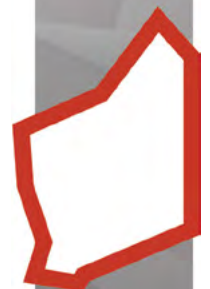




WESTERN AUSTRALIA
STATE BUDGET 2018-19

BUDGET PAPER NO.3



**ECONOMIC AND
FISCAL OUTLOOK**



2018-19 BUDGET

ECONOMIC AND FISCAL OUTLOOK

Budget Paper No. 3

**PRESENTED TO THE LEGISLATIVE ASSEMBLY
ON 10 MAY 2018**

2018-19 Economic and Fiscal Outlook

(Budget Paper No.3)

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2018-19 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 2018-19 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 9 April 2018 and which have a material effect on the State's financial projections.

It has been prepared in accordance with applicable Australian Accounting Standards and Government Finance Statistics principles, and is based on the economic forecasts and assumptions outlined in Chapter 1: *Overview*, Chapter 2: *Economic Outlook* and Chapter 3: *Fiscal Outlook and Strategy*. These assumptions were finalised by Treasury, under my direction, on 9 April 2018.

Estimated actual data for 2017-18 included in this Budget are based on estimates prepared by agencies. Final audited outcomes for 2017-18 will be available in the *Annual Report on State Finances*, to be released by 28 September 2018.

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

Michael Barnes
UNDER TREASURER

10 May 2018

Overview

HIGHLIGHTS

- The 2018-19 Budget continues the Government's focus on responsible financial management, creating jobs and strengthening the State's economy, delivering quality services, shaping our State by investing in our suburbs and towns, and fighting for a fair share for Western Australia.
- The State's economy is forecast to grow by 3.25% in 2018-19, following estimated growth of 2.5% in 2017-18. A return to more balanced growth across the economy will support employment, with nearly 50,000 jobs expected to be created over 2017-18 and 2018-19.
- The Government's commitment to responsible financial management has contained general government expense growth to just 0.9% in 2018-19, and an average of 1.2% per annum over the forward estimates period, well below the decade average of 6.7%.
- The State's revenue outlook has stabilised, with total revenue expected to grow by an average of 3.5% per annum over the Budget period. This is a result of taxation revenue growing in line with strengthening economic activity and growing consumer confidence in Western Australia, an increase in Commonwealth infrastructure grants following State Government lobbying, and a gradual improvement in the State's GST relativity (albeit to just 64.9% by 2021-22).
- Successful negotiation with the Commonwealth for a fairer share for Western Australia has secured additional funding for priority infrastructure projects, including METRONET, totalling \$1.2 billion over the forward estimates period, including \$702 million in 2017-18.
- The general government operating deficit is now estimated to be \$1.3 billion in 2017-18 (down from \$2.6 billion in the Mid-year Review), and a deficit of \$906 million is forecast for 2018-19. The general government operating balance remains on track to return to surplus by 2020-21.
- In total, a net operating surplus of \$1.8 billion is projected for the general government sector over the four year period 2018-19 to 2021-22.
- The Government's responsible financial management and the gradually improving economic and revenue outlook will see total public sector net debt peak at a projected \$40.9 billion at 30 June 2020, before reducing to \$39.7 billion by the end of the forward estimates period. This is down a substantial \$3 billion on the forecast level of net debt (at 30 June 2021) in the Mid-year Review.

Economic and Fiscal Outlook

After contracting by 2.7% in 2016-17, the Western Australian economy, as measured by Gross State Product (GSP), is expected to grow by 2.5% in 2017-18 and a further 3.25% in 2018-19. Growth will be supported by a further expansion in export volumes, consistent with an economy that is firmly within the production phase of the resource investment cycle.

GSP growth is expected to average 3.3% per annum over the forward estimates period, with the domestic economy, primarily household consumption, expected to take over from exports as the major driver of growth from 2019-20. This represents a steadier and more balanced phase of expansion in the State's economy, with increases in activity in both the mining and non-mining sectors.

Over the past five years, the mining sector's share of nominal GSP has eased while the share of the services sector has increased. More recently, a strengthening in employment growth in 2017-18 has been driven by a diverse range of industries, many of which are in the non-resource sector of the economy. A total of nearly 50,000 jobs are expected to be created over 2017-18 and 2018-19.

The economic assumptions underpinning the 2018-19 Budget are outlined in the table below.

KEY BUDGET ASSUMPTIONS
Western Australia

Table 1

	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate
Real Gross State Product growth (%)	-2.7	2.5	3.25	3.75	3.0	3.0
Real State Final Demand growth (%)	-7.2	-0.25	-0.25	3.75	3.75	3.75
Employment growth (%)	-0.9	2.25	1.5	2.0	2.25	2.25
Unemployment rate (%) ^(a)	6.2	5.75	5.75	5.5	5.25	5.0
Wage Price Index growth (%)	1.4	1.5	1.75	2.75	3.0	3.25
Perth Consumer Price Index growth (%)	0.6	1.0	1.5	2.0	2.5	2.5
Iron ore price, \$US/t, CFR ^{(a)(b)}	68.8	68.3	61.9	60.8	62.1	63.4
Iron ore volumes (million tonnes)	793	813	822	836	837	839
Crude oil price (\$US per barrel) ^(a)	49.7	62.1	66.0	62.2	59.4	57.7
Exchange rate (US cents) ^(a)	75.4	77.8	77.0	77.2	77.4	77.4
Population growth (%)	0.7	1.0	1.2	1.5	1.8	2.0
Interest rate assumptions (%): ^(a)						
– Public Bank Account interest earnings	2.1	2.0	2.0	2.0	2.1	2.1
– Consolidated Account borrowings	3.1	3.1	3.2	3.3	3.4	3.6

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

(b) The benchmark (62% Fe) iron ore price delivered to north China inclusive of cost and freight (CFR).

Excluding the impact of the Government's decision to transfer operational responsibility for the National Disability Insurance Scheme to the Commonwealth-run scheme (see feature box in Chapter 5: *General Government Expenses*), general government revenue has been revised up by \$2.2 billion over the period 2017-18 to 2020-21 relative to the Mid-year Review, reflecting:

- higher Commonwealth infrastructure grants (up almost \$1.1 billion over the four years to 2020-21, with a further \$129 million in 2021-22);
- mining revenue is projected to be \$1.2 billion higher across the forecast period, mostly due to higher royalties from lithium, gold and other commodities, and higher North West Shelf grants;
- higher taxation revenue (up \$112 million¹), including higher Emergency Services Levy and transfer duty revenue, partially offset by lower land tax and insurance duty;
- an upward revision to GST grants (up \$107 million) due to a slightly higher than forecast GST relativity for 2018-19 and an increased national GST pool, partly offset by a lower population share of the national pool for Western Australia; and
- a downward revision of \$467 million to revenue from public corporations, mainly reflecting lower dividend and tax equivalent payments from the Water Corporation.

General government expenses are projected to increase by just 0.9% in 2018-19, and by an average of 1.2% per annum over the forward estimates period. This follows estimated underlying expense growth of 1.6% in 2017-18, which excludes the impact of the Machinery of Government changes that took effect from 1 July 2017², as well as the up-front cost of the Voluntary Targeted Separation Scheme. Including these one-off changes, expense growth in 2017-18 is expected to be just 2.8%.

New spending initiatives in this Budget are largely funded through reprioritising existing expenditure, targeted increases in user charges, and by working constructively with the Commonwealth to secure additional funding for priority infrastructure projects (see following feature box).

¹ Following the release of the 2017-18 Mid-year Review, the Australian Bureau of Statistics advised that the Building and Construction Industry Training Fund Levy should be reclassified from goods and services revenue to taxation revenue. Movements in taxation revenue since the Mid-year Review abstract from this reclassification.

² A total of 41 government departments were reduced to 25 with effect from 1 July 2017. As part of these changes, the Rottne Island Authority was transferred to the new Department of Biodiversity, Conservation and Attractions. This resulted in a reclassification from the public non-financial corporations sector to the general government sector and therefore increased revenue and expenses for the general government sector. Similarly, employees of the Housing Authority (a public non-financial corporation) were transferred to the Department of Communities, with the Housing Authority supported by a new service delivery agreement with the Department of Communities. This also had the effect of 'grossing up' general government sector revenue and expenses.

Fighting for a Fair Share for Western Australia

Western Australia heavily subsidises the rest of the nation.

While Western Australia's GST grant is forecast in this Budget to increase from 47.3% of our population share in 2018-19 to 64.9% by 2021-22, this is still very low. No other State has ever received less than 83.4% of its population share of the GST. Over the five years from 2017-18 to 2021-22, Western Australia will lose an estimated \$16.7 billion compared to if we received our full population share of the GST (see Chapter 4: *General Government Revenue*).

However, this is only one part of the State's overall contribution to the Federation. Using the latest available data, in 2016-17 alone Western Australians are estimated to have received \$16.5 billion less in Commonwealth expenditure (including GST grants) than the Commonwealth revenue generated in this State (see Appendix 11: *Western Australia's Net Contribution to the Federation*).

The State Government is seeking to redress this situation. It is advocating for fundamental changes to the way the GST is distributed between the States and will continue to actively engage with the Commonwealth Government to encourage prompt action on the Productivity Commission's inquiry into the distribution of GST. In the absence of reform, Western Australia will see 70-80% of royalties generated from our expanding lithium industry redistributed to other States, in the same way as iron ore royalties continue to be stripped from the State's Budget. Despite the forecast growing GST share, the case for fundamental reform remains strong.

The State Government is also seeking greater Commonwealth funding in support of the significant contribution Western Australia makes to the national economy. For example, the Government will continue to argue that the Commonwealth should direct a share of its Petroleum Resource Rent Tax collected from LNG projects off the State's north west coast back to the State, given the significant infrastructure and other support provided by Western Australian taxpayers to facilitate these projects.

In fighting for a fair share for Western Australia, the State Government has succeeded in securing additional infrastructure funding from the Commonwealth, including \$189 million (in 2017-18) for hospital infrastructure. This Budget also includes over \$1 billion of new Commonwealth funding commitments over the period to 2021-22 for METRONET projects (\$729 million), road projects (\$140 million) and water infrastructure (\$140 million). The State Government will continue to work with the Commonwealth to finalise further road funding as part of negotiations on a revised National Partnership Agreement on Land Transport Infrastructure Projects.

The Government will also continue to actively engage in negotiations with the Commonwealth on a new ongoing National Housing and Homelessness Agreement to replace two existing agreements that expire on 30 June 2018.

A commitment to continued Commonwealth funding for remote housing is also being sought following the expiry of the current agreement (around \$100 million per annum) on 30 June 2018. Any reduction in this funding would have a significant adverse impact on Western Australia's remote areas, particularly as it would come on top of the Commonwealth's 2015 withdrawal of investment in essential and municipal services in these communities.

The State Government is also committed to ensuring the Commonwealth contributes its fair share to health and education funding in agreements currently under negotiation. The level of Commonwealth funding currently fails to adequately recognise the higher costs of delivering services in Western Australia's regional and remote locations. The State's health system has also been put under strain by the lower than average Commonwealth funding of General Practitioners in Western Australia. In the case of schools funding, Western Australia has been unfairly penalised for its high levels of State investment in schools and its delivery of preschool primarily at schools rather than at long day care centres.

The State Government will continue to fight for a fair share for Western Australia on the GST, on health, education and housing funding, and on other areas where Western Australia's significant contribution to the nation is not adequately recognised.

Overall, the State's operating outlook has improved by an aggregate \$2.2 billion relative to the Mid-year Review (over the period 2017-18 to 2020-21). A significant portion of this improvement is in the current year. At \$1.3 billion, the forecast deficit for 2017-18 is half the Mid-year Review estimate of \$2.6 billion, mainly reflecting the inclusion of \$702 million in Commonwealth infrastructure grants and significantly lower than previously forecast recurrent expenditure (down \$597 million).

An operating deficit of \$906 million is forecast for 2018-19, largely unchanged from the Mid-year Review (\$915 million). The operating balance is projected to return to a surplus position (of \$1.3 billion) by 2020-21, which is critical to containing and subsequently reducing the State's net debt levels.

KEY BUDGET AGGREGATES

Western Australia

Table 2

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	-2,474	-1,327	-906	-160	1,295	1,531
Revenue (\$m)	26,913	28,874	29,572	30,715	32,310	33,187
Revenue Growth (%)	1.6	7.3 ^(a)	2.4	3.9	5.2	2.7
Expenses (\$m)	29,387	30,201	30,478	30,875	31,015	31,656
Expense Growth (%)	3.1	2.8 ^(a)	0.9	1.3	0.5	2.1
Net Debt at 30 June (\$m)	18,820	22,400	25,891	27,534	26,940	25,689
General Government Net Debt as a Share of Total Public Sector Net Debt (%)	58.9	62.3	66.2	67.4	66.7	64.6
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	31,964	35,951	39,103	40,853	40,413	39,745
Net Debt as a Share of GSP (%)	12.9	13.7	14.5	14.6	13.9	13.0
Asset Investment Program (\$m)	5,137	5,522	6,248	5,449	4,945	4,872
Cash Surplus/Deficit (\$m)	-4,675	-3,468	-2,961	-1,553	572	798

(a) Abstracting from the one-off impacts of the Machinery of Government changes, upfront Commonwealth infrastructure funding, and a number of revenue measures announced in the 2017-18 Budget, underlying revenue growth is estimated at 0.9% for 2017-18. Excluding the expense effect of Machinery of Government changes and implementing the Voluntary Targeted Separation Scheme, underlying expense growth is estimated at 1.6% for 2017-18.

