



2016-17

BUDGET

Paper No. 3



**ECONOMIC
AND FISCAL
OUTLOOK**



2016-17 BUDGET

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Budget Paper No. 3

**PRESENTED TO THE LEGISLATIVE ASSEMBLY
ON 12 MAY 2016**

2016-17 Economic and Fiscal Outlook

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2016-17 BUDGET

ECONOMIC AND FISCAL OUTLOOK

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Under Treasurer's Certification

The *Government Financial Responsibility Act 2000* (GFRA) requires that the Treasurer release a Government Financial Strategy Statement at least once every year (section 11), and a Government Financial Projections Statement when the Budget Papers are tabled in the Legislative Assembly (section 12). The required content of these statements is detailed in sections 11 and 12 of the GFRA.

For the purposes of these GFRA requirements:

- the Government Financial Strategy Statement and associated financial targets disclosures are detailed in Chapter 3: *Fiscal Outlook and Strategy* in this Budget Paper;
- Chapters 1 to 7 and Appendix 1 in this Budget Paper, and the Government's summary budget strategy detailed in Budget Paper No. 1: *Budget Speech*, together form the 2016-17 Government Financial Projections Statement required by sections 12(1) and (2) of the GFRA. In particular:
 - Appendix 1 details the projections required by section 12(2)(a) of the GFRA;
 - Chapters 1, 2 and 3 detail the economic and other assumptions underlying the Budget projections (section 12(2)(b));
 - Chapter 3 details the compliance of the projections with the Government's financial targets (section 12(2)(c)); and
 - the Statement of Risks in Chapter 3 details the sensitivity of the projections to various economic and financial assumptions and other risks (sections 12(2)(d) and (e)); and
- this certification gives effect to the requirements of sections 12(2)(f) and 12(8).

The Government Financial Projections Statement presented in this Budget is based upon Government decisions that I was aware of or that were made available to me by the Treasurer, together with other relevant information known to Treasury, on or before the Budget planning cut-off date of 19 April 2016 and which have a material effect on the State's financial projections.

It has been prepared in accordance with applicable Australian Accounting Standards and Government Finance Statistics principles, and is based on the economic forecasts and assumptions outlined in Chapter 1: *Overview*, Chapter 2: *Economic Outlook* and Chapter 3: *Fiscal Outlook and Strategy*. These assumptions were finalised by Treasury, under my direction, on 19 April 2016.

A handwritten signature in black ink, appearing to read 'A. Barnes'.

Michael Barnes
UNDER TREASURER

12 May 2016

Overview

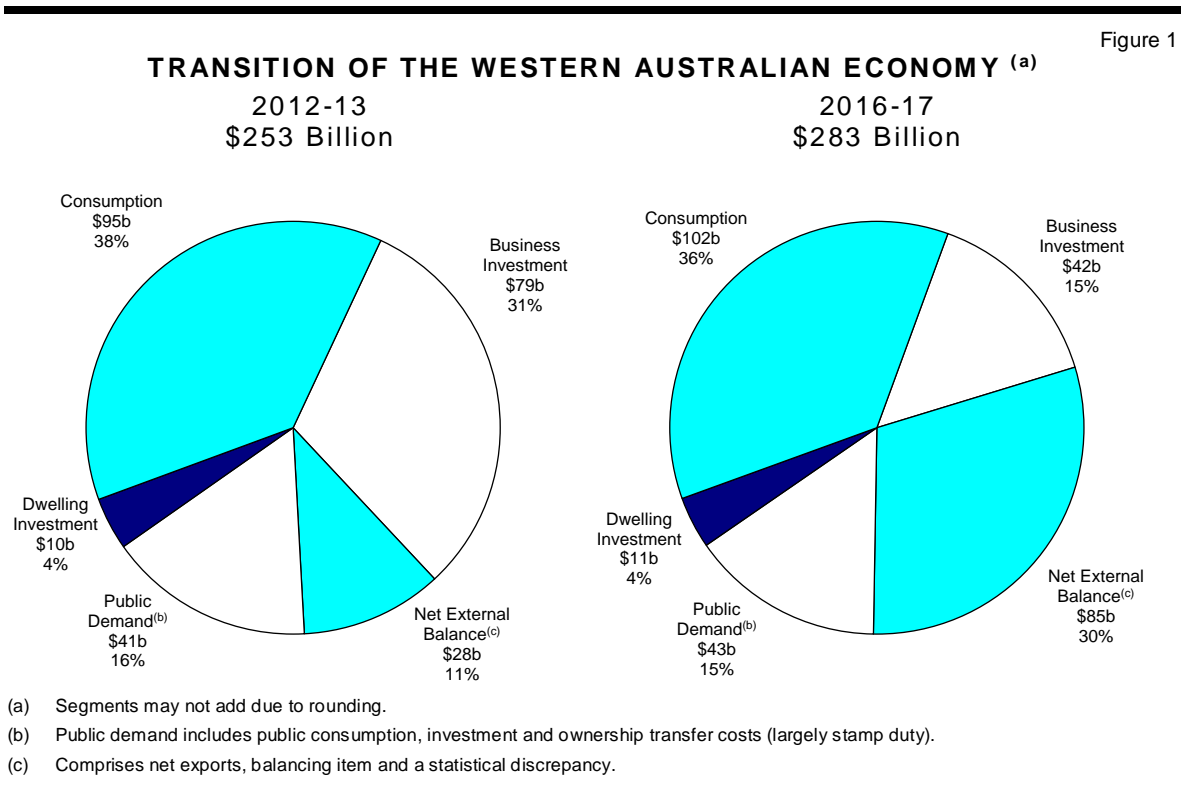
HIGHLIGHTS

- Latest data show that Western Australia has the highest level of business investment of any State (\$57.4 billion in 2015), the equal second lowest unemployment rate of all States (over the year to March 2016) and accounts for around 40% of merchandise exports nationally (over the year to March 2016).
- However, the current economic environment is challenging, with Western Australia's domestic economy (as measured by State Final Demand) forecast to contract for a fourth consecutive year in 2016-17 as business investment continues to moderate to more normal levels. Strong growth in net exports is offsetting declining business investment, with overall economic growth (as measured by Gross State Product) forecast at 1.25% in 2016-17.
- Reflecting the challenging economic environment, as well as subdued commodity prices and a GST grant equal to just 30.3% of Western Australia's population share in 2016-17, the State's revenue base remains under significant pressure. The general government revenue estimates have been written down by a further \$2.5 billion (over the period 2015-16 to 2018-19) since December's Mid-year Review, notwithstanding the Commonwealth's agreement to provide a \$490 million GST 'top-up' payment in 2015-16.
- General government revenue is expected to decline for the third year in a row in 2016-17, which is unprecedented. As a result, a general government operating deficit of \$3.9 billion is forecast for 2016-17, following an expected deficit of \$2 billion in 2015-16 (down from an estimated \$3.1 billion deficit in the Mid-year Review).
- Against this backdrop, the 2016-17 Budget contains minimal increases in household fees and charges (totalling 2.9% for the 'representative' household, excluding the impact of the Catastrophic Injuries Support Scheme to be introduced on 1 July 2016).
- The 2016-17 Budget also takes a cautious approach to spending, with general government expenses revised down by \$745 million (over the period 2015-16 to 2018-19) since the Mid-year Review, with savings from the Government's new wages policy, a roll-out of Agency Expenditure Reviews and other cost reductions more than offsetting new spending initiatives.
- New spending initiatives in this Budget are focused on broadening the economy and creating new job opportunities in areas like tourism, agriculture and fisheries.

- The Government is continuing to pursue its program of asset sales to manage the State’s debt levels. Net debt at 30 June 2016 is estimated to be \$27.9 billion, down from the \$29.6 billion estimate in the Mid-year Review.

Economic and Fiscal Outlook

Following a period of well above trend growth, growth in the economy is continuing to moderate as business investment declines from record high levels and major resource projects continue to transition from construction to the production and export phase (see following figure). Despite strong growth in exports, Western Australia is expected to enter a period of below-trend growth, with Gross State Product (GSP) expected to grow by just 1% in 2015-16 and 1.25% in 2016-17, before gradually picking up to 3% by the end of the forward estimates period.



Declining business investment is expected to result in stronger contractions in State Final Demand (SFD) than previously expected. SFD is expected to contract by 4.25% and 3.75% in 2015-16 and 2016-17 respectively, following a contraction of 3.6% in 2014-15.

Employment growth is expected to moderate further over the near-term, with projected growth of just 0.25% per annum in 2015-16 and 2016-17, before recovering to 2% by 2019-20 as domestic economic activity recovers and population growth strengthens. Consistent with weaker employment growth, the State’s unemployment rate is projected to increase from 5.4% in 2014-15 to 6.25% in 2015-16, before peaking at 6.75% in 2016-17. Despite this, Western Australia’s annual average unemployment rate of 6% in March 2016 was the equal second lowest of all States, along with Victoria and behind only New South Wales (5.6%).

Growth in the State's population is expected to ease to 1.2% in 2015-16, remain subdued at 1.3% in 2016-17, and then gradually increase to 1.9% by 2019-20 as net overseas migration increases in line with the recovery in the domestic economy. Growth in Perth's Consumer Price Index (CPI) is expected to moderate further to 1.25% in 2015-16, before increasing to 1.75% in 2016-17¹.

The economic assumptions underpinning the 2016-17 Budget are outlined in the table below.

KEY BUDGET ASSUMPTIONS
Western Australia

Table 1

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Real Gross State Product (%)	3.5	1.0	1.25	2.5	2.5	3.0
Real State Final Demand (%)	-3.6	-4.25	-3.75	-0.25	1.0	3.25
Employment growth (%)	1.5	0.25	0.25	0.75	1.5	2.0
Unemployment rate (%) ^(a)	5.4	6.25	6.75	6.50	6.25	5.75
Wage Price Index growth (%)	2.2	1.75	1.75	2.25	2.75	3.25
Perth Consumer Price Index growth (%)	1.8	1.25	1.75	2.25	2.5	2.5
Population growth (%)	1.4	1.2	1.3	1.5	1.7	1.9
\$US/\$A exchange rate (cents)	83.6	73.3	75.7	74.7	73.8	73.0
Iron ore price (\$US/tonne CFR) ^(b)	71.1	50.9	47.7	49.2	51.6	54.0
Iron ore volumes (million dry tonnes)	715	765	782	803	814	817
Crude oil price (\$US/barrel)	73.5	41.1	44.4	47.1	49.1	50.9
Interest rate assumptions (%) ^(a)						
- Public Bank Account earnings	2.8	2.3	1.8	1.8	1.9	2.0
- Consolidated Account borrowings	3.9	3.5	3.2	3.2	3.3	3.4

(a) Average rate over the year.

(b) The Steel Index (TSI) benchmark spot price for ore with 62% iron content delivered to China, including cost and freight (CFR).

The State's revenue base remains under significant pressure, due to the combination of:

- flat or marginally declining taxation revenue, in turn reflecting softness in the State's labour and property markets;
- subdued commodity prices, notwithstanding a recent jump in the iron ore spot price (which is not expected to be sustained into 2016-17); and
- a GST grant equal to just 30.3% of Western Australia's population share in 2016-17 – a GST subsidy to the rest of the nation of \$4.7 billion (compared to if Western Australia received its full population share).

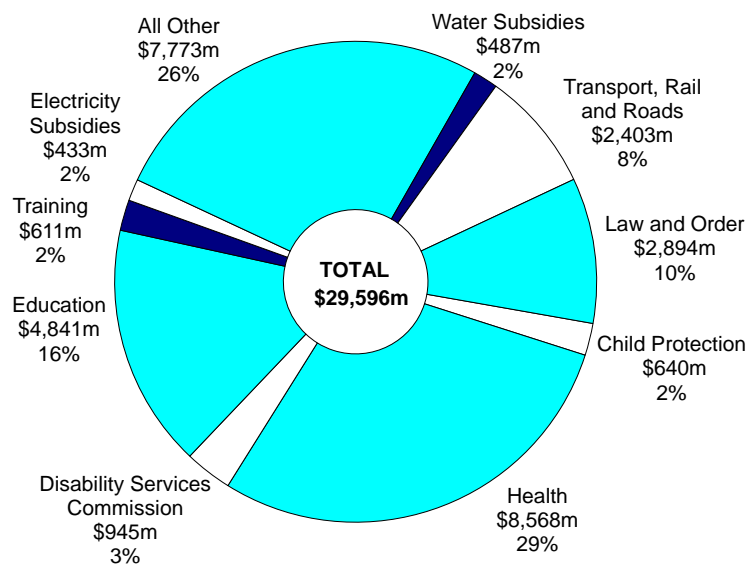
As a result, the general government revenue estimates have been written down by a total of \$14.7 billion or 12% (over the period 2014-15 to 2017-18) since the 2014-15 Budget. Revenue is expected to be \$810 million or 3.1% lower in 2016-17 than in 2015-16 – the third consecutive year of declining revenue.

¹ Note that these forecasts were finalised prior to the release (on 27 April 2016) of the March quarter CPI results by the Australian Bureau of Statistics, which showed that Perth's CPI rose by just 1.1% in annual average terms.

The continuing weakness in the revenue outlook has resulted in the Government implementing new initiatives to further limit the growth in spending. This Budget includes the impact of the new 1.5% wages policy announced in February 2016 and an extended Agency Expenditure Review program, which together will deliver estimated savings of \$1.3 billion across the forward estimates period. These and previous measures underpin low expense growth projections averaging just 2.4% per annum across the forward estimates period – significantly lower than the 7.7% per annum average over the previous decade.

Figure 2

GENERAL GOVERNMENT SECTOR EXPENSES (a)
2016-17



(a) Segments may not add due to rounding.

Despite the Government’s success in reining in expense growth, the broader economic and revenue environment means that operating deficits are unavoidable in the near term. A deficit of \$3.9 billion is in prospect for 2016-17, following an expected \$2 billion deficit for 2015-16 (a significant improvement on the \$3.1 billion deficit forecast in the 2015-16 Mid-year Review).

As the State’s GST share begins to increase from 2017-18 as a result of the lagged Commonwealth Grants Commission process, and as the domestic economy begins to recover, revenue growth is expected to pick-up and eventually return the general government operating balance to surplus by the end of the forward estimates period.

Table 2

KEY BUDGET AGGREGATES
Western Australia

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	-431	-2,037	-3,914	-1,893	-197	1,086
Revenue (\$m)	27,400	26,492	25,681	27,672	30,305	32,481
Revenue Growth (%)	-2.0	-3.3	-3.1	7.8	9.5	7.2
Expenses (\$m)	27,831	28,529	29,596	29,565	30,502	31,394
Expense Growth (%)	2.2	2.5	3.7	-0.1	3.2	2.9
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	23,374	27,860	33,838	38,258	40,040	40,193
Asset Investment Program (\$m)	5,777	5,212	5,862	6,134	5,698	5,175
Cash Position (\$m)	-2,500	-4,301	-5,526	-3,700	-1,516	147
Gross Borrowings at 30 June (\$m)	44,252	49,821	53,424	56,167	60,731	63,625
KEY FINANCIAL RATIOS ^(a)						
Cash Operating Surplus as a Share of Receipts (%)	5.1	-0.5	-2.2	2.1	5.3	7.3
Net Debt to Revenue (%)	61.4	77.5	91.2	95.3	92.4	88.2

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

The weak revenue outlook requires additional borrowings to fund infrastructure investment across the forward estimates period. Consequently, total public sector net debt is expected to increase from an estimated \$27.9 billion at 30 June 2016 (down from a forecast \$29.6 billion in the Mid-year Review) to \$40.2 billion by 30 June 2020. These projections do not include anticipated proceeds from the Government's asset sales program, which presents a major opportunity for the State to materially pay down debt and finance new infrastructure projects.

Budget Objectives

Given the pressures on the State's Budget, the Government has approved only a limited number of new spending initiatives, which are focused on broadening the State's economy and creating new job opportunities in areas like tourism, agriculture and fisheries.

Securing our Economic Future

The 2016-17 Budget includes initiatives to support industries that will underpin the State's economic future, including:

- additional support for the State's tourism sector, with additional recurrent expenditure of:
 - \$19 million over 2016-17 to 2018-19 for the Western Australian Tourism Commission to secure major events within the State;
 - a further \$17 million over four years to 2019-20 for the Commission to increase destination marketing activities; and

- an additional \$11 million across 2016-17 to 2019-20 to enable the Perth Convention Bureau to continue securing national and international events by marketing Western Australia nationally and internationally as a preferred convention, exhibition and incentive travel destination;
- \$41 million over three years from 2015-16 for the Magnetite Financial Assistance Program, which provides a rebate of up to 50 per cent of royalty payments on magnetite projects;
- \$20 million over four years for government departments to work with relevant industries to support the researchers, innovators and start-up businesses that have the greatest potential to strengthen, broaden and build the Western Australian economy;
- \$16 million over four years to establish a Western Australian Regional Film Fund, with the objective to deliver a coordinated regional screen industry strategy to attract high quality Australian and international productions to film in regional Western Australia;
- \$7 million over five years from 2015-16 to 2019-20 to support the Western Australian Biodiversity Science Institute, which provides a greater understanding of the State's biodiversity system and assists in improved decision making on State development and biodiversity conservation;
- \$6 million over three years from 2016-17 for the Minerals Research Institute of Western Australia, to continue support for minerals research projects in Western Australia; and
- a total of \$4 million across 2016-17 to 2019-20 for the establishment of a new multi-species mollusc hatchery at the Albany Aquaculture Park and additional aquaculture development zones.

The Efficient Delivery of Quality Services

The increase in the State's population in recent years continues to drive demand for quality services. To meet this demand in 2016-17, this Budget provides:

- an increase of \$266 million (or 4.8% relative to 2015-16) for hospital services, reflecting revised activity and cost settings for public hospital services;
- an increase of \$81 million in recurrent spending on Education, which provides for a 3.3% increase in spending by schools to continue to provide high quality education services for all students; and
- spending on policing to increase by \$67 million (5.1%), with Western Australia Police on track to meet the Government's commitment of 550 additional officers by the end of 2016-17.

To ensure the efficiency of service delivery, the Government has previously announced a revision to its wages policy to limit increases in wages and associated conditions to 1.5% per annum. This policy applies to all new agreements from 1 June 2016. The revised wages policy will deliver estimated salary and superannuation expense savings of \$826 million over the forward estimates period, with these savings reflected in agency budget statements (see Chapter 5: *General Government Expenses* and Budget Paper No. 2: *2016-17 Budget Statements*).

In addition, the Agency Expenditure Review process has been extended as part of this Budget, with a 3.5% savings target to apply to a further 54 agencies². This is expected to deliver savings of \$461 million over the period 2017-18 to 2019-20, with specific savings measures for each affected agency to be detailed in the 2017-18 Budget.

Supporting and Protecting Our Community

Supporting and protecting the community, particularly those that are vulnerable or at risk, remains a key priority in the 2016-17 Budget, with initiatives including:

- net additional funding of \$26 million in 2016-17 for the extension and expansion of National Disability Insurance Scheme (NDIS) trials, and a further \$50 million from 2016-17 to 2019-20 to meet expected growth in demand for existing disability services in areas where NDIS trial sites are not operating;
- an additional \$15 million over 2016-17 and 2017-18 for alcohol and other drug withdrawal and rehabilitation services for methamphetamine users, and \$13 million over 2016-17 to 2018-19 to continue the Mental Health Court Diversion Program;
- an additional \$16 million over four years from 2016-17 to provide an increase in the cap on the 50% rebate received by pensioners for local government rates from \$550 to \$750, effective from 1 July 2016;
- an additional \$10 million over 2016-17 to 2019-20 for the Lathlain Park Precinct Redevelopment Project;
- a further \$9 million over three years to 2019-20 for the Community Sporting and Recreation Facilities Fund, to provide financial assistance to community groups and local government authorities to develop basic infrastructure for sport and recreation;
- an additional \$7 million in 2016-17 for the Hardship Utility Grant Scheme;
- an additional \$147 million in recurrent funding from 2015-16 to 2019-20 to meet forecast growth in the State's daily average prisoner population; and
- \$3 million in 2016-17 to continue the delivery of Bushfire Risk Management Plans for identified local governments across the State.

Expenditure on road safety initiatives through the Road Trauma Trust Account will total \$146 million in 2016-17 (up \$8 million on 2015-16), and will include improvements to metropolitan intersections, improvements to Toodyay Road, Albany Highway, South Coast Highway and Great Eastern Highway, the next stage of the Enhanced Automated Traffic Enforcement Strategy, implementation of the Alcohol Interlock Scheme, and strategic traffic enforcement and increased breath and drug testing by Western Australia Police.

² With a number of modifications including: full exemptions for Western Australia Police and the Department for Child Protection and Family Support; the 3.5% target for the Department of Education applying only to its Central and District Office costs; the 3.5% target for WA Health applying only to its non-hospitals budget (with the associated savings being reinvested back into the hospitals budget); the 3.5% target for the Department of the Premier and Cabinet excluding funding for electorate offices, native title and science grants; and the 3.5% target for the Disability Services Commission excluding funding for the not-for-profit sector.

Investing in Infrastructure to Support Our Growing State

Investment in education infrastructure is a major focus of the 2016-17 Budget, with an additional \$284 million in funding provided over the forward estimates period for projects including:

- the acquisition of land and the construction of Stage 1 of North Butler Senior High School (\$67 million);
- the expansion of permanent accommodation at Shenton College (\$50 million) and Cape Naturaliste College (\$32 million), as well as at Inglewood, Wembley, and West Leederville primary schools (\$11 million in total);
- an additional \$25 million over 2017-18 to 2019-20 for the annual primary school build program, to reflect up-to-date estimates of school construction costs, including increased site works costs;
- the continuing redevelopment of Carnarvon Community College (\$18 million);
- increased resourcing for security fencing, power related works, and improvements to facilities;
- small asset purchases and minor building works to be undertaken by individual schools; and
- planning activities for the construction of a new senior high school in the City Beach area as part of a strategy to address student enrolment pressure in the western suburbs (\$1 million).

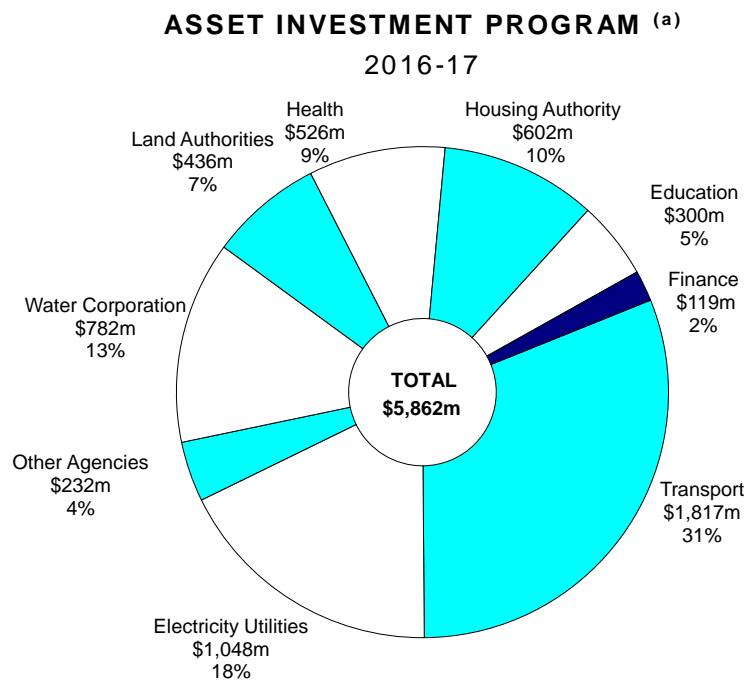
The Budget also provides capital investment on a range of projects in other key areas, including:

- an additional \$326 million for the Perth Freight Link from 2017-18 to 2021-22 to construct a tunnel from the intersection of Stock Road and Winterfold Road to the Stirling Highway-High Street intersection in Fremantle, jointly funded by the Commonwealth and State on an 80/20 basis;
- \$145 million over four years from 2016-17 to construct a 7 kilometre dual carriageway on Armadale Road between Anstey Road and Tapper Road, jointly funded by the Commonwealth and State on an 80/20 basis;
- \$53 million for WA Health to replace the State's radiology and archiving system over the next ten years;
- \$49 million across 2016-17 and 2017-18 for the Ellenbrook Bus Rapid Transit project;
- a further \$35 million for Synergy's generation portfolio over the period 2016-17 to 2019-20, largely to establish new shared services (fire, water, fuel and other services) for generation assets located within the Kwinana Power Station site due to the rehabilitation of the former power station;
- \$15 million for the Aubin Grove Train Station following finalisation of the design and construct contract, plus a further \$5 million for road works in the Station precinct;
- an additional \$9 million over 2015-16 to 2018-19 on the procurement of Transperth railcars (announced in the 2015-16 Mid-year Review);

- \$7 million over 2015-16 to 2018-19 on a new 10-bed mental health observation area at Joondalup Health Campus to support mental health emergency services in the north metropolitan area; and
- \$5 million across 2016-17 and 2017-18 for the Public Transport Authority to construct the Northbridge Bus Layover facility.

At \$1.8 billion, investment in transport infrastructure (roads and public transport) dominates the Asset Investment Program in 2016-17, accounting for 31% of the total program.

Figure 3



(a) Segments may not add due to rounding.

Economic Outlook

HIGHLIGHTS

- Following a decade of very strong growth averaging 5.3% per annum, the Western Australian economy is experiencing a period of below trend growth as activity consolidates at a high level.
- The economic transition in Western Australia from substantial investment in resources projects to the production and exports phase is having a more significant impact on the domestic economy than previously expected, with State Final Demand forecast to contract by a further 3.75% in 2016-17.
- Overall, the Western Australian economy (as measured by Gross State Product) is expected to grow by 1.25% in 2016-17, with a further decline in business investment and lower dwelling investment dampening the impetus to growth from an expansion in exports. This follows estimated growth of 1% in 2015-16.
- Softer domestic economic conditions are flowing through to the labour market, with employment and wages growth expected to remain low in 2016-17.
- Economic growth is expected to gradually recover to reach 3% by 2019-20, underpinned by a pick-up in consumer spending and an eventual return to modest growth in business investment, as well as the continued expansion of LNG exports over the forecast period.

Western Australia

Gross State Product

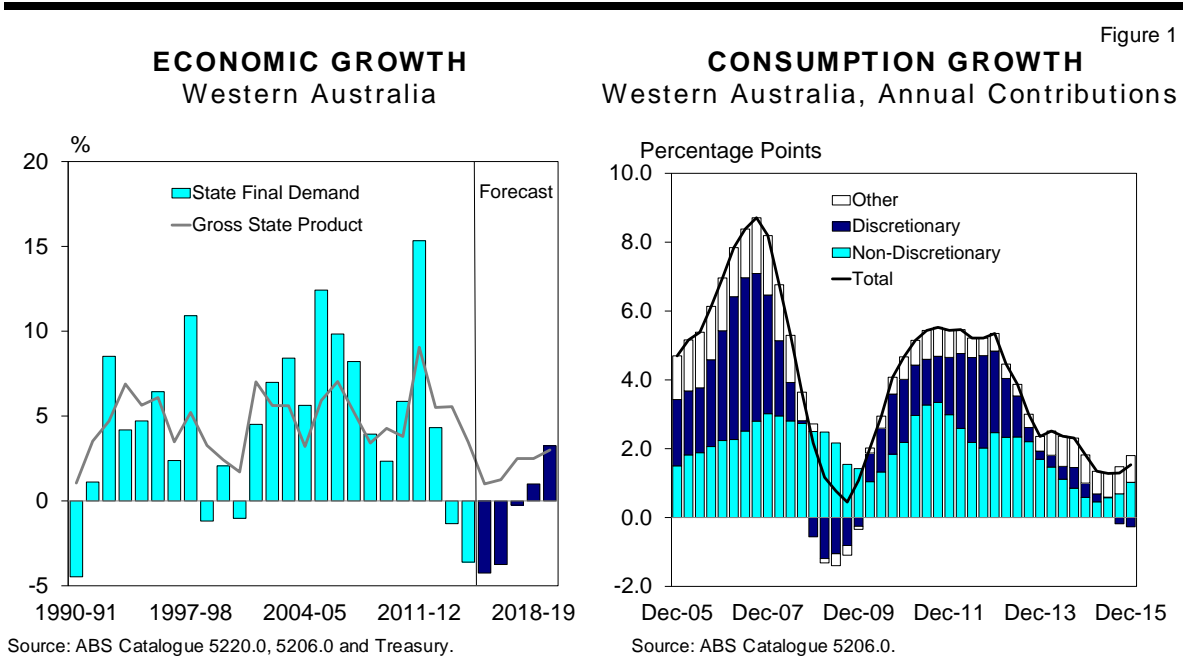
Following an unprecedented expansion underpinned by business investment that lasted more than a decade, the Western Australian economy has entered a period of below trend growth.

Modest rates of growth in advanced economies, together with progressively slower rates of growth in China, are translating into milder demand conditions for key commodities. At the same time, commodity supply continues to lift as a number of very large projects, which have been in the pipeline for a number of years, are completed. This imbalance between demand and supply has resulted in significant declines in key commodity prices in recent years and continuing low (albeit volatile) prices at present, which is limiting the prospect for new major resource projects over the forward estimates period.

Robust export growth as a result of the completion of major resources projects is being substantially offset by lower levels of business investment. As a result, **Gross State Product (GSP)** growth is expected to moderate from 3.5% in 2014-15 to 1% in 2015-16 and 1.25% in 2016-17. Nonetheless, the Western Australian economy (as measured by GSP) is estimated to be worth \$283 billion in 2016-17, up from \$253 billion in 2012-13 when business investment peaked.

The domestic economy, as measured by **State Final Demand (SFD)**, is forecast to contract in 2016-17, primarily due to a large projected decline in business investment and lower dwelling investment. While continued growth in exports is expected to support GSP growth, large declines in key commodity prices mean that while the volume of exports is rising, the income received for them has been falling (only partially moderated by a depreciation of the Australian dollar).

Economic growth is forecast to gradually increase to 3% by 2019-20, supported by a recovery in domestic economic activity and continued growth in exports (figure below). As a result, the size of the Western Australian economy is expected to increase to a projected \$306 billion by 2019-20.



Household consumption increased by a modest 1.5% over 2015 primarily underpinned by expenditure on non-discretionary services related to housing and health, while discretionary expenditure¹ contracted (figure above). This is consistent with recent weakness in per capita consumption, which fell by 0.1% in 2014-15.

Growth in consumer spending is expected to remain subdued at 1.75% in both 2015-16 and 2016-17. This reflects soft labour market conditions and slower population growth as well as persistent weakness in leading indicators of consumer spending, such as retail trade and sales of new motor vehicles. Despite this, a low interest rate environment is anticipated to provide opportunities for financial consolidation, with an improvement in household balance sheets and labour market conditions expected to provide support to consumption growth in future years.

Table 1

ECONOMIC FORECASTS
Western Australia, Annual Growth (%)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Demand and Output ^(a)						
Household Consumption	1.3	1.75	1.75	2.5	3.0	3.0
Dwelling Investment	3.9	3.75	-8.75	1.5	3.25	3.25
Business Investment	-12.7	-17.5	-19.0	-9.5	-6.0	4.25
Government Consumption	2.4	2.5	3.25	1.75	3.0	3.0
Government Investment	-12.8	-8.0	10.75	7.0	-7.75	-3.25
State Final Demand	-3.6	-4.25	-3.75	-0.25	1.0	3.25
Merchandise Exports	8.6	5.5	5.5	4.5	3.5	2.5
Merchandise Imports	0.5	-6.75	-6.25	-2.0	-0.25	2.0
Net Exports ^(b)	13.2	11.5	10.0	6.75	4.75	3.0
Gross State Product ^(c)	3.5	1.0	1.25	2.5	2.5	3.0
Labour market						
Employment	1.5	0.25	0.25	0.75	1.5	2.0
Unemployment Rate ^(d)	5.4	6.25	6.75	6.5	6.25	5.75
Participation Rate ^(d)	68.6	68.2	68.0	67.5	67.3	67.1
Population						
Population	1.4	1.2	1.3	1.5	1.7	1.9
Working Age Population (15-64)	0.9	0.7	0.6	0.8	1.0	1.3
Prices						
Consumer Price Index	1.8	1.25	1.75	2.25	2.5	2.5
Wage Price Index	2.2	1.75	1.75	2.25	2.75	3.25
SFD Deflator	1.8	1.7	1.8	2.2	2.5	2.5
GSP Deflator	-10.0	-7.3	-1.3	3.0	3.4	3.5
Median House Price	1.8	-3.5	-0.5	1.3	2.7	1.0
Other key parameters ^(d)						
Exchange Rate \$US/\$A (cents)	83.6	73.3	75.7	74.7	73.8	73.0
Iron Ore Price (\$US/t) cost and freight inclusive (CFR)	71.1	50.9	47.7	49.2	51.6	54.0
Crude Oil Price (\$US/barrel)	73.5	41.1	44.4	47.1	49.1	50.9

(a) Based on 2014-15 annual State Accounts data, updated with the latest State Final Demand data for the December quarter 2015.

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

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

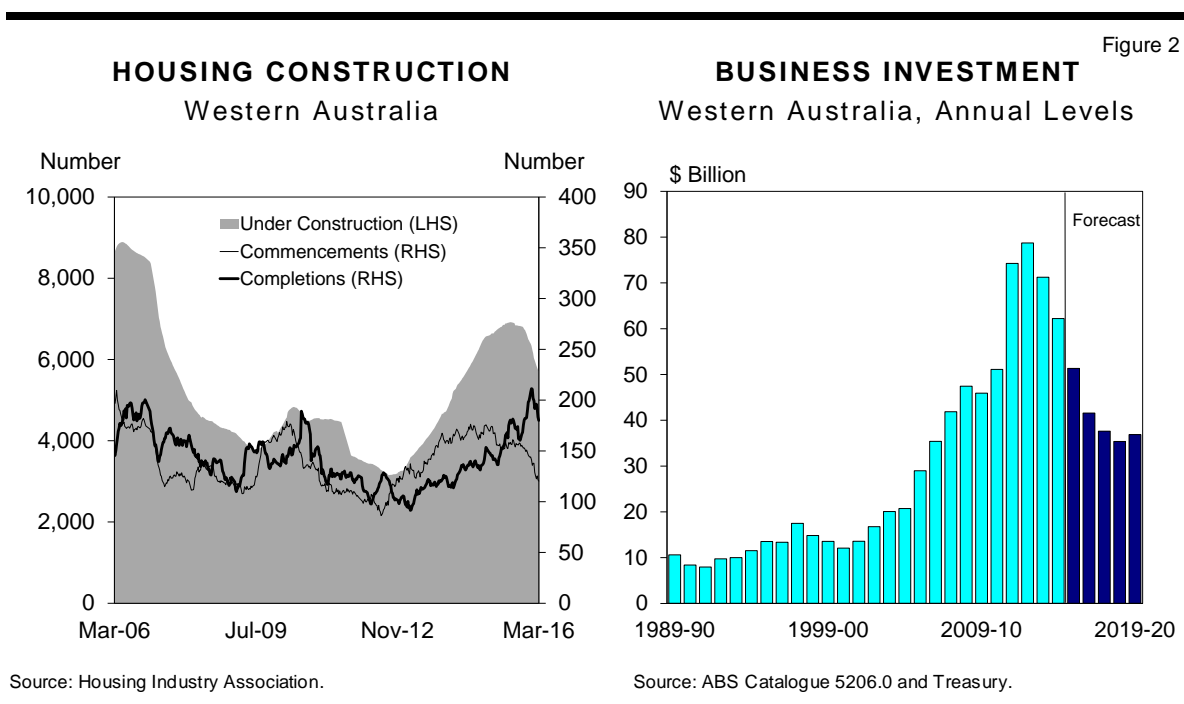
(d) Data expressed as annual average during the financial year.

¹ Discretionary items include: cigarettes and tobacco; alcoholic beverages; clothing and footwear; furnishings and household equipment; purchase of vehicles; communications; recreation and culture; and hotels, cafes and restaurants. Non-discretionary items include: food; rent and other dwelling services; electricity; gas and other fuel; health; operation of vehicles; transport services; and education services. Other items include: insurance and other financial services; other goods and services and net expenditure interstate.

New dwelling construction activity has weakened over the past year, reflecting a combination of record dwelling completions over recent years and a moderation in new housing demand as population growth has slowed and labour market conditions have softened. As a result, **dwelling investment** is expected to contract by 8.75% in 2016-17. Weaker activity in new dwelling construction is expected to be partially offset by an increase in expenditure on alterations and additions (which tend to be subdued when new dwelling activity is strong).

The forecast contraction in new dwelling construction is consistent with large falls in leading indicators of investment, such as building approvals, as well as recent falls in the number of dwellings under construction (figure below, left-hand panel). While this points to weak activity in the short-term, growth in dwelling investment is expected to stabilise in 2017-18 before increasing moderately thereafter, consistent with an improvement in population growth and labour market conditions.

After contracting for two consecutive years, **business investment** is projected to decline further by 17.5% in 2015-16 and 19% in 2016-17, as major LNG projects continue to wind down their capital expenditure and move into production.



While some conditions for investment remain broadly accommodative (such as low interest rates), intentions to invest remain subdued and as such, investment outside of major resource projects is expected to be insufficient to offset the large reduction in resource investment in the near-term. As a result, business investment is expected to continue to taper in each year to 2018-19 (see figure above).

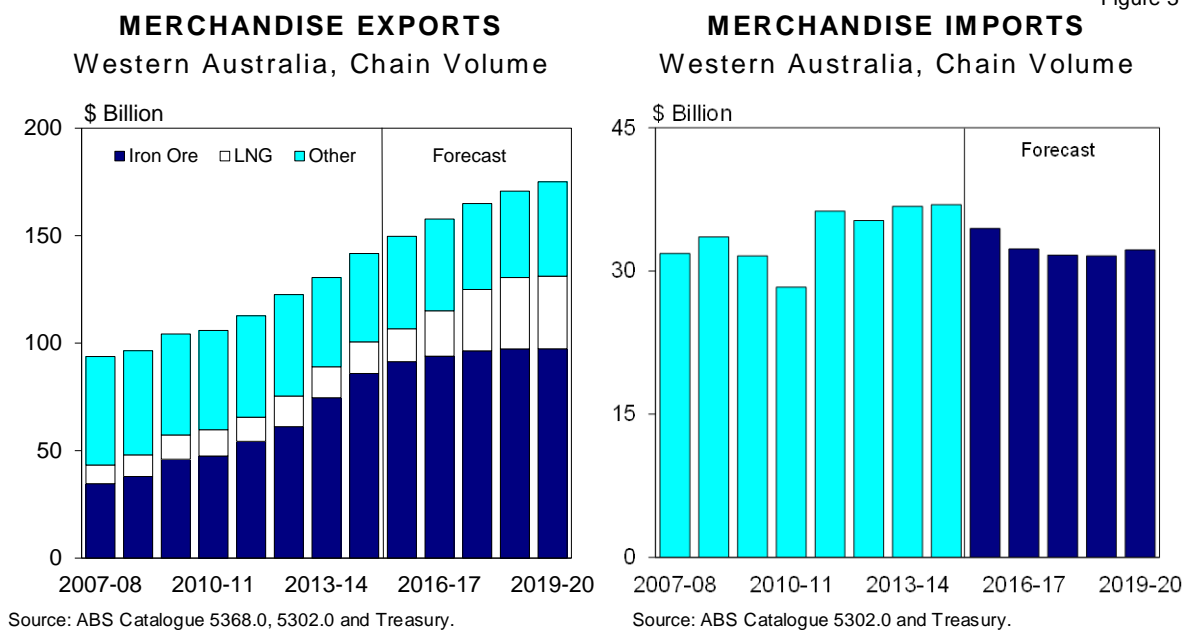
Beyond this, investment is projected to increase modestly, supported by a rise in sustaining capital expenditure from the large resource projects built in recent years as well as a re-balancing of the iron ore market, which has the potential to generate some strategic investment opportunities. As a share of the total economy, investment is expected to fall from a peak of over 31% in 2012-13 to around 12% by the end of the forecast period, which is much closer to its long-run average share.

Growth in **government consumption** is expected to remain relatively subdued across the forecast period, lifting by an average of 2.7% per annum. **Public investment** is projected to decline in 2015-16 before rebounding in 2016-17 in line with trends in the State Government’s Asset Investment Program outlined in Chapter 3: *Fiscal Outlook and Strategy*.

Merchandise **exports** are expected to continue to be a key driver of the State’s economic growth across the forecast period. Exports are estimated to grow by 5.5% in 2015-16, as a result of strong iron ore, gold and LNG exports, particularly in the first half of the year. In 2016-17, forecast growth of 5.5% reflects higher iron ore exports and a significant increase in LNG exports as production from the Gorgon project begins to ramp-up to full capacity. Growth in merchandise exports is projected to gradually moderate to 2.5% by 2019-20, as LNG and iron ore export levels reach current expected capacity and exports of gold and oil are expected to decline due to resource depletion.

From 2015-16 to 2019-20, LNG exports are projected to more than double (from around 20 to almost 50 million tonnes). By 2020, Western Australia is expected to have the third largest installed LNG production capacity in the world after Qatar and the US. The value of Western Australia’s total exports is forecast to increase from around \$150 billion in 2015-16 to \$175 billion in 2019-20 (figure below, left-hand panel).

Figure 3



Merchandise **imports** are expected to decline in each year across the period 2015-16 to 2018-19, as the reduction in business investment results in fewer imports of large capital goods required for the construction of major projects. By 2019-20, imports are expected to grow by 2%, in line with the projected pick-up in both consumption and business investment (figure above, right-hand panel).

Increasing exports and declining imports result in net exports increasing by 11.5% in 2015-16 and 10% in 2016-17, more than offsetting the contraction in the domestic economy (as measured by SFD).

Housing Market

Conditions in Western Australia's housing market remain subdued, with the Perth median house price declining by 1.4% in 2015. This reflects a strong lift in the supply of homes (in response to earlier demand generated during a period of strong population growth and labour market conditions) and a simultaneous weakening in current housing demand.

As supply continues to outpace demand, the Perth median house price is anticipated to decline by 3.5% over 2015-16. This is consistent with a steady rise in the number of properties listed for sale over the past year and a large rise in the rental vacancy rate to 6% in the three months to February 2016, well above what is seen by industry commentators as market equilibrium (3%).

The median house price is expected to stabilise in 2016-17 before growing modestly across the forward estimates period as a decline in new dwelling construction in 2016-17 begins to contain supply, and as demand lifts modestly in line with a recovery in population growth and labour market conditions.

Labour Market

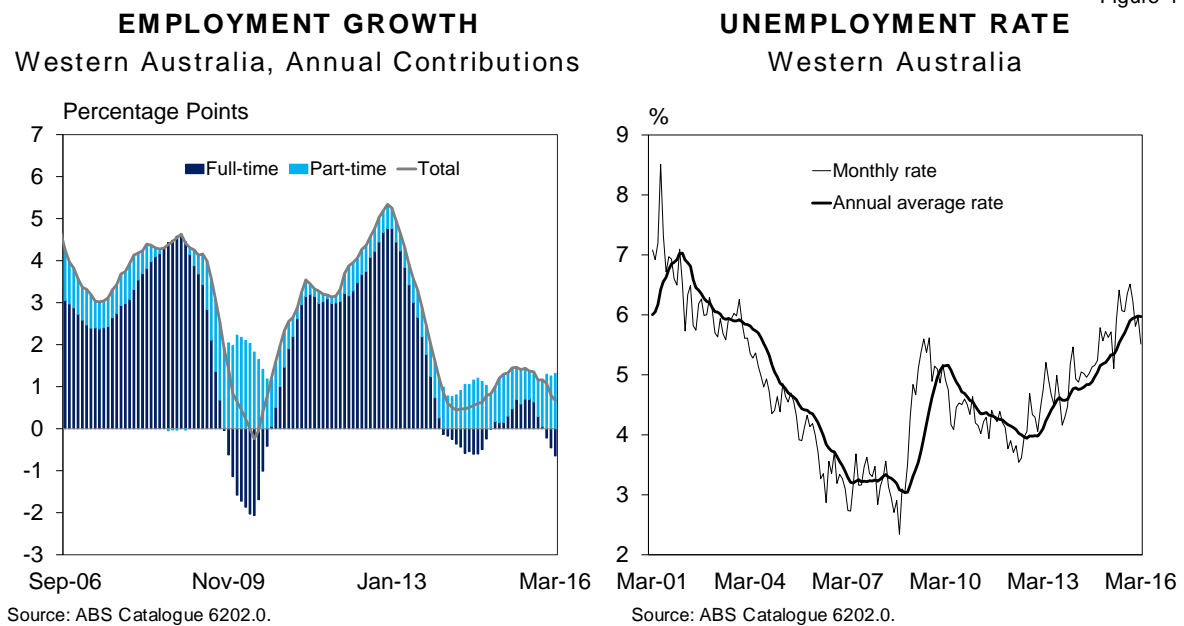
Conditions in Western Australia's labour market have softened over recent months. **Employment** grew by 0.7% in annual average terms in March 2016, down from 1.5% in 2014-15. Moreover, growth is being entirely underpinned by part-time hiring, which increased by 4.5% (or 17,655 persons) in annual terms to March, while full-time employment fell by 0.9% (or 8,702 persons) over this period (figure below).

Employment growth is expected to moderate further over the near-term, consistent with the forecast declines in domestic economic activity and weakness in leading indicators of labour demand. For example, internet job vacancies in Western Australia have declined steeply over recent months².

Subdued labour market conditions are expected to be particularly evident in the mining sector, where large resource projects are gradually moving into production (which typically requires fewer workers than during construction), and low commodity prices are constraining the impetus for new investment (and in turn, demand for labour). Employment growth in the construction industry is also likely to moderate as activity in the State's residential and commercial markets slows over the near-term.

² Department of Employment Vacancy Report, February 2016.

Figure 4



Reflecting these factors, as well as weaker population growth, employment is projected to increase by just 0.25% per annum in 2015-16 and 2016-17. Employment growth is expected to increase to 2% by 2019-20 as domestic economic activity recovers and population growth strengthens.

Consistent with weaker employment growth, the State's **unemployment rate** has continued to rise, increasing from 5.4% over 2014-15 to an average of 6% in the year to March 2016 (figure above, right-hand panel). This is the equal second lowest unemployment rate of all States along with Victoria, behind only New South Wales (5.6%).

Increased spare capacity in the labour market is also reflected in the underemployment rate, which rose to 9.1% in the three months to February 2016, indicating that a larger portion of the State's workforce would prefer to work more hours.

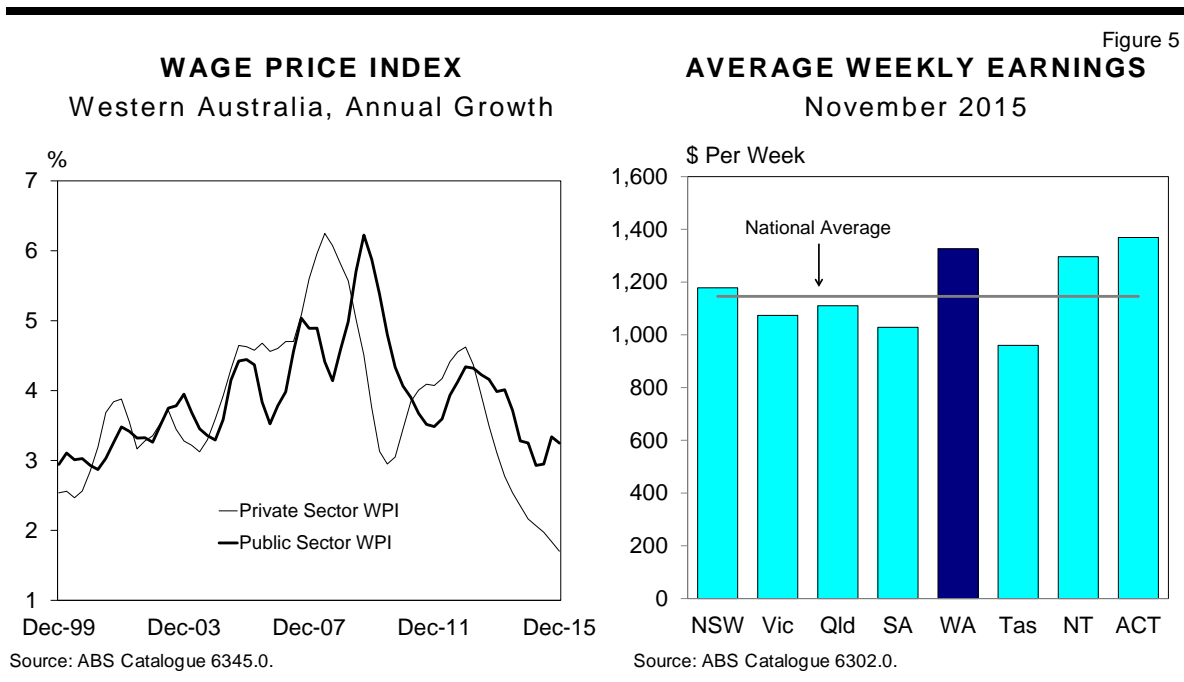
With labour demand expected to remain weak, the unemployment rate is projected to lift further to 6.25% in 2015-16, before peaking at 6.75% in 2016-17, which aligns with the expected falls in both business and dwelling investment. The unemployment rate is then projected to decline moderately over the remainder of the forecast period, consistent with a pick-up in labour demand.

The State's **participation rate** remained fairly robust at an average of 68.5% in the year to March 2016, consistent with the decade average rate. Despite this, the monthly participation rate has trended down over recent months, and will likely continue to do so as a lower number of job opportunities discourage people from actively seeking work. Demographic factors are also expected to place downward pressure on the participation rate, with a larger portion of the State's population moving into older age cohorts that have lower rates of workforce participation. Reflecting these factors, the participation rate is expected to moderate from 68.2% in 2015-16 to 67.1% in 2019-20.

Wage growth in Western Australia remains subdued, with growth in the Wage Price Index (WPI) moderating to a record low of 2% in 2015, consistent with growing spare capacity in the labour market and ongoing efforts of business to reduce costs. Notwithstanding this, real wages³ grew by 0.7% in 2015, recovering from a 0.4% decline over 2014.

Private sector wage growth slowed sharply to a record low of 1.7% in 2015, while public sector wages slowed more modestly to 3.2% over the same period (figure below, left-hand panel).

The State’s WPI growth is forecast to ease to 1.75% per annum in both 2015-16 and 2016-17, consistent with further spare capacity in the labour market and the implementation of a revised public sector wages policy. Over the forward estimates period, WPI growth is projected to increase as economic activity gradually strengthens, but to remain below the long-run average of 3.8% per annum.



While a period of softer wage growth is expected in the near-term, the level of wages remains high, reflecting the rapid wage growth experienced in recent years. For example, in November 2015, average weekly earnings⁴ in Western Australia (\$1,326.9) were the second highest of all jurisdictions, and significantly higher than the national average (\$1,145.7, figure above, right-hand panel).

³ Real wages provide a measure of the purchasing power of consumers, and are calculated as the difference between payments received (WPI) and increases in the general level of prices of goods and services (measured by increases in the CPI).

⁴ Average Weekly Earnings (AWE) is a measure of the average value of wages and salaries paid to employees by an employer at a point in time. Movements in average weekly earnings can be affected by changes in the level of earnings, as well as the composition of the labour force (such as movements between full-time and part-time employment, and across industries).

Consumer Price Index

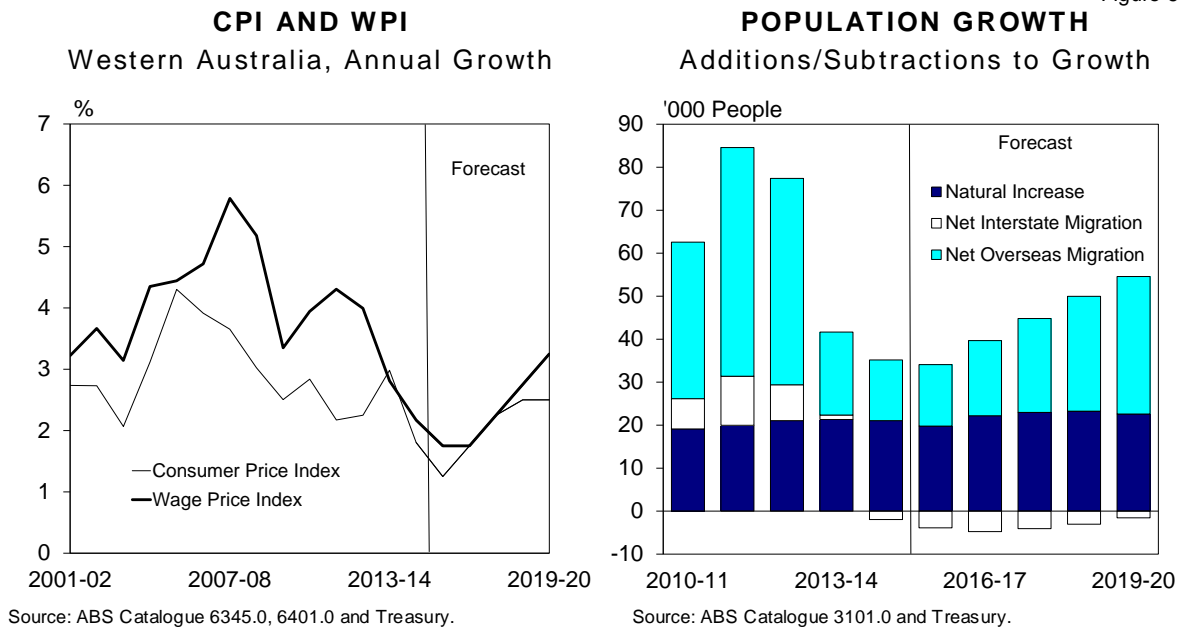
Growth in Perth’s Consumer Price Index (CPI) moderated to 1.3% over 2015, as declines in fuel and telecommunications prices were offset by a number of price pressures, most notably from an increase in the Commonwealth’s tobacco excise.

Inflation is expected to moderate further to 1.25% over 2015-16 reflecting the combined impact of lower fuel prices (consistent with recent falls in the crude oil price), falling residential rents, incentives for new project homes and historically low wages growth.

In 2016-17 and 2017-18, growth in Perth’s CPI is expected to lift to 1.75% and 2.25% respectively, in line with a further increase to the Commonwealth’s tobacco excise⁵, a gradual recovery in the oil price flowing through to fuel prices, and increases in health insurance premiums, tertiary education costs, property rates and charges, and utilities. Pressure from these sources is expected to be tempered by subdued wage growth pressure and modest growth in consumer spending, which may limit the scope for cost pass-through arising from past depreciation in the Australian dollar for locally priced goods and services. A soft rental market and the possibility of builders providing further incentives for new project homes may also have a moderating influence on the rate of Perth CPI growth over at least part of the period.

Perth CPI growth is expected to increase by 2.5% per annum in 2018-19 and 2019-20, in line with the middle of the Reserve Bank of Australia’s target band of 2-3% (figure below).

Figure 6



⁵ A further increase in the tobacco excise rate of 12.5% is expected on 1 September 2016.

Population

The rate of population growth in Western Australia has continued to slow from a peak of 3.5% in 2012-13 to 1.3% (or around 34,000 people) in annual average terms to the September quarter 2015.

While net overseas migration was the key driver of Western Australia's population growth over the past decade (increasing by an average of around 34,000 people per annum), it increased by only 14,249 persons over the year to the September quarter 2015. At the same time, net interstate migration has moderated from a peak net inflow of 3,395 persons in the March quarter 2012, to a net outflow of 935 persons in the September quarter 2015.

The State's population growth is expected to ease further to 1.2% in 2015-16 and remain subdued at 1.3% in 2016-17, reflecting the continued economic transition from a labour-intensive phase of growth driven by the domestic economy, to a less labour-intensive phase driven by exports. As such, natural increase is expected to be the primary driver of population growth over the next few years.

Population growth is projected to gradually lift over the forward estimates to 1.9% by 2019-20, as Western Australia's share of national net overseas migration is expected to return to its long-run average share, in line with a recovery in the domestic economy (figure above).

Domestic Risks

A key risk to the economic outlook is the magnitude and timing of expected declines in business investment, which has flow-on implications for the timing of exports, and the outlook for labour demand and population growth.

The **business investment** forecasts include the assumption that some prospective major projects will be approved or that currently unidentified projects will emerge across the forecast period. However, if this does not occur, the declines in investment may be larger than forecast. The profile of investment may also be more volatile than currently projected due to uncertainty around the exact timing of capital expenditure, particularly on the large LNG projects that are moving towards completion.

Changes in the timing of capital expenditure on major projects can flow through to delays in the commissioning and ramp-up of these projects to full capacity, particularly for complex LNG operations. Longer than expected delays could result in lower **export** volumes and lower than forecast growth in GSP.

Given the extent of the projected contractions in the State's domestic economy over the next two years, there is a risk that **employment** levels may be weaker than forecast, particularly given that employment growth in the construction industry (which is currently one of the largest contributors to growth) is expected to moderate.

The large volume of new dwellings under construction at a time when the established **housing market** has substantial spare capacity, and in the context of slowing population growth, means there is a heightened risk of over-supply in the housing market. In addition, recent announcements by some banks of rising mortgage stress in resource-exposed States as well as recent changes to banks' capital adequacy requirements highlight the risk that mortgage rates could again rise independently of official rates. These factors could result in a sharper than anticipated decline in dwelling investment and a sharper than expected fall in house prices.

The future path of **population growth** also creates an element of uncertainty that will affect the domestic demand outlook. For example, if migration to Western Australia slows more rapidly than expected, this will have implications for growth in consumer spending and dwelling investment.

Global Outlook and Risks

Global economic growth slowed from 3.4% in 2014 to 3.1% in 2015, reflecting moderating growth in China and a significant downturn in many oil producing countries, on top of continuing low growth in many of the advanced economies. The International Monetary Fund (IMF) projects little change in 2016 (3.2%) before a modest recovery to 3.5% in 2017 underpinned by emerging markets and developing economies.

Advanced Economies

Economic growth in advanced economies has been generally weak since the GFC. Since 2008, the combined GDP of advanced countries has expanded on average by 1% per annum compared to 2.2% per annum in the seven years leading up to the crisis and 2.8% per annum between 1979 and 2008. The IMF projects that advanced economies as a group will continue to show little recovery, with GDP in 2016 and 2017 forecast to expand by no more than 2%.

The US economy continues to expand, with the IMF forecasting growth of 2.4% per annum in 2015 and 2016 and 2.5% in 2017. This growth, which is providing some support to global demand (as the US is a major net importer) and which has also contributed to a sharp decline in the US unemployment rate, underpins the US Federal Reserve position of progressively increasing interest rates. However, uncertainty about the speed of interest rate rises and their potential impact on the global economy has been causing some financial market volatility.

While headline growth and unemployment trends have improved, the US economy continues to face challenges. Specifically, labour force participation remains below pre-GFC levels, and well below levels of the 1990's. Moreover, the economic shock caused by the GFC and the slow recovery in subsequent years has left US economic activity further away from trend levels than at any other time since World War II. Low rates of economic activity have reduced the incentive to invest and relatively low rates of investment are likely to limit the capacity of the economy to reach pre-GFC rates of growth over the medium term.

The Euro area, an important destination for Chinese exports, continues to suffer from the after-effects of the GFC and subsequent European Debt Crisis, with unemployment still over 10% in early 2016. The IMF is forecasting that modest economic activity will continue, with GDP growth of 1.6% in 2015 followed by growth of around 1.5% to 1.6% per annum across the remainder of the forecast period. Weak domestic demand has been a major factor in the poor economic performance of the Euro area, with the gradual economic recovery supported by the emergence of a large trade surplus.

Steady growth is expected for the advanced East Asian economies⁶ (except in Japan, where weak growth is forecast). However, a reasonably high exposure to the Chinese economy, unfavourable demographic trends and relatively elevated debt levels will pose challenges to some of these jurisdictions.

Weak growth in advanced economies has coincided with relatively low rates of investment (as a share of output) in these countries, which has placed downward pressure on global interest rates. Investment is generally more resource intensive than other sources of demand in an economy, which means that recent trends have put downward pressure on commodity prices. Low rates of investment have also likely contributed to the relatively low rates of global trade growth in recent years, as capital goods are typically more trade intensive. This trend has been unfavourable for growth in the highly trade exposed East Asian economies, such as South Korea, Japan and Singapore.

A subdued outlook for growth will likely result in interest rates remaining historically low and investment in advanced economies continuing to be weak across much of the forecast period.

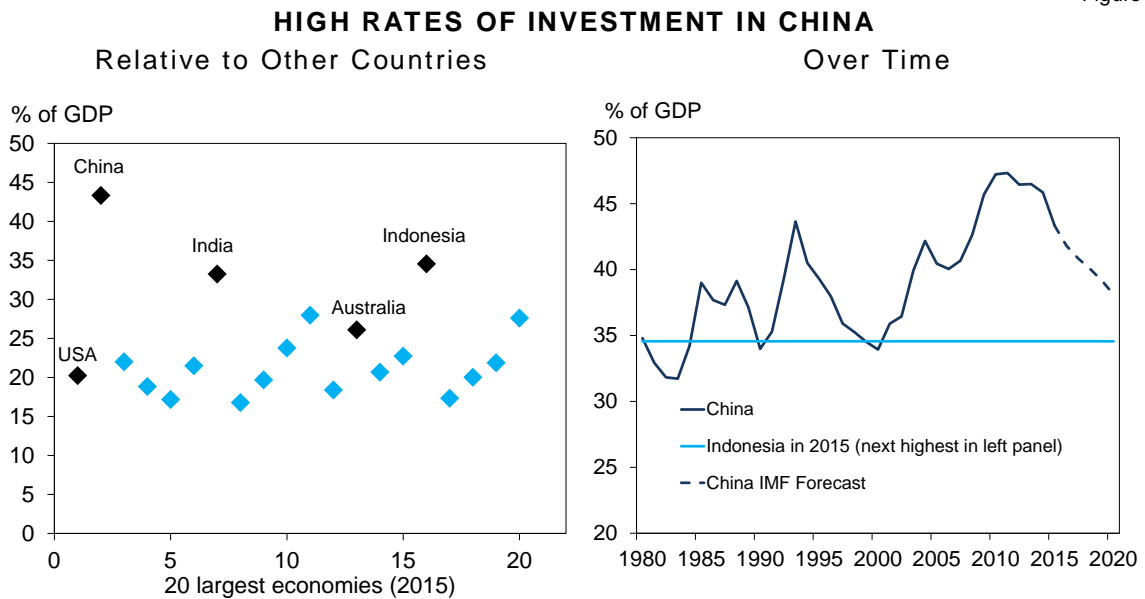
China

Economic growth in China slowed to 6.9% in 2015 (from 7.3% in 2014) according to official statistics. This was largely caused by weakness in the country's heavy industrial and construction sectors. The IMF forecasts that GDP growth will continue to moderate in 2016 (6.5%), 2017 (6.2%) and 2018 (6%) as the economy deals with excess capacity in heavy industry and property.

Compared to other countries, China has been diverting a large proportion of its economic output toward investment (figure below). This has created a significant problem of overcapacity in the manufacturing and property sectors. Such high rates of investment are likely unsustainable, particularly as the economy slows and migration to urban areas starts to decline. In response, Chinese authorities have been facilitating a change in the structure of the economy toward one that is more reliant on household consumption for demand. Investment as a proportion of economic output has declined from a peak of 47% of GDP in 2011 to 43% of GDP in 2015. This trend is likely to continue, with the IMF forecasting investment to comprise 37% of GDP in 2021.

⁶ Including Japan, South Korea, Hong Kong, Taiwan and Singapore.

Figure 7



Consequently, future Chinese economic growth is likely to be less commodity intensive. Although structural change has been adversely impacting demand for commodities, it is benefitting those industries in Western Australia that have relatively greater exposure to Chinese households, such as tourism and high value agriculture.

Notwithstanding the long-term trend toward slower growth and a declining role for heavy industry, there have been indications of a slight pick-up in activity in the Chinese economy in 2016. An increase in credit growth and sales of new dwellings, starting in late 2015, has been followed by an increase in new dwelling starts and improved indicators of manufacturing activity in 2016. Moreover, at the March 2016 National People's Congress, Chinese authorities gave a clear indication that they would be more supportive of growth over the coming year, with a proposed increase in the budget deficit (from 2.3% of GDP in 2015 to 3% in 2016) and the first increase in the money supply growth target in seven years.

However, the Government's willingness and ability to stimulate the economy may be limited by the risks associated with further expansion of credit and rapid house price growth in some major cities⁷.

⁷ Although the housing market in much of China is relatively subdued, prices in some major cities, such as Shenzhen, Beijing and Shanghai, have increased significantly over the past 12 to 18 months.

Other Emerging Markets

Populous emerging markets in South and South East Asia generally have relatively positive growth outlooks. India (7.3%), Vietnam (6.7%), the Philippines (5.8%) and Bangladesh (6.4%) all grew at relatively robust rates in 2015 and the IMF forecasts that all these countries will grow by at least 6% from 2016 to 2021. Activity in Indonesia also appears to have stabilised after being buffeted by commodity prices in 2014 and 2015. The IMF forecasts growth in Indonesia will rebound from 4.8% in 2015 to 6% in 2020. These countries are entering relatively commodity intensive phases of growth and are also consumers of Australian education and tourism services. Many have benefitted over the past two years from having a greater trade exposure to the slowly recovering US economy rather than the slowing Chinese economy.

However, major oil exporters have generally fared poorly. Russia, Brazil and Venezuela experienced severe recessions in 2015 with their economies contracting by 3.7%, 3.8% and 5.7% respectively. The IMF projects that these countries will remain in recession in 2016.

Global Risks

China is by far the most important trading partner for Western Australia (accounting for 52.9% of the State's merchandise exports), and changes in the country's domestic economy can have a major impact on the State's economic outlook.

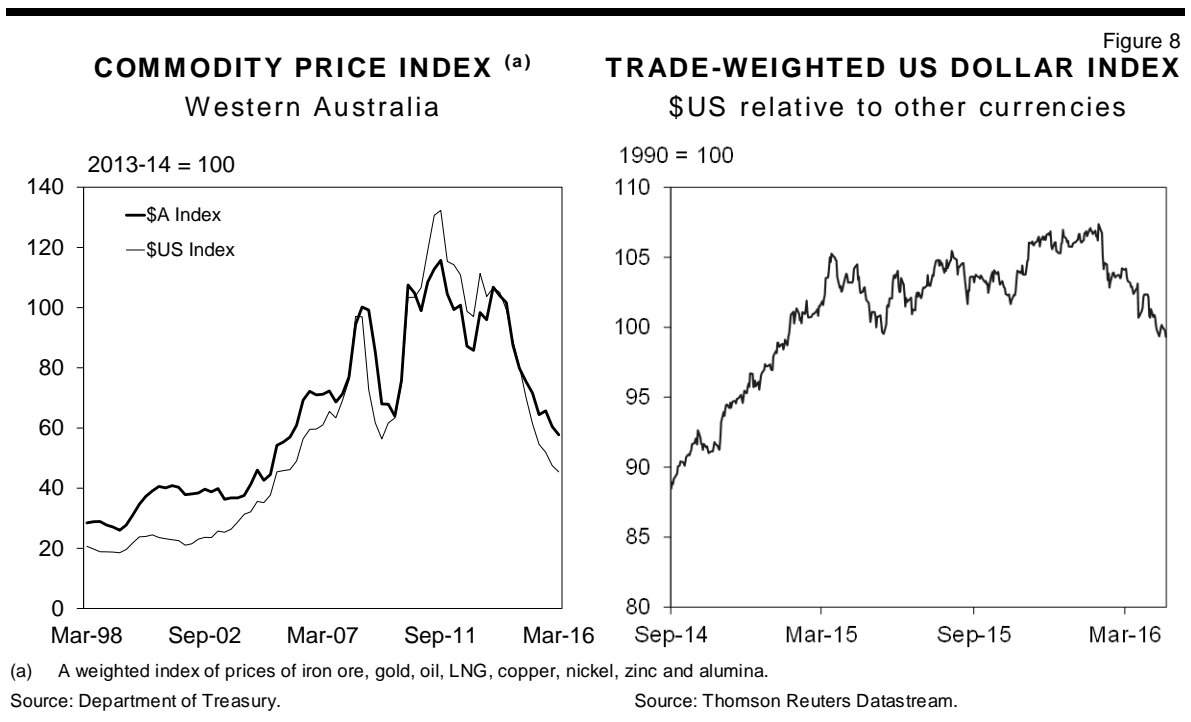
A key risk for the Chinese economy is the rapid accumulation of debt, particularly since the GFC. This debt has largely been used to finance the construction of fixed assets such as dwellings, factories and offices, and it appears to have generated overcapacity in property and manufacturing. Transitioning towards a more sustainable rate of debt accumulation will likely eventually constrain growth. Furthermore, there is a risk of credit defaults in sectors suffering from overcapacity.

The US dollar is the global reserve currency and therefore changes to monetary policy in the US can have a significant impact on flows of capital and exchange rates around the world. These changes have the potential to affect the economy in Western Australia, particularly through any impact on China and other emerging markets. Since 2013, the prospect of the US Federal Reserve starting to 'normalise' monetary policy⁸ has caused turbulence on international financial markets. This has had a negative impact on emerging market economies such as China by increasing capital outflows and exchange rate volatility. Moreover, an appreciation of the US dollar has increased the cost of servicing US dollar debt in many countries, and increased the value of currencies which are linked to the US dollar (like the Chinese Yuan), even if their own economic conditions do not necessarily warrant it.

⁸ By increasing the Federal Funds interest rate, and by tapering and then eventually unwinding quantitative easing.

Commodity Markets

After trending down sharply over 2014 and 2015, commodity prices (as measured by an index of the commodities most relevant to Western Australia) reached a low in early 2016 (figure below, left-hand panel). Commodity prices have increased more recently supported by a softer US dollar, and positive developments in China. Since the 2015-16 Mid-year Review, price forecasts have been revised up for some commodities, including iron ore and gold, while the outlook for other commodity prices, particularly oil and gas, remains more subdued. Price assumptions and mining revenue estimates can be found in Chapter 4: *General Government Revenue*.

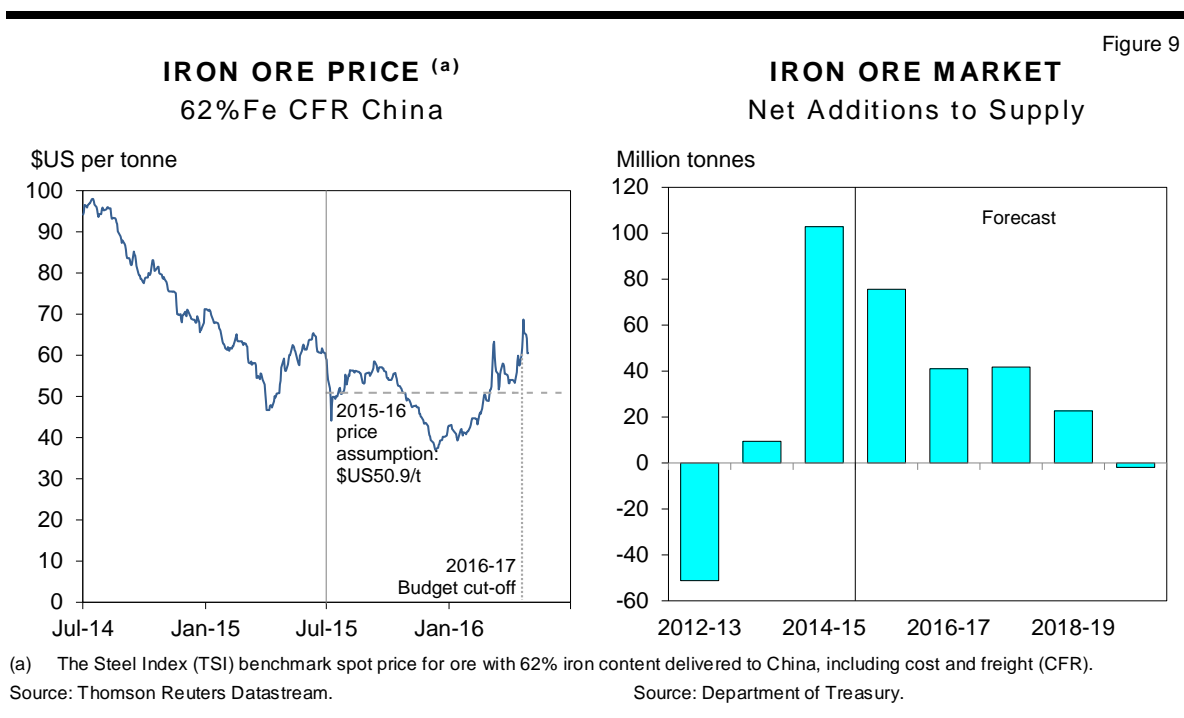


The US dollar has weakened in early 2016 (figure above, right-hand panel) as a result of statements made by the US Federal Reserve indicating the Federal Funds Rate would be increased at a slower pace than previously anticipated. As international prices are denominated in US dollars, the weaker US dollar has increased the value of commodities.

Developments in China also boosted commodity prices in the first part of 2016. Several positive economic indicators have been released, including some relatively robust credit data. The Chinese property market, a key driver of economic growth and industrial commodities demand, also showed signs of improvement, with growth in residential house prices and an increase in residential property construction for the first two months of 2016, relative to a year earlier. The shift in focus toward economic growth signalled at the National People's Congress also provides a more positive outlook for commodities demand.

Iron ore

After falling to \$US37 per tonne in December 2015, the iron ore price jumped to \$US63 per tonne in early March (figure below), following announcements at the National People’s Congress that the Chinese Government would maintain high levels of urban migration and would continue its strong public investment in infrastructure and social housing. The announcement led to an improvement in sentiment in the steel and iron ore markets.



The recent increase in the iron ore spot price is not expected to be sustained into 2016-17, as further substantial increases in low-cost iron ore production are anticipated over the period to 2019-20. This includes expansions from Rio Tinto and BHP Billiton, as well as the ramp-up of the Roy Hill mine toward 55 million tonnes per annum. In addition, Brazilian producer Vale is on target to begin production at its 90 million tonne per annum S11D mine in the second half of 2016. Over the medium-term, growth in supply is expected to outpace growth in demand, which will likely result in periods of surplus production. Further volatility and downward pressure on price are expected as producers compete to stay in the market. Significant cost cutting by higher-cost producers means that prices may decline further to eliminate surplus production.

Sustained growth in demand for steel in China is considered unlikely over the medium-term. This is because growth will likely be curtailed by significant over capacity in the steel-intensive property and heavy industrial sectors. Further headwinds will likely come from the ongoing process of structural change in China where household consumption, which is not very steel-intensive, becomes relatively more important for growth.

Iron ore market net additions, measured by the supply additions from the largest global producers minus projected additional global demand (figure above, right hand panel), are expected to remain in surplus out to 2018-19, with the market expected to be broadly balanced in 2019-20.

Oil market

Similar to iron ore, the oil market has also been oversupplied, due to strong growth in supply exceeding softening demand. The largest driver of supply growth in recent years has been from unconventional sources in North America, which have proved to be more resilient to low oil prices than many commentators anticipated. Output has also increased from Saudi Arabia and Iraq. The lifting of sanctions on Iran is expected to result in further increases to supply. The Brent oil benchmark declined from \$US44 per barrel at the 2015-16 Mid-year Review cut-off (30 November 2015) to \$US25.9 per barrel in late January, its lowest level since September 2003.

At the 19 April cut-off date for this Budget, the price had improved to around \$US40 per barrel after major oil producing countries indicated that they may cooperate to reduce the global market surplus, and as a result of the softer US dollar. Supply growth is expected to gradually ease over the medium-term as the lower oil price acts to discourage new investment.

Other commodities

The gold price has strengthened from \$US1,064 per ounce at the 2015-16 Mid-year Review cut-off date to \$US1,235 per ounce at the 19 April Budget cut-off date, an increase of around 16%. The gold price improved as the slower expected pace of interest rate increases by the US Federal Reserve boosted the attractiveness of gold as a store of wealth, relative to interest-bearing securities.

The alumina spot price fell from around \$US350 per tonne in mid-2015 to just above US\$200 per tonne late in 2015. The fall was due to an excess supply of alumina and significant industry cost cutting. Prices increased marginally in early 2016 and are expected to gradually improve as higher cost production exits the market.

Fiscal Outlook and Strategy

HIGHLIGHTS

- Since the Mid-year Review, GST ‘top-up’ funding from the Commonwealth and a higher than expected iron ore price have reduced the estimated operating deficit in 2015-16 from \$3.1 billion to \$2 billion. These factors have also contributed to a lower than expected net debt estimate at 30 June 2016 (\$27.9 billion, compared to \$29.6 billion in the Mid-year Review).
- However, the State’s revenue base remains under significant pressure, and general government revenue is forecast to decline (by 3.1%) for a third consecutive year in 2016-17. As a result, a larger operating deficit (of \$3.9 billion) is forecast for 2016-17.
- The Government has restricted new spending in this Budget, and expenses are projected to grow by an average of just 2.4% over the forward estimates period. This includes the impact of the Government’s revised wages policy (announced in February 2016), and the application of the Agency Expenditure Review process to most general government sector agencies.
- The projected operating deficits, combined with infrastructure investment totalling \$22.9 billion over the four years to 2019-20, will see net debt increase to a forecast \$40.2 billion by 30 June 2020 (excluding anticipated proceeds from the Government’s asset sales program, which will only be reflected in the estimates when the associated transactions are completed).
- The challenging fiscal environment is evident in the performance against financial targets, with most of the targets not expected to be met in 2015-16, 2016-17 and 2017-18.

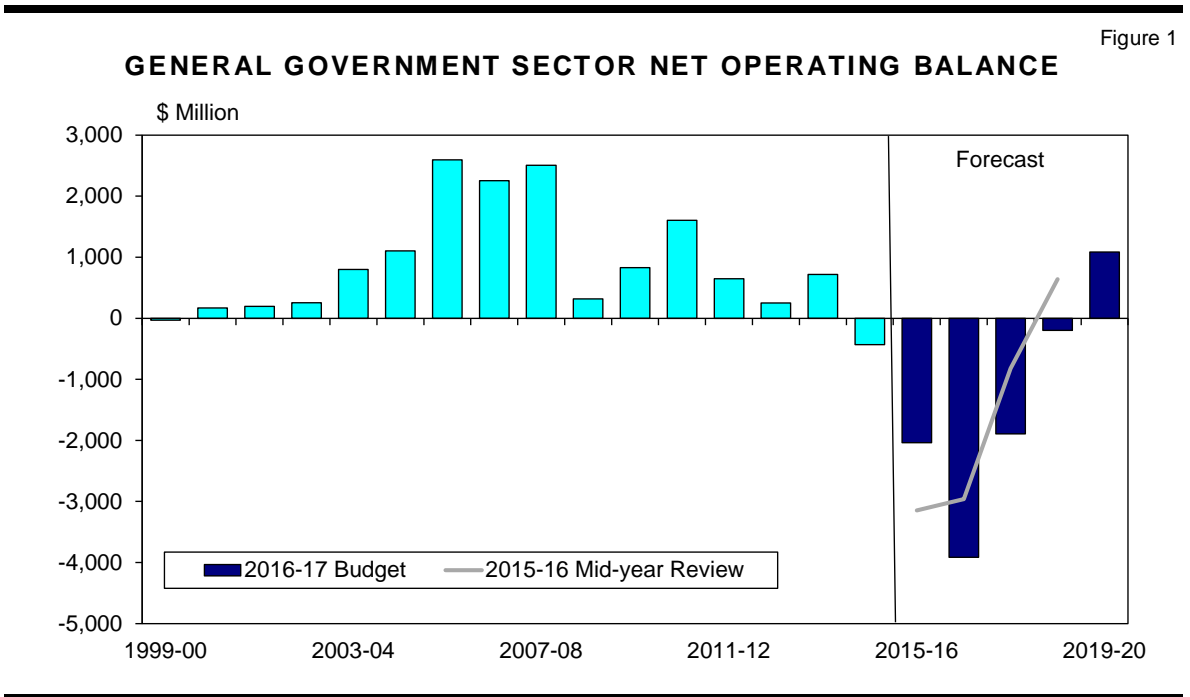
Fiscal Outlook

General Government Sector

Summary

Continued weakness in revenue collections is driving a further deterioration in the State’s fiscal aggregates. Since the release of the 2015-16 Mid-year Review in December 2015, the general government revenue estimates have been written down by a further \$2.5 billion (over the period 2015-16 to 2018-19).

The reductions in revenue mean that operating deficits are unavoidable, and larger deficits are now forecast for 2016-17 and 2017-18 compared to the Mid-year Review. A deficit of \$3.9 billion is in prospect for 2016-17 (following an expected \$2 billion deficit outcome for 2015-16), with a deficit of \$1.9 billion projected for 2017-18. A small \$197 million deficit is forecast for 2018-19, before an expected return to surplus in 2019-20 (\$1.1 billion).



The following table summarises the financial outlook for the general government sector.

Table 1

GENERAL GOVERNMENT
Summary Financial Statements

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
OPERATING STATEMENT						
Revenue	27,400	26,492	25,681	27,672	30,305	32,481
Annual Change	-556	-908	-810	1,991	2,633	2,175
Annual Growth (%)	-2.0	-3.3	-3.1	7.8	9.5	7.2
Expenses	27,831	28,529	29,596	29,565	30,502	31,394
Annual Change	595	698	1,067	-30	937	892
Annual Growth (%)	2.2	2.5	3.7	-0.1	3.2	2.9
Net Operating Balance	-431	-2,037	-3,914	-1,893	-197	1,086
BALANCE SHEET						
Assets ^(a)	148,949	151,553	153,637	157,300	162,691	167,461
Liabilities ^(b)	27,649	32,631	37,682	41,836	45,595	47,220
Net Worth	121,299	118,922	115,954	115,464	117,096	120,241
STATEMENT OF CASHFLOWS						
Net Cash Flow s from Operating Activities	1,040	-1,264	-2,406	-626	1,133	2,385
Asset Investment Program	2,667	2,275	2,484	2,622	2,094	1,601
Cash Position	-1,493	-3,260	-4,684	-3,069	-782	916
<i>Memorandum Item: Net Debt</i>	9,306	14,347	20,393	24,434	25,862	25,429

(a) Includes all physical and financial assets of the general government sector, such as land, buildings, vehicles, cash, ownership interest in public corporations, accounts receivable from third parties, etc.

