	0.2
Western Australian Electoral Commission					
17	Delivery of services	0.1	-	-	-
Pilbara Development Commission					
25	Delivery of services	-	-	0.3	-
Treasury					
29	Delivery of services	0.3	-	0.4	-
30	Electricity Retail Corporation (Synergy)	-	-	22.4	-
31	Regional Power Corporation (Horizon Power)	-	-	2.2	-
33	Water Corporation of Western Australia	-	-	16.9	-
37	Department of Finance	-2.9	-	-	-
38	Goods and Services Tax Administration Costs	-	-	0.7	-
Attorney General					
49	Delivery of services	-	-	7.9	-
Commissioner for Equal Opportunity					
51	Delivery of services	-	-	0.2	-
Office of the Information Commissioner					
55	Delivery of services	0.1	-	-	-
Education					
57	Delivery of services	-2.5	-	23.3	-
School Curriculum and Standards Authority					
60	Delivery of services	3.5	-	-	-
Finance					
62	Delivery of services	0.2	-	-	-
Small Business Development Corporation					
65	Delivery of services	0.2	-	-	-
WA Police					
67	Delivery of services	-	-	30.2	-
Western Australian Sports Centre Trust					
71	Delivery of services	0.8	-	-	-
Racing, Gaming and Liquor					
72	Delivery of services	-	-	0.1	-
73	Administered Grants, Subsidies and Other Transfer Payments	-	-	8.6	-

Note: Columns may not add due to rounding.

TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.3 (cont.)

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date ^(b)
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
	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	-1.0	-	9.7	-
	Transport				
84	Delivery of services	1.8	-	-	-
	Fire and Emergency Services				
88	Delivery of services	-	-	0.6	-
	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	1.4	-	7.0	-
	<i>Total Recurrent</i>	-	-	252.5	0.2
	Capital Appropriations				
	Treasury				
117	Department of Corrective Services	-	-	9.4	-
119	Department of Finance	-2.8	-	14.5	-
124	Regional Power Corporation (Horizon Power)	-	-	0.1	-
	Attorney General				
133	Capital Appropriation	-	-	17.2	-
	Small Business Development Corporation				
139	Capital Appropriation	0.1	-	-	-
	Western Australian Sports Centre Trust				
142	Capital Appropriation	1.3	-	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	-
	Child Protection				
New	Capital Appropriation	-	1.5	-	-
	<i>Total Capital</i>	-	1.5	46.1	-
	TOTAL	-	1.5	298.6	0.2

(a) Authorised under section 25 of the FMA.

(b) PFPS cut-off day 2 February 2013.

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 key SPAs. It is not an exhaustive list of all SPAs, but covers the major/material SPAs in existence at the 2 February 2013 cut-off date for this *Pre-election Financial Projections Statement* (PFPS). 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 PFPS.

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.

The estimated balance at 30 June 2013 for each of the following SPAs remains unchanged from that reported in the December 2012 mid-year review, with the only exception being the New Perth Stadium Account (reflecting the recent inclusion of related transport infrastructure within the scope of that SPA).

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 Agreement 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 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*.

PERTH PARKING LICENSING ACCOUNT

Table 5.3

	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 5.4

	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.

ROYALTIES FOR REGIONS FUND		
	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

Table 5.5

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.

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

Table 5.6

Note: Columns may not add due to rounding.

The New Perth Stadium Account

This SPA was established in October 2011 to set aside funds to be used for the construction of the new Perth 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 Consolidated Account cash surpluses in the outyears.

Since the mid-year review, the Trust Statement underlying this SPA has been amended to also include funding of transport infrastructure that will benefit and improve access to the stadium. The projected 2012-13 expenditure and SPA balance at 30 June 2013 now reflect the funding of planning work and forward works being undertaken by the Public Transport Authority in 2012-13. This spending was previously funded from Consolidated Account appropriation in the mid-year review.

THE NEW PERTH STADIUM ACCOUNT			Table 5.7
	2011-12 \$m	2012-13 \$m	
<i>Balance at 1 July</i>	-	-	
Receipts	-	100	
Payments	-	27	
Balance at 30 June	-	73	

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.

WESTERN AUSTRALIAN FUTURE FUND			Table 5.8
	2011-12 \$m	2012-13 \$m	
<i>Balance at 1 July</i>	-	-	
Receipts ^(a)	-	303	
Payments	-	-	
Balance at 30 June ^(a)	-	303	

(a) The mid-year review incorrectly disclosed this figure as \$292 million. The 'seed capital' component approved with the passage of the Future Fund legislation in November 2012 was \$298 million, with the balance of the above amount attributable to projected interest earnings by 30 June 2013.

Note: Columns may not add due to rounding.