Budget Objectives

Creating Jobs and Strengthening the State's Economy

The Government is creating jobs and strengthening the State's economy through its focus on job-creating infrastructure and local content, and by funding initiatives that encourage new industries and innovation, including:

- additional asset investment of \$1.1 billion towards METRONET projects under development (with \$750 million over the forward estimates period), including the Morley-Ellenbrook line and extension of the Armadale line to Byford;
- \$151.2 million (with a further \$908.3 million beyond the Budget period) to replace the Transperth A-Series railcars, including funding for a local railcar assembly facility and associated infrastructure. The replacement railcars will be delivered as part of the contract for METRONET railcars, bringing the total to 246 railcars (see METRONET feature box in Chapter 6: *Asset Investment*);
- \$184 million as the State's contribution to a \$394 million Social and Affordable Housing and Jobs Package, with the balance funded through private sector investment. The package will deliver 1,390 new homes, including up to 320 new social housing dwellings and at least 400 affordable homes, and eight high-density METRONET-oriented developments;
- the Building and Construction Industry Training Fund Levy exemption applying to resource sector engineering construction projects will be removed from 1 July 2018, generating additional revenue of around \$25 million over the forward estimates period, which will be reinvested in training delivery;
- \$22.5 million for a program of Regional Economic Development Grants across the nine development regions. The program will be competitive, supporting community-driven projects with the aim of delivering local jobs and economic growth outcomes;
- \$5.5 million to support the State's bid to host the New Energy Industry Cooperative Research Centre headquarters;
- \$5 million to commence establishment of the Myalup Primary Industry Reserve, involving the conversion of land from pine plantation to irrigated agriculture;
- \$4.9 million to expand the operations of the Office of Defence West, including the establishment of the Defence West Advisory Panel to better position Western Australian industry to secure future defence contracts and create local jobs;
- \$3.4 million to expand the State Science, Technology, Engineering and Mathematics (STEM) strategy through improved awareness programs to promote STEM skills to students;
- \$3 million to establish a Contemporary Music Fund with grants available to promote local musicians and assist them with marketing, promotional, performance, recording and production costs; and

- \$425,000 per annum from 2018-19 to 2019-20 to protect existing, and identify new, high value food production precincts and processing opportunities for development in metropolitan Perth.

This Budget also includes additional spending on government services and initiatives to support economic activity and improve regulatory efficiency. These measures have been funded through targeted increases in government tariffs, fees and charges for the sectors of industry that will directly benefit from the additional spending, and include:

- \$19.4 million for the employment of additional staff in the Department of Water and Environmental Regulation and for the development of an Environment Online system, which will improve service delivery and environmental assessment timeframes. These additional resources will be funded through increases in fees for industry regulation and clearing permits;
- \$10 million per annum from 2019-20 for the continuation of the Exploration Incentive Scheme, funded through increases to annual mining tenement rents; and
- \$10.4 million over the forward estimates period for additional maintenance of maritime infrastructure assets across the State, funded by increased cost recovery from maritime fees and charges.

Responsible Financial Management

Significant progress has been made to realise the Budget repair measures announced as part of last year's Budget, including:

- the rate of the proposed Foreign Buyers Surcharge commencing from 1 January 2019 will increase from 4% to 7%, raising an estimated additional \$50 million over the period to 2021-22 and bringing Western Australia's surcharge in line with rates in other States;
- the Voluntary Targeted Separation Scheme is on track to achieve the full 3,000 separations target, although over a longer period than previously anticipated, with around 2,000 separations expected to be finalised by 30 June 2018;
- a new temporary progressive payroll tax scale for large employers has now been legislated. This measure will commence from 1 July 2018 for a finite period of five years and is expected to impact less than 1% of businesses operating in Western Australia; and
- implementation of the Point of Consumption Wagering Tax is progressing through consultation and is expected to commence from 1 January 2019.

Critically, the Government's new wages policy, reductions in the number of Senior Executive Service positions, wage freeze for most positions determined by the Salaries and Allowances Tribunal, Government office accommodation and State Fleet savings are all being (or have been) successfully implemented. These measures reduce the public sector's cost base, and will deliver long-term savings.

Delivering Quality Health Care, Education and Community Services

Improving the quality and sustainability of health care, education and community services is a significant focus of this Budget, with key initiatives including:

- \$73.3 million to redevelop the Geraldton Health Campus, including an upgrade and expansion of emergency and critical care services, an acute psychiatric unit and mental health short stay unit, and a further \$10.2 million to build and operate an offsite Step Up/Step Down Mental Health Facility;
- \$24.9 million to upgrade the neonatal unit, expand midwifery services, and increase rehabilitation beds and post-operative physiotherapy services at Osborne Park Hospital;
- \$11.8 million to construct a Mental Health Observation Area with an associated Mental Health Unit at Royal Perth Hospital;
- \$4.6 million to progress planning and negotiation for the expansion of the Joondalup Health Campus in partnership with Ramsay Health Care. A further \$153.4 million has been allocated for the infrastructure expansion of the Campus, subject to Government approval of the business case;
- \$13.7 million to provide increased permanent student accommodation by the 2021 school year at Yanchep Secondary College, as well as additional facilities to support the Year 11 and 12 curriculum;
- \$9.8 million on the North Albany Senior High School and Albany Secondary Education Support Centre;
- a record additional investment of \$128.5 million to support the State's fire and emergency services (funded from the Emergency Services Levy), including:
 - \$80.3 million to enhance rural bushfire capacity through the establishment of a new Rural Fire Division, including \$34.6 million for bushfire mitigation, \$18.1 million to establish a Bushfire Centre of Excellence, and \$15 million for an extension of the Bushfire Risk Management Planning program;
 - \$19.5 million on improved resourcing for the 38 Volunteer and Marine Rescue groups that provide emergency services along the State's coastline;
 - \$8.8 million to complete the rollout of crew cab protection measures in 261 bushfire appliances;
 - \$8 million to upgrade and replace ageing volunteer fire stations across the State; and
 - \$8 million to replace the Kensington Career Fire and Rescue Fire Station;
- \$26.9 million to replace a Western Australia Police Force helicopter to ensure operational capabilities are maintained;
- an additional \$21.5 million to continue the delivery of regional youth justice services in the Kimberley and Pilbara;

- \$20.5 million for the Government's Target 120 program, which is a coordinated and assertive early intervention program designed to work with high risk juvenile offenders to change their offending behaviours, and make communities safer through the provision of coordinated and timely access to services; and
- an additional \$7.5 million on alcohol and other drug rehabilitation beds in the South West, bringing forward the planned commencement of these services to 2019 (two years earlier than previously expected).

Shaping our State, Investing in our Suburbs and Towns

The 2018-19 Budget includes a number of initiatives to support stronger suburbs and towns across the State. This includes:

- \$93.8 million to commence construction of the northern and southern sections of the Bunbury Outer Ring Road;
- \$20 million for the Principal Shared Path (PSP) program to accelerate the completion of the PSP network within a 15 kilometre radius of the Perth central business district, and a further \$5.3 million in 2021-22 to continue the Western Australian Bicycle Network and Bike Boulevard grant programs;
- an additional \$16.3 million for the Public Transport Authority's Radio System Replacement project to design and construct a digital radio system for the Transperth rail network;
- \$15 million in 2018-19 to widen the northbound lanes of the Mitchell Freeway between Hutton Street and Cedric Street and add an extra lane to the Cedric Street off ramp northbound to reduce traffic congestion;
- Infrastructure WA will be established at a cost of \$15.3 million and will ensure coordinated infrastructure delivery across Western Australia's suburbs and towns;
- \$9.3 million to deliver on-ground conservation projects in the Pilbara to offset the environmental impacts from the clearing of vegetation and fauna (funded by industry);
- \$10.5 million to establish the Preston River to Ocean Regional Park, and the Leschenault Regional Park in the Greater Bunbury area; and
- \$4.1 million to revitalise under-utilised State and local government-owned heritage assets through the Heritage Revolving Fund.

Economic Outlook

HIGHLIGHTS

- After contracting by 2.7% in 2016-17, the Western Australian economy – as measured by Gross State Product – is estimated to grow by 2.5% in 2017-18 and a further 3.25% in 2018-19.
- Exports, particularly of LNG, iron ore, lithium and gold, are expected to remain the major driver of growth in the short term. In the medium term, household consumption is expected to take over as the major driver of growth on the back of improving consumer confidence, population growth and labour market conditions.
- Following a decline in employment in 2016-17, an estimated 29,400 jobs are expected to be created in 2017-18, and a further 20,000 jobs in 2018-19. Labour market conditions are expected to improve further over the forecast period, with steadily increasing labour force participation and a steadily declining unemployment rate.

Western Australia

Gross State Product

Western Australia's economy, as measured by **Gross State Product** (GSP), is expected to grow by 3.25% in 2018-19, following estimated growth of 2.5% in 2017-18. Growth over this two-year period is predominantly supported by a further expansion in export volumes, consistent with an economy that is firmly within the production-phase of the resource investment cycle.

GSP growth is expected to average 3.2% per annum over the remaining forecast period, with contributions from the domestic sectors (such as household consumption and business investment) dominating growth as export levels stabilise (see figure on next page, left-hand panel). While these forecast rates of growth in GSP are below the historical average (4.3% per annum), they represent a steadier and more balanced phase of expansion in the State's economy, with increases in activity in both the mining and non-mining sectors.

In this regard, the mining sector's share of nominal GSP has already eased from 34.2% in 2011-12 to 29.2% in 2016-17, while the share of the services sector has increased from 37.1% in 2011-12 to 42.6% in 2016-17.

Tourism is one area of the services sector that has grown over the past five years, with its share of nominal GSP increasing from 1.7% in 2011-12 to 2.5% (or \$6.1 billion) in 2016-17.

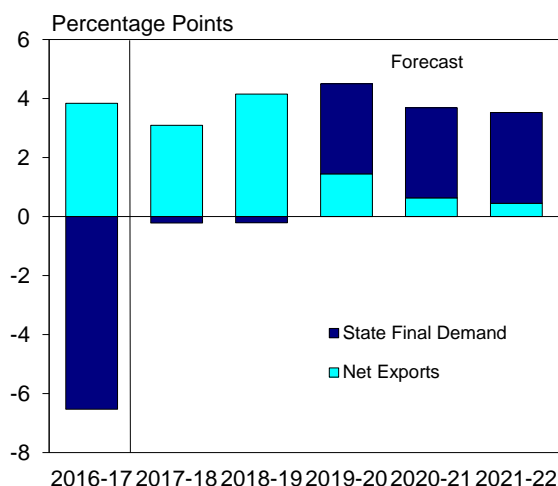
In the 2017-18 Budget, the State Government allocated \$425 million over five years to Tourism WA for destination marketing and events, reflecting that tourism is a major economic focus for the Government. The Government also recently released a two-year plan to grow the number of visitors to the State. The plan focuses on four key areas that will help drive visitation, including positioning the State as Australia's western gateway; changing perceptions of Perth and reigniting the east coast market; attracting more people, more often to regional Western Australia; and intensifying promotional activity in target markets to encourage travel.

In contrast to the overall economy, the State's domestic economy (as measured by **State Final Demand**, SFD) is yet to trough (figure below, right-hand panel), with expected declines in SFD out to 2018-19 mainly due to falls in **business investment**. However, with the State's large LNG projects in their final stages of construction, around 85% of the total forecast decline from business investment's peak in 2012-13 has now passed.

Business investment is projected to return to growth from 2019-20 onwards, supported in large part by projects needed to sustain current operations in the iron ore and LNG sectors. However, growth is expected to be modest relative to the previous upswing, with investment returning to more 'normal' levels (see Figure 2, left-hand panel).

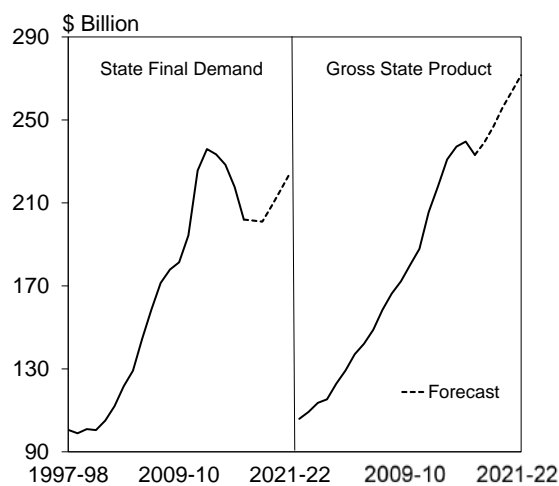
Figure 1

CONTRIBUTIONS TO GSP GROWTH Selected Major Components



Source: ABS Catalogue 5220.0, 5206.0 and Treasury.

DOMESTIC AND TOTAL ECONOMY Western Australia, Annual Levels



Source: ABS Catalogue 5220.0, 5206.0 and Treasury.

Table 1

ECONOMIC FORECASTS
Western Australia, Annual Growth (%)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Demand and Output ^(a)						
Household Consumption	1.1	1.75	2.25	3.25	3.5	3.5
Dwelling Investment	-22.5	-6.25	4.75	5.75	3.25	2.25
Business Investment	-28.5	-7.0	-14.0	6.0	7.0	6.0
Government Consumption	1.9	2.0	1.75	2.0	1.5	2.25
Government Investment	7.8	3.5	6.0	5.25	1.5	-1.0
State Final Demand	-7.2	-0.25	-0.25	3.75	3.75	3.75
Merchandise Exports	7.3	5.5	7.5	3.5	2.0	1.5
Merchandise Imports	-0.4	-3.5	-2.75	2.5	3.0	2.75
Net Exports ^(b)	14.6	10.0	12.5	4.0	1.75	1.25
Gross State Product ^(c)	-2.7	2.5	3.25	3.75	3.0	3.0
Labour market						
Employment	-0.9	2.25	1.5	2.0	2.25	2.25
Unemployment Rate ^(d)	6.2	5.75	5.75	5.5	5.25	5.0
Participation Rate ^(d)	67.3	68.1	68.4	68.6	68.8	68.7
Population						
Population	0.7	1.0	1.2	1.5	1.8	2.0
Working Age Population (15-64)	0.0	0.1	0.4	0.9	1.3	1.7
Prices						
Consumer Price Index	0.6	1.0	1.5	2.0	2.5	2.5
Wage Price Index	1.4	1.5	1.75	2.75	3.0	3.25
SFD Deflator	-0.3	1.2	1.7	1.9	2.3	2.3
GSP Deflator	6.2	3.1	-0.4	0.0	1.4	1.9
Perth Median House Price	-3.1	-0.1	1.4	1.8	3.2	2.6
Other key parameters ^(d)						
Exchange Rate \$US/\$A (US cents)	75.4	77.8	77.0	77.2	77.4	77.4
Iron Ore Price (\$US/t) cost and freight inclusive (CFR)	68.8	68.3	61.9	60.8	62.1	63.4
Crude Oil Price (\$US/barrel)	49.7	62.1	66.0	62.2	59.4	57.7

(a) Based on 2016-17 annual State Accounts data, updated with the latest State Final Demand data for the December quarter 2017.