(b) Includes all general government sector financial obligations such as outstanding borrowings, unfunded superannuation and other employee entitlements, accounts payable, etc.

Note: Columns may not add due to rounding.

Relative to the Mid-year Review, general government expenses have been revised down by a net \$745 million over the period 2015-16 to 2018-19. This reflects limited additional expenditure approved in this Budget which has been more than offset by savings from the new wages policy, the expansion of Agency Expenditure Reviews to a further 54 agencies, and generally lower costs.

Recurrent spending growth is expected to remain low, with estimated growth of 2.5% in 2015-16 and average growth of just 2.4% over the budget period. This compares to average growth of 7.7% over the previous decade.

Cash deficits averaging nearly \$3.7 billion per annum are forecast for the period 2015-16 to 2017-18, with a smaller \$782 million deficit in prospect for 2018-19. These deficits are driven by the weak revenue outlook, and the continued need for investment in public infrastructure. As a result, general government sector net debt levels are forecast to increase from \$14.3 billion at 30 June 2016 to \$25.4 billion by 30 June 2020.

Operating Statement

The table below summarises changes to general government revenue and expenses since the December 2015 Mid-year Review.

Table 2

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2015-16 MID-YEAR REVIEW**

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	Total \$m
2015-16 MID-YEAR REVIEW - NET OPERATING BALANCE	-3,146	-2,961	-820	641		
Revenue						
<i>Impact of policy decisions</i>						
Revised wages policy ^(a)	-	-	-4	-8	-12	-25
Removal of specified concessions on motor vehicle licence fees	-	-	6	6	6	18
<i>Total policy decisions</i>	-	-	2	-2	-6	-7
<i>Other revenue changes</i>						
Taxation	-67	-550	-738	-805		-2,160
- Payroll tax	-167	-289	-435	-470		-1,360
- Total duty on transfers	148	-79	-82	-87		-101
- Land tax/MRIT	-3	-110	-140	-147		-401
- Insurance duty	12	13	13	14		52
- Motor vehicle taxes	-5	-27	-46	-68		-146
- Landfill levy	-36	-35	-32	-32		-135
- Other taxes	-17	-23	-15	-15		-70
Commonwealth grants	313	-381	-583	-325		-976
- GST grants	-10	-97	-385	-644		-1,136
- Public Hospital grants	-	1	41	97		139
- North West Shelf/condensate compensation	-20	-150	-173	-221		-564
- Perth Freight Link Timing Change	-143	-230	-127	332		-168
- Additional Transport grant	490	-	-	-		490
- Other transport grants	-25	29	30	68		102
- Extension and expansion of NDIS Trial Sites 2016-17	-	68	-	-		68
- Other Commonwealth grants	20	-1	31	45		95
Royalty income	389	211	28	-55		573
- Iron ore	442	233	35	-13		697
- Other royalties	-53	-22	-7	-42		-125
Independent Market Operator - transfer of activities to AEMO	-10	-18	-18	-18		-62
Onslow Power Infrastructure Upgrade	5	39	61	-		106
Road assets transferred in	68	13	-	18		99
Revenue from public corporations	152	-106	-31	-15		-
All other	24	-5	-52	-49		-81
TOTAL REVENUE	874	-796	-1,330	-1,248		-2,501

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

Table 2 (cont.)

	2015-16	2016-17	2017-18	2018-19	2019-20	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Expenses						
AER Tranche Three	-	-	-149	-156	-156	-461
Revised wages policy ^(a)	-	-25	-132	-262	-405	-825
Subsidies to Public Corporations	1	-40	-47	-105		-191
Revision to student enrolments and cost settings	-12	-35	-95	-91		-232
Royalties for Regions	-43	-65	-68	-3		-179
Non-government human services sector indexation	-15	-35	-36	-36		-122
Resolution of native title in the South West of WA	-60	-9	-	3		-67
Independent Market Operator - transfer of activities to AEMO	-10	-17	-17	-17		-62
Home Indemnity Insurance	35	-5	-17	-22		-9
nib Stadium management	-	5	6	6		16
Disability Services Commission - demand growth	-	11	13	13		37
Tourism initiatives	-	6	18	15		39
Magnetite Financial Assistance Program	1	17	22	-		41
Extension and expansion of NDIS Trial Sites 2016-17	-	94	-	-		94
Corrective Services - Daily Average Prisoner Population	15	22	30	37		104
Onslow Power Infrastructure Upgrade	5	39	61	-		106
WA Health						
- Hospital Services – Revised Activity and Cost Settings	-	40	70	125		235
- Reinvestment of AER Savings into Hospital Services	-	-	47	52		100
- Perth Children's Hospital Commissioning	-3	17	-1	-		12
Road transfers update	-46	46	-	-		-
Revised Tranche Two AER savings	-	16	-2	-7		7
Superannuation interest	-42	-36	-37	-34		-149
Consolidated Account interest	11	36	47	60		154
All other	-72	77	29	12		45
TOTAL EXPENSES	-235	157	-257	-410		-745
TOTAL VARIANCE	1,109	-953	-1,073	-838		-1,756
2016-17 BUDGET - NET OPERATING BALANCE	-2,037	-3,914	-1,893	-197	1,086	

(a) The new wages policy announced in February 2016 reduces public sector wage costs by an aggregate \$826 million. Of this, \$825 million directly impacts general government expenses. An estimated \$25 million impacts the general government revenue estimates, reflecting the flow-on effect of lower spending on cost recovery.

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

2015-16 Estimated Actual ¹

The operating balance for 2015-16 has improved by \$1.1 billion relative to the Mid-year Review, with stronger than expected revenue (up \$874 million) and lower than expected expenses (down \$235 million) driving this outcome.

The higher revenue estimate reflects the net impact of the following:

- higher royalty income (up \$389 million), mainly due to a higher than anticipated iron ore price, which has more than offset a higher than expected \$US/\$A exchange rate;
- higher Commonwealth grants revenue (up \$313 million), largely reflecting the \$490 million grant announced in April 2016 in recognition of the State's low GST share (which is to be applied to the Forrestfield-Airport Link), partly offset by revised cashflows for the Perth Freight Link (down \$143 million);

¹ Actual results for 2015-16 will be reported in the *Annual Report on State Finances*, which will be released by 28 September 2016.

- higher dividends and tax equivalent payments (up \$152 million), mainly due to higher payments from:
 - Western Power (up \$50 million), primarily due to a special dividend to recognise the proceeds from the sale of land as part of the Government’s Land Asset Sales Program;
 - Water Corporation (up \$38 million), due mainly to higher developer contributions from increased lot development activity (which impacts profit outcomes); and
 - Pilbara Ports Authority (up \$31 million), reflecting higher revenue in line with throughput increases, and lower than previously expected expenditure on consulting expenses, contract expenditure and employee costs;
- higher developer contributions received by Main Roads (up \$68 million) for works on Onslow Road, Marble Bar Road and the Great Northern Highway; and
- lower taxation revenue (down \$67 million) in light of weaker domestic economic conditions, with declines in payroll tax (down \$167 million), transfer duty (down \$85 million) and the landfill levy (down \$36 million) partially offset by higher than expected revenue from landholder duty (up \$232 million).

Notwithstanding the improvement in revenue relative to the Mid-year Review, revenue is still forecast to contract by \$908 million (or 3.3%) in 2015-16 relative to the previous year. This follows a revenue contraction of \$556 million (or 2%) in 2014-15.

Lower expenses in 2015-16 relative to the Mid-year Review (down \$235 million) reflect the net impact of:

- delays with the resolution of Native Title in the South West of Western Australia (down \$60 million);
- lower Royalties for Regions (RfR) spending (down \$43 million), mainly due to delays and timing changes in a range of projects (project-level spending profiles for the RfR program are available in Chapter 7);
- delays with road transfers from the State to local governments (down \$46 million);
- a reduction in superannuation interest expenses (down \$42 million), due mainly to lower than anticipated bond rates used to value these liabilities²; and
- lower on-passed grants to non-government schools (down \$22 million), matched by an equivalent reduction in Commonwealth revenue.

Totalling \$28.5 billion, general government expenses are forecast to grow by 2.5% in 2015-16, which is 0.8 percentage points lower than the Mid-year Review estimate and significantly lower than average growth of 7.7% per annum over the previous decade.

² Long-term government bond rates are used by the actuary in year-end valuations of unfunded superannuation liabilities. Bond rates have remained at low levels during 2015-16 (a rate of 2.4% has been used for 2015-16 based on the long-term bond rate at cut-off, compared with a Mid-year Review assumption of 3%). A decrease in the bond rate means that unfunded liabilities increase in value (and vice versa), while superannuation interest costs are generally lower.

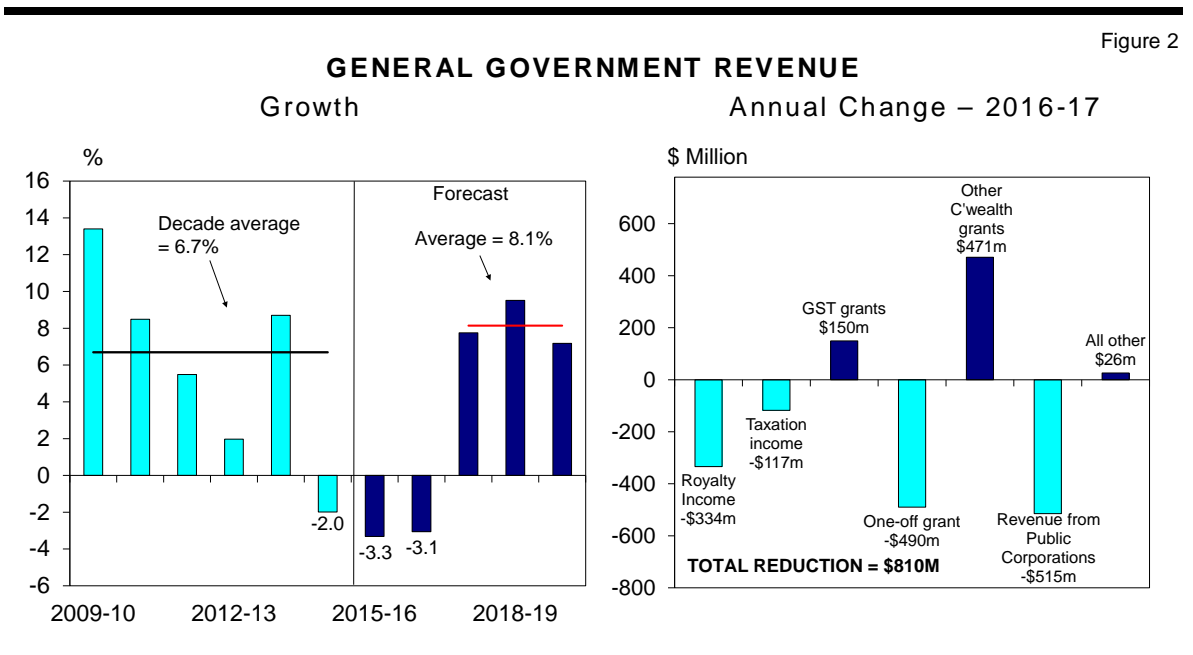
2016-17 and Beyond

A deterioration in the operating outlook for 2016-17 and the forward estimates period (relative to the Mid-year Review) reflects the unusually prolonged weakness in the State’s revenue base. Large operating deficits are expected to continue into 2016-17 and 2017-18, with a smaller deficit (\$197 million) projected for 2018-19, before a turnaround to a \$1.1 billion surplus in 2019-20. This pattern reflects an expected increase in Western Australia’s GST share as a result of the lagged Commonwealth Grants Commission process, as well as an expected gradual recovery in domestic economic conditions and the State’s own-source revenue.

Revenue

Following consecutive years of negative revenue growth (a 2% reduction in 2014-15 and an estimated 3.3% reduction in 2015-16), revenue is forecast to decline by a further 3.1% in 2016-17. At \$25.7 billion, general government revenue is expected to be \$2.3 billion lower in 2016-17 than in 2013-14.

This is an unprecedented period of contracting revenue and has put significant pressure on the State’s financial outlook.



General government sector revenue has been revised down by \$3.4 billion over the period 2016-17 to 2018-19 compared with the Mid-year Review, largely reflecting the net impact of:

- lower taxation revenue (down \$2.1 billion), caused by downward revisions to payroll tax (down \$1.2 billion), land tax and Metropolitan Region Improvement Tax (down \$398 million), and transfer duty (down \$232 million), due to the softer labour and property market outlooks;

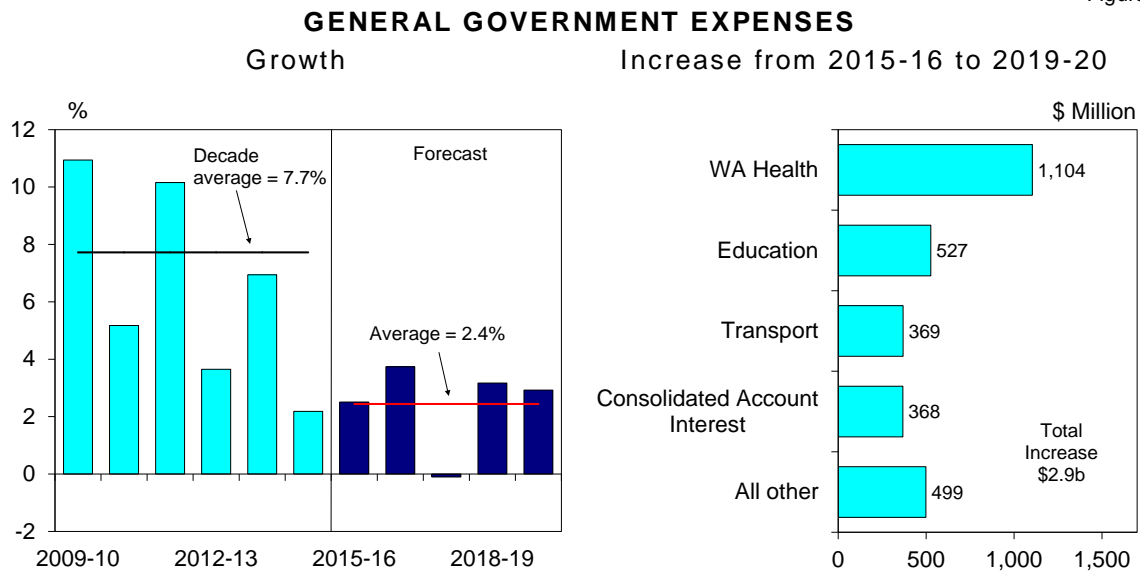
- lower Commonwealth grants revenue (down \$1.3 billion), including:
 - GST (down \$1.1 billion), primarily due to lower estimated population growth adopted by the Commonwealth in its Mid-year Economic and Fiscal Outlook (which reduces Western Australia’s per capita share of national GST collections);
 - lower North West Shelf grants (down \$516 million), mainly reflecting a downward revision to forecast oil and gas prices and an upward revision to the \$US/\$A exchange rate;
 - higher funding for public hospitals (up \$139 million); and
 - higher capital grants for transport projects (up \$102 million), largely reflecting funding for the construction of a dual carriageway on Armadale Road, and the impact of rescheduled works on a range of other jointly funded road projects;
- higher royalty income (up \$184 million), with higher average iron ore prices expected to more than offset a higher average \$US/\$A exchange rate;
- lower revenue from public corporations (down \$152 million), including:
 - lower dividend and tax equivalent payments from Synergy (down \$144 million), largely attributable to declining margins in electricity and gas markets, combined with increased depreciation expenses;
 - lower tax equivalent payments from the Water Corporation (down \$41 million), primarily driven by a lower than previously assumed tariff increase for water, wastewater and drainage services in 2016-17, a decrease in operating subsidy revenue due to a change in the calculation methodology, and a change in the expected timing for handover of the Onslow Desalination Plant from Chevron (which is recorded as revenue for accounting purposes); and
 - higher dividend and tax equivalents from the Pilbara Ports Authority (up \$53 million), reflecting an upward revision to profitability resulting from lower rehabilitation expenditure relating to Lumsden Point, and lower expenditure on consulting and salaries due to an internal reorganisation; and
- additional contributions from Chevron (which are recorded as revenue through the Department of State Development) relating to the Onslow Power Infrastructure Upgrade under the Ashburton North (Wheatstone Project) State Development Agreement (\$106 million, including \$5 million in 2015-16).

Further detail on revenue trends is provided in Chapter 4: *General Government Revenue*.

Expenses

General government expenses are forecast to increase by an average of just 2.4% over the period 2016-17 to 2019-20. Higher spending by WA Health (up \$1,104 million, or 13.5%) and Education (up \$527 million, or 11.1%) makes up nearly 60% of the projected growth in spending between 2015-16 and 2019-20.

Figure 3



Since the release of the Mid-year Review, recurrent spending by the general government sector has been revised down by \$510 million over the period 2016-17 to 2018-19. This mainly reflects the net impact of:

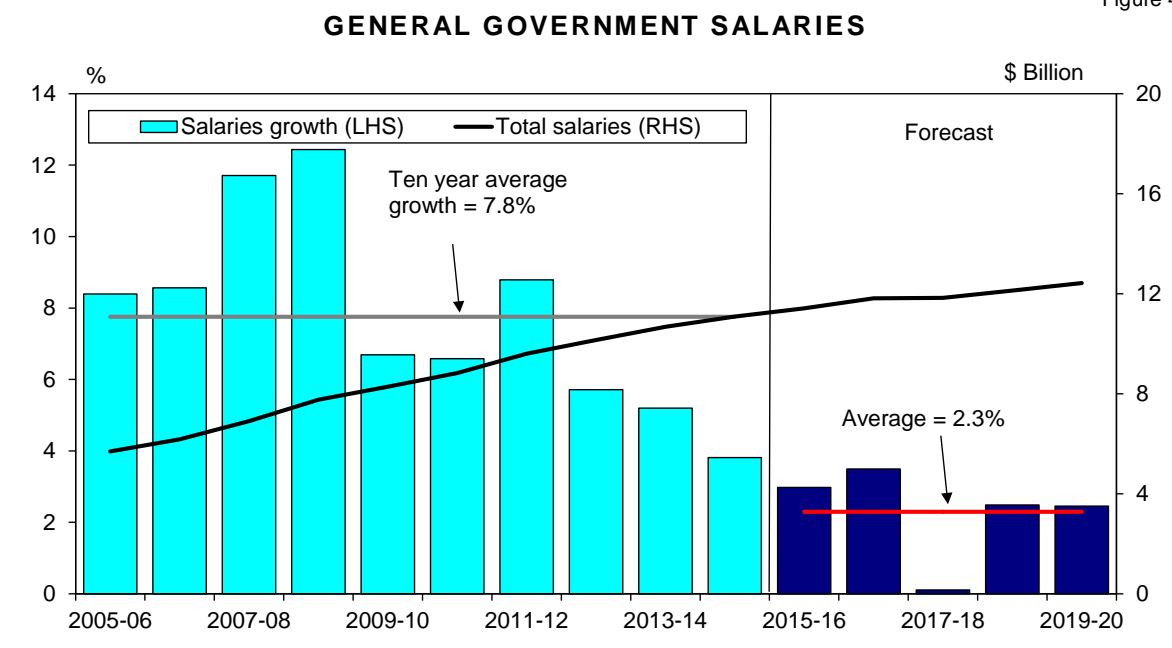
- a \$725 million reduction in spending to 2018-19 from the extension of Agency Expenditure Reviews to a further 54 agencies and the revised 1.5% wages policy³;
- revised cost settings for Education (down \$221 million), primarily reflecting lower than previously forecast school enrolments (down 3,300 students) and lower employee housing and insurance costs;
- lower operating subsidies paid to public corporations (down \$191 million), with lower subsidy payments to the Water Corporation (down \$260 million) partly offset by higher subsidies for the electricity sector (up \$54 million);
- higher Consolidated Account interest costs (up \$143 million), primarily reflecting the additional borrowings required as a result of the further revenue write-down since the Mid-year Review;
- a reduction in the RfR recurrent expenditure program (down \$136 million) over the period 2016-17 to 2018-19 (see Chapter 7 for further detail on the RfR program);
- a reduction in superannuation interest expenses (down \$107 million), due mainly to lower than anticipated bond rates used to value these liabilities (as noted earlier);
- lower indexation payments to the non-government sector (down \$107 million), reflecting declines in forecast Consumer Price Index and Wage Price Index growth rates applying to the calculation of this funding;

³ These savings include a \$148 million reduction in non-hospital service expenses for WA Health as part of its Agency Expenditure Review, with these savings to be retained by WA Health and reinvested to meet demand pressures for hospital services.

- the on-passing of contributions from Chevron by the Department of State Development to Horizon Power (a public non-financial corporation) for Onslow power infrastructure upgrades (\$106 million in capital grants spending over the period 2015-16 to 2017-18);
- higher spending to meet agency demand pressures, such as an increase in the daily average prisoner population for Corrective Services (\$89 million) and demand-driven growth for the Disability Services Commission (\$37 million); and
- the transfer of roads to the local government sector (\$46 million), including sections of the Coalfields Highway, South Coast Highway, Lloyd Street and Brearley Avenue.

Salaries expenses (the largest component of general government expenses) are forecast to increase by 3.5% in 2016-17, and by an average of just 1.7% per annum across the outyears. Low salaries growth reflects the combined impact of previous Government savings measures (such as the Workforce Renewal Policy, the public sector recruitment freeze and successive voluntary separation programs) and the new public sector wages policy.

Figure 4



Further detail on these movements, and other expense changes included in this Budget, can be found in Chapter 5: *General Government Expenses*.

Balance Sheet

Largely reflecting the impact of operating deficit estimates, the net worth of the general government sector⁴ is estimated to decline by \$3 billion in 2016-17, to be \$116 billion at 30 June 2017. Net worth is expected to then rise over the remainder of the forward estimates period, to an estimated \$120.2 billion by 30 June 2020.

⁴ Net worth is the total financial value of the public sector to the community. As the broadest measure of the public sector's financial position, it is calculated as the value of total assets less total liabilities.

The value of general government sector assets is estimated to increase by \$15.9 billion between 30 June 2016 and 30 June 2020 (to a total of \$167.5 billion). This primarily reflects:

- an increase in the value of non-financial assets (up an estimated \$7.1 billion), mainly land (\$2 billion) and property, plant and equipment (up \$5.6 billion), underpinned by infrastructure spending;
- a \$4.7 billion increase in the net worth of public corporations, reflecting forecast operating surpluses in both the financial and non-financial public corporations sectors, and increased physical asset values for non-financial public corporations over the forward estimates period⁵; and
- a \$3.9 billion increase in the net worth of liquid investments, loans and placements, largely due to the expected return to a cash surplus position for the Consolidated Account.

General government liabilities are forecast to increase by \$14.6 billion by 30 June 2020, to a total \$47.2 billion. This increase reflects higher borrowings required to support the infrastructure investment program (with the increases in borrowings exacerbated by declining revenue, as discussed earlier in this chapter). However, borrowings are expected to increase more slowly from 2017-18, as infrastructure spending moderates and the revenue outlook improves.

Unfunded superannuation liabilities are forecast to decline to \$7.4 billion by 30 June 2020. With the State's unfunded defined benefit schemes now closed to new members, unfunded superannuation liabilities will gradually decline as these entitlements are paid out over the longer term.

Table 3

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2015	2016	2017	2018	2019	2020
	\$m	\$m	\$m	\$m	\$m	\$m
2016-17 BUDGET						
Assets	148,949	151,553	153,637	157,300	162,691	167,461
Liabilities	27,649	32,631	37,682	41,836	45,595	47,220
<i>Net Worth</i>	121,299	118,922	115,954	115,464	117,096	120,241
Net Debt	9,306	14,347	20,393	24,434	25,862	25,429
2015-16 MID-YEAR REVIEW						
Assets	148,949	152,927	156,778	161,814	167,864	na
Liabilities	27,649	32,209	36,414	39,651	42,366	na
<i>Net Worth</i>	121,299	120,718	120,364	122,163	125,498	na
Net Debt	9,306	14,927	19,758	22,884	23,327	na
VARIANCE						
Assets	-	-1,374	-3,141	-4,514	-5,173	na
Liabilities	-	422	1,269	2,185	3,229	na
<i>Net Worth</i>	-	-1,796	-4,410	-6,699	-8,402	na
Net Debt	-	-581	636	1,550	2,535	na

Note: Columns may not add due to rounding.

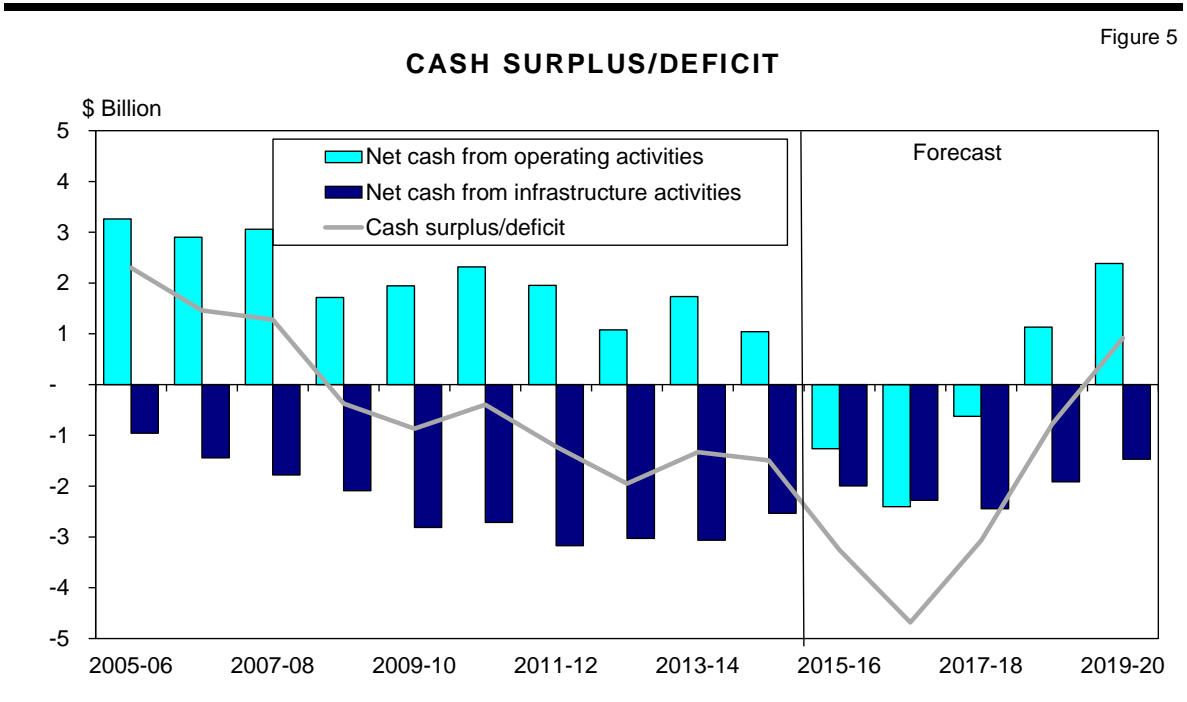
⁵ The net worth of public corporations is included as an equity asset holding for the general government sector. This represents the ownership interest of central government in the net value of public sector businesses.

Cashflow Statement

Cash deficits are forecast for the general government sector for the period 2016-17 through to 2018-19, declining from \$4.7 billion to \$782 million, before a projected return to surplus of \$916 million in 2019-20.

This trend reflects increasing net cash flows from operating activities (rising from a cash shortfall of \$2.4 billion in 2016-17 to a surplus of \$2.4 billion in 2019-20), together with moderating levels of infrastructure investment (reducing from \$2.5 billion in 2016-17 to \$1.6 billion in 2019-20).

The significant cash shortfall from operating activities in 2016-17 is mainly attributable to the contraction in revenue discussed earlier, while the improvement in net cash from operating activities in the remaining forward estimate years largely reflects the expected increase in Western Australia’s share of national GST collections and the impact of improved economic conditions on tax revenue.



Total Public Sector ⁶

Summary

Large revenue reductions in the general government sector mean that operating deficits are also inevitable over the period to 2018-19 at the consolidated total public sector level. In line with the longer term direction for the general government sector, an operating surplus is forecast for the whole-of-government in 2019-20.

⁶ The total public sector (also known as the whole-of-government) consolidates the general government sector (discussed above), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State’s ports and the electricity and water utilities), and the public financial corporations sector (which includes agencies mainly engaged in financial activities such as the Western Australian Treasury Corporation, the Insurance Commission of Western Australia and Keystart).

Total public sector net debt is projected to increase from \$27.9 billion at 30 June 2016 to \$40.2 billion by 30 June 2020. Rising net debt levels primarily reflect the general government sector operating outlook discussed earlier, and borrowing requirements to fund the State's Asset Investment Program.

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

Table 4

TOTAL PUBLIC SECTOR
Summary Financial Statement

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
OPERATING STATEMENT						
Revenue	43,292	40,892	41,824	45,173	48,880	51,756
Expenses	43,756	43,725	46,060	47,264	49,307	50,833
Net Operating Balance	-464	-2,833	-4,237	-2,091	-426	923
BALANCE SHEET						
Assets	187,989	191,763	192,680	195,275	201,960	208,444
Liabilities	66,690	72,840	76,726	79,810	84,864	88,203
Net Worth	121,299	118,922	115,954	115,464	117,096	120,241
STATEMENT OF CASHFLOWS						
Net Cash Flows from Operating Activities	2,364	-155	-733	1,353	3,028	4,266
Asset Investment Program	-5,777	-5,212	-5,862	-6,134	-5,698	-5,175
Cash Position	-2,500	-4,301	-5,526	-3,700	-1,516	147
<i>Memorandum Item: Net Debt</i>	23,374	27,860	33,838	38,258	40,040	40,193

Note: Columns may not add due to rounding.

Operating Statement

In line with Mid-year Review projections, operating surpluses are in prospect for the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors in 2015-16 and each year of the forward estimates period. However, after adjusting for the accounting treatment of dividend revenue in the general government sector, these surpluses are not sufficient to offset the general government sector operating deficit forecasts up to 2018-19.

An operating deficit of \$4.2 billion for the consolidated total public sector⁷ is forecast in 2016-17, up from the \$3.2 billion deficit projected in the Mid-year Review. This follows an expected \$2.8 billion deficit in 2015-16. Larger operating deficits are also projected in 2017-18 and 2018-19 relative to Mid-year Review, primarily reflecting the significant write-downs to general government sector revenue. An operating surplus of \$923 million is projected in 2019-20 as a result of the forecast recovery in general government revenue.

⁷ Consolidation of the sub-sectors of the public sector removes transactions between each part of government. In aggregate, the operating balance of the total public sector is equal to the sum of the general government and public corporations sectors' operating balances, less dividend revenue. Under Australian Accounting Standards, the dividend costs of the public corporations sectors are not classified as expenses, although the associated dividend income (mainly recorded by the general government sector) is recognised as revenue.

Table 5

TOTAL PUBLIC SECTOR OPERATING BALANCE
By Sector

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
Net Operating Balance						
General government sector	-431	-2,037	-3,914	-1,893	-197	1,086
Public non-financial corporations sector	1,049	497	577	762	775	850
Public financial corporations sector	176	198	202	237	251	250
<i>less</i>						
General government dividend revenue	1,187	1,422	984	1,128	1,187	1,189
Public non-financial corporations dividend revenue ^(a)	72	69	117	69	69	75
Total public sector net operating balance	-464	-2,833	-4,237	-2,091	-426	923

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

Note: Columns may not add due to rounding.

Public Non-Financial Corporations

An operating surplus of \$577 million is projected for the PNFC sector in 2016-17. Surpluses are expected to progressively increase across each of the outyears, reaching \$850 million in 2019-20, reflecting a net increase in profitability across the sector.

In aggregate, PNFC operating outcomes over the four-year period to 2018-19 remain relatively unchanged compared to the 2015-16 Mid-year Review estimates. Relative to the Mid-year Review, both revenue and expenses have been substantially revised downwards (by \$7.5 billion and \$7.7 billion respectively over this period). These revisions are mainly due to a \$6.1 billion (or 19%) forecast reduction in both the Gold Corporation's revenue and expenses, reflecting the impact of increased global competition on business volumes, along with lower gold price forecasts and movements in \$US/\$A exchange rate assumptions.

Changes to the operating outlook for other agencies relative to the 2015-16 Mid-year Review are expected to result in revenue and expenses being revised down by a further \$1.4 billion and \$1.6 billion respectively. This reflects the net impact of:

- lower revenue (down \$1 billion) and expenses (down \$526 million) for Synergy over the period 2015-16 to 2018-19, due to the net impact of a number of factors including:
 - lower margins in Synergy's market-based and contestable sectors (servicing medium and large business customers, as well as other wholesale customers), due to increasing competition from other retailers and excess electricity generation capacity (which places downward pressure on prices). This is partially offset by lower energy purchases in line with the reduction in sales demand in both of Synergy's gas and electricity markets; and
 - the flow through of Western Power's revised network tariff path (resulting in lower than expected customer revenue and expense forecasts for Synergy);

- higher revenue (up \$178 million) and lower expenses (down \$283 million) for Western Power across the period 2015-16 to 2018-19, due to:
 - increased private sector developer contributions for associated network projects, and higher tariff revenue from external (non-government) sources; and
 - lower expenditure as the Corporation moves its business focus from network expansion (which also reduces overall infrastructure spending by the Corporation, as discussed later in this Chapter) to the provision of affordable network services to Western Australian consumers;
- a \$113 million and \$163 million reduction in revenue and expenses for the Water Corporation over the forecast period, primarily due to the impact of:
 - lower operating subsidy revenue (reflecting a change to the calculation of the subsidy⁸) and a change in the expected timing of the handover of the Onslow Desalination Plant from Chevron (which is a non-cash revenue for the Corporation);
 - significant reductions to interest and other operating expenses, due to lower interest rates and lower than expected growth in the cost of inputs as a result of softening domestic economic conditions;
 - lower tax expenses driven by lower than previously assumed tariff revenue; and
 - higher than assumed lot development activity in 2014-15 and 2015-16, which has resulted in an upward revision to projected developer contributions;
- lower revenue (down \$328 million) and expenses (down \$297 million) for Racing and Wagering WA, mainly from reduced betting turnover growth;
- lower revenue (down \$54 million) and expenses (down \$140 million) for the Pilbara Ports Authority over the period 2015-16 to 2018-19. This includes the impact of lower:
 - lease revenue reflecting a slowdown in market conditions and a temporary hold on price movements in 2015-16⁹. These changes also impact outyear estimates of operating revenue;
 - land rehabilitation expenses at Lumsden Point (due to a review in the scope of the project);
 - contract and consulting costs, following the reassessment of consulting requirements; and
 - employee costs due to a restructure of the Authority's port operations;
- the sale of Perth Market Authority, which has seen the removal of \$78 million and \$46 million in revenue and expense projections respectively, following the Authority's sale on 31 March 2016;

⁸ The calculation of the subsidy relies on a revised model which incorporates a more detailed asset base definition to inform the estimated annual cost of service. This results in a step-change improvement in the cost reflectivity of country water and, accordingly, a reduction to the operating subsidy that funds the difference between the annual cost of service for country water and charges paid by consumers.

⁹ The Pilbara Ports Authority's Board announced a temporary price hold on customer port shipping charges at the Port of Port Hedland and Port of Dampier on 15 December 2015.

- lower revenue (down \$62 million) for the Mid West Ports Authority across the period 2015-16 to 2018-19, largely due to the removal of the Port Enhancement Project charge from 2016-17 (following the Government’s decision to extinguish the remaining debt associated with the project). This has been partially offset by forecast revenue from restructured fees and charges. Operating expenses are forecast to be lower than at Mid-year Review (down \$36 million) mainly due to a number of savings measures identified by the Authority and lower interest payments from the earlier debt settlement;
- a \$60 million increase in revenue for the Western Australia Land Authority (LandCorp), reflecting increased Royalties for Regions funding for the Transform Peel Initiative – Phase 1 project and GST refunds from the Commonwealth (arising from the application of specific GST rules available to State entities in respect of qualifying land/property sales);
- higher Metropolitan Redevelopment Authority revenue (up \$53 million) and expenses (up \$58 million) over the period 2015-16 to 2018-19, reflecting additional State and local government funding (and increased expenditure) for the delivery of the enhanced Scarborough master plan, additional expenditure on place activation activities at Elizabeth Quay, and higher corporate services expenses; and
- revenue and expenses for the Public Transport Authority (excluding the Authority’s Agency Expenditure Review savings, announced in the 2015-16 Mid-year Review) are forecast to be lower by \$44 million and \$50 million respectively over the period 2015-16 to 2018-19, primarily reflecting:
 - lower expenditure for fuel and other costs, the impact of the Government’s new wages policy, and lower interest costs for Forrestfield-Airport Link asset investment borrowings, partly offset by the forecast cost of special event services for the Perth Stadium; and
 - lower operating subsidies, reflecting the above expenditure changes.

Public Financial Corporations

An operating surplus of \$202 million is forecast for the PFC sector in 2016-17, with operating surpluses also projected in each of the remaining years of the forward estimates. In net terms, the operating outlook for the PFC sector is largely unchanged relative to the Mid-year Review, with PFC revenue and expenses \$838 million and \$758 million lower respectively between 2015-16 and 2018-19. This primarily reflects:

- lower projected revenue (down \$398 million) and expenses (\$270 million) for the Insurance Commission of Western Australia (ICWA) over the period 2015-16 to 2018-19, due mainly to:
 - lower forecast investment returns resulting from a decline in investment markets in 2015-16;
 - lower insurance premium revenue, on the back of slower growth in vehicle numbers and associated compulsory third party premium revenue; and

- lower projected claims expenses (down \$232 million) as a result of downward revisions to both the number and value of expected claims. This is partially offset by a \$16 million increase in income tax equivalent expense in 2015-16, arising from the sale of the Forrest Centre by the Commission¹⁰;
- lower projected revenue (down \$106 million) and expenses (down \$165 million) for RiskCover, due to lower actuarial claims projections as a result of a forecast reduction in workers' compensation claims. Lower claims expense forecasts reduce projected revenue that RiskCover will receive from agencies in the form of insurance contributions over the forward estimates;
- lower Keystart revenue (down \$45 million) and expenses (down \$34 million) across the period 2015-16 to 2018-19, reflecting movements in expected lending activity and lower forecast market interest rates; and
- changes in the timing of borrowings and lending to agencies by the Western Australian Treasury Corporation, reflected in interest revenue and expense projections, which also include the impact of lower forecast interest rates.

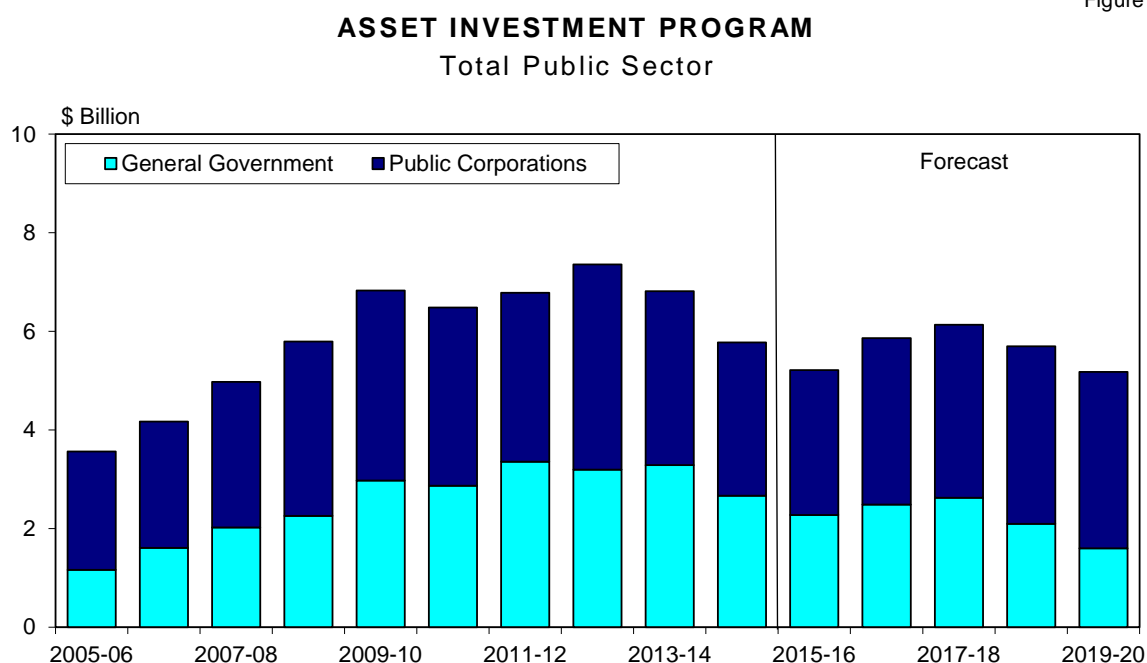
Capital Investment

The 2016-17 Budget provides for an infrastructure program of \$22.9 billion from 2016-17 to 2019-20.

- The general government sector is projected to invest a total of \$8.8 billion over the period 2016-17 to 2019-20, with the majority of this in road projects (\$4.4 billion), education (\$1.1 billion) and health (\$1 billion). Investment in transport infrastructure will account for almost half of the general government sector Asset Investment Program (AIP) across the forward estimates period, reflecting major transport projects such as the Perth Freight Link.
- The public non-financial corporations sector is forecast to invest a total of \$14 billion across the forward estimates period. Major areas of spending include Western Power (\$3.5 billion), the Public Transport Authority (\$3.3 billion) and the Water Corporation (\$3.2 billion).
- Public sector infrastructure spending represents an estimated 2.5% of Gross State Product (GSP) in 2016-17, up from an estimated 2.2% in 2015-16 and broadly comparable with an average 2.9% share of GSP over the preceding decade. General government sector investment is expected to reduce over the outyears to 2019-20 as current major hospital and road projects are completed.

¹⁰ In February 2016, ICWA accepted an offer for the sale of the Forrest Centre. The agreed purchase price for the asset was \$200 million (less lease incentives) and settlement took place in March 2016. The sale proceeds are expected to be invested in asset classes that are more liquid and thus result in an estimated \$210 million reduction in net debt by 30 June 2016. This is consistent with the investment strategies of ICWA and with Australian Bureau of Statistics Government Finance Statistics Framework interpretations of the impact on net debt of investments in particular asset classes.

Figure 6



Infrastructure investment has decreased by \$685 million over the period 2015-16 to 2018-19 relative to the Mid-year Review. Key changes include:

- a net \$316 million reduction in spending by Main Roads, largely reflecting:
 - a net reduction of \$546 million for the Perth Freight Link project due to timing changes resulting from the Supreme Court of Western Australia’s decision on the validity of environmental approvals for the Roe 8 section. The Supreme Court’s decision is currently subject to a Government appeal. An additional \$326 million will be spent to construct a tunnel between the intersection of Stock Road and Winterfold Road and High Street, Fremantle. Further information on this project is provided in Chapter 6; and
 - an additional \$123 million for the construction of a 7 kilometre dual carriageway on Armadale Road to improve traffic congestion and safety;
- a \$226 million increase in investment by the Department of Education from 2015-16 to 2018-19 including:
 - \$82 million to expand the permanent accommodation for students at Shenton College, Cape Naturaliste College, and Inglewood, Wembley and West Leederville Primary Schools;
 - \$53 million for the acquisition of land and the Stage 1 construction of North Butler Senior High School;
 - \$28 million on the acquisition of land for primary school sites, which is funded by contributions from land developers;

- \$26 million relating to small asset purchases and minor building works undertaken by individual schools;
- \$18 million for the continuing redevelopment of Carnarvon Community College; and
- \$13 million to reflect up-to-date cost estimates for the delivery of the annual primary school build program;
- a \$102 million increase in spending by Horizon Power, mainly to deliver Onslow power infrastructure upgrades;
- a \$121 million reduction in spending by Western Power, reflecting lower demand for growth-driven projects and a re-scoping of the Corporation’s conductor management program; and
- an \$83 million reduction in spending by the Water Corporation due to projected lower levels of customer demand and revisions to capitalised interest (reflecting lower interest rate forecasts).

Consistent with previous years, this Budget includes provisions for anticipated underspending that will emerge during the year, with \$650 million for yet-to-be identified slippage allocated to 2015-16 (\$150 million higher than at the time of the Mid-year Review), and \$600 million in 2016-17. These provisions typically emerge during the year from unexpected delays in works and/or changes in the timing of cash payments.

The Budget also allocates \$94.8 million to specific projects and activities for cost efficiencies associated with construction market conditions. This is in lieu of a \$96.2 million provision for lower infrastructure costs reflected in the estimates at the time of the 2015-16 Mid-year Review (see detailed allocation in Appendix 11: *Allocation of Asset Investment Program Efficiency Savings*).

Further detail on the AIP is available in Chapter 6: *Asset Investment* and in Appendix 7: *Asset Investment Program – Summary of Expenditure and Source of Funds*.

Cashflow Statement

A cash deficit of \$5.5 billion is projected for the total public sector in 2016-17, \$810 million larger than the \$4.7 billion deficit reported in the Mid-year Review. This follows an expected cash deficit of \$4.3 billion in 2015-16. Cash deficits are in prospect in each year until 2018-19, before a turnaround to cash surplus in 2019-20. The projected cash deficits are the result of the general government sector operating outcomes discussed earlier, together with funding required to support the State’s ongoing infrastructure requirements.

Table 6

TOTAL PUBLIC SECTOR CASH FLOW
Summary

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
Net cash from operating activities	2,364	-155	-733	1,353	3,028	4,266
Net cash flows from investing in non-financial assets	-4,864	-4,146	-4,793	-5,053	-4,543	-4,119
Cash surplus/- deficit	-2,500	-4,301	-5,526	-3,700	-1,516	147
<i>Financing transactions</i>						
Net cash flow from borrowings	3,014	5,741	5,503	4,681	4,654	2,990
Run-down in cash and cash equivalents	-857	-1,280	587	-504	-2,612	-2,622
All other financing	342	-161	-564	-478	-526	-515
Total Financing	2,500	4,301	5,526	3,700	1,516	-147

Note: Columns may not add due to rounding.

Net Debt

Net debt for the total public sector is forecast to increase from an estimated \$27.9 billion at 30 June 2016 to a forecast \$40.2 billion at 30 June 2020. This is the result of the revenue contractions detailed earlier in this chapter, together with funding required to support the infrastructure program.

Net debt at 30 June 2016 (\$27.9 billion) is \$1.7 billion lower than the forecast contained in the Mid-year Review (\$29.6 billion). This improved outcome primarily reflects the lower general government operating deficit for 2015-16 (down \$1,109 million) and lower than anticipated AIP spending across the public sector (down \$717 million) discussed earlier in this chapter.

Net debt at 30 June 2019 (the last outyear in the 2015-16 Mid-year Review) has been revised up \$1 billion (to a forecast \$40 billion) since the Mid-year Review. This increase mainly reflects the net impact of:

- the improved net debt estimate at 30 June 2016 noted above (down \$1.7 billion);
- a deterioration in the general government operating outlook over the period 2016-17 to 2018-19 (totalling \$2.9 billion), on the back of significant downward revisions to taxation revenue and GST grants;
- a decrease of \$210 million following the sale of the Forrest Centre by the Insurance Commission of Western Australia; and
- a \$122 million reduction in borrowings funded by the sale of the Perth Market Authority (PMA) in March 2016.

The following table summarises changes to projected net debt levels since the 2015-16 Mid-year Review. Apart from the completed sale of the PMA, the forward estimates make no allowance for anticipated proceeds from the Government's asset sales program (see feature box later in this chapter).

Table 7

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2016	2017	2018	2019	2020
	\$ m	\$ m	\$ m	\$ m	\$ m
2015-16 Mid-year Review - Total Public Sector Net Debt	29,552	34,680	38,288	39,043	
<i>Less change in net cash flows from operating activities and dividends paid</i>					
- general government	556.1	-857.3	-1,031.8	-758.2	
- public non-financial corporations	56.0	-8.0	386.3	68.0	
- public financial corporations	-40.0	-69.1	-70.3	-85.9	
<i>Total public sector</i>	<i>572.2</i>	<i>-934.4</i>	<i>-715.8</i>	<i>-776.1</i>	
<i>Plus purchases of non-financial assets</i>					
<i>Savings Measures</i>					
Reversal of MYR 5% infrastructure efficiency target	-	32.6	31.3	32.4	
Final 5% infrastructure efficiency measure	-0.2	-24.5	-23.6	-32.9	
<i>Other Changes ^(a)</i>					
Reversal of MYR underspend provision	514.6	80.9	22.0	-	
New underspend provision	-650.0	-600.0	-	-	
<i>Main Roads</i>					
Perth Freight Link update	-114.6	-232.4	-173.4	-25.9	
Armadale Road - Anstey Road to Tapper Road	-	20.0	20.0	82.5	
Ellenbrook Bus Rapid Transit	-	4.0	45.0	-	
<i>Public Transport Authority</i>					
Aubin Grove Train Station	8.4	13.0	-6.4	-	
Future Urban Railcar Procurement	-18.6	-5.9	20.4	12.8	
Education Investment in School Infrastructure	6.3	28.8	53.9	90.9	
<i>Health</i>					
Perth Children's Hospital (Construction)	34.3	12.5	-	-	
Perth Children's Hospital (Information and Communication Technology)	0.8	17.1	-22.9	-13.3	
Radiology Archiving and Information System	-	16.8	4.5	4.0	
Joondalup Health Campus Mental Health Observation Area	0.7	5.3	1.0	0.1	
<i>Western Power (including Provisions)</i>					
Alignment with 10 Year Business Plan	-	-9.1	13.6	-24.7	
Additional Savings in 2015-16	-100.9	-	-	-	
Onslow Power and Infrastructure Upgrade Project Variation	1.4	36.3	46.4	18.5	
Synergy Generation Portfolio	-	19.6	6.0	13.7	
Racing and Wagering Strategic Development Plan	16.1	11.0	11.6	-3.9	
Water Corporation Asset Investment Program Review	4.0	-14.1	-30.1	-42.8	
All other ^(b)	-419.3	394.5	25.9	69.1	
<i>Total purchase of non-financial assets</i>	<i>-717.0</i>	<i>-193.6</i>	<i>45.2</i>	<i>180.4</i>	
<i>Less proceeds from sale of non-financial assets</i>					
Revised Land Asset Sales Program (LASP) Forecasts	64.0	-24.7	-20.6	-18.7	
Land Authority	-50.0	-8.8	-47.8	-24.4	
Metropolitan Redevelopment Authority	-	-30.3	31.8	-	
Western Power	50.6	-	-	-	
All other	-1.7	-5.3	4.4	0.2	
<i>Total sales of non-financial assets</i>	<i>62.9</i>	<i>-69.0</i>	<i>-32.2</i>	<i>-42.9</i>	
<i>Plus all other financing</i>					
PMA asset sale	-125.5	-	-	-	
ICWA - sale of Forrest Centre	-209.6	-	-	-	
All other ^(c)	-4.3	39.2	19.7	26.9	
<i>Cumulative impact on net debt at 30 June</i>	<i>-1,691.5</i>	<i>-842.6</i>	<i>-29.7</i>	<i>996.6</i>	
2016-17 Budget - Total Public Sector Net Debt	27,860	33,838	38,258	40,040	40,193

(a) Material changes are outlined in Appendix 3.

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

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

Note: Columns may not add due to rounding.

Asset Sales Program

The Government remains committed to a structured program of asset sales. An ongoing asset sales program is an important element of the Government's fiscal management strategy in light of the current economic and financial environment confronting the State.

In line with the established treatment for Government asset sales, the forward estimates make no provision for anticipated sales proceeds, which will only be reflected in the State's financial position when the associated transactions are finalised.

Market City

The Perth Market Authority (PMA) sale was the first of the asset sales to reach completion in March 2016. Industry consortium Perth Markets Ltd assumed ownership of the assets and operations managed by PMA on 31 March 2016, and will continue to operate the wholesale market in a manner consistent with the conditions instituted by Government to support the sustainable operation of the market and the continued growth of the State's fruit and vegetable industry. The sale generated proceeds of \$125.5 million at the time of the sale, with a further \$10 million to be paid in 2025-26 to the State (total proceeds of \$135.5 million).

Of the \$125.5 million proceeds received by the time of the 31 March 2016 sale, the Government authorised the repayment of \$39.6 million in borrowings held by the PMA (repaid in 2015-16), with the residual \$85.9 million paid into the Consolidated Account and to be appropriated to repay an equal quantum of central borrowings in 2016-17.

Port Assets

Market soundings for the Utah Point Bulk Handling facility occurred over February and March 2016 with prospective bidders from Australia, Singapore, Japan, Hong Kong and China. The Pilbara Port Assets (Disposal) Bill 2015 was introduced to Parliament in November 2015 and provides the legislative framework affording the State the necessary statutory protections during the sale process, as well as empowering the Government to transition Utah Point to the private sector through a long-term lease. Parliamentary debate on the Bill is scheduled to resume in May 2016. Pending passage of the Bill, a formal invitation for expressions of interest will be released to commence the transaction process, targeting completion by the end of 2016.

The Government has also undertaken extensive due diligence on the proposed lease of Fremantle Port to provide detailed information and analysis required to inform decision-making. As part of the detailed due diligence phase, the Government has assessed the need for appropriate regulatory structures that maintain service levels, allow access, provide pricing protection to customers and preserve environmental standards. A well considered access and pricing regime has been developed by Government to be incorporated in the Fremantle Port Assets (Disposal) Bill 2016 and associated Regulations, expected to be introduced into Parliament this year. Pending passage of the Bill, the Government will proceed with seeking expressions of interest from interested parties.

Land Asset Sales Program

The Government's Land Asset Sales Program (LASP), coordinated by the Department of Lands (DoL), seeks to determine the 'highest and best use' for under-utilised State-owned land with the view towards its sale or lease on the open market should it be determined as surplus.

As part of the 2016-17 Budget, the LASP estimates have been updated to both reflect changes in timing and to include estimates for 2019-20. It is anticipated a total of \$536 million will be realised between 2015-16 and 2019-20, including \$293 million in freehold land sales (held by State agencies) and \$243 million in Crown land sales. Sales contracted to date under the program total \$143 million.

In November 2015, DoL created the LASP Portal, an online mechanism for agencies to submit new surplus/underutilised assets for inclusion in the LASP and to view the status of land in the divestment process. All State-owned land for sale under the LASP can now be found on the DoL website.

The Government has also released its Unsolicited Bids Guideline for the Sale or Lease of State Owned Land. The guideline provides a transparent and consistent framework to sell or lease State-owned land by private treaty in response to an unsolicited bid.

Other Assets

Keystart

Progress continues to be made on the partial divestment through equitable assignment of up to 40% (\$1.6 billion) of the Keystart loan book, with a competitive process currently underway to select a private financing partner. In March 2016, interested parties were invited to lodge an Expression of Interest for the proposed transaction. A comprehensive evaluation process was undertaken in April 2016 to identify the interested parties that have the capacity, capability, experience and understanding to proceed through the process with a view to complete the proposed transaction. The divestment is currently scheduled to be completed in the second half of 2016. This represents the first step in Keystart partnering with the private sector to reduce reliance on public sector borrowings, whilst still meeting the Government's social objectives.

State Fleet

A business case has been finalised that provides a cost-benefit analysis and risk assessment of a potential sale and leaseback of the State's vehicle fleet. Based on the analysis, the Government has decided not to progress with a sale and leaseback transaction at this time, noting that there is scope within Government to firstly explore whether any operational efficiencies and new technologies may be implemented. The work undertaken does not preclude further consideration of a sale and leaseback at a later date, but rather serves as an important reference point from which to build upon.

Forest Products Commission

A review has been undertaken to provide additional information, legal analysis and a risk assessment of a potential sale of the Forest Product Commission’s softwood plantation assets. Based on this analysis, it is proposed not to progress the sale of softwood plantation assets at this time. However, additional recommendations and actions to improve operational efficiencies and risk management will be pursued.

Totalisator Agency Board (TAB)

Preliminary analysis has been conducted on the approach to a sale of the TAB. The Government (through the Premier and Minister for Racing and Gaming) is continuing to consult with the racing industry and other stakeholders before proceeding with a formal process for sale.

Insurance Commission of Western Australia’s Property Portfolio

The sale of the Insurance Commission of Western Australia’s retail property portfolio was disclosed in the 2015-16 Mid-year Review. In February 2016, the Insurance Commission accepted an offer to purchase the Forrest Centre in Perth. The agreed purchase price for the asset was \$200 million (less lease incentives) and settlement took place in March 2016. The sale is consistent with the investment strategies of the Insurance Commission. The proceeds of the sale are expected to be reinvested into asset classes with higher levels of liquidity.

Government Financial Strategy Statement

The Government seeks to provide efficient, high quality public services to meet the needs of a growing State. Through delivery of strategic infrastructure projects, the Government also seeks to support the continued growth of the Western Australian economy and to increase its productive capacity. At the same time, the Government also manages public sector finances to achieve sustainable long term outcomes by seeking to manage within the constraints of the financial targets shown below.

Financial Targets

Consistent with the requirements of the *Government Financial Responsibility Act 2000*, the financial strategy includes the following financial targets:

- ensure that general government sector expense growth does not exceed revenue growth;
- maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend per year;
- maintain the total non-financial public sector (TNPS)¹¹ net debt to revenue ratio at or below 55%;
- maintain a cash operating surplus for the TNPS of at least 5% of operating cash receipts; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

The following table summarises compliance with these targets.

¹¹ The TNPS is the consolidation of the general government sector (which includes agencies such as Education and WA Health which are largely funded from central revenue collections such as taxes and royalties) and the public non-financial corporations sector (agencies which offer non-financial goods and services, for which a significant portion of costs are recovered through user charges, such as the ports and electricity and water utilities). Public financial corporations (such as the Insurance Commission of Western Australia and the Western Australian Treasury Corporation) are excluded from the TNPS because their operations have a distortionary impact on many financial ratios used to measure public sector performance. The credit rating agencies focus on TNPS financial ratios in assessing the State's finances.

Table 8

2016-17 BUDGET FINANCIAL TARGET COMPLIANCE TABLE

	2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate
Ensure expense growth does not exceed revenue growth					
- Current estimate (revenue growth minus expense growth)	-5.8	-6.8	7.9	6.3	4.3
- Compliance	No	No	Yes	Yes	Yes
Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend					
- Current estimate	-55.6	-96.9	-23.9	54.1	149.0
- Compliance	No	No	No	Yes	Yes
Maintain TNPS net debt at or below 55% of revenue					
- Current estimate	77.5	91.2	95.3	92.4	88.2
- Compliance	No	No	No	No	No
Maintain a TNPS cash operating surplus of at least 5% of receipts					
- Current estimate	-0.5	-2.2	2.1	5.3	7.3
- Compliance	No	No	No	Yes	Yes
Maintain the State's tax competitiveness					
- Compliance	Yes	Yes	Yes	Yes	Yes

Despite the historically low projections for general government sector expense growth over the forward estimates period, most financial targets are not being met in the short-term as a result of the ongoing impact of three consecutive years of declining revenue (2014-15 to 2016-17).

A return to positive rates of revenue growth in the outyears is expected to flow through to an improved performance against most targets from 2018-19 onwards. However, the net debt to revenue target is not expected to be met in any year of the Budget period. Projected performance against this target reflects both the expected growth in net debt levels across the forward estimates period and the weaker revenue projections discussed earlier.

Progressing measures to address growth in net debt will remain a key focus of the Government's fiscal strategy. This includes continuing efforts to limit growth in general government expenditure, and progressing the Government's asset sales program. The timeframe for meeting the net debt to revenue target will depend on the timing and success of these initiatives. A reduction in total public sector net debt of almost \$17 billion is required to meet the 55% target limit for the net debt to revenue ratio by the end of the forward estimates period.

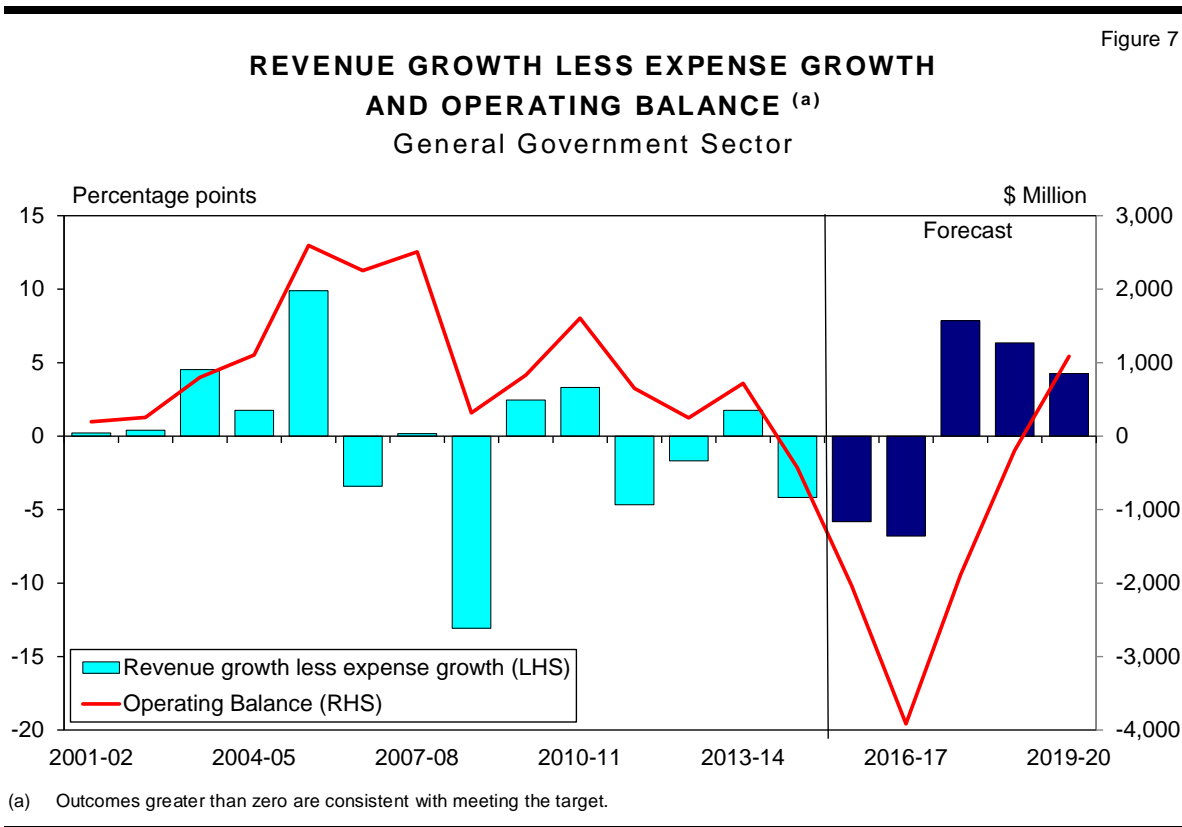
Ensure that general government sector expense growth does not exceed revenue growth

Declining revenue in 2015-16 (down 3.3%) and 2016-17 (down 3.1%) means that this target is not expected to be met in either of these years.

From 2017-18, revenue is projected to increase at rates well in excess of the growth in expenses, primarily due to a forecast increase in GST grants, a pick-up in tax revenue as domestic economic conditions improve, and increases in royalty income as a result of modest growth in commodity prices and iron ore production volumes.

Expenses are forecast to increase by 3.7% in 2016-17 and an average of just 2% per year across the outyears (after an estimated increase of 2.5% in 2015-16). This is well below the 7.7% average annual growth in recurrent spending over the ten years to 2014-15. These low projections reflect the Government’s 1.5% wages policy (announced in February 2016), expansion of the Agency Expenditure Review process as part of this Budget, and the ongoing impact of previous savings measures.

General government sector revenue and expenses are discussed earlier in this chapter and in more detail in Chapters 4 and 5 of this Budget Paper.



Maintain a cash surplus from operating activities for the general government sector of at least 50% of infrastructure spend per year

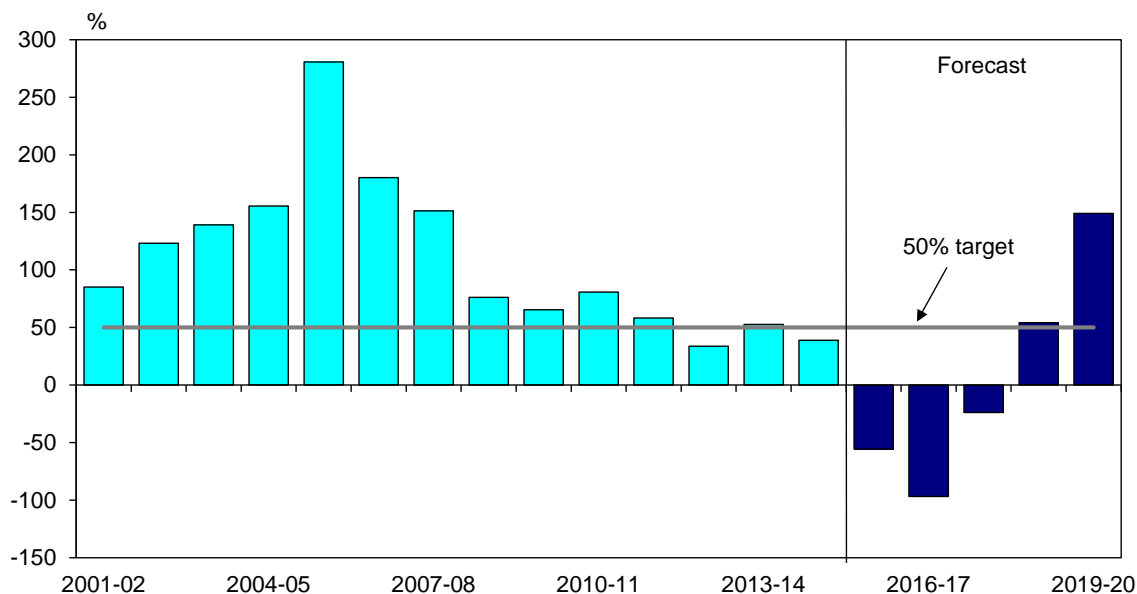
Projected cash deficits from operating activities in the general government sector in each year from 2015-16 to 2017-18 mean that this target is not expected to be met until 2018-19.

Maintaining strong cash surplus outcomes from operating activities provides an important non-debt source of funding for infrastructure investment for the sector. Outcomes above the 50% target indicate that the general government sector is funding a substantial proportion of its infrastructure spend from cash generated from day-to-day (or operating) activities.

Declining revenue has made cash operating deficits unavoidable over the short term. However, cash operating surpluses from 2018-19 (on the back of the increase in revenue growth discussed earlier), combined with an easing in infrastructure spending as a number of major asset investment projects are completed, are expected to result in this target being met in the last two years of the forward estimates period.

Figure 8

CASH OPERATING SURPLUS AS A SHARE OF INFRASTRUCTURE SPENDING
General Government Sector



Maintain total non-financial public sector net debt to revenue ratio at or below 55%

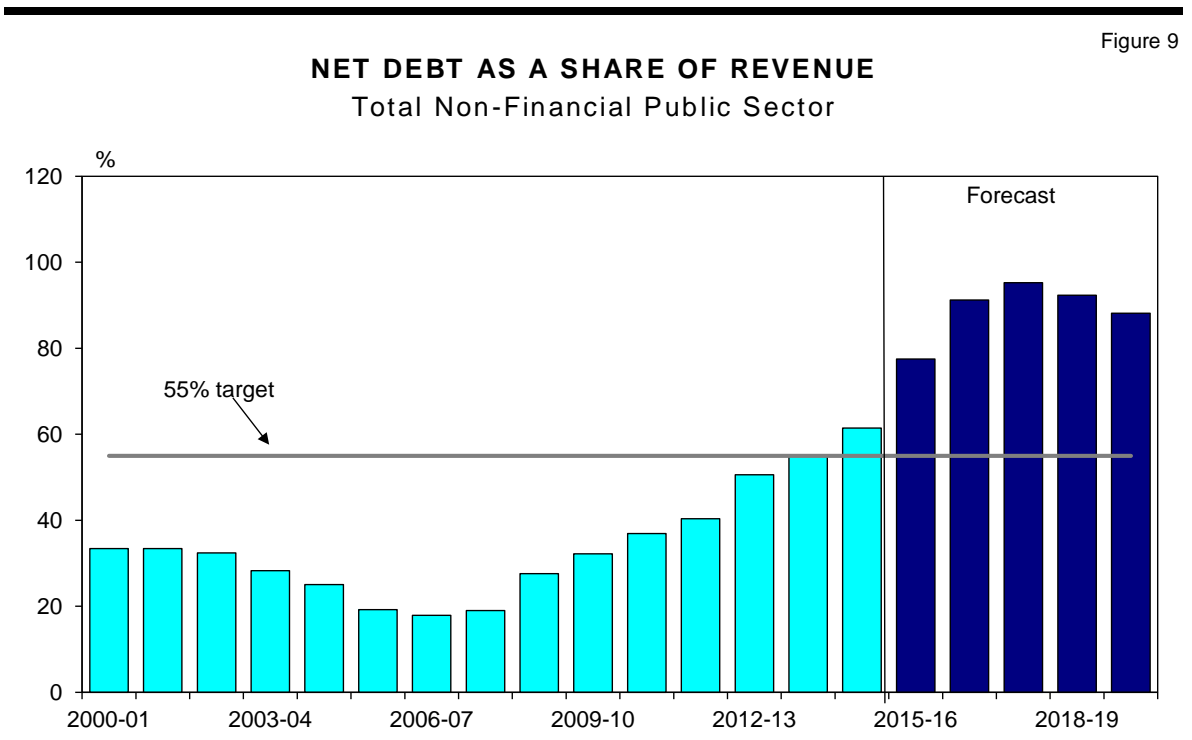
This target is not expected to be met in any year of the forward estimates period.

The general government revenue estimates have been revised down by \$9.4 billion since the 2015-16 Budget (for the period 2015-16 to 2018-19, excluding new revenue measures). This followed a \$10.2 billion downward revision (for the period 2014-15 to 2017-18) between the 2014-15 and 2015-16 Budgets.

These unprecedented revenue write-downs have had a profound impact on the State’s debt position. To address the growth in net debt and to ensure that debt levels remain affordable, the Government will continue to:

- contain growth in salaries expenditure through its new wages policy, voluntary separations and other workforce reforms;
- drive other efficiencies across the public sector, including through the roll-out of Agency Expenditure Reviews announced in this Budget; and
- pursue its program of asset and land sales, with proceeds to be used to pay down debt or avoid new borrowings.

Notably, proceeds from the sale of assets will only be accounted for in the State’s finances when the associated transactions are finalised. This represents an upside risk to the forecast levels of net debt in this Budget.

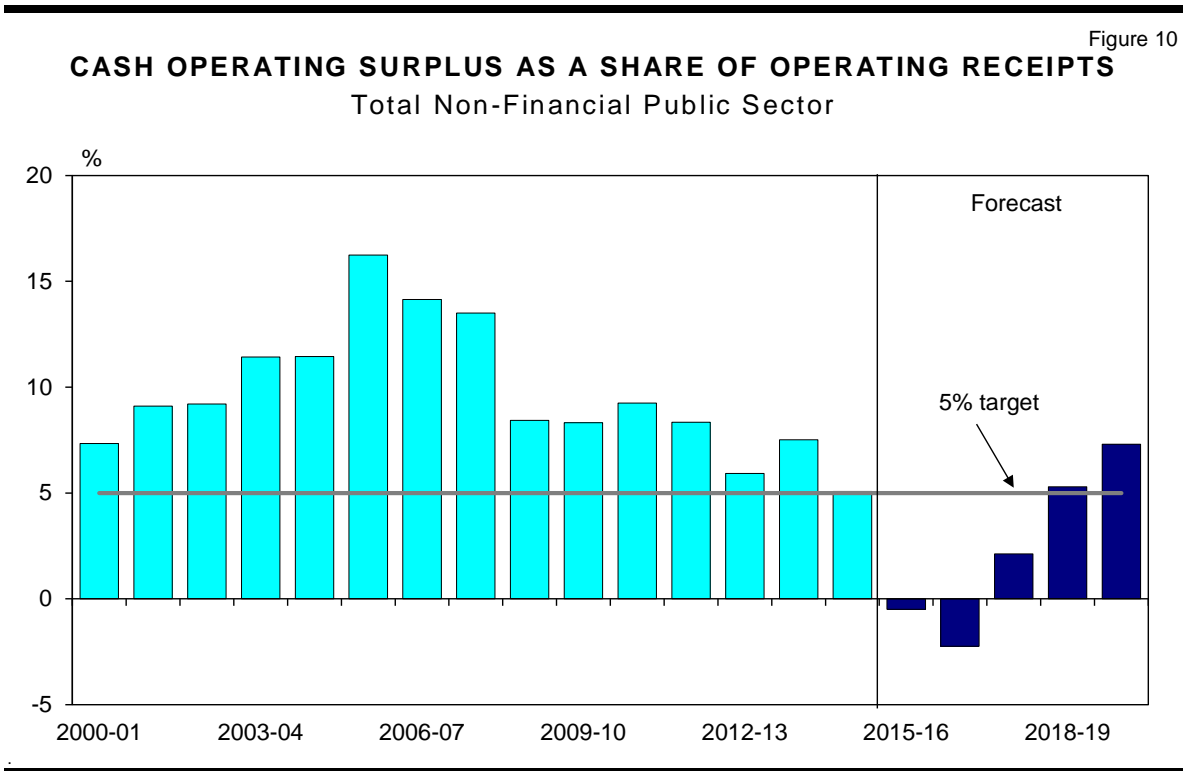


Maintain a cash operating surplus for the total non-financial public sector of at least 5% of operating cash receipts

This target is not expected to be met until 2018-19.

The ratio of the cash operating surplus to operating cash receipts measures the extent to which the sector can finance its day-to-day costs from operating receipts. A high cash operating balance indicates that the public sector has self-financing capacity to fund infrastructure investment.

Total non-financial public sector cash operating deficits of \$208 million and \$957 million are projected in 2015-16 and 2016-17 respectively. The sector is expected to achieve a surplus of \$966 million in 2017-18 or 2.1% of cash receipts. Stronger revenue growth in the outyears is expected to result in this target being met in the last two years of the forward estimates period.

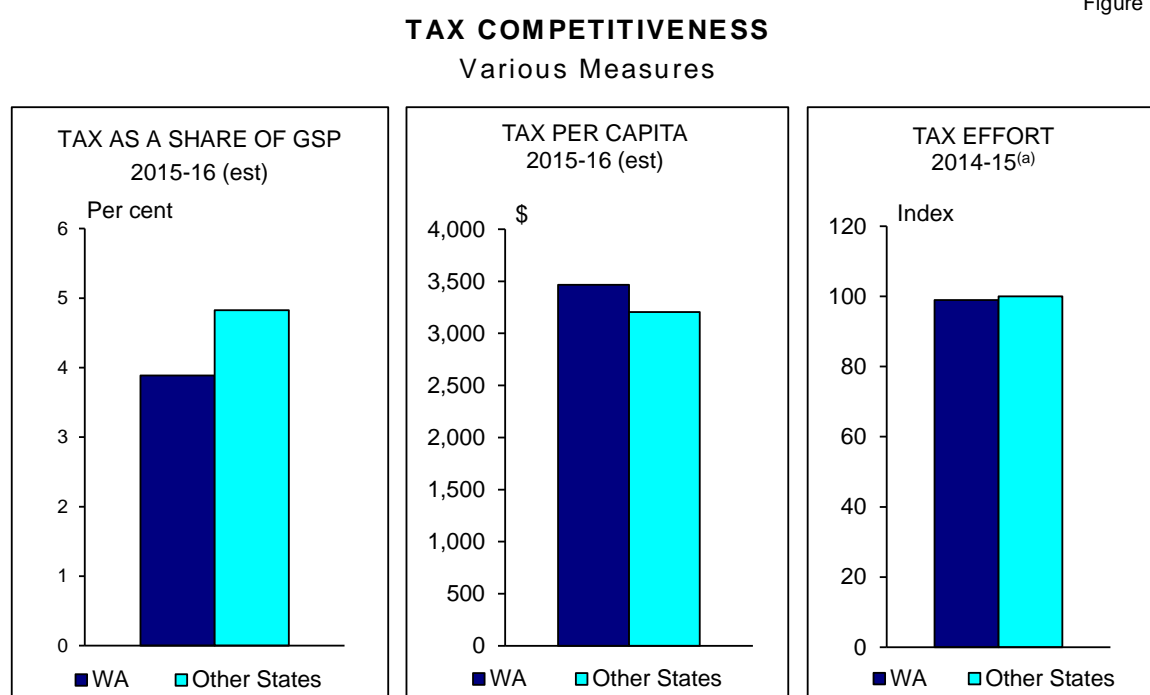


Provide a fair and efficient tax system that is competitive with other States

This target is expected to be met across the entire forward estimates period.

The competitiveness of Western Australia's tax system can be assessed against a variety of measures, including tax revenue as a share of Gross State Product (GSP), tax revenue on a per capita basis, and tax 'effort' (calculated from Commonwealth Grants Commission (CGC) data).

Figure 11



(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). 2014-15 is the latest year for which data is available.

Tax as a proportion of the economy (i.e. GSP) is an internationally recognised measure of tax competitiveness, which, unlike tax per capita, accounts for differences in the size and composition of the economic and revenue base in each jurisdiction. According to this measure, the tax burden in Western Australia is expected to be lower than the average of other States in 2015-16 (3.9% compared to an average of 4.8% for other States).

In contrast, per capita tax revenue in Western Australia is expected to exceed the average of other States in 2015-16. This mainly reflects the relative strength of the State's economic base (and hence its revenue raising capacity), rather than higher average tax rates.

In this regard, the CGC measure of tax 'effort', which takes account of a State's capacity to raise revenue, indicates that Western Australia's average tax rates were 1.0% lower than the national average in 2014-15.

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

Statement of Risks

Forecasting Uncertainties

The inherent uncertainties associated with producing forecasts for an approximately \$283 billion economy and \$30 billion general government sector recurrent budget mean that there will always be differences between the forecasts of key aggregates and the final audited results. This Statement of Risks provides an overview of the known issues that have the potential to materially affect the financial projections contained in this Budget.

Revenue Estimates

The outlook for the economy and revenue estimates is highly sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore), employment and wages growth, and house prices and transaction volumes. The key economic and financial parameters underlying the budget assumptions are summarised in Chapter 1, with the approximate annual impacts of changes in these variables outlined in the following table.

Table 9

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES
2016-17

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±57	For each US1 cent decrease/increase in the \$US/\$A exchange rate (royalty income is inversely related to the \$US/\$A exchange rate)
Iron ore royalties	±73	For each \$US1 per tonne increase/decrease in the price of iron ore
Petroleum royalties and North West Shelf grants	±10	For each \$US1 increase/decrease in the price of a barrel of oil
Payroll tax	±35	For each 1% increase/decrease in taxable wages or employment growth (i.e. the total wages bill)
Underlying transfer duty		
• Prices	±14	For each 1% increase/decrease in average property prices
• Transactions	±9	For each 1% increase/decrease in transaction levels
GST grants	±89	For a \$100 million increase/decrease in iron ore royalty revenue (due to increased/decreased value of production), all else being equal, Western Australia will lose/gain an estimated \$89 million of GST grants in net present value terms (the loss/gain will occur in later years due to the time lags in the Commonwealth Grants Commission process)

Royalty Income (\$3,842 million in 2016-17)

Exchange Rate

The \$US/\$A exchange rate represents one of the largest risks to the royalty income forecasts as the majority of Western Australia's commodities are sold in international markets and priced in US dollars. Since the 2015-16 Budget, the \$US/\$A exchange rate has varied between a high of US81.1 cents and a low of US68.7 cents, a range of US12.5 cents. Exchange rate volatility is an inherent source of uncertainty in relation to the forward estimates of royalty income.

Iron Ore Prices

Over the past decade, a tripling in iron ore production volumes has dramatically increased the importance of iron ore royalties as a source of revenue. This has coincided with a break-down of long-term pricing contracts over 2008 to 2010 and the subsequent emergence of new pricing mechanisms (e.g. index pricing and futures markets). As a consequence of these developments, iron ore price volatility is now the largest source of risk (both upside and downside) to the revenue estimates. In this regard, since the 2015-16 Budget, the iron ore price has ranged from a low of \$US37 to a high of \$US68.70 per tonne.

In the short term there is a risk that a pick-up in Chinese demand, which has been evident in early 2016, may continue to exceed expectations and drive up prices, particularly if the Chinese Government continues to support demand. However, the Chinese economy will need to transition to a more sustainable rate of debt accumulation at some point. In addition, there is a significant volume of low cost iron ore which is expected to enter the market over the forecast period. It is likely that these production increases will exceed growth in demand and result in higher cost supply being forced from the market. As supply does not typically leave the market in an orderly fashion, there is a risk that prices may drop sharply when a surplus emerges.

Iron Ore Volumes

Most of the iron ore produced in Western Australia comes from large, capital-intensive operations that have relatively low operating costs when compared to producers in other countries. Production from large producers is not likely to be affected by movements in price over the short-term. For example, previous episodes of sharp price declines in 2012 and during the Global Financial Crisis had little impact on the volume of iron ore sales from Western Australia.

One risk to the iron ore volume projections is the rate at which production increases at the Roy Hill project. New projects of this scale often experience delays during the initial ramp-up period, but production can increase rapidly once the initial technical issues have been solved.

State Taxes (\$8,927 million in 2016-17)

Payroll Tax

Payroll tax collections are expected to decline in 2015-16 before recovering modestly over the remainder of the forecast period. However, there is a risk that the projected fall in collections may extend beyond one year. This reflects softening conditions in the resources sector (affecting the largest taxpaying industries), leading to weaker employment and wages growth, and the possibility that employment levels more generally may contract in the near-term (see Chapter 2). This would translate into a further write-down in payroll tax revenue, in addition to the large downward revisions incorporated into the estimates since the 2015-16 Budget.