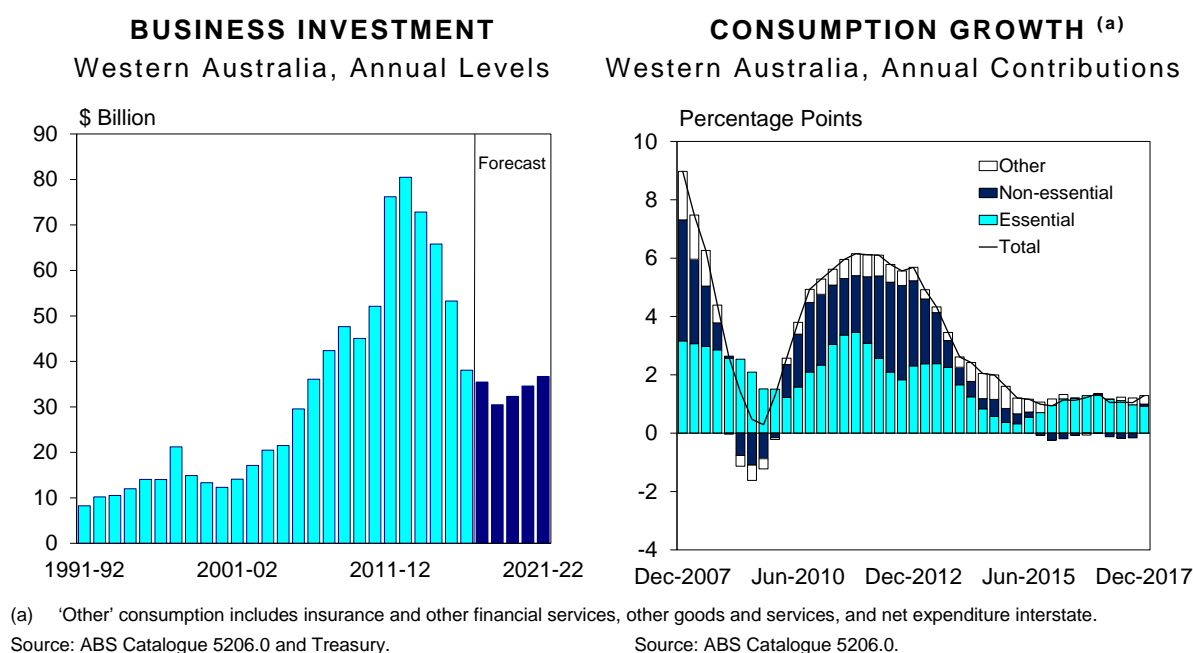
(b) Net exports include international trade in both goods and services.

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

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

The State's household sector remains subdued by historical standards, with **household consumption** growing by just 1.3% in 2017. Growth continues to be underpinned by spending on essential items, while spending on non-essential goods and services remains weak (see figure on next page, right-hand panel). However, a recent rebound in consumer sentiment and a moderate increase in population growth, together with the recent pick-up in employment, is expected to support a lift in consumption growth to 1.75% in 2017-18. A recovery in both household income and wealth (proxied by house prices) underpins a further expected increase in growth to 2.25% in 2018-19.

Figure 2

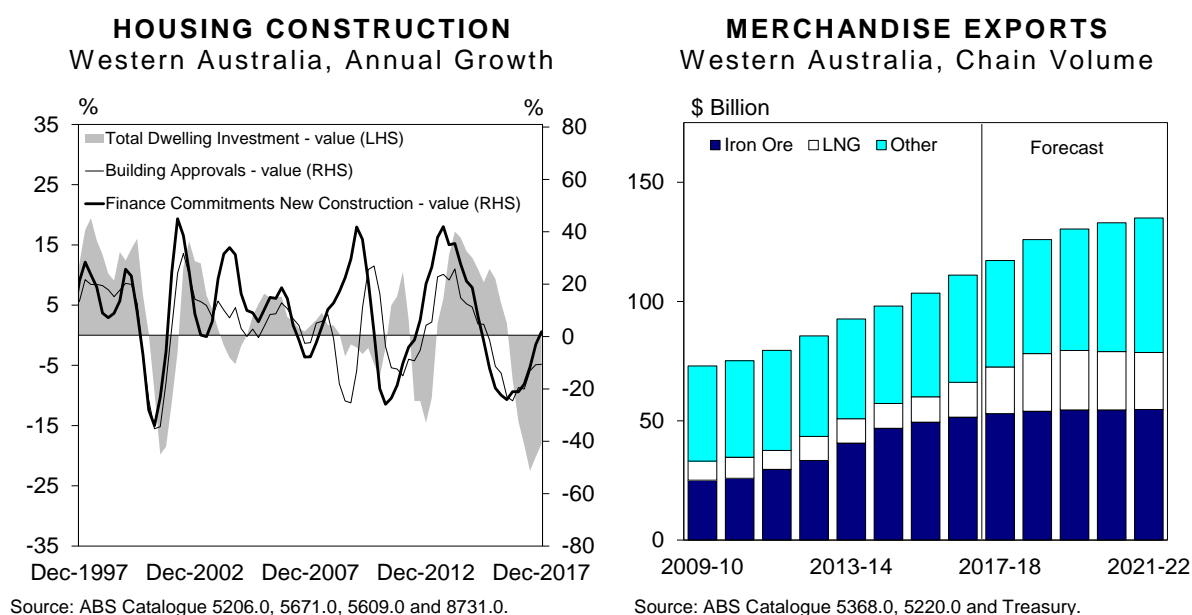


Dwelling investment declined by 18% in 2017 in response to relatively weak demand and spare capacity in the housing market (following record levels of dwelling completions in 2015-16). However, dwelling investment is expected to recover to 4.75% growth in 2018-19, in line with lead indicators of housing investment, such as building approvals and housing finance commitments, which are both trending back towards positive annual growth (see figure on next page, left-hand panel). Growth in dwelling investment is expected to continue over the outyears, in line with improving labour market conditions and population growth.

Growth in **government consumption** is projected to remain subdued across the forecast period, averaging around 2% per annum. **Public investment** is forecast to increase by 3.5% in 2017-18 and 6% in 2018-19, before moderating to average growth of around 2% per annum over the last three years, broadly in line with trends in the Government's Asset Investment Program.

The State's trade sector is experiencing buoyant conditions, with **merchandise exports** forecast to expand by an above-average 7.5% in 2018-19 due to the Wheatstone and Prelude LNG projects ramping-up shipments and increases in gold, iron ore and lithium production. This follows estimated growth of 5.5% in 2017-18, underpinned by LNG and iron ore exports.

Figure 3



Between 2016-17 and 2021-22, Western Australia's total exports are forecast to increase from around \$110 billion to \$135 billion (in real terms), with the majority of this total comprising iron ore and LNG (figure above, right-hand panel). Notably, the State's LNG exports are projected to grow by around 70% in the three years to 2019-20 to almost 50 million tonnes, accounting for around 10% to 15% of expected global production.

Investment in the production and refining of lithium is an emerging area of growth for the State's resources sector, with lithium expected to contribute a growing share of mineral production and exports over the forward estimates period.

Merchandise imports are forecast to decline in 2017-18 and 2018-19 as fewer imports of large capital goods are required for the construction of major projects (which is likely to outweigh a moderate pick-up in demand for imported consumer goods). Imports are expected to increase in the remaining forecast period, consistent with a projected lift in both household consumption and business investment.

Housing Market

While Perth's **median house price** declined by 2.4% in 2017 (with subdued demand failing to absorb an overhang of supply), housing market conditions have begun to stabilise. For example, although the number of properties listed for sale and for rent remain relatively high, supply has moderated compared to last year, and demand has begun to pick up modestly in particular segments of the market. On this basis, prices are expected to stabilise over the remainder of 2017-18 and to lift slightly in 2018-19 (by 1.4%).

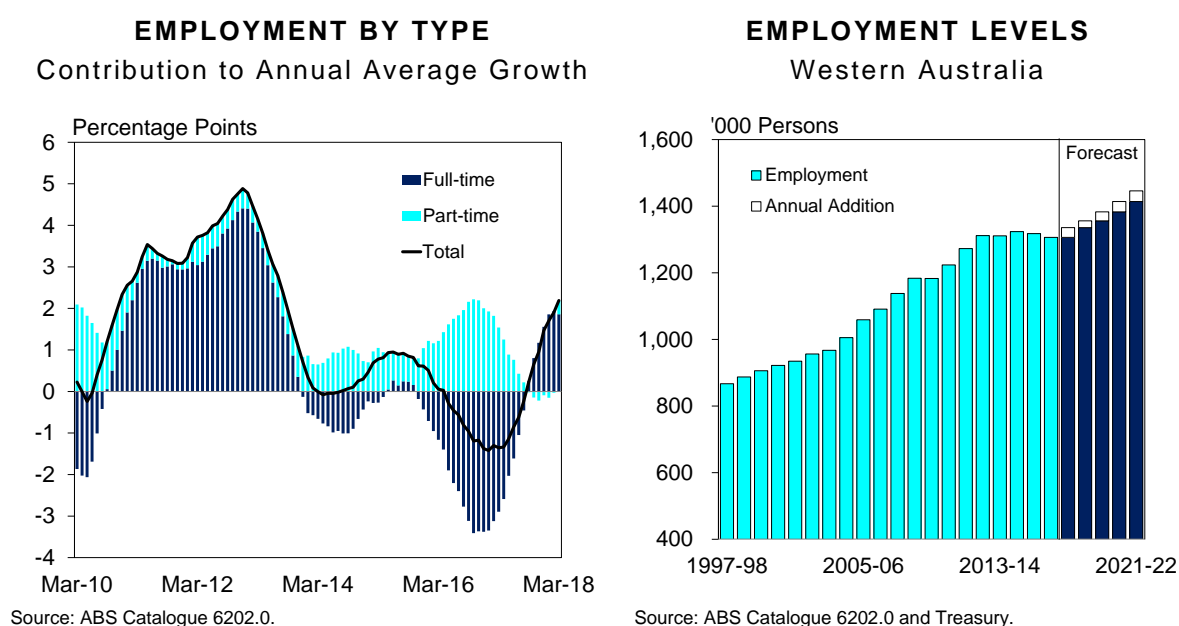
Prices are expected to continue growing over the remaining forecast period as declines in new dwelling construction in 2016-17 and 2017-18 limit excess supply, and demand lifts in line with a gradual recovery in population growth and labour market conditions. Nevertheless, price growth is forecast to remain relatively subdued compared to long-run average growth.

Labour Market

Employment in Western Australia has strengthened in 2017-18, with a return to annual growth underpinned by full-time hiring (see figure below, left-hand panel). Growth has been driven by a diverse range of industries, many of which are in the non-resource sector of the economy.

Employment is expected to grow by 1.5% (or 20,000 jobs) in 2018-19, following estimated growth of 2.25% (or 29,400 jobs) in 2017-18 (see figure below, right-hand panel). This is consistent with a strengthening in lead indicators of labour demand, such as business confidence and advertised job vacancies.

Figure 4



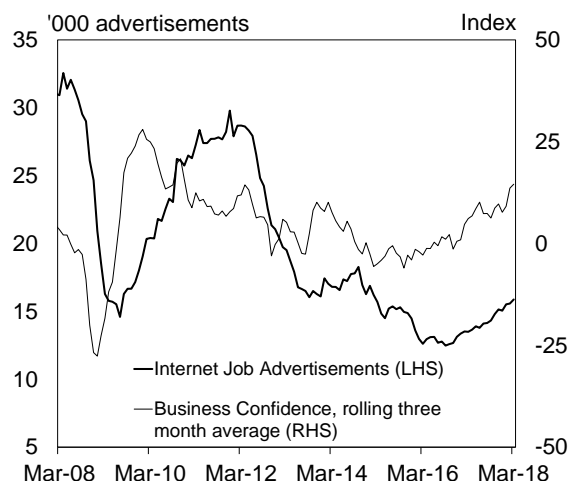
Employment growth over this two-year period is likely to be supported by a range of industries, including hiring to meet the operational and maintenance requirements of large-scale mineral projects. However, the winding down of labour-intensive construction on major LNG projects is expected to dampen employment growth somewhat in 2018-19 (relative to 2017-18).

The movement towards the less labour-intensive production phase of major resource projects has been occurring in the State for some time now. As a result, mining employment has contracted over the five years to 2017 (see figure on next page, right-hand panel), while hiring has been supported by a growing services sector workforce (with the largest single increase being in the Accommodation and Food Services industry).

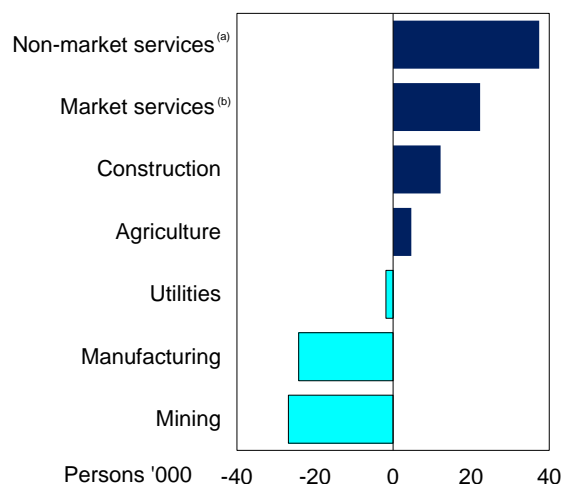
Figure 5

LEAD INDICATORS OF LABOUR DEMAND

Western Australia

**EMPLOYMENT BY INDUSTRY**

Growth over the five years to 2017



(a) Non-market services include industries such as Health Care and Social Assistance, and Education and Training.

(b) Market services include industries such as Retail Trade, Accommodation and Food Services, and Financial and Insurance Services.

Source: Department of Jobs and Small Business, and NAB Economics.

Source: ABS Catalogue 6291.0.55.003

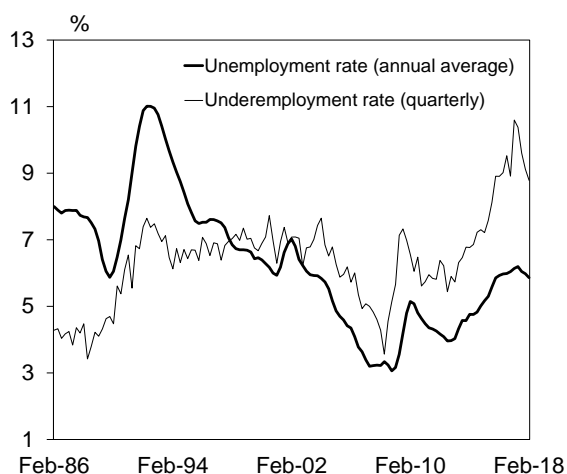
Employment growth is subsequently forecast to strengthen to 2.25% by 2020-21, coinciding with a recovery in the domestic economy (including a return to growth in business investment), along with a lift in population growth.

Consistent with this outlook, the **unemployment rate** is forecast to fall to 5.75% in 2017-18 and remain steady at this rate in 2018-19, down from a recent peak of 6.2% in 2016-17. Modest falls in labour market spare capacity are also being reflected in the underemployment rate, which declined to 8.8% in the three months to February 2018 from a record high of 10.6% a year earlier (see figure on next page, left-hand panel). With employment growth expected to continue over the forward estimates period, the unemployment rate is forecast to fall to 5% by 2021-22.

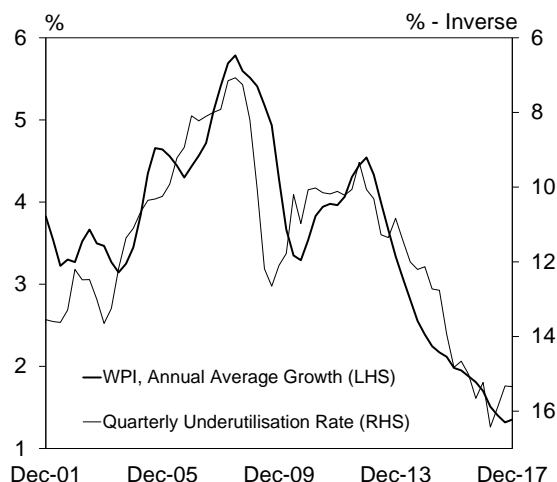
The State's **participation rate** is expected to increase to 68.4% in 2018-19, from a recent low of 67.3% in 2016-17. This reflects that improved employment prospects are likely to encourage people to actively seek work. Further improvements in labour market conditions are expected to attract additional workers to join the labour force over the remainder of the forward estimates period. As a result, the participation rate is forecast to lift over the period to 2021-22.

Figure 6

LABOUR MARKET SPARE CAPACITY Western Australia



WAGES AND UNDERUTILISATION (a) Western Australia



(a) The underutilisation rate is the sum of the number of persons unemployed and the number of persons in underemployment, expressed as a proportion of the labour force.

Source: ABS Catalogue 6202.0.

Source: ABS Catalogue 6345.0 and 6202.0.

Wage growth in Western Australia remains subdued (figure above, right-hand panel), with the **Wage Price Index (WPI)** growing by just 1.4% in 2017. This is expected to lift marginally to 1.75% in 2018-19, supported by an improving labour market, and to strengthen more substantially over the remaining forward estimates period as domestic economic conditions continue to improve.

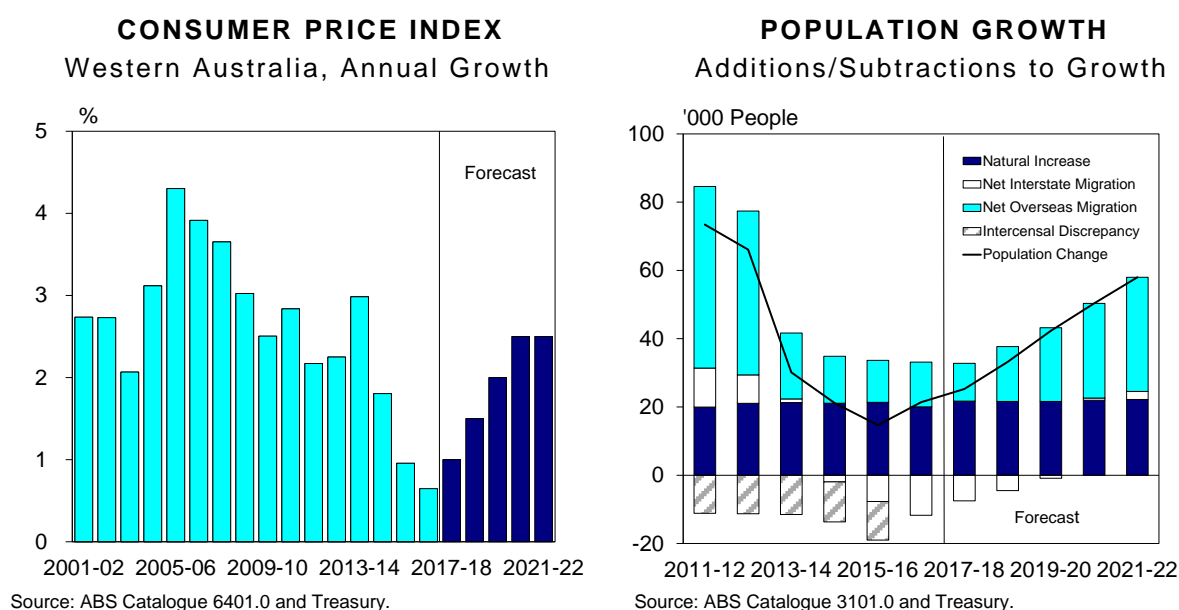
Consumer Price Index

Perth's **Consumer Price Index (CPI)** grew by 0.8% in annual average terms to March 2018, lifting from an 18-year low of 0.5% in 2016. Growth was underpinned by price rises for tobacco, utilities, automotive fuel and health care, which were partially offset by persistent weakness in rents and the price of new homes.

In 2018-19, growth is expected to lift to 1.5% with a more balanced rental market expected to act as less of a drag on growth. Inflation is also likely to be supported by increases in health insurance premiums and the Commonwealth's tobacco excise. However, competitive pressures in the retail sector are expected to contain price pressures in that sector.

In 2019-20, growth in Perth's CPI is expected to strengthen to 2% in line with a recovery in domestic economic conditions. Over the remainder of the forecast period, inflation is expected to stabilise in the middle of the Reserve Bank of Australia's target band of 2-3% (see figure on next page, left-hand panel).

Figure 7



Population

Population growth in Western Australia appears to have troughed, after moderating for several years. The State's population increased by 0.8% in annual average terms over the year to the September quarter 2017, up from 0.6% a year earlier (which was the lowest rate of growth since the Second World War). Net overseas migration appears to have bottomed, and the net decline from interstate migration is expected to taper over 2018-19 and 2019-20.

Population growth is expected to remain subdued at 1% in 2017-18 and 1.2% in 2018-19, 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 until 2019-20 (figure above, right-hand panel).

Population growth is projected to gradually lift over the forward estimates period to 1.8% in 2020-21 and 2% in 2021-22 (broadly in line with the long-run average rate of growth), as Western Australia's share of national net overseas migration increases and net interstate migration recovers, in line with improvements in the domestic economy.

Domestic Risks

As always, there are a number of uncertainties surrounding the outlook for specific sectors of the State's economy.

The largest uncertainty relates to the level of **business investment** in the short-term, specifically the magnitude and timing of LNG construction expenditure, as key projects enter the final stages of construction. For example, if expenditure on the hook-up of the Ichthys and Prelude floating gas platforms is higher than expected, this presents upside risk to the business investment forecast in 2017-18, but downside risk in 2018-19.

Furthermore, the business investment outlook hinges on a number of prospective projects being realised over the forecast period, and also the expectation that projects not yet identified will emerge. If this does not occur, business investment may be lower than forecast in the outyears.

Risks in the trade sector mainly relate to uncertainties regarding the timing of commissioning and ramp-up of complex LNG projects, which could translate into either higher or lower **merchandise export** volumes than forecast.

In addition, the suppression of quarterly **merchandise imports** data by the ABS (on the grounds of maintaining confidentiality of information) makes it difficult to monitor emerging trends in imports over the year, which poses risks to the net export (and therefore GSP) forecasts.

Elevated levels of household debt are a source of downside risk to **household spending**, with any future interest rate rises potentially hampering consumers' propensity to spend on non-essential items.

The forecast recovery in **dwelling investment** and the **established residential property market** could be more subdued than anticipated if population and income growth are weaker than expected. In addition, any potential tightening of residential lending criteria or any further regulations imposed by the Australian Prudential Regulation Authority (aimed at improving the quality of new mortgage lending and moderating the growth of investor lending) could weaken demand in the property sector.

The future path of **population growth** creates a general element of uncertainty to the domestic demand outlook. For example, if overseas migration to Western Australia remains at current levels, rather than lifting as anticipated, growth in consumer spending and dwelling investment would be lower than forecast.

Global Outlook

The global economy is experiencing largely positive trends with a modest and somewhat synchronised cyclical upswing gaining momentum in many parts of the world over the past year, particularly among advanced economies. This is creating a relatively favourable external environment, which has been broadly supportive of commodity prices. The International Monetary Fund (IMF) is projecting that the global economy will expand by 3.8% in 2017, up from 3.2% in 2016¹. Growth is then forecast to rise to 3.9% in 2018 and 2019 before trending down to reach 3.7% by 2023 with continued strong growth in emerging market economies, but a projected decline in growth from advanced economies.

Risks to the global economic outlook are largely balanced, with the current growth momentum providing some upside risk in the short-term, while disputes among key economies over trade, possible increases in global interest rates, and excessive leverage in China posing ongoing downside risks.

¹ *World Economic Outlook Update*, April 2018.

Advanced Economies

Major advanced economies, such as the US, and many of those in the Euro area and East Asia, are experiencing positive trends. The IMF has estimated that economic growth in advanced economies increased from 1.7% in 2016 to 2.3% in 2017. Growth is projected to rise further to 2.5% in 2018 before trending back to 1.5% by 2022, in many cases driven by aging populations, which are expected to result in lower labour force participation.

The **US economy** has been expanding at around 2% since the end of the Global Financial Crisis (GFC), which although moderate relative to its historical growth, has exceeded the performance of most other major advanced economies. The short to medium term outlook has gained support from significant tax cuts passed under the Tax Cuts and Jobs Act. To the extent the tax cuts contribute to further tightening of the labour market, this may add to inflationary pressures and result in higher interest rates. Interest rates in the US tend to impact interest rates globally. The tax cuts will also likely significantly add to Government debt, with the US Congressional Budget Office projecting that debt will increase by almost \$US1.5 trillion over the next ten years. The IMF projects that growth in the US will sustain some recent momentum, increasing from 2.3% in 2017 to 2.9% in 2018, before trending down to 1.5% by 2022.

The strength of recent economic activity in the **Euro area** has surprised most analysts, including those at the IMF². This recovery has been relatively broad-based with both northern Europe and the periphery generally performing well. The IMF is expecting growth to reach a post-GFC high of 2.4% in 2018 before gradually easing to 1.5% by 2022, as many key economies are facing significant demographic challenges. The Euro area may continue to surprise analysts with its strength as there appears to remain significant slack within the economy, as indicated by very low inflationary pressures.

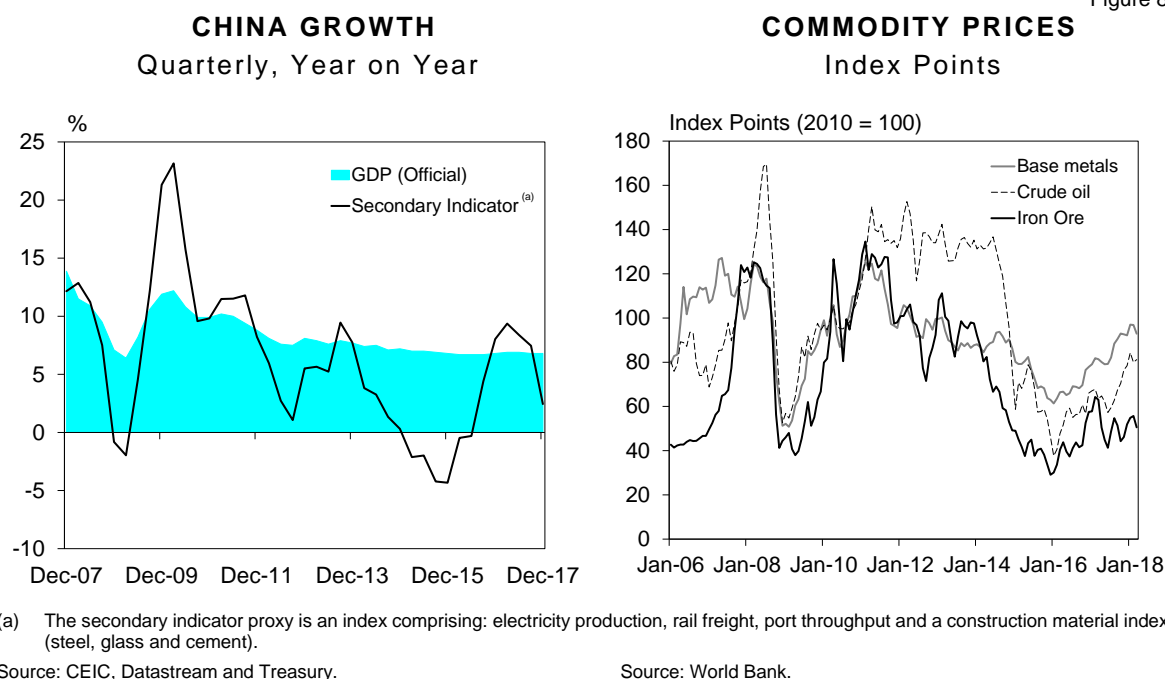
Positive growth momentum has been evident across the **advanced East Asian** economies of South Korea, Taiwan, Hong Kong and Japan throughout 2017. This has been supported by a cyclical rebound in China and a rebound in global trade volumes, which has assisted the large manufacturing sectors in these economies. Beyond 2017, the IMF is forecasting economic activity to moderate in these jurisdictions in line with expectations of a cooling Chinese economy.