Total Duty on Transfers¹²

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

¹² The sum of transfer duty and landholder duty.

If the demand drivers of the residential property market (for instance, employment, wages and population growth) were softer than currently forecast, market sentiment could deteriorate further and aggravate the expected weakness in transaction volumes and prices.

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

Commonwealth Grants (\$8,467 million in 2016-17)

The estimates of Commonwealth grants in this Budget reflect assumptions that may differ from those of the Commonwealth. The Commonwealth Government had not released its 2016-17 Budget by the 19 April cut-off date for this Budget. Accordingly, any updates to the outlook for grants in the Commonwealth's 2016-17 Budget are not reflected in the projections contained in this Budget (but will be reflected in the State's 2016-17 Mid-year Review).

GST Grants

Western Australia's GST grants are a function of the Commonwealth's national GST collections, the State's population share, and the Commonwealth Grants Commission's (CGC's) annual recommendations on the distribution of the national GST pool among States and Territories.

Forecasts of the national GST pool are based on the Commonwealth's 2015-16 *Mid-Year Economic and Fiscal Outlook*. There is a risk that GST collections could vary from those currently projected as they are dependent on national economic conditions.

States' and Territories' population shares over time are affected by their relative population growth rates. GST grant estimates in this Budget are based on the Commonwealth's population growth rates for the States and Territories, used in its 2015-16 *Mid-Year Economic and Fiscal Outlook*.

The Commonwealth's population growth projections for Western Australia are higher than the projections used elsewhere in this Budget¹³. Any significant changes to population growth could substantially alter Western Australia's GST grants. Given current population trends, this represents a potentially significant downside risk to the GST grant forecasts contained in this Budget.

The State's share of the national GST grant pool relative to its population share is recommended annually by the CGC. Its recommendations take account of States' costs of providing services and capacity to raise their own revenue.

For 2016-17, the GST revenue estimates incorporate the CGC's approved recommendation of Western Australia's GST share (i.e. 30.3% of Western Australia's population share).

Western Australian Treasury's projections of GST relativities for 2017-18 onwards take account of projected changes in economic circumstances that are expected to be reflected in the CGC's calculations. The projections have been prepared under the assumption that the CGC will continue to use the same methods in its calculations.

¹³ The Commonwealth estimates have been used for calculating Western Australia's GST grants because Western Australia's population growth relative to national population growth is of importance when calculating GST grants. The Western Australian Treasury does not generate forecasts of the national population.

North West Shelf Grants

North West Shelf grants are derived from sales of Liquefied Natural Gas (LNG), oil, condensate, liquefied petroleum gas and domestic gas, with LNG generating the largest amount of revenue from these commodities.

Most of the LNG from the North West Shelf is sold under contracts that are linked to the price of oil. Therefore, a large unanticipated movement in the oil price represents the most significant risk to North West Shelf grants. Oil prices have declined significantly in recent years as the market absorbed a surge in production from North America. As international trade sanctions are removed from Iran it is likely that the market will need to absorb further supply over time (see Chapter 2: *Economic Outlook*).

Students First Funding for Schools

Students First payments provide funding equivalent to commitments under the National Education Reform Agreement (NERA), including to States (such as Western Australia) that did not sign the NERA. In April 2016, the Council of Australian Governments agreed that discussion on new funding arrangements for schools should be concluded by early 2017. Consequently, there is a risk that funding from 2017-18 may differ from the estimates contained in this Budget.

Expiring National Partnership Agreements

Western Australia is currently party to around 44 National Partnership (NP) agreements with the Commonwealth Government. These agreements relate to the delivery of specific projects, improvements in service delivery and/or reform. A further 13 NPs are either currently under negotiation or about to be negotiated. These agreements are generally for a limited period and have specific conditions attached to funding.

The majority of NPs create increased service levels, which generates community expectation that such levels will continue despite the time limited nature of NPs. Other NPs develop capital projects that will require ongoing maintenance. Unless another source of Commonwealth funding is found at the expiry of an NP, the State must either fund the increased service levels or allow service delivery to revert to pre-NP levels.

Some NP agreements have been rolled over for short-term periods (some more than once), without longer-term commitment. This creates budget uncertainty for the State and significant uncertainty for service providers.

Given the uncertainty about expiring NPs, in most cases it is assumed there is no continued funding (either Commonwealth or State) past an NP's expiry date, and that the additional or enhanced services generated by the NP will cease¹⁴.

¹⁴ Due to their ongoing nature, funding is assumed to continue for the Home and Community Care NP (\$790 million from 2016-17 to 2019-20), Natural Disaster Resilience NP (\$13 million from 2016-17 to 2019-20) and the Provision of Fire Services NP (\$4 million from 2017-18 to 2019-20). Further detail is provided in Appendix 13 of this Budget Paper.

Asset Sales

The Government is pursuing a structured program of asset sales as part of a broader strategy to reduce the State's debt levels and provide funding for new infrastructure. The proceeds from asset sales will only be incorporated into the State's financial projections once a sale is complete and associated transactions are finalised. Accordingly, future asset sales proceeds represent an upside risk to the debt projections contained in the 2016-17 Budget.

Continued achievement of the land asset sales targets reflected in the forward estimates (\$536 million over the period 2015-16 to 2019-20) is dependent on property market conditions. There is a risk that soft conditions may impede the rate of property sales and/or place downward pressure on prices.

Spending Risks

Interest Rates

The Consolidated Account interest cost forecasts incorporated in the 2016-17 Budget are based on projections for Consolidated Account borrowings and the Western Australian Treasury Corporation's (WATC's) outlook for interest rates under what it terms the 'most likely' scenario.

Interest rate forecasts under the 'most likely' scenario are anchored by WATC's expectations for the future path of the Reserve Bank of Australia (RBA) cash rate and its relationship to term lending rates. In addition to the 'most likely' scenario rate projections, WATC also produces a 'high' scenario to allow sensitivities to be calculated.

The table below provides a comparison of the interest rate outcomes under the 'most likely' and 'high' interest rate paths. As indicated, average (effective annual) interest rates are between 14 and 94 basis points higher, and annual Consolidated Account interest expenses \$296 million higher in 2019-20, under the 'high' scenario.

CONSOLIDATED ACCOUNT INTEREST RATE SCENARIOS					
	2015-16	2016-17	2017-18	2018-19	2019-20
'Most Likely' (%)	3.53	3.18	3.16	3.26	3.42
High' (%)	3.53	3.32	3.62	4.06	4.36
Variance (%)	-	0.14	0.45	0.80	0.94
Variance (\$m)	-	26	112	231	296

Expiring Enterprise Bargaining Agreements

The 2016-17 Budget includes an estimated \$826 million in expense savings over 2015-16 to 2019-20 from the Government's revised wages policy that limits wage and conditions increases to 1.5% per annum for all Enterprise Bargaining Agreements expiring on or after 1 June 2016. A large number of agreements expire over the next 15 months, covering around 70% of public sector employees. Agreements to be renegotiated include those for prison officers, registered nurses, health salaried officers, doctors, public servants and police officers. Any outcomes in excess of 1.5% pose a potentially significant risk to the savings included in this Budget.

However, the Government is firmly committed to its wages policy, and has indicated that should an arbitrated outcome above the wages policy occur, the relevant agency (or agencies) will be required to fund the associated cost from within existing approved salaries budgets.

Health Spending

Cost and Activity Settings

Limiting growth in the cost of activity-based funded public hospital services to support State Price growth of 1.5% per annum over the Budget period is a key budget strategy for WA Health. Total activity-based funded hospital expense growth, which incorporates growth in hospital activity as well as cost growth, is forecast to average 4.3% per annum. This includes an increase of \$240 million for activity-based funded hospital services for 2016-17 (a 5% increase relative to 2015-16), which forms the majority of a \$265 million increase for total hospital services (including block-funded services).

There is a significant differential between the cost of delivering public hospital services in Western Australia and the national Projected Average Cost (PAC), as determined by the Independent Hospital Pricing Authority. Western Australia's cost of delivering services is estimated to be 17.8% higher than the PAC per unit of weighted activity in 2014-15 (discussed in more detail in Chapter 5).

Achieving State Price growth of 1.5% per annum over the forward estimates period will require substantial and sustained improvements to the efficiency of public hospital service delivery.

In addition to the new wages policy, WA Health is implementing a range of initiatives to address workforce cost pressures, including adopting more efficient rostering processes and workflows, and reductions in overtime and levels of demand for agency staff. These initiatives are supported by a voluntary separation scheme for approximately 563 surplus employees. Successful implementation of these initiatives is critical to the achievement of WA Health's budget settings across the forward estimates period.

More immediately, WA Health's 2015-16 budget position is under pressure from excess levels of staff following the reconfiguration of hospital services and commissioning of the Fiona Stanley Hospital. While this pressure is being managed through the above-mentioned initiatives, there is a risk that if these initiatives are not fully implemented in a timely manner, WA Health may not achieve its approved budget settings for 2015-16.

Perth Children's Hospital Commissioning

There have been delays in the construction and commissioning of the Perth Children's Hospital (PCH), with practical completion and formal handover of the PCH facility to WA Health now estimated for mid-2016. Unfettered access to the PCH facility is critical as it allows WA Health to perform commissioning activities, such as operational readiness testing and workforce training. Opening of the hospital is now expected to occur in late 2016.

The financial impact of the revised practical completion and commissioning period has been included in the 2016-17 Budget. However, any further delays to the project may result in additional cost pressures. This risk will continue to be closely monitored and managed as construction and commissioning approach completion.

Law and Order

Daily Average Prisoner Population

The number of prisoners within correctional facilities in Western Australia has been trending higher than forecast, resulting in additional recurrent expenditure totalling \$147 million being provided in this Budget. Notwithstanding this substantial injection of additional funding, if prisoner growth continues to exceed forecasts, there is a risk that further funding may be required (including in 2015-16).

Social Services

National Disability Insurance Scheme

The Commonwealth and State Governments are participating in comparative trials of two different models for the National Disability Insurance Scheme (NDIS). The trials will be extended and expanded in 2016-17 and will inform the transition to a full NDIS in Western Australia, including the associated financial impact.

Arrangements for the delivery of disability services in Western Australia beyond the trials, including transition to a full scheme, are subject to discussions and agreement with the Commonwealth. Associated costs will be considered as part of this process and reflected in the financial aggregates when future arrangements are finalised.

Mental Health (10 Year Plan)

The Mental Health Commission released the *Western Australian Mental Health, Alcohol and Other Drug Services Plan 2015-2025* in December 2015. The Plan will inform priorities in mental health, alcohol and other drug services over the next 10 years, such as the need for community support, treatment and bed-based services, services focused on prevention, and improvements in the current mix of acute and specialised care.

Any additional costs that may arise due to this initiative will be subject to the submission of business cases for consideration as part of future Budget processes.

Operating Costs for the Perth Stadium

The 2015-16 Mid-year Review noted that detailed financial modelling of forecast revenue and operating costs for the Perth Stadium had determined that recurrent costs for Stadium operations should be met from revenue generated by Stadium events and related revenue sources. It was also noted that the assumptions in the financial modelling were subject to validation pending finalisation of formal agreements with the future Stadium operator and the key Stadium users. The Mid-year Review noted that the actual Stadium operating costs and revenue will be highly dependent on the number and type of events hosted by the Stadium, attendance at those events, and pricing across the wide range of Stadium revenue streams.

Key commercial terms and conditions have been agreed with cricket parties, collectively representing one of the key Stadium users. While well advanced, similar negotiations with football parties have yet to be concluded (as football events represent a large proportion of the overall forecast Stadium event schedule, finalisation of the related commercial terms is critical to confirming the modelled financial outcome).

At the time of preparing the 2016-17 Budget, the Stadium Operator Services contract was yet to be executed, although negotiations with the preferred respondent had been concluded with agreement reached on all legal and commercial terms. These developments have enabled the financial model to be further refined.

Adjusting for these agreed terms and the current status of outstanding negotiations, the modelling confirms that Stadium operating costs can be met from revenue. However, whilst the validation of a number of modelled parameters offers a higher level of certainty, key commercial terms and conditions (in particular, relating to football events) have yet to be finalised.

Essential and Municipal Services to Remote Communities

The Commonwealth Government made a \$90 million payment to the State in October 2014 as a final funding contribution to essential and municipal services to remote Aboriginal communities in Western Australia. This payment was made on condition that the State Government accepts full responsibility for funding these services from 1 July 2015, which presents a significant (and as yet unquantified) long-term liability on the State.

The State Government has commenced a fundamental reform of the way infrastructure and services are delivered in regional and remote areas, beginning with the Kimberley and Pilbara. The reforms will prioritise funding to locations that provide real economic opportunities and where children can access a good education. A reform team has been established to work with Aboriginal communities and leaders, who will play a vital role in decision and implementation processes. The withdrawal of Commonwealth funding for essential and municipal services heightened the necessity for the State Government to progress a more strategic approach to investment in remote communities.

Strategic Assessment of the Perth and Peel Regions

The Strategic Assessment of the Perth and Peel Regions represents a long-term policy commitment that is not currently funded. The Strategic Conservation Plan, which is available for public comment until 13 May 2016, outlines a series of proposed commitments to matters of State and national environmental significance that remain subject to negotiation with the Commonwealth. It is expected that the long-term costs of the proposal will be considered as part of the 2017-18 Budget.

Implementation of Agency Expenditure Reviews

The 2016-17 Budget includes a savings provision of \$461 million over the period 2017-18 to 2019-20 for the third tranche of the Agency Expenditure Reviews (AERs), which extends the program to an additional 54 agencies (essentially now applying to most agencies that receive recurrent appropriation funding and that were not subject to tranches one or two of the AER).

The AER has proven to be a successful model for reviewing agency expenditure. The first two tranches of the AER, which applied to 14 medium-sized agencies, have delivered \$416 million in net debt savings. However, if the tranche three AER agencies do not identify measures to achieve the provisioned savings targets as part of the 2017-18 Budget, there will be a corresponding deterioration in the general government operating balance and net debt estimates contained in this Budget.

Government Trading Enterprises

Corporatised public corporations, also known as Government Trading Enterprises (GTEs), are a significant revenue source for the general government sector through income tax equivalent and dividend payments (representing \$1.5 billion, or 5.8%, of general government revenue in 2016-17). Some GTEs also receive operating subsidies from the Consolidated Account (\$1.8 billion, or 6%, of general government expenses in 2016-17). GTEs undertake a significant proportion of the State's infrastructure investment (around 58% in 2016-17), with any required borrowings contributing to the State's debt levels.

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

Material risks to the operating outlook and infrastructure spending projections for GTEs include:

- Synergy's fuel and energy supply – Synergy's contractual arrangements and changing market conditions, particularly falls in demand for electricity, have the potential to place upward pressure on Synergy's energy production costs over the forward estimates period. While Synergy is implementing plans to mitigate any increases in its fuel costs, deterioration in the State's financial position can be expected if demand continues to decrease;
- Synergy's Business Efficiency Program – Synergy is currently implementing this program (as announced in the 2015-16 Budget) to achieve the significant operational savings reflected in its approved financial parameters. Should anticipated savings not be achieved, there will be a corresponding impact on the operating subsidy and dividend estimates for Synergy contained in this Budget;
- Western Power's network – the overall reliability and safety performance of the electricity network in the South West Interconnected System can be maintained at current levels within existing financial parameters over the forward estimates period, due to Western Power's improved approach to asset management. However, there is potential for unidentified or increased network risk to materialise due to the size of the network, the diverse range of assets operating in different environments, and varying levels of asset condition; and
- demand and revenue forecasts for Horizon Power – the Government is considering options for third party access to electricity infrastructure in the North West Interconnected System, with the objective of increasing competition and ultimately delivering better outcomes for consumers. This may have an adverse impact on State finances through increased competition which could reduce demand (and revenue) for Horizon Power.

Utilities and Tariffs

The Government reviews electricity and water tariff increases as part of its annual Budget process, with assumed price increases built into the outyears for Budget planning purposes. Accordingly, there is a risk that actual tariff increases for 2017-18 and subsequent years may differ from the planning assumptions included in this Budget.

To illustrate the potential impact, if electricity tariff increases were to remain at levels similar to the approved 2016-17 increase (i.e. 3% in each year over the forward estimates period, rather than the assumed 7% increases from 2017-18), the general government sector operating balance (all else being equal) would deteriorate by an estimated \$64 million in 2017-18, \$99 million in 2018-19 and \$124 million in 2019-20, and total public sector net debt would increase by around \$286 million over the forward estimates period. However, this adverse financial impact may be mitigated by electricity system cost reductions through Western Power's Business Review and reforms being progressed as part of the Government's Electricity Market Review (EMR).

Electricity Market Review

Phase Two of the EMR commenced in March 2015 and will give effect to the Government's preferred reform options for the electricity sector. The reforms are expected to provide material benefits to the electricity industry and consumers, including a significant reduction in operating subsidies paid to electricity corporations. Preferred reform options are expected to be identified and implemented progressively over 2015-16 and 2016-17.

As part of the EMR reforms, responsibility for regulatory arrangements for Western Power will shift from the Economic Regulation Authority to the national regulator, the Australian Energy Regulator. Implementation of this reform could have a financial risk dependent on the regulatory determination of such issues as efficient operational and capital expenditure, the weighted average cost of capital and Western Power's regulated revenue cap (this could be either an upside or downside risk).

Port Authorities

In addition to the impact on the State's royalty income, variable commodity prices also present risks to the revenue projections for a number of the State's port authorities.

Port throughput is an important determinant of port revenue streams. Shipping movements have fallen for some of the port authorities due to reduced commodity exports from small and mid-tier miners, as well as an overall decrease in oil and gas exploration activity. This can be expected to impact port profitability and could result in reduced tax and dividends paid to the general government sector.

The sensitivity of port authorities' revenue to commodity price movements and changing export volumes and activity will continue to be closely monitored.

Bunbury to Albany Gas Pipeline

An allocation has been made for the planning of a gas pipeline between Bunbury and Albany, which is intended to be built through facilitation with the private sector. The planning for the procurement of the pipeline is not yet final and therefore uncertainty remains around the total cost.

Forrestfield-Airport Link

The financial projections for the Forrestfield-Airport Link contained in this Budget do not take into account any changes that may occur when the main design and construction contract is awarded following the Budget cut-off date of 19 April 2016. Revisions to the project budget as a result of awarding the contract will be included in the 2016-17 Mid-year Review.

Perth Freight Link

In December 2015, the Supreme Court of Western Australia ruled that the Environmental Impact Assessment undertaken by the Environmental Protection Authority for Section 1 of the Perth Freight Link was invalid. The Government has appealed the decision and has set its budgeted investment on an assumed favourable ruling. At the time of the 19 April 2016 cut-off date for this Budget, the appeal was to be heard on 2 May 2016. There is a risk that the appeal decision may have implications for the timing and financial assumptions for the project contained in this Budget.

Potato Industry Deregulation

Compensation payments totalling \$14 million in 2016-17 have been reflected in general government recurrent spending (through the Royalties for Regions program) and are discussed in Chapter 5. The Potato Marketing Corporation of Western Australia is expected to be wound up later in 2016, but this has not been reflected in the 2016-17 Budget estimates due to the need to determine all associated wind-up costs, transfer of any staff, assets and/or liabilities that will remain in the public sector, and other related closure issues. The wind-up of the Corporation is expected to be included in the 2016-17 Mid-year Review.

Changes in Accounting for Leases

The Australian Accounting Standards Board released AASB 16: *Leases* in February 2016. This standard applies to financial reporting periods beginning on or after 1 January 2019. The new standard has made significant changes to lease accounting that will require most leases (including operating leases) to be recognised on the balance sheet, through the recognition of a right-to-use asset and a corresponding lease liability. The full impact of this Standard is still being assessed.

Contingent Assets and Liabilities

Contingent assets usually consist of the potential settlement of lawsuits of contractual claims. Typically, contingent liabilities consist of guarantees, indemnities, and sureties, as well as legal and contractual claims. They constitute a potential risk to the financial projections should they eventuate. Contingent assets and liabilities were reported in the 2014-15 *Annual Report on State Finances* (ARSF). Since the release of the ARSF, the following material changes to these contingencies have arisen.

- The State's temporary Home Indemnity Insurance (HII) arrangement with private insurers is set to expire on 31 October 2016. While a longer term arrangement for HII is currently being considered, the existing temporary arrangements may need to be extended to facilitate the introduction of any new scheme. As the 2016-17 Budget estimates are based on the current arrangement expiring on 31 October 2016, any extension beyond this date will require further actuarial assessment and updating of the Department of Commerce's financial estimates.

- *The Bell Group Companies (Finalisation of Matters and Distribution of Proceeds) Act 2015* came into operation on 26 November 2015 as a mechanism to provide the earlier return of moneys to Bell Group creditors, which includes the Insurance Commission of Western Australia. However, at the time of finalising this Budget, the Act was subject to legal proceedings before the High Court of Australia. An adverse decision on the validity of the Act (or parts of the Act) has the potential to delay distribution of moneys for ten to fifteen years. If the challenge is dismissed, distribution to creditors under the Act could occur in 2016-17, although there remains a downside risk of such distribution being delayed for up to five years through tax litigation commencing between the Bell Group liquidator and the Australian Taxation Office, and from other delays.
- In April 2016, the Public Transport Authority granted an indemnity to Perth Airport Pty Ltd for any loss or liability Perth Airport Pty Ltd suffers or incurs due to personal injury, third party property damage and consequential losses arising in connection with the construction of the Forrestfield-Airport Link project on and underneath Perth Airport. The Authority will put in place insurances to reduce the State's exposure to claims under the indemnity.

General Government Revenue

HIGHLIGHTS

- General government operating revenue is forecast to decline by 3.1% or \$810 million in 2016-17, the third consecutive year in which revenue has declined. Revenue fell by 2% in 2014-15 and an estimated 3.3% in 2015-16. Prior to these declines, revenue had only fallen once in the past two decades (by a marginal 0.3% in 1996-97).
- At a forecast \$25.7 billion, general government revenue in 2016-17 is \$2.3 billion below its peak in 2013-14, with most of this decline due to sharply lower royalty income.
- At the same time, taxation revenue has been flat over the last two years, and is forecast to decline marginally in 2016-17 due to soft property market conditions resulting in lower transfer duty and land tax.
- After reaching a record low of 30.0% in 2015-16, Western Australia's GST 'relativity' has remained virtually unchanged in 2016-17, at 30.3%. This reflects the substantial time lags used in the Commonwealth Grants Commission's assessments.
- The above factors have combined to contribute to a 'perfect storm' for Western Australia's revenue over the three years to 2016-17. These circumstances have led the Commonwealth Government to provide GST 'top-up' payments of \$499 million in 2014-15 and \$490 million in 2015-16.
- Beyond 2016-17, general government revenue is expected to lift, primarily due to a lagged increase in Western Australia's GST relativity (to a forecast 75.9% by 2019-20). In addition, a gradual improvement in domestic economic conditions is expected to result in a pick-up in taxation revenue, and royalty income is projected to increase, supported by a modest lift in key commodity prices and higher iron ore volumes.
- As previously announced, the payroll tax-free threshold will increase to \$850,000 from 1 July 2016 (up from the current \$800,000).

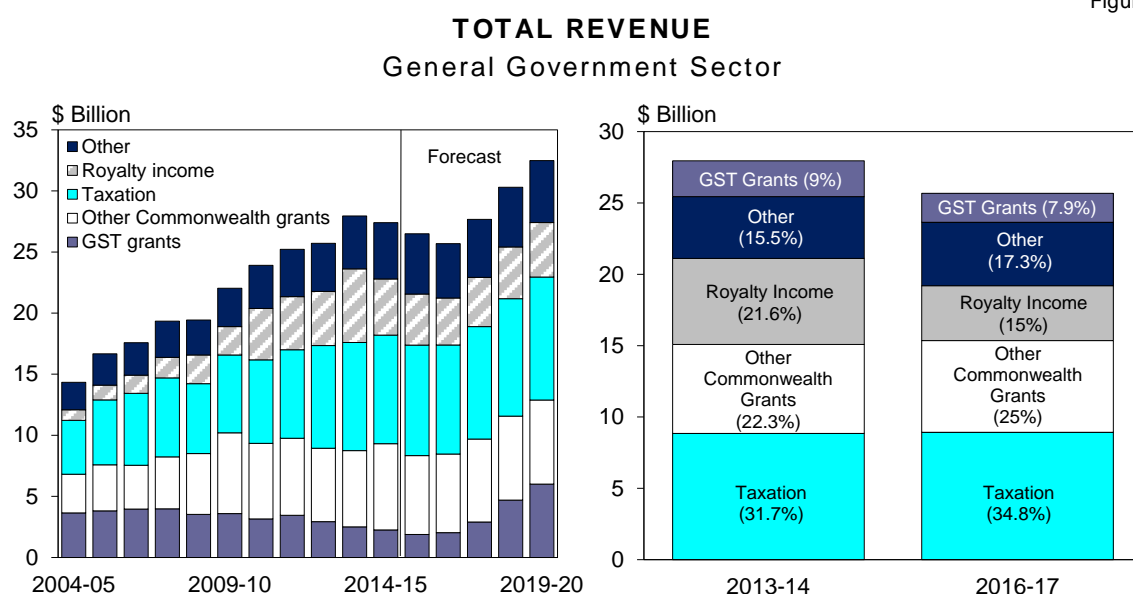
General Government Revenue

Total general government revenue is expected to decline by 3.1% or \$810 million in 2016-17, to \$25.7 billion. This primarily reflects declines in revenue from public corporations and capital grants (following changes to interim dividends from public corporations and a GST ‘top-up’ payment from the Commonwealth in 2015-16), as well as declines in mining revenue¹ and taxation as a result of the weak outlook for commodity prices and domestic economic activity.

The projected fall in 2016-17 follows an estimated 3.3% (or \$908 million) decline in revenue in 2015-16, the largest fall on record. The fall in 2015-16 is due to a significant reduction in iron ore royalties and North West Shelf grants (as a result of declines in the price of iron ore, crude oil and gas), as well as lower GST revenue and very subdued growth in taxation revenue.

Overall, revenue in 2016-17 is projected to be \$2.3 billion lower than its peak in 2013-14 (see figure below). Over this period, royalty income is estimated to fall by 36.2% and GST revenue by 18.8% while taxation revenue is forecast to increase by just 0.3% per annum, compared with historical average growth of 7% per annum.

Figure 1



Note: Percentages may not add due to rounding.

Over the outyears, revenue growth is projected to recover, averaging 8.1% per annum from 2017-18 to 2019-20. This is largely due to a forecast increase in GST revenue (as the lagged GST assessment process takes account of the lower levels of royalty income and tax capacity in recent years), higher tied grants, and a lift in royalty income and tax collections in line with an expected gradual improvement in commodity prices and domestic economic activity.

¹ The sum of royalty income, North West Shelf grants, compensation for Commonwealth crude oil excise arrangements and lease rentals.

Table 1

GENERAL GOVERNMENT						
Operating Revenue						
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Taxation (\$m)	8,882	9,045	8,927	9,204	9,612	10,064
Commonwealth grants (\$m)	9,314	8,337	8,467	9,694	11,568	12,890
Sales of goods and services (\$m)	2,105	2,141	2,227	2,319	2,416	2,542
Interest income (\$m)	185	178	167	164	174	180
Revenue from public						
corporations (\$m)	1,779	1,998	1,483	1,713	1,794	1,841
Royalty income (\$m)	4,603	4,177	3,842	4,026	4,238	4,456
Other (\$m)	532	617	568	553	503	508
Total (\$m)	27,400	26,492	25,681	27,672	30,305	32,481
<i>Taxation (%)</i>	0.4	1.8	-1.3	3.1	4.4	4.7
<i>Commonwealth grants (%)</i>	6.5	-10.5	1.6	14.5	19.3	11.4
<i>Sales of goods and services (%)</i>	2.0	1.7	4.0	4.1	4.2	5.2
<i>Interest income (%)</i>	-4.7	-3.8	-6.1	-1.9	5.9	3.6
Revenue from public						
corporations (%)	18.3	12.3	-25.8	15.5	4.7	2.6
<i>Royalty income (%)</i>	-23.6	-9.3	-8.0	4.8	5.3	5.1
<i>Other (%)</i>	-7.4	15.8	-7.9	-2.6	-9.0	0.9
Total (%)	-2.0	-3.3	-3.1	7.8	9.5	7.2

Note: Columns may not add due to rounding.

The composition of State revenue has changed significantly over the last decade, with an increasing contribution from royalty income (particularly iron ore royalties). Royalty income as a share of total revenue tripled from 7.2% in 2005-06 to 21.6% in 2013-14. However, this share has fallen in recent years, largely reflecting a significant decline in the iron ore price, and is estimated to be 15% in 2016-17.

Similarly, GST revenue as a share of total revenue has fallen in recent years and is estimated at 7.1% of revenue in 2015-16 (the lowest share on record) and 7.9% in 2016-17. By 2019-20, the share is forecast to rebound to 18.5% as the lagged Commonwealth Grants Commission process compensates for recent declines in royalty income and tax capacity.

A more detailed breakdown of general government revenue is provided in Appendix 2: *General Government Operating Revenue*.

The remainder of this chapter focuses on new revenue measures implemented in this Budget, and the detailed basis for the revenue estimates through to 2019-20 in each of the major revenue categories.

Revenue Measures

New revenue measures to be implemented in the 2016-17 Budget, together with their estimated revenue impact, are outlined in the table below.

Table 2

SUMMARY OF REVENUE MEASURES IN THE 2016-17 BUDGET					
	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	Total \$m
TAX MEASURES					
Taxes on Property					
Increase to Perth Parking Levy fees	0.3	0.5	0.8	0.8	2.5
Motor Vehicle Taxes					
Removal of specified concessions on motor vehicle licence fees	-	5.9	5.9	5.9	17.6
Total	-	6.4	6.7	6.7	19.8

Note: Columns may not add due to rounding.

Taxes on Property

Perth Parking Levy Fees

From 1 July 2016, the annual Perth Parking Levy fees will increase by \$10 (or 1%) for short stay public and on street bays, by \$26.60 (or 2.5%) for long stay public bays, and by \$38.30 (or 3.5%) for tenant bays.

This measure is forecast to raise an additional \$2.5 million over the four years to 2019-20. However, this extra revenue is expected to be offset by a decline in revenue arising from a fall in the number of licenced bays (with softer economic conditions flowing through to weaker demand for bays) and an increase in the application of concessions and exemptions to previously licenced bays. As a result, revenue from the Perth Parking Levy is estimated to be \$0.1 million lower than forecast in the 2015-16 Mid-year Review (over the period to 2018-19).

Revenue collected from the Perth Parking Levy can only be used within the Perth Parking Management Area (PPMA) to improve public transport access, enhance the pedestrian environment, support bicycle access to the city, and fund other initiatives that support a balanced transport system to, from and within the PPMA.

Motor Vehicle Taxes

Removal of Specified Concessions on Motor Vehicle Licence Fees

From 1 July 2017, the 100% motor vehicle licence fee concession available to Australian Defence Force, Commonwealth Government, and local authority vehicles will be removed. This measure is forecast to raise an additional \$17.6 million across the forward estimates period. As this funding is hypothecated to Main Roads under the *Road Traffic (Administration) Act 2008*, it will be offset by an equivalent reduction in the service appropriation to Main Roads.

Western Australia is currently the only State which provides vehicle licence fee concessions to the Commonwealth Government and Australian Defence Forces, and one of only two States (the other being Queensland) which provides concessions to local authorities.

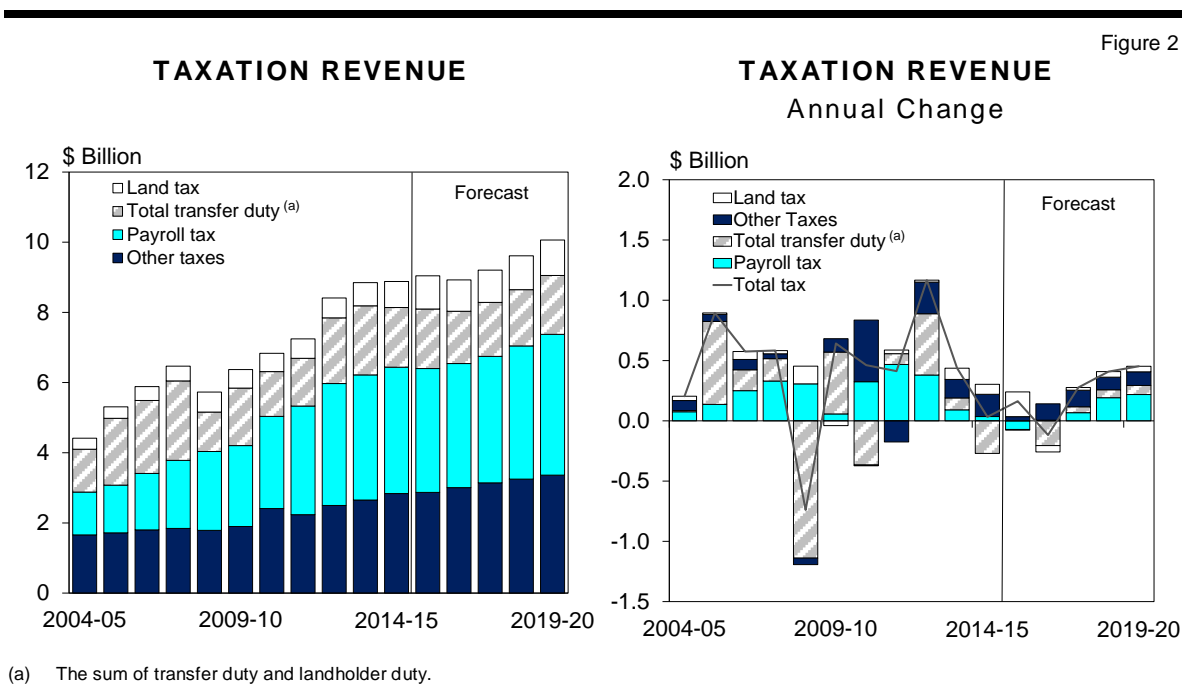
Taxation Revenue

Summary

In 2016-17, taxation revenue is projected to decline by 1.3% (or \$117 million) to \$8.9 billion. This is the first decline in tax revenue since 2008-09.

The decline in taxation revenue in 2016-17 follows expected growth of just 1.8% (or \$163 million) in 2015-16. This was underpinned by a spike in landholder duty (due to a number of unusually large ‘one-off’ transactions) as well as an increase in land tax rates (as announced in the 2015-16 Budget). However, these increases were largely offset by an estimated 2% (or \$72 million) decline in payroll tax collections in 2015-16 and a decline in duty from residential property transactions.

Consistent with a moderate recovery in the domestic economy, taxation revenue is forecast to gradually improve from 2017-18 to 2019-20, growing by an average of 4.1% per annum over this period. However, this remains well below decade-average growth of 7.2% per annum.



Detail

Payroll Tax

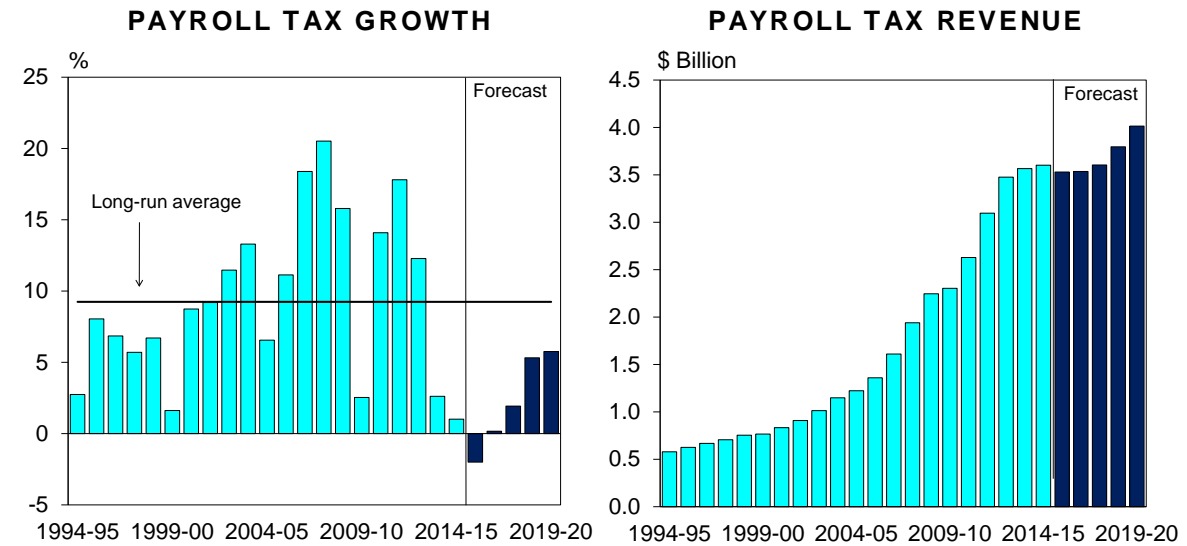
Payroll tax is projected to grow by just 0.2% in 2016-17, following an estimated decline of 2% in 2015-16. The fall in 2015-16 was the first annual decline in more than two decades (figure below, left-hand panel). This weakness in payroll tax collections reflects a combination of record low wages growth and falls in full-time employment and hours worked.

Collections are also being adversely affected by compositional factors, with particular weakness in the largest taxpaying industries, including mining and construction. These sectors account for almost 38% of collections (more than double their 18.7% share of the Western Australian workforce).

Forecast payroll tax growth in 2016-17 also incorporates the impact of the previously announced increase in the payroll tax-free threshold (to \$850,000) from 1 July 2016.

With employment and wage growth expected to remain subdued over the near-term (especially in the resource and related sectors), payroll tax is projected to increase by just 1.9% in 2017-18, before strengthening to around 5.5% per annum in the remaining two outyears, consistent with an expected gradual improvement in labour market conditions. However, this remains well below historical average growth of 9.2% per annum (see figure below).

Figure 3



Taxes on Property

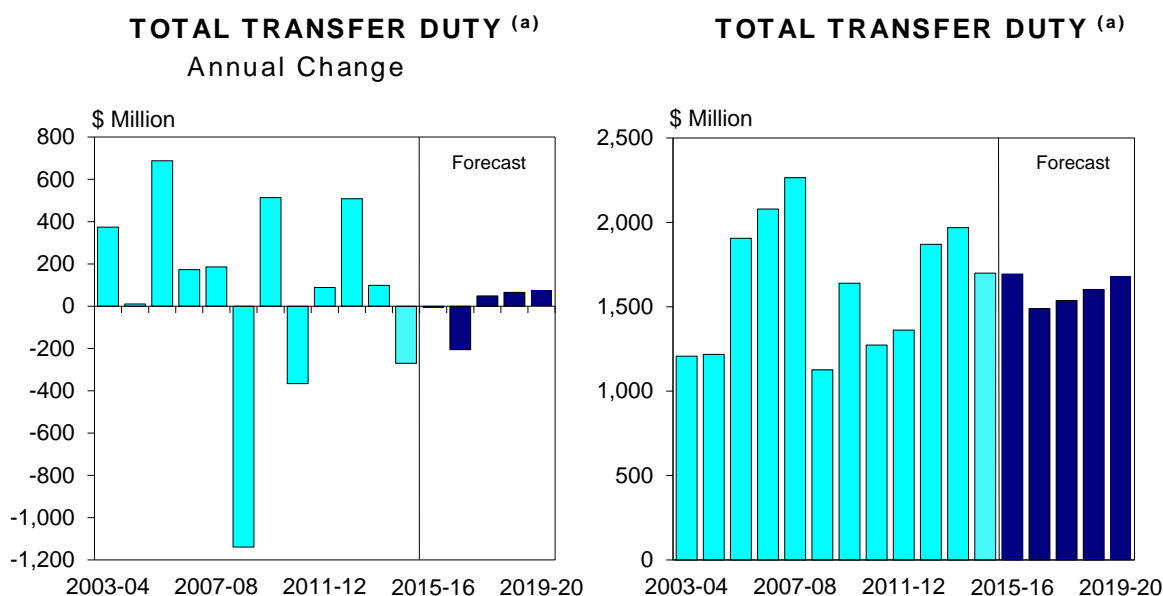
Taxes on property include transfer duty (the State’s second largest tax after payroll tax), landholder duty, land tax, the Metropolitan Region Improvement Tax (MRIT), the Emergency Services Levy, loan guarantee fees and the Perth Parking Levy.

Total Transfer Duty²

In 2016-17, total transfer duty is forecast to decline by 12.1% (or \$205 million) to \$1.5 billion, the third consecutive year in which transfer duty has fallen. The decline in transfer duty in 2015-16 of 0.3% would have been substantially larger if it had not been for a number of unusually large commercial property transactions. The decline in total transfer duty over the three years largely reflects falling residential property transactions as the labour market and population growth soften.

Total transfer duty is expected to gradually recover in 2017-18 and beyond as residential transaction volumes pick up in line with an improvement in domestic economic activity and labour market conditions. Nonetheless, total transfer duty in 2019-20 is projected to remain lower than in 2015-16 (figure below).

Figure 4



(a) The sum of transfer duty and landholder duty.

Land Tax

Land tax collections are projected to decline by \$53 million (or 5.6%) in 2016-17 to \$896 million, reflecting a fall in taxable land values across Western Australia as well as a corresponding net decline in the number of tax payers in the top tax thresholds.

The decline in land tax revenue in 2016-17 follows an estimated increase of \$205 million (or 27.6%) to \$949 million in 2015-16, mainly due to an increase in land tax rates announced in the 2015-16 Budget. Abstracting from this policy measure, it is estimated that land tax would have increased by only 2.7% in 2015-16, due to subdued growth in unimproved land values between August 2013 and August 2014³.

² This section discusses total duty on transfers, which is the sum of transfer duty and landholder duty.

³ Land tax and MRIT revenue in 2015-16 is based on the unimproved value of land as assessed by the Valuer General's Office as at August 2014.

Consistent with a moderate recovery in the property market, land tax revenue is expected to increase by 2.5% in 2017-18 and by around 5% per annum across the remainder of the forward estimates period.

Metropolitan Region Improvement Tax (MRIT)

MRIT revenue is projected to decline by 0.5% in 2016-17 mostly reflecting a decline in the value of taxable land in a number of Perth metropolitan local government areas⁴. Underlying growth in MRIT revenue is forecast to improve modestly (to 2.5%) in 2017-18.

This follows an increase in MRIT of \$6 million (or 6.1%) to \$98.5 million in 2015-16, which was the result of a moderate increase in taxable land values across the Perth metropolitan region (MRIT is levied on all land in the Perth metropolitan region that is also subject to land tax).

In line with expected trends in land tax, revenue from the MRIT is assumed to grow by around 5% per annum over the remainder of the forward estimates period.

Other Taxes on Property

Other taxes on property comprise revenue from the Perth Parking Levy, the Emergency Services Levy and Loan Guarantee Fees.

Other taxes on property are estimated to increase by \$55 million (or 12.5%) in 2015-16, which includes an increase in the Loan Guarantee Fee (as announced in the 2015-16 Budget). In 2016-17 and beyond, other taxes on property are estimated to grow by an average of 4.2% per annum, below the decade average of 12.3% per annum.

Taxes on Gambling

Taxes on gambling mainly comprise lotteries, and casino and betting taxes. Due to the prohibition of gaming machines in hotels and clubs in Western Australia, gambling taxes account for a much smaller share of total taxes than in other jurisdictions, at just 3.2%.

Gambling revenue fell by 10.4% in 2015-16, largely reflecting the full year impact of the replacement of the payment of GST reimbursements to Crown Casino with lower casino tax rates from 24 December 2014 for domestic gaming and from 16 March 2015 for International Commission Business. From 2016-17 onwards, total gambling revenue is expected to grow by an average of 3.3% per annum, broadly consistent with the historical average of 3.6% per annum.

Taxes on Insurance

Taxes on insurance mainly consist of duty on insurance policies (with a number of key exemptions, including health insurance and life insurance). Insurance tax revenue is forecast to decline by 2.1% in 2015-16 before lifting by 8.7% in 2016-17 (mainly due to the introduction of the Catastrophic Injuries Support Scheme from 1 July 2016). From 2017-18 onwards, insurance tax revenue is projected to grow by an average of 5.9% per annum, broadly in line with expected growth in insurance premiums.

⁴ Land tax and MRIT revenue in 2016-17 is based on the unimproved value of land as assessed by the Valuer General's Office as at August 2015.

Motor Vehicle Taxes

Motor vehicle taxes comprise duty on the transfer of vehicles (vehicle licence duty), annual vehicle registration fees, permit fees for oversize vehicles and loads, and the motor vehicle recording fee.

Revenue from vehicle licence duty is forecast to contract by 4.7% in 2015-16, consistent with declines in new car sales over the past year. Growth in vehicle licence duty is expected to recover modestly over the forward estimates to average 1.5% per annum, broadly in line with average population growth over the period.

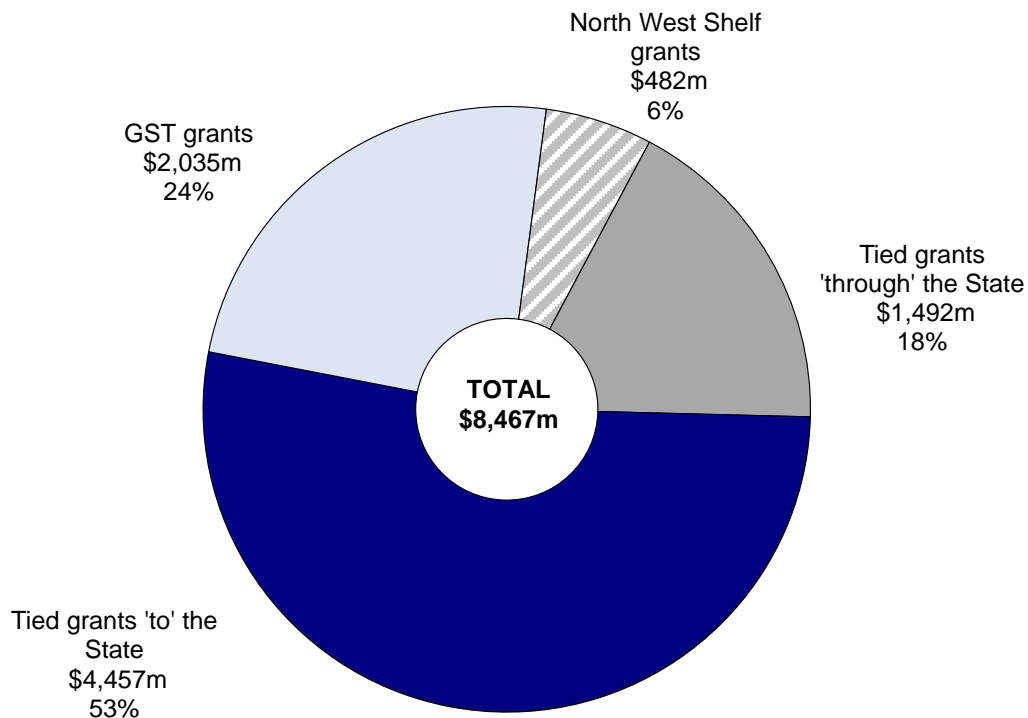
Total motor vehicle taxes, which mainly comprise vehicle registrations and vehicle licence duty, are forecast to grow by 0.8% in 2015-16, 2.7% in 2016-17 (excluding the impact of the Catastrophic Injuries Support Scheme), and by an average of 3% per annum over the remainder of the forecast period.

Commonwealth Grants

Commonwealth grants are estimated to total \$8.5 billion in 2016-17 and account for 33% of the State's total revenue. There are no restrictions on the spending of GST grants and North West Shelf grants. Other grants ('tied grants') must be spent on specific activities (e.g. health, education, roads and social housing).

COMMONWEALTH GRANTS TO WESTERN AUSTRALIA (a)
2016-17

Figure 5



(a) Includes recurrent and capital grants.

Note: Segments may not add due to rounding.

COMMONWEALTH GRANTS TO WESTERN AUSTRALIA ^(a)						
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
General Purpose Grants						
GST revenue (\$m)	2,258	1,886	2,035	2,906	4,698	6,003
North West Shelf grants ^(b) (\$m)	913	621	482	519	488	498
Total General Purpose Grants	3,171	2,507	2,518	3,424	5,186	6,500
Tied Grants						
Tied grants 'to' the State ^(c) (\$m)	4,640	4,577	4,457	4,702	4,741	4,671
Tied grants 'through' the State ^(d) (\$m)	1,503	1,253	1,492	1,567	1,641	1,719
Total Tied Grants	6,143	5,830	5,949	6,269	6,382	6,389
TOTAL COMMONWEALTH GRANTS (\$m)	9,314	8,337	8,467	9,694	11,568	12,890
Growth (%)	6.5	-10.5	1.6	14.5	19.3	11.4

(a) Includes recurrent and capital grants.
(b) Includes Commonwealth compensation for the removal of the exemption of condensate from crude oil excise.
(c) Payments in areas of State responsibility.
(d) Payments on-passed through the State (e.g. to local government and non-government schools).
Note: Columns may not add due to rounding.

GST Revenue

Western Australia's GST grant is expected to increase by \$150 million to \$2 billion in 2016-17. This is mainly driven by growth in the national pool of GST revenue. Western Australia's GST 'relativity' (i.e. its GST grant as a proportion of its population share of GST) will only rise marginally, from 30.0% in 2015-16 to 30.3% in 2016-17. Western Australia's continuing low relativity largely reflects the lagged impact of high revenues in previous years from royalties, taxes and North West Shelf grants. The GST relativity increase contributes only \$20 million to the total increase in Western Australia's GST grant in 2016-17.

ESTIMATED CHANGE IN WESTERN AUSTRALIA'S GST GRANT ^(a)	
2015-16 to 2016-17	
	\$m
Estimated 2015-16 GST Grant	1,885.9
Increase in the national GST pool	114.4
Increase in population share	13.0
Increase in GST relativity	20.2
Exclude adjustment for overpayment in 2014-15	1.9
Total Change	149.5
Estimated 2016-17 GST Grant	2,035.4

(a) These estimates differ slightly from those quoted by the Commonwealth Grants Commission, because they are valued using revised population estimates.

Table 5

GST RELATIVITIES

	Relativity		Impact on GST of revised relativities ^(a)	
	2015-16	2016-17	\$m	\$ per capita
New South Wales	0.947	0.905	-850	-109
Victoria	0.893	0.910	+248	+41
Queensland	1.128	1.171	+520	+106
Western Australia	0.300	0.303	+20	+8
South Australia	1.359	1.417	+245	+142
Tasmania	1.819	1.777	-57	-110
Australian Capital Territory	1.100	1.156	+55	+138
Northern Territory	5.571	5.285	-181	-730

(a) These estimates differ slightly from those quoted by the Commonwealth Grants Commission, because they are valued using revised population estimates.

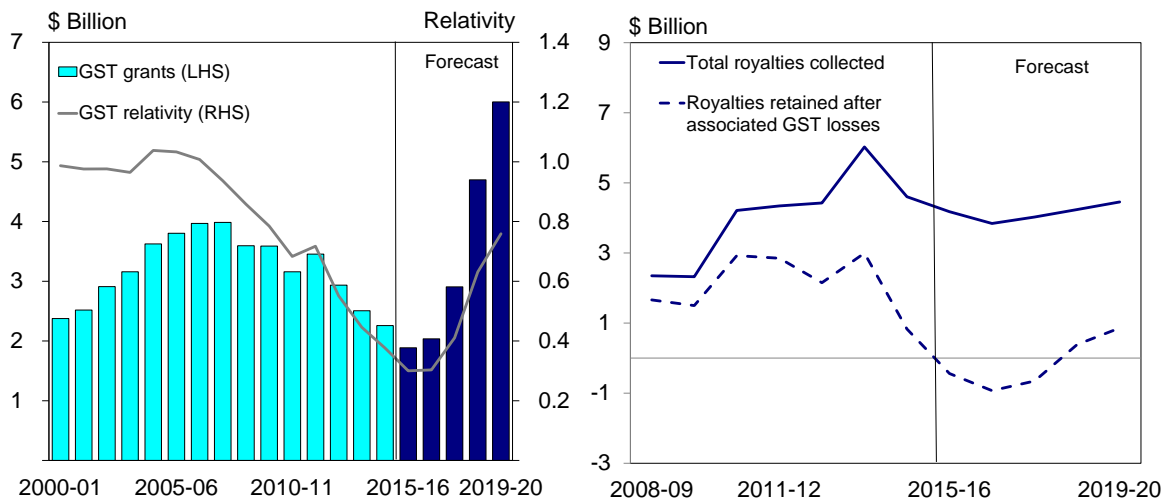
The 2016-17 grant is the second smallest GST grant received by Western Australia since the GST commenced, above only the \$1.9 billion in 2015-16.

Western Australia’s GST grants are forecast to rise to \$6.0 billion by 2019-20, due to the lagged response in GST grants to the sharp reduction in iron ore royalties and North West Shelf grants in recent years, and weak growth in taxes compared to other States.

Figure 6

WESTERN AUSTRALIA'S GST GRANTS AND RELATIVITIES

WESTERN AUSTRALIA'S RETENTION OF ROYALTIES AFTER ASSOCIATED GST LOSSES



Source: Department of Treasury.

The States’ GST relativities are based on the recommendations of the Commonwealth Grants Commission (CGC). In calculating these relativities, the CGC applies a ‘horizontal fiscal equalisation’ principle and uses a three-year average of the latest available historical data on States’ fiscal capacities.

A State whose revenue bases have grown faster than other States, or whose relative costs of providing a ‘standard’ level of services have declined, will have its grant share reduced (and vice versa).

The CGC updates relativities annually, and undertakes a major review of its methods every five or six years. The CGC reported on its latest method review in February 2015 and its latest annual update (using largely the same methods as the previous year) in April 2016.

As the CGC uses a rolling three-year average data period, GST grants in 2016-17 are based on data from 2012-13 to 2014-15. The decline in mining royalties in 2014-15 only exerts an influence on the last of those three years, and no account is taken of further declines in mining royalties in 2015-16.

If all time lags were removed from the CGC process, Western Australia’s GST grants would be \$7.4 billion higher across the four years from 2016-17 to 2019-20 (\$3.2 billion higher in 2016-17).

The time lags also mean that the GST losses in 2016-17 associated with Western Australia’s historic royalty revenues are expected to exceed Western Australia’s 2016-17 royalty collections by around \$900 million (see above figure, right-hand panel).

Forecast of GST Shares

Estimates for Western Australia’s GST grants across the budget period are based on the Western Australian Department of Treasury’s projections of Western Australia’s GST relativity beyond 2016-17, and the Commonwealth’s 2015-16 *Mid-Year Economic and Fiscal Outlook* projections of the national pool of GST grants and States’ population growth.

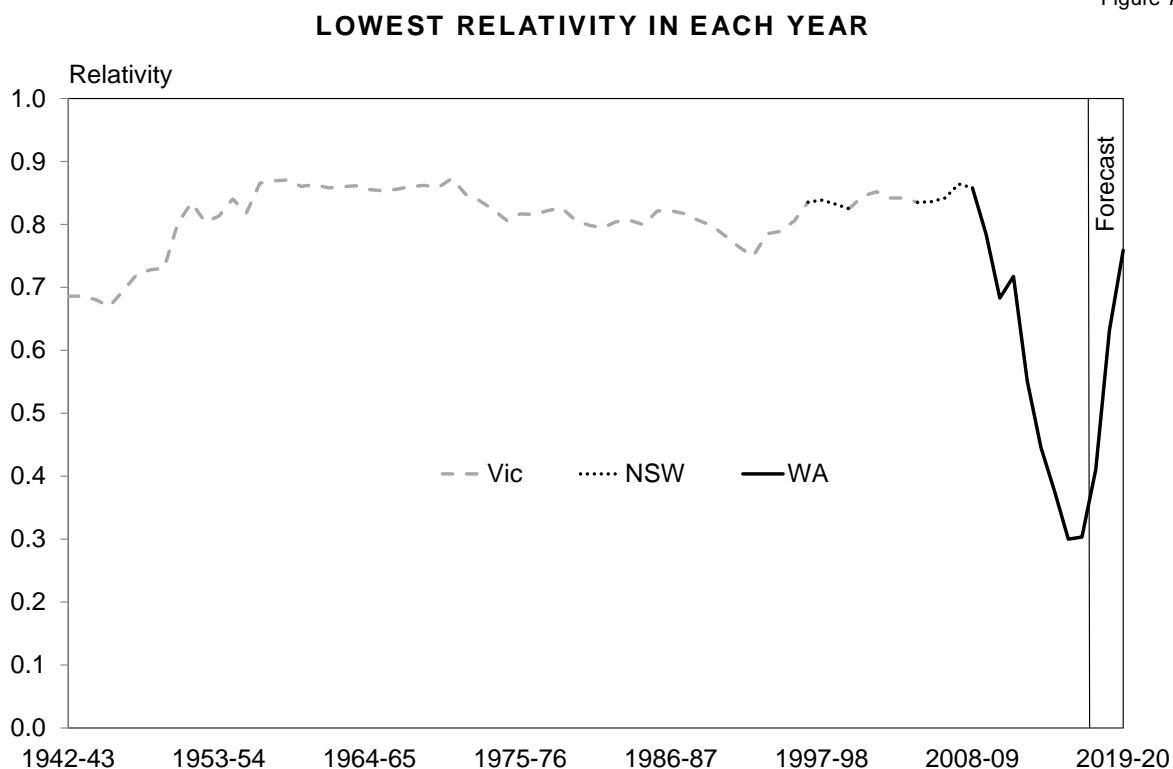
As the reduced royalties and other changes in the years 2014-15 to 2017-18 flow (with a time lag) into the relativity calculations, Western Australia’s relativity is expected to improve. However, although projected to reach 75.9% in 2019-20, this still remains below the lowest relativity faced by any other State except for Victoria in 1992-93 and prior to 1950-51. Western Australia’s relativity during the period 2012-13 to 2018-19 is expected to remain lower than ever faced by another State since 1942-43⁵.

Table 6						
PROJECTED GST RELATIVITY AND GST SHARE						
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
WA GST relativity ^(a) ^(b)	0.376	0.300	0.303	0.411	0.631	0.759
WA population share (%)	10.9	11.0	11.0	11.1	11.1	11.2
WA share of national GST pool (%) ^(c)	4.2	3.3	3.4	4.6	7.0	8.5

(a) This is the ratio of Western Australia’s GST grant to Western Australia’s population share of the GST.
 (b) These relativity projections differ from those published in Commonwealth Budget Papers, which generally have not incorporated projected changes in the relative revenue raising capacity of the States and Territories.
 (c) Western Australia’s GST share equals Western Australia’s population share multiplied by its relativity.

⁵ The significance of 1942-43 is that it is the year income tax was taken over by the Commonwealth. Financial assistance grants (initially known as tax reimbursement grants) were introduced as a result.

Figure 7



Source: Department of Treasury estimates.

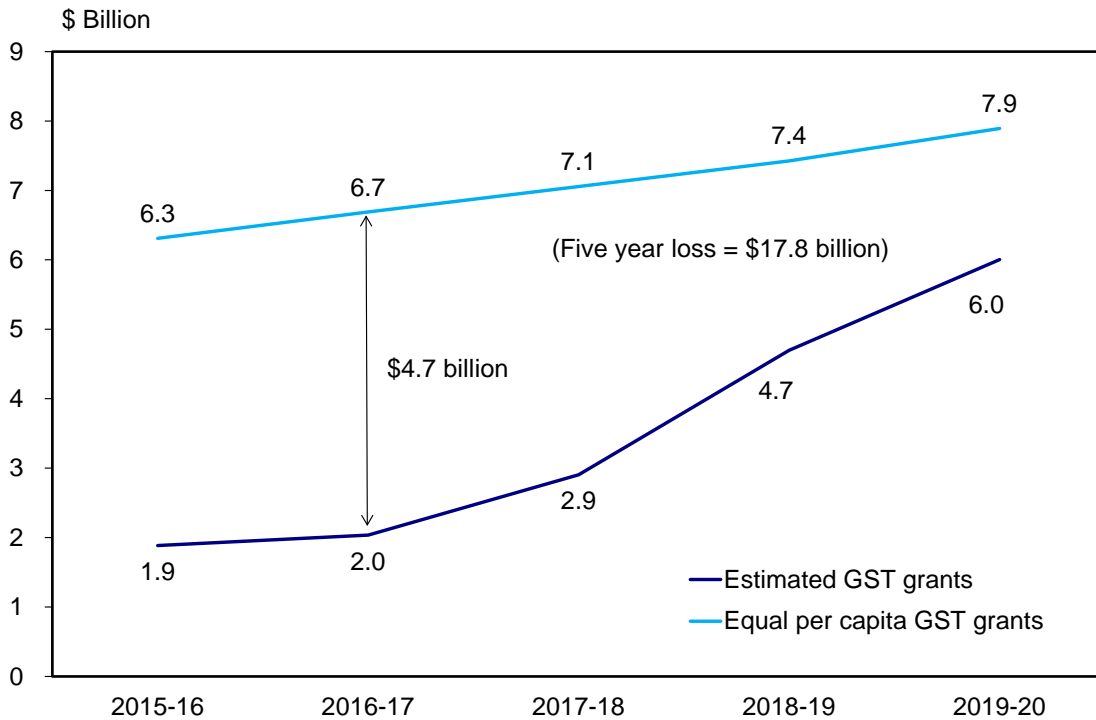
Note: Relativities relate to GST grants since 2000-01, and financial assistance grants/tax sharing grants/tax reimbursement grants in prior years (including CGC special grants).

Over the period 2015-16 to 2019-20, Western Australia will lose an estimated \$17.8 billion compared to if it received an equal per capita share of GST revenue, including \$4.7 billion in 2016-17 alone.

The GST subsidy from Western Australia to the other States is just one part of the State's overall annual net contribution to the Australian Federation, which now stands at \$22.8 billion for 2014-15, according to the Department of Treasury's latest estimates (see Appendix 12).

Figure 8

LOSS IN WESTERN AUSTRALIA'S GST GRANTS COMPARED TO POPULATION SHARE



Source: Department of Treasury estimates.

North West Shelf Grants

The Commonwealth provides general purpose financial assistance to Western Australia from royalties in respect of the North West Shelf oil and gas project off the coast of Western Australia. The Commonwealth collects these royalties because it has jurisdiction over off-shore areas. These royalties are shared between the Commonwealth (approximately one third) and Western Australia (approximately two thirds).

The Commonwealth also provides general purpose financial assistance to compensate Western Australia for the loss of North West Shelf royalty revenue resulting from the removal of the exemption of condensate from crude oil excise in the Commonwealth's 2008-09 Budget.

North West Shelf grants are derived from sales of LNG, oil, condensate, liquefied petroleum gas and domestic gas, with LNG generating the largest amount of revenue. Most of the LNG is sold under contracts that are linked to the price of oil.

In 2016-17, North West Shelf grants⁶ are expected to decline by \$139 million (or 22.3%) to \$482 million. This is the lowest level of North West Shelf grants since 2003-04, and \$686 million lower than the peak of \$1.2 billion in 2013-14. The decline in 2016-17 is largely due to the lagged impact of declines in crude oil prices in 2015-16 flowing through to LNG prices in 2016-17. Beyond 2016-17, North West Shelf grants are projected to remain relatively stable.

⁶ Includes Commonwealth compensation for the removal of the exemption of condensate from crude oil excise.

Tied Grants

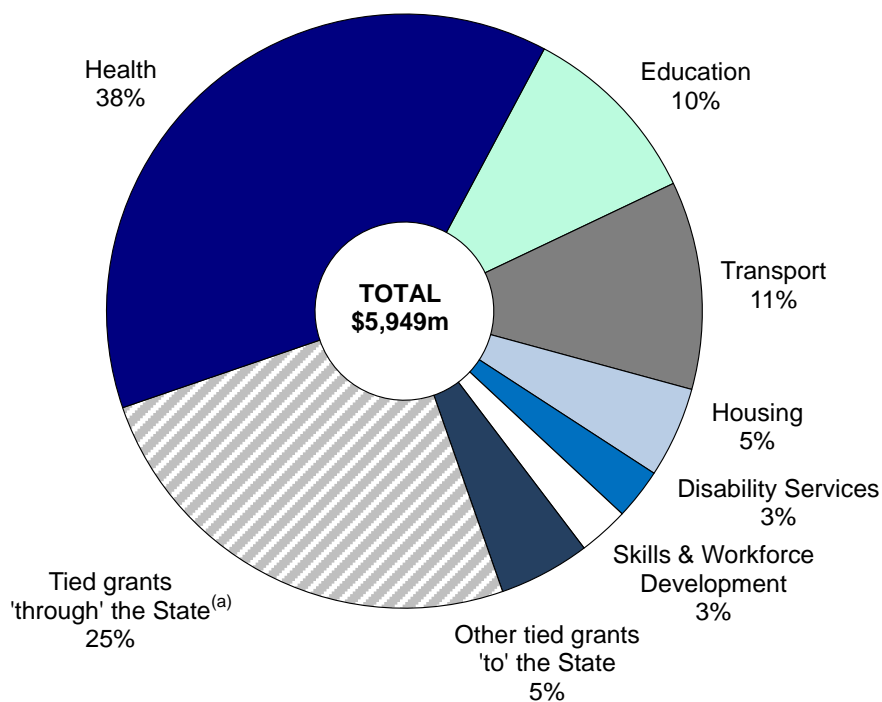
Tied grants for specific activities (e.g. health, education, roads and social housing) are received under a variety of Commonwealth-State agreements. In some instances, a specific activity (such as health) may have multiple agreements.

Western Australia is estimated to receive \$5.9 billion in tied grants in 2016-17, \$119 million more than in the previous year. In 2015-16, the Commonwealth is providing \$490 million for the Forrestfield-Airport Link to effectively maintain Western Australia’s 2016-17 GST share at 2014-15 levels.⁷

A break-down of tied grants by functional activity is provided in the chart below.

TIED GRANTS FOR WESTERN AUSTRALIA
2016-17

Figure 9



(a) Comprises payments for non-government schools and local governments.

Note: Segments may not add due to rounding.

Tied grants comprise:

- National Specific Purpose Payments (NSPPs) for vocational education and training, disability services, and housing;

⁷ The Commonwealth also provided \$499 million to Western Australia in 2014-15 to effectively maintain Western Australia’s 2015-16 GST share at 2014-15 levels.

- National Health Reform funding linked to the level of services delivered in public hospitals, as provided for by the National Health Reform Agreement;
- Students First payments for schools;
- National Partnership (NP) payments that are provided for one-off reforms and a range of infrastructure and service delivery projects and are usually contingent on the achievement of milestones or targets;
- payments from the Commonwealth in relation to its own-purpose spending programs; and
- grants that pass ‘through’ the State to other bodies (e.g. funding for local governments and private schools) and have no net impact on the State Budget.

National Specific Purpose Payments are ongoing, and grow in line with agreed indexation arrangements. The only condition attached to these payments is the requirement to spend them in the relevant sector. The payment for disability services is likely to be replaced by payments for the National Disability Insurance Scheme. Over the forward estimates period it is assumed that Western Australia will continue to receive payments under the disability services NSPP.

Public hospitals continue to be funded on an activity basis under the **National Health Reform Agreement** in 2016-17. These arrangements are retained for 2017-18 to 2019-20 with important changes, under an agreement made by the Council of Australian Governments (COAG) in April 2016 that will operate as an addendum to the National Health Reform Agreement. The new agreement caps Commonwealth funding growth for hospital services at a national level of 6.5% per annum. Subject to this cap, the Commonwealth will continue to fund 45% of the growth in the cost of hospital services measured at the national efficient price. The new COAG agreement also requires jurisdictions to better coordinate care for people with complex and chronic disease, incorporate quality and safety into hospital pricing and funding, and reduce avoidable hospital re-admissions.

For Western Australia, the Commonwealth has projected average funding growth of 8.1% per annum over the three years to 2019-20 under the new agreement, which results in an estimated additional \$578 million in funding over the period compared to the funding model that the Commonwealth had proposed in its 2014-15 Budget.⁸

Students First payments provide funding equivalent to commitments under the National Education Reform Agreement (NERA), including to States (such as Western Australia) that did not sign the NERA.

The framework for **NP payments** is provided by the Intergovernmental Agreement on Federal Financial Relations (IGAFFR), agreed by COAG in December 2008. This agreement sought to reduce Commonwealth influence over service delivery in favour of increased flexibility for States to allocate funding, with increased accountability from the States to the public for the achievement of outcomes which benefit the community. However, not all NPs developed since the IGAFFR was signed have reflected its principles. NP payments can vary substantially from year to year. Appendix 13 provides a summary of NPs, including when they are scheduled to expire.

⁸ The Commonwealth’s 2014-15 Budget had proposed that funding beyond 2016-17 would increase in line with inflation and population growth, and be allocated among States on the basis of population shares.

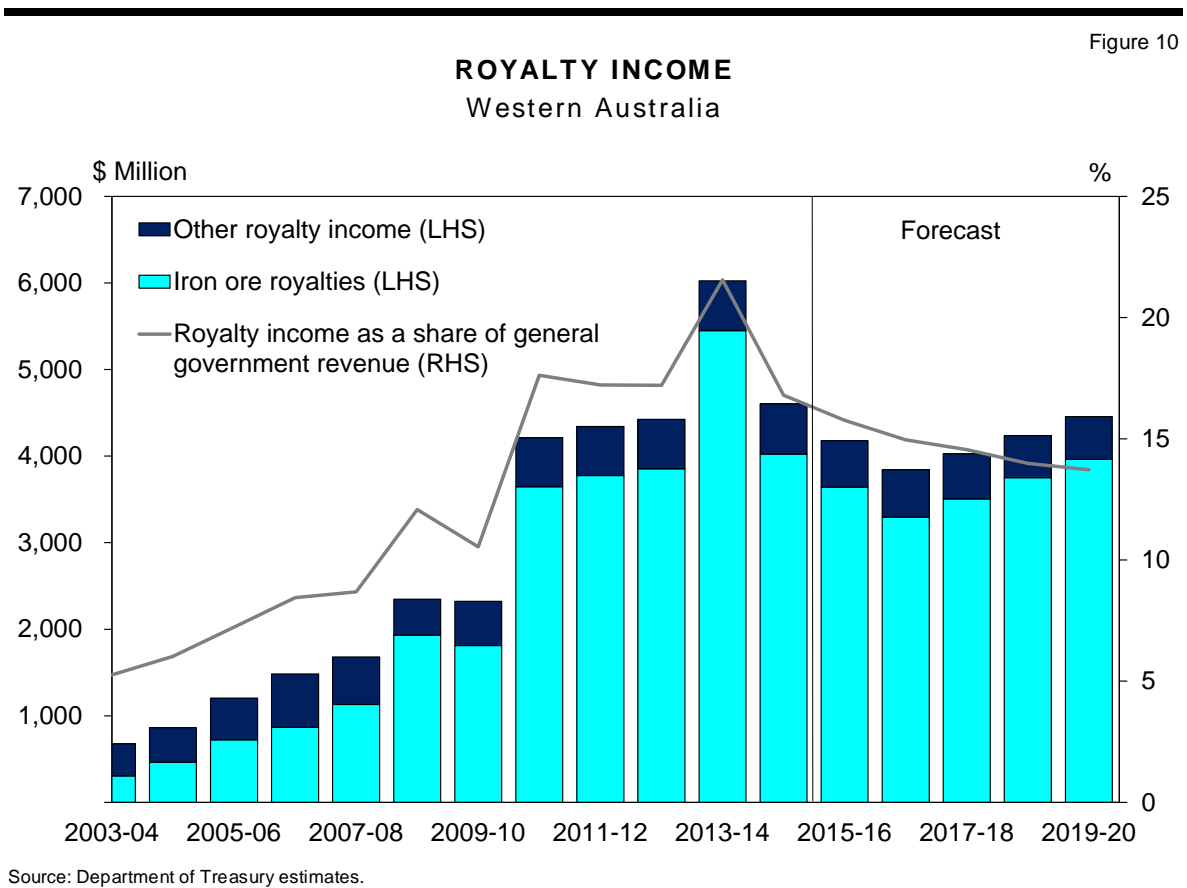
Royalty Income

Summary

In 2016-17, royalty income is projected to decline by \$334 million (or 8%) to \$3.8 billion. This is the lowest level of royalty income since 2009-10 and is \$2.2 billion lower than the peak in royalty income (\$6.0 billion) in 2013-14. The forecast decline in royalty income in 2016-17 is largely driven by a further expected decline in the iron ore price (from an average of \$US50.90 per tonne in 2015-16 to \$US47.70 per tonne in 2016-17), as well as a higher \$US/\$A exchange rate.

Royalty income is expected to gradually recover to \$4.5 billion by 2019-20, largely as a result of an increase in iron ore production volumes and a modest recovery in commodity prices.

For further discussion regarding commodity markets, refer to Chapter 2: *Economic Outlook*.



Iron Ore Royalty Income

Iron ore royalty revenue is expected to decline by \$345 million (or 9.5%) to \$3.3 billion in 2016-17. This is the lowest level of iron ore royalty revenue since 2009-10, and follows declines of \$1.4 billion and \$382 million in 2014-15 and 2015-16 respectively. These declines were all the result of a fall in the benchmark iron ore price from \$US122.80 per tonne in 2013-14 to an estimated \$US47.70 per tonne in 2016-17. Over the same period, iron ore volumes are forecast to increase by 163 million dry tonnes, to 782 million dry tonnes.

Over the remainder of the forecast period, iron ore royalties are expected to recover in line with higher production volumes, a modest improvement in price and a slight decline in the \$US/\$A exchange rate. Iron ore royalty income is projected to reach \$4 billion by 2019-20, still significantly below the \$5.4 billion in iron ore royalties received in 2013-14.

Iron Ore Market Volatility

Since the 2015-16 Mid-year Review cut-off date (30 November 2015), the iron ore price fell to a low of \$US37 per tonne (t) in mid-December 2015 and subsequently increased to a high of around \$US70/t in late-April 2016.

The rebound appears to be primarily due to a stronger than anticipated increase in actual and anticipated demand for steel in China in early 2016, which coincided with a period when steel production was initially low, but has lifted more recently. In particular:

- after softening through the first half of 2015, credit growth and residential property transactions (which tend to lead construction activity) increased in the mid to latter part of 2015. These trends have persisted and been followed by increases in dwelling construction and improved manufacturing indicators in early 2016;
- the Chinese Government appears to have shifted its policy emphasis in early 2016. In early March, at the National People's Congress, the Government indicated that economic growth would be a policy priority and that its tolerance for debt accumulation had increased. In addition, a range of policies were announced to target excess housing stock, including relaxing restrictions on eligibility for urban residency coupled with ambitious migration targets for cities in Western and Central areas; and
- steel production in China over the three months from December to February was low by recent standards and the usual seasonal build-up in steel inventories by steel mills was limited. However, by early March steel production had rebounded strongly.

These trends supported a strong recovery in steel prices from a trough in December 2015 – a recovery which has been mirrored in the iron ore price.

While there has been a clear improvement in prices, this has been accompanied by elevated short-term volatility in the iron ore price (see left hand panel of chart below) and unusually large volumes of derivatives trade, suggesting the market may have been subject to speculative forces. For instance, the spot price rose by over \$US10/t in just one day, from \$US52.40/t on 4 March to \$US62.60/t on 7 March 2016. By 15 March 2016, the price was back to \$US51.70/t. More recently, the iron ore price rose by over \$US10/t from \$US57.50/t on 15 April to \$US68.70/t on 21 April. The volatility may be driven by Chinese investors moving from equities (which have been weak) to commodities, in anticipation that increased construction spending will boost commodity prices. This prompted the Dalian Commodity Exchange and Shanghai Futures Exchange to increase transaction fees in late April 2016 to reduce speculative trade.

Notwithstanding the volatility of price in 2016 to date, the iron ore price has averaged \$US49.90/t between 1 July 2015 and the 19 April 2016 cut-off date for this Budget, which compares with an assumed price for 2015-16 in last year's Budget of \$US47.50/t.

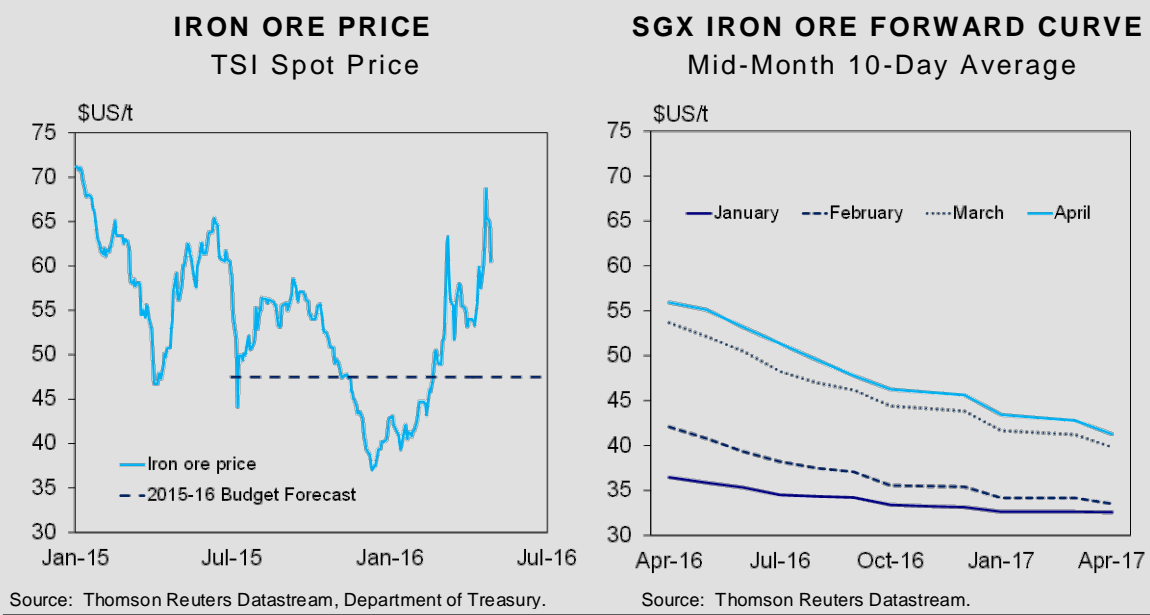
The iron ore price is expected to remain highly volatile over the short-term. However, it is not expected to be sustained at current levels into 2016-17, reflecting that:

- significant additions of low cost supply are already beginning to enter the market, and other new supply is scheduled to enter the market soon, most notably the 55 million tonne per annum (Mtpa) Roy Hill mine and from late 2016, the world’s largest iron ore mine, the 90 Mtpa S11D mine (although this is partly offset by the closure of depleted mines);
- the recent increase in Chinese steel demand has been supported by a rebound in property construction financed by a rapid accumulation of debt. These drivers are not likely to be durable because debt levels are elevated and there is a large (though difficult to accurately quantify) inventory of unsold housing; and
- if prices were to be sustained at late-April levels, it would likely draw producers who have previously exited the market at lower prices back into the market, thereby further expanding supply.

Growth in iron ore supply is expected to outpace growth in demand, and as such, further exits from the market will be required to keep it in balance. Significant industry-wide cost-cutting means that the iron ore price will need to be significantly lower for any meaningful reduction in high cost supply to occur.

Forward prices on iron ore derivative markets suggest participants expect the price will drop substantially over the next year. While the 12 month derivative contract price has increased with the spot price, the gap between the spot and April 2017 contract price has widened. This indicates that the market now expects a sharper price correction than it did previously (see right-hand panel of following chart). The 10-day average forward price for the April 2017 contract in mid-April was \$US41.25/t – well below the spot price levels reached in April 2016.

Figure 11



Other Royalty Income

Gold royalty revenue is expected to increase by 5.3% (\$13 million) in 2016-17, supported by a modest increase in both price and production volumes. Over the remainder of the forecast period, gold royalties are expected to decline by an average of 10.9% per annum as resources are depleted at existing mines. However, a recent improvement in the demand for gold, if sustained, may encourage higher than forecast production.

Royalty income from all other commodities is expected to remain largely unchanged in 2016-17 (\$296 million), relative to 2015-16. Over the remainder of the forecast period revenue is projected to increase modestly to \$317 million by 2019-20. This is expected to be driven by a depreciating currency and slight recovery in commodity prices outweighing the impact of resource depletion at existing operations.