China

The **Chinese economy** is growing at a relatively robust rate. This is having positive spill overs for countries in south and east-Asia and commodity exporters globally. Official GDP data tend to suggest a very smooth and stable trajectory for economic growth. However, a range of other measures suggest growth was weak in 2014 and 2015 before rebounding in 2016 and 2017. This is illustrated by a 'secondary indicator', comprising consumption trends for various commodities and services, which acts as a proxy for economic activity in the industrial sector (see figure on next page, left-hand panel). The 'secondary indicator' correlates well with changes in commodity prices (see figure on next page, right-hand panel).

² See the IMF publication: *Regional Economic Outlook: Europe Hitting its Stride*, November 2017.

Figure 8



It is likely that China's cyclical rebound peaked in 2017 and may lose some momentum heading into 2018-19, as the property construction cycle slows and macro policies become less accommodative now that the five yearly leadership re-shuffle is complete and Presidential term limits have been removed.

Over the longer term, potential rates of growth in the Chinese economy are expected to decline as a result of unfavourable demographic trends and a lower capacity for 'catch-up growth' as living standards in China converge with those experienced in the advanced economies. Reflecting this, the IMF is forecasting economic growth in China to slow from 6.9% in 2017 to 6.6% in 2018, and to 5.7% by 2022.

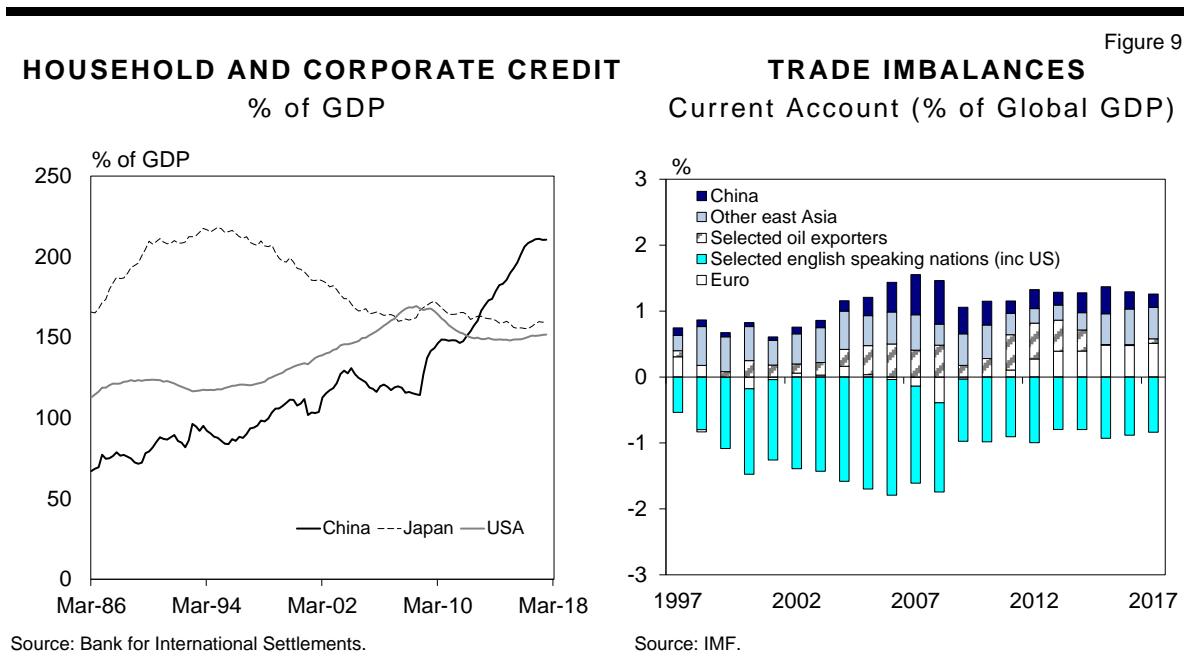
Other Emerging Markets

As economic growth in China structurally slows over time, the **populous emerging markets in South and South East Asia** will become more important for Western Australia's economy. These countries generally have positive outlooks, with the IMF forecasting economic growth of at least 7% for India and Bangladesh, over 6% for the Philippines and Vietnam, and growth in excess of 5% for Indonesia over the period 2018-2022. Combined, these countries account for around 2 billion people. Given their proximity to the State, they represent a significant long-term trade opportunity for Western Australia.

Global Risks

There is a significant chance that recent positive momentum in major economies, such as the Euro area and the US, will result in stronger than expected economic growth over the next year or so. This growth may become more durable if it leads to increased investment and productivity growth and would have a positive impact on our major trading partners which export to these major developed economies.

China is by far Western Australia's most important trading partner, accounting for around 50% of the State's merchandise exports. Therefore, changes in China's domestic economy can have a major impact on the State's economic outlook. A key risk for the Chinese economy relates to the rapid rate of debt accumulation over the past ten years, which has been used to fund fixed asset investment. Such rapid accumulations of debt and capital investment increase the risk of a significant financial disturbance and, historically, have been associated with misallocations of resources, which can reduce economic growth potential over subsequent years (figure below, left-hand panel).



Persistent global trade imbalances over recent years (figure above, right-hand panel) in combination with relatively poor growth in large pockets of the globe, particularly since the GFC, have led to a rise in popularity of trade protectionism. This culminated in a series of tariff announcements from the US President and some retaliatory announcements from the Chinese Government. To date, these measures have been relatively modest compared to the size of the US and Chinese economies, and any adverse impact on US demand for Chinese imports may be offset by the favourable impact of US tax cuts. Notwithstanding this, further escalation of trade disputes poses a risk to global trade, potentially impacting demand for commodities exported by Western Australia.

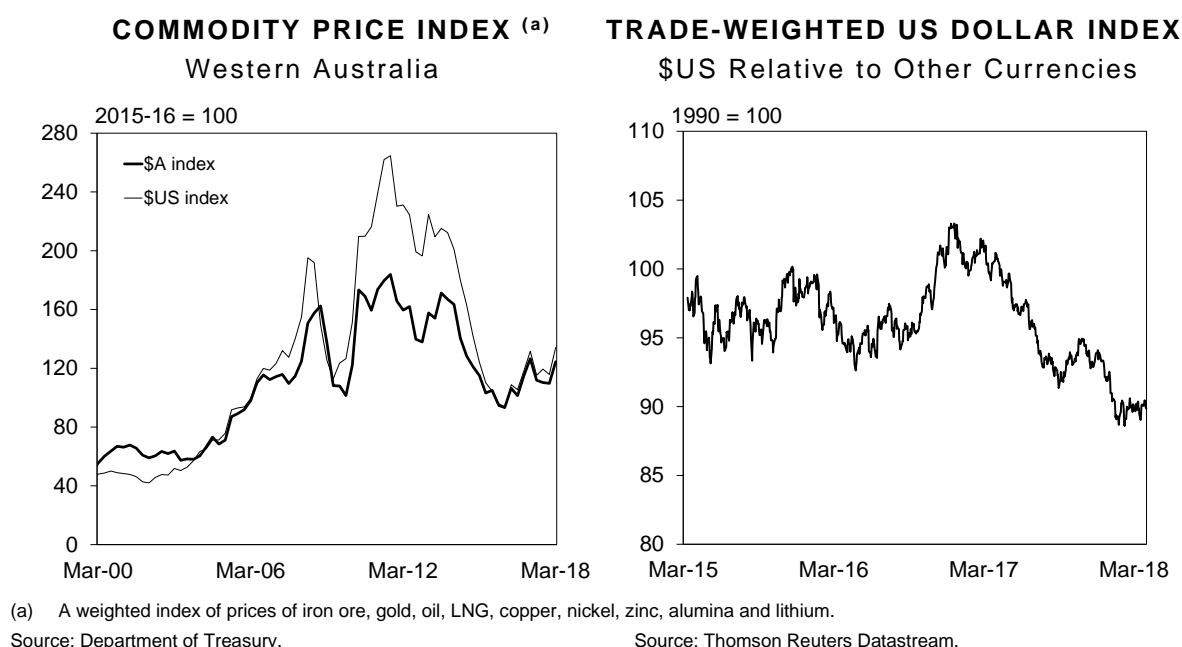
US interest rates have a large impact on interest rates throughout the globe as the US dollar is the de-facto global reserve currency, underpinning a large proportion of global trade and financial flows. Increases in US interest rates have preceded financial crises in emerging markets over recent decades and the last two recessions in Australia. Therefore, any further significant increases in US interest rates pose risks to the State's major trading partners and to the Australian economy more generally.

Commodity Markets

Commodity prices were generally higher in 2017, relative to 2016, in line with an improvement in global economic conditions (figure below, left-hand panel). The commodity price index (a weighted index of the commodities most relevant to Western Australia) has improved since early 2016 but remains well below the extraordinarily high levels of recent years, mostly reflecting movements in the iron ore price. Commodity prices have also been supported by a softening in the US dollar since early 2017 (figure below, right-hand panel). This has resulted in a slightly stronger \$US/\$A exchange rate, which has partly offset the impact of higher commodity prices on mining revenue.

Commodity price assumptions and mining revenue estimates can be found in Chapter 4: *General Government Revenue*.

Figure 10



Iron ore

The iron ore spot price traded within the \$US70-80 per tonne range in early 2018. However, from March, the price fell sharply to around \$US63 per tonne. The fall in the iron ore price can be attributed to a number of factors. Firstly, announcements by the Chinese Government at the National People's Congress indicated that fiscal and monetary policy would be slightly less accommodative in 2018 with a reduction in the targeted fiscal deficit, moving away from specific monetary targets, and a slight reduction in infrastructure spending. Additionally, Chinese steel rebar inventories rose to the highest level since 2013, raising concerns that steel output may outpace demand in 2018. Thirdly, the US announced trade barriers on steel imports and later foreshadowed tariffs on a range of Chinese products, raising concerns around reduced global steel consumption.

China has experienced a cyclical upswing over the past two years, led by an upturn in the property construction sector, the largest source of steel and iron ore consumption. New starts in property construction grew by 8.1% in 2016 and 7% in 2017. However, more recently, growth in property sales, which tend to lead construction activity, slowed over the second half of 2017 and into early 2018. This suggests that construction activity may slow over 2018, weighing on steel and iron ore demand.

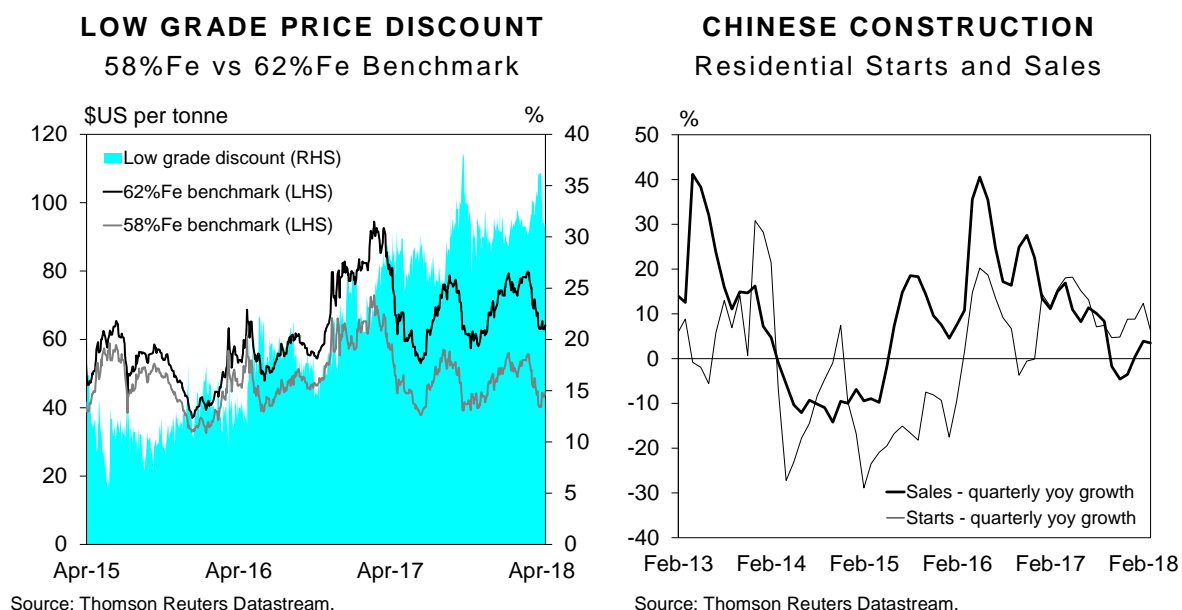
The implementation of supply side reforms to the Chinese steel industry have cut excess capacity, with 115 million tonnes of capacity cuts in 2016 and 2017. Illegal induction furnaces, fed by steel scrap, were closed in the first half of 2017, which provided an increase in demand for mills using iron ore feedstock. The steel capacity cuts have resulted in higher steel prices, which have significantly improved the health of the Chinese steel industry and enabled mills to pay more for raw inputs, including iron ore and coal.

China has also implemented environmental restrictions to cut air pollution in key steel producing areas near cities in the north of the country. Initially, this placed downward pressure on iron ore prices, with expectations of a cut in iron ore demand. However, prices rebounded over the December quarter with steel mills preferring medium and higher grade iron ore products, which require less energy and produce less pollution per tonne of steel.

Conversely, the discount for lower grade products increased significantly over the course of 2017 (see figure on next page, left-hand panel), which has had a significant impact on some Western Australian producers, particularly iron ore juniors. Cleveland Cliffs brought forward the planned closure of its 11 million tonnes per annum Koolyanobbing mine, Mineral Resources reduced its expected production at the Iron Valley mine in 2017-18, and Atlas Iron postponed development of the 4 million tonnes per annum Corunna Downs project to replace depleted mines. Mineral Resources and Atlas Iron recently announced a merger in order to achieve cost efficiencies through increased scale and synergies in the face of weaker prices for low grade ores.

The State Government continues to provide support to Western Australian junior iron ore producers to sustain operations and employment, specifically through the extension of port charge relief at Utah Point at Port Hedland and Geraldton Port. It has also extended the provision of a royalty rebate through the Magnetite Financial Assistance Program to 31 December 2018, with the financial position of producers to be monitored. The Government is also attempting to facilitate a possible agreement with interested parties in purchasing the Cliffs' Koolyanobbing mine.

Figure 11



In 2018, modest growth in Chinese steel consumption is expected, with demand anticipated to cycle around current levels over the remainder of the forecast period. China's stock of steel scrap is rising, which, combined with environmental restrictions, will likely result in a gradual decline in Chinese iron ore demand over time. This is expected to be offset to some extent by growing steel and iron ore demand from emerging markets, particularly in Asia.

Western Australian iron ore shipments are expected to increase from 813 million tonnes in 2017-18 to 822 million tonnes in 2018-19, before levelling off at around 837 million tonnes in 2020-21 as existing mines reach production capacity.

BHP, Rio Tinto and FMG are shifting their attention to large-scale replacement mines, with feasibility studies due for completion in 2018, and commissioning of potential projects planned for the early 2020s. This is expected to lead to an increase in employment during construction of the projects.

Near-term derivative prices and Consensus forecasts suggest that the benchmark (62% Fe) iron ore price will average around \$US60-63 per tonne over the remainder of the forecast period.

Oil

The oil price influences the Western Australian economy through a number of channels. For example, it is a key determinant of investment and export income in the LNG industry (as most LNG prices are linked to the oil price), it impacts mining costs (in particular shipping), and it is an important driver of domestic inflation.

The oil price has rebounded significantly from the 12 year lows reached in early 2016 as the global economy recovered and the outlook for demand increased. Prices have also been supported by an agreement between the Organisation of the Petroleum Exporting Countries and some key non-member countries (most notably Russia) to limit output.

Futures markets suggest little change in the price of oil over the forecast period. However, volatility is likely to remain a feature given the risks impacting the world economy, and therefore oil demand.

Other commodities

Consistent with the rebound in global growth, industrial and construction raw materials, such as copper, nickel, alumina and zinc, have all recovered significantly since 2016 and in many cases are now high enough to support some additional investment. The gold price has been trending upward over the past 18 months as moderating expectations of interest rate rises in the US have weakened the US dollar³.

The prices of raw materials used to produce batteries, such as lithium and cobalt, have increased substantially. This has been driven by rapid growth in global demand for rechargeable batteries, primarily for use in electric vehicles. Investment in the Western Australian battery raw materials sector has been primarily driven by increasing Chinese demand, with the Chinese Government supporting its electric car industry through subsidies, regulation, and investment in infrastructure (such as charging stations).

³ The US dollar and gold are substitutes as they are commonly used as stores of value throughout the world.

Fiscal Outlook and Strategy

HIGHLIGHTS

- Through its responsible financial management, the Government is getting the State's finances back on track.
- At \$1.3 billion, the estimated general government operating deficit for 2017-18 has halved since the Mid-year Review, underpinned by lower recurrent spending and additional funding from the Commonwealth for priority infrastructure projects, including METRONET.
- Expense growth in 2018-19 has been contained to just 0.9%, and an average of 1.2% per annum across the forward estimates period. These low rates of expenditure growth, combined with a more stable outlook for the State's revenue base, result in declining operating deficits in 2018-19 (\$906 million) and 2019-20 (\$160 million), before a projected return to surplus from 2020-21.
- The improving outlook for the general government operating balance is expected to see total public sector net debt peak at \$40.9 billion at 30 June 2020, before declining to \$39.7 billion by the end of the forward estimates period. This is a substantial \$3 billion improvement on the forecast level of net debt (at 30 June 2021) in the Mid-year Review.
- The Government remains on track to meet all of its financial targets by 2020-21, including reducing the proportion of net debt held by the general government sector.

Fiscal Outlook

General Government Sector

Summary

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

GENERAL GOVERNMENT Summary Financial Statements							Table 1
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
	Actual	Estimated	Budget	Forward	Forward	Forward	
	\$m	\$m	\$m	\$m	\$m	\$m	
OPERATING STATEMENT							
Revenue	26,913	28,874	29,572	30,715	32,310	33,187	
Growth (%)	1.6	7.3 ^(a)	2.4	3.9	5.2	2.7	
Expenses	29,387	30,201	30,478	30,875	31,015	31,656	
Growth (%)	3.1	2.8 ^(a)	0.9	1.3	0.5	2.1	
Net Operating Balance	-2,474	-1,327	-906	-160	1,295	1,531	
BALANCE SHEET							
Assets	147,410	148,881	150,205	154,004	157,397	160,247	
Liabilities	37,221	41,529	43,494	46,091	46,703	46,201	
Net Worth	110,189	107,352	106,711	107,914	110,694	114,045	
STATEMENT OF CASHFLOWS							
Net Cash Flows from Operating Activities	-1,541	-108	585	1,178	2,605	2,856	
Asset Investment Program	2,341	2,627	2,830	2,111	1,331	1,270	
Cash Surplus/Deficit	-3,751	-2,570	-2,072	-760	1,426	1,896	
<i>Memorandum Item: Net Debt</i>	18,820	22,400	25,891	27,534	26,940	25,689	

(a) Abstracting from the one-off impacts of the Machinery of Government changes, upfront Commonwealth infrastructure funding, and a number of revenue measures announced in the 2017-18 Budget, underlying revenue growth is estimated at 0.9% for 2017-18. Excluding the expense effect of Machinery of Government changes and implementing the Voluntary Targeted Separation Scheme, underlying expense growth is estimated at 1.6% for 2017-18.

General government expense growth in 2017-18 is estimated to be 2.8%. This low 'headline' rate of growth includes the impact of the up-front cost of the Voluntary Targeted Separation Scheme (VTSS) and Machinery of Government (MoG) changes reflected in the 2017-18 Budget¹. Excluding these one-off factors, underlying expense growth in 2017-18 is just 1.6%.

Across the forward estimates period, expense growth is expected to average 1.2% per annum, reflecting continued restraint in spending, reprioritisation of existing spending, the effect of Budget repair measures, and the impact of the State Government's decision to transition to the Commonwealth-run National Disability Insurance Scheme (NDIS). This rate of growth is well below the decade average of 6.7%.

¹ A total of 41 government departments have been reduced to 25 with effect from 1 July 2017. As part of these changes, the Rottne Island Authority was transferred to the new Department of Biodiversity, Conservation and Attractions. This resulted in a reclassification from the public non-financial corporations sector to the general government sector and therefore increased revenue and expenses for the general government sector. Similarly, employees of the Housing Authority (a public non-financial corporation) were transferred to the Department of Communities (effective from 1 July 2017), with the Housing Authority supported by a new service delivery agreement with the Department of Communities. This also had the effect of 'grossing up' general government sector revenue and expenses.

Low expense growth, combined with a more stable revenue outlook (with revenue forecast to grow by an average of 3.5% per annum over the forward estimates period), has resulted in an improved outlook for the general government operating balance. The operating deficit is forecast to narrow from \$1.3 billion in 2017-18 to \$160 million in 2019-20, with an operating surplus of \$1.3 billion projected for 2020-21.

General government sector net debt levels are forecast to increase from \$22.4 billion at 30 June 2018 to \$27.5 billion by 30 June 2020, before declining to \$25.7 billion by the end of the forward estimates period. This is a \$2.6 billion improvement on the forecast level of general government sector net debt (at 30 June 2021) in the Mid-year Review.

Operating Statement

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

Table 2

SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE VARIATIONS SINCE THE 2017-18 MID-YEAR REVIEW						
	2017-18	2018-19	2019-20	2020-21	2021-22	Total 4 Years to 2020-21
	\$m	\$m	\$m	\$m	\$m	\$m
2017-18 MID-YEAR REVIEW - NET OPERATING BALANCE	-2,605	-915	-699	926		
Revenue						
<i>Revenue Measures</i>						
Building and Construction Industry Training Fund Levy removal of exemption for resource sector	-	6	9	7	3	22
Foreign Buyers Surcharge rate increase	-	4	14	16	16	34
Mining Tenement Rents increase	-	5	10	10	10	25
<i>NDIS Changes</i>						
- Commonwealth grants	-113	-358	-651	-1,126	-1,211	-2,248
- Other revenue	-	30	55	68	69	153
<i>Commonwealth Infrastructure Grants</i>						
- METRONET projects under development	513	13	36	63	103	626
- Hospitals Infrastructure Package	189	-	-	-	-	189
- Road Projects (Stephenson Avenue, Bunbury Outer Ring Road)	-	22	40	52	26	114
- Water Infrastructure	-	47	47	47	-	140
<i>Other Revenue Movements</i>						
Taxation ^(a)	1	16	22	18		56
- Other duty on transfers	-	21	26	41		89
- Land tax/MRIT	16	-25	-33	-34		-76
- Insurance duty	-7	-7	-14	-22		-51
- Emergency Services Levy	-	27	33	33		93
- Other taxes	-8	-	10	-1		1
Other Commonwealth grants	-11	228	205	68		490
- GST grants	-6	142	45	-74		107
- North West Shelf/condensate compensation	60	163	103	19		344
- Quality Schools	9	27	47	70		153
- Other Commonwealth grants	-74	-104	11	52		-115
Royalty income	89	67	333	312		801
- Gold	26	68	80	86		259
- Iron ore	-28	-161	68	73		-48
- Copper	-2	12	30	25		65
- Lithium	60	100	100	73		333
- Other royalties	32	48	55	56		191
Revenue from public corporations	-27	-96	-150	-194		-467
Racing Bets Levy revenue	19	27	27	29		102
Interest revenue	-2	-23	-27	-29		-81
All other	23	40	59	37		159
TOTAL REVENUE	681	29	28	-624		114

(a) Excludes the impact of the reclassification of the Building and Construction Industry Training Fund Levy from goods and services revenue to taxation revenue.

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

Table 2 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2017-18 MID-YEAR REVIEW**

	2017-18	2018-19	2019-20	2020-21	2021-22	Total 4 Years to 2020-21
	\$m	\$m	\$m	\$m	\$m	\$m
Expenses						
<i>Savings Measures</i>						
Voluntary Targeted Separation Scheme changes						
- Costs	-105	72	16	12	6	-6
- Savings	71	66	58	59	57	253
<i>NDIS Changes</i>	-113	-375	-687	-1,087	-1,197	-2,262
<i>Other Expense Movements</i>						
- Hospital services expenditure	-	-17	2	26		11
- Non-hospital services expenditure	-	17	17	17		51
- National Partnership on Essential Vaccines	22	23	23	24		92
- Depreciation expense	-21	-	-13	-17		-50
- Home and Community Care Transition	-	24	3	-14		12
Mental Health public hospital services	-	3	6	9		18
<i>Education</i>						
- Revision to student enrolments and per student cost indexation	3	8	23	31		65
- Per capita grants to non-government schools	-1	-10	-12	-2		-25
Revision to international students training	-7	-9	-7	-5		-29
<i>Fire and Emergency Services</i>						
- Bushfire Risk Management Planning program	-	10	10	15		35
- Volunteer marine rescue services	-	3	5	6		14
- Rural Fire Service Centre of Excellence	-	1	6	7		14
<i>Main Roads</i>						
- Road maintenance expenditure	-	-12	-71	-123		-207
- Stephenson Avenue extension	-	10	25	30		65
- Road transfers to local governments	-	24	6	-		30
- Other operating expenditure revision	-13	-21	-9	-26		-69
<i>Racing Bets Levy payments on-passed to Racing and Wagering</i>						
Western Australia	19	27	27	29		102
Western Australian Greyhound Racing Association grants update	3	6	9	12		31
Public sector reform	-	6	6	5		17
Extension of Magnetite Financial Assistance Program	-	32	-	-		32
Continuation of Exploration Incentive Scheme	-	-	10	10		20
Water Corporation Operating Subsidy - Country expenditure	-	-5	-14	-21		-40
Synergy Operating Subsidy	-	7	6	6		19
Provision for Myalup-Wellington Water project	-	47	47	47		140
<i>Spending provision for Building and Construction Industry Training</i>						
Fund Levy revenue increase	-	6	9	7		22
Essential and Municipal Services reclassification to expense	2	25	25	-		52
Superannuation interest costs	16	13	11	11		52
Interest costs	-2	-57	-85	-100		-243
Underspend provision	-370	-	-	-		-370
All other	-102	99	38	39		74
TOTAL EXPENSES	-597	20	-510	-994		-2,080
TOTAL VARIANCE	1,278	9	538	369		2,195
2018-19 BUDGET - NET OPERATING BALANCE	-1,327	-906	-160	1,295	1,531	

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

2017-18 Estimated Actual ²

The general government operating balance for 2017-18 has improved by a significant \$1.3 billion relative to Mid-year Review, driven by stronger than expected revenue (up \$681 million) and lower than expected expenses (down \$597 million). The higher revenue estimate largely reflects the net impact of:

- successful State Government negotiation for additional Commonwealth infrastructure grants of \$702 million (\$1.2 billion across the entire forward estimates period), comprising \$513 million for METRONET projects under development and \$189 million to support hospital infrastructure;
- a \$113 million reduction in Commonwealth grants revenue due to a transfer in operational responsibility for the NDIS from a planned State-run scheme to the Commonwealth-run scheme starting from 1 July 2018 (this revenue revision is matched by a reduction in expenditure, given the State Government will no longer deliver the NDIS);
- higher royalty income (up \$89 million), reflecting stronger than anticipated commodity prices (particularly for lithium and gold), which have more than offset a higher than expected \$US/\$A exchange rate; and
- higher North West Shelf grants³ (up \$60 million), due to upward revisions to forecast volumes and prices.