Table 7

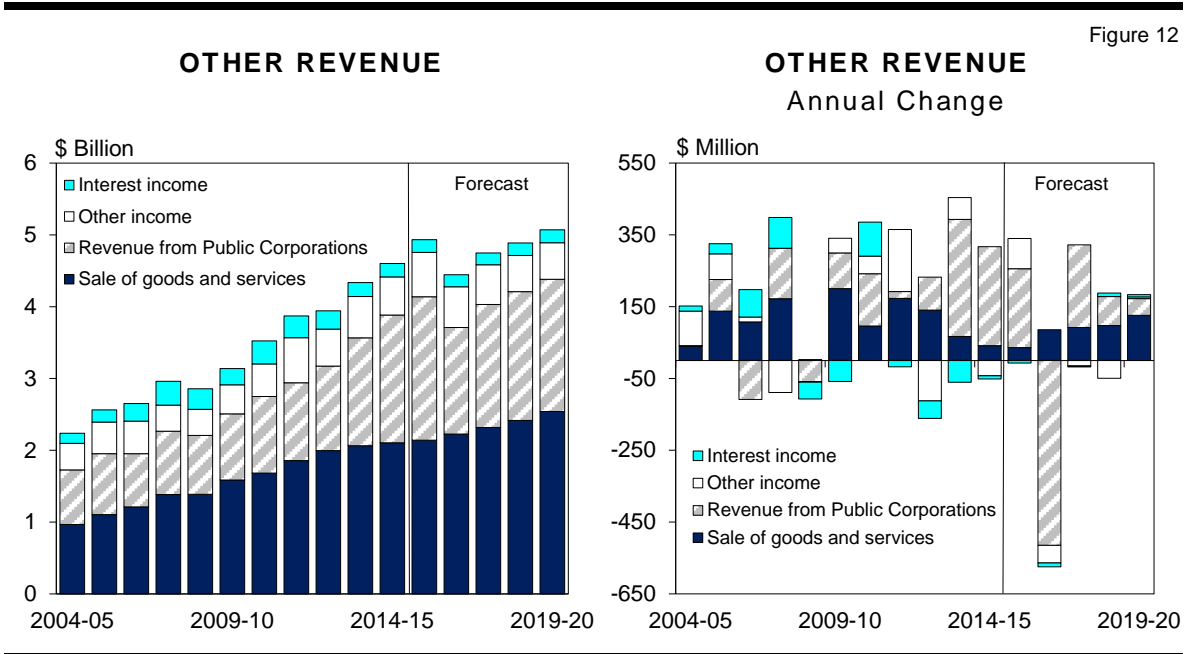
ROYALTY INCOME AND KEY ASSUMPTIONS
Western Australia

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
ROYALTY INCOME						
Iron ore (\$m)	4,023	3,641	3,296	3,504	3,751	3,963
Petroleum - State component (\$m)	10	6	-	1	-	-
Alumina (\$m)	82	79	76	81	87	96
Diamonds (\$m)	18	20	24	25	21	18
Mineral sands (\$m)	13	16	16	14	8	16
Nickel (\$m)	76	53	53	56	56	63
Gold (\$m)	229	238	251	222	195	177
Other (\$m)	152	122	127	123	120	124
Total Royalty Income (\$m)	4,603	4,177	3,842	4,026	4,238	4,456
KEY ASSUMPTIONS						
\$US/\$A exchange rate (cents)	83.6	73.3	75.7	74.7	73.8	73.0
Iron ore price (CFR, \$US per tonne)	71.1	50.9	47.7	49.2	51.6	54.0
Iron ore volumes (million dry tonnes)	715	765	782	803	814	817
Crude oil price (\$US per barrel)	73.5	41.1	44.4	47.1	49.1	50.9

Note: Columns may not add due to rounding. The benchmark series for iron ore is 'The Steel Index' and the benchmark for the crude oil price is 'Brent Crude'.

Other Revenue

Over 80% of other revenue is generated from the sales of goods and services and revenue from public corporations. Details of each revenue component are provided below.



Sales of Goods and Services

Revenue from the sale of goods and services is forecast to increase by 4% in 2016-17 and an average of 4.5% per annum across the out-years.

This follows moderate growth of 1.7% in 2015-16, reflecting the transfer of the majority of the operations of the Independent Market Operator to the Commonwealth Australian Energy Market Operator (thus reducing revenue and expenses), along with subdued revenue growth for the Western Australian Land Information Authority (Landgate) in line with weaker housing market conditions.

Interest Income

In line with lower forecast holdings of investment balances (cash and other liquid assets), interest revenue is expected to decline from \$178 million in 2015-16 to \$167 million in 2016-17. Beyond 2016-17, investment balances are forecast to steadily rise, with interest revenue in turn forecast to increase by an average of 2.5% per annum across the remainder of the forward estimates period.

Revenue from Public Corporations

The general government sector receives revenue from the State's corporatised public corporations (through dividends and tax equivalent payments).

Revenue from public corporations is forecast to be \$1.5 billion in 2016-17, comprising \$984 million in dividends, \$480 million in income tax equivalent payments and \$19 million in local government rates equivalent payments. This represents a 25.8% reduction from 2015-16, mainly due to a fall of \$438 million in dividends. This in turn reflects a 'special' dividend payment by the Insurance Commission of Western Australia in 2015-16 and interim dividend payments by electricity corporations in 2015-16.

Revenue from these sources is more than offset by subsidies from the general government sector to public corporations. In 2016-17, operating subsidies totalling \$1.8 billion are forecast to be paid to the public corporations, including \$806 million to the Public Transport Authority, \$486 million to the Water Corporation and \$433 million to the State's electricity corporations.

Further information on revenue from, and payments to, individual public corporations is available at Appendix 8: *Public Corporations – Impact on General Government Revenue and Expenses*.

Other Income

There are a range of revenue items not included in any of the previous categories discussed in this chapter. These include fines for traffic infringements, judicial fines and penalties, donations and gifts, asset transfers, and mining related lease rental revenue for exploration and production licences. Given the nature of these items, 'other' revenue can vary greatly from year to year.

In 2016-17, total 'other' revenue is forecast to be \$568 million and includes \$214 million for contributions from third parties such as industry funding, \$199 million for fines, \$93 million for mining related lease rentals, and \$26 million from donations. The 2016-17 forecast is down \$49 million (or 7.9%) on the estimated actual for 2015-16, with 2015-16 including around \$68 million of developer contributions to Main Roads for works on Onslow Road, Marble Bar Road and the Great Northern Highway.

General Government Expenses

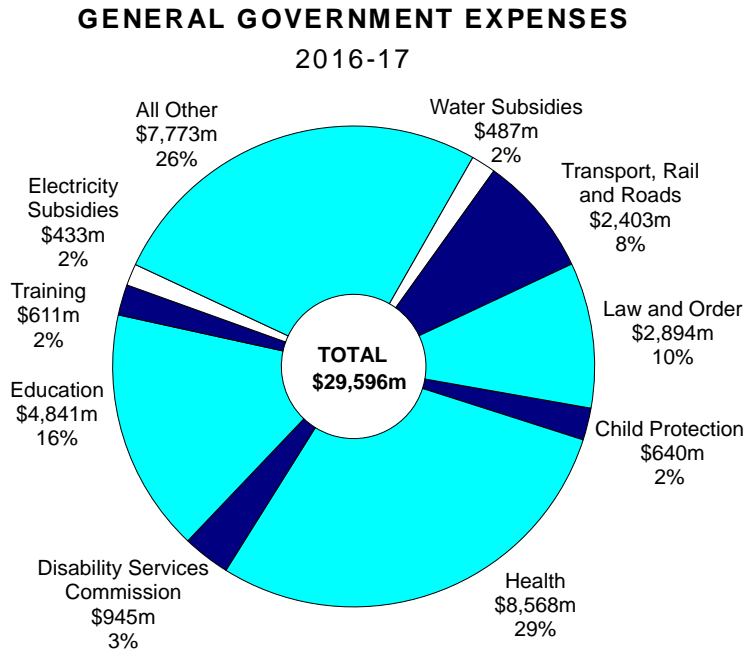
HIGHLIGHTS

- This Budget continues the Government's approach of containing salaries expenditure (through the new wages policy), driving further cost efficiencies across the public sector (through the roll-out of Agency Expenditure Reviews) and meeting growth in demand for essential services, while also seeking to broaden the State's economy and create new job opportunities.
- New recurrent spending approved in this Budget includes:
 - \$147 million from 2015-16 to 2019-20 to meet current and forecast growth in the prisoner population;
 - \$50 million from 2016-17 to 2019-20 to meet growth in demand for disability services in areas where National Disability Insurance Scheme (NDIS) trial sites are not operating;
 - a net additional \$26 million from the State Government in 2016-17 for the extension and expansion of NDIS trial sites;
 - \$50 million over 2018-19 to 2019-20 (funded from Royalties for Regions) to continue the Seizing the Opportunity – Agriculture initiative;
 - \$47 million over the period to 2019-20 for tourism events, conferences and destination marketing;
 - \$20 million over the next four years to promote innovation and strengthen, broaden and build the Western Australian economy; and
 - \$15 million over 2016-17 to 2017-18 for a new methamphetamine strategy.
- General government expenses are expected to increase by \$1,067 million or 3.7% in 2016-17, and by an average of just 2% across the outyears, substantially below the average of 7.7% recorded over the previous decade.

Introduction

General government expenses are forecast to total \$29.6 billion in 2016-17, \$1.1 billion or 3.7% higher than the estimated outturn for 2015-16. Health, education, and law and order continue to account for the majority of recurrent spending (an estimated 55% in 2016-17).

Figure 1



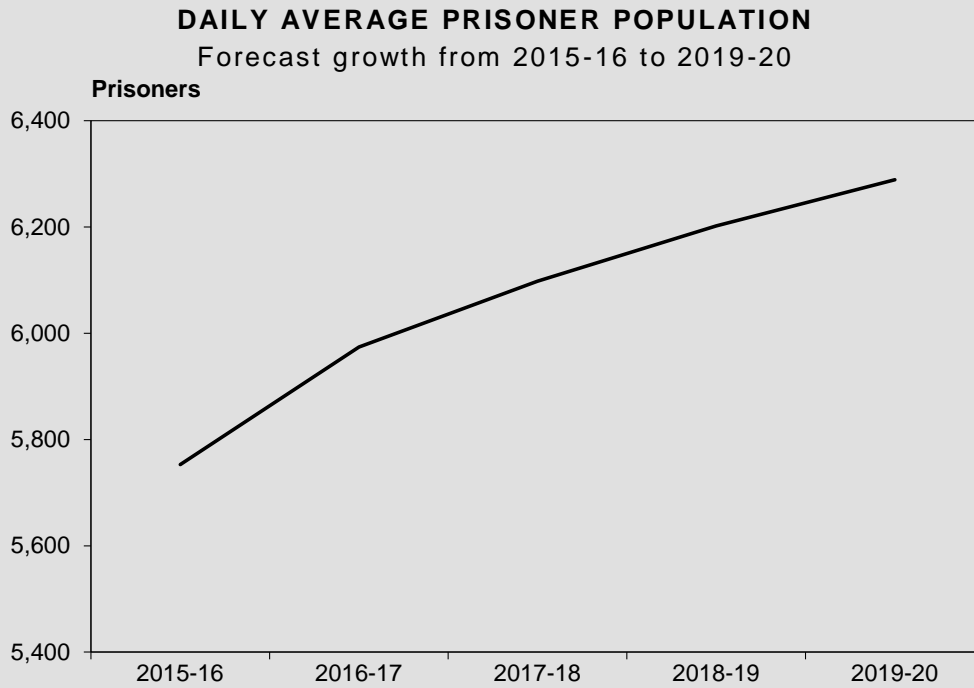
Note: Segments may not add due to rounding.

Law and order expenses total \$2.9 billion in 2016-17 or 10% of total general government expenditure. An increasing prisoner population is driving expenditure in Corrective Services, with an additional \$147 million provided in this Budget to meet current and forecast growth (see below).

Daily Average Prisoner Population Forecast

The State’s Daily Average Prisoner Population (DAPP) is forecast to grow from 5,753 in 2015-16 to 6,289 in 2019-20.

Figure 2



An additional \$147 million will be spent to meet the costs associated with the forecast growth in the DAPP during this period. The DAPP has been trending higher than expected, growing at 6.2% during 2015-16. The growth to date can be largely attributed to the increasing number of unsentenced or remand prisoners charged with burglaries and drug-related offences.

The Government’s commitment to disability services continues, with increased funding of \$50 million across the forward estimates period to meet growth in demand and a further \$26 million in 2016-17 for the extension and expansion of NDIS trial sites.

Reform continues in the Health portfolio with the Government introducing a new governance structure in WA Health to assist in more effectively managing costs in the State’s hospital system. This Budget also sees the introduction of a new approach for delivering sustainable hospital funding, which is discussed in more detail below.

State Price Policy for Activity-Based Funded Hospital Services

Since the 2013-14 Budget, the Government has funded WA Health on a policy based on transitioning the cost of delivering public hospital services in Western Australia to the national cost benchmark, known as the Projected Average Cost (PAC).

The 2015-16 Budget set the target of achieving this transition by 2020-21. This required average State Price growth of 1.3% per annum. At the time, the 2014-15 State Price was estimated to be 10.3% above the PAC.

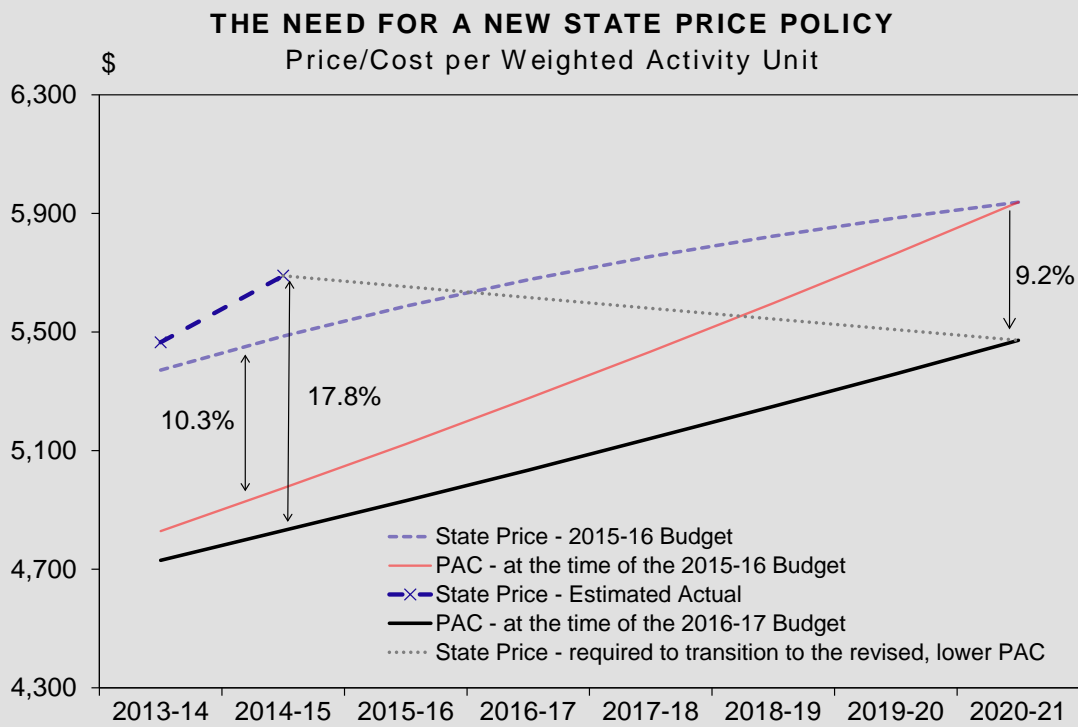
In February 2016, the PAC and the projected national efficient cost growth rate were revised down by the Independent Hospital Pricing Authority, based on updated national costing data that reflects the falling cost of delivering hospital services in other Australian jurisdictions.

These reductions, combined with growing costs in WA Health, have seen the difference between the 2014-15 State Price and the PAC increase to an estimated 17.8%. At the same time, the 2020-21 PAC has decreased by 9.2%.

Lower hospital cost growth in other Australian jurisdictions is driven primarily by wages and salaries.

Continuing to fund hospital services under the existing State Price transition policy would require negative cost growth of 0.6% per annum to 2020-21. This is clearly unachievable.

Figure 3



In order to provide sustainable hospital funding, the 2016-17 Budget settings for Activity-Based Funded (ABF) hospital services:

- decouple the State Price settings from the national cost benchmark (i.e. the State Price no longer transitions to the PAC);
- provide cost growth in line with the revised public sector wages policy (1.5% per annum);
- require a 1% per annum efficiency dividend (from 2017-18); and
- reinvest the savings from the Agency Expenditure Review of non-hospital services into ABF hospital services.

Adhering to these budget settings will require substantial and sustained improvements to the efficiency of public hospital service delivery while prioritising and maintaining patient safety.

With wages and salaries accounting for approximately 60% of WA Health's expenditure, achieving the revised wages policy of 1.5% per annum is critical to reducing cost growth and delivering the 2016-17 Budget settings.

The State Price will continue to be benchmarked against the PAC to demonstrate the cost of providing public hospital services in Western Australia relative to other jurisdictions.

Subsidies continue to support services provided by key public corporations. Subsidies paid to Synergy and Horizon Power, the water utilities (the Water Corporation, Aqwest and the Busselton Water Corporation), and for public transport, total an estimated \$1.8 billion in 2016-17 (including \$1.7 billion in subsidies for social concession purposes detailed in Appendix 6: *State Government Social Concessions Expenditure Statement*). Further detail of general government subsidy expenses is available in Appendix 8: *Public Corporations - Impact on General Government Revenue and Expenses*.

Major Expense Changes by Portfolio

Summary

The following information provides details of major changes in general government expenses by portfolio and agency since the 2015-16 Mid-year Review. Due to the criteria for inclusion, disclosures in this chapter may not necessarily match those in an agency's Spending Changes table in Budget Paper No. 2: *Budget Statements*.

Any timing changes that are broadly net debt neutral across the forward estimates period are not included in this chapter. Timing changes of a material nature are discussed in Chapter 3: *Fiscal Outlook and Strategy*.

Changes in total public sector infrastructure spending (i.e. the Asset Investment Program) are outlined in Chapter 6: *Asset Investment*.

This Budget allocates to individual agencies the savings arising from the Government's decision to limit increases in public sector wages and associated conditions to 1.5% per annum for all new agreements from 1 June 2016. Over the period to 2019-20, the revised wages policy is projected to reduce salary and superannuation expenses by \$826 million (including \$813 million in the general government sector).

This Budget also includes savings associated with Tranche Two of the Agency Expenditure Review (AER) process. The AER process, first announced as part of the 2014-15 Mid-year Review, is a two-stage process of rolling reviews that enable agencies to self-identify program-level savings up to predetermined targets.

As part of the 2015-16 Mid-year Review, it was announced that the Mental Health Commission, Public Transport Authority, and the Departments of Transport, Mines and Petroleum, Water, and Local Government and Communities would be subject to the AER (Tranche Two) process. Specific savings measures have now been identified by these agencies and are detailed in this chapter. These measures are expected to achieve total net debt savings of \$164 million over the period 2015-16 to 2019-20.

In this Budget, the Government has directed another 54 agencies to be subject to a Tranche Three AER process throughout 2016-17. A savings provision of \$461 million has been made for these agencies (agency-by-agency provisions and exceptions are detailed in this chapter). Agency-specific savings measures for these agencies will be detailed in the 2017-18 Budget, with the exception of WA Health. WA Health's savings will be retained and reinvested in hospital services.

A Streamlined Budget Process was again in place for this Budget to allow the Government to spend more time assessing significant issues that could materially impact the State's finances. The process permits smaller and 'low risk' general government agencies to elect to receive a modest flat-rate increase in funding (representing 1% of an agency's cash service appropriation) in exchange for opting-out of the normal budget consideration process.

Total incentive funding of \$4.5 million was allocated to 32 general government agencies in 2016-17 as part of the Streamlined Budget Process. A full acquittal of this funding is provided for the affected agencies in Budget Paper No. 2: *Budget Statements*. To ensure agencies that opted for this arrangement are appropriately scrutinised, Treasury will undertake regular risk assessments based on quarterly financial data and report the findings to the Economic and Expenditure Reform Committee.

PARLIAMENT

Table 1

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Legislative Council					
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Legislative Assembly					
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Parliamentary Services					
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.2	-	-	-
Parliamentary Commissioner for Administrative Investigations					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.1	-0.2

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

PREMIER; MINISTER FOR TOURISM; SCIENCE**MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW**

Table 2

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Premier and Cabinet					
– Innovation Package	-	5.0	5.0	5.0	5.0
– Western Australian Biodiversity Science Institute	0.9	1.7	1.3	1.4	1.5
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.8	-1.5	-2.3
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	4.5	-	-	-
– National Campaign for Reducing Violence Against Women and their Children	0.8	0.8	-	-	-
– Strategic Assessment of the Perth and Peel Regions	-	1.0	-	-	-
– Lord Mayor’s Appeal	1.0	-	-	-	-
– Shark Hazard Mitigation Program – Beach Enclosures	-	0.4	-	-	-
– Refresh of Scitech City West Premise	0.3	-	-	-	-
– Kimberley Girl Program	-	0.2	-	-	-
– Ministerial Air Charter Service (b)	-	-	-	-	-
Public Sector Commission					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.2	-0.4	-0.6
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.3	-	-	-
Salaries and Allowances Tribunal					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-	-(a)	-(a)	-(a)
Western Australian Tourism Commission					
– Major Events	-	0.6	13.4	5.0	-
– Destination Marketing	-	3.5	2.9	7.7	2.8
– Perth Convention Bureau	-	1.5	2.0	2.6	4.6
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.2	-0.3
Chemistry Centre (WA)					
– Revised Demand Forecasts	-0.4	-1.1	-1.5	-2.5	-2.3
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.2	-0.4

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

(b) The additional funding required is not disclosed in order to avoid prejudicing commercial negotiations.

Premier and Cabinet**Innovation Package**

A total of \$20 million will be spent over the next four years for government departments to work with relevant industries to support the researchers, innovators and start-up businesses that have the greatest potential to strengthen, broaden and build the Western Australian economy.

Western Australian Biodiversity Science Institute

The Department will spend \$6.7 million across five years from 2015-16 to enable the Western Australian Biodiversity Science Institute to protect, conserve and ensure the sustainable management of Western Australia’s unique flora and fauna. The Institute will provide a greater understanding of the State’s biodiversity system and assist in improved decision making on State development and biodiversity conservation.

Resolution of Native Title in the South West of Western Australia (Settlement)

The Department will spend \$4.5 million in 2016-17 on implementation costs associated with the finalisation of the Settlement, including coordinating activities and work related to the South West Settlement and associated governance and community development projects.

National Campaign for Reducing Violence Against Women and their Children

The Government has approved a \$1.7 million contribution over the period 2015-16 to 2016-17 to the Council of Australian Governments' Campaign for Reducing Violence Against Women and their Children. The national campaign aims to raise awareness and recognition of domestic violence issues in Australia.

Strategic Assessment of the Perth and Peel Regions

An additional \$1 million will be spent in 2016-17 as part of the Strategic Assessment of the Perth and Peel Regions (Strategic Assessment), which will significantly streamline future environmental approval processes under the *Environment Protection and Biodiversity Conservation Act 1999* (Commonwealth). The Department will continue its coordination of the Strategic Assessment, including key negotiations with the Commonwealth. This includes funding consultancies to provide technical expertise on the preparation of draft Strategic Assessment documents.

Lord Mayor's Appeal

A \$1 million donation was made to the Lord Mayor's Distress Relief Fund in 2015-16. The Fund provides relief and assistance to residents affected by the bushfire which swept through the township of Yarloop in January 2016.

Shark Hazard Mitigation Program – Beach Enclosures

The Department will spend \$400,000 in 2016-17 on the deployment of beach enclosures at Sorrento Beach in the City of Joondalup and at Quinns Rocks in the City of Wanneroo. These beach enclosures are part of the State's Shark Hazard Mitigation Program aimed at reducing the risk of shark attacks.

Refresh of Scitech City West Premise

Approval has been given for \$250,000 to be spent in 2015-16 as a contribution towards the Scitech Revitalisation Program which aims to address visitor crowding, increase storage capacity and modernise exhibition experiences.

Kimberley Girl Program

Spending of \$200,000 in 2016-17 will enable the Kimberley Girl Program to continue, which has the objective of empowering young Indigenous women in the Kimberley region, building leadership skills and creating strong community role models.

Ministerial Air Charter Service

Additional funding has been approved to renew the current air charter leases for the Ministerial Air Charter Service. The dedicated air service provides flexibility for Ministers' travel arrangements and assists them to effectively serve the Western Australian public across a large geographical area. The additional funding required is not disclosed in order to avoid prejudicing commercial negotiations.

Western Australian Tourism Commission

Major Events

The Government has approved \$19 million over three years to 2018-19 to allow the Commission to secure major events within the State.

Destination Marketing

An additional \$16.9 million will be spent from 2016-17 to 2019-20 to enable the Commission to increase its Destination Marketing activities.

Perth Convention Bureau

An additional \$10.7 million over the next four years has been approved to enable the Perth Convention Bureau to continue securing national and international events by marketing Western Australia nationally and internationally as a preferred convention, exhibition and incentive travel destination.

Chemistry Centre (WA)

Revised Demand Forecasts

As a result of the development of a new cost and demand model, recurrent expenditure has been revised down by \$7.7 million over the five years to 2019-20. This primarily reflects an expected softening in demand for the Chemistry Centre's services based on modelling projections over the forward estimates period.

DEPUTY PREMIER; MINISTER FOR POLICE; ROAD SAFETY; TRAINING AND WORKFORCE DEVELOPMENT; WOMEN'S INTERESTS

Table 3
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Western Australia Police					
– Government Regional Officer Housing	-21.9	-29.1	-31.2	-31.1	-28.5
– Impact of Revised 1.5% Public Sector Wages Policy	-	-0.3	-9.7	-19.3	-29.4
– Revision of Depreciation Expense	-6.2	-6.2	-6.2	-6.2	-6.2
– Road Trauma Trust Account – Enhanced Automated Traffic Enforcement Strategy	-	4.0	2.1	0.5	0.5
– Armadale Courthouse and Police Complex	-	0.7	1.1	-	-
– Road Trauma Trust Account – Speed Camera Replacement Program	-	1.2	-	-	-
– Countering Violent Extremism Intervention Process	0.2	0.2	0.2	-	-
– Mental Health Court Diversion Program	-	0.2	0.2	0.2	-
Road Safety Commission					
– Community Education to Improve Road Safety Outcomes	-	3.2	-	-	-
Training and Workforce Development					
– Adjustment to Commonwealth Grants	-2.7	-4.2	-5.8	-7.3	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.6	-1.1	-1.7
TAFE Colleges (b)					
– Revision of Financial Forecasts	-2.8	-4.1	-4.3	-4.4	-5.2
– Impact of Revised 1.5% Public Sector Wages Policy	-	-0.1	-2.4	-5.6	-9.2

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

(b) The 11 State Training Providers were abolished to create five TAFE Colleges effective from 11 April 2016.

Western Australia Police

Government Regional Officer Housing

Projections for recurrent expenditure on Government Regional Officer Housing (GROH) have been revised down by \$141.8 million (or 36.5%) from 2015-16 to 2019-20 following a downturn in regional residential market rents. This is a parameter-driven adjustment that reflects lower rental costs in regional centres, rather than any change in Government policy.

Revision of Depreciation Expense

Depreciation expenses have been reduced by \$31 million over the five years to 2019-20, following a review by Western Australia Police of its asset base.

Road Trauma Trust Account – Enhanced Automated Traffic Enforcement Strategy

An additional \$7.1 million will be spent over the period 2016-17 to 2019-20 for installation costs for new cameras for the Enhanced Automated Traffic Enforcement Strategy. An additional \$2.8 million in capital expenditure will also be spent on this project (see Chapter 6).

Armadale Courthouse and Police Complex

A total of \$1.8 million will be spent from 2016-17 to 2017-18 to develop a design and accommodation brief for the Armadale Courthouse and Police Complex.

Road Trauma Trust Account – Speed Camera Replacement Program

A total of \$1.2 million will be spent in 2016-17 to meet the operational costs associated with the replacement of ageing speed cameras. An additional \$6 million in capital expenditure will be spent in 2016-17 on the acquisition and installation of replacement speed cameras (see Chapter 6).

Countering Violent Extremism Intervention Process

An additional \$480,000 will be spent from 2015-16 to 2017-18 to manage referrals to non-government organisations of individuals suspected of being at risk of radicalisation to violent extremism, or suspected of being violent extremists. The spending reflects increased funding from the Commonwealth under its Countering Violent Extremism process.

Mental Health Court Diversion Program

A total of \$689,000 will be spent between 2016-17 and 2018-19 to provide for a Police prosecutor and related administrative support as part of the Mental Health Court Diversion Program.

Road Safety Commission

Community Education to Improve Road Safety Outcomes

The Commission will spend an additional \$3.2 million in 2016-17 to continue its community education programs on road safety. Total spending from the Road Trauma Trust Account will be \$145.7 million in 2016-17. Appendix 5: *Special Purpose Accounts* provides further detail.

Training and Workforce Development

Adjustment to Commonwealth Grants

Recurrent expenditure on training will be reduced by \$20 million over the period 2015-16 to 2018-19 due to a decline in projected Commonwealth specific purpose payments under the National Agreement on Skills and Workforce Development.

TAFE Colleges

Revision of Financial Forecasts

Total spending by the five TAFE Colleges will decrease by \$21 million over the forward estimates period to reflect a reduction in operational expenditure in line with an expected softening in demand for training delivery. In addition, the Department will continue to roll out the State's public vocational education and training sector reforms throughout 2016 to improve training options for students and reduce administrative duplication in the sector.

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

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

Table 4

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Regional Development					
– Royalties for Regions – Potato Industry Adjustment Package	-	14.0	-	-	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	.(a)	-0.2	-0.3	-
Gascoyne Development Commission					
– Royalties for Regions – Community Chest Grant Scheme	0.3	0.3	0.3	0.3	-
– Royalties for Regions – Regional Grant Scheme	-	1.1	1.1	1.1	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	.(a)	.(a)	.(a)	-
Goldfields-Esperance Development Commission					
– Royalties for Regions – Regional Grant Scheme	0.1	1.1	1.1	1.1	-
– Royalties for Regions – Goldfields Esperance Revitalisation Unit	0.4	1.0	1.0	0.4	-
– Royalties for Regions – Community Chest Grant Scheme	.(a)	0.6	0.3	0.3	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	.(a)	.(a)	.(a)	-
Great Southern Development Commission					
– Royalties for Regions – Regional Grant Scheme	.(a)	1.1	1.1	1.1	-
– Royalties for Regions – Community Chest Grant Scheme	-	0.6	0.3	0.3	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	.(a)	.(a)	.(a)	-
Kimberley Development Commission					
– Royalties for Regions – Regional Grants Scheme	-	1.1	1.1	1.1	-
– Royalties for Regions – Community Chest Grants Scheme	-	0.6	0.3	0.3	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	.(a)	.(a)	.(a)	-
Mid-West Development Commission					
– Royalties for Regions – Regional Grants Scheme	-	1.1	1.1	1.1	-
– Royalties for Regions – Community Chest Grants Scheme	0.3	0.3	0.3	0.3	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	.(a)	.(a)	.(a)	-
Peel Development Commission					
– Royalties for Regions – Transform Peel Phase 1	-	2.3	1.8	-	-
– Royalties for Regions – Regional Grant Scheme	-	1.1	1.1	1.1	-
– Royalties for Regions – Community Chest Grant Scheme	0.3	0.3	0.3	0.3	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	.(a)	.(a)	.(a)	-
Pilbara Development Commission					
– Royalties for Regions – Regional Grant Scheme	-	1.1	1.1	1.1	-
– Royalties for Regions – Community Chest Grant Scheme	0.3	0.3	0.3	0.3	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	.(a)	.(a)	-0.1	-

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

Table 4 (cont.)

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
South West Development Commission					
– Royalties for Regions – Transforming Bunbury Waterfront Stage 1	12.6	-	-	-	-
– Royalties for Regions – Margaret River Main Street Redevelopment	5.5	-	-	-	-
– Royalties for Regions – Regional Grants Scheme	-	1.1	1.1	1.1	-
– Royalties for Regions – Community Chest Grants Scheme	-	0.6	0.3	0.3	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	_(a)	_(a)	-0.1	-
Wheatbelt Development Commission					
– Royalties for Regions – Regional Grants Scheme	-	1.1	1.1	1.1	-
– Royalties for Regions – Community Chest Grants Scheme	-	0.6	0.3	0.3	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	_(a)	_(a)	_(a)	-
Lands					
– Northampton Lead Tailings Project	0.2	4.5	2.6	0.1	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	_(a)	-0.2	-0.4	-0.6
– Extension of Reform Program Resources	-	1.0	-	-	-
– Unsolicited Bids Resources	-	0.3	0.3	0.3	0.3
Western Australian Land Information Authority (Landgate)					
– Strategic Development Plan	3.1	-14.6	-14.0	-16.8	-18.2
– Impact of Revised 1.5% Public Sector Wages Policy	-	-	-0.7	-1.3	-2.1
Western Australian Land Authority (LandCorp) ^(b)					
– Leighton Marshalling Yards	-	0.2	0.3	-	-
– Ocean Reef Marina Structure Plan	-	0.5	-	-	-

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

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

Regional Development**Royalties for Regions – Potato Industry Adjustment Package**

A \$14 million industry adjustment package will be provided in 2016-17 to assist growers as the potato industry is deregulated from 30 June 2016. A portion of this package (\$2 million) will be allocated to support growers who remain in the industry after deregulation.

Regional Development Commissions**Royalties for Regions – Regional Grant Scheme**

Funding totalling \$30.5 million has been provided to all Regional Development Commissions from 2016-17 to 2018-19 to improve economic and community infrastructure and services in regional Western Australia by helping attract investment and increasing job opportunities in the regions.

Royalties for Regions – Community Chest Grant Scheme

Regional Development Commissions have been provided funding totalling \$12.5 million from 2016-17 to 2018-19 to provide one-off grants of up to \$50,000 to support small, local, demand-driven community projects.

Goldfields - Esperance Development Commission

Royalties for Regions – Goldfields - Esperance Revitalisation Unit

An amount of \$2.7 million will be spent over four years to assist with the administration of the Goldfields-Esperance Revitalisation program, including business case development, assessment of business cases, project development and management of projects in the region.

Peel Development Commission

Royalties for Regions – Transform Peel Phase 1

An amount of \$4.1 million will be spent on establishing a program management group, governance arrangements and liaison with key stakeholders to drive the implementation of Phase 1 of the Transform Peel initiative. The initiative will deliver economic opportunities to the Peel region as well as planning for the Peel Food Zone and Integrated Water Initiative that will provide sustainable food and water supplies for the entire community for generations.

South West Development Commission

Royalties for Regions – Transforming Bunbury Waterfront – Stage 1

As part of Stage 1, an amount of \$12.6 million will be spent in 2015-16 to revitalise the Koombana Bay foreshore, including improvements to public open space, providing facilities for large events and festivals, investment to combat coastal erosion and providing additional car parking facilities (see Chapter 6 for details of a further \$12.3 million in related capital investment).

Royalties for Regions – Margaret River Main Street Redevelopment

An amount of \$5.5 million will be spent in 2015-16 to redevelop and enhance the potential of the Margaret River town site as a world-class tourism destination.

Lands

Northampton Lead Tailings Project

Spending of \$7.5 million has been approved over the period from 2015-16 to 2018-19 for the remediation and safe disposal of lead tailings and contaminated soils at the Northampton townsite. The lead tailings are a by-product of the former State Battery site and have been used as fill on private and public land throughout the town.

Extension of Reform Program Resources

An additional \$1 million will be spent in 2016-17 to continue the Department's reform program. The program includes updating internal land policies and procedures, completion of the review into native title land processes, implementation of a Workflow Management System, and the ongoing digitisation of paper-based records.

Unsolicited Bids Resources

Additional funding of around \$250,000 per annum from 2016-17 has been approved to enable the Department to process and assess unsolicited bids on State-owned land, in accordance with the recently released 'Unsolicited Bids Guidelines'.

Western Australian Land Information Authority (Landgate)

Strategic Development Plan

An additional \$3 million is being spent by Landgate in 2015-16 on new technologies to modify business systems and processes in order to provide improved services to customers.

The Strategic Development Plan also incorporates a projected \$63.6 million reduction in expenditure between 2016-17 and 2019-20, with registrations and search services performed by Landgate expected to be significantly lower than previously estimated as a result of reduced land transactions. Despite internal efficiencies significantly reducing Landgate's expenses, these are not enough to fully offset the revenue downgrade.

Western Australian Land Authority (LandCorp)

Leighton Marshalling Yards

An amount of \$500,000 will be spent over 2016-17 to 2017-18 to undertake final consultation and planning for the initial rehabilitation work at the Leighton Marshalling Yards.

Ocean Reef Marina Structure Plan

An amount of \$500,000 will be provided to the City of Joondalup to complete the Ocean Reef Marina Structure Plan.

MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

Table 5

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Education					
– Revision to Student Enrolments and Education Cost Settings	-11.5	-35.1	-94.6	-91.2	-35.6
– Impact of Revised 1.5% Public Sector Wages Policy	-	-0.2	-19.3	-54.2	-94.5
– Schools Small Asset Capitalisation	-6.3	-6.4	-6.5	-6.6	-6.6
– School Generated Revenue	2.2	1.3	3.6	6.7	11.1
– Asset Investment Program – Efficiency Measure	-8.0	-	-	-	-
– Asset Investment Program – School Compliance Programs	-	-	-	3.0	4.2
– Asset Investment Program – Shenton College	-	-	-	-	0.6
Education Services					
– Per Capita Grants to Non-Government Schools (Administered)	-	-	-	-7.6	8.0
– School of Special Education Needs Services (Administered)	-	1.5	-	-	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	..(a)	-0.1	-0.3	-0.4
School Curriculum and Standards Authority					
– National Assessment Program – Literacy and Numeracy Online Implementation	-	0.4	0.4	-0.5	-2.1
– Reforms to the Western Australian Certificate of Education	-	2.5	-	-	-
– Kindergarten to Year 12 Student Records Management System	-	0.3	0.5	0.5	0.5
– Impact of Revised 1.5% Public Sector Wages Policy	-	..(a)	-0.2	-0.4	-0.6
Country High Schools Hostels Authority					
– Impact of Revised 1.5% Public Sector Wages Policy	-	..(a)	-0.1	-0.1	-0.2
– 2016-17 Streamlined Budget Process Incentive Funding	-	..(a)	-	-	-
Aboriginal Affairs					
– Impact of Revised 1.5% Public Sector Wages Policy	-	..(a)	-0.2	-0.4	-0.5
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.4	-	-	-
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.3	-	-	-
Western Australian Electoral Commission					
– Impact of Revised 1.5% Public Sector Wages Policy	-	..(a)	..(a)	-0.1	-0.1
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-

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

Education

Revision to Student Enrolments and Education Cost Settings

Recurrent expenditure is forecast to reduce by \$268 million from 2015-16 to 2019-20, primarily reflecting a reduction in forecast school enrolment growth across this period, compared to previous forecasts. The reduced expenditure also includes forecast reductions to insurance premiums, as well as lower GROH costs following a downturn in regional residential market rents.

Notwithstanding these lower costs, spending by schools will increase by 3.3% in 2016-17 to continue to provide high quality education services for all students.

Schools Small Asset Capitalisation

Recurrent expenditure will reduce by a total of \$32.4 million from 2015-16 to 2019-20, and be reclassified to asset investment, reflecting small asset purchases and minor buildings works by schools being capitalised rather than expensed.

School Generated Revenue

An additional \$24.9 million will be spent from 2015-16 to 2019-20 on student course consumables and curriculum costs, which are funded from schools' own-sourced revenues including course fees, charges, and voluntary contributions.

Asset Investment Program – Efficiency Measure

A reduction in recurrent spending of \$8 million in 2015-16 will meet a portion of the Asset Investment Program (AIP) efficiency measure allocated to the Department in the 2015-16 Mid-year Review. The remainder of the efficiency measure has been met through reductions to the AIP (see Chapter 6).

Asset Investment Program – School Compliance Programs

An additional \$7.2 million will be spent over 2018-19 and 2019-20 to support schools' capital works programs that address compliance-related issues, including asbestos management, fire services upgrades, and power-related works.

Asset Investment Program – Shenton College

Depreciation expenses will increase by \$619,000 in 2019-20 as a result of the expansion of Shenton College. This reflects the \$49.5 million in capital investment approved for the project in this Budget (see Chapter 6).

Education Services

Per Capita Grants to Non-Government Schools (Administered)

Following the Government's approval to maintain the indexation of non-government school grants in line with the rate applied to the government school system, the Department will administer an additional \$429,000 of per capita grants to non-government schools over 2018-19 to 2019-20.

School of Special Education Needs Services (Administered)

The Department will administer an additional \$1.5 million of grants in 2016-17 for the provision of specialist education services to non-government school students who have issues relating to medical/mental health, vision and hearing impairment.

School Curriculum and Standards Authority

National Assessment Program – Literacy and Numeracy (NAPLAN) Online Implementation

A total of \$800,000 will be spent in 2016-17 and 2017-18 to commence the phased implementation of NAPLAN Online from 2017. The final transition to online assessments for all schools by 2019 is estimated to deliver savings of \$500,000 in 2018-19 and \$2.1 million in 2019-20.

Reforms to the Western Australian Certificate of Education (WACE)

The Authority will spend \$2.5 million in 2016-17 on the preparation, supervision and marking of WACE Australian Tertiary Admission Rank (ATAR) examinations and assessments, as part of the continued implementation of WACE reforms that were introduced in 2015.

Kindergarten to Year 12 Student Records Management System

A total of \$1.6 million will be spent from 2016-17 to 2019-20 for the recurrent costs associated with a new Kindergarten to Year 12 Student Records Management System. The costs relate to hosting, maintenance, and staff training. This is in addition to \$2.5 million in approved capital expenditure on the new system (see Chapter 6).

Aboriginal Affairs

Resolution of Native Title in the South West of Western Australia (Settlement)

An additional \$407,000 will be spent in 2016-17 on the implementation of the Noongar Standard Heritage Agreement in the South West region and to facilitate the divestment of the Aboriginal Lands Trust estate to the Noongar Boodja Trust.

MINISTER FOR HEALTH; CULTURE AND THE ARTS

Table 6
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
WA Health					
– Hospital Services – Revised Activity and Cost Settings	-	40.1	70.2	124.9	191.1
– Impact of Revised 1.5% Public Sector Wages Policy ^(a)	-	-19.5	-67.9	-122.9	-185.6
– Agency Expenditure Review (Tranche Three) – Reallocation of Non-Hospital Expenditure	-	-	-47.5	-52.5	-48.3
– Depreciation	-40.6	-0.6	5.1	0.7	-17.7
– Non-Government Human Services Sector Indexation Adjustment	-5.0	-13.8	-13.9	-13.8	-
– Expensed Capital	34.5	-	-	-	-
– Multi-purpose Services Program Agreement	27.8	-	-	-	-
– Indigenous Australians' Health Program Multiple Schedule Funding Agreement	6.5	6.5	6.5	-	-
– National Partnership Agreement – Adult Public Dental Services	13.0	-	-	-	-
– Perth Children's Hospital Commissioning	-3.5	17.2	-1.4	-	-
– Capital Grant to PlusLife Bone Graft Bank	-	6.6	3.4	-(b)	-
– Indigenous Advancement Strategy Head Agreement and Project Schedules	1.0	1.0	-	-	-
– National Partnership Agreement – National Bowel Cancer Screening Participant Follow-up Function	-(b)	0.5	0.6	-	-
– Neurotrauma Research Program	-	1.0	-	-	-
Western Australia Health Promotion Foundation					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(b)	-(b)	-(b)	-0.1
Health and Disability Services Complaints Office					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(b)	-(b)	-(b)	-0.1
Culture and the Arts					
– Royalties for Regions – Western Australian Regional Film Fund	-	6.0	4.0	3.0	3.0
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(b)	-0.5	-1.0	-1.6
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.9	-	-	-

(a) Includes the impact of the 1.5% public sector wages policy across the health sector (including mental health) in recognition of WA Health's role as provider of mental health public hospital services. The mental health component of this spending change is also disclosed, for comparability, as a major spending change for the Mental Health Commission.

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

WA Health

Hospital Services – Revised Activity and Cost Settings

An additional \$426.3 million will be spent across the forward estimates period to reflect revised activity and cost settings for public hospital services.

Hospital activity is expected to increase by 2.4% in 2016-17 and an average of 2.6% per each year over the period 2017-18 to 2019-20.

The unit cost of providing health services in Western Australian hospitals, known as the State Price, has been re-based to reflect the Independent Hospital Pricing Authority's latest activity weightings and classifications. To continue to drive better performance in hospital services, the State Price settings over the forward estimates are based on a revised cost policy linked to the Government's new 1.5% wages policy (see feature box earlier in this chapter).

The revised settings provide expense growth of 4.2% per annum (on average) over the budget and forward estimates period. In 2016-17, approved hospital expenditure will increase by \$265.6 million (or 4.8%).

Agency Expenditure Review (Tranche Three) – Reallocation of Non-hospital Expenditure

As part of Tranche Three of the AER process, WA Health has been set a target of \$148.3 million in savings from non-hospital services expenditure (such as corporate and support services) from 2017-18 to 2019-20. The savings will be retained by WA Health and reinvested in hospital services.

Depreciation

Depreciation expenses will decrease by a net total of \$53 million over 2015-16 to 2019-20. This mainly reflects the revaluation of non-building assets (such as medical equipment) for Fiona Stanley Hospital, and the revised timing for completing the Perth Children's Hospital project.

Non-Government Human Services Sector Indexation Adjustment

A significant decline in forecast consumer and wage price index growth rates in 2015-16 and 2016-17 will result in a reduction of \$46.5 million in indexation payments to the non-government sector for services delivered on behalf of WA Health.

Expensed Capital

Previously allocated capital expenditure of \$34.5 million will be expensed in 2015-16 to align with the classification of expenses under the Accounting Standards.

Multi-purpose Services Program Agreement

A total of \$27.8 million will be spent in 2015-16 under the Multi-purpose Services Program Agreement with the Commonwealth to provide improved access to health and aged care services in small rural and remote communities.

Indigenous Australians' Health Program Multiple Schedule Funding Agreement

A total of \$19.5 million will be spent over 2015-16 to 2017-18 to support the continuation of antenatal, postnatal, child and maternal health services for Aboriginal and Torres Strait Islander families. The increase in expenditure is a result of an extension to the Indigenous Australians' Health Program Multiple Schedule Funding Agreement.

National Partnership Agreement – Adult Public Dental Services

An amount of \$13 million will be spent in 2015-16 to improve adult access to public dental care services under a new one year Adult Public Dental Services National Partnership Agreement.

Perth Children’s Hospital Commissioning

The Government has approved a net additional \$12.3 million over 2015-16 to 2017-18 for additional project resources required to meet the revised practical completion and commissioning timeframes for the Perth Children’s Hospital.

Capital Grant to PlusLife Bone Graft Bank

The Government has approved a capital grant of \$10 million over 2016-17 to 2018-19 to the PlusLife bone graft bank to develop a purpose-built processing and laboratory facility adjacent to the Midland Public Hospital.

Indigenous Advancement Strategy Head Agreement and Project Schedules

The Department will spend \$2 million over 2015-16 and 2016-17 to achieve improved access to health services for Aboriginal clients living in small rural and remote communities under this Commonwealth Agreement.

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

A total of \$1.1 million will be spent over 2015-16 to 2017-18 under the National Partnership Agreement to support Western Australians along the bowel cancer screening pathway and encourage participants to pursue the recommended clinical assessment.

Neurotrauma Research Program

A total of \$1 million will be provided to the Neurotrauma Research Program in 2016-17 to support research on improving the lives of people affected by brain and spinal cord injury in Western Australia.

Culture and the Arts

Royalties for Regions – Western Australian Regional Film Fund

An amount of \$16 million over four years to 2019-20 has been approved to establish a Western Australian Regional Film Fund. The Fund will be managed by ScreenWest, with the objective of delivering a coordinated regional screen industry strategy to attract high quality Australian and international productions to film in regional Western Australia.

TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 7
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Treasury					
– Extension and Expansion of the National Disability Insurance Scheme Trial Sites (Administered)	-	76.8	-	-	-
– Increased Cash Payments in National Disability Insurance Scheme Trial Site (Administered)	6.9	-	-	-	-
– Sale of Perth Market Authority	1.2	-	-	-	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.3	-0.6	-0.9
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.4	-	-	-
Economic Regulation Authority					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.1	-0.2
Office of the Auditor General					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.3	-0.4
– Local Government Auditing –Transition Costs	-	0.2	-	-	-
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Independent Market Operator					
– Transfer of functions to the Australian Energy Market Operator	-9.7	-17.3	-17.3	-17.2	-13.1
Horizon Power^(b)					
– Operating Subsidy for Electricity Tariffs	-	4.9	-(a)	-2.5	-5.6
– Operating Subsidy for Electricity Concessions, Rebates and Remote Communities	-1.2	-0.1	-0.1	-0.1	0.7
Synergy^(b)					
– Operating Subsidy for Electricity Tariffs	-	41.3	32.2	2.5	-21.8
– Operating Subsidy for Electricity Concessions and Rebates	-2.8	-6.5	-8.0	-9.6	-9.8
Office of Multicultural Interests					
– Chinese New Year Event	-	0.5	-	-	-

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

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

Treasury

Extension and Expansion of the National Disability Insurance Scheme Trial Sites (Administered)

This Budget includes an additional \$26 million in 2016-17 allocated by the State Government for the extension and expansion of NDIS trial sites operated by the State and Commonwealth.

Overall, expenditure will increase by \$93.6 million, taking into account additional funding of \$67.6 million contributed by the Commonwealth.

Of the total increase, \$76.8 million is administered by Treasury and remitted to the National Disability Insurance Agency (NDIA). The residual \$16.8 million is to be incurred by the Disability Services Commission (see disclosure later in this chapter).

Increased Cash Payments in National Disability Insurance Scheme Trial Site (Administered)

An additional \$6.9 million in 2015-16 has been approved for funding of the Perth Hills NDIS trial site participants. Previously, the Disability Services Commission directly funded service providers on an in-kind basis. This funding will now be allocated directly to NDIS participants through the NDIA.

Sale of Perth Market Authority

An amount of \$1.2 million has been approved in 2015-16 for the residual fee payable to the Lead Financial Adviser (LFA) for facilitating the sale of the Perth Market Authority, which was completed on 31 March 2016. This amount is in accordance with the agreed terms of engaging the LFA.

Office of the Auditor General

Local Government Auditing – Transition Costs

Spending of \$241,000 in 2016-17 has been approved to meet transition costs, including salaries and training, associated with undertaking financial and performance audits of Local Government Authorities from 1 July 2017.

Independent Market Operator

Transfer of Functions to the Australian Energy Market Operator

Expenditure has been reduced by \$74.6 million over five years as a result of the Government's decision to appoint the Australian Energy Market Operator (AEMO) as Western Australia's energy market operator. The majority of operational and market functions previously performed by the Independent Market Operator have now been transferred to the AEMO.

Horizon Power

Operating Subsidy for Electricity Tariffs

The operating subsidy, which provides for the difference between the cost of providing electricity and the prices that are paid by consumers, will decrease by a net \$3.3 million over 2016-17 to 2019-20. Synergy's lower cost-reflective rates and a forecast reduction in Western Power's network tariffs reduce the value of the operating subsidy by \$9.5 million and \$12.2 million respectively. This reduction is partly offset by the revised residential tariff increase of 3% for 2016-17 announced in this Budget, rather than the previously assumed 7% (which increases the operating subsidy by \$18.4 million).

Operating Subsidy for Electricity Concessions, Rebates and Remote Communities

The operating subsidy for electricity concessions, rebates and remote communities has been revised down by a net \$751,000 over 2015-16 to 2019-20. This reflects the impact of a reduction in Horizon Power's operating costs as a result of its Strategic Review program, which has been partly offset by increased Energy Assistance Payments due to the decision in this Budget to increase residential tariffs by 3% in 2016-17, rather than the previously assumed 7%.

Synergy

Operating Subsidy for Electricity Tariffs

The operating subsidy, which provides for the difference between the cost of providing electricity and the prices that are paid by consumers, will increase by \$54.2 million over the period 2016-17 to 2019-20. This reflects the net impact of the decision to increase residential tariffs by 3% in 2016-17 rather than the previously assumed 7%, and a reduction in Synergy's costs due to lower network tariffs from Western Power over the period from 2017-18.

Operating Subsidy for Electricity Concessions and Rebates

The forecast value of electricity concessions and rebates has been revised down by \$36.9 million over the period 2015-16 to 2019-20. This is largely due to a lower residential tariff increase of 3% in 2016-17 instead of the assumed 7% (a \$10.8 million reduction), and updated forecasts for the Energy Assistance Payment and the Dependent Child Rebate (down \$27.8 million).

Office of Multicultural Interests

Chinese New Year Event

An additional \$500,000 will be spent in 2016-17 to develop a program around the Chinese New Year that builds cultural understanding and enhances tourism, education and socio-economic outcomes.

MINISTER FOR STATE DEVELOPMENT; FINANCE**MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW**

Table 8

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
State Development					
– Onslow Power Infrastructure Upgrade (Administered)	-	5.3	39.2	61.5	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.2	-0.4	-0.6
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.4	-	-	-
Finance					
– First Home Owner Grant Forecasts (Administered)	-1.8	-7.9	-8.0	-8.2	-
– Revision to Local Government Rates Rebate Cap (Administered)	-	4.2	4.2	4.0	3.8
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.9	-0.9	-
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	1.1	-	-	-
– 90-Day Regulatory Mapping Projects	-	0.4	0.4	0.3	-

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

State Development**Onslow Power Infrastructure Upgrade (Administered)**

An amount of \$106 million (provided by Chevron Australia Pty Ltd) will be provided to Horizon Power to fund an upgrade of Onslow power infrastructure under the Ashburton North (Wheatstone Project) State Development Agreement.

Finance**First Home Owner Grant Forecasts (Administered)**

The First Home Owner Grant (FHOG) expense for 2015-16 is estimated to be \$1.8 million lower than forecast in the 2015-16 Mid-year Review, primarily reflecting slightly weaker than expected new home buyer demand. The combination of a lower estimated expense in 2015-16 and downward revisions to population growth since the 2015-16 Mid-year Review has resulted in a \$25.8 million reduction in forecast FHOG expenditure over the four years to 2018-19.

Revision to Local Government Rates Rebate Cap (Administered)

An additional amount of \$16.2 million has been allocated over the four years from 2016-17 as a result of the decision to increase the value of the cap from \$550 to \$750 on the 50% rebate received by pensioners for local government rates effective from 1 July 2016. The number of pensioner households affected by the cap is expected to reduce from 47,000 to 19,300 in 2016-17 as a result of this change.

Resolution of Native Title in the South West of Western Australia (Settlement)

The Department will spend \$1.1 million in 2016-17 on implementation costs associated with the finalisation of the Settlement, including office accommodation for the Noongar Corporation.

90-Day Regulatory Mapping Projects

An additional amount of \$1.1 million will be spent from 2016-17 to 2018-19 to identify and implement reforms that reduce regulatory barriers and remove red tape in priority areas of the economy.

ATTORNEY GENERAL; MINISTER FOR COMMERCE

Table 9
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Attorney General					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-0.1	-1.6	-3.0	-4.5
– Criminal Injuries Compensation	5.6	-	-	-	-
– Ex-gratia Payments	5.5	-	-	-	-
– Coroner's Court	0.3	0.2	0.2	0.2	0.2
– Mental Health Court Diversion Program	-	0.7	0.7	0.8	-
– Resolution of Native Title in the South West of Western Australia (Settlement) – State Solicitor's Office	-	0.4	-	-	-
Corruption and Crime Commission					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.2	-0.4	-0.5
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.3	-	-	-
Commissioner of Equal Opportunity					
– Cost and Demand Funding	0.6	0.3	-	-	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-(a)	-0.1	-0.1
Office of the Director of Public Prosecutions					
– Criminal Appeals Team	-	-	1.3	1.4	1.4
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.3	-0.5	-0.7
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.3	-	-	-
Commissioner for Children and Young People					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-(a)	-(a)	-0.1
– 2016-17 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-
Office of the Information Commissioner					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-(a)	-(a)	-0.1
Parliamentary Inspector of the Corruption and Crime Commission					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-(a)	-(a)	-(a)
Legal Aid Commission					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.4	-0.7	-1.1
– Mental Health Court Diversion Program	-	0.2	0.2	0.2	-
Commerce					
– Home Indemnity Insurance	35.3	-5.1	-17.3	-21.7	-22.9
– Agency Expenditure Review (Tranche One) – Additional Savings	-8.4	-6.3	-4.3	-2.8	-2.4
– Rental Accommodation Account – Reduced Expenditure	-1.2	-3.9	-4.0	-4.1	-3.9
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.9	-1.7	-2.5
– Oil, Gas and Energy Resources Growth Centre	0.2	0.2	0.3	0.3	-
Registrar, Western Australian Industrial Relations Commission					
– Office Refurbishment	-	-0.2	-0.2	-0.2	-0.2
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-(a)	-0.1	-0.1
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
WorkCover WA Authority					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.2	-	-

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

Attorney General

Criminal Injuries Compensation

Additional expenditure of \$5.6 million in 2015-16 has been approved to address a backlog of compensation payments under the *Criminal Injuries Compensation Act 2003*.

Ex-gratia Payments

A provision of \$5.5 million in 2015-16 has been approved for ex-gratia payments on behalf of the State.

Coroner's Court

A total of \$1 million will be spent over the period 2015-16 to 2018-19 to address the increased demand for pathology, toxicology and body removal services provided to the Coroner's Court.

Mental Health Court Diversion Program

A total of \$2.2 million will be spent between 2016-17 and 2018-19 to provide individualised support, treatment and ongoing judicial monitoring as part of the Mental Health Court Diversion Program.

Resolution of Native Title in the South West of Western Australia (Settlement) – State Solicitor's Office

An additional \$370,000 will be spent in 2016-17 to meet State Solicitor's Office costs of providing advice on the Indigenous Land Use Agreement registration and implementation process.

Commissioner of Equal Opportunity

Cost and Demand Funding

An additional \$890,000 has been approved over 2015-16 and 2016-17 for the Commission to meet the cost of redundancy payments and increased cost and demand pressures.

Office of the Director of Public Prosecutions

Criminal Appeals Team

A total of \$4.1 million from 2017-18 to 2019-20 has been approved to continue the Criminal Appeals team. This follows the successful four-year trial of a team of six prosecutors, which represented the State in all criminal appeals and delivered an increase in the average appeal success rate of 8.5% since 2010-11.

Legal Aid Commission

Mental Health Court Diversion Program

A total of \$643,000 will be spent over 2016-17 to 2018-19 to provide duty lawyer services as part of the Mental Health Court Diversion Program.

Commerce

Home Indemnity Insurance

Administration and claims expenditure for the State's Home Indemnity Insurance (HII) scheme is projected to decrease by a net \$31.7 million over the five years to 2019-20, following receipt of a revised actuarial assessment of the State's current and projected exposure to HII and revised accounting treatment.

Agency Expenditure Review (Tranche One) – Additional Savings

A reduction in expenditure of \$24.3 million over the five years to 2019-20 has been approved as a result of the Department identifying non-salary savings over and above those identified as part of the Tranche One AER process. The additional savings will have no impact on the Department's capacity to deliver regulatory services to Western Australian industry or the public.

Rental Accommodation Account – Reduced Expenditure

A reduction in expenditure of \$17.2 million over the five years to 2019-20 has been approved as a result of a decline in interest revenues, largely driven by historically low interest rates, earned on the balance of bond monies held in the Rental Accommodation Account. Discretionary services and functions funded from the Account will be reduced until interest revenues increase to a level that is considered sustainable over the medium-term.

Oil, Gas and Energy Resources Growth Centre

A support package of \$875,000 over the four years to 2018-19 has been approved following the State's successful bid for the headquarters of the Oil, Gas and Energy Resources Growth Centre to be established in Perth. The support package will assist small to medium businesses including for research and development grants, access to new technologies and business support.

Registrar, Western Australian Industrial Relations Commission

Office Refurbishment

A reduction in recurrent expenditure of \$855,000 over the forward estimates period has resulted from the office refurbishment project to reconfigure and consolidate the Western Australian Industrial Relations Commission office space. Capital expenditure of \$2.1 million has also been approved for this project (see Chapter 6).

MINISTER FOR ENVIRONMENT; HERITAGE

Table 10
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Parks and Wildlife					
– Kimberley Science and Conservation Strategy – Marine Parks	-	-	4.1	4.1	4.1
– Impact of Revised 1.5% Public Sector Wages Policy	-	-0.1	-1.2	-2.3	-3.4
– Kimberley Science and Conservation Strategy – Kimberley and Oomeday National Parks (Horizontal Falls)	-	-	1.0	1.0	1.0
– Royalties for Regions – Roebuck Bay Marine Park	-	0.5	0.5	0.5	0.5
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.2	-	-	-
Environment Regulation					
– Landfill Levy (Waste Avoidance and Resource Recovery Account)	-	-8.8	-8.0	-8.0	-8.0
Botanic Gardens and Parks Authority					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.2	-0.3
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Environmental Protection Authority					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.2	-0.4
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Zoological Parks Authority					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.3	-0.4
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
State Heritage Office					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-(a)	-0.1	-0.2
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
National Trust of Australia (WA)					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-(a)	-0.1	-0.1
– 2016-17 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-

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

Parks and Wildlife

Kimberley Science and Conservation Strategy – Marine Parks

The Department will spend \$4.1 million per annum from 2017-18 to 2019-20 on the management of the Kimberley Science and Conservation Strategy Marine Parks (Lalang-garram/Horizontal Falls and North Kimberley Marine Parks) and to meet the ongoing joint management and Aboriginal employment commitments made under the associated Indigenous Land Use Agreements.

Kimberley Science and Conservation Strategy – Kimberley National Park and Oomeday National Park (Horizontal Falls)

An additional \$1 million per annum from 2017-18 to 2019-20 will be spent for the ongoing management of the Kimberley and Oomeday National Parks (Horizontal Falls).

Royalties for Regions – Roebuck Bay Marine Park

A total of \$2.1 million will be spent over four years from 2016-17 on the establishment of the Roebuck Bay Marine Park.

Resolution of Native Title in the South West of Western Australia (Settlement)

An additional \$163,000 will be spent in 2016-17 on implementation costs associated with the finalisation of the Settlement, including liaison and coordination with native title groups.

Environment Regulation

Landfill Levy (Waste Avoidance and Resource Recovery Account)

Grant expenditure has been reduced by \$32.8 million over 2016-17 to 2019-20 as a result of a significant reduction to forecast landfill levy receipts, which largely reflects lower volumes of waste and increased diversion away from landfill to recycling and stockpiling. Relative to the 2015-16 Mid-year Review projections, forecast revenue from the landfill levy has been revised down by a total of \$135 million over the period 2015-16 to 2018-19.

MINISTER FOR EMERGENCY SERVICES; FISHERIES; CORRECTIVE SERVICES; VETERANS

Table 11
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Fire and Emergency Services					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-0.1	-1.8	-3.6	-5.5
– Bushfire Risk Management Planning Process	-	2.9	-	-	-
State Emergency Management Committee					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-(a)	-0.1	-0.1
– 2016-17 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-
Fisheries					
– Kimberley Science and Conservation Strategy Marine Parks	-	-	1.3	1.3	1.3
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.5	-1.0	-1.4
– Multi-species Mollusc Hatchery	-	0.5	0.5	0.5	0.5
– Shark Hazard Mitigation	-	1.0	1.0	1.0	1.0
– Aquaculture Development Zones	-	1.3	-	-	-
– Snapper Guardians Program	-	0.2	0.2	-	-
Corrective Services					
– Demand Growth (Daily Average Prisoner Population)	15.1	21.5	30.0	37.1	43.1
– Impact of Revised 1.5% Public Sector Wages Policy	-0.1	-2.7	-7.7	-12.5	-17.7
– Royalties for Regions – Regional Youth Justice Strategy Kimberley and Pilbara Expansion	-	-7.5	-15.0	-	-
Office of the Inspector of Custodial Services					
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-(a)	-(a)	-0.1
– 2016-17 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-

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

Fire and Emergency Services

Bushfire Risk Management Planning Process

Spending of \$2.9 million in 2016-17 will enable the Department to continue the delivery of Bushfire Risk Management Plans for identified local governments across the State.

Fisheries

Kimberley Science and Conservation Strategy Marine Parks

An amount of \$1.3 million per annum will be spent from 2017-18 to 2019-20 on ongoing management activities in the Great Kimberley Marine Park and the Roebuck Bay Marine Park, which have been established under the Kimberley Science and Conservation Strategy.

Multi-species Mollusc Hatchery

An amount of \$450,000 per annum will be spent over 2016-17 to 2019-20 to meet the operational costs associated with the establishment of a new multi-species mollusc hatchery at the Albany Aquaculture Park.

Shark Hazard Mitigation

An additional \$1 million per annum has been approved over 2016-17 to 2019-20 to continue to provide shark hazard mitigation activities.

Aquaculture Development Zones

An amount of \$1.3 million will be spent in 2016-17 on the establishment of additional aquaculture development zones.

Snapper Guardians Program

An amount of \$150,000 has been provided in each of 2016-17 and 2017-18 for continuation of the Recfishwest Snapper Guardians project.

Corrective Services

Demand Growth (Daily Average Prisoner Population)

An additional \$146.8 million will be spent over the period 2015-16 to 2019-20 to address the current and forecast growth in the State's daily average prisoner population (DAPP). The increased expenditure reflects the cost of additional prison officers and the goods and services required to accommodate increased prisoner numbers. The additional spending will accommodate a forecast DAPP of 5,974 in 2016-17, growing to a projected 6,289 in 2019-20.

Royalties for Regions – Regional Youth Justice Strategy Kimberley and Pilbara Expansion

Spending will be reduced by a total of \$22.5 million over 2016-17 to 2017-18 as the Department is undertaking a review of the program and its service delivery model. Expenditure across the forward estimates is subject to further consideration of a revised business case for the program.

MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY

Table 12
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Water					
– Agency Expenditure Review Savings					
• Corporate Support (Back Office)	-	-0.5	-0.5	-0.5	-0.5
• Science and Planning	-	-0.2	-0.2	-0.2	-0.2
• Corporate Support (Vehicle Fleet)	-	-0.1	-0.1	-0.1	-0.1
• Policy and Innovation	-	-0.1	-0.1	-0.1	-0.1
• Office of the Director General	-	-0.1	-0.1	-0.1	-0.1
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.5	-0.9	-1.3
Water Corporation^(b)					
– Operating Subsidy	-(a)	-89.6	-83.9	-86.1	-90.3
Sport and Recreation					
– Sport 4 All	-	-	5.0	5.0	5.0
– Lathlain Park Redevelopment Project	-	2.5	3.5	2.6	1.4
– Community Sporting and Recreation Facilities Fund	-	-	2.8	2.9	2.9
– Impact of Revised 1.5% Public Sector Wages	-	-(a)	-0.2	-0.4	-0.5
Western Australian Sports Centre Trust					
– Perth Stadium	0.9	6.4	39.7	66.5	65.5
– Management of nib Stadium	-	4.8	5.6	5.8	5.9
– Catering Services Transition	2.5	4.3	4.3	4.3	4.3
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.2	-0.4
Forest Products Commission^(b)					
– Strategic Assessment of the Perth and Peel Regions	-	1.5	-	-	-

(a) Amount less than \$50,000.
(b) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.

Water

Agency Expenditure Review Savings

The Department will deliver savings of \$4 million across the forward estimates period as a result of implementing the following AER savings measures.

Corporate Support (Back Office)

Savings of \$2 million will be achieved by increasing in-house service delivery and reducing expenditure on external contractors and communications and storage costs.

Science and Planning

Following an internal review, the Department identified that water supply planning and urban water design services can be predominantly delivered using in-house resources, resulting in reduced expenditure on external contractors of \$800,000.

Corporate Support (Vehicle Fleet)

Reducing the size of the Department's vehicle fleet will result in savings of \$400,000.

Policy and Innovation

Improvements in in-house legal and policy capabilities will allow for reductions in expenditure on external contractors (\$400,000 in savings).

Office of the Director General

Savings of \$400,000 will be achieved by increasing in-house service delivery and reducing expenditure on external contractors.

Water Corporation

Operating Subsidy

The Operating Subsidy paid to the Water Corporation, which reflects the difference between the cost of service and charges paid by consumers, will decrease by a total of \$350 million from 2015-16 onwards. This primarily reflects a revision to the model that the Water Corporation utilises to calculate the operating subsidy requirement. The revised model incorporates a more detailed asset base definition which informs the calculation of the annual cost of service. This has resulted in a step-change improvement in the cost-reflectivity of country water and, accordingly, a reduction to the operating subsidy.

Sport and Recreation

Sport 4 All

The Government has approved \$5 million per annum from 2017-18 to 2019-20 to continue the Sport 4 All program. The program includes a number of initiatives, including KidSport, to provide young Western Australians with the opportunity to play, learn and connect positively with other young people while simultaneously building the capacity of the sport and recreation sector.

Lathlain Park Redevelopment Project

Funding of \$10 million has been approved to contribute towards the cost of the Lathlain Park Precinct Redevelopment Project. The funding will contribute towards the broader redevelopment of the Lathlain Park precinct in Carlisle, which includes training and administration facilities for the West Coast Eagles Football Club.

Community Sporting and Recreation Facilities Fund

An additional \$8.7 million will be spent from 2017-18 to 2019-20 on financial assistance to community groups and local government authorities to develop basic infrastructure for sport and recreation.

Western Australian Sports Centre Trust

Perth Stadium

A total of \$179 million will be spent from 2015-16 to 2019-20 to meet the cost of operating the Perth Stadium, reflecting: one-off costs incurred by VenuesWest in preparing for the transition to Stadium operations (\$13.2 million); finance lease charges (the capital component of the Perth Stadium Design Build Finance Maintain (DBFM) payments to be made by VenuesWest) (\$80 million); depreciation expenses (\$53.2 million); and other operating expenditure (covering the operational component of the DBFM contract payments and VenuesWest's own management costs) (\$32.7 million). Modelling undertaken for the initial ten years of the operating phase of the Perth Stadium indicates that income from the Stadium will be sufficient to meet the operational component of the DBFM contract payments and VenuesWest's management costs.

Management of nib Stadium

Recurrent expenditure of \$22.2 million over 2016-17 to 2019-20 has been approved to meet the cost of operating nib Stadium, as a result of a decision by the Government that the Western Australian Sports Centre Trust will continue with the management of the venue. The increase in expenses is fully offset by revenue generated from activities conducted at the stadium.

Catering Services Transition

A total of \$19.7 million will be spent from 2015-16 to 2019-20 to meet the catering operations costs at venues managed by the Western Australian Sports Centre Trust. The increase in expenses is fully offset by revenue generated from the catering activities at the venues.

Forest Products Commission

Strategic Assessment of the Perth and Peel Regions

An additional \$1.5 million will be spent in 2016-17 to replant 500 hectares of pines in the Gnangara region, as part of the Strategic Assessment of the Perth and Peel Regions. A key requirement under the Strategic Assessment is the maintenance of *Pinus pinaster* pines that are part of the Carnaby's cockatoo habitat and food source.

MINISTER FOR AGRICULTURE AND FOOD; TRANSPORT

Table 13
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Department of Agriculture and Food					
– Seizing the Opportunity - Agriculture	-	-	-	25.0	25.0
– Depreciation and Amortisation Expense	1.1	1.4	1.8	2.8	1.5
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-1.1	-1.8	-2.6
– Commonwealth National Partnership Agreements	0.3	1.7	1.5	1.5	-
– Animal Welfare Review	-	1.1	1.0	0.9	1.0
– Management of Former Perth Market Authority Employees	0.8	0.7	-	-	-
Rural Business Development Corporation					
– 2016-17 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-
Transport					
– Fremantle Container Rail Subsidy Scheme Continuation	-	0.7	2.9	2.6	2.3
– Revised 1.5% Public Sector Wages Policy	-	-0.1	-1.4	-2.8	-4.1
– Western Australian Bicycle Network – Principal Shared Path Program	-	-	-	-	7.4
– Agency Expenditure Review Savings	-	-	-	-	-
• Procurement Savings	-	-0.6	-0.7	-0.7	-0.7
• Coastal Facilities Maintenance and Dredging – Program Deferral and Reprioritisation	-	-0.2	-0.1	-0.1	-0.1
• National Freight Data Survey	-	-0.1	-0.1	-0.1	-0.1
• Government Regional Officer Housing	-(a)	-0.1	-	-	-
– Barrack Square Operators – Financial Relief	2.1	-	-	-	-
– Jurien Bay to Cervantes Trail	-	1.2	-	-	-
Main Roads					
– Road Transfers to Local Governments	-46.2	46.2	-	-	-
– Operating Expenditure	-	-15.9	-31.3	-50.0	-16.6
– Ellenbrook Bus Rapid Transit	-	-4.0	-44.0	-	-
– Depreciation and Amortisation Review	9.5	7.5	2.2	-15.3	4.5
– Armadale Road – Anstey Road to Tapper Road	-	-	-	-	4.3
– Revised 1.5% Public Sector Wages Policy	-	-	-0.3	-1.0	-1.8
Public Transport Authority^(b)					
– Agency Expenditure Review Savings	-	-	-	-	-
• Further Initiatives	-	-	-9.3	-15.0	-15.0
• Staff Reductions	-	-3.9	-4.2	-4.2	-4.2
• Efficiency Improvements	-	-3.6	-3.7	-3.8	-3.9
• Employment Cost Reductions	-	-2.6	-2.6	-2.6	-2.6
• Program Reductions	-	-1.8	-2.6	-2.6	-2.6
• Contract Labour Reductions	-	-1.8	-2.1	-2.1	-2.1
• Consultant Reductions	-	-0.6	-0.7	-0.7	-0.7
• Media and Marketing Reductions	-	-0.4	-0.4	-0.4	-0.4
– Operating Subsidy for Lower Transperth Fare Revenue	8.7	8.2	8.3	8.8	7.1
– Forrestfield-Airport Link – Interest Expenses	-	-1.6	-9.2	-15.2	-7.9
– Perth Stadium Special Events	-	-	4.4	7.2	7.3
– Revised 1.5% Public Sector Wages Policy	-	-0.8	-2.1	-3.5	-5.2
Mid West Ports Authority^(b)					
– Financial Assistance for Karara Mining Limited	-	5.4	5.0	-	-

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

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

Agriculture and Food

Seizing the Opportunity – Agriculture

Additional expenditure of \$50 million over the two years to 2019-20 has been approved to allow the Department to deliver new projects under the State's Royalties for Regions Seizing the Opportunity - Agriculture program.

Depreciation and Amortisation Expense

Additional expenditure of \$8.7 million over the five years to 2019-20 has been allocated to meet the depreciation and amortisation expenses associated with the Department's Information Management Systems Upgrade project.

Commonwealth National Partnership Agreements

Recurrent expenditure of \$4.9 million over the four years to 2018-19 has been approved to allow the Department to deliver the 'Pest and Weed Management in Drought Affected Areas' and 'Managing Established Pest Animals and Weeds' Commonwealth National Partnership Agreements. This increase in expenditure is funded by the Commonwealth.

Animal Welfare Review

Additional spending of \$4 million over the four years to 2019-20 has been approved to allow the Department to action the 19 recommendations of the Animal Welfare Review Report. The funding will help improve the efficiency and effectiveness of animal welfare functions delivered in Western Australia.

Management of Former Perth Market Authority Employees

Following the sale of the Perth Market Authority (PMA) on 31 March 2016, remaining public sector employees were transferred to the Department on 1 April 2016. Operating costs associated with the management of these staff are estimated to total up to \$1.6 million over the two years to 2016-17. It is anticipated that costs will be incurred for direct salary expenses (\$1.2 million) and related case management (\$400,000). Funding not expended on former PMA officers will be returned to the Consolidated Account.

Transport

Fremantle Container Rail Subsidy Scheme Continuation

An additional \$10.8 million (\$8.5 million over the forward estimates period) will be spent to continue the Fremantle Container Rail Service Subsidy for five years between 2017-18 and 2021-22. An additional \$686,000 will increase funding available in 2016-17.

Western Australian Bicycle Network – Principal Shared Path Program

As part of the Government's implementation of the Western Australian Bicycle Network Plan, an additional \$7.4 million will be spent in 2019-20 to plan and deliver new sections of the Principal Shared Path bicycle network.

Agency Expenditure Review Savings

The Department is expected to deliver savings of \$3.5 million across the forward estimates period as a result of implementing the following AER savings measures.

Procurement Savings

The Department will reduce its procurement expenditure by a total of \$2.7 million through reductions to administration, communication, consultants, staff travel, audit fees and other procurement expenses.

Coastal Facilities Maintenance and Dredging – Program Deferment and Reprioritisation

Savings of \$500,000 will be achieved through deferment and reprioritisation within the Department's Coastal Facilities Maintenance and Dredging program.

National Freight Data Survey

From 2016-17 onwards, there is no longer a requirement to provide funding for the National Freight Data Survey, resulting in savings of \$217,000 over the forward estimates period.

Government Regional Officer Housing

Lower rents and the relinquishment of two properties in the Pilbara region will result in total savings in GROH expenditure of \$140,000 across 2015-16 and 2016-17.

Barrack Square Operators – Financial Relief

An amount of \$2.1 million has been allocated in 2015-16 to provide financial relief to Barrack Square operators negatively affected by the Elizabeth Quay construction works.

Jurien Bay to Cervantes Trail

An amount of \$1.2 million in 2016-17 has been approved to fund Stage 2 of the Jurien Bay to Cervantes Trail extension. The project will extend cycling access along the Turquoise Coast to residents and tourists.

Main Roads

Road Transfers to Local Governments

The total value of approved road transfers from the State to local governments has decreased by \$46.2 million in 2015-16 as the transfer of South Street west of Stock Road will no longer occur. Transfers of sections of the Coalfields Highway, South Coast Highway, Lloyd Street and Brearley Avenue at a total value of \$46.2 million are planned for 2016-17.

Operating Expenditure

Main Roads' operating expenditure is expected to decrease by \$113.8 million between 2016-17 and 2019-20 as a result of an expected reduction in motor vehicle licence revenue of the same amount (this revenue is hypothecated to Main Roads under the *Road Traffic (Administration) Act 2008*).

Ellenbrook Bus Rapid Transit

Main Roads has reallocated \$48 million of expenditure to the Ellenbrook Bus Rapid Transit project (see Chapter 6) in 2016-17 and 2017-18, with \$8 million reallocated from operating expenditure and \$40 million from the Curtin Avenue realignment project.

Depreciation and Amortisation Review

Following a review of the Asset Investment Program and intangible assets, depreciation and amortisation expenses have increased by a net \$8.4 million over the forward estimates period.

Armadale Road – Anstey Road to Tapper Road

As a result of the decision to begin construction of a seven kilometre dual carriageway on Armadale Road between Anstey Road and Tapper Road in 2016-17 (see Chapter 6), depreciation and maintenance expenditure will increase by \$4.3 million in 2019-20.

Public Transport Authority

Agency Expenditure Review Savings

The Authority is expected to deliver savings of \$103.2 million across the forward estimates period as a result of implementing the following AER savings measures.

Further Initiatives

The Authority will implement further initiatives to achieve an operating subsidy reduction of \$39.4 million. These will be detailed in the 2016-17 Mid-year Review.

Staff Reductions

A reduction in expenditure of \$16.4 million will be achieved as a result of rationalising non-frontline positions within the Authority and contracting with external providers to undertake activities at lower cost.

Efficiency Improvements

The operating subsidy paid to the Authority will be reduced by \$14.8 million through a range of efficiency improvements, including improved contract retendering and contract management, improved inventory management, discontinuing bus route directional signage and lower cost bus stop signage.

Employment Cost Reductions

An amount of \$10.4 million will be saved through improved rostering practices and internal provision of staff training.

Program Reductions

Savings of \$9.8 million will be achieved by rationalising expenditure on non-core programs, including reduced bus embayment and turnaround works, ceasing subsidies for the Indian Pacific Railway, and reduced bus maintenance (reflecting the newer bus fleet).

Contract Labour Reductions

Savings of \$8.1 million will be achieved through the Authority reducing the use of contract labour arrangements.

Consultant Reductions

Reducing the use of external consultants will result in savings of \$2.7 million.

Media and Marketing Reductions

Savings of \$1.7 million will be achieved through rationalisation of expenditure on media and marketing activities, including reduced timetable printing, special event advertising, educational campaigns and the provision of information at low patronage bus stops.

Operating Subsidy for Lower Transperth Fare Revenue

The operating subsidy paid to the Authority will increase by \$41 million between 2015-16 and 2019-20, due to lower patronage forecasts relative to the 2015-16 Budget. In total, the operating subsidy in 2016-17 is expected to be \$807 million, rising to a projected \$928 million by 2019-20.

Forrestfield-Airport Link – Interest Expenses

The operating subsidy paid to the Authority will decrease by \$33.9 million between 2016-17 and 2019-20, as a result of lower interest expenses for Forrestfield-Airport Link asset investment borrowings. The reduction is due to the deferral of borrowings due to the Commonwealth Government's contribution of \$490 million towards the project.

Perth Stadium Special Events

Additional operating subsidies of \$18.9 million will be paid to the Authority between 2017-18 and 2019-20 to operate special events services at Perth Stadium. The increase reflects the higher cost of public transport services for the Perth Stadium and a lower cost recovery rate for special events at the Perth Stadium of 50% (compared to current practice of 100% for Domain Stadium).

Mid West Ports Authority

Financial Assistance for Karara Mining Limited

A total of \$10.4 million over 2016-17 to 2017-18 has been allocated to compensate the Authority for the projected loss of revenue from a discount on port user charges provided to Karara Mining Limited. This is in addition to a \$67 million equity contribution in 2015-16 to enable the Authority to extinguish its remaining Port Enhancement Project (PEP) debt and to abolish the associated PEP charge. This will benefit all of the Authority's customers.

MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; YOUTH

Table 14
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Local Government and Communities					
– Agency Expenditure Review Savings					
• Parenting WA Program	-	2.0	-2.0	-2.0	-2.0
• Best Start (Aboriginal Early Years) Program	-	0.1	-1.3	-1.3	-1.3
• Funded Services and Grants Programs	-	-0.4	-0.6	-0.8	-0.8
• Western Australian Family Foundation	-	-0.3	-0.3	-0.3	-0.3
• Operational Efficiencies	-	-0.7	-0.3	-(a)	-0.1
• Property Management Program	-	-	-	-0.2	-0.6
• Remuneration of Boards and Committees	-	-0.2	-0.2	-0.2	-0.2
• Media and Promotional Events	-	-0.1	-0.1	-0.1	-0.1
• Publication and Resource Materials	-	-(a)	-(a)	-(a)	-(a)
• Internal Restructuring ^(b)	-	1.9	-	-	-
– Royalties for Regions – Country Local Government Fund – Local Government Capacity Building	0.3	2.7	2.4	-	-
– Seniors Cost of Living Rebate	-	-1.5	-0.5	-1.4	0.4
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.3	-0.6	-0.9

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

(b) The savings identified as part of the AER have been used to meet an internal restructuring of services and functions, in addition to meeting the Department's Review savings target.

Local Government and Communities

Agency Expenditure Review Savings

The Department is expected to deliver savings of \$12.7 million across the forward estimates period as a result of implementing the following AER savings measures.