As noted, general government expenses in 2017-18 are estimated to be \$597 million lower than at the time of the Mid-year Review. Material movements include:

- lower spending on disability services (down \$113 million), resulting from the revised NDIS arrangements noted above;
- revised VTSS costs and savings, resulting in an overall \$35 million downward revision to expected spending in 2017-18; and
- a \$370 million provision for anticipated agency underspending in 2017-18, based on year-to-date expense outcomes reported in the December 2017 *Quarterly Financial Results Report* (which showed actual expense growth for the first six months of 2017-18 of just 0.3%).

2018-19 and Beyond

Since the Mid-year Review, the forecast operating outcomes for 2018-19 through to 2020-21 have improved by a total of \$917 million. This improved outlook reflects lower spending (down \$1.5 billion), partly offset by lower revenue (down \$567 million) over the period.

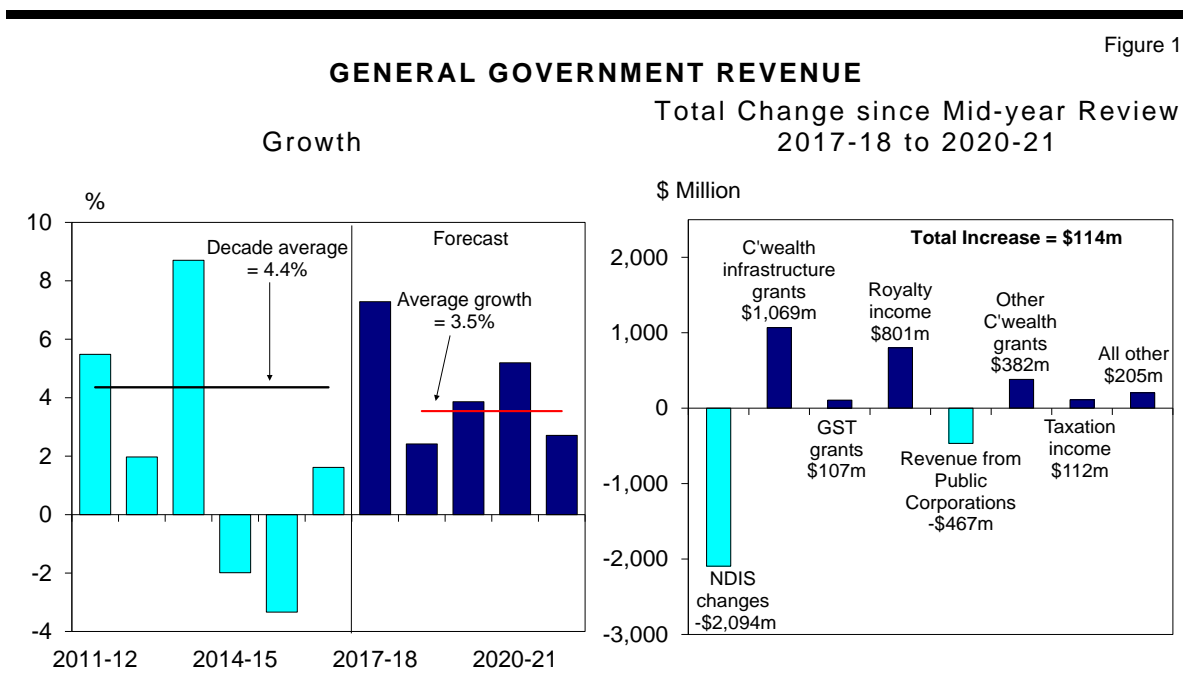
Revenue

General government revenue is estimated to be \$29.6 billion in 2018-19, up \$29 million on the Mid-year Review estimate. However, revenue growth in 2018-19 has been revised down from 4.8% to 2.4%, largely reflecting the 'base' impact of the higher revenue estimate for 2017-18, discussed earlier.

² Final audited results for 2017-18 will be reported in the *Annual Report on State Finances*, to be released by 28 September 2018.

³ Includes Commonwealth compensation for the removal of the exemption of condensate from crude oil excise.

Revenue growth across the forward estimates period is forecast to average 3.5% per annum, which is below the decade average of 4.4% per annum to 2016-17.



For the three years 2018-19 to 2020-21, the Government's decision for the State to join the Commonwealth-run NDIS from 1 July 2018 is estimated to result in a \$2 billion revenue reduction (matched by a similar decrease in recurrent spending over the same period). Excluding the NDIS change, the general government revenue estimates have improved by \$1.4 billion over the same period since the Mid-year Review. This reflects the net impact of:

- higher royalty income (up \$712 million), due to upward revisions to forecast commodity prices and projected volumes (particularly lithium and gold), partly offset by an upward revision to the \$US/\$A exchange rate;
- lower revenue from public corporations (down \$440 million), mainly reflecting;
 - lower dividends and tax equivalent payments from the Water Corporation (down \$310 million), primarily due to reduced developer contributions, lower customer revenue (due to lower levels of water consumption), and the Water Corporation achieving its GTE efficiency target (implemented in the 2017-18 Budget) largely through Asset Investment Program reductions rather than previously assumed savings in operating expenditure;
 - lower dividends and tax equivalent payments from the Pilbara Ports Authority (down \$53 million), mainly reflecting the impact on profit of lower forecast export volumes through the Utah Point facility; and

- lower dividends from Synergy (down \$49 million), due to the impact of lower capacity payments revenue following the decision to bring forward the retirement of some generation plant, increased costs of Renewable Energy Certificates (to meet higher than forecast shortfalls in 2018-19 and 2019-20), and increases in other operating costs;
- Commonwealth infrastructure grants of \$366 million⁴ towards the cost of METRONET projects under development (\$112 million), road projects (Stephenson Avenue and Bunbury Outer Ring Road, \$65 million and \$49 million respectively) and the Myalup-Wellington Water Project (\$140 million);
- higher North West Shelf grants (up \$284 million), due to upward revisions to expected oil and gas prices and projected volumes;
- higher Quality Schools grants (up \$144 million), reflecting the Commonwealth’s commitment to increase its funding to 20% of the School Resourcing Standard over six years as published in the Commonwealth’s 2017-18 *Mid-year Economic and Fiscal Outlook*, rather than the previously indicated ten years;
- higher GST revenue (up \$113 million), due to the 2018 update of GST relativities and an increase in the Commonwealth’s estimate of the national GST pool, partly offset by reduced Commonwealth population growth estimates for Western Australia;
- higher taxation revenue (up \$111 million⁵), including higher Emergency Services Levy revenue (up \$93 million) and higher transfer duty (up \$123 million), partially offset by lower land tax and Metropolitan Region Improvement Tax (down \$92 million) and insurance duty (down \$44 million);
- higher Racing Bets Levy revenue (up \$83 million), reflecting the impact on the Gaming and Wagering Commission of Western Australia of updates to Racing and Wagering Western Australia (RWVA) revenue forecasts (see *Total Public Sector* later in this chapter). This revenue is on-passed by the Commission to RWVA; and
- lower interest revenue (down \$79 million), largely due to a revised cash management strategy for the Public Bank Account (lower investment balances are required to support the State’s interest commitments, matched by a commensurate decrease in Consolidated Account borrowings), resulting in more efficient use of cash⁶.

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

⁴ A further \$617 million is expected for METRONET projects under development (\$513 million in 2017-18, noted earlier, and \$103 million in 2021-22, with a further \$323 million outside the forward estimates period) and \$26 million for the Bunbury Outer Ring Road in 2021-22.

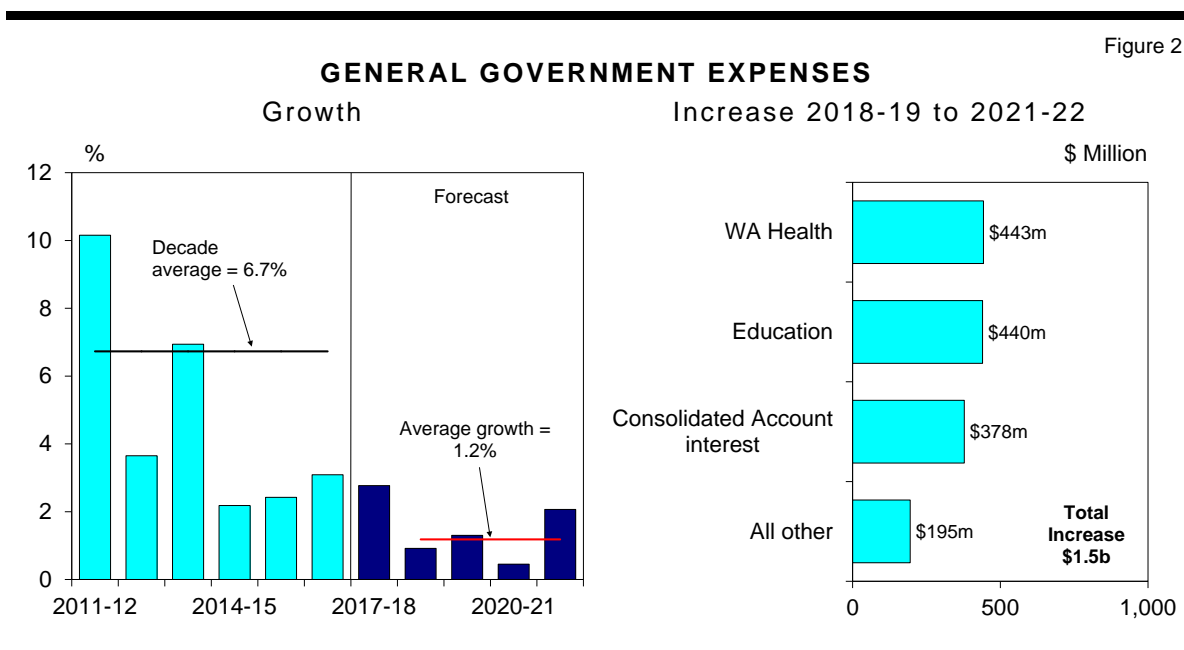
⁵ Following the release of the 2017-18 Mid-year Review, the ABS has advised that the Building and Construction Industry Training Fund Levy should be reclassified from goods and services revenue to taxation revenue. Movements in taxation revenue since Mid-year Review abstract from this reclassification.

⁶ Work has been undertaken by the Department of Treasury and Western Australian Treasury Corporation to develop strategies to mitigate the ‘cost of carry’ incurred by the State. The reduction in interest revenue associated with decreasing the Public Bank Account investment balance and Consolidated Account borrowing requirements is offset by a greater reduction in interest expense.

Expenses

General government expenses are forecast to increase by an average of just 1.2% per annum over the forward estimates period. This low rate of growth reflects the Government's commitment to responsible financial management, combined with lower spending resulting from the NDIS change noted earlier. Excluding the impact of the NDIS change, average growth across the four year period is still just 2% per annum, well below the decade average of 6.7% to 2016-17.

The largest increases in expenses over the forward estimates period are for WA Health (up \$443 million) and Education (up \$440 million). Consolidated Account interest expenses are forecast to rise by \$378 million, to reach \$1.1 billion by 2021-22.



Recurrent spending by the general government sector has been revised down since the Mid-year Review by \$1.5 billion over the period 2018-19 to 2020-21. Material movements include:

- lower NDIS spending resulting from moving to the Commonwealth-run scheme, discussed earlier (down \$2.1 billion);
- lower savings for the VTSS (down \$282 million), mainly due to a longer than previously expected implementation timeframe for the scheme (reflecting the work to evaluate each separation to ensure that essential roles are not lost). Notwithstanding the slower than expected progress with the VTSS, the separations program will still deliver significant full-year savings of almost \$200 million per year from 2019-20;
- lower interest costs (down \$241 million), largely reflecting lower Consolidated Account borrowings, including the revised cash management strategy noted earlier, and the impact of the improved operating outcomes across the forward estimates period; and
- growth in road maintenance expenditure will be set to \$2 million per annum from 2018-19. At \$1.8 billion, total road maintenance spending over the four years to 2021-22 remains at levels significantly above those recorded over the four years to 2016-17 (\$1.3 billion).

Further detail on expense changes is included in Chapter 5: *General Government Expenses*.

Expenditure Management

The Government is committed to responsible financial management, with disciplined management of recurrent spending in the general government sector crucial to achieving a return to a general government operating surplus by 2020-21, and returning the State's finances to a sustainable position.

Reflecting this commitment, underlying expense growth of 1.6% is expected in 2017-18⁷, with average growth of just 1.2% per annum forecast across the forward estimates period. This is well below the average annual 6.7% expense growth recorded over the decade to 2016-17.