Parenting WA Program

Parenting support services are currently provided both directly through the Department's Parenting WA Program and through the community sector. The Department will cease the Parenting WA Program on 31 December 2016 and redirect funds as follows:

- \$1 million per annum for additional parenting support services provided by the community sector; and
- \$200,000 per annum to establish a cross-sector Centre for Parenting Excellence which will encourage best practice parenting services, monitor parent support needs and evaluate outcomes.

This will result in net savings of \$4.1 million.

Best Start (Aboriginal Early Years) Program

To avoid duplicating the Kindilink program run by the Department of Education, the Department will cease the Best Start program at the end of the 2016 school year, delivering net savings of \$3.9 million. This includes expenditure of an additional \$150,000 per annum on alternative providers in Best Start locations without a Kindilink service. This measure will allow for a single, integrated transition-to-school program for Aboriginal children to be provided through the Kindilink program.

Funded Services and Grants Programs

A total of \$2.5 million will be saved through a reduction to various funded services and grant programs. These initiatives include the rationalisation of administration functions and staff training, not renewing expired service agreements, and realigning budgets with actual expenditure on programs.

Western Australian Family Foundation

Due to underutilisation of the Western Australian Family Foundation, the program will cease in 2015-16, achieving total savings of \$1 million.

Operational Efficiencies

A total of \$1.1 million will be saved through internal operational efficiencies, including reduced expenditure on information and communication technology, travel and staffing.

Property Management Program

Savings of \$712,000 will be achieved in maintenance and insurance costs as a result of the Department withdrawing from the function of owning, leasing and managing property from 30 June 2018 for the purpose of providing subsidised accommodation to select childcare, community and family centres.

Remuneration of Boards and Committees

Remuneration for non-public sector members of advisory boards and committees without financial or quasi-judiciary functions will cease in 2015-16, resulting in total savings of \$612,000.

Media and Promotional Events

Expenditure on media and promotional activities will be reduced, delivering total savings of \$556,000.

Publication and Resource Materials

The Department will reduce the number of printed resource materials in favour of electronic and online publications at a total saving of \$174,000.

Royalties for Regions – Country Local Government Fund – Local Government Capacity Building

An additional \$5.4 million will be spent over 2015-16 to 2017-18 from the Royalties for Regions – Country Local Government Fund on continuing support of the Capacity Building Program for country local governments.

The Program builds the capacity and capabilities of local governments, assists country local governments to improve governance, transparency and accountability, and supports local governments to continue to build partnerships with local community sector organisations.

Seniors Cost of Living Rebate

Expenditure on the Seniors Cost of Living Rebate is expected to reduce by \$3 million over four years based on revised population projections, and eligibility criteria (announced as part of the 2015-16 Budget).

MINISTER FOR HOUSING; RACING AND GAMING

Table 15
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Housing Authority^(a)					
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	1.1	-	-	-
Racing, Gaming and Liquor					
– International Commission Business Tax Rebate (Administered)	-14.7	-16.0	-16.0	-16.0	-16.0
– VIP (Professional Punters Tax) Rebate (Administered)	-	-	5.9	5.9	5.9
– Racecourse Infrastructure Grants Program (Administered)	-2.0	-2.0	-2.0	-2.0	-2.0
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(b)	-0.1	-0.2	-0.3
– Western Australian Racing Representative Group (Administered)	0.3	-	-	-	-
– 2016-17 Streamlined Budget Process Incentive Funding	-	-(b)	-	-	-
(a) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.					
(b) Amount less than \$50,000.					

Housing Authority

Resolution of Native Title in the South West of Western Australia (Settlement)

An additional \$1.1 million will be spent in 2016-17 on implementation costs associated with the finalisation of the Settlement, including the refurbishment of properties owned by the Noongar Boodja Trust.

Racing, Gaming and Liquor

International Commission Business Tax Rebate (Administered)

Reduced expenses of \$78.7 million will occur over 2015-16 to 2019-20 as a result of ending the International Commission Business Tax rebate payments to Crown Perth Casino, following amendments to the *Casino (Burswood Island) Agreement Act 1985*.

VIP (Professional Punters Tax) Rebate (Administered)

A total of \$17.8 million will be spent from 2017-18 to 2019-20 to extend the rebate payments to promote participation in the high value professional punter market, which will generate additional revenue for the State.

Racecourse Infrastructure Grants Program (Administered)

Spending will be reduced by \$10 million over 2015-16 to 2019-20 following the decision to discontinue the Racecourse Infrastructure Grants Program.

Western Australian Racing Representative Group (Administered)

A one-off payment of \$300,000 will be made to the Western Australian Racing Representative Group in 2015-16 for costs associated with preparing an industry requirement report in relation to the proposed divestment of the TAB.

MINISTER FOR PLANNING; DISABILITY SERVICES

Table 16
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Planning					
– Strategic Assessment of the Perth and Peel Regions	-	1.7	-	-	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.5	-1.0	-
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.4	-	-	-
Metropolitan Redevelopment Authority^(b)					
– Scarborough Beach Revitalisation	0.2	4.0	11.7	-	-
– Chinatown	-	0.5	-	-	-
Western Australian Planning Commission					
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
Disability Services					
– Non-Government Human Services Sector Indexation Adjustment	-6.1	-16.5	-17.1	-17.5	-
– Growth Funding	-	11.0	12.6	13.1	13.4
– Reduction in Specific Purpose Payment	-2.6	-4.2	-5.8	-7.5	-7.5
– Extension and Expansion of National Disability Insurance Scheme Trial Sites	-	16.8	-	-	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	-0.1	-1.6	-3.2	-4.9
– Increased Cash Payments in National Disability Insurance Scheme Perth Hills Trial Site	-8.0	-	-	-	-
– One-off Savings Measures	-7.2	-	-	-	-

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

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

Planning

Strategic Assessment of the Perth and Peel Regions

An additional \$1.7 million will be spent in 2016-17 as part of the Strategic Assessment of the Perth and Peel Regions. The Department will continue to review its State Planning Policy suite, as the Strategic Assessment will entail considerable change to the State planning system.

Metropolitan Redevelopment Authority

Scarborough Beach Revitalisation

An amount of \$15.9 million will be spent over 2015-16 to 2017-18 to deliver the enhanced Scarborough Beach Master Plan. This includes road extensions to the north and south of the Esplanade beachfront area, amenity and infrastructure enhancements to the existing public realm to the north and south Esplanade beaches.

In addition, \$2 million will be spent in 2016-17 from the existing allocation within the Department of Lands – Land Asset Sales Divestment Fund on planning, site works and marketing costs to prepare the Reserve Street site within the Scarborough Beach precinct for sale.

Chinatown

An amount of \$500,000 will be spent in 2016-17 to undertake physical upgrades to Chinatown in Northbridge.

Disability Services

Non-Government Human Services Sector Indexation Adjustment

Indexation payments to the non-government sector will be reduced by \$57.2 million from 2015-16 to 2018-19 for services delivered on behalf of the Commission. This decrease in indexation payments reflects the significant decline in forecast consumer price index and wage price index growth rates in 2015-16 and 2016-17.

Growth Funding

Additional spending of \$50 million over the next four years has been provided to meet expected growth in demand for existing services in 2016-17 in areas where the National Disability Insurance Scheme (NDIS) trial sites are not operating.

Reduction in Specific Purpose Payment

Expenditure by the Commission will reduce by \$27.6 million from 2015-16 to 2019-20 as a result of a reduction in the National Disability Services Specific Purpose Payment from the Commonwealth, as reflected in its 2015-16 *Mid-Year Economic and Fiscal Outlook*.

Extension and Expansion of National Disability Insurance Scheme Trial Sites

This Budget includes an additional \$26 million in 2016-17 allocated by the State Government for the extension and expansion of NDIS trial sites operated by the State and Commonwealth.

Overall, expenditure will increase by \$93.6 million, taking into account additional funding of \$67.6 million contributed by the Commonwealth. Of the total increase, the Commission will spend an additional \$16.8 million. The residual \$76.8 million is reflected in administered costs for the Department of Treasury (disclosed earlier in this chapter).

Increased Cash Payments in National Disability Insurance Scheme Perth Hills Trial Site

Expenditure will be reduced by \$8 million in 2015-16 as a result of changes in State funding for the Perth Hills trial site. Instead of the Commission directly funding service providers on an in-kind basis, funding will be allocated directly to NDIS participants through the National Disability Insurance Agency which operates the Perth Hills trial.

One-off Savings Measures

The Commission will realise one-off savings of \$7.2 million in 2015-16 arising from the transitioning of accommodation facilities to the non-government sector, greater than anticipated repayments from clients who have settled compensation claims, and a reduction in workers' compensation premiums.

MINISTER FOR MENTAL HEALTH; CHILD PROTECTION

Table 17
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Mental Health Commission					
– Impact of Revised 1.5% Public Sector Wages Policy					
• Hospital Services ^(a)	-	-2.1	-7.5	-13.4	-20.2
• Mental Health Commission	-	-0.1	-0.5	-0.8	-1.2
– Mental Health Hospital Services – Revised Activity and Cost Settings ^(b)	15.2	5.7	-2.5	-6.3	-10.3
– Agency Expenditure Review Savings					
• Services Purchased from Non-Government Organisations	-	-2.9	-3.4	-3.5	-3.4
• Internal Resourcing	-	-2.6	-2.7	-2.7	-2.8
• Grants and Subsidies	-	-1.1	-1.1	-1.1	-1.1
– Royalties for Regions – North West Drug and Alcohol Support Program	-	-	6.2	6.4	6.6
– Alcohol and Other Drug Withdrawal and Residential Rehabilitation Services for Methamphetamine Users ^(c)	-	7.4	7.5	-	-
– Mental Health Court Diversion Program ^(c)	-	3.1	3.2	3.3	-
– Non-Acute Community Long Stay	-	0.6	1.4	-	-
Child Protection and Family Support					
– Child Protection Cost and Demand Funding	-	-8.6	-5.5	0.9	10.5
– Impact of Revised 1.5% Public Sector Wages Policy	-	-0.1	-2.5	-4.9	-7.6
– Hardship Utility Grant Scheme	-1.2	7.0	-	-	-
(a) The hospital services impact of the 1.5% public sector wages policy is also included in the major spending changes disclosed for WA Health, in recognition of WA Health's role as provider of mental health public hospital services. The hospital services impact relating to mental health is presented here for comparability purposes.					
(b) The expenditure consists of payments to WA Health for the delivery of mental health hospital services.					
(c) Expenditure includes payments to other government agencies for the delivery of services.					

Mental Health Commission

Mental Health Hospital Services - Revised Activity and Cost Settings

Expenditure on mental health public hospital services (which is reflected in payments to WA Health for the delivery of those services) will increase by a net \$1.8 million over the five years to 2019-20.

Mental health hospital activity is expected to increase by 1.4% in 2016-17 and an average of 1.8% over of the period 2017-18 to 2019-20.

The unit cost of providing health services in Western Australian hospitals, known as the State Price, has been re-based to reflect the Independent Hospital Pricing Authority's latest activity weightings and classifications. To continue to drive better performance in hospital services, the State Price settings over the forward estimates period are based on a revised cost policy linked to the new 1.5% wages policy (see feature box earlier in this chapter).

The revised settings provide expense growth of 3.1% per annum (on average) over 2015-16 to 2019-20. In 2016-17, approved hospital expenditure will increase by \$18.1 million (or 2.9%).

Agency Expenditure Review Savings

The Mental Health Commission is expected to deliver savings of \$28.5 million across the forward estimates period as a result of implementing the following AER savings measures.

Services Purchased from Non-Government Organisations

Savings of \$13.3 million have been identified through the cessation of contracts with non-government organisations. The programs identified for cessation are those with low utilisation rates, duplicate other existing services or those that deliver non-critical services.

Internal Resourcing

Expenditure on internal resourcing will be reduced by \$10.9 million primarily as a result of the amalgamation of the Mental Health Commission and the Drug and Alcohol Office. Savings will be achieved through the realignment of operational priorities and the associated reduction of duplicate staff in the new entity.

Grants and Subsidies

Expenditure will be reduced by \$4.3 million on a number of prevention, promotion and anti-stigma programs and grants.

Royalties for Regions – North West Drug and Alcohol Support Program

Additional expenditure of \$19.2 million over 2017-18 to 2019-20, funded by Royalties for Regions, has been approved to continue the Drug and Alcohol Support Program in the North West region.

Alcohol and Other Drug Withdrawal and Residential Rehabilitation Services for Methamphetamine Users

Additional expenditure of \$14.9 million over 2016-17 to 2017-18 has been approved to support the expansion of existing alcohol and other drug services for methamphetamine users. This includes the establishment of a pilot specialist amphetamine clinic, additional low medical withdrawal beds and residential rehabilitation beds, the establishment of a State Ice Help Hotline, additional staff for the Community Alcohol and Drug Service, and clinical nurse liaison positions in hospital emergency departments.

Mental Health Court Diversion Program

An additional \$9.5 million will be spent by the Commission over 2016-17 to 2018-19 to support the continuation of the Mental Health Court Diversion Program. In total, additional expenditure of \$13.1 million has been approved for this program.

Non-Acute Community Long Stay

Additional expenditure of \$2 million over 2016-17 to 2017-18 has been approved to support the provision of mental health non-acute services to older adults in nursing homes. This support will enable patients with a mental illness to reside in a Commonwealth-funded aged care facility.

Child Protection and Family Support

Child Protection Cost and Demand Funding

In the 2015-16 Budget, a significant increase in expenditure was allocated across the forward estimates period based on the forecast growth in demand for core child protection services. In this Budget, an adjustment has been made to the projected cost of meeting the demand for these services based on changes in the forecasts of price indexation, population growth and demand growth. These changes result in a net decrease in expenditure of \$2.7 million over 2016-17 to 2019-20.

Hardship Utility Grant Scheme

An additional \$7 million has been allocated in 2016-17 for the Hardship Utility Grant Scheme (HUGS). This will bring total grant funding to assist households in financial hardship to pay their utility bills to \$8.5 million in 2016-17.

Savings of \$1.2 million are expected in 2015-16 due to an anticipated lower number of HUGS grant applications compared to the 2015-16 Budget forecast.

MINISTER FOR MINES AND PETROLEUM; SMALL BUSINESS

Table 18
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Mines and Petroleum					
– Magnetite Financial Assistance Program (Administered)	1.3	17.3	22.4	-	-
– Royalties for Regions – Exploration Incentive Scheme	-	-	10.0	10.0	10.0
– Agency Expenditure Review Savings					
• Reduced Project Expenditure	-2.9	-	-	-	-
• Digitalisation of Customer Transactions	-	-2.8	-2.3	-2.3	-2.3
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.9	-1.8	-2.6
– Mineral House Building Façade Remediation	-	-	0.1	0.1	0.1
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.2	-	-	-
Minerals Research Institute of Western Australia					
– Continuation of Grant Program	-	3.0	2.0	1.0	-
Small Business Development Corporation					
– Royalties for Regions – Regional Buy Local Initiatives Stage 3	-1.0	-1.5	-2.0	-	-
– 90-Day Regulatory Mapping Projects	-	0.2	0.2	0.2	-
– Impact of Revised 1.5% Public Sector Wages Policy	-	-(a)	-0.1	-0.1	-0.2
– 2016-17 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-

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

Mines and Petroleum

Magnetite Financial Assistance Program (Administered)

An amount of \$41 million will be spent over three years from 2015-16 on the Magnetite Financial Assistance Program (MFAP) through a rebate of up to 50 per cent of royalty payments. This consists of \$1.3 million in 2015-16 to meet final costs of the original MFAP (approved by Government in 2013) and \$39.7 million for the extension of the program for a further two years from 2016-17.

Royalties for Regions – Exploration Incentive Scheme

An additional \$30 million will be spent over 2017-18 to 2019-20 to continue the Exploration Incentive Scheme.

Agency Expenditure Review Savings

The Department will deliver savings of \$12.7 million across the forward estimates period as a result of implementing the following AER savings measures.

Reduced Project Expenditure

Savings of \$2.9 million will be achieved through a phased implementation of the Reforming Environment Regulation Initiative and reduced expenditure on geophysical airborne gravity surveys.

Digitalisation of Customer Transactions

Savings of \$9.8 million will be achieved through digitalisation of the Department's customer transactions, resulting in staff and operational savings and a more efficient service for customers.

Mineral House Building Façade Remediation

An additional \$180,000 has been allocated over three years from 2017-18 to meet depreciation expenses associated with remediation works on the Mineral House façade. A further \$1.9 million in capital expenditure has been approved for this project (see Chapter 6).

Resolution of Native Title in the South West of Western Australia (Settlement)

An amount of \$212,000 will be spent in 2016-17 on implementation costs associated with the finalisation of the Settlement, primarily on the assessment of statutory approvals for the creation of the Noongar Land Estate.

Minerals Research Institute of Western Australia

Continuation of Grant Program

An additional \$6 million will be spent over three years from 2016-17 to continue support for minerals research projects in Western Australia.

Small Business Development Corporation

Royalties for Regions – Regional Buy Local Initiatives Stage 3

Expenditure on the Regional Buy Local Initiatives Stage 3 will be reduced by \$4.5 million over three years from 2015-16 pending the outcome of an upcoming review of the program by the Department of Commerce.

90-Day Regulatory Mapping Projects

An additional \$600,000 will be spent from 2016-17 to 2018-19 to identify and implement reforms that reduce regulatory barriers and remove red tape in priority areas of the economy. This is in addition to the \$1.1 million allocated to the Department of Finance for the same purpose.

PROVISIONS

Table 19

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Provisions					
– Provision for Government Regional Officers Housing – Lower Rent Projections	31.7	42.7	48.0	53.6	52.7
– Agency Expenditure Reviews – Tranche Two	2.9	39.9	39.5	40.4	39.5
– Agency Expenditure Reviews – Tranche Three	-	-	-102.6	-104.0	-108.1
– South West Native Title Removal of Mid-year Review Provision	-60.0	-77.3	-78.2	-80.0	-79.0
– South West Native Title Revised Provision	-	60.0	78.7	82.8	76.9
– Skills Reform Provision	-	-	50.0	51.0	52.0
– Perth Stadium – Football User Arrangements ^(a)	-	-	-	-	-

(a) Subject to commercial negotiations.

Provisions

Provision for Government Regional Officers Housing – Lower Rent Projections

The 2015-16 Mid-year Review included a provision for lower spending by agencies on GROH rents. As GROH rental expenditure reductions have now been allocated to agency budgets, this provision has been removed.

Agency Expenditure Reviews – Tranche Two

The 2015-16 Mid-year Review included provisional savings for six agencies identified to participate in a second tranche of AERs. As savings have now been allocated to agency budgets, this provision has been removed.

Agency Expenditure Reviews – Tranche Three

AERs are being rolled out to a further 54 agencies. Consistent with previous AERs, savings are based on a 3.5% reduction in cash appropriations, with the following exceptions:

- Western Australia Police and the Department for Child Protection and Family Support are fully exempt from the Tranche Three process;
- WA Health’s savings are based upon recurrent funding provided for ‘non-hospitals’ expenditure only, and will be retained and reinvested by WA Health in hospitals expenditure;
- Main Roads WA savings are based on recurrent funding provided via the hypothecated *Road Traffic (Administration) Act 2008*;
- the Department of Regional Development and the Regional Development Commissions’ savings are based upon recurrent Royalties for Regions funding;
- the Department of Education’s savings are based on 3.5% of central and regional office costs only (funding for schools is exempt);

- funding for electoral offices, and native title and science grants is excluded from the calculation of the Department of the Premier and Cabinet’s savings target; and
- not-for-profit funding is excluded from the calculation of the Disability Services Commission’s savings target.

Provisional savings allocations are reflected in this Budget (see table below) and will be allocated to agencies as part of the 2016-17 Mid-year Review, with specific savings measures to be announced as part of the 2017-18 Budget. WA Health’s savings have been written into its budget, as the Department will be reinvesting its savings into public hospital services (discussed earlier in this chapter).

South West Native Title Revised Provision

The 2015-16 Mid-year Review (and the 2015-16 Budget) included a provision for costs associated with the resolution of Native Title in the South West of Western Australia (Settlement), which was initially expected to occur in 2014-15. This provision has now been removed and replaced with a revised provision that better reflects the anticipated costs associated with implementing the Settlement. The revised provision, which in total is equivalent to the original 2015-16 Mid-year Review position, will be transferred to relevant agencies once the Settlement has formally commenced and any legal proceedings have been resolved.

Skills Reform Provision

The current National Partnership Agreement on Skills Reform is due to expire on 30 June 2017, with a final payment of \$53.8 million in 2016-17 under the current agreement. The Commonwealth has yet to commit to a new agreement but an ongoing arrangement in this area is considered likely. Given the material nature of this expiring agreement, a provision for recurrent spending under a new agreement has been reflected in the forward estimates from 2017-18. The spending provision is matched by a provision for equivalent current grant revenue and has no overall impact on the general government operating balance.

Table 20

AGENCY EXPENDITURE REVIEW – TRANCHE THREE

	2017-18	2018-19	2019-20	Total
	\$m	\$m	\$m	\$m
WA Health ^(a)	47.5	52.5	48.3	148.3
Corrective Services	28.0	28.3	29.3	85.5
Main Roads	23.8	26.8	28.9	79.5
Disability Services Commission	12.1	12.5	12.6	37.1
Education	6.7	6.8	7.0	20.5
Regional Development	6.5	4.9	4.9	16.2
Premier and Cabinet	3.2	3.2	3.7	10.1
Western Australia Tourism Commission	2.4	1.9	1.9	6.2
Treasury	1.4	1.4	1.4	4.2
Planning	1.2	1.2	1.2	3.6
School Curriculum and Standards Authority	1.1	1.1	1.1	3.3
State Development	1.1	1.1	1.1	3.3
Office of the Director of Public Prosecutions	1.0	1.0	1.0	3.1
Aboriginal Affairs	1.1	0.9	1.0	3.0
Sport and Recreation	1.0	1.1	0.9	3.0
Corruption and Crime Commission	1.0	1.0	1.0	3.0
Lands	1.0	1.0	1.0	3.0
Land Information Authority	0.9	0.9	1.0	2.7
Public Sector Commission	0.9	0.9	0.9	2.7
Housing Authority	0.7	0.6	0.6	1.8
Education Services	0.6	0.6	0.6	1.7
Office of the Environmental Protection Authority	0.5	0.5	0.5	1.5
Western Australian Sports Centre Trust	0.5	0.5	0.5	1.5
Botanic Gardens and Parks Authority	0.4	0.4	0.5	1.4
Small Business Development Corporation	0.4	0.4	0.4	1.3
Fire and Emergency Services	0.3	0.3	0.3	1.0
Registrar, Western Australian Industrial Relations Commission	0.3	0.3	0.3	1.0
Zoological Parks Authority	0.3	0.3	0.3	0.9
State Heritage Office	0.3	0.3	0.3	0.8
Parliamentary Commissioner for Administrative Investigations	0.2	0.2	0.3	0.8
Pilbara Development Commission	0.2	0.3	0.3	0.8
Western Australian Electoral Commission	0.3	0.2	0.3	0.7
Chemistry Centre (WA)	0.2	0.2	0.2	0.6
Western Australian Planning Commission	0.2	0.2	0.2	0.6
Office of the Auditor General	0.2	0.2	0.2	0.6
State Emergency Management Committee	0.2	0.2	0.2	0.5
South West Development Commission	0.2	0.2	0.2	0.5
Racing, Gaming and Liquor	0.2	0.2	0.2	0.5
Commissioner for Equal Opportunity	0.1	0.1	0.1	0.4
Office of the Inspector of Custodial Services	0.1	0.1	0.1	0.4
Country High School Hostels Authority	0.1	0.1	0.1	0.3
Commissioner for Children and Young People	0.1	0.1	0.1	0.3
Goldfields-Esperance Development Commission	0.1	0.1	0.1	0.3
National Trust of Australia (WA)	0.1	0.1	0.1	0.3
Kimberley Development Commission	0.1	0.1	0.1	0.2
Economic Regulation Authority	0.1	0.1	0.1	0.2
Gascoyne Development Commission	0.1	0.1	0.1	0.2
Mid-West Development Commission	0.1	0.1	0.1	0.2
Department of Environment Regulation	0.1	0.1	0.1	0.2
Office of the Information Commissioner	0.1	0.1	0.1	0.2
Wheatbelt Development Commission	0.1	0.1	0.1	0.2
Great Southern Development Commission	0.1	0.1	0.1	0.2
Peel Development Commission	0.1	0.1	0.1	0.2
Heritage Council of Western Australia	0.1	0.1	0.1	0.2
TOTAL	149.3	155.8	155.7	460.8

(a) WA Health AER savings are to be reinvested in public hospital services, discussed elsewhere in this chapter.

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

Perth Stadium – Football User Arrangements

Since early 2014, the State Government has been negotiating with the Joint Football Working Group (JFWG, comprising the Australian Football League (AFL), the West Australian Football Commission (WAFC) and Western Australian AFL clubs) regarding the JFWG user arrangements at Perth Stadium once it commences operations in 2018.

The Stadium Operator will be responsible for finalising the detailed terms of these negotiations. However, a number of elements have been agreed in principle. Key amongst these is ensuring that Australian Rules Football remains strong and well supported in Western Australia. To achieve this, the State Government has agreed that the WAFC's historical revenue derived from Subiaco Oval will effectively be funded from Perth Stadium revenue. This will replace football development and competition (West Australian Football League) funding that the WAFC currently derives from Subiaco Oval. This funding allowance has been included in the Stadium financial model, derived from an independently audited review of the WAFC's historical financial performance.

Whilst the detailed mechanisms by which the WAFC will receive this funding commitment are being finalised, it is likely to be in the form of an ongoing grant from the Department of Sport and Recreation – similar to other State Government grants previously provided to the WAFC. A global provision for WAFC funding has been included in the 2016-17 Budget forward estimates, as an interim measure prior to finalisation of commercial negotiations with the JFWG.

Asset Investment

HIGHLIGHTS

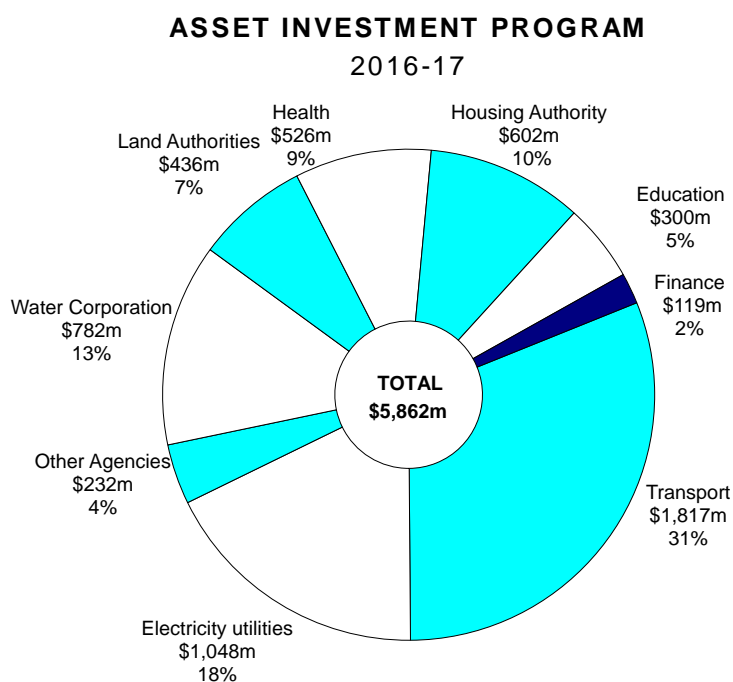
- In 2016-17, the State's Asset Investment Program (AIP) is forecast to total \$5.9 billion, an increase of \$650 million on the estimated outturn for 2015-16.
- The composition of the AIP is continuing to evolve, from one dominated by investment in new and upgraded hospitals, electricity and water infrastructure, to one dominated by transport.
- In 2016-17, investment in transport infrastructure (roads and public transport) is expected to be \$1.8 billion, or 31% of the total AIP. Over the remainder of the forward estimates period (2017-18 to 2019-20), a further \$5.9 billion is budgeted to be spent on transport infrastructure. This massive investment in transport over the next four years includes:
 - \$2 billion for the Forrestfield-Airport Link project, scheduled to begin operations in 2020;
 - \$1.5 billion towards the \$1.9 billion Perth Freight Link, due for completion in 2021-22;
 - \$1 billion for the NorthLink WA project, due to open in 2018-19;
 - \$427 million for the \$1.9 billion MAX Light Rail project, with planning work scheduled to recommence in 2016-17; and
 - \$145 million for the construction of a dual carriageway on Armadale Road between Anstey and Tapper Roads.
- Investment in education infrastructure is another major focus of the 2016-17 Budget, with key projects including:
 - a new senior high school in North Butler (\$67 million);
 - the expansion of permanent accommodation at Shenton College (\$50 million), Cape Naturaliste College (\$32 million), and Inglewood, Wembley and West Leederville primary schools (\$11 million); and
 - the continuing redevelopment of Carnarvon Community College (\$18 million).
- Construction of the \$1.2 billion Perth Children's Hospital is nearing completion, with the hospital due to open in late 2016.

Introduction

The composition of the Government’s AIP is continuing to evolve, from a focus on investment in health and utilities related infrastructure, to a growing emphasis on investment in transport infrastructure. Further, the share of the AIP attributable to investment that is expected to generate an ‘economic return’ (i.e. spending on assets by non-financial public corporations) is expected to increase from 52% in 2013-14 to an historical high of 69% in 2019-20.

In 2016-17, the largest contributors to the AIP are transport, water, electricity, housing and health, accounting for around 80% of all AIP spending (see figure below).

Figure 1



Note: Segments may not add due to rounding.

Transport

Government investment in roads and public transport will total \$1.8 billion in 2016-17, representing 31% of the total AIP. As shown in the table below, investment is forecast to grow as several major projects begin construction.

Table 1

ASSET INVESTMENT IN ROADS AND PUBLIC TRANSPORT

	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Main Roads	988	1,245	1,486	1,003	636
Public Transport Authority	485	572	756	874	1,116
Total	1,474	1,817	2,242	1,877	1,752

Note: Columns may not add due to rounding.

Major investment over the forward estimates period includes:

- \$2 billion for the Forrestfield-Airport Link. This project will open a new rail corridor to Perth's eastern suburbs and connect the city to Perth Airport by rail. Beginning operations in 2020, it is expected to add 20,000 daily boardings to the rail network by 2021;
- \$1.5 billion towards the Perth Freight Link. When completed in 2021-22, this \$1.9 billion project will provide a strategic urban transport corridor for all vehicles that reduces congestion and improves road safety;
- \$1 billion for the NorthLink WA project. When opened in 2018-19, NorthLink WA will provide a new high standard transport link between Morley and Muchea, and will deliver significant productivity benefits to industry and the local community;
- \$427 million for the \$1.9 billion MAX Light Rail project, with planning work scheduled to recommence in 2016-17; and
- \$165 million over the next two years for the public transport component of the Perth Stadium. Works include the Perth Stadium Station (replacing Belmont Station), the Swan River Pedestrian Bridge, two special event bus stations and road works to enable efficient movement of buses and vehicles.

The forecast decline in roads investment in 2019-20 (see Table 1 above) is due to the expiry at 30 June 2019 of the current National Partnership Agreement on Land Transport Infrastructure Projects. Once a new agreement is in place, it is expected that asset investment will stabilise beyond 2019 to cater for future population growth and expected demand for transport services.

Health

The State Government is investing over \$7.2 billion on a major upgrade and expansion of the State's healthcare infrastructure from 2008-09 to 2019-20.

Of this, \$6.2 billion is expected to have been incurred by 30 June 2016 with a further \$1 billion allocated over the next four years to 2019-20. Investment in 2016-17 totals \$526.3 million and includes:

- \$150.6 million for the ongoing redevelopment and expansion of regional hospitals and medical facilities (as part of the \$326.2 million Southern Inland Health Initiative);
- \$91.8 million to finalise the construction of the Perth Children's Hospital at the Queen Elizabeth II Medical Centre (QEIIIMC) site;
- \$76.6 million to continue the construction of the \$206.9 million Karratha Health Campus;
- \$18.9 million to commence the construction of the \$41.8 million Onslow Hospital;
- \$21.5 million to continue delivering Renal Dialysis and Support Services in regional Western Australia; and
- \$16.7 million to commence the replacement of the medical imaging system across public hospitals in Western Australia (at a total cost of up to \$52.6 million).

Education

From 2016-17 to 2019-20, the Government will invest more than \$1 billion (including \$300 million in 2016-17) to increase the capacity of existing schools and build new schools to accommodate growth in student enrolments that is expected to be most acute in the western suburbs and the northern and southern metropolitan growth corridors.

This includes the construction of Stages 1 of North Butler and South Baldvis High Schools and the replacement Yanchep Senior High School; the expansion of permanent student accommodation at Churchlands Senior High School, Shenton College and Cape Naturaliste College; the continuing redevelopment of Carnarvon Community College; and planning for the construction of a new senior high school in the City Beach area.

In addition to schools delivered via the Department of Education's AIP, the State will deliver four primary schools and four secondary schools via a Public Private Partnership with the EduWest consortium. The four primary schools are scheduled for opening in 2017, and the four secondary schools, which are to be built in stages, will open by the 2020 school year.

Utilities

The Water Corporation has continued to shift its focus from asset expansion to operating and maintaining its existing assets. Compared to the 2015-16 Mid-year Review, the Corporation has reduced its AIP by \$143.7 million from 2015-16 onwards to reflect an expected easing in demand for services. Nonetheless, a total of \$3.2 billion will be spent over the forward estimates to ensure the provision of high quality and reliable water and wastewater services across the metropolitan and regional areas.

The Government has also allocated \$4.1 billion over the forward estimates period for investment in power infrastructure. Major areas of expenditure include:

- \$1.7 billion to ensure Western Power's network is safe and reliable, including through the replacement and maintenance of poles, conductors, overhead service connections, transmission primary plant and transformers;
- a provision of \$763.1 million for Western Power's customer-driven works in order to connect transmission and distribution customers to the network;
- \$346.9 million for Horizon Power to maintain the adequacy and quality of electricity supplies to communities throughout regional Western Australia; and
- \$141.4 million to maintain Synergy's generation assets across the South West Interconnected System.

Law and Order and Community Safety

Investment in infrastructure projects that support law and order and community safety total \$381.7 million over the next four years, including \$167.9 million in 2016-17. This includes:

- \$65.2 million on the ongoing upgrade and replacement program for police stations and custodial facilities, including critical works to building operating systems such as fire and evacuation, and security;
- \$53.6 million on the replacement of special purpose vehicles to ensure that the Department of Fire and Emergency Services' operational capabilities and occupational health and safety standards are maintained;
- \$35.5 million on land and building works for fire stations including Albany, Bunbury and Perth West fire stations;
- \$29.6 million on new police stations at Cockburn, Ballajura, Mundijong and for the western suburbs;
- \$27.7 million on upgrades and building infrastructure maintenance for adult and youth custodial facilities, including upgrades to security systems; and
- \$24.3 million for the Women's Remand and Reintegration Facility, which is expected to be operational in late 2016.

Housing

The Government will invest \$1.5 billion over the forward estimates period for the provision of affordable housing and land in Western Australia, including:

- \$298.1 million in 2016-17 to continue the implementation of the Social Housing Investment Package. This \$564 million initiative will deliver 1,000 additional social housing dwellings and halve the number of seniors and families with children who are on the priority waitlist for social housing by 30 June 2017;
- \$175 million for the development of 1,901 housing lots, including 1,452 lots developed with Joint Venture partners, that will support affordable, public and community housing throughout metropolitan and regional areas;
- \$29.7 million in 2016-17 to secure a range of entry-level properties across the State for low to moderate income earners, through the Public Housing Stock Redevelopment program and Shared Start Shared Equity Home Loan Initiative; and
- the continuation of the Royalties for Regions Housing for Workers program to provide affordable, available and appropriate housing for key workers in regional Western Australia.

Sporting and Cultural Infrastructure

Over \$179 million will be invested in 2016-17 on publicly-owned sporting and cultural infrastructure. This is in addition to the \$1.2 billion (in net present value terms) Design, Build, Finance and Maintain contract for the new 60,000 seat multi-purpose Perth Stadium.

Construction of the Perth Stadium, surrounding Sports Precinct and integrated transport infrastructure continues to progress, with construction activity expected to peak in 2016-17 and be completed by the end of 2017.

In 2016-17, detailed building design and stage one early construction works will commence on the \$428.3 million New Museum project. Work will also progress on the design of physical and virtual content for new museum exhibitions and programs.

Asset Investment Program Efficiencies

In recognition of continuing low growth in building and construction costs, the 2015-16 Mid-year Review included an additional round of 5% AIP efficiencies for selected agencies. This was in addition to two previous rounds of 5% AIP efficiencies that generated approximately \$1 billion in savings over 2014-15 to 2017-18.

The latest efficiency measure, which excluded Commonwealth and Royalties for Regions funded projects, was expected to achieve further savings of \$96.2 million over the four years to 2018-19. Savings targets were provisioned in agency AIPs at the time of the 2015-16 Mid-year Review, with agencies required to identify equivalent project-level spending reductions as part of the 2016-17 Budget.

Project-level AIP savings totalling \$94.8 million (or 98.5% of targeted savings) have been identified by agencies in this Budget, and are detailed in Appendix 11.

In addition, Western Power and the Water Corporation have achieved targeted AIP efficiencies of \$241.2 million and \$143.7 million respectively, as detailed in this chapter and Budget Paper No. 2: *Budget Statements*.

Major Infrastructure Changes by Portfolio

Summary

The following tables provide details of major changes in total public sector infrastructure spending by agency since the 2015-16 Mid-year Review was released in December 2015. These include policy decisions made between the cut-off date for the 2015-16 Mid-year Review (30 November 2015) and the cut-off date for this Budget (19 April 2016), and other changes of a material nature affecting agency infrastructure spending over the forward estimates period.

The timing of cashflows for some previously announced projects may have also been revised but are not included in this chapter as they are broadly net debt neutral across the forward estimates period. Further details on individual projects are contained in Budget Paper No. 2: *Budget Statements*.

PREMIER; MINISTER FOR TOURISM; SCIENCE

Table 2

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Chemistry Centre (WA)					
– Asset Replacement	-	1.0	0.8	_(a)	_(a)

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

Chemistry Centre (WA)**Asset Replacement**

An additional \$1.8 million will be invested from 2016-17 to 2017-18 to upgrade essential scientific infrastructure and information technology development.

DEPUTY PREMIER; MINISTER FOR POLICE; ROAD SAFETY; TRAINING AND WORKFORCE DEVELOPMENT; WOMEN'S INTERESTS

Table 3
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Western Australia Police					
– Road Trauma Trust Account – Speed Camera Replacement Program	-	6.0	-	-	-
– Road Trauma Trust Account – Enhanced Automated Traffic Enforcement Strategy	-	2.8	-	-	-
North Metropolitan TAFE ^(a)					
– Northbridge and Leederville Campus Remedial Works	-	0.5	1.5	0.5	0.5

(a) On 11 April 2016, the Central Institute of Technology and the West Coast Institute of Training were abolished to form North Metropolitan TAFE.

Western Australia Police

Road Trauma Trust Account – Speed Camera Replacement Program

A total of \$6 million will be spent in 2016-17 on the acquisition and installation of new speed cameras as part of the Speed Camera Replacement Program. An accompanying \$1.2 million in 2016-17 in recurrent expenditure will also be spent on this project (see Chapter 5).

Road Trauma Trust Account – Enhanced Automated Traffic Enforcement Strategy

A total of \$2.8 million will be spent in 2016-17 on five fixed site speed cameras and 13 red light cameras as part of the Enhanced Automated Traffic Enforcement Strategy. An accompanying \$7.1 million from 2016-17 to 2019-20 in recurrent expenditure will also be spent on this project (see Chapter 5).

North Metropolitan TAFE

Northbridge and Leederville Campus Remedial Works

An additional \$3 million will be invested over the period 2016-17 to 2019-20 to undertake critical remedial works and repairs to training facilities at the Northbridge and Leederville campuses.

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

Table 4

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW					
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Western Australian Land Authority					
– Strategic Development Plan	-6.3	-5.7	-12.8	-11.3	-0.5
– Royalties for Regions – Transform Peel Initiative – Phase 1	-	2.0	20.0	23.2	-
South West Development Commission					
– Royalties for Regions – Transforming Bunbury Waterfront – Stage 1	1.2	8.6	2.5	-	-
Lands – Administered					
– Purchase of Land	-	2.0	-	-	-

Western Australian Land Authority

Strategic Development Plan

The 2016-17 to 2019-20 Strategic Development Plan reflects the Western Australian Land Authority's (LandCorp's) strategic direction in terms of land acquisitions and development expenditure. This aligns with current market conditions, including revised sales forecasts, and optimises private sector participation.

Royalties for Regions – Transform Peel Initiative – Phase 1

A total of \$45.2 million will be spent over 2016-17 to 2018-19 on the Transform Peel Initiative – Phase 1 to deliver the Peel Business Park, an industrial precinct comprising 1,000 hectares of land in Nambelup for agricultural and industrial businesses. Phase 1 will deliver common use infrastructure services to 290 hectares of the Business Park.

South West Development Commission

Royalties for Regions – Transforming Bunbury Waterfront – Stage 1

As part of the first stage, a total of \$12.3 million will be invested over 2015-16 to 2017-18 on redeveloping the Dolphin Discovery Centre to improve facilities and to enhance visitor experiences. An accompanying \$12.6 million in 2015-16 in recurrent expenditure will also be spent on this project (see Chapter 5).

Lands – Administered

Purchase of Land

The Department will spend \$2 million in 2016-17 on behalf of the State, to acquire land which will be transferred as Crown Land under a management order to the Department of Education for the future expansion of Highgate Primary School.

MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS

Table 5
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Education					
– Investment in School Infrastructure:					
• North Butler Senior High School Stage 1	-	16.5	4.5	32.0	14.4
• Shenton College	-	3.5	28.5	17.5	-
• Schools Small Asset Capitalisation	6.3	6.4	6.5	6.6	6.6
• Cape Naturalist College	-	-	2.0	20.0	10.1
• Carnarvon Community College	-	-	6.0	11.9	-
• Asset Investment Program – School Compliance Programs	-	0.4	0.4	0.4	12.3
• Inner City Primary Schools	-	2.0	6.0	2.5	-
– Land Developer Contributions	7.0	7.0	7.0	7.0	7.0
– Primary Schools Program	-	-	1.0	12.0	12.0
– Western Suburbs Secondary School Planning	-	1.0	-	-	-
School Curriculum and Standards Authority					
– Kindergarten to Year 12 Student Records Management System	-	0.8	1.5	0.2	-

Education

Investment in School Infrastructure

An additional \$223.3 million will be invested over the next four years, comprising:

- \$67.4 million on the acquisition of land and the construction of North Butler Senior High School Stage 1;
- \$49.5 million on the construction of facilities to expand the permanent accommodation for students at Shenton College;
- \$32.4 million on small asset purchases and minor building works to be undertaken by individual schools;
- \$32.1 million, including \$6 million funded by Royalties for Regions, on the construction of facilities to expand the permanent accommodation for students at Cape Naturaliste College;
- \$17.9 million, including \$11.9 million funded by Royalties for Regions, to continue the redevelopment of Carnarvon Community College;
- \$13.5 million to address compliance related issues including security fencing, power related works, and improvements to facilities; and
- \$10.5 million to expand the permanent accommodation for students attending Inglewood, Wembley and West Leederville Primary Schools.

Land Developer Contributions

A total of \$35 million will be spent across 2015-16 to 2019-20, funded by contributions from land developers, on the acquisition of land to be utilised as primary school sites.

Primary Schools Program

An additional \$25 million will be invested from 2017-18 to 2019-20 on the delivery of the Department's annual primary school build program to reflect up-to-date estimates of school construction costs, including increased site works costs, over the forward estimates.

Western Suburbs Secondary School Planning

The Department will spend \$1 million in 2016-17 on planning activities for the construction of a new senior high school in the City Beach area as part of a strategy to address student enrolment pressure in the western suburbs.

School Curriculum and Standards Authority

Kindergarten to Year 12 Student Records Management System

A total of \$2.5 million will be invested from 2016-17 to 2018-19 on the development and implementation of a new Kindergarten to Year 12 Student Records Management System. This is in addition to the \$1.6 million in approved recurrent expenditure on the new system (see Chapter 5).

MINISTER FOR HEALTH; CULTURE AND THE ARTS

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

Table 6

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
WA Health					
– Perth Children’s Hospital (Construction)					
• Telethon Kids Institute Fit-Out	27.6	12.5	-	-	-
• Kings Park Link Bridge	6.7	-	-	-	-
– Radiology Archiving and Information System	-	16.8	4.5	4.0	3.1
– Joondalup Health Campus Mental Health Observation Area	0.7	5.3	1.0	0.1	-
– Perth Children’s Hospital (Information and Communications Technology)					
• Integrated Health System	-	-10.6	-22.9	-13.3	-
• Critical Information and Communication Technology Systems	0.8	27.7	-	-	-
– Quadriplegic Centre Redevelopment – Planning	-	0.5	-	-	-

WA Health

Perth Children’s Hospital (Construction)

An additional \$46.8 million will be spent over the next two years on the Perth Children’s Hospital (PCH) construction project, comprising:

- \$40.1 million on the fit-out of the Telethon Kids Institute (TKI). The TKI has agreed to contribute \$34.7 million to the total cost of the fit-out, with the remainder of the cost funded by the State; and
- \$6.7 million on the construction of the Kings Park Link Bridge, fully funded by a donation from the Princess Margaret Hospital Foundation.

Radiology Archiving and Information System

Up to \$52.6 million will be spent on replacing the State’s radiology and archiving system over the next ten years. To partially meet the cost of procuring the new system, \$40.4 million will be redirected from savings within the WA Health’s AIP (including \$18.3 million from the PCH Integrated Health System project). This investment will improve clinical service delivery by providing clinicians with a stable platform for the timely access of medical imaging records.

Joondalup Health Campus Mental Health Observation Area

A total of \$7.1 million will be spent over 2015-16 to 2018-19 on a new 10-bed mental health observation area at Joondalup Health Campus to support mental health emergency services in the north metropolitan area.

Perth Children’s Hospital (Information and Communications Technology)

Capital spending on the PCH Information and Communications Technology (ICT) project will reduce by a net \$18.3 million over 2015-16 to 2018-19, due to the reprioritisation of funding previously approved for the PCH Integrated Health System (IHS).

This comprises a reduction of \$46.8 million as a result of the decision to defer the procurement of the IHS, and reallocating \$28.5 million of this funding to support critical PCH ICT systems that will ensure the delivery of safe and effective hospital ICT systems and prevent further delays to hospital commissioning. The balance of \$18.3 million of IHS project funds has been re-prioritised to the Radiology and Archiving Information System project.

Quadriplegic Centre Redevelopment – Planning

An amount of \$0.5 million will be spent in 2016-17 to commence planning work on the proposed redevelopment of the State’s Quadriplegic Centre.

TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 7
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Western Power					
– Alignment with 10 Year Business Plan	-	-9.1	13.6	-24.7	-35.1
– Additional Savings in 2015-16	-100.9	-	-	-	-
Horizon Power					
– Onslow Power and Infrastructure Upgrade Project	1.4	36.3	46.4	18.5	2.8
Synergy					
– Business Efficiency Program Savings	3.7	-0.2	2.2	-31.9	-22.8
– Generation Portfolio	-	19.6	6.0	13.7	-4.4
Independent Market Operator					
– Transfer of Functions to the Australian Energy Market Operator	-2.4	-0.9	-	-	-

Western Power

Alignment with 10 Year Business Plan

Western Power's AIP has been reduced by \$55.4 million from 2016-17 onwards to align with its 10 Year Business Plan. The Business Plan utilises strategic asset management tools which address emerging risks across the network and ensure investment is directed to highest priority issues on a value for money basis.

Additional AIP Savings in 2015-16

Since the 2015-16 Mid-year Review, Western Power has identified an additional \$100.9 million in AIP savings for 2015-16. This primarily reflects lower than anticipated demand for growth-driven projects (down a further \$32.4 million) and a re-scoping of the conductor management program (down \$60.1 million) resulting in a lower unit replacement rate and a change from three phase conductors to less expensive single phase conductors.

Horizon Power

Onslow Power and Infrastructure Upgrade Project

An additional \$105.4 million will be spent over the five years to 2019-20 to deliver Onslow power infrastructure upgrades. Horizon Power will deliver a 5.25MW capacity gas/diesel power station and a solar farm with battery storage (with capacity based on demand). This expenditure will be funded by payments from Chevron Australia to the Department of State Development.

Synergy

Business Efficiency Program Savings

Synergy's Business Efficiency Program, as well as changes to the timing of a number of projects, is expected to deliver AIP savings of \$58 million over the period 2015-16 to 2019-20. As part of these savings have already been reflected in the 5% Infrastructure Efficiency Target measure announced in the 2015-16 Mid-year Review (\$9 million), this Budget reflects Synergy's residual AIP savings of \$49 million.

Generation Portfolio

An additional \$34.9 million in spending has been approved for Synergy's generation portfolio over 2016-17 to 2019-20, largely to establish new shared services (fire, water, fuel and other services) at the Kwinana Power Station site due to the rehabilitation of the former power station, which was retired in April 2015.

Independent Market Operator

Transfer of Functions to the Australian Energy Market Operator

As a result of the Government's decision to transfer the Independent Market Operator's (IMO) functions to the Australian Energy Market Operator (AEMO), the IMO's AIP has been removed. This results in a reduction of \$3.3 million.

MINISTER FOR STATE DEVELOPMENT; FINANCE

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

Table 8

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Finance					
– Lease Incentive for Office Fit-outs	15.1	4.4	5.0	5.0	5.0
Gold Corporation					
– Assay Laboratory Upgrade	1.4	4.2	-	-	-
– Electrolytic Gold Room	-	1.1	-	-	-
– Asset Replacement	-	-	2.3	-	-
Lotteries Commission					
– Information Technology Infrastructure Build	-	2.1	-	-	-
– New Office Building Fit-outs	-	1.2	-	-	-

Finance

Lease Incentive for Office Fit-outs

An additional \$34.5 million will be spent from 2015-16 to 2019-20 on office fit-outs that are externally funded through negotiated lease incentives on a number of buildings within the Government's office accommodation portfolio.

Gold Corporation

Assay Laboratory Upgrade

A total of \$5.6 million will be spent over 2015-16 to 2016-17 to upgrade the Assay Laboratory to ensure it continues to operate at international standards and maintains its accreditation with the London Bullion Market Association.

Electrolytic Gold Room

An additional \$1.1 million will be spent in 2016-17 on an Electrolytic Gold Room to allow it to produce 100% gold product to meet market demand.

Asset Replacement

An additional \$2.3 million will be spent in 2017-18 on ongoing asset replacement to replace equipment due to wear and tear, technology upgrades, efficiency improvements, waste reduction, and safety and security enhancements.

Lotteries Commission

Information Technology Infrastructure Build

The Commission will spend \$2.1 million in 2016-17 to refit the Subiaco data centre facility and to outsource its back-up data centre to a third party service provider.

New Office Building Fit-outs

An amount of \$1.2 million will be spent in 2016-17 to complete the fit-out of the Commission's new head office.

ATTORNEY GENERAL; MINISTER FOR COMMERCE

Table 9

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW					
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Registrar, Western Australian Industrial Relations Commission					
– Office Refurbishment	0.8	1.3	-	-	-
Attorney General					
– Mount Magnet Court Facility Replacement	-1.7	-	-	-	-

Registrar, Western Australian Industrial Relations Commission

Office Refurbishment

A total of \$2.1 million will be spent over 2015-16 to 2016-17 on fit-out works to reconfigure and consolidate the Western Australian Industrial Relations Commission's office space, which will reduce accommodation expenses over the remaining nine year lease term. A reduction in recurrent expenditure of \$855,000 over the forward estimates period is associated with this project (see Chapter 5).

Attorney General

Mount Magnet Court Facility Replacement

Capital spending has been reduced by \$1.7 million in 2015-16 as the Mount Magnet Court Facility replacement project requires further Government consideration pending an updated business case.

MINISTER FOR EMERGENCY SERVICES; FISHERIES; CORRECTIVE SERVICES; VETERANS

Table 10

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Fisheries					
– Shark Hazard Mitigation	-	0.5	0.1	0.1	0.1
– Multi-species Mollusc Hatchery	-	0.5	-	-	-

Fisheries

Shark Hazard Mitigation

The Department will spend \$720,000 over four years to 2019-20 on the upgrade and replacement of Shark Monitoring Network receivers.

Multi-species Mollusc Hatchery

An additional \$500,000 will be spent in 2016-17 on improvements associated with a new multi-species mollusc hatchery at the Albany Aquaculture Park.

MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY

Table 11

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Water Corporation					
– Asset Investment Program Review	4.0	-14.1	-30.1	-42.8	-60.8
– Forrestfield Infill Sewerage	-	0.5	-	-	-
Western Australian Sports Centre Trust					
– HBF Arena Expansion Project	-	2.8	1.5	-	-
– Perth Stadium	-	-	0.1	0.3	0.3
Bunbury Water Corporation (Aqwest)					
– Revision to Asset Investment Program	0.1	0.3	1.0	0.4	-0.2

Water Corporation

Asset Investment Program Review

The Corporation's AIP has been reduced by \$143.7 million (or 3.6%) from 2015-16 to 2019-20 to reflect an expected easing in demand for services and revisions to capitalised interest as a result of lower interest rate forecasts.

Forrestfield Infill Sewerage

An additional \$520,000 will be spent in 2016-17 on scoping works for Forrestfield Infill Sewerage.

Western Australian Sports Centre Trust

HBF Arena Expansion Project

An additional \$4.3 million will be spent over 2016-17 to 2017-18 on utilities, additional car parking, and other infrastructure upgrades to the HBF Arena, taking the total cost of the project to \$24.1 million.

Perth Stadium

A total of \$0.7 million will be spent over 2017-18 to 2019-20 on office equipment and computers for the Perth Stadium.

Bunbury Water Corporation (Aqwest)

Revision to Asset Investment Program

An additional \$1.8 million will be spent over 2015-16 to 2018-19 to maintain or improve asset conditions and ensure minimum service delivery standards are maintained. Capital spending will reduce by \$200,000 in 2019-20 as a result of the cancellation of some non-essential capital projects.

MINISTER FOR AGRICULTURE AND FOOD; TRANSPORT

Table 12
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Main Roads Western Australia					
– Perth Freight Link Tunnel and Cashflow Update	-114.6	-232.4	-173.4	-25.9	341.0
– Armadale Road – Anstey Road to Tapper Road	-	20.0	20.0	82.5	22.5
– Ellenbrook Bus Rapid Transit	-	4.0	45.0	-	-
– Road Trauma Trust Account – Road Safety Initiatives	-	43.0	-	-	-
– Aubin Grove Train Station Precinct – Additional Expenditure	-	5.0	-	-	-
Pilbara Ports Authority					
– Channel Risk and Optimisation Project	-	0.4	15.1	105.6	-
– Port of Ashburton – Provision for Minor Works	-	-	-	3.0	4.0
Public Transport Authority					
– Aubin Grove Train Station – Additional Expenditure	8.4	13.0	-6.4	-	-
– Future Urban Railcar Procurement – Additional Expenditure	-18.6	-5.9	20.4	12.8	-
– Northbridge Bus Layover – Construction	-	0.8	4.5	-	-
Transport					
– Perth Stadium Precinct Jetty	-	2.0	3.0	-	-

Main Roads Western Australia

Perth Freight Link Tunnel and Cashflow Update

An additional \$326 million (funded on an 80/20 basis by the Commonwealth and State) will be invested in the Perth Freight Link project to construct a tunnel from the intersection of Stock Road and Winterfold Road to the Stirling Highway-High Street intersection in Fremantle. The tunnel will further reduce congestion, minimise impacts on the community, and deliver additional road safety benefits. Together with previously approved investment, the Perth Freight Link has an estimated total cost of \$1.9 billion.

The project has been delayed due to the Supreme Court of Western Australia finding on 16 December 2015 that the environmental approval previously obtained for the Section 1 Roe Highway extension was invalid. The Government has appealed the decision, and the cashflows for this project reflected in this Budget assume a favourable ruling.

Armadale Road – Anstey Road to Tapper Road

A total of \$145 million will be invested over four years from 2016-17 to construct a 7 kilometre dual carriageway on Armadale Road between Anstey and Tapper Roads. The project will be jointly funded by the Commonwealth and the State on an 80/20 basis, and will reduce congestion and improve traffic safety.

Ellenbrook Bus Rapid Transit

A total of \$49 million will be invested in 2016-17 and 2017-18 to construct a 9 kilometre dedicated bus route from Ellenbrook to Marshall Road near Reid Highway. The route will reduce congestion on Lord Street and improve amenity for public transport passengers. It is expected that third parties will contribute \$1 million towards the project.

Road Trauma Trust Account – Road Safety Initiatives

An additional \$43 million will be spent in 2016-17 on a range of road safety infrastructure initiatives, including:

- \$28 million to deliver safety treatments in regional areas on sections of State roads where there is a high risk of run-off road accidents. Regional road treatments include shoulder widening and sealing, audible edge lining and flexible roadside protection barriers;
- \$10 million to continue the annual program of safety treatments at high priority metropolitan intersections. Metropolitan intersection treatments include new roundabouts, full control right turn traffic signals and speed management measures; and
- \$5 million for works targeting sections of the Great Eastern Highway and the Great Southern Highway where road crashes are most prevalent in the Wheatbelt region.

These programs form part of \$96.9 million provided to Main Roads from the Road Trauma Trust Account in 2016-17 to enhance its existing road safety programs.

Aubin Grove Train Station Precinct – Additional Expenditure

Reflecting unavoidable cost pressures associated with construction of the road project, an additional \$5 million will be spent on the Aubin Grove Train Station Precinct works in 2016-17. The additional expenditure is offset by an equivalent reduction to expenditure in other projects.

Pilbara Ports Authority

Channel Risk and Optimisation Project

The Authority will spend \$121.1 million over 2016-17 to 2018-19 on the Channel Risk and Optimisation Project (CROP) in Port Hedland. This is the third project that will be paid for through funds raised by the Authority's Port Improvement Rate (PIR)¹. The project will mitigate the risks associated with an obstruction in the Port Hedland channel by creating a passing lane. The project will also improve trade capacity in Port Hedland through targeted dredging, resulting in an ability to fully realise the existing channel depth and providing additional draft availability to Cape-size vessels.

¹ In 2012, the Government approved the implementation of a PIR for the port of Port Hedland to fund common user capital improvements necessary to sustain the long-term operation and development of the port. An amount of \$232 million is currently allocated to the Authority's PIR asset investment provision. Individual PIR capital projects, such as CROP, are subject to business case approval by the Government.

Port of Ashburton – Provision for Minor Works

A provisional amount of \$7 million has been allocated over 2018-19 to 2019-20 on minor capital works at the Port of Ashburton. Following the handover of the Port of Ashburton to the Authority in 2017, the Authority will be required to develop and maintain the Port's infrastructure. Projects to be funded by this minor capital works are subject to further approval.

Public Transport Authority

Aubin Grove Train Station – Additional Expenditure

An additional \$15 million will be spent on the Aubin Grove Train Station over 2015-16 to 2017-18, reflecting unavoidable cost pressures associated with construction of the project. The additional expenditure is offset by an equivalent reduction in expenditure for other projects. The project completion date of early 2017 has not changed.

Future Urban Railcar Procurement – Additional Expenditure

An additional \$8.7 million will be spent between 2015-16 and 2018-19 on the procurement of Transperth railcars (announced in the 2015-16 Mid-year Review). The total cost of procuring 10 additional B-Series three-car sets will increase by \$13.7 million, primarily reflecting infrastructure works to accommodate the railcars. The increase is partly offset by a \$5 million reduction in expenditure reflecting the cessation of the C-Series railcar procurement process (following the finalisation of project costs after the 2015-16 Mid-year Review decision to cease the project).

Northbridge Bus Layover – Construction

The Public Transport Authority will spend \$5.3 million over 2016-17 to 2017-18 to construct the Northbridge bus layover facility.

Transport

Perth Stadium Precinct Jetty

A total of \$5 million will be spent over 2016-17 to 2017-18 on a new public jetty in the Perth Stadium precinct. The project will be funded by the Burswood Park Board.

MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; YOUTH

Table 13

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Metropolitan Cemeteries Board					
– Revision to Asset Investment Program	-	1.4	0.5	0.7	-1.0
Local Government and Communities					
– Agency Expenditure Review Savings Measure - Property Management Program	-	-	-	-0.7	-0.7

Metropolitan Cemeteries Board

Revision to Asset Investment Program

An additional \$2.6 million over 2016-17 to 2018-19 will be spent on upgrading and renovating the Metropolitan Cemeteries Board's infrastructure, including upgrades to the Rockingham Regional Memorial Park and the Norfolk chapel. The reduction in asset investment of \$1 million in 2019-20 is largely due to the Metropolitan Cemeteries Board not proceeding with an expansion of the Guildford mausoleum.

Local Government and Communities

Agency Expenditure Review Savings Measure – Property Management Program

Savings of \$1.4 million for capital upgrades over 2018-19 to 2019-20 will be achieved as a result of the Department withdrawing from owning, leasing and managing property as a means of providing subsidised accommodation to select childcare, community and family centres.

MINISTER FOR HOUSING; RACING AND GAMING

Table 14

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW					
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Racing and Wagering Western Australia					
– Strategic Development Plan	16.1	11.0	11.6	-3.9	11.3

Racing and Wagering Western Australia

Strategic Development Plan

An additional \$46.1 million will be spent over 2015-16 to 2019-20 on projects such as the rollout of the Racewall technology across Racing and Wagering’s retail network, investments in its digital channels, and the replacement of wagering (including wagering terminals) and corporate infrastructure.

MINISTER FOR PLANNING; DISABILITY SERVICES

Table 15
MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Metropolitan Redevelopment Authority					
– 2016-17 Business Plan	-44.0	14.4	29.6	7.8	-8.4
Western Australian Planning Commission					
– Regional Land Acquisition	7.4	-	-	-	-
– Whiteman Employment Land	-	2.8	-	-	-

Metropolitan Redevelopment Authority

2016-17 Business Plan

The Authority's 2016-17 Business Plan reflects revised financial forecasts for its key projects, including Elizabeth Quay, Perth City Link, Riverside, Subi Centro, Midland, Armadale and Wungong Urban. The revisions reflect adjusted spending timelines for development works to align with current market conditions and in response to updated revenue forecasts.

Western Australian Planning Commission

Regional Land Acquisition

A total of \$7.4 million will be spent in 2015-16 to finalise acquisitions in response to owner initiated land compensation claims, under the *Planning and Development Act 2005*, arising from the Peel and Greater Bunbury region schemes.

Whiteman Employment Land

An amount of \$2.8 million will be spent in 2016-17 to undertake required headworks (water, gas, electricity and sewerage) and construct a road to allow for access to two sites in Whiteman.

MINISTER FOR MINES AND PETROLEUM; SMALL BUSINESS

Table 16

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Mines and Petroleum					
– Mineral House Building Facade Remediation	-	1.9	-	-	-

Mines and Petroleum

Mineral House Building Facade Remediation

An additional \$1.9 million will be spent in 2016-17 on essential remediation works on the Mineral House facade. A further \$180,000 will be spent over the forward estimates period to meet depreciation expenses associated with this project (see Chapter 5).

PROVISIONS

Table 17

MAJOR SPENDING CHANGES SINCE THE 2015-16 MID-YEAR REVIEW					
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Provisions					
- Reversal of 2015-16 Mid-year Review Provision	514.6	80.9	22.0	-	-
- Revised 2016-17 Budget Provision	-650.0	-600.0	-	-	-

Provisions

Provision for Underspending

Consistent with previous years, this Budget includes a provision for yet-to-be identified slippage in agency infrastructure spending that is expected to emerge over the remainder of 2015-16, and throughout 2016-17.

Royalties for Regions

Introduction

The Royalties for Regions (RfR) program underpins the State Government's long-term focus to build vibrant regions with strong economies to create jobs and generate wealth in regional Western Australia for the benefit of all Western Australians. This investment in infrastructure and community services is financed by the Royalties for Regions Fund, which receives up to 25% of the State's mining and onshore petroleum royalties, as directed by the *Royalties for Regions Act 2009*. In addition to the \$1 billion legislated cap on the balance of the Royalties for Regions Fund, there are also annual expenditure limits set by Government.

Project funding will be subject to the RfR due diligence process culminating in approval by Cabinet to allow project funding to be released. On current budget estimates, the appropriation to the RfR Fund will be 20.9% of mining royalties in 2016-17, with a slight increase across the remaining three years to 22.4% in 2019-20.

ROYALTIES FOR REGIONS FUND APPROPRIATIONS ^(a)
2015-16 Budget and 2016-17 Budget

Table 1

	2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate
2015-16 Budget					
Appropriation (\$m)	918	1,004	900	924	
As a share of royalty income (%)	25.0	25.0	20.0	18.8	
Expenditure Limit (\$m)	950	950	1,000	1,000	
As a share of royalty income (%)	25.9	23.7	22.2	20.4	
2016-17 Budget					
Appropriation (\$m)	918	803	893	983	1,000
As a share of royalty income (%) ^(b)	25.0	20.9	22.2	23.2	22.4
Expenditure Limit (\$m)	868	872	914	1,000	1,000
As a share of royalty income (%) ^(b)	23.6	22.7	22.7	23.6	22.4

(a) Appropriation funding paid into the Fund is impacted by other cashflows and transfers from Special Purpose Accounts.

(b) The 2015-16 ratio is based on the original estimate at the time of the 2015-16 Budget.

Government priority commitments in 2016-17 provide for investment in each of the nine regions to facilitate their respective growth and development aspirations as outlined in each Regional Blueprint. The investment of these funds is consistent with the whole-of-government State Planning and Development Framework, including alignment to the State Planning Strategy and local government planning.

New Regional Investments

Bremer Bay Town Centre and Trail Project

An amount of \$1.7 million will be spent in 2015-16 on the Bremer Bay Town Centre and Trail project, which includes landscaping, footpaths, road works, lighting, street furniture, construction of a civic square and a shared-use trail linking the Bremer Bay town centre and the heritage cemetery.

Carnarvon Community College

An allocation of \$29.5 million has been provided across the forward estimates period towards the transformation of Carnarvon Community College. This includes, as part of this Budget, an increase of \$11.9 million for Stage 2 that will contribute to public secondary school students being located at the new College site.

Denmark East Development Precinct

The \$7.6 million Denmark East Development Precinct will provide an alternative light industrial area, alleviating capacity constraints on existing facilities. The precinct will comprise a 60 lot light industrial area, aiming to improve opportunities for investment and industrial development in Denmark.

Exploration Incentive Scheme

The Government is investing \$30 million over the period 2017-18 to 2019-20 to encourage investment and exploration in Western Australia's resource sector to assist long-term sustainability. The program includes exploration and environmental coordination, innovative drilling, including the co-funded drilling program, geophysical and geochemical coordination, 3D geological mapping, promoting strategic research with industry and sustainable working relations with Indigenous communities. The program aims to improve the international standing of Western Australia as an investment destination.

Katanning SuperTown Heritage Centre Project

In 2015-16, \$15.7 million has been provided for the construction of a tourist visitor centre and community-run museum, creation of a Botanic Garden and a medium-density residential land development adjacent to the Botanic Garden and Piesse Lake. The allocation will also improve Katanning's famous and iconic all ages playground, park amenity enhancements and provide for a skate-street park.

Karratha Arts and Community Precinct

The Karratha Arts and Community Precinct project is a multipurpose facility that aims to provide artistic development, self-learning and cultural opportunities for communities in the City of Karratha and the North West Region. The precinct will receive \$14 million commencing in 2016-17, the balance of funding requirements coming from the City of Karratha, the National Stronger Regions Fund and industry partners.

Manjimup Town Centre Revitalisation

An amount of \$22.3 million will be spent in 2015-16 on the revitalisation of Manjimup town centre, including transformation of the Timber and Heritage Park precinct, which will improve facilities and safety. The revitalisation aims to attract new residents and promote growth by developing a vibrant, accessible, and functional town centre.

Margaret River Perimeter Road

The Margaret River Perimeter Road project will provide an alternate route to the east of the Margaret River town site that will result in a significant reduction in heavy vehicles travelling through the Margaret River main street. An amount of \$58.3 million has been allocated across the forward estimates period.

Newman Health Service Redevelopment

The \$49.7 million Newman Health Service redevelopment project, over three years to 2018-19, will deliver a six-bay emergency department, 12-bed medical inpatient unit, digital medical imaging department and a pathology collection area (specimen collection only). The project will also provide for a new purpose-built ambulatory health care centre with outpatient facilities and two-chair dental service, administration facilities, six-bay morgue and new non-clinical support service areas for linen, kitchen, supply/store and maintenance.

Potato Marketing Corporation

An allocation of \$14 million will be provided in 2016-17 for an industry adjustment package to assist growers as the potato industry is deregulated from 30 June 2016. A portion of this package (\$2 million) will be allocated to supporting growers who remain in the industry after deregulation. Assistance will be provided to growers who hold a domestic market entitlement and maintain good compliance standing with the Potato Marketing Corporation.

Regional Estuaries Initiative

The Regional Estuaries Initiative will see implementation of actions to prevent ecosystem collapse at six at-risk estuaries in the south-west of the State in partnership with other agencies, industry and the community. These actions will reduce fish kills and harmful toxic algal blooms and ensure regional estuarine assets continue to support urbanisation, tourism, recreational and commercial fishing and port activities in the future. Tackling these water issues will enhance regional growth opportunities and economic prospects and avoid expensive repair measures if these issues go unmanaged. An amount of \$20 million has been allocated over four years from 2015-16.

Revitalising Waterways of Geographe Bay

The Revitalising Waterways of Geographe Bay project will identify regional waterway asset managers with the knowledge, capacity and tools to undertake committed management of key water assets and to address priority nutrient hotspots. These actions will reduce fish kills and harmful toxic algal blooms and ensure regional estuarine waterways are valued as assets to support urbanisation, tourism, recreational and commercial fishing, and boating activities in the future. An amount of \$7.2 million has been allocated over four years from 2015-16.

Transforming Bunbury Waterfront – Stage One

An amount of \$24.9 million will be spent over three years to 2017-18 to transform Bunbury's waterfront, with \$12.6 million to be spent on revitalising the Koombana Bay foreshore and \$12.3 million to redevelop the Dolphin Discovery Centre.

Transform Peel – Phase One

The Transform Peel Initiative aims to build regional resilience in the Peel region through the establishment of a new economy in the Peel, the creation of jobs in new industries and the protection and enhancement of the natural environment. Phase One of the initiative has been provided with \$49.3 million in the forward estimates period to create the Peel Business Park in Nambeelup, and planning for the Peel Food Zone and the Peel Integrated Water Initiative.

WA Open for Business

The WA Open for Business project will receive \$20 million over the forward estimates period to facilitate increased investment in the agriculture and food sector, building on current systems that underpin agricultural trade and investment activities across the State.

Western Australian Regional Film Fund

The Western Australian Regional Film Fund is designed to support the development of high quality Australian and international film productions in regional Western Australia and to support regionally based businesses, services and talent involved in regional film production. An amount of \$16 million has been allocated over the forward estimates period.

Key Initiatives

A major component of the Royalties for Regions program in 2016-17 is the delivery of major infrastructure projects and ensuring economic development of regional communities, which build a stronger economy and better quality of life for all Western Australians. This year's initiatives are in the key areas of agriculture, revitalising the regions, health, community support services, education, sport and recreation, economic development, aboriginal initiatives and tourism.

Seizing the Opportunity Agriculture

This program is an election commitment, now totalling \$350 million, that commenced in 2013-14. It is focussed on a range of activities to support agriculture and food industry development. The Western Australian agriculture and food industry sector is facing unprecedented opportunities and challenges. The Government's commitment to this initiative seeks to remove barriers to the sector in order to capture opportunities in emerging markets. This is supported through a range of programs, designed and delivered across a number of government agencies in partnership with industry.

The program is made up of new and continuing projects such as WA Open for Business, Boosting Biosecurity Defences, Water for Food Initiative, Agricultural Science Research and Development, Infrastructure Audit and Infrastructure Investment Fund, Boost Grains Research and Development Support and Northern Beef Industry Strategy.

Southern Investment Initiative – Growing Our South

Growing Our South commenced in 2014-15 and is an initiative to deliver Royalties for Regions investment to implement major infrastructure projects/initiatives across the Peel, Wheatbelt, South West and Great Southern regions, facilitating a more sustainable social and economic base across the southern regions of Western Australia.

An amount of \$424.3 million of the \$600 million initiative has been allocated over the forward estimates period on projects including the Margaret River Perimeter Road project, Phase One of the Transform Peel initiative and Stage One of the Bunbury Waterfront project.

State-wide Regional Blueprint Initiatives

The State-wide Regional Blueprint Initiatives provide a framework for the types of investment targeted with a focus on economic infrastructure and social and community services and infrastructure to establish the pre-conditions for economic development and drive new growth and investment.

In response to the Duncan Review 'Structuring Regional Development for the Future', each Regional Development Commission has prepared a regional socio-economic development strategy, or 'Blueprints', which outlines regional growth and development aspirations, transformative strategies, priority implementation actions and investment opportunities. An analysis across the nine Regional Investment Blueprints identifies and prioritises strategic State-wide themes for investment of Royalties for Regions funds.

An amount of \$642.6 million has been allocated over four years commencing in 2016-17 to implement State-wide major economic, social and community development projects that arise from the Regional Investment Blueprints that align to those themes.

Revitalising the Regions

East Kimberley Revitalisation

The new Kununurra Courthouse was completed and opened in October 2014. The Kununurra Courthouse project involved the construction of a new courthouse co-located with the existing police station. The courthouse provides a: jury courtroom; magistrate’s courtroom; facilities for remote, vulnerable or protected witnesses; mediation and pre-trial conferences and court custody. The remaining amount of \$8.2 million, out of a total \$41.8 million committed to the project, will be spent over 2016-17 to 2017-18 to dismantle, relocate and reassemble the temporary Kununurra Courthouse structures to Broome and Karratha.

Gascoyne Revitalisation

This initiative, derived from the Gascoyne Regional Development Plan 2010-2020, provides for major infrastructure, headworks and community priority projects/initiatives in the Gascoyne region to achieve a more sustainable social and economic base for the area. Most projects under the Plan have been completed with \$15.7 million remaining to be spent over three years to 2018-19 on the Exmouth Boat Harbour and Coral Bay Seasonal Staff Accommodation.

Goldfields Esperance Revitalisation

The \$198 million Goldfields Esperance Revitalisation initiative has an allocation of \$133.9 million over the forward estimates period. Projects allocated funding include the Goldfields Arts Centre, support towards the stage one redevelopment of the Kalgoorlie-Boulder Community High School and the construction of 15 overtaking lanes on the Great Eastern Highway between Southern Cross and Kalgoorlie.

Mid West Revitalisation

This \$220 million investment plan was established to implement major infrastructure projects/initiatives in the Mid West to achieve a more sustainable social and economic base for the region. An amount of \$115.4 million is expected to be spent over the forward estimates period on key components of transformative economic and community infrastructure. Major projects include the Kalbarri Skywalk and National Park Infrastructure and Durack Student Services Interactive Hub.

Pilbara Cities Initiative

The Pilbara Cities initiative aims to establish modern, vibrant cities and regional centres that can support and deliver a skilled workforce for major economic projects in the Pilbara. An amount of \$573.2 million will be spent over the forward estimates period in key delivery areas that will focus on infrastructure coordination, land availability and development, community projects and engagement and economic diversification.

To date, many projects, including land and housing, infrastructure and community and sporting facilities are either well advanced or have been completed. Some of the major components of this program over the budget period include Port Hedland Water Front Revitalisation (Spoilbank Marina) and Karratha City Centre infrastructure works.

Regional Grant Scheme

The Regional Grant Scheme provides new opportunities for local communities to improve and develop infrastructure services in regional Western Australia. Funding is provided to assist with infrastructure, services and community projects, including the provision of headworks, and to help in the development of regional communities. An amount of \$40.1 million has been allocated to the scheme over the forward estimates period.

West Kimberley Revitalisation

This commitment is to build on the existing Royalties for Regions commitments in the Kimberley by unlocking frontiers in the West Kimberley by revitalising centres such as Broome, Derby, Fitzroy Crossing and other remote communities. The remaining funding of \$5.9 million allocated to this project will be spent in 2016-17. Projects include the West Kimberley Transitional Housing Program (which will provide transitional housing for Indigenous families), Fitzroy Crossing Courthouse, Broome Road Industrial Area and the Chinatown redevelopment to reinvigorate the Broome central business district.

Aboriginal Development Initiatives

Royalties for Regions continues to provide funding for initiatives that improve outcomes and support Aboriginal economic development and participation. An allocation of \$118 million across the forward estimates period has been provided for targeted programs for Aboriginal people.

- The West Kimberley Transitional Housing Program will see the construction of 60 new houses in Broome and Derby, to allow low-income Indigenous people to access appropriate, affordable housing, and achieve financial stability and independence. An amount of \$5.9 million will be spent in 2016-17 to transform Indigenous housing in the Kimberley, promote economic participation and encourage a transition from welfare dependency.
- The Regional Youth Justice Strategy Kimberley and Pilbara Expansion program aims to reduce the levels of youth offending in the early stages and provide an extended hours family support service for at-risk youth and their families. An amount of \$7.5 million is expected to be spent in 2016-17 to support this program.
- The Broome Aboriginal Short Stay Accommodation Facility project aims to construct a short stay accommodation facility with up to 80 beds for Aboriginal people visiting Broome. The facility will provide guests with access to safe and secure accommodation whilst enabling improved access to support services available in Broome. An amount of \$16 million will be spent over 2016-17 to 2017-18 (out of a total of \$21.1 million allocated to this project).
- Other initiatives include improvements to infrastructure through the Remote Indigenous Health Clinic upgrades and development of Indigenous Visitor Hostels. Continuing funding is also provided towards the Aboriginal Justice program, Clontarf Colleges and the Northwest Drug and Alcohol Support Program.

Community Support Services

Royalties for Regions continues to invest in essential community services in regional areas, with \$651 million allocated across the forward estimates period. A number of the Government's priority commitments will support community programs and schemes.

- The Country Age Pension Fuel Card Scheme was established in 2009 to assist country income support pensioners who are reliant on private vehicle travel to access social services. The scheme has been allocated \$140.1 million across the forward estimates period.
- Volunteer Fuel Card was established to supply all volunteer emergency service groups in regional Western Australia with a \$2,000 fuel card on an annual basis, in acknowledgement of their work in supporting regional communities. A total of \$7.3 million is allocated to the program across the forward estimates period.
- Regional Police Incentives provides incentives that support the placement of police staff in difficult to recruit regional locations. A total of \$4 million has been allocated over the forward estimates period, including \$2.8 million in 2016-17.
- An amount of \$20.8 million over the forward estimates period has been approved for a second emergency rescue helicopter for the South-West Emergency Rescue Helicopter Service to service communities of the South West and Great Southern.
- An amount of \$6.7 million will be spent over 2016-17 to 2017-18 to improve fire crew protection systems for vehicles that operate in high to extreme bushfire risk environments.
- Additional support will be provided with Regional Workers Incentives worth \$110.8 million across the forward estimates period. Improvements to existing district allowance payments aim to attract and retain public sector workers in the regions who provide essential government services.
- Community Resource Centres (CRCs) are small community managed organisations that continue to provide an important role in regional Western Australia through the provision of and access to government information and services, which would not otherwise be available in their community. From 1 July 2014, CRCs transitioned from grant payments to a three-year contract to deliver social and business development activities that facilitate regional development outcomes.
- The Community Safety Network will receive \$27.6 million over 2016-17 to 2017-18 to provide a trunked and conventional digital regional radio communications network, and will assist communications between the Western Australia Police, Department of Corrective Services and the Department of Fire and Emergency Services.
- The Avonlink Enhancement Project has been allocated \$2.1 million in 2016-17 to meet the costs associated with the enhancement of the Avonlink train service.
- Social Housing Investment Package – \$67 million has been allocated over the forward estimates period to provide housing for priority waitlist clients who are most in need, including seniors and families with dependent children.

- An amount of \$30 million has been allocated to the Regional Telecommunication Project across the forward estimates period to continue the provision of up to 85 new telecommunications towers, building on the Regional Mobile Telecommunications project, which delivered 113 new or upgraded towers.
- Community Chest Grant Scheme provides one-off grants of up to \$20,000 to support small, local demand driven community projects administered by each of the nine Regional Development Commissions. An amount of \$11.4 million has been allocated to the Scheme over the forward estimates period.
- Natural Resources Investment Program focuses on assisting local catchment or community groups with on-ground activities that protect or improve the natural resources of Western Australia. This will include rivers and estuaries, productive capacity of soil, land and water, weeds and pest animals, and biodiversity. The program will receive \$17.5 million over the forward estimates period.
- The \$16 million Western Australian Regional Film Fund is designed to support the development of high quality Australian and international film productions in regional Western Australia and to support regionally based businesses, services and talent involved in regional film production over the forward estimates period.

Education

Education programs will receive \$110 million across the forward estimates period to continue improving education opportunities for those located in regional Western Australia.

- Carnarvon Community College Stage 2 will receive \$29.5 million across the forward estimates period to amalgamate the primary and secondary public schools onto one campus.
- Kalgoorlie-Boulder Community High School – \$16.1 million has been allocated to the Stage One redevelopment across the forward estimates period.
- Other programs include Better Beginnings (\$1.8 million), Cape Naturaliste College (\$6 million), Boarding Away from Home allowance (\$5.8 million), and the Allied Health Training Centre (\$2.4 million) across the forward estimates period.

Economic Development

Economic development is a key theme of Royalties for Regions with \$220 million allocated over the forward estimates period.

- The Pilbara Underground Power project is allocated \$40 million from 2016-17 to 2017-18 to continue the conversion of current overhead distribution networks to an underground network, delivering secure power supplies to both residential and commercial customers.
- Exmouth Boat Harbour will receive \$11.2 million in 2016-17 to fund the second stage of this development to provide design and construction of a 130 metre service wharf extension with heavy lift and hardstand facilities.

- The Department of Parks and Wildlife has been allocated \$16.2 million over the forward estimates period for continuation of the Enhanced Prescribed Burning program for land in the South West of Western Australia.
- A headquarters is being built for the Department of Parks and Wildlife in Bunbury that will eventually accommodate 300 staff and allow the public to access information on exploring the South West's national and marine parks. A total of \$17.4 million has been allocated over three years to 2018-19.

Health

Investment in improving health outcomes in regional Western Australia will continue, with \$822 million allocated across the forward estimates period towards priority projects and initiatives.

- Ear, Eye and Oral Health (\$6 million) – \$3 million has been approved from 2016-17 to 2017-18, to continue screening children living in remote Indigenous communities for ear disease and to help manage treatment.
- Laverton Primary Health and Aged Care Facility – \$19.5 million is allocated across the forward estimates period to build a new facility that will provide comprehensive primary care services for short stay patients as well as an aged care component.
- Patient Assisted Travel Scheme – \$10.7 million will be spent in 2016-17, with a total of \$44.6 million allocated across the forward estimates period, as a contribution to WA Health from the Royalties for Regions Fund towards the total cost of this scheme.
- Regional (Goldfields Esperance) Telehealth (\$8.0 million) – \$4.4 million over two years to 2017-18 for greater access to quality healthcare for residents in the Eastern Goldfields.
- Regional Men's Health – \$800,000 per annum over the forward estimates period has been allocated to the Department of Agriculture and Food to support the program.
- Southern Inland Health Initiative – \$332.6 million has been allocated across the forward estimates period (with \$190.3 million to be spent in 2016-17). This initiative aims to improve access to health care services in the regions. It will focus on the southern inland area of the Western Australian Country Health Service, including localities to the north and east of the metropolitan area, stretching from Kalbarri and Meekatharra in the State's north west, to Laverton in the east, down to Esperance in the south east.
- Subacute Mental Health Services in Bunbury and Karratha – \$10.1 million is provided across the forward estimates period for the construction of a community subacute mental health service in Bunbury to support a reconfiguration away from acute beds where appropriate to meet forecast demand. A further \$12.3 million is provided for a similar service in Karratha across three years to 2018-19.

- The North West Health Initiative began as an election commitment to improve health and aged care facilities in key towns across the North West. Commencing in 2016-17, \$150.1 million will be invested across the forward estimates period to improve health and aged care facilities in key towns across the North West. A number of hospitals and nursing posts will be upgraded and refurbished, including the Newman Health Service Redevelopment and Onslow Health Service Redevelopment.
- Wheatbelt Renal Dialysis – \$3.4 million has been allocated over the forward estimates period to allow dialysis patients to receive treatment in their homes or communities. This complements the Renal Dialysis Service Expansion, which has \$6 million allocated across the forward estimates period, including \$1.7 million in 2016-17.

Sport and Recreation

Sport and recreational activities are a vital part of regional communities and this is recognised with greater support for local sporting clubs, athletes and performing arts venues, culminating in a \$115 million commitment over the forward estimates period.

- Creative Regions Program – this \$24 million program will spend \$16.7 million over three years to 2018-19 to address the upgrade and development requirements of regional performing arts venues.
- The Community Pool Revitalisation program provides all regional local governments with a public pool an annual grant of up to \$30,000 for maintenance and upgrading. An amount of \$6.6 million has been provided over 2016-17 to 2017-18.
- The Supporting Community Sport Program has a commitment of \$1.4 million over the next two years. The program aims to provide financial support for promising athletes aged 13 to 21 living in remote areas, who are required to travel for regional, State or national representation. It also provides direct assistance through one-off grants to help with the cost of shared equipment of clubs in regional Western Australia.
- The Recreational Boating Facilities Scheme will receive \$3.3 million in 2016-17 to provide grants for planning and construction of public boating infrastructure in the regions.

Tourism

Tourism is a key part of the State's economy. Royalties for Regions will provide \$268.2 million over the forward estimates period to continue projects such as the New Kimberley National Park, the Great Kimberley Marine Park, Regional Visitor Centres, and the Caravan and Camping and Parks for People initiatives.

- A new Regional Tourism Marketing Campaign has been allocated \$11 million over 2015-16 to 2016-17 to boost Tourism WA's advertising spend in order to strengthen regional tourism.
- A total of \$15.1 million will be spent over 2016-17 to 2017-18 to purchase 23 air conditioned road coaches that are compliant with the provisions of the *Disability Discrimination Act 1992*, to replace the aging road coach fleet. Royalties for Regions will fund \$4.5 million in 2016-17.
- Marine Parks Management will also receive \$9.9 million over the forward estimates period to continue the establishment, management and compliance implementation associated with the Ngari Capes Marine Park (South West), Dampier Archipelago Marine Park and Regnard Marine Management Area (Pilbara).
- The Caravan and Camping and Parks for People initiatives will expand the number of low cost recreational camping and caravanning facilities for families, with a further \$14.8 million over 2016-17 to 2017-18.
- The Living Lakes program aims to create economic opportunities for recreation, tourism and regional development. An amount of \$3 million has been allocated to the Living Lakes initiative over the forward estimates period.
- The Regional Events Program will continue to bring exciting activities to regional Western Australia, with \$30 million allocated across the forward estimates period.
- The Regional Visitor Centre program has been allocated \$2.6 million over 2016-17 to 2017-18 to support the continued development of the Visitor Centre Network in regional areas and broaden the appeal of regional tourism.

Administering the Royalties for Regions Fund

Royalties for Regions funding of \$95.3 million has been allocated across the forward estimates period to continue the implementation of the machinery of government changes that have resulted in the re-designation of the Department of Regional Development and its expanded role in delivering on the economic, business and social development objectives of the *Royalties for Regions Act 2009*.

The nine Regional Development Commissions have been allocated \$105.3 million across the forward estimates period to undertake activity aligned with the objectives of the *Royalties for Regions Act 2009*.

Table 2

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2014-15 Actual	2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
COUNTRY LOCAL GOVERNMENT FUND							
Administration of CLGF	0.5	1.0	-	-	-	-	-
Regional Centres Development Plan	0.1	3.2	4.2	4.5	4.0	-	12.7
Regional Groupings and Individuals	51.0	-	-	-	-	-	-
Local Government Facilitation	1.0	-	-	-	-	-	-
Capacity Building - Regional Governance Services and Asset Management Tools	1.5	2.4	5.1	2.4	-	-	7.5
TOTAL – COUNTRY LOCAL GOVERNMENT FUND	54.1	6.6	9.3	6.9	4.0	-	20.2
REGIONAL COMMUNITY SERVICES FUND							
Regional Community Programs and Schemes							
Country Age Pension Fuel Card	25.6	30.4	34.0	34.6	35.3	36.2	140.1
Volunteer Fuel Card	0.0	1.9	1.8	1.8	1.8	1.9	7.3
Regional Police Incentives	1.5	2.8	2.8	1.2	-	-	4.0
Regional Workers Incentives	37.8	23.9	26.7	27.2	28.1	28.8	110.8
Fire Crew Protection	1.1	3.6	4.0	2.6	-	-	6.7
Modernising the Framework for WA's Crown Land	0.1	1.0	1.0	-	-	-	1.0
Boarding Away From Home	-	1.4	1.8	2.0	2.0	-	5.8
Community Resource Centres	11.9	13.0	14.0	14.0	14.0	14.0	56.0
Wild Dogs Management Plan	0.7	0.8	0.8	-	-	-	0.8
Performing Arts Regional Tours Boost	0.4	0.4	0.3	-	-	-	0.3
Creative Regions Program	2.5	4.8	7.3	7.3	2.1	-	16.7
Black Diggers Perth International Arts Festival	..(a)	..(a)	-	-	-	-	..(a)
Breath Film Production	-	1.5	-	-	-	-	-
Western Australian Regional Film Fund	-	-	6.0	4.0	3.0	3.0	16.0
Regional Western Australian Museums	2.1	-	-	-	-	-	-
Regional Art Galleries of Western Australia	0.6	-	-	-	-	-	-
Albany Entertainment Centre	-	0.7	0.7	0.5	0.5	-	1.6
Regional Tourism Marketing Campaign	-	4.3	6.7	-	-	-	6.7
Community Pool Revitalisation	3.3	3.3	3.3	3.3	-	-	6.6
Regional Visitor Centres	0.3	1.3	1.3	1.3	-	-	2.6
Caravan and Camping	10.9	14.6	11.9	2.9	-	-	14.8
Potato Marketing Board	-	-	14.0	-	-	-	14.0
WA Regional Small Business Awards	0.2	0.2	0.2	0.2	-	-	0.4
Community Sporting and Recreation Facilities Fund	4.1	-	-	-	-	-	-
Supporting Community Sport	0.5	0.6	0.9	0.5	-	-	1.4
Foodbank	0.2	0.2	0.2	0.2	-	-	0.4
Better Beginnings – Early Literacy	0.6	0.9	0.9	0.8	-	-	1.8
Responsible Parenting Support Services	9.3	10.6	6.0	3.0	-	-	9.0
Rangelands Reform Program	0.2	0.4	-	-	-	-	-
Public Recreation and Joint Management Arrangements for the Ningaloo Coast	-	0.3	0.7	2.4	2.4	-	5.6
New Kimberley National Parks	0.6	0.8	2.1	-	-	-	2.1
Great Kimberley Marine Park	1.1	2.8	8.0	-	-	-	8.0
Royal Agricultural Society Show Concessions – Free entry for Children	0.9	-	-	-	-	-	-
Dirk Hartog 400th Anniversary Commemorations	-	0.6	0.2	-	-	-	0.2
Enhanced Prescribed Burning Program	-	3.8	5.2	5.5	5.5	-	16.2
South West Emergency Rescue Helicopter Service	0.1	9.1	13.3	7.5	-	-	20.8
Exploration Incentive Scheme	-	-	-	10.0	10.0	10.0	30.0

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2014-15 Actual	2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Public Sector Regional Leadership	0.6	0.1	-	-	-	-	-
Regional Buy Local Initiatives	0.9	0.2	0.3	-	-	-	0.3
Regional Events Program	10.9	11.6	10.0	10.0	10.0	-	30.0
Kimberley Science and Conservation Strategy	1.9	0.4	0.8	-	-	-	0.8
Marine Parks Management	1.8	2.9	3.0	4.8	1.6	0.6	9.9
Support for Racecourse Infrastructure Grants Program	1.0	-	-	-	-	-	-
Regional Community Programs and Schemes Subtotal	133.5	155.0	190.4	147.8	116.2	94.4	548.7
Regional Health Programs							
Better Health for Fitzroy Kids	0.3	0.1	0.1	-	-	-	0.1
Goldfields Emergency Telehealth	0.8	2.8	2.2	2.3	-	-	4.4
Wheatbelt Renal Dialysis	-	0.1	0.9	1.0	1.5	-	3.4
Rural Palliative Care Program	1.0	1.3	1.3	0.5	-	-	1.8
Patient Assisted Travel Scheme	10.1	10.5	10.7	11.0	11.3	11.6	44.6
Royal Flying Doctor Service	4.0	4.0	-	-	-	-	-
Rural Generalist (Practice) Pathways	2.6	-	-	-	-	-	-
Forward to Fellowship	-	0.5	-	-	-	-	-
St John Ambulance Services in Country WA	8.3	8.1	-	-	-	-	-
Pilbara Cardiovascular Screen Program	0.2	-	-	-	-	-	-
Ear, Eye and Oral Health	1.4	1.6	1.5	1.5	-	-	3.0
Subacute Mental Health Services in Karratha	-	1.4	6.7	2.9	2.7	-	12.3
Subacute Mental Health Services in Bunbury	-	1.0	5.3	2.5	2.3	-	10.1
Regional Patient Accommodation Facility	2.5	-	-	-	-	-	-
Regional Men's Health	0.6	1.0	0.8	0.8	0.8	0.8	3.2
Regional Health Programs Subtotal	31.7	32.3	29.4	22.5	18.6	12.4	82.8
Aboriginal Initiatives							
Regional Youth Justice Strategy Kimberley and Pilbara Expansion	13.5	15.1	7.5	-	-	-	7.5
Expansion of Clontarf Foundation Program	1.4	1.4	1.5	-	-	-	1.5
Aboriginal Tourism Development Program	-	1.2	1.2	1.2	1.2	-	3.5
Aboriginal Justice Program - Enhanced Driver Training and Education for Regional and Remote Communities	1.1	1.1	1.6	2.0	-	-	3.6
Aboriginal Justice Program - Enhanced Services for Victims of Crime Within Regional and Remote Communities	0.5	0.7	1.1	1.1	1.1	-	3.2
Aboriginal Community Critical Response Fund	0.9	2.6	3.0	1.7	-	-	4.7
North West Drug and Alcohol Support Program	6.8	5.7	5.6	6.2	6.4	6.6	24.8
Improving Water Quality in Remote Aboriginal Communities	2.4	0.5	-	-	-	-	-
Governance and Leadership Development Program	-	0.7	0.9	0.7	-	-	1.6
Indigenous Visitor Hostels	2.0	2.0	1.8	1.9	1.7	1.7	7.1
Jigalong Essential Services Pilot	6.4	2.9	-	-	-	-	-
Remote Indigenous Health Clinics	0.5	3.5	2.4	5.0	-	-	7.4
Aboriginal Initiatives Subtotal	35.6	37.3	26.7	19.6	10.3	8.3	64.9

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2014-15 Actual	2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Strategic Projects							
Regional Strategic Projects	6.2	3.0	1.5	1.5	-	-	3.0
Regional Grants Scheme	12.7	8.1	10.1	10.0	10.0	10.0	40.1
Community Chest Grants Scheme	3.1	1.3	3.9	2.5	2.5	2.5	11.4
Action Agenda Projects	10.7	3.5	-	-	-	-	-
Regional Strategic Projects Subtotal	32.6	15.9	15.5	14.0	12.5	12.5	54.5
Seizing the Opportunity Agriculture							
Seizing the Opportunity Agriculture	-	-	-	-	38.7	39.6	78.3
WA Open for Business	-	-	2.7	6.0	5.7	5.6	20.0
Infrastructure Audit and Infrastructure Investment Fund	-	0.7	10.0	34.0	19.5	12.8	76.3
Food Industry Innovation	-	0.7	1.7	2.1	-	-	3.8
Northern Beef Industry Strategy	1.7	4.4	3.7	2.8	2.4	-	8.9
Sheep Industry Business Innovation	1.1	2.8	3.3	2.8	-	-	6.1
Boosting Biosecurity Defences	2.9	6.9	7.5	2.7	-	-	10.2
Help Grain Growers to Better Manage Risk	0.5	3.5	3.6	2.3	-	-	6.0
Agricultural Sciences Research and Development	-	4.7	9.5	6.3	4.2	0.7	20.8
Boost Grains Research and Development Support	0.9	4.2	7.4	7.5	-	-	15.0
Asia Market Development	-	2.0	3.6	0.4	-	-	4.0
Water for Food	5.4	12.1	9.9	8.9	3.4	-	22.3
Muresk Institute Agricultural Degree	2.1	4.0	2.3	1.6	-	-	3.9
Brand WA	-	0.2	0.5	-	-	-	0.5
Seizing the Opportunity Agriculture	14.6	46.1	65.9	77.5	73.8	58.8	276.0
TOTAL – REGIONAL COMMUNITY SERVICES FUND	248.0	286.5	327.9	281.4	231.4	186.3	1,027.0
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND							
Regional Capital Works Initiative							
Regional Capital Works Initiative	2.8	2.7	2.0	12.5	-	-	14.5
Augusta Boat Harbour	7.7	-	-	-	-	-	-
Action Agenda Projects	3.0	1.7	1.1	-	-	-	1.1
Regional Capital Works Initiative Subtotal	13.5	4.4	3.1	12.5	-	-	15.6
Pilbara Cities Initiative							
Karratha Health Campus	4.3	16.0	76.7	90.8	16.5	-	184.0
Pilbara Health Partnership	8.2	2.6	3.3	3.4	3.5	3.5	13.6
Northern Towns Development Fund	4.3	5.2	0.4	-	-	-	0.4
Pilbara Cities Strategic Infrastructure	105.5	145.8	80.7	60.6	95.6	63.7	300.6
Pilbara Cities Community Projects	4.5	4.2	4.5	10.0	32.2	27.8	74.4
Pilbara Fabrication and Services Common Use Facility	-(a)	2.3	-	-	-	-	-
The Quarter	0.1	5.7	0.3	-	-	-	0.3
Pilbara Cities Initiative Subtotal	126.8	181.7	165.8	164.8	147.7	94.9	573.2
Regional Housing							
Affordable Housing for Workers	4.5	18.4	20.2	22.2	3.4	-	45.7
Social Housing Investment Package	-	18.3	19.6	25.4	22.0	-	67.0
Government Regional Officer Housing Boost	27.2	5.2	-	-	-	-	-
Broome Aboriginal Short Stay Accommodation Facility	-	5.1	11.0	5.0	-	-	16.0
Regional Housing Subtotal	22.7	47.0	50.8	52.6	25.3	-	128.7

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2014-15 Actual	2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
East Kimberley Revitalisation							
Kununurra Courthouse	2.7	1.2	6.0	2.2	-	-	8.2
East Kimberley Revitalisation Subtotal	2.7	1.2	6.0	2.2	-	-	8.2
West Kimberley Revitalisation							
China Town Redevelopment	-	10.0	-	-	-	-	-
West Kimberley Transitional Housing Program	18.6	8.4	5.9	-	-	-	5.9
Fitzroy Crossing Courthouse	2.6	2.3	-	-	-	-	-
Broome Wharf Extension of Life	2.1	-	-	-	-	-	-
Broome Road Industrial Area	6.3	8.6	-	-	-	-	-
West Kimberley Revitalisation Subtotal	29.6	29.3	5.9	-	-	-	5.9
Goldfields Esperance Revitalisation							
Goldfields Esperance Revitalisation	-	15.8	12.6	19.2	32.2	12.0	76.0
Goldfields Esperance Revitalisation Unit	-	0.4	1.0	1.0	0.4	-	2.3
Kalgoorlie-Boulder Community High School	4.6	24.3	14.0	0.2	1.9	-	16.1
Ray Finlayson Sporting Complex	-	6.0	-	-	-	-	-
Boulder City Station Rail Development	-	0.4	3.3	-	-	-	3.3
Great Eastern Highway Passing Lanes	-	-	14.0	22.0	-	-	36.0
Goldfields Arts Centre	4.3	1.6	0.3	-	-	-	0.3
Goldfields Esperance Revitalisation Subtotal	9.0	48.5	45.2	42.4	34.4	12.0	133.9
Southern Investment Initiative – Growing Our South							
Southern Investment Initiative	-	4.5	2.4	15.4	167.7	107.9	293.4
Growing Our South Unit	0.2	2.6	2.5	2.5	4.6	2.6	12.2
Margaret River Main Street Redevelopment	-	5.5	-	-	-	-	-
Denmark East Development Precinct	-	7.6	-	-	-	-	-
Revitalisation of Manjimup Town Centre	-	22.3	-	-	-	-	-
Katanning SuperTown Heritage Centre Project	-	15.7	-	-	-	-	-
Bremer Bay Town Centre and Trail Project	-	1.7	-	-	-	-	-
Transforming Bunbury Waterfront (Stage 1)	-	13.8	8.6	2.5	-	-	11.1
Transform Peel – Phase 1	-	-	4.3	21.8	23.2	-	49.3
Mandurah Traffic Bridge	8.8	-	-	-	-	-	-
Busselton Airport	45.9	-	-	-	-	-	-
Northcliffe Aged Accommodation Units	1.2	-	-	-	-	-	-
Pemberton Retirement Village Extension	1.3	-	-	-	-	-	-
Ferguson Valley Tourism Route	1.7	-	-	-	-	-	-
South West Ageing in Place Pilot	2.9	2.0	-	-	-	-	-
Katanning Early Childhood Hub	5.7	-	-	-	-	-	-
Boddington Recreation and Community Centre Stage 1	2.5	-	-	-	-	-	-
Mainstreet Stage 2: Richardson to Railway Upgrade	0.4	-	-	-	-	-	-
Stage 1 Affordable Student Accommodation Project – Norman House	1.2	-	-	-	-	-	-
Torndirrup National Park Visitor Infrastructure	-	1.2	-	-	-	-	-
Byford and Districts Country Club Community Project	0.6	-	-	-	-	-	-
Regional and Strategic Waste Management Approach	3.1	-	-	-	-	-	-

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2014-15 Actual	2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Jurien Bay Sewerage Project Stage 1B	1.1	-	-	-	-	-	-
Narrogin Heavy Haulage Bypass – Wanerie Road Extension	1.0	-	-	-	-	-	-
Supporting Ageing in the Bush	-	20.2	-	-	-	-	-
Northam Townsite Drainage Improvement Works	1.0	-	-	-	-	-	-
Margaret River Perimeter Road	-	-	8.0	50.3	-	-	58.3
Southern Investment Initiative – Growing Our South Subtotal	78.6	97.1	25.8	92.5	195.5	110.5	424.3
Statewide Regional Blueprint Initiatives							
Statewide Regional Blueprint Initiatives	-	1.2	3.6	53.1	250.6	335.4	642.6
Statewide Regional Blueprint Initiatives Subtotal	-	1.2	3.6	53.1	250.6	335.4	642.6
Gascoyne Revitalisation							
Gascoyne Development Plan	29.8	3.2	3.5	-	-	-	3.5
Denham Timber Jetty Replacement	0.6	1.6	-(a)	-	-	-	-(a)
Exmouth Health Clinic	6.1	0.8	-	-	-	-	-
Carnarvon Health Campus	10.7	7.9	-	-	-	-	-
Coral Bay Seasonal Staff Accommodation	0.1	0.2	0.8	0.1	0.1	-	1.0
Exmouth Boat Harbour	1.0	6.1	11.2	-	-	-	11.2
Gascoyne Revitalisation Subtotal	48.2	19.8	15.5	0.1	0.1	-	15.7
Mid West Revitalisation							
Midwest Investment Plan	-	12.0	1.8	21.7	20.5	49.9	93.8
Morawa Town Centre Revitalisation	0.1	-	-	-	-	-	-
Railway Building Restoration	0.3	-	-	-	-	-	-
Batavia Coast Marina 2	0.7	1.7	0.5	-	-	-	0.5
Yuna Multipurpose Community Centre	0.3	-	-	-	-	-	-
East Bowes Sealing	0.6	-	-	-	-	-	-
Foodbank Geraldton	2.0	0.1	-	-	-	-	-
Perenjori Early Childhood Centre	-(a)	-	-	-	-	-	-
Ballinyoo Bridge	-	0.1	-	-	-	-	-
Geraldton Cemetery Board Capital Works	-	1.3	0.1	-	-	-	0.1
Landor Road – Upgrade and Seal of Meekatharra to Carnarvon Route	-	3.0	-	-	-	-	-
Kalbarri Skywalk and National Park Infrastructure	-	1.5	18.2	0.3	-	-	18.5
Lot 601 Marine Terrace	-	5.6	-	-	-	-	-
Wonthella Oval Lights	0.6	-	-	-	-	-	-
Binnu West and White Cliffs	2.6	-	-	-	-	-	-
Monsignor Hawes	0.5	1.0	-	-	-	-	-
Horrocks Community Centre	0.7	-	-	-	-	-	-
Wubin – Mullewa Road	3.8	0.3	-	-	-	-	-
Dongara Road Alignment	-(a)	-	0.8	-	-	-	0.8
Geraldton Residential College	0.3	-	-	-	-	-	-
Murchison Radio-Astronomy Observatory Power Supply Project	-	8.2	-	-	-	-	-
Durack Student Services Interactive Hub	-	0.9	1.1	-	-	-	1.1
Midwest Unit	0.6	0.8	0.5	-	-	-	0.5
Mid West Revitalisation Subtotal	13.0	36.5	23.0	22.0	20.5	49.9	115.4

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2014-15 Actual	2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Health Infrastructure							
Esperance Health Campus	7.6	8.8	-	-	-	-	-
Laverton Health Centre	-	-	0.5	4.0	12.0	3.0	19.5
Busseton ICT	7.1	3.2	-	-	-	-	-
Regional Health Infrastructure Subtotal	14.7	12.0	0.5	4.0	12.0	3.0	19.5
North West Health Initiative							
North West Health Initiative	-	-	7.4	12.7	11.0	49.4	80.5
Onslow Health Service Redevelopment	-	-	-	19.8	-	-	19.8
Newman Health Service Redevelopment	-	-	5.0	30.1	14.6	-	49.7
North West Health Initiative Subtotal	-	-	12.4	62.7	25.6	49.4	150.1
Southern Inland Health Initiative							
District Medical Workforce Investment Program	26.8	37.8	34.6	7.1	-	-	41.7
District Hospital Investment Program	8.7	17.4	69.1	53.3	18.2	-	140.6
Primary Health Centres Demonstration Program	0.9	4.6	10.1	14.8	7.8	-	32.7
Small Hospital and Nursing Post Refurbishment Program	4.4	13.8	57.1	7.4	9.9	-	74.4
Telehealth Investment Program	3.8	6.3	7.6	6.0	6.0	-	19.6
Residential Aged and Dementia Care Investment Program	0.1	2.3	10.0	4.5	3.1	-	17.6
Renal Dialysis Service Expansion	0.3	0.5	1.7	2.5	1.8	-	6.0
Southern Inland Health Initiative Subtotal	45.1	82.7	190.3	95.6	46.8	-	332.6
Regional Skills and Training							
Regional Skills and Training Initiative	30.9	11.6	0.5	0.5	0.3	-	1.2
Regional Skills and Training Subtotal	30.9	11.6	0.5	0.5	0.3	-	1.2
Regional Schools							
Carnarvon Community College	-	-	4.0	13.6	11.9	-	29.5
Cape Naturaliste College	-	-	-	-	-	6.0	6.0
Cunderdin Agriculture College	1.7	-	-	-	-	-	-
Regional Schools Plan	5.7	0.7	-	-	-	-	-
Relocation of Year 7 Students – Regional Capital Works	8.7	3.0	-	-	-	-	-
Regional Residential College Upgrades	5.7	14.2	-	-	8.7	-	8.7
Regional Schools Subtotal	21.7	17.9	4.0	13.6	20.6	6.0	44.2
Portlink Inland Freight Corridor							
Portlink Inland Freight Corridor Planning	1.4	1.0	-	-	-	-	-
Portlink Inland Freight Corridor Subtotal	1.4	1.0	-	-	-	-	-
Regional Development - Water and NRM Initiatives							
Regional Development Water and NRM Initiatives	17.5	14.7	2.1	-	-	-	2.1
Managing Western Australia's Natural Resources: Supporting Community Involvement	-	6.3	6.2	6.2	0.5	-	12.9
Regional Natural Resource Management – State Barrier Fence	1.1	3.5	2.5	-	-	-	2.5
Regional Development - Water and NRM Initiatives Subtotal	18.6	24.6	10.8	6.2	0.5	-	17.5

Table 2 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2014-15 Actual	2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Centres Development Plan (SuperTowns)							
SuperTowns Development Planning Fund	..(a)	-	-	-	-	-	-
Regional Centres Development Plan (SuperTowns) Subtotal	-	-	-	-	-	-	-
Regional Infrastructure Projects							
Regional Mobile Communications Project	6.7	..(a)	-	-	-	-	-
Regional Telecommunications Project – Stage 2	3.3	11.7	10.0	13.5	6.5	-	30.0
Community Safety Network	7.8	17.2	18.7	9.0	-	-	27.6
Recreational Boating Facilities Scheme	2.3	4.6	3.3	-	-	-	3.3
Regional Airports Development Scheme	4.7	1.8	2.1	-	-	-	2.1
Doppler Radar Project	22.6	0.2	0.2	0.1	-	-	0.3
Ravensthorpe Heavy Haulage Route	5.5	-	-	-	-	-	-
Middleton Beach Hotel Site	3.3	1.4	0.2	-	-	-	0.2
Parks and Wildlife Headquarters	-	0.7	4.6	7.0	5.8	-	17.4
Conservation Parks Infrastructure and Roads	1.4	1.8	-	-	-	-	-
Avonlink Enhancement Project	2.1	2.2	2.1	-	-	-	2.1
Jurien Bay to Cervantes Cycle Path	-	-	0.6	-	-	-	0.6
Bunbury Marine Facilities	1.0	-	-	-	-	-	-
Bunbury to Albany Gas Pipeline	-	-	3.0	3.0	13.5	-	19.5
Living Lakes	0.4	0.8	1.0	1.0	1.0	-	3.0
Revitalising Waterways of Geographe Bay	-	1.0	2.7	2.2	1.2	-	6.2
Regional Estuaries Initiative	-	1.3	6.1	5.7	6.9	-	18.7
Collie Water Plan	..(a)	..(a)	-	-	-	-	-
Road Coach Capital Replacement Program	0.0	10.6	4.5	-	-	-	4.5
Regional Bus Acquisition	3.4	-	-	-	-	-	-
Regional Infrastructure Projects Subtotal	64.4	55.2	59.1	41.5	34.9	-	135.5
TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND	540.9	671.6	622.2	666.1	814.8	661.1	2,764.1
NEW REGIONAL AND STATEWIDE INITIATIVES							
New Regional and Statewide Initiatives Administration	-	13.8	25.1	69.6	77.5	279.4	451.6
	47.7	50.6	50.9	51.3	48.8	49.6	200.6
TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES	47.7	64.4	75.9	120.9	126.3	329.0	652.1
Over Programming Provision	0.0	-161.2	-163.3	-161.3	-176.5	-176.5	-677.5
TOTAL - ROYALTIES FOR REGIONS FUND	890.6	868.0	872.0	914.0	1,000.0	1,000.0	3,786.0
Future Fund Contribution ^(b)	262.5	125.6	-	-	-	-	-
Regional Reform Fund Special Purpose Account Transfer ^(c)	50.0	50.0	-	50.0	-	-	50.0

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

(b) Total Royalties for Regions Future Fund contribution of \$932.7 million.

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

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

Detailed Financial Projections

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

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

	Note	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,882	9,045	8,927	9,204	9,612	10,064
Current grants and subsidies		8,051	7,304	7,687	8,870	10,977	12,603
Capital grants		1,263	1,033	779	824	592	286
Sales of goods and services		2,105	2,141	2,227	2,319	2,416	2,542
Interest income		185	178	167	164	174	180
Revenue from public corporations							
Dividends from other sector entities		1,187	1,422	984	1,128	1,187	1,189
Tax equivalent income		592	576	499	585	607	652
Royalty income		4,603	4,177	3,842	4,026	4,238	4,456
Other		532	617	568	553	503	508
<i>Total</i>	3	27,400	26,492	25,681	27,672	30,305	32,481
EXPENSES							
Salaries		11,089	11,420	11,819	11,831	12,126	12,423
Superannuation							
Concurrent costs		1,107	1,135	1,170	1,167	1,192	1,218
Superannuation interest cost		266	183	200	206	211	210
Other employee costs		430	394	401	407	410	401
Depreciation and amortisation		1,235	1,386	1,477	1,516	1,546	1,561
Services and contracts		2,057	2,270	2,356	2,293	2,382	2,447
Other gross operating expenses		5,131	5,451	5,549	5,472	5,798	6,017
Other interest		543	686	778	926	1,101	1,217
Current transfers	4	5,465	5,108	5,311	5,288	5,458	5,634
Capital transfers	4	507	497	535	458	278	267
<i>Total</i>	5	27,831	28,529	29,596	29,565	30,502	31,394
NET OPERATING BALANCE	6	-431	-2,037	-3,914	-1,893	-197	1,086
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-21	-53	7	1	27	43
Net actuarial gains - superannuation		98	-684	-154	-136	-150	-195
Provision for doubtful debts		-36	-4	-4	-4	-4	-4
Changes in accounting policy/adjustment of prior periods		-504	-	-	-	-	-
<i>Total other economic flows</i>		-463	-741	-151	-140	-128	-157
OPERATING RESULT		-894	-2,779	-4,066	-2,033	-325	929
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		2,229	73	739	890	1,178	1,280
Gains recognised directly in equity		-4	131	-	-	-	-
Change in net worth of the public corporations sectors		3,140	198	359	653	779	937
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		5,365	402	1,097	1,543	1,956	2,216
TOTAL CHANGE IN NET WORTH		4,472	-2,377	-2,968	-490	1,631	3,146
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-431	-2,037	-3,914	-1,893	-197	1,086
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,667	2,275	2,484	2,622	2,094	1,601
Changes in inventories		-9	14	-3	-	-	-
Other movement in non-financial assets		90	261	40	469	79	86
<i>Less:</i>							
Sales of non-financial assets		134	279	207	180	179	131
Depreciation		1,235	1,386	1,477	1,516	1,546	1,561
<i>Total net acquisition of non-financial assets</i>		1,378	884	839	1,396	448	-6
NET LENDING/-BORROWING	6	-1,809	-2,921	-4,753	-3,289	-645	1,092

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Note	2015	2016	2017	2018	2019	2020
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		785	805	852	915	976	1,001
Advances paid		678	730	712	711	713	716
Investments, loans and placements		3,571	3,488	2,620	2,805	5,173	7,359
Receivables		2,660	2,698	2,560	2,624	2,671	2,728
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		48,846	49,044	49,403	50,056	50,835	51,772
Investments in other public sector entities - direct injections		7,455	8,054	9,058	9,353	9,773	9,981
Investments in other entities		44	41	38	40	49	65
Other financial assets		-	-	-	-	-	-
Total financial assets		64,038	64,861	65,241	66,504	70,191	73,620
<i>Non-financial assets</i>							
Land		38,837	39,038	39,232	39,592	40,102	41,021
Property, plant and equipment		45,003	46,289	47,629	50,135	51,385	51,893
Biological assets		2	-	-	-	-	-
<i>Inventories</i>							
Land inventories		106	102	93	94	94	93
Other inventories		69	83	80	81	81	81
Intangibles		609	613	612	582	523	451
Non-current assets held for sale		27	29	29	29	29	29
Investment property		9	-	-	-	-	-
Other		249	538	719	285	287	274
Total non-financial assets		84,911	86,692	88,396	90,797	92,500	93,841
TOTAL ASSETS		148,949	151,553	153,637	157,300	162,691	167,461
LIABILITIES							
Deposits held		417	484	835	491	358	405
Advances received		407	392	376	360	343	327
Borrowings		13,603	18,495	23,366	28,014	32,023	33,772
Unfunded superannuation		7,573	7,933	7,772	7,609	7,463	7,352
Other employee benefits		3,292	2,957	3,023	3,054	3,106	3,144
Payables		1,071	1,079	1,076	1,113	1,159	1,172
Other liabilities		1,287	1,291	1,234	1,194	1,143	1,048
TOTAL LIABILITIES		27,649	32,631	37,682	41,836	45,595	47,220
NET ASSETS		121,299	118,922	115,954	115,464	117,096	120,241
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		11,012	11,529	7,494	5,460	5,131	6,055
Other reserves		110,287	107,393	108,460	110,005	111,964	114,186
NET WORTH	6	121,299	118,922	115,954	115,464	117,096	120,241
MEMORANDUM ITEMS							
<i>Net financial worth</i>		36,389	32,230	27,559	24,668	24,596	26,400
<i>Net financial liabilities</i>		19,912	24,867	30,902	34,741	36,012	35,353
<i>Net debt</i>							
Gross debt liabilities		14,427	19,371	24,577	28,865	32,725	34,504
Less: liquid financial assets		5,034	5,024	4,184	4,431	6,863	9,075
Less: convergence differences impacting net debt		88	-	-	-	-	-
Net debt		9,306	14,347	20,393	24,434	25,862	25,429

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	Note	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,846	9,057	8,941	9,218	9,625	10,078
Grants and subsidies received		9,394	8,356	8,437	9,688	11,573	12,888
Receipts from sales of goods and services		2,129	2,176	2,239	2,350	2,445	2,574
Interest receipts		180	170	159	156	166	173
Dividends and tax equivalents		1,865	2,031	1,562	1,687	1,797	1,850
Other receipts		6,799	5,876	5,711	5,773	5,906	6,124
<i>Total cash received</i>		<i>29,213</i>	<i>27,667</i>	<i>27,050</i>	<i>28,872</i>	<i>31,512</i>	<i>33,687</i>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-12,546	-13,400	-13,437	-13,476	-13,780	-14,126
Payments for goods and services		-7,761	-7,970	-8,190	-8,177	-8,577	-8,890
Interest paid		-537	-634	-737	-873	-1,041	-1,171
Grants and subsidies paid		-5,767	-5,499	-5,654	-5,591	-5,574	-5,731
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,562	-1,429	-1,439	-1,380	-1,408	-1,383
<i>Total cash paid</i>		<i>-28,173</i>	<i>-28,931</i>	<i>-29,456</i>	<i>-29,498</i>	<i>-30,379</i>	<i>-31,301</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,040	-1,264	-2,406	-626	1,133	2,385
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,667	-2,275	-2,484	-2,622	-2,094	-1,601
Sales of non-financial assets		134	279	207	180	179	131
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,533</i>	<i>-1,996</i>	<i>-2,278</i>	<i>-2,442</i>	<i>-1,914</i>	<i>-1,470</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		18	136	10	10	10	10
For liquidity purposes		5	43	35	17	9	9
<i>Cash paid</i>							
For policy purposes		-566	-787	-962	-357	-464	-240
For liquidity purposes		-22	-58	-	-	-	-
<i>Total cash flows from investments in financial assets</i>		<i>-565</i>	<i>-666</i>	<i>-917</i>	<i>-330</i>	<i>-445</i>	<i>-221</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,098	-2,662	-3,195	-2,772	-2,359	-1,690
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		16	16	16	16	17	17
Borrowings		2,065	5,074	5,033	4,333	4,107	1,821
Deposits received		-	-	-	-	-	-
Other financing receipts		448	55	41	61	57	53
<i>Total cash receipts from financing activities</i>		<i>2,529</i>	<i>5,145</i>	<i>5,090</i>	<i>4,410</i>	<i>4,181</i>	<i>1,891</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-79	-93	-166	-77	-77	-78
Deposits paid		-	-	-	-	-	-
Other financing payments		-424	-532	-466	-311	-293	-319
<i>Total payments for financing activities</i>		<i>-519</i>	<i>-640</i>	<i>-648</i>	<i>-404</i>	<i>-387</i>	<i>-414</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,010	4,505	4,442	4,007	3,794	1,477
Net increase in cash and cash equivalents		-48	579	-1,159	608	2,567	2,172
Cash and cash equivalents at the beginning of the year		4,488	4,440	5,019	3,860	4,469	7,036
Cash and cash equivalents at the end of the year		4,440	5,019	3,860	4,469	7,036	9,208
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,040	-1,264	-2,406	-626	1,133	2,385
Net cash flows from investing in non-financial assets		-2,533	-1,996	-2,278	-2,442	-1,914	-1,470
Cash surplus/-deficit	6	-1,493	-3,260	-4,684	-3,069	-782	916

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2014-15 Actual \$m	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forw ard Estimate \$m	2018-19 Forw ard Estimate \$m	2019-20 Forw ard Estimate \$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		2,307	2,256	2,149	2,012	1,920	1,918
Capital grants		113	220	211	187	16	5
Sales of goods and services		16,778	15,780	16,885	18,315	19,379	19,940
Interest income		163	143	144	153	183	201
Other		846	542	610	591	603	709
<i>Total</i>		<i>20,208</i>	<i>18,941</i>	<i>19,999</i>	<i>21,258</i>	<i>22,100</i>	<i>22,773</i>
EXPENSES							
Salaries		1,173	1,225	1,210	1,209	1,230	1,238
Superannuation							
Concurrent costs		118	122	120	119	121	121
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		80	49	47	47	46	47
Depreciation and amortisation		1,979	2,077	2,121	2,140	2,175	2,196
Services and contracts		937	874	894	698	599	581
Other gross operating expenses		12,379	11,505	12,540	13,652	14,376	14,789
Other interest		845	918	901	929	1,010	1,094
Tax equivalents		546	472	475	554	574	617
Current transfers		1,054	1,067	1,114	1,148	1,192	1,226
Capital transfers		47	135	-	-	-	13
<i>Total</i>		<i>19,158</i>	<i>18,444</i>	<i>19,422</i>	<i>20,496</i>	<i>21,324</i>	<i>21,923</i>
NET OPERATING BALANCE	6	1,049	497	577	762	775	850
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		95	99	163	254	359	213
Net actuarial gains - superannuation		-40	-	-	-	-	-
Provision for doubtful debts		-6	-17	-17	-18	-19	-19
Changes in accounting policy/adjustment of prior periods		-24	-	-	-	-	-
<i>Total other economic flows</i>		<i>25</i>	<i>81</i>	<i>146</i>	<i>236</i>	<i>340</i>	<i>194</i>
OPERATING RESULT		1,074	579	723	998	1,115	1,044
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		2,583	993	590	677	739	1,034
Gains recognised directly in equity		405	-123	-54	-60	-69	-126
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>2,988</i>	<i>870</i>	<i>535</i>	<i>617</i>	<i>670</i>	<i>908</i>
<i>Movements in owner equity</i>							
Dividends		-1,142	-1,279	-935	-1,074	-1,130	-1,128
Capital injections		721	599	1,004	295	421	208
<i>Total movements in owner equity</i>		<i>-421</i>	<i>-680</i>	<i>69</i>	<i>-779</i>	<i>-709</i>	<i>-920</i>
TOTAL CHANGE IN NET WORTH		3,640	768	1,327	835	1,076	1,032
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	1,049	497	577	762	775	850
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,125	2,999	3,370	3,504	3,596	3,566
Changes in inventories		183	614	253	141	130	58
Other movement in non-financial assets		328	10	155	169	177	241
<i>Less:</i>							
Sales of non-financial assets		804	857	863	901	975	925
Depreciation		1,979	2,077	2,121	2,140	2,175	2,196
<i>Total net acquisition of non-financial assets</i>		<i>853</i>	<i>689</i>	<i>795</i>	<i>772</i>	<i>753</i>	<i>743</i>
NET LENDING/-BORROWING	6	196	-192	-218	-10	22	107

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2015	2016	2017	2018	2019	2020
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,157	1,254	1,547	1,333	1,228	1,506
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,713	5,228	5,477	5,442	5,490	5,510
Receivables		1,079	1,003	1,222	1,406	1,672	1,715
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		33	42	46	59	73	88
Other financial assets		910	849	785	724	635	519
Total financial assets		7,893	8,376	9,076	8,963	9,097	9,337
<i>Non-financial assets</i>							
Land		15,248	15,248	15,248	15,400	15,708	16,179
Property, plant and equipment		53,627	54,615	55,682	56,943	58,240	59,778
Biological assets		314	316	319	318	317	316
Inventories							
Land inventories		2,175	2,059	2,089	2,044	1,998	1,956
Other inventories		3,408	4,022	4,276	4,416	4,546	4,604
Intangibles		512	448	429	413	405	408
Non-current assets held for sale		44	36	36	36	36	36
Investment property		51	51	51	51	51	51
Other		203	156	163	148	149	149
Total non-financial assets		75,581	76,951	78,293	79,771	81,450	83,478
TOTAL ASSETS		83,474	85,327	87,369	88,734	90,547	92,815
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		407	392	376	360	343	327
Borrowings		22,245	22,889	23,509	23,916	24,520	25,736
Unfunded superannuation		129	79	22	-	-	-
Other employee benefits		461	437	440	444	449	453
Payables		4,680	5,079	5,200	5,325	5,460	5,545
Other liabilities		1,260	1,393	1,435	1,467	1,477	1,424
TOTAL LIABILITIES		29,183	30,268	30,982	31,511	32,249	33,485
NET ASSETS		54,291	55,060	56,387	57,222	58,298	59,330
<i>Of which:</i>							
Contributed equity		7,452	8,051	9,055	9,350	9,770	9,978
Accumulated surplus		18,732	19,328	19,062	18,926	18,843	18,633
Other reserves		28,107	27,680	28,270	28,946	29,685	30,719
NET WORTH	6	54,291	55,060	56,387	57,222	58,298	59,330
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-75,581	-76,951	-78,293	-79,771	-81,450	-83,478
<i>Net debt</i>							
Gross debt liabilities		22,652	23,281	23,885	24,276	24,863	26,063
Less: liquid financial assets		5,870	6,482	7,023	6,774	6,718	7,016
Less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		16,783	16,799	16,862	17,502	18,145	19,047

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		2,476	2,564	2,362	2,202	1,938	1,929
Receipts from sales of goods and services		17,457	16,091	17,210	18,482	19,545	20,157
Interest receipts		168	143	144	153	182	201
Dividends and tax equivalents		68	69	117	69	69	75
Other receipts		1,439	966	953	1,049	1,058	1,110
<i>Total cash received</i>		21,608	19,834	20,786	21,954	22,793	23,471
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,316	-1,463	-1,414	-1,429	-1,419	-1,420
Payments for goods and services		-12,648	-11,104	-11,965	-12,688	-13,340	-13,776
Interest paid		-784	-856	-838	-883	-974	-1,089
Grants and subsidies paid		-774	-775	-803	-824	-853	-876
Tax equivalents		-660	-560	-472	-534	-579	-627
Other payments		-3,029	-2,753	-2,910	-2,929	-3,028	-3,145
<i>Total cash paid</i>		-19,211	-17,511	-18,402	-19,288	-20,193	-20,933
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,397	2,322	2,385	2,667	2,600	2,538
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,125	-2,999	-3,370	-3,504	-3,596	-3,566
Sales of non-financial assets		804	857	863	901	975	925
<i>Total cash flows from investments in non-financial assets</i>		-2,321	-2,142	-2,507	-2,603	-2,622	-2,640
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		197	81	14	28	12	49
<i>Cash paid</i>							
For policy purposes		-13	-3	-	-21	-17	-11
For liquidity purposes		-154	-71	-37	-28	-26	-48
<i>Total cash flows from investments in financial assets</i>		30	7	-24	-21	-31	-9
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,292	-2,135	-2,531	-2,625	-2,653	-2,650
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		17,993	19,495	30,172	31,512	29,151	31,106
Deposits received		-	-	-	-	-	-
Other financing receipts		604	872	1,010	406	542	346
<i>Total cash received</i>		18,597	20,367	31,182	31,918	29,693	31,452
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-17,754	-18,946	-29,504	-31,071	-28,559	-29,874
Deposits paid		-	-	-	-	-	-
Other financing payments		-32	-32	-30	-30	-31	-33
Dividends paid		-1,142	-1,266	-935	-1,074	-1,129	-1,127
<i>Total cash paid</i>		-18,945	-20,260	-30,485	-32,191	-29,736	-31,051
NET CASH FLOWS FROM FINANCING ACTIVITIES		-348	106	698	-273	-43	402
Net increase in cash and cash equivalents		-243	294	551	-231	-96	290
Cash and cash equivalents at the beginning of the year		1,803	1,560	1,854	2,405	2,174	2,078
Cash and cash equivalents at the end of the year		1,560	1,854	2,405	2,174	2,078	2,368
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,397	2,322	2,385	2,667	2,600	2,538
Net cash flows from investing in non-financial assets		-2,321	-2,142	-2,507	-2,603	-2,622	-2,640
Dividends paid		-1,142	-1,266	-935	-1,074	-1,129	-1,127
Cash surplus/-deficit	6	-1,066	-1,086	-1,058	-1,010	-1,150	-1,229

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2014-15 Actual \$m	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,404	8,552	8,409	8,665	9,048	9,485
Current grants and subsidies		8,051	7,304	7,687	8,870	10,977	12,603
Capital grants		1,263	1,033	779	824	592	286
Sales of goods and services		18,404	17,447	18,630	20,142	21,291	21,981
Interest income		319	296	280	292	334	359
Royalty income		4,603	4,177	3,842	4,026	4,238	4,456
Dividend and tax equivalents		162	316	191	154	160	171
Other		1,258	1,057	1,029	1,043	1,005	1,110
<i>Total</i>		42,463	40,181	40,848	44,015	47,645	50,451
EXPENSES							
Salaries		12,262	12,645	13,029	13,040	13,356	13,661
Superannuation							
Concurrent costs		1,225	1,257	1,290	1,286	1,313	1,339
Superannuation interest cost		266	183	200	206	211	210
Other employee costs		296	259	257	260	265	267
Depreciation and amortisation		3,214	3,463	3,598	3,656	3,721	3,757
Services and contracts		2,983	3,147	3,253	2,995	2,986	3,033
Other gross operating expenses		17,059	16,452	17,575	18,594	19,620	20,237
Other interest		1,359	1,578	1,648	1,830	2,088	2,289
Current transfers		3,885	3,605	3,947	4,081	4,373	4,573
Capital transfers		439	411	325	271	263	275
<i>Total</i>		42,987	43,000	45,120	46,220	48,196	49,642
NET OPERATING BALANCE	6	-524	-2,819	-4,273	-2,205	-551	809
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		74	45	170	255	385	256
Net actuarial gains - superannuation		58	-684	-154	-136	-150	-195
Provision for doubtful debts		-42	-22	-21	-22	-23	-24
Changes in accounting policy/adjustment of prior periods		-534	-	-	-	-	-
<i>Total other economic flows</i>		-443	-660	-5	96	212	37
OPERATING RESULT		-967	-3,479	-4,278	-2,109	-339	846
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		4,812	1,066	1,328	1,567	1,916	2,314
Gains recognised directly in equity		401	8	-55	-60	-70	-126
Change in net worth of the PFC sector		226	28	36	113	123	113
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		5,439	1,102	1,309	1,619	1,970	2,300
TOTAL CHANGE IN NET WORTH		4,472	-2,377	-2,968	-490	1,631	3,146
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-524	-2,819	-4,273	-2,205	-551	809
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,767	5,204	5,854	6,127	5,690	5,166
Changes in inventories		173	628	251	141	130	58
Other movement in non-financial assets		418	270	195	638	257	326
<i>Less:</i>							
Sales of non-financial assets		913	1,066	1,069	1,081	1,154	1,056
Depreciation		3,214	3,463	3,598	3,656	3,721	3,757
<i>Total net acquisition of non-financial assets</i>		2,231	1,573	1,633	2,168	1,201	737
NET LENDING/-BORROWING	6	-2,755	-4,392	-5,906	-4,373	-1,752	72

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2015	2016	2017	2018	2019	2020
		Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,579	1,634	1,623	1,816	1,905	2,161
Advances paid		270	338	336	351	370	389
Investments, loans and placements		8,282	8,714	8,094	8,244	10,661	12,866
Receivables		3,645	3,593	3,669	3,897	4,214	4,324
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		2,010	2,038	2,073	2,186	2,310	2,422
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		77	83	84	99	122	152
Other financial assets		-	-	-	-	-	-
Total financial assets		15,863	16,400	15,879	16,594	19,581	22,315
<i>Non-financial assets</i>							
Land		54,084	54,285	54,480	54,992	55,811	57,200
Property, plant and equipment		98,630	100,905	103,312	107,078	109,624	111,671
Biological assets		316	317	319	319	317	316
<i>Inventories</i>							
Land inventories		2,281	2,161	2,182	2,138	2,092	2,049
Other inventories		3,477	4,106	4,356	4,497	4,627	4,685
Intangibles		1,121	1,061	1,041	995	927	859
Non-current assets held for sale		71	65	65	65	65	65
Investment property		59	51	51	51	51	51
Other		452	694	882	433	436	423
Total non-financial assets		160,492	163,644	166,688	170,567	173,950	177,319
TOTAL ASSETS		176,355	180,044	182,567	187,161	193,531	199,634
LIABILITIES							
Deposits held		53	57	57	57	57	57
Advances received		407	392	376	360	343	327
Borrowings		35,848	41,383	46,875	51,931	56,543	59,508
Unfunded superannuation		7,702	8,012	7,794	7,609	7,463	7,352
Other employee benefits		3,752	3,393	3,463	3,498	3,555	3,598
Payables		5,661	6,053	6,167	6,309	6,494	6,603
Other liabilities		1,633	1,831	1,880	1,933	1,981	1,949
TOTAL LIABILITIES		55,055	61,122	66,613	71,696	76,436	79,393
NET ASSETS		121,299	118,922	115,954	115,464	117,096	120,241
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,751	30,864	26,563	24,393	23,981	24,695
Other reserves		91,548	88,058	89,391	91,072	93,114	95,546
NET WORTH	6	121,299	118,922	115,954	115,464	117,096	120,241
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-39,192	-44,721	-50,734	-55,103	-56,854	-57,078
<i>Net financial liabilities</i>		41,279	46,842	52,891	57,388	59,286	59,653
<i>Net debt</i>							
Gross debt liabilities		36,308	41,832	47,308	52,347	56,943	59,892
Less: liquid financial assets		10,131	10,687	10,053	10,411	12,936	15,416
Less: convergence differences impacting net debt		88	-	-	-	-	-
Net debt		26,088	31,145	37,255	41,936	44,007	44,476

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	Note	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,366	8,555	8,413	8,668	9,050	9,487
Grants and subsidies received		9,394	8,356	8,437	9,688	11,573	12,888
Receipts from sales of goods and services		19,113	17,797	18,972	20,344	21,490	22,234
Interest receipts		319	288	271	284	326	351
Dividends and tax equivalents		131	274	272	148	158	170
Other receipts		7,927	6,531	6,337	6,427	6,584	6,866
<i>Total cash received</i>		45,250	41,801	42,701	45,558	49,182	51,997
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-13,861	-14,863	-14,850	-14,905	-15,198	-15,545
Payments for goods and services		-19,665	-18,321	-19,377	-20,011	-21,064	-21,828
Interest paid		-1,293	-1,463	-1,543	-1,731	-1,992	-2,238
Grants and subsidies paid		-4,029	-3,684	-4,071	-4,188	-4,465	-4,655
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,108	-3,677	-3,818	-3,756	-3,858	-3,934
<i>Total cash paid</i>		-42,956	-42,009	-43,659	-44,592	-46,578	-48,200
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,295	-208	-957	966	2,604	3,797
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,767	-5,204	-5,854	-6,127	-5,690	-5,166
Sales of non-financial assets		913	1,066	1,069	1,081	1,154	1,056
<i>Total cash flows from investments in non-financial assets</i>		-4,854	-4,138	-4,785	-5,045	-4,536	-4,110
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		18	136	10	10	10	10
For liquidity purposes		202	124	49	44	21	58
<i>Cash paid</i>							
For policy purposes		-17	-10	-10	-10	-10	-10
For liquidity purposes		-176	-129	-37	-28	-26	-48
<i>Total cash flows from investments in financial assets</i>		27	120	11	16	-6	11
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,828	-4,017	-4,774	-5,030	-4,541	-4,099
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		20,058	24,569	35,205	35,846	33,258	32,927
Deposits received		-	-	-	-	-	-
Other financing receipts		454	44	35	38	40	42
<i>Total cash received</i>		20,512	24,613	35,240	35,884	33,298	32,969
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-17,833	-19,039	-29,670	-31,148	-28,636	-29,952
Deposits paid		-	-	-	-	-	-
Other financing payments		-421	-461	-432	-280	-236	-235
<i>Total cash paid</i>		-18,270	-19,515	-30,117	-31,443	-28,889	-30,204
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,242	5,098	5,123	4,440	4,409	2,765
Net increase in cash and cash equivalents		-291	873	-608	377	2,472	2,462
Cash and cash equivalents at the beginning of the year		6,290	5,999	6,872	6,264	6,641	9,113
Cash and cash equivalents at the end of the year		5,999	6,872	6,264	6,641	9,113	11,575
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,295	-208	-957	966	2,604	3,797
Net cash flows from investing in non-financial assets		-4,854	-4,138	-4,785	-5,045	-4,536	-4,110
Cash surplus/-deficit	6	-2,560	-4,346	-5,742	-4,079	-1,932	-314

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		980	1,021	1,190	1,350	1,426	1,507
Interest income		1,702	1,948	2,031	2,223	2,532	2,786
Other		3	1	1	-	-	-
<i>Total</i>		<i>2,685</i>	<i>2,970</i>	<i>3,222</i>	<i>3,573</i>	<i>3,958</i>	<i>4,293</i>
EXPENSES							
Salaries		52	53	57	59	61	63
Superannuation							
Concurrent costs		5	5	6	6	6	6
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		13	6	7	7	7	7
Services and contracts		8	10	11	11	12	12
Other gross operating expenses		858	844	1,094	1,214	1,289	1,374
Other interest		1,520	1,741	1,812	2,001	2,292	2,538
Tax equivalents		46	104	24	31	34	35
Current transfers		5	4	5	5	4	4
Capital transfers		1	1	1	1	1	1
<i>Total</i>		<i>2,509</i>	<i>2,772</i>	<i>3,020</i>	<i>3,336</i>	<i>3,707</i>	<i>4,043</i>
NET OPERATING BALANCE	6	176	198	202	237	251	250
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		253	54	-	-	-	-
Net actuarial gains - superannuation		2	-	-	-	-	-
Provision for doubtful debts		-3	-	-	-	-	-
Changes in accounting policy/adjustment of prior periods		-159	-	-	-	-	-
<i>Total other economic flows</i>		<i>92</i>	<i>54</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
OPERATING RESULT		268	253	202	237	251	250
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-88	-13	-	-1	-1	-1
Gains recognised directly in equity		156	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>69</i>	<i>-13</i>	<i>-</i>	<i>-1</i>	<i>-1</i>	<i>-1</i>
<i>Movements in owner equity</i>							
Dividends		-116	-212	-166	-123	-126	-136
Capital injections		3	-	-	-	-	-
<i>Total movements in owner equity</i>		<i>-114</i>	<i>-212</i>	<i>-166</i>	<i>-123</i>	<i>-126</i>	<i>-136</i>
TOTAL CHANGE IN NET WORTH		223	28	36	113	123	113
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	176	198	202	237	251	250
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		11	9	8	7	8	9
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>Less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		13	6	7	7	7	7
<i>Total net acquisition of non-financial assets</i>		<i>-2</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>-</i>	<i>1</i>
NET LENDING/-BORROWING	6	178	196	201	236	250	249

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2015	2016	2017	2018	2019	2020
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		52	17	24	31	40	47
Advances paid		4,162	4,387	4,390	4,398	4,464	4,502
Investments, loans and placements		44,788	51,418	55,309	58,086	63,121	66,501
Receivables		555	454	446	437	432	430
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,593	1,708	1,833	2,009	2,201	2,417
Other financial assets		7	7	7	7	7	7
Total financial assets		51,156	57,992	62,009	64,968	70,263	73,903
<i>Non-financial assets</i>							
Land		-	-	-	-	-	-
Property, plant and equipment		5	5	6	5	5	5
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		8	10	10	11	11	12
Non-current assets held for sale		808	-	-	-	-	-
Investment property		-	380	406	441	475	510
Other		2	2	2	2	2	2
Total non-financial assets		824	397	424	459	494	530
TOTAL ASSETS		51,980	58,390	62,433	65,427	70,757	74,433
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	3	3	3	3	3
Borrowings		46,285	52,535	56,303	58,834	63,653	66,763
Unfunded superannuation		9	10	11	12	13	15
Other employee benefits		10	10	10	10	10	10
Payables		182	247	139	119	97	98
Other liabilities		3,481	3,547	3,894	4,262	4,670	5,121
TOTAL LIABILITIES		49,971	56,352	60,360	63,241	68,447	72,011
NET ASSETS		2,010	2,038	2,073	2,186	2,310	2,422
<i>Of which:</i>							
Contributed equity		3	3	3	3	3	3
Accumulated surplus		1,879	1,771	1,800	1,900	2,011	2,111
Other reserves		128	263	271	283	296	309
NET WORTH	6	2,010	2,038	2,073	2,186	2,310	2,422
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-824	-397	-424	-459	-494	-530
<i>Net debt</i>							
Gross debt liabilities		46,288	52,538	56,306	58,837	63,656	66,766
Less: liquid financial assets		49,002	55,823	59,723	62,515	67,624	71,049
Less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-2,714	-3,285	-3,417	-3,678	-3,968	-4,283

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2014-15 Actual \$m	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forw ard Estimate \$m	2018-19 Forw ard Estimate \$m	2019-20 Forw ard Estimate \$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		29	-	5	5	5	5
Receipts from sales of goods and services		1,085	1,032	1,267	1,338	1,410	1,509
Interest receipts		1,677	1,948	2,031	2,223	2,532	2,786
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		143	132	149	156	164	174
Total cash received		2,933	3,112	3,453	3,721	4,111	4,474
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-56	-57	-62	-63	-65	-68
Payments for goods and services		-822	-794	-844	-872	-910	-951
Interest paid		-1,654	-1,741	-1,812	-2,001	-2,292	-2,538
Grants and subsidies paid		-	-	-	-1	-	-
Tax equivalents		-19	-62	-106	-25	-32	-34
Other payments		-201	-193	-239	-250	-262	-278
Total cash paid		-2,752	-2,847	-3,063	-3,212	-3,561	-3,869
NET CASH FLOWS FROM OPERATING ACTIVITIES		182	265	390	509	550	605
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-11	-9	-8	-7	-8	-9
Sales of non-financial assets		-	-	-	-	-	-
Total cash flows from investments in non-financial assets		-10	-8	-8	-7	-7	-8
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		6,855	7,179	7,198	7,263	7,324	7,473
<i>Cash paid</i>							
For policy purposes		-	-1	-	-1	-1	-1
For liquidity purposes		-6,556	-7,028	-7,361	-7,497	-7,630	-7,787
Total cash flows from investments in financial assets		299	151	-163	-236	-308	-315
NET CASH FLOWS FROM INVESTING ACTIVITIES		288	143	-171	-243	-315	-324
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		34,072	47,971	47,301	46,701	44,889	43,872
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
Total cash received		34,072	47,971	47,301	46,701	44,889	43,872
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-33,282	-47,759	-47,333	-46,717	-44,857	-43,857
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-112	-212	-166	-123	-126	-136
Total cash paid		-33,395	-47,971	-47,500	-46,840	-44,983	-43,993
NET CASH FLOWS FROM FINANCING ACTIVITIES		677	-1	-198	-139	-94	-121
Net increase in cash and cash equivalents		1,148	407	21	127	140	160
Cash and cash equivalents at the beginning of the year		2,094	3,242	3,648	3,669	3,796	3,937
Cash and cash equivalents at the end of the year		3,242	3,648	3,669	3,796	3,937	4,097
KEY FISCAL AGGREGATES							
Net cash flow s from operating activities		182	265	390	509	550	605
Net cash flow s from investing in non-financial assets		-10	-8	-8	-7	-7	-8
Dividends paid		-112	-212	-166	-123	-126	-136
Cash surplus/-deficit	6	59	45	216	379	416	461

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	Note	2014-15 Actual \$m	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,400	8,549	8,406	8,661	9,044	9,480
Current grants and subsidies		8,051	7,304	7,687	8,870	10,977	12,603
Capital grants		1,263	1,033	779	824	592	286
Sales of goods and services		19,071	18,134	19,496	21,157	22,369	23,127
Interest income		648	640	584	593	655	693
Royalty income		4,603	4,177	3,842	4,026	4,238	4,456
Other		1,256	1,056	1,029	1,043	1,005	1,109
Total		43,292	40,892	41,824	45,173	48,880	51,756
EXPENSES							
Salaries		12,314	12,698	13,086	13,099	13,417	13,724
Superannuation							
Concurrent costs		1,230	1,262	1,296	1,292	1,319	1,346
Superannuation interest cost		266	183	200	206	211	210
Other employee costs		298	261	259	262	267	269
Depreciation and amortisation		3,226	3,470	3,605	3,663	3,728	3,765
Services and contracts		2,991	3,147	3,253	2,995	2,986	3,033
Other gross operating expenses		17,600	16,972	18,356	19,484	20,573	21,262
Other interest		1,506	1,715	1,733	1,909	2,169	2,375
Current transfers		3,886	3,606	3,947	4,082	4,373	4,573
Capital transfers		440	412	326	272	264	276
Total		43,756	43,725	46,060	47,264	49,307	50,833
NET OPERATING BALANCE	6	-464	-2,833	-4,237	-2,091	-426	923
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		327	100	170	255	385	256
Net actuarial gains - superannuation		60	-684	-154	-136	-150	-195
Provision for doubtful debts		-45	-22	-21	-22	-23	-24
Changes in accounting policy/adjustment of prior periods		-688	-	-	-	-	-
Total other economic flows		-345	-606	-5	96	212	37
OPERATING RESULT		-810	-3,439	-4,242	-1,995	-214	960
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		4,724	1,054	1,328	1,566	1,915	2,312
Gains recognised directly in equity		557	8	-55	-60	-70	-126
All other		-	-	-	-	-	-
Total all other movements in equity		5,281	1,062	1,274	1,505	1,846	2,186
TOTAL CHANGE IN NET WORTH		4,472	-2,377	-2,968	-490	1,631	3,146
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-464	-2,833	-4,237	-2,091	-426	923
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,777	5,212	5,862	6,134	5,698	5,175
Changes in inventories		173	628	251	141	130	58
Other movement in non-financial assets		418	270	195	638	257	326
<i>Less:</i>							
Sales of non-financial assets		913	1,066	1,070	1,081	1,154	1,056
Depreciation		3,226	3,470	3,605	3,663	3,728	3,765
Total net acquisition of non-financial assets		2,229	1,575	1,634	2,168	1,202	738
NET LENDING/-BORROWING	6	-2,693	-4,408	-5,871	-4,260	-1,628	185

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2015	2016	2017	2018	2019	2020
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,631	1,650	1,646	1,846	1,943	2,207
Advances paid		4,429	4,723	4,723	4,746	4,831	4,888
Investments, loans and placements		15,190	16,035	13,650	11,732	14,317	16,720
Receivables		3,747	3,516	3,626	3,809	4,096	4,204
Equity - Investments in other entities		1,670	1,791	1,917	2,108	2,323	2,569
Other financial assets		7	7	7	7	7	7
<i>Total financial assets</i>		26,674	27,722	25,567	24,248	27,517	30,595
<i>Non-financial assets</i>							
Land		54,084	54,285	54,480	54,992	55,811	57,200
Property, plant and equipment		98,636	100,910	103,317	107,083	109,630	111,677
Biological assets		316	317	319	319	317	316
Inventories							
Land inventories		2,281	2,161	2,182	2,138	2,092	2,049
Other inventories		3,477	4,106	4,356	4,497	4,627	4,685
Intangibles		1,129	1,071	1,051	1,006	939	871
Non-current assets held for sale		879	65	65	65	65	65
Investment property		59	431	457	492	526	561
Other		454	696	884	435	438	425
<i>Total non-financial assets</i>		161,315	164,041	167,112	171,026	174,443	177,849
TOTAL ASSETS		187,989	191,763	192,680	195,275	201,960	208,444
LIABILITIES							
Deposits held		52	56	56	56	56	56
Advances received		407	392	376	360	343	327
Borrowings		44,252	49,821	53,424	56,167	60,731	63,625
Unfunded superannuation		7,710	8,022	7,805	7,622	7,476	7,366
Other employee benefits		3,763	3,404	3,474	3,508	3,566	3,608
Payables		5,705	6,115	6,202	6,319	6,481	6,591
Other liabilities		4,800	5,032	5,388	5,779	6,210	6,631
TOTAL LIABILITIES		66,690	72,840	76,726	79,810	84,864	88,203
NET ASSETS		121,299	118,922	115,954	115,464	117,096	120,241
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		31,630	32,636	28,362	26,293	25,992	26,806
Other reserves		89,669	86,287	87,592	89,172	91,104	93,435
NET WORTH	6	121,299	118,922	115,954	115,464	117,096	120,241
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-40,016	-45,119	-51,158	-55,562	-57,348	-57,608
<i>Net financial liabilities</i>		41,686	46,910	53,075	57,670	59,670	60,177
<i>Net debt</i>							
Gross debt liabilities		44,712	50,269	53,856	56,582	61,131	64,007
Less: liquid financial assets		21,250	22,408	20,018	18,324	21,091	23,815
Less: convergence differences impacting net debt		88	-	-	-	-	-
<i>Net debt</i>		23,374	27,860	33,838	38,258	40,040	40,193

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Note	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,305	8,489	8,318	8,569	8,947	9,378
Grants and subsidies received		9,394	8,356	8,437	9,688	11,573	12,888
Receipts from sales of goods and services		19,836	18,488	19,942	21,371	22,576	23,382
Interest receipts		748	710	642	645	707	702
Dividends and tax equivalents		-	-	-	-	-	-
Other		8,065	6,658	6,482	6,577	6,742	7,034
<i>Total cash received</i>		46,347	42,701	43,821	46,851	50,545	53,385
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-13,917	-14,920	-14,912	-14,969	-15,264	-15,613
Payments for goods and services		-20,123	-18,774	-19,924	-20,572	-21,649	-22,419
Interest paid		-1,699	-1,678	-1,695	-1,871	-2,133	-2,340
Grants and subsidies paid		-4,001	-3,685	-4,066	-4,184	-4,460	-4,650
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,244	-3,799	-3,958	-3,902	-4,011	-4,098
<i>Total cash paid</i>		-43,983	-42,856	-44,555	-45,498	-47,517	-49,119
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,364	-155	-733	1,353	3,028	4,266
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,777	-5,212	-5,862	-6,134	-5,698	-5,175
Sales of non-financial assets		913	1,066	1,070	1,081	1,154	1,056
<i>Total cash flows from investments in non-financial assets</i>		-4,864	-4,146	-4,793	-5,053	-4,543	-4,119
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		18	136	10	10	10	10
For liquidity purposes		7,056	7,303	7,246	7,307	7,344	7,531
<i>Cash paid</i>							
For policy purposes		-17	-10	-10	-10	-10	-10
For liquidity purposes		-6,732	-7,157	-7,398	-7,526	-7,656	-7,834
<i>Total cash flows from investments in financial assets</i>		325	272	-152	-219	-312	-303
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,539	-3,874	-4,944	-5,271	-4,855	-4,422
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		16,256	28,923	17,475	15,396	16,095	13,755
Deposits received		-	-	-	-	-	-
Other financing receipts		454	44	35	37	39	40
<i>Total cash received</i>		16,711	28,967	17,510	15,433	16,135	13,795
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-16	-17	-17
Borrowings repaid		-13,242	-23,182	-11,972	-10,714	-11,442	-10,765
Deposits paid		-	-	-	-	-	-
Other financing payments		-421	-461	-432	-280	-236	-235
<i>Total cash paid</i>		-13,679	-23,658	-12,419	-11,010	-11,695	-11,017
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,032	5,309	5,091	4,422	4,440	2,779
Net increase in cash and cash equivalents		857	1,280	-587	504	2,612	2,622
Cash and cash equivalents at the beginning of the year		8,383	9,239	10,519	9,932	10,436	13,048
Cash and cash equivalents at the end of the year		9,239	10,519	9,932	10,436	13,048	15,670
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,364	-155	-733	1,353	3,028	4,266
Net cash flows from investing in non-financial assets		-4,864	-4,146	-4,793	-5,053	-4,543	-4,119
Cash surplus/-deficit	6	-2,500	-4,301	-5,526	-3,700	-1,516	147

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*.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) The reporting entity

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

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

(b) Basis of preparation

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the 2014-15 *Annual Report on State Finances (ARSF)*, which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2014-15 ARSF.

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

(c) Unaudited data

These financial projections are not audited.

(d) Comparative figures

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

NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

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

A comparison of estimated outturn to previous projected operating revenue for 2015-16 is shown at Appendix 3: *2015-16 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 UPF disclosure requirements.

TRANSFER EXPENSES ^(a) General Government

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>CURRENT TRANSFERS</i>						
Local government	380	239	206	224	223	240
Local government on-passing	262	87	177	187	197	208
Private and not-for-profit sector	1,435	1,404	1,560	1,599	1,794	1,882
Private and not-for-profit sector on-passing	1,064	1,097	1,191	1,251	1,309	1,369
Other sectors of government	2,325	2,281	2,177	2,028	1,935	1,934
<i>Total Current Transfers</i>	<i>5,465</i>	<i>5,108</i>	<i>5,311</i>	<i>5,288</i>	<i>5,458</i>	<i>5,634</i>
<i>CAPITAL TRANSFERS</i>						
Local government	87	60	107	52	40	33
Local government on-passing	162	54	108	112	117	122
Private and not-for-profit sector	129	147	92	89	87	87
Private and not-for-profit sector on-passing	16	16	17	18	19	19
Other sectors of government	113	220	211	187	16	5
<i>Total Capital Transfers</i>	<i>507</i>	<i>497</i>	<i>535</i>	<i>458</i>	<i>278</i>	<i>267</i>

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

Note: Columns may not add due to rounding.

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

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
	\$m	\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	286	331	453	345	386	447
Public order and safety	3,203	3,253	3,397	3,385	3,396	3,417
Education	6,690	7,066	7,244	7,465	7,657	7,917
Health	7,942	8,090	8,471	8,493	8,967	9,157
Social security and welfare	2,072	2,191	2,344	2,268	2,338	2,410
Housing and community amenities ^(b)	1,833	1,958	1,667	1,612	1,668	1,738
Recreation and culture	908	795	803	825	815	811
Fuel and energy	609	511	489	371	267	203
Agriculture, forestry, fishing and hunting	343	378	371	341	322	307
Mining and mineral resources other than fuels; manufacturing; and construction	221	233	234	234	206	205
Transport and communications	2,003	2,067	2,276	2,240	2,396	2,597
Other economic affairs	650	700	690	656	576	551
Other purposes	1,071	955	1,156	1,331	1,508	1,636
Total General Government Expenses	27,831	28,529	29,596	29,565	30,502	31,394
<i>Purchases of new non-financial assets</i>						
General public services	109	196	122	104	95	93
Public order and safety	179	189	169	84	78	59
Education	456	360	310	349	282	194
Health	566	541	517	304	112	57
Social security and welfare	47	34	25	19	7	5
Housing and community amenities ^(c)	84	107	24	62	284	397
Recreation and culture	124	130	218	146	184	104
Fuel and energy	3	1	2	2	1	1
Agriculture, forestry, fishing and hunting	13	25	30	20	12	10
Mining and mineral resources other than fuels; manufacturing; and construction	2	14	10	1	1	1
Transport and communications	1,028	1,017	1,278	1,501	1,019	660
Other economic affairs	56	61	80	32	19	20
Other purposes	-	-400	-300	-	-	-
Total Purchases of Non-financial Assets	2,667	2,275	2,484	2,622	2,094	1,601

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

(b) Includes an underspend provision for unforeseen slippages in the Royalties for Regions operating program that typically emerges during the year. This provision is worth \$110 million in 2015-16, \$91 million in 2016-17, \$87 million in 2017-18, \$107 million in 2018-19 and \$110 million in 2019-20.

(c) Includes an underspend provision for unforeseen slippages in the Royalties for Regions Asset Investment Program that typically emerges during the year. This provision is worth \$51 million in 2015-16, \$72 million in 2016-17, \$74 million in 2017-18, \$69 million in 2018-19 and \$67 million in 2019-20.

Note: Columns may not add due to rounding.

NOTE 6: CONVERGENCE DIFFERENCES

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

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

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Operating Balance

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB 1049 net operating balance	-431	-2,037	-3,914	-1,893	-197	1,086
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	-431	-2,126	-3,914	-1,893	-197	1,086
<u>Public non-financial corporations</u>						
AASB 1049 net operating balance	1,049	497	577	762	775	850
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	33	27	19	16	17	17
Dividends	1,142	1,279	935	1,074	1,130	1,128
Total GFS expense adjustments	1,175	1,306	954	1,090	1,147	1,145
Total GFS adjustments to AASB 1049 net operating balance	-1,175	-1,306	-954	-1,090	-1,147	-1,145
GFS net operating balance	-125	-809	-377	-328	-371	-294
<u>Total non-financial public sector</u>						
AASB 1049 net operating balance	-524	-2,819	-4,273	-2,205	-551	809
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	33	27	19	16	17	17
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	88	-	-	-	-
Total GFS expense adjustments	33	115	19	16	17	17
Total GFS adjustments to AASB 1049 net operating balance	-33	-115	-19	-16	-17	-17
GFS net operating balance	-556	-2,934	-4,291	-2,221	-568	792
<u>Public financial corporations</u>						
AASB 1049 net operating balance	176	198	202	237	251	250
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dividends	116	212	166	123	126	136
Total GFS expense adjustments	116	212	166	123	126	136
Total GFS adjustments to AASB 1049 net operating balance	-116	-212	-166	-123	-126	-136
GFS net operating balance	60	-14	36	114	125	114
<u>Total public sector</u>						
AASB 1049 net operating balance	-464	-2,833	-4,237	-2,091	-426	923
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	33	27	19	16	17	17
Dampier to Bunbury Natural Gas Pipeline - extinguish loan asset	-	88	-	-	-	-
Total GFS expense adjustments	33	115	19	16	17	17
Total GFS adjustments to AASB 1049 net operating balance	-33	-115	-19	-16	-17	-17
GFS net operating balance	-497	-2,948	-4,255	-2,107	-444	906

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Lending

	2014-15 Actual \$m	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forw ard Estimate \$m	2018-19 Forw ard Estimate \$m	2019-20 Forw ard Estimate \$m
<u>General government</u>						
AASB 1049 net lending/-borrowing	-1,809	-2,921	-4,753	-3,289	-645	1,092
Plus Net operating balance convergence difference (noted above)	-	-88	-	-	-	-
GFS net lending/-borrowing	-1,809	-3,009	-4,753	-3,289	-645	1,092
<u>Public non-financial corporations</u>						
AASB 1049 net lending/-borrowing	196	-192	-218	-10	22	107
Plus Net operating balance convergence difference (noted above)	-1,175	-1,306	-954	-1,090	-1,147	-1,145
GFS net lending/-borrowing	-979	-1,498	-1,172	-1,100	-1,125	-1,037
<u>Total non-financial public sector</u>						
AASB 1049 net lending/-borrowing	-2,755	-4,392	-5,906	-4,373	-1,752	72
Plus Net operating balance convergence difference (noted above)	-33	-115	-19	-16	-17	-17
GFS net lending/-borrowing	-2,788	-4,507	-5,925	-4,389	-1,770	55
<u>Public financial corporations</u>						
AASB 1049 net lending/-borrowing	178	196	201	236	250	249
Plus Net operating balance convergence difference (noted above)	-116	-212	-166	-123	-126	-136
GFS net lending/-borrowing	62	-16	35	113	124	113
<u>Total public sector</u>						
AASB 1049 net lending/-borrowing	-2,693	-4,408	-5,871	-4,260	-1,628	185
Plus Net operating balance convergence difference (noted above)	-33	-115	-19	-16	-17	-17
GFS net lending/-borrowing	-2,726	-4,523	-5,890	-4,276	-1,645	168

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Worth at 30 June

	2015	2016	2017	2018	2019	2020
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net worth	121,299	118,922	115,954	115,464	117,096	120,241
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Provision for doubtful debts						
General government sector	236	235	235	235	235	235
Impact on public corporations net worth	25	18	18	18	22	26
<i>Total GFS net worth adjustments</i>	349	253	253	253	257	262
GFS net worth	121,648	119,176	116,207	115,718	117,353	120,503
<u>Public non-financial corporations</u>						
AASB1049 net worth	54,291	55,060	56,387	57,222	58,298	59,330
<i>Plus</i>						
Impact of general government equity injections	-6,891	-7,687	-8,642	-8,968	-9,405	-9,624
Provision for doubtful debts	25	16	17	17	21	25
<i>Total GFS net worth adjustments</i>	-6,866	-7,671	-8,626	-8,952	-9,385	-9,599
GFS net worth	47,425	47,389	47,761	48,271	48,914	49,731
<u>Total non-financial public sector</u>						
AASB1049 net worth	121,299	118,922	115,954	115,464	117,096	120,241
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Provision for doubtful debts						
Total non-financial public sector	261	252	252	252	256	260
Impact on public corporations net worth	-	2	2	2	2	2
<i>Total GFS net worth adjustments</i>	349	253	253	253	257	262
GFS net worth	121,648	119,176	116,207	115,718	117,353	120,503
<u>Public financial corporations</u>						
AASB1049 net worth	2,010	2,038	2,073	2,186	2,310	2,422
<i>Plus</i>						
Provision for doubtful debts	-	2	2	2	2	2
<i>Total GFS net worth adjustments</i>	-	2	2	2	2	2
GFS net worth	2,010	2,039	2,075	2,188	2,311	2,424
<u>Total public sector</u>						
AASB1049 net worth	121,299	118,922	115,954	115,464	117,096	120,241
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Provision for doubtful debts	261	253	253	253	257	262
<i>Total GFS net worth adjustments</i>	349	253	253	253	257	262
GFS net worth	121,648	119,176	116,207	115,718	117,353	120,503

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Change in Net Worth

	2015 Actual \$m	2016 Estimated Actual \$m	2017 Budget Estimate \$m	2018 Forw ard Estimate \$m	2019 Forw ard Estimate \$m	2020 Forw ard Estimate \$m
<u>General government</u>						
AASB1049 change in net worth	4,472	-2,377	-2,968	-490	1,631	3,146
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-88	-	-	-	-
Provision for doubtful debts						
General government sector	20	-	-	-	-	-
Impact on public corporations net worth	-17	-7	-	-	4	4
Total GFS change in net worth adjustments	2	-96	-	-	4	4
GFS change in net worth	4,474	-2,472	-2,968	-490	1,635	3,150
<u>Public non-financial corporations</u>						
AASB1049 change in net worth	3,640	768	1,327	835	1,076	1,032
Plus change in:						
Impact of general government equity injections	-518	-796	-955	-326	-437	-219
Provision for doubtful debts	-8	-9	-	-	4	4
Total GFS change in net worth adjustments	-526	-804	-955	-326	-433	-215
GFS change in net worth	3,114	-36	372	510	643	817
<u>Total non-financial public sector</u>						
AASB1049 change in net worth	4,472	-2,377	-2,968	-490	1,631	3,146
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-88	-	-	-	-
Provision for doubtful debts						
Total non-financial public sector	11	-9	-	-	4	4
Impact on public corporations net worth	-9	2	-	-	-	-
Total GFS change in net worth adjustments	2	-96	-	-	4	4
GFS change in net worth	4,474	-2,472	-2,968	-490	1,635	3,150
<u>Public financial corporations</u>						
AASB1049 change in net worth	223	28	36	113	123	113
Plus change in:						
Provision for doubtful debts	-9	2	-	-	-	-
Total GFS change in net worth adjustments	-9	2	-	-	-	-
GFS change in net worth	214	30	36	113	123	113
<u>Total public sector</u>						
AASB1049 change in net worth	4,472	-2,377	-2,968	-490	1,631	3,146
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-88	-	-	-	-
Provision for doubtful debts	2	-7	-	-	4	4
Total GFS change in net worth adjustments	2	-96	-	-	4	4
GFS change in net worth	4,474	-2,472	-2,968	-490	1,635	3,150

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Cash Surplus/-Deficit

	2014-15 Actual \$m	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forw ard Estimate \$m	2018-19 Forw ard Estimate \$m	2019-20 Forw ard Estimate \$m
<u>General government</u>						
AASB 1049 cash surplus/-deficit	-1,493	-3,260	-4,684	-3,069	-782	916
Less Acquisitions under finance leases and similar arrangements	80	221	79	469	61	86
GFS cash surplus/-deficit	-1,573	-3,481	-4,763	-3,538	-843	830
<u>Public non-financial corporations</u>						
AASB 1049 cash surplus/-deficit	-1,066	-1,086	-1,058	-1,010	-1,150	-1,229
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	-1,066	-1,086	-1,058	-1,010	-1,150	-1,229
<u>Total non-financial public sector</u>						
AASB 1049 cash surplus/-deficit	-2,560	-4,346	-5,742	-4,079	-1,932	-314
Less Acquisitions under finance leases and similar arrangements	80	221	79	469	62	86
GFS cash surplus/-deficit	-2,639	-4,567	-5,821	-4,548	-1,993	-399
<u>Public financial corporations</u>						
AASB 1049 cash surplus/-deficit	59	45	216	379	416	461
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	59	45	216	379	416	461
<u>Total public sector</u>						
AASB 1049 cash surplus/-deficit	-2,500	-4,301	-5,526	-3,700	-1,516	147
Less Acquisitions under finance leases and similar arrangements	80	221	79	469	62	86
GFS cash surplus/-deficit	-2,580	-4,523	-5,605	-4,169	-1,577	61

Note: Columns may not add due to rounding.

NOTE 7: LOAN COUNCIL ALLOCATIONS

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

LOAN COUNCIL ALLOCATIONS Western Australia

	2015-16 Estimated Actual \$m	2016-17 Nomination \$m	2016-17 Budget Estimate \$m
General government cash surplus/deficit	3,260	3,991	4,684
Public non-financial corporations sector cash surplus/deficit	1,086	1,011	1,058
<i>Total non-financial public sector cash surplus/deficit</i>	<i>4,346</i>	<i>5,002</i>	<i>5,742</i>
Acquisitions under finance leases and similar arrangements	221	79	79
<i>GFS cash surplus/deficit</i>	<i>4,567</i>	<i>5,081</i>	<i>5,821</i>
<i>Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes</i>	<i>126</i>	<i>-</i>	<i>-</i>
<i>Plus: Memorandum items ^(a)</i>	<i>-391</i>	<i>-581</i>	<i>-669</i>
Loan Council Allocation	4,051	4,500	5,153
<i>Tolerance Limit ^(b)</i>		<i>907</i>	

(a) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the funding of more than emerging costs under public sector superannuation schemes).

(b) The tolerance limit is defined as 2% total non-financial public sector receipts and reflects a band of variability above and below the original LCA nomination.

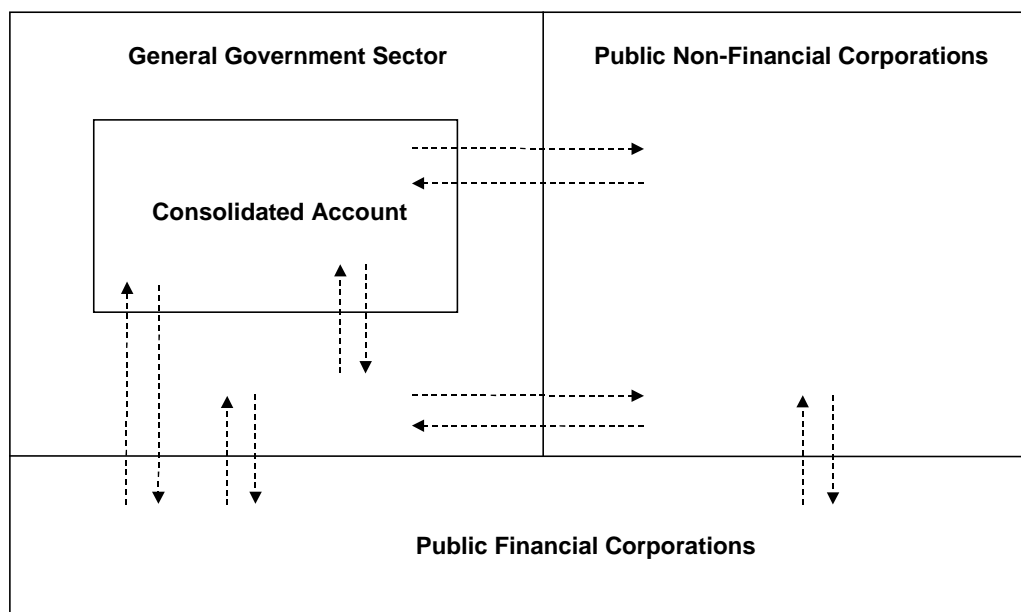
Note: Columns may not add due to rounding.

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

NOTE 8: COMPOSITION OF SECTORS

The following diagram shows the sectors within which public sector agencies are classified by the Government Finance Statistics framework, and which are all included in the consolidated whole-of-government.

TOTAL PUBLIC SECTOR



All public sector controlled agencies, regardless of funding source or sector classification, have been included in these financial projections.

The agencies included within each sector are listed below.

This list differs from the portfolio list that appears in Budget Paper No. 2: *Budget Statements*. The listing in that Budget Paper covers only those agencies that receive appropriations and/or have an Asset Investment Program.

General Government

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

(a) Agency which has been either created, abolished, amalgamated or renamed since the 14 May 2015 presentation of the 2015-16 Budget.

General Government (cont.)

The Library Board of Western Australia	Western Australian Greyhound Racing Association
The National Trust of Australia (W.A.)	Western Australian Health Promotion Foundation
The Queen Elizabeth II Medical Centre Trust	Western Australian Institute of Sport
The Western Australia Museum	Western Australian Land Information Authority
Trustees of the Public Education Endowment	Western Australian Meat Industry Authority
West Coast Institute of Training ^(a)	Western Australian Planning Commission
Western Australia Police	Western Australian Sports Centre Trust
Western Australian Alcohol and Drug Authority ^(a)	Western Australian Tourism Commission
Western Australian Building Management Authority	Wheatbelt Development Commission
Western Australian Electoral Commission	WorkCover Western Australia Authority
Western Australian Energy Disputes Arbitrator	Zoological Parks Authority

Public Non-Financial Corporations

Albany Port Authority	Metropolitan Cemeteries Board
Animal Resources Authority	Metropolitan Redevelopment Authority
Broome Port Authority	Mid West Port Authority
Bunbury Port Authority	Perth Market Authority ^(a)
Bunbury Water Corporation	Port Hedland Port Authority
Busselton Water Corporation	Pilbara Ports Authority
Dampier Port Authority	Potato Marketing Corporation of Western Australia
Electricity Networks Corporation (Western Power)	Public Transport Authority of Western Australia
Electricity Generation and Retail Corporation (Synergy)	Racing and Wagering Western Australia
Esperance Port Authority	Regional Power Corporation (Horizon Power)
Forest Products Commission	Rottneest Island Authority
Fremantle Port Authority	Southern Ports Authority
Gold Corporation and its subsidiaries	Water Corporation
Housing Authority	Western Australian Coastal Shipping Commission
Kimberley Port Authority	Western Australian Land Authority
Lotteries Commission	

Public Financial Corporations

Country Housing Authority
Insurance Commission of Western Australia
Keystart Housing Scheme, comprising
Keystart Bonds Ltd
Keystart Loans Ltd
Keystart Support Pty Ltd
Keystart Support (Subsidiary) Pty Ltd
Keystart Housing Scheme Trust
Keystart Support Trust
RiskCover
Western Australian Treasury Corporation

- (a) Agency which has been either created, abolished, sold, amalgamated or renamed since the 14 May 2015 presentation of the 2015-16 Budget.

Agencies Outside the State’s Public Sector

Some State agencies are not covered in the whole-of-government reporting framework as defined under Australian Accounting Standards and/or the GFS framework. The entities listed below, which administer superannuation and like funds and/or hold private funds in trust or fidelity type funds, are examples of such agencies not included in the definition of the public sector used in the budget. This is because the assets are not available for the benefit of, and/or are not controlled by, the State.

Coal Industry Superannuation Board
Construction Industry Long Service Leave Payments Board
Curtin University of Technology and its subsidiaries
Edith Cowan University
Fire and Emergency Services Superannuation Board
Government Employees Superannuation Board
Legal Contribution Trust
Murdoch University and its subsidiaries
Public Trustee
Parliamentary Superannuation Board
The University of Western Australia and its subsidiaries

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

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,602	3,530	3,536	3,604	3,796	4,015
Property taxes						
<i>Land tax</i>	744	949	896	918	964	1,010
Transfer duty	1,598	1,356	1,387	1,434	1,496	1,566
Landholder duty	101	338	101	103	107	112
<i>Total duty on transfers</i>	1,699	1,694	1,489	1,537	1,603	1,678
Metropolitan Region Improvement Tax	93	98	98	107	112	118
Perth Parking Levy	48	57	58	60	60	60
Emergency Services Levy	274	305	323	336	334	342
Loan guarantee fees	119	135	150	162	173	184
<i>Total other property taxes</i>	534	595	629	665	679	704
Taxes on provision of goods and services						
Lotteries Commission	152	162	170	178	186	191
Video lottery terminals	-	1	1	1	1	1
Casino tax	110	67	68	70	71	71
Betting tax	42	44	45	46	47	48
Other	-	-	-	-	-	-
<i>Total taxes on gambling</i>	305	273	283	294	305	311
Insurance duty	604	599	656	695	736	779
Other	31	23	20	22	23	23
<i>Total taxes on insurance</i>	635	622	676	718	759	802
Taxes on use of goods and performance of activities						
Vehicle licence duty	363	346	350	355	361	368
Permits - oversize vehicles and loads	7	8	8	8	8	8
Motor vehicle recording fee	58	54	56	56	56	57
Motor vehicle registrations	848	879	907	944	976	1,010
<i>Total motor vehicle taxes</i>	1,277	1,287	1,321	1,364	1,402	1,443
<i>Mining Rehabilitation Levy</i>	27	27	27	27	27	27
<i>Landfill Levy</i>	59	68	70	76	76	76
Total Taxation	8,882	9,045	8,927	9,204	9,612	10,064

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
				\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST grants	2,258	1,886	2,035	2,906	4,698	6,003
North West Shelf grants	865	588	457	492	463	472
Commonwealth compensation for changed crude oil excise arrangements	48	32	25	27	25	26
<i>Grants Through the State</i>						
Schools assistance – non-government schools	1,064	1,097	1,191	1,251	1,309	1,369
Local government financial assistance grants	262	87	177	187	197	208
Local government roads	162	54	108	112	117	122
<i>National Specific Purpose Payment Agreement Grants</i>						
National Agreement for Skills and Workforce Development	156	160	163	166	170	174
National Disability Services	151	157	165	172	180	189
National Affordable Housing	144	145	148	151	154	165
<i>Students First</i>	503	569	604	744	884	928
<i>National Health Reform</i>	1,750	1,813	1,956	2,113	2,284	2,468
<i>Other Grants/National Partnerships</i>						
Health	402	373	308	302	294	277
Housing	15	20	15	-	-	-
Transport	55	72	77	65	61	61
Other	216	251	259	182	140	141
Total Current Grants and Subsidies	8,051	7,304	7,687	8,870	10,977	12,603
CAPITAL GRANTS						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	16	16	17	18	19	19
<i>Other Grants/National Partnerships</i>						
Housing	173	178	131	84	-	-
Transport	992	779	596	720	573	267
Other	82	60	36	2	-	-
Total Capital Grants	1,263	1,033	779	824	592	286

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
WA Health	545	560	598	620	641	666
Department of Transport	173	182	174	167	172	178
Department of Education	167	163	163	166	168	172
State Training Providers/TAFE Colleges	145	154	155	155	157	161
Department of Training and Workforce Development	52	56	55	55	55	55
Western Australian Land Information Authority	128	125	133	129	138	154
Department of Parks and Wildlife	39	41	42	42	43	43
Department of the Attorney General	94	104	108	108	107	108
Department of Commerce	104	104	97	82	80	80
Department of Mines and Petroleum	52	68	69	70	70	69
All Other	607	583	633	724	784	856
Total Sale of Goods and Services	2,105	2,141	2,227	2,319	2,416	2,542
INTEREST INCOME	185	178	167	164	174	180
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	1,187	1,422	984	1,128	1,187	1,189
Tax Equivalent Regime	592	576	499	585	607	652
Total Revenue from Public Corporations	1,779	1,998	1,483	1,713	1,794	1,841
ROYALTY INCOME	4,603	4,177	3,842	4,026	4,238	4,456
OTHER						
Lease rentals	89	90	93	93	93	93
Fines	188	206	199	197	197	197
Revenue not elsew here counted	255	320	276	263	213	218
Total Other	532	617	568	553	503	508
TOTAL REVENUE	27,400	26,492	25,681	27,672	30,305	32,481

Note: Columns may not add due to rounding.

2015-16 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2015-16 financial year, comparing the original 2015-16 Budget estimates, 2015-16 Mid-year Review and the estimated outturn contained in this Budget.

For total general government revenue in 2015-16, the difference between the estimated outturn included in this Budget (\$26,492 million) and the original 2015-16 Budget (\$26,325 million) is \$167 million (a 0.6% increase). Changes to revenue are discussed in Chapter 3: *Fiscal Outlook and Strategy* and in the 2015-16 Mid-year Review.

Table 3.1

2015-16 OPERATING REVENUE
General Government

	2015-16 Budget Estimate \$m	2015-16 Mid-year Revision \$m	2015-16 Estimated Actual \$m
TAXATION			
Taxes on employers' payroll and labour force			
<i>Payroll tax</i>	3,997	3,697	3,530
Property taxes			
<i>Land tax</i>	939	949	949
Transfer duty	1,614	1,441	1,356
Landholder duty	118	105	338
<i>Total duty on transfers</i>	1,732	1,546	1,694
Metropolitan Region Improvement Tax	98	101	98
Perth Parking Levy	57	57	57
Emergency Services Levy	306	307	305
Loan guarantee fees	163	135	135
<i>Total other property taxes</i>	624	600	595
Taxes on provision of goods and services			
Lotteries Commission	162	162	162
Video lottery terminals	1	1	1
Casino tax	81	81	67
Betting tax	45	45	44
Other	-	-	-
<i>Total taxes on gambling</i>	289	289	273
Insurance duty	660	587	599
Other	21	21	23
<i>Total taxes on insurance</i>	682	609	622
Taxes on use of goods and performance of activities			
Vehicle licence duty	395	351	346
Permits - oversize vehicles and loads	9	8	8
Motor vehicle recording fee	54	54	54
Motor vehicle registrations	879	879	879
<i>Total motor vehicle taxes</i>	1,337	1,291	1,287
<i>Mining Rehabilitation Levy</i>	51	27	27
<i>Landfill Levy</i>	104	104	68
Total Taxation	9,754	9,112	9,045

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2015-16 OPERATING REVENUE
General Government

	2015-16 Budget Estimate \$m	2015-16 Mid-year Revision \$m	2015-16 Estimated Actual \$m
CURRENT GRANTS AND SUBSIDIES			
<i>General Purpose Grants</i>			
GST grants	1,934	1,896	1,886
North West Shelf grants	722	607	588
Commonwealth compensation for changed crude oil excise arrangements	40	33	32
<i>Grants Through the State</i>			
Schools assistance – non-government schools	1,139	1,119	1,097
Local government financial assistance grants	176	87	87
Local government roads	108	54	54
<i>National Specific Purpose Payment Agreement Grants</i>			
National Agreement for Skills and Workforce Development	164	162	160
National Disability Services	163	161	157
National Affordable Housing	149	148	145
<i>Students First</i>	566	560	569
<i>National Health Reform</i>	1,928	1,813	1,813
<i>Other Grants/National Partnerships</i>			
Health	331	332	373
Housing	20	20	20
Transport	78	81	72
Other	220	247	251
Total Current Grants and Subsidies	7,738	7,321	7,304
CAPITAL GRANTS			
<i>Grants Through the State</i>			
Schools assistance – non-government schools	35	16	16
<i>Other Grants/National Partnerships</i>			
Housing	124	178	178
Transport	454	448	779
Other	38	62	60
Total Capital Grants	651	703	1,033

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2015-16 OPERATING REVENUE
General Government

	2015-16 Budget Estimate \$m	2015-16 Mid-year Revision \$m	2015-16 Estimated Actual \$m
SALES OF GOODS AND SERVICES			
WA Health	564	564	560
Department of Transport	180	183	182
Department of Education	159	159	163
State Training Providers/TAFE colleges	173	157	154
Department of Training and Workforce Development	57	52	56
Western Australian Land Information Authority	139	131	125
Department of Parks and Wildlife	40	40	41
Department of the Attorney General	105	105	104
Department of Commerce	122	114	104
Department of Mines and Petroleum	69	74	68
All Other	736	589	583
Total Sale of Goods and Services	2,342	2,168	2,141
INTEREST INCOME	174	171	178
REVENUE FROM PUBLIC CORPORATIONS			
Dividends	945	1,299	1,422
Tax Equivalent Regime	527	546	576
Total Revenue from Public Corporations	1,472	1,846	1,998
ROYALTY INCOME	3,670	3,788	4,177
OTHER			
Lease rentals	88	88	90
Fines	205	205	206
Revenue not elsew here counted	229	216	320
Total Other	523	509	617
TOTAL REVENUE	26,325	25,617	26,492

Note: Columns may not add due to rounding.

The Treasurer's Advance

The Treasurer's Advance is a requirement of the *Financial Management Act 2006* (FMA) and provides the Treasurer with authorisation to make short-term recoverable advances to agencies for the temporary financing of works and services (referred to as 'net unrecouped balances'). In addition, new or supplementary funding can be provided during the year for extraordinary or unforeseen matters (known as 'excesses and new items'), up to an approved limit. The total amount expected to be drawn against recoverable advances, excesses and new items for 2015-16 is \$459.9 million, which is within the \$645.2 million limit authorised by the FMA.

Table 4.1 shows the projected position of the Treasurer's Advance at 30 June 2016.

TREASURER'S ADVANCE AS AT 30 JUNE		Table 4.1
	2014-15 Actual	2015-16 Projection ^(a)
	\$m	\$m
AUTHORISED LIMIT	638.4	645.2
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	328.8	460.6
Comprising:		
Net recoverable advances as at 30 June	8.0	20.0
Overdrawn Special Purpose Accounts	4.3	-
Excesses and New Items		
- recurrent	264.8	205.5
- capital	51.7	235.2

(a) Detailed disclosure of the final audited outcome for 2015-16 will be available in the 2015-16 *Annual Report on State Finances*, due to be released by 28 September 2016.

Note: Columns may not add due to rounding.

Transfers, Excesses and New Items

Table 4.2 details excesses and/or new items that are projected to occur during 2015-16 and the expected impact of these on the Treasurer's Advance under the authority of section 27 of the FMA.

The projections shown in Table 4.2 are subject to movements in agencies' appropriations through the remainder of 2015-16. 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 2016.

Section 25 of the FMA allows appropriations originally allocated in the 2015-16 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 2015-16 Budget include:

- \$5.4 million from the Department of Finance (DoF) to the Office of the Government Chief Information Officer (OGCIO), with \$5.4 million of this funding for the Information and Communications Technology (ICT) Renewal and Reform Fund that will enable the reduction of ICT costs across government and the establishment of more innovative services;
- \$3.8 million of recurrent funding has been transferred from the Mental Health Commission's service delivery appropriation to bodies affiliated with the Commission (including the Office of the Chief Psychiatrist (\$0.9 million), the Mental Health Tribunal (\$1.4 million) and the Mental Health Advocacy Service (\$1.4 million)). These transfers separately identify the resources allocated for the discharge of the statutory functions under the *Mental Health Act 2014*;
- \$3.3 million of recurrent appropriation has been transferred from the Department for Child Protection and Family Support to the Department of Local Government and Communities for contract management of financial counselling services;
- \$2.7 million of recurrent appropriation has been transferred from DoF to OGCIO for annual operating costs following the establishment of the OGCIO from 1 July 2015, and for the transfer of the functions of the ICT Investment Policy Team to the office. These transfers are in addition to a new \$0.7 million appropriation item to establish the new agency;
- \$1.1 million of recurrent funding has been transferred from DoF to Main Roads, Planning, Regional Development, WA Sports Centre Trust, Treasury, Agriculture and Food, Commerce, and Transport. DoF previously paid the annual Oracle e-business license fees on behalf of the eight agencies but under new arrangements, each agency is now responsible for making its own payments;
- \$0.8 million of recurrent appropriation has been transferred from WA Health to the Office of the Chief Psychiatrist to fund the transfer of statutory functions to the Office; and
- \$0.4 million of recurrent appropriation has been transferred from the Department of Planning to the Department of Transport for the Strategic Transport Evaluation Modelling team.

2015-16 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2

Item	Budget \$m	Transfers ^(a) \$m	New Items \$m	Treasurer's Advance		Drawn against Treasurer's Advance to date ^(b) \$m
				Approved Excesses \$m	Revised Appropriation Limit \$m	
Recurrent Appropriations						
Premier and Cabinet						
Item 6: Administered Grants, Subsidies and Other Transfer Payments	15.0	-	-	0.8	15.8	
Chemistry Centre WA						
Item 12: Delivery of Services	7.3	-	-	0.2	7.6	-
WA Health						
Item 13: Delivery of Services	4,692.8	-0.8	-	31.1	4,723.2	-
Regional Development						
Item 15: Delivery of Services	3.5	0.1	-	3.3	6.8	-
Lands						
Item 25: Delivery of Services	38.9	-	-	8.8	47.7	-
Planning						
Item 34: Delivery of Services	41.6	-0.3	-	-	41.3	-
WA Planning Commission						
Item 35: Delivery of Services	7.8	-	-	1.4	9.1	1.4
Culture and the Arts						
Item 37: Art Gallery of Western Australia	8.8	-	-	0.8	9.6	-
Item 38: Library Board of Western Australia						
Item 39: Perth Theatre Trust	29.0	-	-	0.2	29.1	-
Item 40: Western Australian Museum	11.6	-	-	0.2	11.8	-
Item 43: Delivery of Services	22.3	-	-	2.7	25.0	-
Mental Health Commission						
Item 44: Office of the Chief Psychiatrist	633.1	-3.8	-	24.8	654.1	-
Item 45: Mental Health Tribunal	- ^(c)	1.7	-	-	1.7	-
Item 46: Mental Health Advocacy Service	- ^(c)	1.4	-	-	1.4	-
Child Protection and Family Support						
Item 48: Delivery of Services	- ^(c)	1.4	-	-	1.4	-
Item 48: Delivery of Services	575.2	-3.3	-	-	571.9	-
Attorney General						
Item 49: Delivery of Services	246.3	-	-	6.2	252.5	-
Commissioner for Equal Opportunity						
Item 51: Delivery of Service	3.1	-	-	1.6	4.7	1.0
Finance						
Item 58: Delivery of Services	210.0	-3.8	-	-	206.1	-
Item 59: Administered Grants, Subsidies and Other Transfer Payments	203.2	-5.4	-	-	197.8	-
Mines and Petroleum						
Item 61: Administered Grants, Subsidies and Other Transfer Payments	31.3	-	-	19.7	51.0	-
Agriculture and Food						
Item 62: Delivery of Services	120.3	0.2	-	-	120.5	-

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

Table 4.2 (cont.)

2015-16 TRANSFERS, EXCESSES AND NEW ITEMS

Item	Budget \$m	Treasurer's Advance			Revised Appropriation Limit \$m	Drawn against Treasurer's Advance to date ^(b) \$m
		Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m		
Treasury						
Item 66: Delivery of Services	61.0	0.1	-	-	61.1	-
Item 67: Bunbury Water Corporation	0.5	-	-	0.3	0.8	-
Item 68: Busselton Water Corporation	0.5	-	-	- ^(c)	0.5	-
Item 70: Mid West Ports Authority	0.2	-	-	0.2	0.4	-
Item 81: NDIS - Perth Hills Trial Site	48.2	-	-	6.5	54.7	-
Item 83: Refund of Past Years Revenue						
Collections - Public Corporations	22.2	-	-	75.0	97.2	71.0
Local Government and Communities						
Item 91: Delivery of Services	92.7	3.3	-	-	96.0	-
Fire and Emergency Services						
Item 101: Delivery of Services	15.3	-	-	0.2	15.4	-
Corrective Services						
Item 103: Delivery of Services	807.2	-	-	9.5	816.7	-
WA Sports Centre Trust						
Item 110: Delivery of Services	41.5	0.1	-	0.9	42.4	-
Transport						
Item 111: Delivery of Services	37.7	0.7	-	0.6	39.0	-
Main Roads						
Item 113: Delivery of Services	293.1	0.2	-	-	293.3	-
Commerce						
Item 56: Delivery of Services	65.4	0.2	-	-	65.6	-
New Item: Administered Grants, Subsidies and Other Transfer Payments	-	-	9.9	-	9.9	9.9
Office of the Government Chief Information Officer						
New Item: Delivery of Services	-	2.7	0.7	-	3.4	-
New Item: Administered Grants, Subsidies and Other Transfer Payments	-	5.4	-	-	5.4	-
Total Recurrent		-	10.6	194.9		83.4

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

2015-16 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2 (cont.)

Item	Budget \$m	Treasurer's Advance				Revised Appropriation Limit \$m	Drawn against Treasurer's Advance to date ^(b) \$m
		Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m			
Capital Appropriations							
WA Planning Commission Item 125: Capital Appropriation	5.4	-	-	12.9	18.3	5.8	
WA Police Item 128: Capital Appropriation	44.6	-	-	2.7	47.3	-	
Treasury Item 138: Electricity Networks Corporations (Western Power)	81.5	-	-	120.2	201.7	33.3	
Item 141: Mid West Ports Authority	4.5	-	-	67.0	71.5	-	
Item 143: Regional Power Corporation (Horizon Power)	8.5	-	-	1.4	9.9	-	
Item 149: The New Perth Stadium	240.0	-	-	25.0	265.0	-	
Corrective Services Item 159: Capital Appropriation	18.7	-	-	3.5	22.2	-	
Transport Item 163: Capital Appropriation	9.8	-	-	0.4	10.1	-	
Registrar, Industrial Relations Commission New Item: Capital Appropriation	-	-	0.8	-	0.8	-	
Chemistry Centre WA New Item: Equity Contribution	-	-	1.3	-	1.3	-	
Total Capital		-	2.1	233.1		39.1	
TOTAL		-	12.7	427.9		122.5	

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 19 April 2016.

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

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

Special Purpose Accounts

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

This appendix contains information on key SPAs. It is not an exhaustive list of all SPAs, but covers the major/material SPAs in existence at the 19 April 2016 cut-off date for this Budget. The forecast SPA balances (and transactions in and out of these accounts) form part of the overall consolidated projections for 2016-17 outlined elsewhere in this Budget.

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.

Essential and Municipal Services Account

This account was established in 2015-16 to set aside the Commonwealth's final \$90 million contribution for essential and municipal services for remote Aboriginal communities in Western Australia. Key services to be funded from this SPA include power, water and sewerage, and services that would generally be provided by local governments in less remote locations (such as the management of refuse, roads, airstrips and fire prevention).

A total of \$25.6 million is forecast to be spent in 2016-17 by the Housing Authority at a number of remote communities. This follows release of \$30 million for investment in remote area communities in 2015-16 (of which \$4.6 million was for Stage 1 of the Aboriginal Remote Communities Power Supply Project by Horizon Power).

Release of the residual balance of the Commonwealth's funding is subject to Government spending approvals as part of future budgets.

ESSENTIAL AND MUNICIPAL SERVICES ACCOUNT

Table 5.1

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	-	60
Receipts	90	-
Payments	30	26
Closing Balance	60	34

Note: Columns may not add due to rounding.

Fiona Stanley Hospital Construction Account

This SPA was established in October 2007 to set aside funds to be used for the construction of the Fiona Stanley Hospital.

Funds from the account have almost been fully drawn down to pay for construction work, with the new facility achieving practical completion in December 2013 and commencing phased operation in October 2014. Payments during 2015-16 have been made in relation to project close-out activities arising during the project defect liability period. Final invoicing and finalisation of some activities (including lab works and building management system works) is expected to occur early into 2016-17. Following closure of the project, any remaining funds will be returned to the Consolidated Account.

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT

Table 5.2

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	20	18
Receipts	-(a)	-
Payments	2	18
Closing Balance	18	-

(a) Amount less than \$0.5 million.

Note: Columns may not add due to rounding.

Forrestfield-Airport Link Account

This SPA is to be established to support the construction of the Forrestfield-Airport Link. Forecast receipts for 2016-17 reflect the Commonwealth's contribution of \$490 million announced in April 2016, and projected interest revenue of \$8 million on the account balance through the year. The Commonwealth's funding is expected to be received by 30 June 2016, and is to be appropriated to the Public Transport Authority and held in the Account in early 2016-17. Funds are to be drawn down by the Authority for project payments as works progress.

FORRESTFIELD-AIRPORT LINK ACCOUNT

Table 5.3

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	-	-
Receipts	-	498
Payments	-	104
Closing Balance	-	394

Note: Columns may not add due to rounding.

Metropolitan Region Improvement Fund

This account was established in December 1959 under the *Metropolitan Region Improvement Tax Act 1959* to provide funds for the management of the Metropolitan Region Scheme. Receipts are sourced from Metropolitan Region Improvement Tax collections. Funds from the account are used on parks and recreation areas, the purchase of land for future roads, railways and other public purpose reservations, and to compensate owners for compulsory land acquisitions.

Receipts for the Fund in 2016-17 mainly reflect Metropolitan Region Improvement Tax (\$98 million), proceeds from the sale of land and buildings (\$20 million), and rental and interest revenue (\$14 million). Payments from the Fund in 2016-17 are mainly for the acquisition of land and buildings (\$33 million), associated service delivery costs (\$26 million) and works in progress on a range of smaller infrastructure projects (\$1 million). Higher draw downs in 2015-16 reflect the purchase of Western Australian Land Authority land at Neerabup and Alkimos (detailed in the 2015-16 Mid-year Review).

METROPOLITAN REGION IMPROVEMENT FUND

Table 5.4

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	262	285
Receipts	142	134
Payments	119	61
Closing Balance	285	358

Note: Columns may not add due to rounding.

Mining Rehabilitation Fund

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

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

MINING REHABILITATION FUND

Table 5.5

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	35	60
Receipts	27	29
Payments	2	2
Closing Balance	60	87

Note: Columns may not add due to rounding.

Perth Children's Hospital Account

This SPA was established in October 2010 to hold money for the construction and opening of the Perth Children's Hospital.

Funds are drawn from the SPA and paid to WA Health as payments for project work fall due. Perth Children's Hospital is planned to open in late 2016. A small cash balance is expected to remain at the end of 2016-17, and will support residual project close-out activities.

PERTH CHILDREN'S HOSPITAL ACCOUNT

Table 5.6

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	187	50
Receipts	44	-
Payments	181	49
Closing Balance	50	1

Note: Columns may not add due to rounding.

Perth Parking Licensing Account

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

Receipts consist of licence fees, penalties and money appropriated by Parliament.

Funds drawn from the account are spent on the Central Area Transit system, improving public transport access, enhancing the pedestrian environment, supporting bicycle access and for administration of the *Perth Parking Management Act 1999*. Lower spending in 2016-17 (relative to 2015-16) reflects the expected completion of works on the Perth Busport.

PERTH PARKING LICENSING ACCOUNT

Table 5.7

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	13	9
Receipts	57	58
Payments	61	39
Closing Balance	9	28

Note: Columns may not add due to rounding.

Perth Stadium Account

This SPA was established in October 2011 to set aside funds to be used for the construction of the Perth Stadium and its surrounding Sport Precinct, including associated transport infrastructure. All infrastructure is expected to be completed by the end of 2017 for the stadium to be ready for operations by the start of the 2018 AFL season. All available funds in the SPA will be utilised as part of the funding to support construction.

Funds are drawn from the SPA as payments for the stadium and related transport infrastructure construction works fall due. Forecast payments of \$403 million in 2016-17 reflect payments totalling \$241 million for stadium works (being conducted under a Design Build Finance Maintain Public Private Partnership model) and a further \$163 million for related transport infrastructure.

PERTH STADIUM ACCOUNT

Table 5.8

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	121	36
Receipts	265	370
Payments	350	403
Closing Balance	36	3

Note: Columns may not add due to rounding.

Road Trauma Trust Account

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

In 2016-17, the Account will continue to fund the replacement of ageing speed and red light cameras, the electronic school zone sign project, the Roadwise program, and community and school education programs. The Account will also fund the next stage of the Government's Enhanced Automated Traffic Enforcement Strategy, with the purchase and installation of new speed and red light cameras to promote safe driver behaviour.

Other key initiatives to be funded from the Account in 2016-17 include:

- improvements to metropolitan intersections (to reduce the incidence and severity of vehicle crashes) and to regional roads (to reduce run-off road crashes);
- preliminary design and technical assessment work towards improvements to Toodyay Road;
- safety improvements to regional sections of Albany and South Coast Highways;
- a contribution to the Great Eastern Highway passing lanes project between Southern Cross and Kalgoorlie;
- works targeting regional sections of the Great Eastern and Great Southern Highways;

- strategic traffic enforcement and increased alcohol and drug testing by Western Australia Police;
- implementation of the Alcohol Interlock Scheme; and
- the ongoing operational cost of the Road Safety Commission.

ROAD TRAUMA TRUST ACCOUNT

Table 5.9

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	94	72
Receipts	115	111
Payments	138	146
Closing Balance	72	37

Note: Columns may not add due to rounding.

Royalties for Regions Fund

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

Payments from the Fund include transfers to agencies that deliver some parts of the program, as well as transfers to the Southern Inland Health Initiative SPA and the Regional Reform Fund SPA, each disclosed separately. The approved expenditure limit for the RfR program set in this Budget (\$872 million) exceeds the aggregate payments from the Fund as a portion of the \$803 million represents transfers to the Southern Inland Health Initiative SPA (\$120 million), which in turn will spend the balance of the approved spending limit.

Details of the Royalties for Regions program are available in Chapter 7.

ROYALTIES FOR REGIONS FUND

Table 5.10

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	1,000	1,000
Receipts	935	803
Payments	935	803
Closing Balance	1,000	1,000

Note: Columns may not add due to rounding.

Royalties for Regions Regional Reform Fund

This SPA was approved as part of the 2015-16 Budget to receive \$150 million, transferred from the RfR Fund, commencing in 2014-15. The account will fund strategic reform initiatives in regional Western Australia designed to support Government objectives over time. The first focus area will centre on regional Aboriginal reform initiatives. Funds will be allocated to specific projects once the most effective and efficient mode of delivery has been determined. The \$50 million contribution for 2016-17, projected at the time of the 2015-16 Budget, has been deferred to 2017-18 to accommodate movements in the cash flows for other RfR projects within the agreed funding level established for the Fund (further detail on the RfR program is available in Chapter 7).

ROYALITES FOR REGIONS REGIONAL REFORM FUND

Table 5.11

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	50	100
Receipts	50	-
Payments	-	-
Closing Balance	100	100

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*.

Funds paid into this account are sourced from the RfR Fund (see earlier disclosure) and are drawn from the SPA to support improved access to core health services through the provision of additional resources, improvements to local hospitals and health facilities, and telehealth services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions.

ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE

Table 5.12

	2015-16 \$m	2016-17 \$m
<i>Balance at 1 July</i>	219	164
Receipts	16	120
Payments	71	189
Closing Balance	164	96

Note: Columns may not add due to rounding.

Waste Avoidance and Resource Recovery Account

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

Lower receipts in 2016-17 (relative to 2015-16) reflect lower forecast volumes of waste generation and increased diversion away from landfill to recycling and stockpiling.

WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT		
	2015-16	2016-17
	\$m	\$m
<i>Balance at 1 July</i>	21	18
Receipts	27	18
Payments	30	17
Closing Balance	18	19

Note: Columns may not add due to rounding.

Western Australian Future Fund

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

Announced as part of the 2012-13 Budget, the Future Fund has received \$933 million in 'seed capital' from the Royalties for Regions Fund and \$105 million in interest receipts over the period 2012-13 to 2015-16. From 2016-17 onwards, 1% of the State's annual royalty revenue will be paid into the Fund annually (\$38 million in 2016-17). Interest receipts in 2016-17 are forecast to be \$35 million.

The Future Fund is projected to accumulate \$1.4 billion in funds by 30 June 2020 and, on current projections, a total of \$3.5 billion by 30 June 2032.

WESTERN AUSTRALIAN FUTURE FUND		
	2015-16	2016-17
	\$m	\$m
<i>Balance at 1 July</i>	879	1,038
Receipts	159	73
Payments	-	-
Closing Balance	1,038	1,111

Note: Columns may not add due to rounding.

State Government Social Concessions Expenditure Statement

Introduction

The State Government provides social concessions in the form of rebates, discounts, waivers for services, and subsidies to improve the affordability of services and help reduce the cost of living for individuals and families.

This appendix reports the entire range of social concessions provided by State Government agencies. The information provided reflects actual expenditure on each social concession, by agency, in 2014-15 and estimated expenditure in 2015-16 and 2016-17.

The total value of State public sector concessions in 2016-17 is estimated at \$2.7 billion, including \$1.7 billion in operating subsidies for electricity, water, and public transport services¹.

General Notes on the Statement

For the purposes of this appendix, social concessions are defined as:

- discounts, rebates, waivers for services, and subsidies to improve access to, and affordability of, a range of services based on eligibility criteria related to factors such as age, income and special needs or disadvantage; and
- concessional prices for services provided by public non-financial corporations where the price charged to all consumers is less than the full cost of service provision, and grants paid to private and State training providers to subsidise the cost of training services.

The information in this appendix is compiled from information provided by relevant agencies.

¹ Operating subsidies for social concessions purposes form the vast bulk of operating subsidies reported in Table 8.7 in Appendix 8.

The method of estimating the value of concessions varies. In some cases, the estimates reflect the amount of a good or service consumed at the concessional price or fare and is the difference between the concession and the otherwise applicable price or fare. In others, such as those involving a fixed annual charge, the estimates reflect the rebate or subsidy paid.

The estimated number of recipients is recorded against each social concession. Where the number of unique recipients is not recorded, the number of occasions the concession has been accessed is used instead.

Table 6.1

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2014-15 Actual \$'000	2014-15 No. of Recipients	2015-16 Estimated Actual \$'000	2015-16 Estimated No. of Recipients	2016-17 Budget Estimate \$'000	2016-17 Estimated No. of Recipients
AGRICULTURE AND FOOD						
Perth Royal Show – Free Entry for Children ^(a)	1,200	97,757	-	-	-	-
Regional Agricultural Shows – Free Entry for Children ^(a)	585	94,636	-	-	-	-
Perth Metropolitan Agricultural Shows – Free Entry for Children ^(a)	125	19,804	-	-	-	-
Sub-Total	1,910		-		-	
ATTORNEY GENERAL						
Legal Aid Concessions	23,337	78,653	24,622	70,862	24,863	70,862
Public Trustee Discount Fees	193	1,245	227	1,130	230	1,150
Court and Tribunal Concessions ^(b)	2,605	9,692	2,746	9,914	2,418	9,710
Sub-Total	26,136		27,594		27,512	
BUNBURY WATER CORPORATION						
Pensioners and Seniors Supply Charge Rebate ^(c)	266	4,006	315	4,046	319	4,086
Pensioners and Seniors Consumption Rebate ^(c)	284	1,452	337	1,467	340	1,482
Pensioners Tenant Rebate ^(c)	11	152	13	154	13	156
Ex-Gratia Water (Leak) Allowance ^{(c)(d)(e)}	78	91	120	95	121	96
Sub-Total	638		785		794	
BUSSELTON WATER CORPORATION						
Pensioners Supply Charge and Consumption Rebate ^(c)	366	1,976	372	2,041	426	2,041
Seniors Supply Charge and Consumption Rebate ^{(c)(f)}	73	891	78	912	87	912
Pensioners Tenant Rebate ^{(c)(g)}	-	-	35	210	136	810
Ex-Gratia Water (Leak) Allowance ^{(c)(d)(e)}	45	45	46	39	47	45
Sub-Total	484		531		696	
CULTURE AND THE ARTS						
Art Gallery Concessions ^(h)	20	5,503	73	13,400	73	13,400
Perth Theatre Trust Concessions	62	2,469	63	2,496	63	2,524
WA Museum Concessions ⁽ⁱ⁾	294	62,536	217	47,505	221	48,180
Sub-Total	377		353		358	

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values. Footnotes are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2014-15 Actual \$'000	2014-15 No. of Recipients	2015-16 Estimated Actual \$'000	2015-16 Estimated No. of Recipients	2016-17 Budget Estimate \$'000	2016-17 Estimated No. of Recipients
EDUCATION						
Secondary Assistance Scheme – Education Program Allowance	6,085	25,954	6,239	26,610	6,331	27,001
Secondary Assistance Scheme – Clothing	2,966	25,957	3,060	26,610	3,105	27,001
Boarding Away from Home Allowance	2,556	1,254	3,025	1,483	3,070	1,505
Boarding Away from Home Allowance – Agriculture College	632	312	625	297	642	305
Boarding Away from Home Allowance – Gifted and Talented	85	43	76	36	86	41
Secondary Assistance Scheme – Abstudy Supplement	38	477	38	486	39	493
Sub-Total	12,362		13,064		13,273	
FINANCE						
Council Rates Concession for Pensioners	108,065	426,113	121,500	434,635	128,144	443,763
• Rates and Charges Rebate – Local Government	92,975	216,053	104,000	220,374	109,144	225,002
• Rates and Charges Rebate – Emergency Services Levy	15,090	210,060	17,500	214,261	19,000	218,761
Energy Concession Extension Scheme ⁽ⁱ⁾	654	3,178	1,325	5,834	1,449	5,956
Land Tax Concession – War Widows	2	38	2	24	2	24
Thermoregulatory Dysfunction Energy Subsidy	1,308	2,209	1,397	2,253	1,525	2,300
Life Support Equipment Energy Subsidy	993	1,552	1,063	1,583	1,137	1,616
Fremantle Prison Entry Concession	110	29,923	109	29,741	129	29,431
Sub-Total	111,132		125,396		132,386	
FISHERIES						
Concessional Abalone Fishing Licence	47	2,572	60	3,000	66	3,100
Concessional Net Fishing Licence	90	4,925	92	5,000	114	5,200
Concessional Marron Fishing Licence	50	2,738	60	3,000	66	3,100
Concessional Rock Lobster Fishing Licence	173	9,394	200	10,000	259	12,000
Concessional SW Freshwater Angling Licence	54	2,853	55	3,000	68	3,100
Concessional Recreational Fishing from a Boat Licence	487	33,638	500	35,000	630	37,000
Sub-Total	901		967		1,203	
GOLD CORPORATION						
Concession Admission	6	3,000	4	2,135	5	2,500
Sub-Total	6		4		5	
HEALTH						
Spectacle Subsidy Scheme	2,475	48,999	2,625	50,000	2,693	50,000
Subsidised Dental Care – Dental Health Services ^(k)	16,832	61,488	17,253	62,369	17,684	63,305
Subsidised Dental Care – Oral Health Centre of WA ^(k)	13,069	15,167	13,467	15,486	13,804	15,802
Country Patients Dental Subsidy Scheme	3,035	14,281	3,158	14,638	3,237	14,988
Metropolitan Patients Dental Subsidy Scheme ^(l)	569	1,407	1,510	3,600	615	1,480
WA Country Health Service Patient Assisted Travel Scheme	31,616	39,001	33,776	39,781	34,620	40,577
Peel Health Service Patient Assisted Travel Scheme ^(m)	33	88	31	95	34	100
Home Haemodialysis	34	44	34	48	36	51
Ambulance Services for Seniors	32,609	95,118	38,483	97,677	40,222	100,324
Sub-Total	100,272		110,337		112,944	

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values. Footnotes are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2014-15 Actual \$'000	2014-15 No. of Recipients	2015-16 Estimated Actual \$'000	2015-16 Estimated No. of Recipients	2016-17 Budget Estimate \$'000	2016-17 Estimated No. of Recipients
HORIZON POWER						
Cost of Living Assistance ^{(c)(n)(o)}	993	6,828	-	-	-	-
Energy Assistance Payment ^{(c)(n)(o)}	-	-	949	4,947	1,057	4,964
Dependent Child Rebate ^{(c)(o)}	491	2,416	476	1,459	479	1,465
Tariff Migration (Caravan Park subsidy) ^{(c)(p)}	163	16	128	19	181	19
Account Establishment Fee Rebate ^(c)	2	65	-	-	-	-
Aboriginal and Remote Communities Project – Stage 1 ^{(c)(t)(s)}	9,540	673	7,539	671	9,089	687
Aboriginal and Remote Communities Project – Stage 2 ^{(c)(t)}	1,274	159	2,343	159	1,887	165
Air Conditioning Allowance (North of the 26th Parallel) ^{(c)(o)}	578	2,484	512	1,797	550	1,806
Feed-In Tariff ^{(c)(u)}	1,102	601	1,105	601	1,112	601
Tariff Adjustment Payment-Operating Subsidy ^(c)	25,187	44,439	27,627	45,074	30,846	45,204
Sub-Total	39,329		40,677		45,201	
HOUSING						
Rental Subsidy	394,344	32,133	369,237	32,000	361,294	31,500
Amenities Fee Discount ^(v)	166	7,603	-	-	-	-
Cash Assistance Grant	7	3	5	3	5	3
Rental Sales Scheme Subsidy	8	4	13	6	13	6
Bond Assistance Loans Interest Foregone	323	10,205	318	12,130	340	13,500
Centenarian Initiative ^(w)	17	5	17	5	17	4
Sub-Total	394,866		369,589		361,668	
INSURANCE COMMISSION OF WESTERN AUSTRALIA						
Farm Vehicles – 50% Insurance Premium Rebate	724	6,233	769	6,361	1,066	6,491
Sub-Total	724		769		1,066	
KEYST ART HOUSING SCHEME TRUST						
Safety Net ^(x)	-	397	-	400	-	400
Sub-Total	-		-		-	
LANDS						
Pension Protection Plan Fees and Charges ^(y)	24	3	24	3	24	3
Sub-Total	24		24		24	
LOCAL GOVERNMENT AND COMMUNITIES						
Seniors Cost of Living Rebate	21,004	296,846	22,100	299,261	22,708	306,431
Safety and Security Rebate ^(z)	955	4,749	200	1,004	-	-
Sub-Total	21,959		22,300		22,708	
PARKS AND WILDLIFE						
National Park Entrance Fee Reduction	486	44,597	486	44,597	535	49,056
Tree Top Walk Entry Concession	70	14,020	70	14,020	70	14,020
Geike Gorge Boat Trip Concession	55	5,485	55	5,485	55	5,485
Camping Concession	267	43,198	267	43,198	267	43,198
Monkey Mia Park Entry Fee Concessions	23	12,061	23	12,061	23	12,061
Concession Annual All Park Pass	123	4,090	123	4,090	123	4,090
Dryandra Woodland Barna Mia Concession Tour Fee	1	337	1	337	1	337
Cave Concessions	15	4,273	15	4,273	15	4,273
Penguin Island Concessions	17	12,809	17	12,809	17	12,809
Sub-Total	1,058		1,058		1,106	

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values. Footnotes are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2014-15 Actual \$'000	2014-15 No. of Recipients	2015-16 Estimated Actual \$'000	2015-16 Estimated No. of Recipients	2016-17 Budget Estimate \$'000	2016-17 Estimated No. of Recipients
PERTH MARKET AUTHORITY						
Discount for Sunday/Community Market Entry Price	22	43,225	21	41,962	-	-
Sub-Total	22		21		-	
PUBLIC TRANSPORT AUTHORITY (aa)						
Transperth – General (c)(bb)	481,420	89,701,440	506,912	87,463,523	528,390	89,142,999
Transperth – Concession Fares (c)(cc)	72,006	35,872,547	75,999	36,727,959	77,991	37,265,919
Transperth – Pensioners, Seniors and Carers Free Travel (c)(dd)	16,529	5,436,024	17,446	5,592,436	18,218	5,749,331
Transperth – Free Transit Zone (ee)	15,091	14,532,084	15,293	14,638,031	15,293	14,731,536
Regional Town Bus Services – General (c)(bb)	11,383	2,281,052	11,706	2,241,712	11,979	2,241,712
Regional Town Bus Services – Concession Fares (c)(cc)	3,940	2,085,315	4,122	2,082,904	4,157	2,082,904
Regional Town Bus Services – Pensioners, Seniors and Carers Free Travel (c)(dd)	256	116,607	185	81,521	186	81,521
Regional School Bus Services (c)(ff)(gg)	121,543	28,200	124,398	28,435	127,075	28,672
Regional School Bus Services – Student Conveyance Allowance (c)(gg)(hh)	2,231	4,917	2,251	4,951	2,271	4,986
Transwa – General (c)(ii)	25,817	175,123	26,696	174,746	28,876	171,579
Transwa – Concession Fares (c)	3,450	203,668	3,719	213,569	3,692	209,703
Transwa – Annual Free Trip for Pensioners (c)(ff)	1,936	26,752	1,919	25,685	1,905	25,220
Sub-Total	755,601		790,646		820,034	
ROTTNEST ISLAND AUTHORITY						
Train/Bus/Bike Concessions (i)	53	12,978	15	3,785	2	745
Tour Concessions (ii)	11	3,390	7	2,710	5	2,550
Sub-Total	64		21		7	
SPORT AND RECREATION						
Children's Camp Prices	18	308	20	320	22	330
Sub-Total	18		20		22	
SYNERGY						
Cost of Living Assistance (c)	49,957	299,801	-	-	-	-
Energy Assistance Payment (c)(n)	-	-	40,956	202,077	42,486	205,260
Dependent Child Rebate (c)	13,815	45,833	14,715	46,717	15,449	47,619
Permanent Caravan Park Residents Energy and Air Conditioning Subsidies (c)(kk)	317	1,719	-	-	-	-
Account Establishment Fee Rebate (c)	728	23,690	761	24,756	769	25,028
Air Conditioning Rebate (c)	79	279	152	318	154	323
Late Payment Waiver (c)	644	75,878	698	77,396	739	78,943
Feed-In Tariff (c)	30,300	76,613	30,300	76,076	30,300	75,544
Tariff Adjustment Payment – Operating Subsidy (c)	386,008	1,034,079	320,353	1,044,677	298,511	1,067,638
Sub-Total	481,848		407,935		388,407	
TRAINING AND WORKFORCE DEVELOPMENT						
Total Grants including (l)	263,320	140,039	241,072	137,000	227,726	137,000
• Tuition Fees – Vocational Educational Training (VET) Courses – 50% Course Fee Concession	8,353	19,953	8,198	19,089	8,741	19,381
• Tuition Fees – VET Courses – 100% Course Fee Concession	1,512	1,087	2,156	1,685	2,276	1,706
South West Bus Service	524	128	530	140	540	145
Sub-Total	273,710		251,956		239,283	

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values. Footnotes are on the last page of the table.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Concession	2014-15 Actual \$'000	2014-15 No. of Recipients	2015-16 Estimated Actual \$'000	2015-16 Estimated No. of Recipients	2016-17 Budget Estimate \$'000	2016-17 Estimated No. of Recipients
TRANSPORT						
Pensioner/Senior Inter-Town Travel Scheme ^(mm)	305	15,666	330	16,000	330	16,000
Pensioner/Senior Intra-Town Travel Scheme ^{(mm)(nn)}	62	41,822	132	42,000	132	42,000
Students Subsidised Travel Scheme	1,585	2,141	1,430	2,140	1,430	2,140
Taxi Users' Subsidy Scheme	10,834	13,403	10,785	13,403	10,785	13,403
Motor Drivers Licence (50% + 100%) ^(oo)	12,676	377,403	13,669	396,273	14,352	416,087
Motor Vehicle Licence (50% + 100%) ^(pp)	30,976	203,749	32,760	210,859	34,136	218,243
Pensioner Annual Free Trip	1,102	1,220	1,012	1,238	1,012	1,238
Perth Parking Management Exemptions	10,103	12,146	14,766	14,500	15,963	15,517
Sub-Total	67,642		74,883		78,140	
WESTERN AUSTRALIAN GREYHOUND RACING ASSOCIATION						
Veterans, Disabled and Aged Discount – Greyhound ^(qq)	3	1,313	1	360	1	360
Sub-Total	3		1		1	
WESTERN AUSTRALIAN SPORTS CENTRE TRUST – VENUESWEST						
Aquatic Centre Entry Concession – Total ^(rr)	30	24,661	30	24,661	30	24,661
Aquatic Concession Aqua Card – Total ^(ss)	39	1,728	39	1,728	39	1,728
Fitness Membership	23	243	23	241	24	242
Sub-Total	91		92		93	
WATER CORPORATION ^(tt)						
Pensioners Service Charge Rebate ^(c)	49,819	133,703	56,754	139,877	56,857	140,509
Pensioners Consumption Concession ^(c)	16,468	169,064	18,760	176,870	18,794	177,670
Seniors Service Charge Rebate ^(c)	16,922	73,356	19,278	76,743	19,313	77,090
Retirement Unit Concession ^(c)	17	81	20	85	20	85
Interest on Rates Deferred for Pensioners ^(c)	349	13,050	502	13,653	416	13,714
Country – Water ^{(c)(uu)}	335,642	224,436	357,747	227,473	322,601	229,721
Country – Wastewater ^{(c)(vv)}	86,264	170,461	47,387	174,250	-	177,702
Country – Drainage ^(c)	14,333	9,207	13,408	9,207	14,961	9,207
Leaks and Bursts ^{(c)(ww)}	5,750	7,934	6,125	8,452	6,528	9,007
Sub-Total	525,564		519,980		439,490	
ZOOLOGICAL PARKS AUTHORITY						
Children's Discount – Zoo	1,214	86,725	1,286	85,732	1,306	87,083
Children Under 4 – Free Zoo Entry	2,680	99,248	2,845	98,112	2,990	99,657
Education Excursion Discount	583	37,044	640	36,620	678	37,197
Seniors Discount and Concession Card – Zoo	350	58,314	404	57,647	410	58,554
Carers Free Entry	86	3,169	91	3,133	95	3,182
Sub-Total	4,912		5,266		5,479	
TOTAL	2,821,651		2,764,268		2,691,899	

(a) The free entry for children concessions will not be provided from 2015-16.

(b) This includes the State Administrative Tribunal (WA), Magistrates Courts and Tribunal, Supreme Court, Children's Court, Coroner's Court, District Court, and Family Court.

(c) Operating subsidies are reported in Appendix 8.

(d) The value of the concession for 2015-16 differs to the operating subsidies disclosed in Appendix 8 (Table 8.7), as the reported subsidies in Appendix 8 contain a reimbursement for the actual value of concessions paid to pensioners and seniors in 2014-15.

(e) From 2016-17, this concession will no longer be funded by an operating subsidy.

(f) This includes rebates for Commonwealth Seniors Health Card holders, Western Australian Seniors Card holders and State concession card holders.

(g) The introduction of this concession in 2015-16 brings Busselton Water Corporation in line with the concessions offered by other water utilities in Western Australia.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

- (h) The increase in cost and recipients in 2015-16 and 2016-17 is due to the inclusion of a larger exhibition, Treasure Ships: Art in the Age of Spices.
- (i) The decline in cost and recipients in 2015-16 and 2016-17 is due to the cessation of the Dinosaur Discovery and Afghanistan exhibitions in 2014-15.
- (j) This provides the Energy Assistance Payment to eligible households that receive electricity charges through on-selling arrangements. This includes those living in retirement villages or apartment buildings where the electricity costs are recouped from the tenants by the owner, as the owner is billed directly by Synergy or Horizon Power on behalf of the residential complex. It also applies to households that receive electricity charges direct from a retailer other than Synergy or Horizon Power. The estimated concession values for 2015-16 and 2016-17 are extrapolated based on the actual payments made to eligible customers in 2014-15 and includes the transfer of administration for the Permanent Caravan Park Residents Energy and Air Conditioning Subsidies from Synergy.
- (k) Subsidised Dental Care – Dental Health Service provides predominantly subsidised general dental services to eligible Western Australian residents through Dental Health Services, a budget holder of the Metropolitan Health Service. Subsidised Dental Care – Oral Health Centre of WA provides predominantly subsidised specialist dental services for eligible Western Australian residents through a WA Department of Health contract with the University of Western Australia.
- (l) In 2015-16, the Commonwealth provided additional funding of \$13 million through the National Partnership Agreement on Adult Public Dental Services, to assist in reducing public pressure on the dental system in WA.
- (m) Data on the number of recipients are not collected, only the number of trips is recorded. A single recipient may make multiple trips in a year.
- (n) The means-tested Energy Assistance Payment replaced the Cost of Living Assistance payment from 1 July 2015.
- (o) For 2014-15, Horizon Power uses the number of accounts related for each subsidy. For forecasting purposes, Horizon Power is using the annualised number of customers.
- (p) This is the number of caravan parks as there are no data on individual recipients.
- (q) Horizon Power is unable to forecast values for 2015-16 and 2016-17.
- (r) For 2015-16, \$3 million of this concession will be funded by an operating subsidy and the remaining \$4.5 million from the Essential and Municipal Services Account (see Appendix 5). From 2016-17, this concession will be fully funded by an operating subsidy.
- (s) The decline in costs for 2015-16 is due to a strategic review conducted by Horizon Power, resulting in a \$1.6 million reduction in expenditure for this concession. Horizon Power has not reviewed the value of its expenditure on this project from 2016-17 onwards.
- (t) The increase in costs for 2015-16 is due to the early completion of the new power station in Yungngora.
- (u) The operating subsidy for this concession is capped at \$40,000.
- (v) From 2015-16, the Amenities Fees Discount concession will be discontinued as the concession has been included in the calculation of the rental subsidy.
- (w) Rent-free housing is provided to public housing tenants aged one hundred years or older.
- (x) A value for the Safety Net concession cannot be identified as this program provides assistance to borrowers with reduced repayments for three to six months. When the client comes out of the Safety Net, they will resume making normal repayments.
- (y) Eligible pensioners leasing property through the Department of Lands can defer land rent until they become ineligible for the concession, or the accrued rent is recouped from their final estate.
- (z) The Safety and Security Rebate ceased on 30 June 2015. However, 1,004 applications received by this date were not paid until 2015-16.
- (aa) The number of recipients is based on the total number of boardings in each concession category, except where otherwise indicated.
- (bb) This is the difference between total cost and revenue. Revenue is calculated as the total value if all passengers paid the standard fare, rather than paying a concession fare or travelling for free.
- (cc) The values are an aggregation of concession fares and school children fares. This breakdown can be seen in Table 8.7 in Appendix 8.
- (dd) This is the total value of revenue that could have been collected if passengers paid a concession fare, rather than travelling for free.
- (ee) This is funded by the Department of Transport through the Perth Parking Levy.
- (ff) This reflects the number of unique recipients accessing the concession.
- (gg) The values are an aggregation of Regional School Bus Services and Intensive English Centre revenue from the Department of Education. This breakdown can be seen in Table 8.7 in Appendix 8.
- (hh) The concession is paid to a parent or carer in place of the Authority providing a school bus service.
- (ii) The values are an aggregation of Transwa General and Royalties for Regions funding for the AvonLink. This breakdown can be seen in Table 8.7 in Appendix 8.
- (jj) The decline in cost and recipients in 2015-16 and 2016-17 is due to the sale of Rottnest Island Authority's Tours and Transport operations to a third party in 5 November 2015.
- (kk) From 2015-16, the Permanent Caravan Residents Energy and Air Conditioning Subsidies concession has been absorbed into the Energy Concession Extension Scheme administered by the Office of State Revenue.
- (ll) The Commonwealth Government's contribution to the funding of training concessions has been excluded.
- (mm) Subsidies are costed based on the number of trips taken.
- (nn) The Pensioner/Senior Intra-Town Travel Scheme actual total cost of concession is \$89,000 for 2014-15, but a portion of this was paid out in 2015-16.
- (oo) Age pensioners and pensioners holding both a Western Australian Seniors Card (WASC) and a Commonwealth Seniors Health Card (CSHC) receive a 100% concession on their annual drivers licence fee. Holders of a Pensioner Concession Card (PCC), WASC or a CSHC receive a 50% concession.
- (pp) Invalid or disability pensioners receive a 100% concession on their annual motor vehicle licence fee. Holders of a PCC or a WASC and a CSHC receive a 50% concession.
- (qq) From 2015-16, the WA Greyhound Racing Association will no longer charge admission fees for Saturday nights.
- (rr) Number of recipients is based on the number of visits.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

(ss) Number of recipients is the number of multi-visit aqua cards purchased.

(tt) Pensioner and senior concessions are reported as an operating subsidy in Table 8.7 in Appendix 8. The operating subsidy also includes non-rated properties and Aboriginal reserves. The values for pensioner and senior concessions in Table 8.7 aggregates the total cost of concession for each concession, with the corresponding administrative cost.

(uu) Includes the rural irrigation schemes operating subsidy.

(vv) From 2016-17, the Country – Wastewater concession is forecast to be at full cost reflectivity.

(ww) From 1 July 2015, the metropolitan portion of this concession will no longer be funded by an operating subsidy.

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values.

APPENDIX 7

Asset Investment Program – Summary of Expenditure and Source of Funds

Overview

This appendix summarises asset investment expenditure by agencies within portfolio groups, and the sources of funds for the aggregate Asset Investment Program by year.

Table 7.1

ASSET INVESTMENT PROGRAM

	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
PARLIAMENT					
Legislative Council	-	-	-	-	-
Legislative Assembly	-	-	-	-	-
Parliamentary Services	1.3	1.0	1.0	1.0	1.0
Parliamentary Commissioner for Administrative Investigations	0.2	0.2	0.2	0.2	0.2
PREMIER; MINISTER FOR TOURISM; SCIENCE					
Premier and Cabinet	3.4	1.2	1.1	1.3	1.1
Public Sector Commission	0.2	0.2	0.1	0.1	0.1
Gold Corporation	9.3	13.0	7.9	5.6	5.1
Governor's Establishment	0.4	0.2	0.2	0.1	0.1
Lotteries Commission	13.7	10.8	1.9	1.2	1.3
Salaries and Allowances Tribunal	-	-	-	-	-
Western Australian Tourism Commission	0.9	0.6	0.6	0.6	1.0
Rottnest Island Authority	11.0	3.6	4.7	4.7	4.3
Chemistry Centre (WA)	1.0	1.5	1.5	1.0	1.0
DEPUTY PREMIER; MINISTER FOR POLICE; ROAD SAFETY; TRAINING AND WORKFORCE DEVELOPMENT; WOMEN'S INTERESTS					
Western Australia Police	84.1	76.3	35.7	40.1	21.3
Road Safety Commission	-	-	-	-	-
Training and Workforce Development	45.8	59.5	23.0	15.3	15.3
TAFE Colleges	13.4	9.2	9.9	8.5	8.6
Building and Construction Industry Training Board	6.1	2.6	-	-	-
MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT					
Regional Development	-	0.9	40.7	279.8	233.9
Royalties for Regions – Regional and State-wide Initiatives	-	-	23.1	0.6	109.1
Gascoyne Development Commission	-	-	-	-	-
Goldfields–Esperance Development Commission	-	-	-	-	-
Great Southern Development Commission	-	-	-	-	-
Kimberley Development Commission	-	-	-	-	-
Mid West Development Commission	_(a)	-	_(a)	-	-
Peel Development Commission	-	-	-	-	-
Pilbara Development Commission	-	-	-	-	-
South West Development Commission	1.3	8.6	2.5	0.1	0.1
Wheatbelt Development Commission	_(a)	_(a)	_(a)	_(a)	_(a)
Lands	3.7	4.6	-	-	-
Western Australian Land Authority	310.9	298.5	262.2	292.7	237.6
Western Australian Land Information Authority	22.6	19.5	19.3	19.6	10.5

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS					
Education	332.3	300.4	338.3	265.3	185.9
Education Services	0.1	0.1	0.1	0.1	0.1
School Curriculum and Standards Authority	1.3	0.8	1.5	0.2	-
Country High Schools Hostels Authority	14.7	0.5	0.5	9.2	0.5
Aboriginal Affairs	1.6	0.5	0.6	0.5	0.5
Western Australian Electoral Commission	0.1	0.1	0.1	0.1	0.1
MINISTER FOR HEALTH; CULTURE AND THE ARTS					
WA Health	560.5	526.3	314.6	116.3	58.5
Western Australian Health Promotion Foundation	0.1	0.1	0.1	0.1	0.1
Animal Resources Authority	1.2	0.2	0.2	0.2	0.2
Culture and the Arts	42.0	107.9	92.4	150.7	74.2
TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS					
Treasury	-	-	-	-	-
Economic Regulation Authority	0.1	-(a)	-	-	0.3
Insurance Commission of Western Australia	6.0	5.0	4.5	4.8	5.5
Office of the Auditor General	0.9	0.6	0.7	0.7	1.0
Western Australian Treasury Corporation	1.8	1.7	1.6	1.4	1.9
Independent Market Operator	-	-	-	-	-
Horizon Power	146.3	127.8	113.9	59.9	45.3
Synergy	72.3	73.0	49.6	41.5	25.8
Western Power Networks	794.6	574.4	640.7	605.0	609.9
Western Power Provisions	-	272.9	274.8	282.3	267.2
MINISTER FOR STATE DEVELOPMENT; FINANCE					
State Development	0.1	0.2	0.2	-(a)	0.1
Finance	188.9	118.7	99.9	91.0	89.5
Office of the Government Chief Information Officer	-	-	-	-	-
ATTORNEY GENERAL; MINISTER FOR COMMERCE					
Attorney General	17.2	17.0	10.9	6.5	6.9
Corruption and Crime Commission	2.4	1.5	2.3	2.2	2.2
Commissioner for Equal Opportunity	0.1	0.1	0.1	0.1	0.1
Office of the Director of Public Prosecutions	0.4	0.6	0.6	0.6	0.7
Commissioner for Children and Young People	-	-	-	-	-
Office of the Information Commissioner	-	-	-	-	-
Parliamentary Inspector of the Corruption and Crime Commission	0.2	-	-	-	-
Legal Aid Commission of Western Australia	1.0	0.6	1.9	1.3	1.2
Commerce	10.8	9.2	4.8	2.4	2.7
Registrar, Western Australian Industrial Relations Commission	1.0	1.4	0.2	0.2	0.2
WorkCover WA Authority	1.4	0.7	0.7	0.7	0.7

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM

	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
MINISTER FOR ENVIRONMENT; HERITAGE					
Parks and Wildlife	28.3	43.6	23.4	23.1	17.6
Environment Regulation	0.9	0.9	0.9	0.9	0.9
Botanic Gardens and Parks Authority	2.9	1.5	1.0	1.0	1.0
Office of the Environmental Protection Authority	0.2	0.1	0.2	0.1	0.1
Zoological Parks Authority	8.0	6.1	2.5	3.0	2.0
Heritage Council of Western Australia	1.7	-	-	-	-
State Heritage Office	_(a)	_(a)	_(a)	_(a)	_(a)
National Trust of Australia (WA)	1.7	0.7	0.7	0.7	0.7
MINISTER FOR EMERGENCY SERVICES; FISHERIES; CORRECTIVE SERVICES; VETERANS					
Fire and Emergency Services	48.1	41.3	20.9	15.5	15.4
State Emergency Management Committee Secretariat	-	-	-	-	-
Fisheries	6.4	5.5	3.3	3.9	3.9
Corrective Services	35.3	32.0	12.0	11.3	10.9
Office of the Inspector of Custodial Services	_(a)	_(a)	_(a)	_(a)	_(a)
MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY					
Water	15.9	19.0	10.1	11.4	12.9
Water Corporation	678.1	781.8	790.5	780.2	856.2
Bunbury Water Corporation	3.1	2.7	3.4	3.5	1.4
Busselton Water Corporation	4.1	2.7	2.7	2.7	2.8
Sport and Recreation	20.8	50.1	13.4	0.6	0.6
Western Australian Sports Centre Trust	22.7	21.0	18.7	10.9	11.4
Western Australian Institute of Sport	0.2	0.1	0.1	0.1	0.1
Forest Products Commission	1.1	0.6	0.6	0.6	0.6
MINISTER FOR AGRICULTURE AND FOOD; TRANSPORT					
Agriculture and Food	12.7	13.0	10.5	2.7	2.8
Rural Business Development Corporation	-	-	-	-	-
Perth Market Authority ^(b)	1.6	-	-	-	-
Western Australian Meat Industry Authority	0.4	0.3	0.4	0.5	0.5
Transport	28.6	32.6	14.1	15.5	24.7
Commissioner of Main Roads	988.2	1,245.2	1,486.4	1,003.4	635.5
Public Transport Authority of Western Australia	485.4	571.7	755.7	874.0	1,116.4
Fremantle Port Authority	11.3	49.7	70.4	80.4	54.8
Kimberley Ports Authority	14.2	11.9	1.5	1.6	1.4
Mid West Ports Authority	13.4	12.2	6.9	5.0	5.0
Pilbara Ports Authority	30.6	77.8	77.3	136.7	21.3
Southern Ports Authority	14.0	22.6	8.8	9.0	9.0

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; YOUTH					
Local Government and Communities	1.0	0.9	0.9	0.1	0.1
Metropolitan Cemeteries Board	13.7	6.3	7.5	7.3	6.0
MINISTER FOR HOUSING; RACING AND GAMING					
Housing Authority	427.2	601.9	332.9	343.7	236.9
Keystart Housing Scheme Trust	0.7	1.3	1.3	1.3	1.3
Racing, Gaming and Liquor	-	-	0.3	0.2	0.1
Racing and Wagering Western Australia	19.7	16.4	16.3	10.7	11.3
Western Australian Greyhound Racing Association	8.8	0.6	0.6	-	-
Burswood Park Board	_(a)	-	-	-	-
MINISTER FOR PLANNING; DISABILITY SERVICES					
Planning	4.3	5.4	2.4	2.5	2.6
Metropolitan Redevelopment Authority	177.6	137.6	74.0	47.9	45.9
Western Australian Planning Commission	107.1	42.8	37.7	36.7	92.3
Disability Services Commission	2.9	1.3	1.2	-	-
MINISTER FOR MENTAL HEALTH; CHILD PROTECTION					
Mental Health Commission	2.4	10.4	0.7	-	-
Child Protection and Family Support	6.0	1.2	3.4	1.2	1.2
MINISTER FOR MINES AND PETROLEUM; SMALL BUSINESS					
Mines and Petroleum	8.1	7.1	1.3	0.9	0.9
Small Business Development Corporation	0.2	0.1	0.1	0.1	0.1
Provision for Underspend	-650.0	-600.0	-	-	-
Inter-agency Purchases	-75.5	-0.4	-	-	-
Royalties for Regions – Asset Investment Underspend Provision	-50.7	-71.9	-74.0	-69.2	-66.6
TOTAL	5,212.3	5,862.5	6,134.0	5,697.5	5,174.9

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM

	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
<i>Funded by:</i>					
APPROPRIATIONS					
Capital Appropriation	855.1	1,211.1	637.5	891.3	358.1
OTHER FUNDING					
Holding Account	223.8	243.3	230.4	258.9	295.6
Agency Borrowings	1,018.0	1,129.6	944.8	1,281.0	1,712.3
Royalties for Regions	297.4	390.3	349.0	119.9	143.6
Commonwealth Grants	1,017.4	762.4	821.6	588.4	282.3
Land and Property Sales	547.0	525.5	461.1	524.7	435.2
Internal Funds and Balances	923.9	1,276.9	2,510.8	1,675.6	1,690.3
Special Purpose Accounts ^(c)	329.7	323.3	178.9	357.8	257.5
TOTAL	5,212.3	5,862.5	6,134.0	5,697.5	5,174.9

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

(b) The Perth Market Authority was sold on 31 March 2016.

(c) Funding held at the Department of Treasury for the Fiona Stanley Hospital, Perth Children's Hospital, new Perth Stadium, and other projects funded from Special Purpose Accounts.

Note: Columns may not add due to rounding.

Public Corporations – Impact on General Government Revenue and Expenses

Introduction

Corporatised public corporations (also known as Government Trading Enterprises or GTEs) are generally liable for income tax equivalent and dividend payments to the State. A number of public corporations are also liable for local government rate equivalent payments. These payments are levied by the State to ensure competitive neutrality (i.e. a level playing field) between public and private sector business activities.

Some public corporations also receive operating subsidies, to assist with reducing the prices for consumers of electricity, water and public transport services. Some of these operating subsidies benefit all households, while others are targeted at only particular groups such as pensioners, seniors or consumers in regional areas.

The general government sector will pay public corporations net subsidies totalling \$524 million in 2016-17 (see Table 8.1). That is, gross subsidy payments to public corporations (\$2 billion) are expected to exceed tax equivalent and dividend revenue received from these corporations (\$1.5 billion) by \$524 million. This is an increase on the \$126 million net subsidy in 2015-16, primarily as a result of lower dividend revenue in 2016-17 (down \$438 million), which largely reflects electricity corporations paying an interim dividend in 2015-16.

Table 8.1

PUBLIC CORPORATIONS
Revenue to and Expenses from the General Government Sector ^(a)

	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m
Electricity Corporations		
Dividends, Tax Equivalents, and Local Government Rate Equivalents		
Horizon Power	39.0	32.6
Synergy	82.9	9.0
Western Power	402.6	175.9
TOTAL	524.4	217.5
Operating Subsidies		
Horizon Power	35.1	44.1
Synergy	407.9	388.4
Western Power	-	-
<i>Subtotal</i>	<i>443.0</i>	<i>432.5</i>
Other Subsidies	5.0	5.0
<i>Net Electricity Corporations</i>	<i>76.4</i>	<i>-220.0</i>
Water Corporation		
Dividends, Tax Equivalents, and Local Government Rate Equivalents	886.6	858.0
Operating Subsidies	562.4	486.1
Other Subsidies	17.9	11.8
<i>Net Water Corporation</i>	<i>306.3</i>	<i>360.1</i>
Public Transport Authority ^(b)		
Operating Subsidies	777.2	806.5
Other Subsidies	22.6	22.6
<i>Net Public Transport Authority</i>	<i>-799.8</i>	<i>-829.1</i>
Other Public Corporations		
Dividends, Tax Equivalents, and Local Government Rate Equivalents	587.3	407.8
Operating Subsidies	45.5	69.0
Other Subsidies	250.3	174.0
<i>Net Other Public Corporations</i>	<i>291.5</i>	<i>164.8</i>
Total revenue from Public Corporations	1,998.3	1,483.3
Dividends	1,422.0	984.0
Tax Equivalents	557.5	480.4
Local Government Rate Equivalents	18.7	18.9
Total expense to Public Corporations	2,123.8	2,007.5
Operating Subsidies	1,828.0	1,794.1
Other Subsidies	295.8	213.4
Net impact on General Government Sector ^(c)	-125.5	-524.2

(a) Revenue includes dividends, tax equivalent payments and local government rate equivalents. Expenses include operating subsidies and grants funded from the Consolidated Account and other subsidies funded from other sources such as Royalties for Regions (capital appropriations to public corporations are not included). More detailed information on revenues and expenses can be found in Table 8.5 and Table 8.7.

(b) The Public Transport Authority does not pay dividends or tax equivalent payments.

(c) The negative total for the net impact on the general government sector means that the sector is subsidising public corporations in net terms.

Note: Columns may not add due to rounding.

Revenue

General government sector revenue from public corporations in 2016-17 is estimated to be \$1.5 billion, comprising \$984 million in dividend payments, \$480 million in income tax equivalent payments, and \$19 million in local government rate equivalent payments.

Revenue from public corporations in 2016-17 is expected to be \$515 million (or 34.7%) lower than in 2015-16. This is mainly the result of:

- electricity corporations paying their first interim dividend in 2015-16, rather than 2014-15 as originally expected, due to the late passage of amendments to the *Electricity Corporations Act 2005*;
- increased profitability for Western Power in 2014-15 leading to a higher dividend in 2015-16. The high operating outcome in 2014-15 was due to higher than expected customer capital contributions, improved operational efficiencies, reduced need for corrective maintenance to the Corporation's network and lower borrowing costs. Land sales as part of the Government's Land Asset Sales Program also contributed to a higher dividend in 2015-16; and
- a once-off special dividend of \$93 million paid in 2015-16 by the Insurance Commission of Western Australia, due to a higher than expected profit in 2014-15.

A detailed list of revenue items from individual public corporations to the general government sector is provided in Table 8.5.

Expenses

Subsidies provided to public corporations in 2016-17 are estimated to total \$2 billion, a decrease of \$116 million (or 5.8%) from 2015-16. The general government sector is forecast to pay a total of \$10 billion across the four year period to 2019-20 to subsidise the activities of public corporations.

A detailed list of these subsidies is provided in Table 8.7.

The size of the operating subsidies paid to public corporations is affected by the Government's decisions on the tariffs, fees and charges to be paid by consumers. The Government has approved the following increases to key tariffs, fees and charges in 2016-17:

- residential electricity tariffs – 3%;
- residential water charges – 4.5%; and
- public transport fares – 2.5% (rounded to the nearest 10 cents).

Despite these increases, electricity tariffs and public transport fares will continue to fall well short of the actual cost of electricity and public transport provision. Water tariffs in regional areas will also fall short of the actual cost of providing water to those areas. In this regard:

- the expected cost recovery rate for metropolitan public transport services is 29.3% in 2015-16, and is anticipated to decline to 28.3% in 2016-17;

- despite the assumed increases of 7% per annum across the outyears, residential electricity tariffs still fall an estimated 2.8% short of cost-reflectivity by 2019-20; and
- the Water Corporation is expected to receive operating subsidies totalling \$486 million in 2016-17, most of which (\$340 million) is to support the ongoing commitment to provide water at the same cost for country residential users as for metropolitan residents, despite the higher cost of services in the regions.

Electricity Tariffs

The Government has approved the following increases to electricity tariffs from 1 July 2016:

- residential tariffs – 3%;
- small business tariffs – 3%; and
- street lighting tariffs – 2.2%.

Approved changes to medium and large business tariffs from 1 July 2016 range between increases of 10.1% and 22.5% depending on the tariff.

Approved increases for 2016-17, and assumed increases for budget planning purposes from 2017-18 onwards, are outlined in Table 8.2.

NON-CONTESTABLE TARIFF INCREASES					Table 8.2
Tariff	2016-17 %	2017-18 %	2018-19 %	2019-20 %	
Residential (A1/A2)	3	7	7	7	
Residential Hot Water (B1) ^{(a)(c)}	-6.8	2.4	-0.4	-7.4	
Community and Charitable Organisations (C1/C2) ^{(a)(c)}	-13.9	3.6	-4.6	3.5	
Charitable Organisation Providing Residential Accommodation (D1/D2) ^(b)	3	7	7	3.9	
Combined Residential/Business (K1/K2) ^(b)	3	7	7	2.9	
Small Business (L1/L2) ^(b)	3	7	-0.4	2.3	
Small Business Time of Use (R1)	3	7	7	7	
Unmetered Supply (UMS) ^{(a)(c)}	0.5	1.9	0.4	1.4	
Traffic Lighting (W1/W2) ^{(a)(c)}	0.3	2.2	0.4	1.5	
Street Lighting (Z) ^{(a)(c)}	2.2	2.2	-0.7	0.5	
CONTESTABLE TARIFF INCREASES ^{(a)(c)(d)}					
Tariff	2016-17 %	2017-18 %	2018-19 %	2019-20 %	
Medium Business (L3/L4)	12.1	3.5	9.4	6.9	
Medium Business Time of Use (R3)	10.1	1.4	6.3	11.2	
Large Business (M1/M2)	15	4.3	11.8	12	
Large Business Low Voltage (S1)	22.3	6.4	13.2	7.5	
Large Business High Voltage (T1)	22.5	6.7	13.3	11.7	

(a) These regulated tariffs are assumed to be at full cost reflectivity in 2016-17.
 (b) These regulated tariffs are assumed to be at full cost reflectivity by the end of the forward estimates period.
 (c) Further changes to these tariffs may occur due to the Economic Regulation Authority's final determination on Western Power's 2016-17 Price List.
 (d) Subject to the Government's approval, further changes to these tariffs may occur due to a review currently being undertaken by Synergy of its contestable tariff methodology.

Water Tariffs

The Government has approved a 4.5% increase in tariffs for a range of services provided by the Water Corporation in 2016-17. A selection of key tariff changes from 2015-16 to 2016-17 is provided in Table 8.3.

WATER CORPORATION'S 2016-17 TARIFF CHANGES			
	2015-16	2016-17	% Change
Metropolitan Residential Tariffs			
Water			
Standard fixed service charge (\$)	226.05	236.22	4.5
Consumption charges (c/kL) ^(a)			
0-150kL	151.80	158.60	4.5
151-500kL	202.30	211.40	4.5
Over 500kL	286.40	299.30	4.5
Wastewater (c in \$GRV) ^(b)			
First \$21,100 Gross Rental Value (GRV)	3.850	n.a. ^(c)	4.5
Over \$21,100 GRV	0.870	n.a. ^(c)	4.5
Drainage			
Drainage charge (c in \$GRV) ^(d)	0.481	n.a. ^(c)	4.5
Metropolitan Non-Residential Tariffs			
Water			
Standard fixed service charge (\$)			
Minimum charge (15 or 20 mm) ^(e)	226.05	236.22	4.5
Consumption charges (c/kL) ^(f)	209.30	218.70	4.5
Wastewater ^(g)			
First fixture (\$)	848.50	886.68	4.5
Volumetric charge (c/kL)	311.80	325.80	4.5
Drainage			
Drainage charge (c in \$GRV) ^(d)	0.278	n.a. ^(c)	4.5
<p>(a) Country residential water consumption charges are no more than metropolitan charges for the first 300kL, after which the charges reflect the cost of providing services.</p> <p>(b) Country residential wastewater charges reflect the cost of delivering services with minimum and maximum charges applied.</p> <p>(c) Not available: 2016-17 tariffs will be determined in May 2016 when GRV data is available.</p> <p>(d) Drainage is not charged in the country.</p> <p>(e) The charge varies depending upon the size of the meter.</p> <p>(f) Country non-residential water consumption charges are based on the cost of delivering services.</p> <p>(g) Non-residential wastewater charges are uniform across the State.</p>			

For budget planning purposes, water tariffs are assumed to increase by 6% in 2017-18, 6% in 2018-19 and 2.5% in 2019-20.

Public Transport Fares

The Government has approved the following public transport fares from 1 July 2016:

- a 2.5% increase to standard public transport fares (rounded to the nearest 10 cents);
- the student fare remaining at 60 cents;
- concession fares remaining at 40% of standard fares; and
- no change in the \$2 per day parking fee.

Seniors, disability and age pensioner cardholders, and carers will continue to be eligible for free travel on weekdays before 6am, between 9.00am and 3.30pm and after 7pm, and anytime on weekends and public holidays.

The Public Transport Authority's budget projections assume Transperth fares will increase by 2.5% per annum from 2017-18 to 2019-20. Table 8.4 details the change in cash fares for various journey lengths between 2015-16 and 2016-17.

TRANSPERTH FARES 2016-17

Table 8.4

Standard Cash Fare ^(a)	2015-16	\$ increase ^(b)	% increase	2016-17
2 sections	\$2.10	-	-	\$2.10
1 zone	\$3.00	-	-	\$3.00
2 zones	\$4.50	\$0.10	2.2	\$4.60
3 zones	\$5.30	\$0.20	3.8	\$5.50
4 zones	\$6.40	\$0.10	1.6	\$6.50
5 zones	\$7.90	\$0.20	2.5	\$8.10
6 zones	\$8.90	\$0.20	2.2	\$9.10
7 zones	\$10.50	\$0.20	1.9	\$10.70
8 zones	\$11.30	\$0.30	2.7	\$11.60
9 zones	\$12.10	\$0.30	2.5	\$12.40
Day Rider	\$12.10	\$0.30	2.5	\$12.40
Family Rider	\$12.10	\$0.30	2.5	\$12.40
Student	\$0.60	-	-	\$0.60

(a) Concession Fares remain at 40% of the full standard fare subject to rounding.

(b) Fare increases are rounded to 10 cent increments and are based on the 2015-16 fare calculated before rounding.

Table 8.5

GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS					
Details of Payment	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
Horizon Power					
Income tax expense	8.7	13.6	39.8	8.3	10.4
Local Government Rates expense	0.3	0.3	0.3	0.3	0.3
Dividends	30.1	18.8	14.2	12.5	15.0
<i>Subtotal</i>	<u>39.0</u>	<u>32.6</u>	<u>54.2</u>	<u>21.1</u>	<u>25.6</u>
Synergy					
Income tax expense	21.4	5.5	12.1	23.8	34.3
Local Government Rates expense	0.7	0.7	0.7	0.7	0.7
Dividends	60.7	2.8	12.5	33.7	51.8
<i>Subtotal</i>	<u>82.9</u>	<u>9.0</u>	<u>25.3</u>	<u>58.2</u>	<u>86.8</u>
Western Power ^(a)					
Local Government Rates expense	1.6	1.6	1.7	1.7	1.7
Dividends	401.0	174.3	208.3	192.8	166.7
<i>Subtotal</i>	<u>402.6</u>	<u>175.9</u>	<u>210.0</u>	<u>194.5</u>	<u>168.4</u>
Water Corporation					
Income tax expense	308.4	305.9	348.1	379.9	423.2
Local Government Rates expense	5.8	5.9	6.1	6.3	6.4
Dividends	572.4	546.2	617.3	685.8	703.0
<i>Subtotal</i>	<u>886.6</u>	<u>858.0</u>	<u>971.5</u>	<u>1,072.0</u>	<u>1,132.7</u>
Bunbury Water Corporation (Aqwest)					
Income tax expense	1.9	1.7	1.9	2.1	2.0
Local Government Rates expense	- ^(b)	0.1	0.1	0.1	0.1
Dividends	1.2	1.8	1.4	1.6	1.8
<i>Subtotal</i>	<u>3.2</u>	<u>3.5</u>	<u>3.3</u>	<u>3.7</u>	<u>3.9</u>
Busselton Water Corporation					
Income tax expense	0.6	0.7	0.7	0.6	0.6
Local Government Rates expense	- ^(b)	- ^(b)	- ^(b)	- ^(b)	- ^(b)
Dividends	1.4	0.8	1.0	0.9	0.8
<i>Subtotal</i>	<u>2.1</u>	<u>1.6</u>	<u>1.7</u>	<u>1.6</u>	<u>1.5</u>
Western Australian Land Authority (LandCorp)					
Income tax expense	21.0	19.0	18.9	25.8	27.2
Local Government Rates expense	6.7	6.2	6.2	6.4	5.8
Dividends	58.1	31.1	50.0	31.1	31.1
<i>Subtotal</i>	<u>85.8</u>	<u>56.4</u>	<u>75.0</u>	<u>63.4</u>	<u>64.1</u>
Southern Ports Authority ^(c)					
Income tax expense	8.5	9.6	9.3	7.1	6.5
Local Government Rates expense	0.4	0.6	0.6	0.5	0.5
Dividends	13.2	14.5	14.2	11.5	10.1
<i>Subtotal</i>	<u>22.2</u>	<u>24.7</u>	<u>24.0</u>	<u>19.2</u>	<u>17.1</u>
Kimberly Ports Authority ^(c)					
Income tax expense	-	-	-	-	-
Local Government Rates expense	0.1	0.1	0.1	0.1	0.1
Dividends	0.4	-	-	-	-
<i>Subtotal</i>	<u>0.6</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>

Table 8.5 (cont.)

GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS

Details of Payment	2015-16 Estimated \$m	2016-17 Budget \$m	2017-18 Forward \$m	2018-19 Forward \$m	2019-20 Forward \$m
Pilbara Ports Authority ^(c)					
Income tax expense	54.8	71.2	72.8	71.4	58.5
Local Government Rates expense	0.7	0.9	1.1	1.2	1.2
Dividends	97.2	101.8	110.1	110.2	95.7
<i>Subtotal</i>	<i>152.7</i>	<i>173.9</i>	<i>184.1</i>	<i>182.7</i>	<i>155.3</i>
Fremantle Ports Authority ^(c)					
Income tax expense	16.4	19.3	20.9	22.3	21.7
Local Government Rates expense	0.7	0.8	0.8	0.8	0.9
Dividends	25.1	25.1	27.7	29.8	29.8
<i>Subtotal</i>	<i>42.2</i>	<i>45.2</i>	<i>49.4</i>	<i>53.0</i>	<i>52.4</i>
Mid West Ports Authority ^(c)					
Income tax expense	4.4	1.1	0.9	2.0	2.0
Local Government Rates expense	0.7	0.7	0.7	0.7	0.8
Dividends	7.2	4.2	2.9	3.2	2.9
<i>Subtotal</i>	<i>12.3</i>	<i>6.0</i>	<i>4.5</i>	<i>5.9</i>	<i>5.7</i>
Gold Corporation					
Income tax expense	7.2	8.4	9.5	10.3	10.7
Local Government Rates expense	1.0	1.0	1.1	1.1	1.2
Dividends	10.5	13.0	14.5	16.5	17.8
<i>Subtotal</i>	<i>18.7</i>	<i>22.4</i>	<i>25.1</i>	<i>27.9</i>	<i>29.7</i>
Western Australian Treasury Corporation					
Income tax expense	4.9	6.3	7.1	8.2	8.7
Dividends	10.5	7.5	9.6	10.8	12.5
<i>Subtotal</i>	<i>15.4</i>	<i>13.8</i>	<i>16.7</i>	<i>19.0</i>	<i>21.1</i>
Insurance Commission of Western Australia					
Income tax expense	99.2	18.1	23.8	25.4	26.2
Dividends	132.4	41.7	44.5	46.6	48.8
<i>Subtotal</i>	<i>231.6</i>	<i>59.7</i>	<i>68.3</i>	<i>71.9</i>	<i>75.0</i>
Forest Products Commission					
Local Government Rates expense	_(b)	_(b)	_(b)	_(b)	_(b)
Dividends	0.6	0.5	-	-	1.3
<i>Subtotal</i>	<i>0.6</i>	<i>0.5</i>	<i>_(b)</i>	<i>_(b)</i>	<i>1.3</i>
Subtotal Amounts					
Income tax expense ^(d)	557.5	480.4	565.7	587.2	632.0
Local Government Rates expense	18.7	18.9	19.4	20.0	19.6
Dividends	1,422.0	984.0	1,128.1	1,186.9	1,189.0
TOTAL	1,998.3	1,483.3	1,713.3	1,794.1	1,840.6

(a) This includes payments associated with Western Power Provisions included in the Budget estimates.

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

(c) Volatile prices for industrial and energy commodities represent a risk to port authority payments of dividends and taxes to Government.

(d) Some general government sector agencies (e.g. the Chemistry Centre (WA) and the Western Australian Land Information Authority (Landgate)) pay income tax equivalent payments. These agencies are not in the public non-financial corporations or public financial corporations sectors, and so are not reflected in this table.

Note: Columns may not add due to rounding.

Dividends

Table 8.6 summarises the dividend payment payout ratios for the public corporations.

Table 8.6					
REVENUE FROM PUBLIC CORPORATIONS					
	2015-16	2016-17	2017-18	2018-19	2019-20
	%	%	%	%	%
Horizon Power	65	65	65	65	65
Synergy	65	65	65	65	65
Western Power	65	65	65	65	65
Water Corporation	85	85	85	85	85
Busselton Water Corporation	65	65	65	65	65
Bunbury Water Corporation	65	65	65	65	65
Western Australian Land Authority ^(a)	65	65	65	65	65
Insurance Commission of Western Australia ^(b)	65	65	65	65	65
Gold Corporation	75	75	75	75	75
Western Australian Treasury Corporation	65	65	65	65	65
State Port Authorities	65	65	65	65	65
Forest Products Commission ^(c)	65	65	65	65	65

(a) Adjusted for the need to maintain adequate land stocks.

(b) Dividend payout ratios may be adjusted based on the need to maintain appropriate capital adequacy and any other factors or circumstances taken into account by the Board of the Insurance Commission of Western Australia.

(c) Adjusted for native forest (natural resource asset) revaluations and investment in plantations.

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Table 8.7

Details of Payment	Funding Department	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
Horizon Power						
<i>Operating Subsidies</i> ^(a)						
Aboriginal and Remote Communities Project – Stage 1	Treasury	3.0 ^(b)	9.1	9.0	8.8	9.1
Aboriginal and Remote Communities Project – Stage 2	Treasury	2.3	1.9	1.9	1.8	1.8
Air Conditioning Allowance (North of 26 th Parallel)	Treasury	0.5	0.6	0.6	0.7	0.7
Dependent Child Rebate	Treasury	0.5	0.5	0.5	0.6	0.6
Energy Assistance Payment ^(c)	Treasury	0.9	1.1	1.1	1.2	1.3
Feed-in Tariff	Treasury	- ^(d)	- ^(d)	- ^(d)	- ^(d)	- ^(d)
Tariff Adjustment Payment – Operating Subsidy	Treasury	27.6	30.8	15.9	9.3	3.6
Tariff Migration – Movement to L2 and A2 Tariff	Treasury	0.1	0.2	0.2	0.2	0.2
<i>Other Subsidies</i>						
Onslow	DSD ^(f)	-	-	106.0 ^(e)	-	-
<i>Subtotal</i>		<u>35.1</u>	<u>44.1</u>	<u>135.3</u>	<u>22.6</u>	<u>17.5</u>
Synergy						
<i>Operating Subsidies</i> ^(a)						
Air Conditioning Allowance	Treasury	0.2	0.2	0.2	0.2	0.2
Permanent Caravan Park	Treasury	-	-	-	-	-
Late Payment Waiver	Treasury	0.7	0.7	0.8	0.8	0.9
Account Establishment Fee Rebate	Treasury	0.8	0.8	0.8	0.8	0.8
Dependent Child Rebate	Treasury	14.7	15.4	16.8	18.4	20.0
Energy Assistance Payment ^(c)	Treasury	40.7	42.6	46.3	50.3	54.7
Feed-in Tariff	Treasury	30.3	30.3	30.3	30.3	30.3
Tariff Adjustment Payment – Operating Subsidy	Treasury	320.4	298.5	192.8	95.1	30.1
<i>Subtotal</i>		<u>407.9</u>	<u>388.4</u>	<u>287.8</u>	<u>195.7</u>	<u>136.8</u>
Western Power						
<i>Other Subsidies</i>						
State Underground Power Program	Finance ^(g)	5.0	5.0	5.0	-	-
<i>Subtotal</i>		<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>-</u>	<u>-</u>

Table 8.7 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
Water Corporation						
<i>Operating Subsidies</i> ^(a)						
Country Water, Sewerage and Drainage Operations	Treasury	420.7	340.0	343.7	334.7	340.1
Pensioner and Senior Concessions ^(h)	Treasury	141.7	145.6	156.4	167.8	174.3
Metropolitan Operations	Treasury	-	0.5	-	-	-
<i>Other Subsidies</i>						
Royalties for Regions – Various Projects	Treasury	7.5	2.0	12.5	-	-
Burrup Water Supply System	DSD ^(f)	9.6	9.8	10.1	10.3	10.6
Onslow Wastewater Treatment and Conveyance	DSD ^(f)	0.8	-	-	-	-
<i>Subtotal</i>		<u>580.3</u>	<u>497.9</u>	<u>522.7</u>	<u>512.8</u>	<u>525.0</u>
Bunbury Water Corporation (Aqwest)						
<i>Operating Subsidies</i> ^(a)						
Pensioner and Senior Concessions and Water Leak Allowance	Treasury	0.8	-	-	-	-
Pensioner and Senior Concessions	Treasury	-	0.7	0.7	0.7	0.7
<i>Subtotal</i>		<u>0.8</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Busselton Water Corporation						
<i>Operating Subsidies</i> ^(a)						
Pensioner and Senior Concessions and Water Leak Allowance	Treasury	0.6	-	-	-	-
Pensioner and Senior Concessions	Treasury	-	0.6	0.7	0.7	0.7
<i>Subtotal</i>		<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Western Australian Land Authority (LandCorp)						
<i>Operating Subsidies</i> ^(a)						
Australian Marine Complex – Rate of Return Stages 1 and 2	Treasury	19.0	19.0	19.0	19.0	19.0
Australian Marine Complex Technology Precinct	Treasury	0.1	0.1	0.2	0.6	0.6
Hope Valley/Wattleup Redevelopment – Land Acquisition	Treasury	7.7	7.7	7.7	7.8	-
Karratha/Burrup Service Corridor	Treasury	2.3	2.3	2.3	2.3	-
Kemerton Core – Land Acquisition	Treasury	-	2.0	-	-	-
Kwinana Land – Holding Costs	Treasury	0.3	0.4	0.5	1.8	1.8
Leighton Marshalling Yards	Treasury	-	0.2	0.3	-	-
Ocean Reef Marina Structure Plan	Treasury	-	0.5	-	-	-
Townsite Development Program	Treasury	4.0	4.0	4.0	4.0	4.0
<i>Other Subsidies</i>						
Royalties for Regions – Various Projects	Treasury	86.3	42.7	38.1	23.2	-
<i>Subtotal</i>		<u>119.7</u>	<u>78.9</u>	<u>72.1</u>	<u>58.6</u>	<u>25.4</u>

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Table 8.7 (cont.)

Details of Payment	Funding Department	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
Metropolitan Redevelopment Authority						
<i>Operating Subsidies ^(a)</i>						
Chinatown Improvement	Treasury	0.5	0.1	-	-	-
Chinatown Upgrades	Treasury	-	0.5	-	-	-
Curtin Medical School Midland	Treasury	0.5	2.9	9.8	9.8	-
Elizabeth Quay Project	Treasury	4.4	2.2	-	-	-
Scarborough Beach Redevelopment Area	Treasury	5.3	20.4	17.0	0.6	-
<i>Other Subsidies</i>						
Midland – Lloyd Street Underpass	WAPC ^(j)	4.5	-	-	-	-
Scarborough Beach Redevelopment Area	DoL ^(j)	-	2.0	-	-	-
<i>Subtotal</i>		15.2	28.1	26.8	10.4	-
Mid West Ports Authority						
<i>Operating Subsidies ^(a)</i>						
Financial Assistance for Karara Mining Ltd	Treasury	-	5.4	5.0	-	-
<i>Subtotal</i>		-	5.4	5.0	-	-
Southern Ports Authority						
<i>Other Subsidies</i>						
Esperance Minerals Concentrate Circuit Unit – Debt Servicing	Treasury	0.7	0.6	0.5	0.3	0.1
<i>Subtotal</i>		0.7	0.6	0.5	0.3	0.1
Pilbara Ports Authority						
<i>Other Subsidies</i>						
Dampier – Burrup Port Infrastructure – Subsidy	DSD ^(j)	8.1	7.8	9.2	7.8	7.9
<i>Subtotal</i>		8.1	7.8	9.2	7.8	7.9
Racing and Wagering Western Australia						
<i>Other Subsidies</i>						
Direct Grants – various racing funding	Various ^(k)	47.6	48.8	50.1	51.5	52.8
<i>Subtotal</i>		47.6	48.8	50.1	51.5	52.8
Forest Products Commission						
<i>Other subsidies</i>						
Strategic Assessment of the Perth and Peel Regions	Treasury	-	1.5	-	-	-
<i>Subtotal</i>		-	1.5	-	-	-

Table 8.7 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
Public Transport Authority ^(l)						
Operating Subsidies ^(a)						
Transperth and Regional Town Services						
Transperth – General ^(m)	Treasury	506.9	527.8	534.9	579.0	636.4
Transperth – Concession Fares	Treasury	49.8	51.6	52.6	54.4	55.5
Transperth – Pensioners, Seniors and Carers Free Travel ⁽ⁿ⁾	Treasury	17.4	18.1	19.1	20.2	21.0
Transperth – School Children Fares	Treasury	26.2	27.1	28.4	30.0	31.2
Transperth – Perth Stadium Special Events	Treasury	-	-	4.4	7.2	7.3
Regional Town Bus Services ^(o)	Treasury	16.0	16.3	16.8	17.2	17.6
Regional School Bus Service						
School Bus Service	Treasury	119.3	121.8	123.9	114.3	118.7
Conveyance Allowance	Treasury	2.3	2.3	2.3	2.3	2.3
Transwa						
General ^(m)	Treasury	24.5	26.8	26.5	25.7	27.7
Concession Fares	Treasury	3.7	3.7	3.8	3.8	3.8
Annual Free Trip for Pensioners	Treasury	1.9	1.9	1.9	2.0	2.0
Freight Network – general	Treasury	9.2	9.1	6.3	2.1	4.4
Other Subsidies						
AvonLink – Royalties for Regions	Treasury	2.2	2.0	-	-	-
District Allowance Payments – Royalties for Regions	Treasury	-(d)	-(d)	-(d)	-(d)	-(d)
Transperth Free Transit Zone – Recurrent Grant	Transport	5.1	5.3	5.3	5.3	5.3
Regional School Bus Services – Intensive English Centres and Other Services – Recurrent Grant	Education	15.3	15.3	15.3	15.3	15.3
Subtotal		799.8	829.1	841.4	878.8	948.5
Housing Authority						
Other subsidies ^(p)						
Aboriginal Housing and Essential Remote Services (Various Programs)	Treasury	74.1	48.5	17.0	17.0	17.0
Rebuilding Warmun	DFES ^(q)	0.5	0.0	0.0	0.0	0.0
State Activities Funding Agreement	DPC ^(r)	0.6	0.6	0.6	0.6	0.6

Table 8.7 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2015-16 Estimated Actual \$m	2016-17 Budget Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m
Mental Health Dwellings – Broome	MHC ^(s)	1.9	0.7	0.0	0.0	0.0
Onslow Social and Critical Infrastructure Project (Wheatstone)	DSD ^(f)	7.0	0.0	0.0	0.0	0.0
Various Programs	Treasury	18.1	20.1	2.0	0.0	0.0
Various Projects – Royalties for Regions	Treasury	0.9	0.7	0.8	0.5	0.5
<i>Subtotal</i>		<i>103.1</i>	<i>70.6</i>	<i>20.4</i>	<i>18.1</i>	<i>18.1</i>
Total		2,123.8	2,007.5	1,977.7	1,758.0	1,733.3

- (a) Details of operating subsidies contained in this appendix may differ to those disclosed in Budget Paper No.2: *Budget Statements*. Details contained in this appendix are accrual in nature, while appropriations detailed in Budget Paper No. 2 are on a cash basis. Funding is from the Consolidated Account and other general government agencies. Further breakdown of some of these operating subsidies are contained as part of Appendix 6: *State Government Social Concessions Expenditure Statement*.
- (b) An additional \$4.6 million was paid in 2015-16 from a Department of Housing Special Purpose Account rather than a Treasury Administered operating subsidy.
- (c) The means-tested Energy Assistance Payment replaced the former Cost of Living Assistance concession from 1 July 2015.
- (d) Amount less than \$50,000.
- (e) Department of State Development's expense profile against this item is: 2015-16 – \$5.3 million; 2016-17 – \$39.2 million; and 2017-18 – \$61.5 million. In accordance with the Australian Accounting Standards Board Interpretation 18, Horizon Power is recognising revenue when the service is performed.
- (f) Department of State Development.
- (g) Department of Finance.
- (h) Includes Pensioners and Senior concessions, and concessions provided for non-rated and exempt properties.
- (i) Western Australian Planning Commission.
- (j) Department of Lands.
- (k) Gaming and Wagering Commission and the Department of Racing, Gaming and Liquor.
- (l) Includes service appropriations authorised under the *Salaries and Allowances Act 1975*.
- (m) Represents the difference between total cost and revenue assumed if all passengers paid the standard fare, rather than paying concession fare or travelling for free.
- (n) Represents the revenue foregone if passengers paid concession fares, rather than travelling for free.
- (o) Includes payments to provide concessional fares to eligible passengers.
- (p) The Housing Authority also receives funding from the Commonwealth for affordable housing programs (\$645 million across the forward estimates period) and indigenous housing programs (\$393 million over the forward estimates period), which are not included here as they have no net impact on the general government sector. All payments made by the Department of Treasury to the Housing Authority for these programs are matched by payments from the Commonwealth.
- (q) Department of Fire and Emergency Services.
- (r) Department of the Premier and Cabinet.
- (s) Mental Health Commission.

Note: Columns may not add due to rounding.

Tariffs, Fees and Charges

For a number of years, the Department of Treasury has produced a model that estimates the costs incurred by a 'representative' household through the consumption of certain government goods and services. The model's parameters are outlined in this appendix.

Calculating the effects of changes in government tariffs, fees and charges for a single 'representative' household can never entirely capture the diversity in household structures or the widely differing patterns of usage of public sector goods and services.

The model seeks to highlight the impact of changes in major government tariffs, fees and charges on a particular hypothetical household reflecting current average electricity and water consumption, an assumed level of public transport use, and specified consumption of a range of other public sector goods and services (including some specific taxes).

Key Government Charges Affecting Households

The model covers the following annual government charges affecting the 'representative' household:

- water, including both consumption and annual supply charges;
- wastewater;
- drainage;
- electricity, including both consumption and annual supply charges;
- public transport;
- compulsory third party (CTP) motor vehicle insurance, including a premium for the expanded insurance cover under the Catastrophic Injuries Support Scheme (CISS) to be introduced on 1 July 2016;
- motor vehicle licence fees;
- drivers licence fees;
- stamp duty on CTP, motor vehicle and general insurance; and

- the Emergency Services Levy (ESL).

The model excludes government charges relating to one-off events such as property transfer duty.

Results

Table 9.1 shows the impact of changes in government tariffs, fees and charges on the 'representative' household in 2016-17.

Table 9.1

ESTIMATED IMPACT ON THE 'REPRESENTATIVE' HOUSEHOLD				
	2015-16 \$ level	% change	\$ change	2016-17 \$ level
Motor Vehicles				
Vehicle licence charge	\$326.51	2.45	\$8.00	\$334.51
Recording fee	\$12.85	-5.84	-\$0.75	\$12.10
Drivers licence ^(a)	\$83.60	0.00	\$0.00	\$83.60
CTP insurance	\$275.34	2.50	\$6.88	\$282.22
Catastrophic Injuries Support Scheme (CISS) ^(b)	-	-	\$90.00	\$90.00
<i>Total</i>	<i>\$698.30</i>	<i>14.91</i>	<i>\$104.13</i>	<i>\$802.43</i>
Utility Charges ^(c)				
Electricity	\$1,508.25	3.00	\$45.25	\$1,553.50
Water, sewerage and drainage	\$1,545.97	4.50	\$69.42	\$1,615.39
<i>Total</i>	<i>\$3,054.22</i>	<i>3.75</i>	<i>\$114.67</i>	<i>\$3,168.89</i>
Public Transport				
Student fares	\$312.00	0.00	\$0.00	\$312.00
Standard fares (2 zones) ^(d)	\$878.80	2.07	\$18.20	\$897.00
<i>Total</i>	<i>\$1,190.80</i>	<i>1.53</i>	<i>\$18.20</i>	<i>\$1,209.00</i>
ESL ^(e)	\$260.00	4.23	\$11.00	\$271.00
Stamp Duty ^(f)				
Stamp duty on general insurance	\$171.38	0.00	\$0.00	\$171.38
Stamp duty on CTP Insurance	\$28.22	0.00	\$0.00	\$28.22
Stamp duty on CISS	-	-	\$9.00	\$9.00
<i>Total ^(g)</i>	<i>\$199.60</i>	<i>0.00</i>	<i>\$9.00</i>	<i>\$208.60</i>
Total Expenditure	\$5,402.92	4.76	\$257.00	\$5,659.92
Total Expenditure (excluding CISS)	\$5,402.92	2.92	\$158.00	\$5,560.92

(a) Drivers licence expenditure is for two drivers.

(b) Introduced on 1 July 2016.

(c) Assumes no access to concessions, rebates or hardship packages.

(d) This Transperth fare increase is rounded to the nearest 10 cents.

(e) The actual impact of the ESL on household charges is to be confirmed by the Department of Fire and Emergency Services in June 2016, after property valuation data is finalised.

(f) Stamp duty in 2015-16 has been estimated using 2016-17 insurance premiums in order to compare the impost on a like-for-like basis.

(g) Whilst total stamp duty has increased by \$9.00, this is due to the introduction of the CISS.

Note: Columns may not add due to rounding.

On the basis of the assumptions below and the 2016-17 levels of government tariffs, fees and charges, total expenditure by the 'representative' household on this basket of public sector goods and services is \$5,659.92. This represents:

- an increase of \$257.00 (or 4.76%) on 2015-16 levels; or
- a \$158.00 (or 2.92%) increase if the \$99 for the expanded insurance cover under the CISS is excluded.

This compares to last year's increase of \$198.54 or 3.81%.

Assumptions

The 'representative' household model is based on a household with a single income (full-time work), two adults and two children. The characteristics of the 'representative' household are updated annually and it is assumed that the household:

- consumes:
 - 5,198 kW hours of electricity per annum, based on the forecast 2015-16 average level of consumption for a household provided by Synergy; and
 - 250 kL of water per annum, based on the current average level of water usage for a residential customer provided by the Water Corporation;
- purchases five standard 2 zone Transperth fares and 10 Transperth student fares each week. Transperth fares are assumed to be purchased using the lowest cost means available (i.e. SmartRider Autoload);
- owns one car, an Australian sedan (tare weight of 1,600 kg – relevant for the purpose of determining the appropriate level of vehicle licence charge);
- has two drivers;
- pays average home and contents and motor vehicle insurance, based on information from the insurance industry (for the purposes of calculating stamp duty payable on insurance policies); and
- owns and occupies a property that has an average gross rental value (for calculation of sewerage, drainage and ESL charges).

Discussion

Residential electricity tariffs will increase by 3% from 1 July 2016. Based on the forecast 2015-16 average level of consumption of 5,198 kW hours of electricity, it is estimated that household electricity charges will total \$1,553.50 in 2016-17. This is a \$45.25 (or 3%) increase on 2015-16.

In order for residential electricity tariffs to be fully cost-reflective in 2016-17, a further increase of around 18.1% (above the approved 3% increase from 1 July 2016) would be required. The Government will pay Synergy and Horizon Power a combined subsidy of \$329.4 million in 2016-17 (Tariff Adjustment Payment) to offset this shortfall in cost-reflective tariffs.

Charges for the full range of services (water supply and consumption, wastewater and drainage) provided by the Water Corporation to the 'representative' household will increase by \$69.42 (or 4.5%) in 2016-17.

Transperth 2 zone standard fares will increase by 2.07%¹, amounting to an additional cost of \$18.20 to the 'representative' household. Student fares will remain constant at 60 cents. In total, the 'representative' household's expenditure on public transport will increase by \$18.20 (or 1.53%) in 2016-17.

In 2016-17, motor vehicle registration fees will increase by \$8.00 (or 2.45%) on the 2015-16 level.

Drivers licence fees will remain constant at \$41.80 for a standard one year licence in order to maintain current levels of cost-reflectivity.

The recording fee for motor vehicle registration will reduce from \$12.85 to \$12.10 (a reduction of 5.84%), in order to maintain current levels of cost-reflectivity.

The average metropolitan residential ESL will increase by \$11.00 (or 4.23%) to recover the cost to fund the Department of Fire and Emergency Services.

Compulsory third party insurance premiums, which remain the lowest in the nation, will increase by \$6.88 (or 2.5%). The CISS, announced in the 2015-16 Budget, takes effect from 1 July 2016 and will cost \$99 (including GST and insurance duty) based on the average family vehicle.

Stamp duty rates on insurance policies remain unchanged in 2016-17.

Interjurisdictional Comparison

A comparison of Western Australia's household tariffs, fees and charges with those of other jurisdictions highlights that:

- household model expenditure is amongst the lowest in Australia based on the assumptions in this model;
- Western Australia's combined 2016-17 utility charges are closely aligned with the national average;
- based on a comparison by the Public Transport Authority, public transport fares are the lowest in Australia and significantly below those of New South Wales, Victoria, Queensland and South Australia; and
- motor vehicle charges are also amongst the lowest in Australia, particularly with respect to CTP insurance premiums.

¹ Transperth fares will increase by 2.5%, rounded to the nearest 10 cents, from 1 July 2016.

Other Tariffs, Fees and Charges

Agencies subject to the *Financial Management Act 2006* are required to review their fees and charges at least once a year in accordance with Treasurer's Instruction 810 to ensure they are reflective of costs and in compliance with the Government's pricing and costing guidelines. The annual review has been completed as part of the 2016-17 Budget process. In most instances, fees and charges have increased by the Perth Consumer Price Index (CPI) reference rate of 1.1%². The following is a selection of fees and charges that are either new or involve increases in excess of inflation.

Department of the Attorney General

From 1 July 2016, the Department will increase 263 Court and Tribunal fees by an average of 11%, to ensure the percentage of cost recovery in Western Australian courts remains in line with other States and Territories (excluding Fines Enforcement Registry fees).

A total of 39 Fines Enforcement Registry fees under the *Fines, Penalties and Infringement Notices Act 1994* (FPINE Act) will increase by an average of 11% from 1 July 2016. Amendments to the FPINE Act in 2012 enabled fines enforcement fees to be set at levels that exceed cost recovery, recognising that these fines are set to discourage certain types of behaviour and activities.

A new fee will be introduced for the Registry of Births, Deaths and Marriages from 1 July 2016 for a new service providing public access to uncertified copies of Registry documents.

WA Health

Approximately 120 tariffs, fees and charges for health services will increase at a rate above CPI in 2016-17.

Hospital accommodation charges for ineligible³ and compensable⁴ patients, and motor vehicle third party insurance inpatients (excluding patients not staying overnight) will increase by an average of 9.8% from 1 July 2016 to improve the level of cost recovery for these patient groups.

For private patients and compensable nursing home inpatients, where hospital accommodation charges are not achieving full cost recovery, charges will increase at much lower rates (an average of 1.1%) in accordance with Commonwealth regulation.

Other fees that will increase at a rate above CPI to facilitate greater cost recovery include licence and registration fees for private hospitals and private psychiatric hostels, pesticide safety, septic tanks, radioactive substances, therapeutic poisons, and tobacco.

Two new car parking fees will be introduced with the opening of the Perth Children's Hospital, located within the Queen Elizabeth II Medical Centre (QEIIHC). The new fees will be consistent with other car parking fees at the QEIIHC.

² Year ended to September 2015.

³ Overseas students and visitors from countries that do not have a Reciprocal Healthcare Agreement with Australia.

⁴ A compensable patient is entitled to compensation that includes the cost of their public hospital care e.g. CTP insurance payments or worker's compensation.

Department of Education

A number of student fees will increase in an effort to improve levels of cost recovery, including:

- from 1 January 2017, fees for international students on section 571 visas who have enrolled in the State education system after 31 December 2013 will increase by 5%. This follows 15% increases annually from 2014 to 2016. An estimated total of 580 students will be affected by these fee increases;
- from 1 January 2017, fees for international students who first enrolled in the State education system prior to 31 December 2013 will increase by 15%, affecting an estimated total of 38 students in 2017; and
- all VacSwim fees will increase by 50 cents in 2016-17 (with individual fee increases ranging from 1.4% to 7.7%). VacSwim fees remain well below cost recovery (11-13%).

Department of Transport

The *Road Traffic Amendment (Alcohol Interlocks and Other Matters) Act 2014* established a mandatory administrative alcohol interlock program which requires prescribed offenders to drive only in a vehicle in which an approved alcohol interlock device has been installed. Drivers licences of offenders will be endorsed with an alcohol interlock restriction upon grant of an extraordinary licence, or when they seek an authorisation to drive following a period of disqualification.

With the implementation of the Alcohol Interlock Program in 2016-17, an Alcohol Interlock Condition Fee will be introduced as a one-off fee, payable on application. Program participants will incur all costs associated with the installation and maintenance of an alcohol interlock device.

Department of Commerce

The Department of Commerce undertook an extensive review of its cost recovery model and the setting of its 419 tariffs, fees and charges, with a view to ensuring the appropriate level of cost recovery is achieved from 2016-17 and over the forward estimates period.

From 1 July 2016, 82 tariffs, fees and charges will increase at a rate above CPI (with increases starting from 2.2%). The approved changes ensure that licensing, registration and compliance activities are appropriately funded by industry (who derive the greatest benefit from those services), without creating price barriers or negatively impacting the general public. It is expected that the total amount of additional revenue collected will change only marginally.

Tax and Royalty Expenditure Statement

Purpose

The purpose of this tax and royalty expenditure statement is to provide information about the cost or value of tax and royalty concessions that would not otherwise be reported in the Budget Papers in the years after the concessions were introduced.

What is a tax or royalty expenditure?

Tax and royalty expenditures include revenue forgone by government, and financial benefits to taxpayers, from exemptions and other concessions that depart from the general tax or royalty treatment. They are ‘expenditures’ in the sense that their impact on the Budget is similar to direct outlays, and they can be used to achieve specific goals.

Labelling an exemption or concession as a tax or royalty expenditure does not necessarily imply any judgement about its appropriateness. Rather, it makes the amount of the exemption or concession explicit, and thereby facilitates scrutiny as part of the annual Budget process (including review of whether the exemption or concession is still effective in achieving any specific objective originally intended).

Measuring tax and royalty expenditures

Measuring a tax or royalty expenditure requires identification of:

- a benchmark tax or royalty base and rate; and
- concessionary tax or royalty treatment of components of the benchmark tax or royalty base (e.g. a concession or exemption for a particular industry, activity or class of taxpayer).

Identification of benchmark revenue bases and rates requires a degree of judgement. Furthermore, data limitations mean that the tax and royalty expenditures identified in this statement are only approximations. Data sources and methods used for estimating these expenditures are also subject to review each year (such that time series estimates may not be fully comparable).

Estimates of the expenditures have been derived from a range of sources, including unpublished data from relevant government departments, Public Sector Commission ‘State of the Sector’ statistical bulletins, and Australian Prudential Regulation Authority bulletins. However, the statement is not exhaustive. For example, some exemptions and concessions have not been included due to data limitations. Very small exemptions or concessions are also excluded.

This year’s statement includes estimated actual outcomes for 2014-15 and 2015-16.

Table 10.1

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES
Western Australia

	2014-15 Estimated Actual \$m	2015-16 Estimated \$m
PAYROLL TAX		
Tax-free threshold ^(a)	1,390.2	1,374.1
State government departments exemption ^{(b)(c)}	338.8	339.1
Schools/colleges exemption (public and private) ^(b)	201.3	221.0
Public hospitals exemption ^(b)	188.3	196.4
Apprentices and trainees exemption	89.7	96.0
Local government exemption	73.0	77.1
Charitable body exemption	49.6	51.2
LAND TAX AND METROPOLITAN REGION IMPROVEMENT TAX		
Principal place of residence exemption	286.3	477.3
Primary production exemption	75.7	108.6
Religious bodies concession	26.2	30.5
Educational institutions exemption ^(b)	23.1	24.3
Public charitable or benevolent institution exemption	17.5	19.6
Land value growth cap	13.1	19.2
Developers' concession ^(d)	12.7	22.7
Retirement villages exemption	8.2	10.1
Club or sporting association exemption/concession	7.0	8.1
Aged care facilities exemption	3.3	4.3
Caravan parks exemption	2.8	3.8
Public or religious hospitals exemption ^(b)	2.3	1.7
TRANSFER DUTY AND LANDHOLDER DUTY		
Connected entities restructure exemption ^(e)	1,218.0	925.0
First home owners' exemption/concession	138.5	117.6
Concessional scale for residential property	101.0	98.3
Family farm exemption	8.4	2.5
INSURANCE DUTY		
Health insurance policies exemption	246.2	263.1
Workers' compensation insurance exemption	64.5	65.8
Marine hulls exemption	7.3	7.2
Reinsurance exemption	6.8	7.2
VEHICLE LICENCE FEES		
Pensioner and Seniors vehicle concession	30.8	33.3
Primary producer vehicle concession	10.2	10.5
VEHICLE LICENCE DUTY		
Heavy vehicle concession	57.5	62.5
Caravan and camper trailer exemption	18.6	18.6
MINING ROYALTIES		
Gold royalty-free threshold	4.0	4.9
Salt State Agreement Acts concession	2.9	4.2
TOTAL	4,723.9	4,705.8

(a) Estimates have been calculated after taking into account all other reported payroll tax expenditures.

(b) While any removal of these concessions could lead to an increase in relevant budget appropriations, these tax expenditures have been reported to provide an indication of the total support provided by the Government. They also illustrate where tax concessions could change the 'relative price' faced by government departments and create incentives to (for example) employ labour over capital.

(c) Excludes the value of separately reported tax expenditures for public hospitals and public schools.

(d) Estimates of this tax expenditure are likely to be inflated by a difficult to quantify behavioural response by developers to this concession.

(e) These estimates are likely to be inflated by a difficult to quantify behavioural response to the exemption.

Major Tax and Royalty Expenditures

Payroll Tax

Tax-free threshold

An employer is not liable for payroll tax if its (or its group's) total Australia-wide wages paid per annum is \$800,000 or less. In 2014-15, employers liable for payroll tax were exempt from paying tax on the first \$800,000 of annual wages. In 2015-16 a diminishing exemption threshold was introduced for employers with taxable wages between \$800,000 and \$7,500,000. Employers with annual Australia-wide taxable wages above \$7,500,000 are liable for payroll tax on their entire taxable wages. The payroll tax-free threshold will increase to \$850,000 from 1 July 2016.

State government departments exemption

The wages paid by all State Government departments listed on Pay-roll Assessment Regulations 2003 – Schedule 1 are exempt from payroll tax. This item excludes public hospitals and public schools, which are reported separately.

Schools/colleges exemption (public and private)

A school or college (other than a vocational education and training college) that is carried on by a non-profit organisation and provides education at or below, but not above, the secondary level of education is exempt from payroll tax.

Public hospitals exemption

The wages of public hospital staff doing work of a kind ordinarily performed in public hospitals are exempt from payroll tax.

Apprentices and trainees exemption

The wages of eligible apprentices and trainees employed under a training contract registered with the Department of Training and Workforce Development are exempt from payroll tax.

Local government exemption

Local governments, regional local governments and the Western Australian Local Government Association are exempt from payroll tax.

Charitable body exemption

A charitable body or organisation performing relevant charitable work may apply to the Commissioner of State Revenue for a payroll tax exemption.

Land Tax and Metropolitan Region Improvement Tax

Principal place of residence exemption

Generally, land used by the owner as their primary residence at midnight 30 June is exempt from land tax and Metropolitan Region Improvement Tax (MRIT) for the following assessment year.

Primary production exemption

Land used in carrying out certain primary production businesses on a commercial basis is exempt from land tax and MRIT (where applicable) if all relevant conditions are met.

Religious bodies exemption

Land owned by, or held in trust for, a religious body is exempt from land tax and MRIT provided that the land is used for religious, public worship or educational purposes or for the residence of a minister of the religious body.

Educational institutions exemption

Land owned by, or held in trust for, a university or educational institution in Western Australia is exempt from land tax and MRIT provided that it is used solely for the purposes of the institution.

Public charitable or benevolent institution exemption

Land owned by, or held in trust for, a public charitable or benevolent institution is exempt from land tax and MRIT if it is used solely for the public charitable or benevolent purposes for which the institution was established.

Land value growth cap

A 50% cap on growth in land values applies for the purpose of assessing land tax and MRIT to help reduce the volatility and unpredictability of growth in individual land tax and MRIT liabilities.

Developers' concession

Land tax and MRIT is only paid on the un-subdivided (or 'englobo') value of land holdings at midnight 30 June, rather than the full subdivided value of lots, for one year after the creation of the lots.

Retirement villages exemption

Land used for a retirement village within the meaning of the *Retirement Villages Act 1992* is exempt from land tax and MRIT.

Club or sporting association exemption/concession

Land owned by sporting or other not-for-profit associations used to provide facilities necessary for or conducive to meeting the objects of the association is exempt from land tax and MRIT. Not-for-profit facilities that are commercially available to the public may be eligible for a 50% concession if at least half of the land is being used to meet the objects of the association.

Aged care facilities exemption

Land used for the purposes of providing a residential care service that is certified under the Commonwealth *Aged Care Act 1997* is exempt from land tax and MRIT.

Caravan parks exemption

Land used as caravan parks, park home sites or camping grounds is exempt from land tax and MRIT.

Public or religious hospitals exemption

Land used solely for the purposes of a public hospital, or a hospital conducted by or on behalf of a religious body, is exempt from land tax and MRIT.

Transfer Duty (including Landholder Duty)

Connected entities restructure exemption

Certain transactions between related corporations or unit trust schemes are exempt from transfer duty.

First home owners' exemption/concession

First home buyers eligible for the First Home Owner Grant may also be entitled to a concessional rate of transfer duty if the value of the dutiable property is below \$530,000 for the house and land, or below \$400,000 for vacant land. No duty is payable if the house and land value is below \$430,000, or the vacant land value is below \$300,000.

Concessional scale for residential property

A concessional transfer duty scale applies to purchases of residential properties, including not only principal places of residence but also rental properties and land on which the building of a residence is subsequently commenced within five years.

Family farm exemption

A transfer of farming land in Western Australia to a family member is exempt from transfer duty, subject to certain conditions being satisfied.

Insurance Duty

Health insurance policies exemption

Health insurance issued by a private health insurer (as defined in the *Private Health Insurance Act 2007*) is exempt from insurance duty.

Workers' compensation insurance exemption

Insurance against an employer's liability to pay compensation under the *Workers' Compensation and Injury Management Act 1981* is exempt from insurance duty.

Marine hulls exemption

Insurance in respect of marine hulls used mainly for commercial purposes is exempt from insurance duty.

Reinsurance exemption

The indemnification of one party by another against a liability or payment arising under an insurance or reinsurance contract is exempt from insurance duty.

Vehicle Licence Fees

Pensioner and Seniors vehicle concession

A 50% concession on vehicle licence fees is available to holders of a Centrelink Pensioners Concession Card or Veterans' Affairs Pensioner Concession Card, and seniors who hold both a State Seniors Card and a Commonwealth Seniors Health Card.

Primary producer vehicle concession

Vehicles used by farmers or graziers principally on their farm, and vehicles used by beekeepers, kangaroo hunters, prospectors and sandalwood pullers solely or principally in the course of their occupation, are entitled to a 50% vehicle licence fee concession.

Vehicle Licence Duty

Heavy vehicle concession

Transfers of heavy vehicle licences are subject to a single flat duty rate (currently 3%) and a maximum duty amount (of \$12,000) rather than the uncapped, progressive rate scale that applies to light vehicles.

Caravan and camper trailer exemption

Caravans and camper trailers that are permanently fitted for human habitation are exempt from vehicle licence duty.

Mining Royalties

Gold royalty-free threshold

The first 2,500 ounces of gold metal produced each year is exempt from mineral royalties.

Salt State Agreement Acts concession

The effective average 2014-15 rate paid by salt projects covered by the various salt Agreement Acts is around 37 cents per tonne, compared to the average 2014-15 salt royalty rate prescribed under the Mining Regulations 1981 of 62 cents per tonne. From 1 July 2015, the Mining Regulations 1981 salt royalty rate increased to 73 cents per tonne.

Notable changes in tax and royalty expenditure

Notable movements in the value of specific tax and royalty expenditures between 2014-15 (estimated actual) and 2015-16 (estimated) include:

- an increase of 78.7% (or \$10 million) in the value of the developers' land tax and MRIT concession, due to changes to the tax scale for 2015-16, valuation changes and an increase in the number of lots eligible for the concession;
- an increase of 66.7% (or \$191 million) in the value of the principal place of residence land tax and MRIT exemption, due to an increase in the number of residential properties, changes to the tax scale for 2015-16, and valuation changes;
- an increase of 46.0% (or \$6.0 million) in the value of the 50% cap on land value growth for land tax and MRIT purposes, reflecting an increase in the number of land items which increased in value by more than 50% over the previous year and changes to the tax scale for 2015-16;
- an increase of 44.8% (or \$1.3 million) in the value of the salt State Agreement Acts concession, reflecting the increase in the royalty rate in the Mining Regulations 1981 in 2015-16;
- an increase of 43.5% (or \$32.9 million) in the value of the primary production land tax and MRIT exemption, mainly due to changes to the tax scale for 2015-16 and valuation changes;
- an increase of 35.7% (or \$1.0 million) in the caravan park land tax and MRIT exemption, primarily attributable to changes to the tax scale for 2015-16 and land valuation changes;
- an increase of 30.3% (or \$1.0 million) in the aged care facilities land tax and MRIT exemption, attributable to changes to the tax scale for 2015-16, an increase in the number of lots eligible for exemption and land valuation changes;
- an increase of 23.2% (or \$1.9 million) in the retirement villages land tax and MRIT exemption largely attributable to changes to the tax scale for 2015-16 and land valuation changes;
- an increase of 22.5% (or \$0.9 million) in the value of the gold royalty-free threshold, reflecting the commencement of three new gold projects which each attracted the full concession;
- an increase in 16.4% (or \$4.3 million) in the value of the religious bodies land tax and MRIT exemption primarily attributable to changes to the tax scale for 2015-16 and valuation changes;
- an increase of 15.7% (or \$1.1 million) in the club or sporting association land tax and MRIT exemption and concession, primarily attributable to changes to the tax scale for 2015-16 and land valuation changes;
- an increase of 12.0% (or \$2.1 million) in the value of the public charitable or benevolent institutions land tax and MRIT exemption, primarily attributable to changes to the tax scale for 2015-16 and valuation changes;
- a decrease of 70.2% (or \$5.9 million) in the value of the family farm transfer duty exemption, primarily reflecting a reduction in the number of exemptions approved;

- a decrease of 26.1% (or \$0.6 million) in the public or religious hospitals land tax and MRIT exemption, due to fewer lots being eligible for exemption than in the previous year;
- a decrease of 24.1% (or \$293 million) in the value of the connected entities restructure transfer duty exemption, attributable to a reduced number of transactions in 2015-16 with a high dutiable value; and
- a decrease of 15.1% (or \$20.9 million) in the value of the first home owners' transfer duty exemption and concession, attributable to weaker new home buyer demand.

Allocation of Asset Investment Program Efficiency Savings

The 2015-16 Mid-year Review included an additional round of reductions in selected agencies' Asset Investment Programs (AIPs), which was implemented in recognition of continuing low growth in building and construction costs and highly competitive conditions in the economy.

This measure was in addition to two previous rounds of 5% AIP efficiencies, which generated approximately \$1 billion in AIP savings over 2014-15 to 2017-18.

The third round of efficiencies was budgeted to achieve savings of \$96 million over the four years to 2018-19. Projects already subject to contract or funded by the Commonwealth or Royalties for Regions were excluded from this measure.

A total of \$95 million (or 99%) of the total savings target is expected to be achieved by agencies by 2018-19.

This appendix details the allocation of savings provisions to agency AIP projects. In general, project-level AIP efficiencies are expected to be achieved from cost savings (such as more favourable tender outcomes), rather than through project deferrals or reductions to project scope.

As part of the 2016-17 Budget, the following agencies had their savings target amended or were granted approval to achieve AIP savings targets through means other than AIP efficiencies.

- Western Australia Police will meet its AIP efficiency savings target of \$5.5 million through savings in operational expenditure in 2015-16.
- The Department of Education will meet \$8 million of its total AIP efficiency savings target of \$18.1 million from savings in operational expenditure in 2015-16.
- Synergy's 5% AIP efficiency savings target of \$8.9 million by 2018-19 was achieved in the context of its Business Efficiency Program (see Chapter 6).
- The Perth Market Authority's \$160,000 savings target was removed from the Budget following its divestment on 31 March 2016.
- Racing and Wagering Western Australia did not identify any project level savings for its \$1.2 million AIP efficiency savings target.

Although excluded from the third round of AIP efficiency measures, Western Power and the Water Corporation were requested to identify AIP savings in light of favourable market conditions. Together, the two utilities have identified further AIP savings totalling \$385 million by 2018-19.

- The 2015-16 Mid-year Review included an infrastructure reduction measure for Western Power of \$60 million in 2015-16 and a \$20 million per annum reduction over the period 2016-17 to 2018-19. The application of this measure has been revised so that the total \$120 million AIP reduction is reflected in 2015-16. Western Power has also delivered further AIP reductions which increase its total AIP savings to \$241.2 million over the period 2015-16 to 2018-19 (or \$276.3 million to 2019-20). This is due to its revised 10-year Business Plan, which better targets asset investment to higher priority and value-for-money projects, lower anticipated demand for growth-driven projects, and a re-scoping of its conductor management program (see Chapter 6).
- The Water Corporation has continued to shift its focus from expansive asset construction to operating and maintaining its existing assets. Accordingly, the Corporation has reduced its AIP by \$143.7 million from 2015-16 onwards primarily reflecting an expected easing in demand for services as a result of slowing economic and population growth.

Table 11.1

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	TOTAL \$m
PREMIER; MINISTER FOR TOURISM; SCIENCE					
Gold Corporation					
<i>Total Savings Provision</i>					-0.4
- Plant and Equipment Replacement Program	-	-0.1	-0.1	-0.1	-0.4
<i>Total Efficiency Savings</i>	-	-0.1	-0.1	-0.1	-0.4
Lotteries Commission					
<i>Total Savings Provision</i>					-0.4
- Server Room Air Conditioning Upgrade	-	-0.2	-0.1	-	-0.3
- Wide Area Network End Routers	-	-	-	-0.1	-0.1
<i>Total Efficiency Savings</i>	-	-0.2	-0.1	-0.1	-0.4
DEPUTY PREMIER; MINISTER FOR POLICE; ROAD SAFETY; TRAINING AND WORKFORCE DEVELOPMENT; WOMEN'S INTERESTS					
Training and Workforce Development					
<i>Total Savings Provision</i>					-2.1
- South Metropolitan TAFE ^(a) – Murdoch Stage 4	-	-1.8	-0.3	-	-2.1
<i>Total Efficiency Savings</i>	-	-1.8	-0.3	-	-2.1
North Metropolitan TAFE ^(b)					
<i>Total Savings Provision</i>					-0.3
- Asset Replacement Program	-	-0.1	-0.1	-0.1	-0.3
<i>Total Efficiency Savings</i>	-	-0.1	-0.1	-0.1	-0.3
South Metropolitan TAFE ^(a)					
<i>Total Savings Provision</i>					-0.2
- Asset Replacement Program	-	-0.1	-0.1	-0.1	-0.2
<i>Total Efficiency Savings</i>	-	-0.1	-0.1	-0.1	-0.2
Western Australia Police					
<i>Total Savings Provision</i>					-5.5
<i>Total Efficiency Savings ^(c)</i>	-	-	-	-	-
MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT					
Land Information Authority					
<i>Total Savings Provision</i>					-2.6
- Asset Replacement	-	-0.2	-0.2	-0.1	-0.5
- Business Reform Initiatives	-	-0.2	-	-	-0.2
- Location Infrastructure	-	-	-0.3	-0.2	-0.5
- Products and Services	-	-0.5	-0.4	-0.5	-1.4
<i>Total Efficiency Savings</i>	-	-0.9	-0.9	-0.8	-2.6
MINISTER FOR EDUCATION; ABORIGINAL AFFAIRS; ELECTORAL AFFAIRS					
Education					
<i>Total Savings Provision</i>					-18.1
- Byford Senior High School – Stage 3	-	-	-1.0	-1.5	-2.5
- Joseph Banks Secondary College – Stage 2	-	-	-1.4	-	-1.4
- Canteens	-	-	-0.2	-0.2	-0.4
- Central Reserve Schools	-	-	-0.6	-0.6	-1.2
- Infrastructure Power Upgrades	-	-1.5	-	-1.5	-3.0
- Remote Community Schools	-	-0.6	-	-	-0.6
- Remote Schools Program	-	-0.5	-	-	-0.5
- Rural Integration Program	-	-0.5	-	-	-0.5
<i>Total Efficiency Savings ^(d)</i>	-	-3.1	-3.2	-3.8	-10.1

Table 11.1 (cont.)

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	TOTAL \$m
MINISTER FOR HEALTH; CULTURE AND THE ARTS					
Culture and the Arts					
<i>Total Savings Provision</i>					-0.2
- Fit For Purpose	-	_(e)	-0.1	-	-0.1
- Global Maintenance	-	_(e)	_(e)	_(e)	_(e)
- Art Acquisition	-	_(e)	_(e)	_(e)	_(e)
<i>Total Efficiency Savings</i>	-	-0.1	-0.1	_(e)	-0.2
Health					
<i>Total Savings Provision</i>					-6.4
- Sir Charles Gairdner Hospital - Redevelopment Stage 1	-	-0.5	-0.5	-1.0	-2.0
- Minor Building Works	-	-0.2	-0.2	-0.2	-0.4
- Upper Great Southern District (incl. Narrogin)	-	-0.5	-0.1	_(e)	-0.5
- Armadale Kelmscott Hospital – Development	-	-0.1	-0.2	-	-0.3
- Corporate and Shared Services Reform (HCN)	-	-	-0.1	-	-0.1
- Bentley Hospital – Development	-	_(e)	-0.1	-0.2	-0.4
- Eastern Wheatbelt District (incl. Merredin)	-	-0.3	-0.1	-	-0.4
- Equipment Replacement Program	-	-1.3	-0.9	-	-2.2
- Health Services Development Fund	-	_(e)	-	-	_(e)
- Infection Prevention & Control System	-	_(e)	-	-	_(e)
<i>Total Efficiency Savings</i>	-	-2.9	-2.2	-1.4	-6.4
TREASURER; MINISTER FOR ENERGY; CITIZENSHIP AND MULTICULTURAL INTERESTS					
Horizon Power					
<i>Total Savings Provision</i>					-6.5
- Asset Replacement	-	-0.8	-0.8	-0.8	-2.4
- Safety	-	-0.5	-0.3	-0.3	-1.1
- Mobile Plant & Operational Fleet	-	-0.2	-0.2	-0.2	-0.6
- Capacity	-	-0.3	-0.2	-0.2	-0.6
- Regulatory Compliance	-	_(e)	_(e)	_(e)	-0.1
- Reliability	-	-0.2	-0.1	-0.1	-0.4
- Property Management	-	-0.2	-0.2	-0.2	-0.6
- Knowledge & Technology Investment	-	-0.3	-0.3	-0.3	-0.8
<i>Total Efficiency Savings</i>	-	-2.4	-2.1	-2.0	-6.5
Synergy					
<i>Total Savings Provision</i>					-8.9
- Various Projects ^(f)	-	-3.1	-2.4	-3.4	-8.9
<i>Total Efficiency Savings</i>	-	-3.1	-2.4	-3.4	-8.9
MINISTER FOR STATE DEVELOPMENT; FINANCE					
Finance					
<i>Total Savings Provision</i>					-0.3
- Relocation of Department of Commerce	-	-0.2	-	-	-0.2
- Information and Communication Technology Replacement – 2017-18 Program	-	-	-0.1	-	-0.1
- Information and Communication Technology Replacement – 2018-19 Program	-	-	-	-0.1	-0.1
<i>Total Efficiency Savings</i>	-	-0.2	-0.1	-0.1	-0.3
ATTORNEY GENERAL; MINISTER FOR COMMERCE					
Commerce					
<i>Total Savings Provision</i>					-0.7
- Strategic Information Plan	-	-0.3	-0.2	-0.1	-0.7
<i>Total Efficiency Savings</i>	-	-0.3	-0.2	-0.1	-0.7

Table 11.1 (cont.)

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	TOTAL \$m
Attorney General					
<i>Total Savings Provision</i>					-1.2
- Business Systems – Corporate Information Management	-	_(e)	_(e)	_(e)	-0.1
- Information and Communication Technology Upgrade	-	-0.1	-0.1	-0.1	-0.2
- Court Audio/Visual Maintenance and Enhancements	-	-0.1	-0.1	-0.1	-0.2
- Replacement of Western Australian Registration System	-	-0.1	_(e)	-	-0.1
- Court and Judicial Security	-	_(e)	_(e)	_(e)	-0.1
- Building Infrastructure and Maintenance	-	-0.1	-0.1	-0.1	-0.2
- Replacement Office Equipment	-	-0.1	-0.1	-0.1	-0.3
<i>Total Efficiency Savings</i>	-	-0.5	-0.3	-0.3	-1.2
Legal Aid Commission					
<i>Total Savings Provision</i>					-0.2
- Computer Hardware and Software Replacement Program	-	-	-0.1	-0.1	-0.1
- Office Refurbishments and fit-out	-	-0.1	-	-	-0.1
<i>Total Efficiency Savings</i>	-	-0.1	-0.1	-0.1	-0.2
MINISTER FOR ENVIRONMENT; HERITAGE					
Parks and Wildlife					
<i>Total Savings Provision</i>					-2.2
- Plant and Equipment	-	-0.7	-0.7	-0.7	-2.2
<i>Total Efficiency Savings</i>	-	-0.7	-0.7	-0.7	-2.2
MINISTER FOR EMERGENCY SERVICES; FISHERIES; CORRECTIVE SERVICES; VETERANS					
Corrective Services					
<i>Total Savings Provision</i>					-1.7
- Infrastructure and Systems Upgrade	-	-0.2	-0.2	-0.2	-0.5
- Information and Communication Technology Upgrade	-	-0.1	-0.1	-0.1	-0.3
- Building Infrastructure and Maintenance – Adult	-	-0.1	-0.1	-0.1	-0.4
- Building Infrastructure and Maintenance – Community and Youth Justice	-	_(e)	_(e)	_(e)	0.1
- Prison Industries Mobile Plant	-	_(e)	_(e)	_(e)	-0.1
- Community Justice Services Office Refurbishment	-	_(e)	_(e)	_(e)	-0.1
- Asset Replacement from Holding Account	-	_(e)	_(e)	_(e)	-0.1
- Cell Upgrade and Ligature Minimisation	-	_(e)	_(e)	_(e)	-0.1
<i>Total Efficiency Savings</i>	-	-0.6	-0.6	-0.6	-1.7
Fire and Emergency Services					
<i>Total Savings Provision</i>					-2.6
- Country Fire and Rescue Service Geraldton Fire Station	-	-0.6	-	-	-0.6
- Country Fire and Rescue Service Bunbury Fire Station	-	-1.3	-	-	-1.3
- Volunteer Emergency Service Unit Fleet Replacement Program	-	-0.1	-	-	-0.1
- Light Tanker Replacement Program	-	-0.6	-	-	-0.6
<i>Total Efficiency Savings</i>	-	-2.6	-	-	-2.6
MINISTER FOR WATER; SPORT AND RECREATION; FORESTRY					
Bunbury Water Corporation					
<i>Total Savings Provision</i>					-0.4
- Technical School Reservoir Remediation Stages 4 and 5	-	-0.1	-0.1	-	-0.3
- Design/Upgrade Supervisory Control and Data Access System	-	-	-	-0.1	-0.1
<i>Total Efficiency Savings</i>	-	-0.1	-0.1	-0.1	-0.4
Busselton Water Corporation					
<i>Total Savings Provision</i>					-0.4
- Intelligent Water Network	-	-0.1	-0.1	-0.1	-0.3
- Information Technology and Communications	-	_(e)	_(e)	_(e)	-0.1
<i>Total Efficiency Savings</i>	-	-0.1	-0.1	-0.1	-0.4
Water					
<i>Total Savings Provision</i>					-1.5
- Land Acquisition – Land Purchase in Priority 1 Areas	-	-	-	-1.0	-1.0
- Groundwater Resources Investigation and Monitoring	-	-	-	-0.5	-0.5
<i>Total Efficiency Savings</i>	-	-	-	-1.5	-1.5

Table 11.1 (cont.)

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	TOTAL \$m
Western Australian Sports Centre Trust					
<i>Total Savings Provision</i>					-1.6
- Capital Upgrades and Maintenance 2016-17	-	-0.5	-	-	-0.5
- Capital Upgrades and Maintenance 2017-18	-	-	-0.5	-	-0.5
- Capital Upgrades and Maintenance 2018-19	-	-	-	-0.5	-0.5
<i>Total Efficiency Savings</i>	-	-0.5	-0.5	-0.5	-1.6
MINISTER FOR AGRICULTURE AND FOOD; TRANSPORT					
Agriculture and Food					
<i>Total Savings Provision</i>					-0.5
- Equipment Replacement Program	-	-	-0.1	-0.1	-0.3
- Information Management Systems Upgrade	-	-0.2	-	-	-0.2
<i>Total Efficiency Savings</i>	-	-0.2	-0.1	-0.1	-0.5
Perth Market Authority					
<i>Total Savings Provision</i>	-	-	-	-	-0.2
<i>Total Efficiency Savings</i> ^(g)	-	-	-	-	n.a.
Commissioner of Main Roads					
<i>Total Savings Provision</i>					-6.6
- Buildings and Equipment 2016-17 Program	-	-0.7	-	-	-0.7
- Buildings and Equipment 2017-18 Program	-	-	-0.4	-	-0.4
- Buildings and Equipment 2018-19 Program	-	-	-	-0.4	-0.4
- Safer Roads and Bridges Program	-	-1.6	-1.8	-1.8	-5.1
<i>Total Efficiency Savings</i>	-	-2.3	-2.1	-2.2	-6.6
Transport					
<i>Total Savings Provision</i>					-2.5
- Information and Communication Technology Infrastructure	-	-	-	-0.2	-0.2
- Driver and Vehicle Services Reform Program	-	-0.5	-	-	-0.5
- Coastal Infrastructure – Maritime Facilities Program	-0.2	-0.3	-0.3	-0.2	-1.1
- Navigational Aids Program	-	-0.1	-0.1	-0.4	-0.7
<i>Total Efficiency Savings</i>	-0.2	-0.9	-0.4	-0.8	-2.5
Public Transport Authority of Western Australia					
<i>Total Savings Provision</i>					-19.2
- Closed Circuit Television Systems	-	-	-4.0	-4.0	-8.0
- High Voltage Traction Power	-	-	-	-7.0	-7.0
- Network and Infrastructure Upgrades	-	-	-2.0	-2.2	-4.2
<i>Total Efficiency Savings</i>	-	-	-6.0	-13.2	-19.2
MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; YOUTH					
Metropolitan Cemeteries Board					
<i>Total Savings Provision</i>					-0.9
- Major Building Upgrade and Construction – Rockingham Regional Memorial Park		_(e)	_(e)	_(e)	_(e)
- Stock- Karrakatta Mausoleum Stage 7		_(e)	-0.1	-0.1	-0.3
- Cemetery Renewal Program – Karrakatta		_(e)	_(e)	_(e)	-0.1
- Cremators		_(e)	_(e)	_(e)	-0.1
- Minor Works – Fremantle		_(e)	_(e)	_(e)	-0.1
- Minor Works – Guildford		_(e)	_(e)	_(e)	-0.1
- Minor Works – Karrakatta		_(e)	_(e)	_(e)	-0.1
- Minor Works – Midland		_(e)	_(e)	_(e)	_(e)
- Minor Works – Pinnaroo Valley Memorial Park		_(e)	_(e)	_(e)	-0.1
- Office Building		_(e)	_(e)	_(e)	-0.1
- Whitby Falls Cemetery Development		_(e)	_(e)	_(e)	-0.1
<i>Total Efficiency Savings</i>		-0.2	-0.4	-0.4	-0.9
MINISTER FOR HOUSING; RACING AND GAMING					
Racing and Wagering Australia					
<i>Total Savings Provision</i>					-1.2
<i>Total Efficiency Savings</i> ^(h)	-	-	-	-	-

Table 11.1 (cont.)

ASSET INVESTMENT PROGRAM EFFICIENCY SAVINGS

	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	TOTAL \$m
MINISTER FOR MENTAL HEALTH; CHILD PROTECTION					
Child Protection and Family Support					
<i>Total Savings Provision</i>					-0.2
- Information and Communication Technology Replacement Program	-	-	-0.2	-	-0.2
<i>Total Efficiency Savings</i>	-	-	-0.2	-	-0.2
MINISTER FOR MINES AND PETROLEUM; SMALL BUSINESS					
Mines and Petroleum					
<i>Total Savings Provision</i>					-0.4
- Asset Replacement Program	-	_(e)	_(e)	_(e)	-0.1
- Expansion of Core Storage Area at Perth Core Library	-	-0.2	-	-	-0.2
- Expansion of Perth Core Library Viewing Area	-	-	_(e)	-	_(e)
<i>Total Efficiency Savings</i>	-	-0.2	-0.1	_(e)	-0.4
TOTAL AIP EFFICIENCY SAVINGS	-0.2	-24.5	-23.6	-32.9	-81.3
<i>plus</i>					
- Western Australia Police operational savings	-5.5	-	-	-	-5.5
- Department of Education operational savings	-8.0	-	-	-	-8.0
TOTAL					-94.8

(a) The Challenger Institute of Technology and Polytechnic West were abolished to form South Metropolitan TAFE on 11 April 2016.

(b) The Central Institute of Technology and the West Coast Institute of Training were abolished to form North Metropolitan TAFE on 11 April 2016.

(c) Western Australia Police will meet its AIP savings target of \$5.5 million through savings in operational expenditure in 2015-16.

(d) Education will meet \$8.0 million of its total AIP efficiency savings target of \$18.1 million from savings in operational expenditure in 2015-16.

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

(f) Synergy's AIP 5% efficiency savings target of \$8.9 million was achieved in the context of its Business Efficiency Program (Chapter 6).

(g) Following divestment of Perth Market Authority on 31 March 2016, its savings target of \$160,000 was removed from the Budget.

(h) Racing and Wagering Western Australia did not identify any project level savings for its \$1.2 million AIP 5% efficiency savings target.

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

Western Australia's Net Contribution to the Federation

In 2016-17, Western Australia will effectively contribute around \$4.7 billion of GST to other States through the Commonwealth's fiscal equalisation process, compared to if the GST were distributed on an equal per capita basis. This reflects that Western Australia will receive only 30.3% of its population share of national GST revenue in 2016-17.

However, although large, this redistribution of GST revenue represents only a small fraction of Western Australia's total support for other States through Commonwealth revenue raising and spending. States with higher incomes and business profits contribute more to total Commonwealth taxes, while those with younger and healthier populations, or stronger economic conditions, draw less on health and social security benefits.

Each year, the Department of Treasury estimates the net redistribution across States that occurs through Commonwealth revenue raising and spending. For each State, the redistribution is measured as the difference between the Commonwealth Budget revenues generated in that State and the Commonwealth Budget expenditures for the benefit of that State.

Results using the latest available data (for 2014-15) are shown in the table below (a positive figure for a State indicates that it makes a net contribution to the Federation, while a negative figure indicates that it receives a net subsidy).

In 2014-15, Western Australia's contribution to the Federation was much greater than that of New South Wales and Victoria, the only other contributors. On a per capita basis, Western Australia's net contribution was more than 30 times greater than New South Wales and more than 40 times greater than Victoria.

Table 12.1

NET CONTRIBUTION OF EACH STATE TO THE FEDERATION
2014-15 ^(a)

	\$m	\$ per capita
New South Wales	1,997	264
Victoria	1,175	200
Queensland	-7,706	-1,622
Western Australia	22,776	8,848
South Australia	-8,409	-4,969
Tasmania	-5,490	-10,650
Northern Territory	-4,344	-17,846
Total	0	0

(a) All Commonwealth outlays and revenue relating to the Australian Capital Territory (ACT) are allocated to the other States according to population shares. This recognises that the ACT would be unlikely to exist as a separate entity if the Federation dissolved.

Source: Department of Treasury estimates, using a range of data sources including the Commonwealth Final Budget Outcome publications and Australian Bureau of Statistics publication 5220.0. Results are based on the latest available data. Some data has been proxied by escalating earlier data using relevant economic indicators.

The following table shows the estimated breakdown of Western Australia's net contribution in 2014-15. It is based on the extent to which the State's share of each area of Commonwealth revenue and spending varies from its population share. It highlights that Western Australia's large net contribution to the Federation is mainly driven by:

- the high level of Commonwealth company tax, personal income tax and mineral extraction revenue derived from the State;
- the State's low draw on Commonwealth social security and health payments to residents, and low Commonwealth spending on services in the State; and
- Western Australia's very low GST share.

Overall, in 2014-15 it is estimated that the Commonwealth derived \$54.1 billion in revenue from Western Australia, while expenditure for the benefit of the State (including the State's share of the Commonwealth deficit) totalled only \$31.4 billion, yielding a net contribution to the Federation from Western Australia of around \$22.8 billion, or around \$8,800 per capita. This is a slight decrease from the \$26.1 billion and \$24.3 billion net contributions in 2013-14 and 2012-13 respectively.

Table 12.2

COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION
Relative to Western Australia's Population Share

	2012-13 ^(a)	2013-14 ^(a)	2014-15 (preliminary)
	\$m	\$m	\$m
Personal Income Tax	6,292	5,968	6,434
Company Tax	7,566	7,754	4,922
Fuel Excise (net of rebates)	-60	123	475
Taxes and Royalties on Mineral Extraction ^(b)	1,785	1,645	967
Commonwealth Services ^(c)	3,023	2,899	3,014
Personal Benefit Payments	3,162	3,763	3,891
Net impact of GST	2,470	3,231	3,707
<i>GST Collections</i>	155	186	49
<i>GST Grants</i>	2,315	3,045	3,658
Other Grants to State and Local Governments ^(d)	165	369	-670
Other	-115	368	35
Total	24,288	26,120	22,776

(a) Figures are revised significantly compared to past publications as some data was not available at the time.

(b) Net of North West Shelf royalties passed on as grants to Western Australia by the Commonwealth.

(c) Departmental expenditures, including defence.

(d) Includes grants to universities. Excludes North West Shelf royalties paid as grants to Western Australia.

Source: Department of Treasury estimates, using a range of data sources including the Commonwealth Final Budget Outcome publications and Australian Bureau of Statistics publication 5220.0. Results are based on the latest available data. Some data has been proxied by escalating earlier data using relevant economic indicators.

National Partnership Agreements

This appendix lists all current National Partnership (NP) agreements applicable to Western Australia, the corresponding Western Australian Treasury estimates of Commonwealth funding, and the start and expiry year for each agreement.

Some agreements require the State to provide a specified financial or in-kind contribution (footnote (b) identifies such agreements). However, these State contributions relate only to specific purposes in the relevant NPs, not to the State's broader effort in those areas, and usually do not reflect all the costs incurred by the State as a result of the agreement.

Given the uncertainty of expiring NPs, in most cases it is assumed in this Budget that there is no continued funding (either Commonwealth or State) past an NP's expiry date and that the additional or enhanced services generated by the NP will cease. However, funding is assumed to continue for a small number of NPs that expire within the forward estimates period (as identified by footnote (c)).

Table 13.1

NATIONAL PARTNERSHIP AGREEMENTS
Current Agreements Applicable to Western Australia

National Partnership Agreements	Start Year	Expiry Year	Total Commonwealth Contribution ^(a)	Estimated Commonwealth Funding to Western Australia					Total Five Years
				2015-16	2016-17	2017-18	2018-19	2019-20	
				Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	
			\$m	\$m	\$m	\$m	\$m	\$m	\$m
HEALTH									
Essential Vaccines	2009-10	Unspecified	240.4	18.7	16.3	16.6	17.0	-	68.6
Midland Health Campus ^(b)	2011-12	2015-16	180.1	0.6	-	-	-	-	0.6
Bringing Renal Dialysis and Support Services Closer to Home	2013-14	2017-18 ^(c)	53.8	16.0	17.1	0.5	0.2	-	33.8
Adult Public Dental Services ^(d)	2012-13	2015-16	41.9	13.0	-	-	-	-	13.0
Strengthening Cancer Services in Regional WA ^(b)	2012-13	2017-18	33.1	7.4	1.5	1.6	-	-	10.4
Supporting National Mental Health Reform ^(b)	2011-12	2015-16	27.1	7.0	-	-	-	-	7.0
Expansion of the BreastScreen Australia Program ^(d)	2009-10	2016-17	20.7	2.0	2.3	-	-	-	4.4
Bunbury, Narrogin and Collie - Pathology Laboratories	2013-14	2016-17	7.8	1.8	1.7	-	-	-	3.5
Improving Trachoma Control Services ^(d)	2011-12	2016-17	7.5	1.4	1.4	-	-	-	2.8
Rheumatic Fever Strategy ^(d)	2008-09	2015-16	6.2	0.9	-	-	-	-	0.9
National Bow el Cancer Screening Program ^(d)	2008-09	2017-18	3.1	0.3	0.5	0.6	-	-	1.4
Narrogin General Dental Clinic ^(b)	2013-14	2016-17	2.8	-	0.5	-	-	-	0.5
OzFoodNet ^(d)	2009-10	2015-16	1.3	0.2	-	-	-	-	0.2
Rural and Remote WA - Point of Care Testing Network	2013-14	2015-16	0.8	0.1	-	-	-	-	0.1
Vaccine Preventable Diseases Surveillance Program ^(d)	2010-11	2016-17	0.6	0.1	0.1	-	-	-	0.2
TOTAL HEALTH			627.1	69.5	41.3	19.3	17.2	-	147.3

Table 13.1 (cont.)

NATIONAL PARTNERSHIP AGREEMENTS
Current Agreements Applicable to Western Australia

National Partnership Agreements	Start Year	Expiry Year	Total Commonwealth Contribution ^(a)	Estimated Commonwealth Funding to Western Australia						
				2015-16	2016-17	2017-18	2018-19	2019-20	Total	
				Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	Five Years	
			\$m	\$m	\$m	\$m	\$m	\$m	\$m	
EDUCATION										
Universal Access to Early Childhood Education ^(d)	2008-09	2017-18	325.9	45.1	46.6	33.2	-	-	-	124.9
Trade Training Centres in Schools Program ^(e)	2008-09	2015-16	185.7	11.7	-	-	-	-	-	11.7
National School Chaplaincy Programme	2014-15	2018-19	30.5	7.6	7.6	7.6	-	-	-	22.9
National Quality Agenda for Early Childhood Education and Care	2009-10	Unspecified	17.7	0.4	-	-	-	-	-	0.4
Independent Public Schools	2014-15	2016-17	8.1	4.6	2.3	-	-	-	-	6.9
School Pathways Programs ^(d)	2009-10	2015-16	3.5	0.6	-	-	-	-	-	0.6
Online Safety Programmes for Schools ^(f)	2015-16	2017-18	0.9	0.3	0.3	0.3	-	-	-	0.9
Moneysmart Teaching ^(d)	2011-12	2016-17	0.8	0.1	0.2	-	-	-	-	0.3
TOTAL EDUCATION			573.0	70.5	57.0	41.1	-	-	-	168.6
SKILLS AND WORKFORCE DEVELOPMENT										
Skills Reform	2011-12	2016-17	179.5	39.4	53.8	-	-	-	-	93.2
TOTAL SKILLS AND WORKFORCE DEVELOPMENT			179.5	39.4	53.8	-	-	-	-	93.2
COMMUNITY SERVICES										
Home and Community Care ^(e)	2008-09	2014-15 ^(c)	1,848.7	180.5	197.6	197.6	197.6	197.6	197.6	970.8
Trial of My Way Sites ^(b)	2013-14	2015-16 ^(c)	134.7	46.3	67.6	-	-	-	-	113.9
Pay Equity for the Social and Community Services Sector	2014-15	2015-16	36.6	34.9	-	-	-	-	-	34.9
TOTAL COMMUNITY SERVICES			2,020.0	261.7	265.2	197.6	197.6	197.6	197.6	1,119.6

Table 13.1 (cont.)

NATIONAL PARTNERSHIP AGREEMENTS
Current Agreements Applicable to Western Australia

National Partnership Agreements	Start Year	Expiry Year	Total Commonwealth Contribution ^(a)	Estimated Commonwealth Funding to Western Australia					
				2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	Total Five Years
			\$m	\$m	\$m	\$m	\$m	\$m	\$m
AFFORDABLE HOUSING									
Remote Indigenous Housing	2008-09	2017-18	1,164.6	178.0	130.5	84.2	-	-	392.7
Homelessness ^{(b) (d)}	2008-09	2016-17	130.4	15.0	15.0	-	-	-	29.9
TOTAL AFFORDABLE HOUSING			1,294.9	193.0	145.5	84.2	-	-	422.7
INFRASTRUCTURE									
Land Transport Infrastructure Projects ^(b)	2014-15	2018-19 ^(c)	3,353.3	357.3	670.3	781.3	630.5	324.6	2,763.9
Western Australian Infrastructure Projects ^{(b) (g)}	2014-15	2018-19	989.1	490.0	-	-	-	-	490.0
Interstate Road Transport ^(e)	2008-09	2019-20	33.6	3.1	3.1	3.1	3.1	3.1	15.5
Asset Recycling ^(b)	2013-14	2018-19	-	-	-	-	-	-	-
TOTAL INFRASTRUCTURE			4,375.9	850.4	673.4	784.4	633.6	327.7	3,269.4
ENVIRONMENT									
Natural Disaster Resilience ^{(b) (d)}	2009-10	2014-15 ^(c)	35.3	4.7	3.1	3.1	3.1	3.1	17.2
National Framework for Water Resource Management Project ^(d)	2011-12	2015-16	6.3	0.7	-	-	-	-	0.7
Managing Established Pest Animals and Weeds	2015-16	2018-19	4.4	1.5	1.0	1.0	1.0	-	4.4
National Bushfire Mitigation ^(b)	2014-15	2016-17	0.9	0.6	0.3	-	-	-	0.9
Pest Animal and Weed Management in Drought-Affected Areas ^{(d) (f)}	2014-15	2018-19	0.8	0.5	-	-	-	-	0.5
TOTAL ENVIRONMENT			47.7	7.9	4.4	4.1	4.1	3.1	23.7

Table 13.1 (cont.)

NATIONAL PARTNERSHIP AGREEMENTS
Current Agreements Applicable to Western Australia

National Partnership Agreements	Start Year	Expiry Year	Total Commonwealth Contribution ^(a)	Estimated Commonwealth Funding to Western Australia						
				2015-16 Estimated Actual	2016-17 Budget Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	Total Five Years	
				\$m	\$m	\$m	\$m	\$m	\$m	
OTHER										
Legal Assistance Services ^(d)	2010-11	2019-20	247.0	29.0	29.9	28.8	29.5	30.3	147.5	
Provision of Fire Services	2011-12	2016-17 ^(c)	10.7	1.4	1.4	1.4	1.4	1.4	6.9	
Delivery of Tourism Demand-Driver Infrastructure ^(b)	2014-15	2017-18	5.1	1.4	1.4	1.4	-	-	4.2	
TOTAL OTHER			262.8	31.8	32.6	31.6	30.9	31.7	158.6	
TOTAL NATIONAL PARTNERSHIP AGREEMENT FUNDING			9,380.8	1,524.2	1,273.2	1,162.3	883.4	560.0	5,403.1	

(a) Includes funding since the commencement of the agreement, which may be prior to 2015-16.

(b) The agreement also includes a specified State financial or in-kind contribution for specific purposes.

(c) The agreement expires within the budget period. However, estimates are based on an expected renewal or the timing of the completion of the project.

(d) Includes amounts for both the current and previous versions of the agreement.

(e) The agreement is a Deemed NP (a current agreement created prior to the Intergovernmental Agreement on Federal Financial Relations). As such, the total Commonwealth contribution is the sum of the actual and estimated funding since 2008-09.

(f) The agreement is not yet signed. However, estimates are based on the expectation that the agreement will be signed.

(g) A variation to this agreement to incorporate an additional \$490 million for the Forrestfield-Airport Link is not yet signed. However, estimates are based on the expectation that the variation will be signed.

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