Forecast low rates of expense growth reflect the reprioritisation of existing expenditure and the cumulative impact of savings measures across the forward estimates period. These measures have largely focused on limiting growth in salaries expenditure (with the salaries base more than doubling in the decade to 2014-15). Recent measures to contain growth have included:

- tightening public sector wages policies, with the current policy allowing for increases in wages of up to \$1,000 per annum;
- a 20% reduction in the number of Senior Executive Service positions, and a wage freeze (to 2020-21) for most positions determined by the Salaries and Allowances Tribunal (including Parliamentarians); and
- the Voluntary Targeted Separation Scheme announced in the 2017-18 Budget, with funding and savings now partly incorporated into agencies' budgets.

Salaries growth is forecast to average 1.6% per annum across the Budget period, following 2% growth in 2016-17 (the lowest rate of growth in nearly two decades). Similarly low growth in non-salaries expenditure is forecast across the forward estimates period, underpinned by measures including:

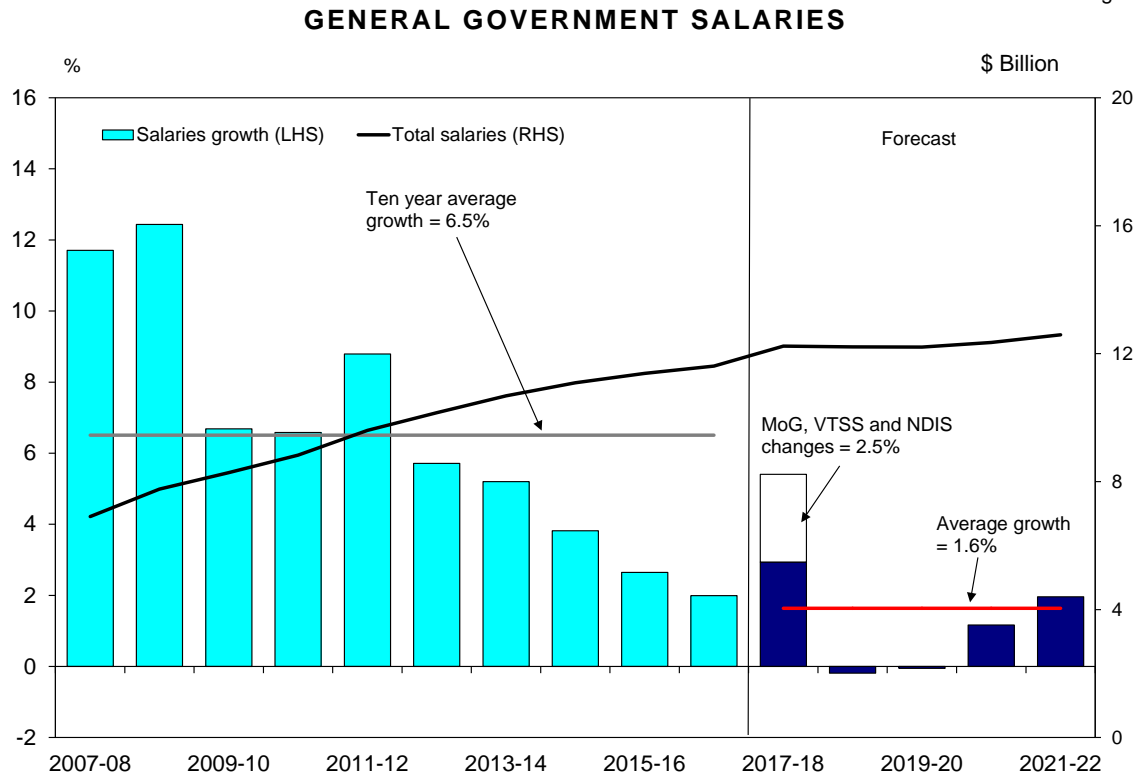
- the 2017-18 Budget measure to remove indexation on non-salaries expenditure (saving \$300 million over four years); and
- savings in government office accommodation and State Fleet costs, totalling \$183 million over 2017-18 to 2021-22.

Driven by the Government's Budget repair measures, the achievement of these forecast rates of expenditure growth will require continued discipline in Government decision-making and improved efficiency of public sector service delivery, including through reforms recommended by the *Sustainable Health Review* and *Service Priority Review*.

⁷ Excludes the impact of the up-front cost of the Voluntary Targeted Separation Scheme and Machinery of Government changes reflected in the 2017-18 Budget.

Salaries costs remain the largest expense for the sector, representing 40% of total general government expenses in 2018-19. Salaries are forecast to decline by 0.2% in 2018-19, largely reflecting the impact of the VTSS and the decision to transition to the Commonwealth-run NDIS. Excluding these factors (and the impact of the Machinery of Government changes), underlying salaries growth in 2018-19 is estimated at 2.2%, still well below the decade average of 6.5%.

Figure 3



The VTSS is the largest such scheme ever run in the Western Australian public sector, and implementation is taking longer to complete than originally expected. To assist agencies finalise separations for those who choose to participate in the scheme, the Government extended the closing date of the VTSS from 31 March 2018 to 30 June 2018.

This Budget reflects the finalisation of 1,595 separations at the Budget cut-off date of 9 April 2018 (with these separations reflected in individual agency budgets). This Budget also reflects the slower than expected uptake in separations, with approximately 2,050 separations expected to be achieved by 30 June 2018, with the remainder of the 3,000 target separations occurring in 2018-19 (620 separations) and over the remaining forward estimates period.

Balance Sheet

Largely reflecting the impact of the operating deficit combined with reductions in land asset values, general government sector net worth (i.e. the value of the sector's assets less its liabilities) is forecast to decline by 0.6% over 2018-19, to stand at \$106.7 billion at 30 June 2019. This will be the fourth consecutive annual decline, albeit at a slower rate than the 4% (on average) decline over the previous three years. The net worth of the sector is projected to turnaround over the remainder of the forward estimates period, increasing to an estimated \$114 billion by 30 June 2022, as the operating balance improves and returns to surplus, and as recent declining land values begin to reverse in line with property market trends underlying the Budget outlook.

General government sector assets are estimated to increase by \$11.4 billion between 30 June 2018 and 30 June 2022 (to a total of \$160.2 billion). This mainly reflects:

- an increase in the value of non-financial assets (up \$5.4 billion), mainly property, plant and equipment (up \$3.4 billion) and land (up \$2.1 billion), with increases reflecting Asset Investment Program spending for the period and an expected return to modest growth in land values;
- a \$1.9 billion increase in investments, loans and placements, largely due to an expected improvement in the Consolidated Account cash position as operating outcomes recover over the forward estimates period, partly offset by the revised cash management strategy noted earlier in this chapter; and
- a \$4.3 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 holdings for non-financial public corporations over the forward estimates period⁸.

General government liabilities are forecast to be \$46.2 billion at 30 June 2022, an increase of \$4.7 billion on the estimated outcome for 30 June 2018. This increase largely reflects increased borrowings in support of infrastructure investment over this period, partly offset by lower borrowings resulting from the revised cash management strategy noted earlier (with borrowings up a net \$5.4 billion in total). While borrowings are increasing, the increase is slower than previous forecasts, with borrowings at 30 June 2021 expected to be \$2.3 billion lower than estimated at the time of the Mid-year Review.

Unfunded superannuation liabilities are forecast to decline to \$6.5 billion by 30 June 2022, a \$440 million decline on the estimated outcome for 30 June 2018. Most State employees are in fully-funded defined contribution schemes, and subsequently unfunded superannuation liabilities will gradually decline as the sector's unfunded entitlements are paid out over the next two decades. The lower forecast liability includes the impact of separations under the VTSS and a 0.2 percentage point increase in the discount rate used to estimate the value of superannuation liabilities⁹.

⁸ 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.

⁹ Long term government bond rates are used by the actuary in year-end valuations of unfunded superannuation liabilities. A rate of 2.83% has been used for 2018-19 based on the long term bond rate at Budget cut-off, compared to the Mid-year Review assumption of 2.63%, and a broadly similar uplift in discount rate assumptions across the outyears. An increase in the bond rate means that unfunded liabilities decrease in value (and vice versa), while superannuation interest costs are generally higher.

Table 3

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2017 \$m	2018 \$m	2019 \$m	2020 \$m	2021 \$m	2022 \$m
2018-19 BUDGET						
Assets	147,410	148,881	150,205	154,004	157,397	160,247
Liabilities	37,221	41,529	43,494	46,091	46,703	46,201
Net Worth	110,189	107,352	106,711	107,914	110,694	114,045
Net Debt	18,820	22,400	25,891	27,534	26,940	25,689
2017-18 MID-YEAR REVIEW						
Assets	147,410	148,948	152,888	156,908	160,710	na
Liabilities	37,221	41,629	45,179	48,051	48,904	na
Net Worth	110,189	107,319	107,709	108,857	111,806	na
Net Debt	18,820	23,410	26,681	28,575	28,263	na
VARIANCE						
Assets	-	-66	-2,683	-2,904	-3,313	na
Liabilities	-	-99	-1,685	-1,960	-2,201	na
Net Worth	-	33	-998	-944	-1,112	na
Net Debt	-	-1,010	-790	-1,041	-1,323	na

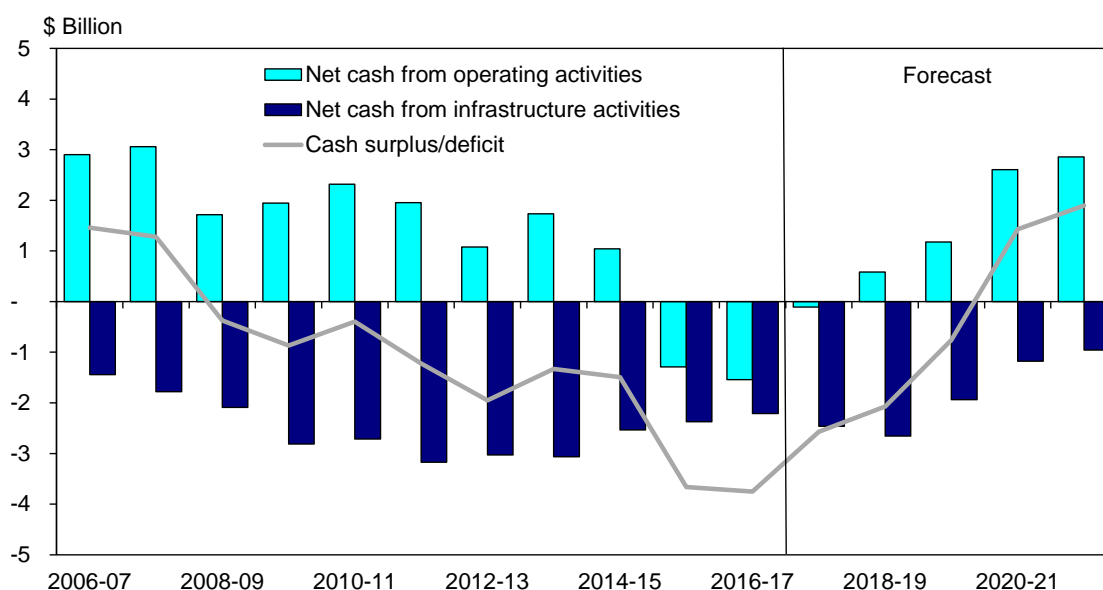
Note: Columns may not add due to rounding.

Cashflow Statement

Cash deficits are forecast for the general government sector for the period 2017-18 through to 2019-20 (declining from \$2.6 billion to \$760 million), before a projected return to surplus in 2020-21 of \$1.4 billion, climbing to \$1.9 billion in 2021-22. This trend reflects increasing net cash flows from operating activities, reflecting the impact on cash of the operating balance outlook detailed earlier. Pressure on the sector's cash balance is also expected to ease as infrastructure investment by the general government sector moderates from recent highs.

Figure 4

GENERAL GOVERNMENT CASH SURPLUS/DEFICIT



Total Public Sector ¹⁰

Summary

The improvement to the general government sector operating outlook flows through to the total public sector forecasts in this Budget. Operating deficits are still in prospect over the period to 2019-20, with a return to surplus expected from 2020-21.

Relative to the Mid-year Review, the total public sector operating deficit in 2017-18 is forecast to significantly improve by \$1.3 billion (to stand at \$2.3 billion), with projected improvements totalling \$552 million between 2018-19 and 2020-21. The stronger general government sector outlook (discussed earlier) is forecast to be partially offset by weaker outcomes for the public non-financial corporations (PNFC) sector (down \$671 million) and public financial corporations (PFC) sector (down \$59 million).

As a direct result of the stronger operating outlook, net debt is expected to be significantly lower than forecast in the Mid-year Review. Nevertheless, total public sector net debt is projected to increase from an estimated \$36 billion at 30 June 2018 to \$40.9 billion at 30 June 2020, before declining to \$39.7 billion by the end of the forward estimates period.

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

TOTAL PUBLIC SECTOR Summary Financial Statements							Table 4
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
	Actual	Estimated	Budget	Forward	Forward	Forward	
	\$m	\$m	Estimate	Estimate	Estimate	Estimate	
OPERATING STATEMENT							
Revenue	44,172	45,704	47,856	49,520	51,698	53,071	
Expenses	46,916	47,999	49,073	50,042	50,764	51,933	
Net Operating Balance	-2,744	-2,295	-1,217	-521	935	1,138	
BALANCE SHEET							
Assets	188,942	192,044	194,428	199,479	204,186	208,956	
Liabilities	78,753	84,692	87,717	91,565	93,493	94,910	
Net Worth	110,189	107,352	106,711	107,914	110,694	114,045	
STATEMENT OF CASHFLOWS							
Net Cash Flows from Operating Activities	-114	1,227	2,433	2,998	4,617	4,797	
Asset Investment Program	5,137	5,522	6,248	5,449	4,945	4,872	
Cash Surplus/Deficit	-4,675	-3,468	-2,961	-1,553	572	798	
<i>Memorandum Item: Net Debt</i>	31,964	35,951	39,103	40,853	40,413	39,745	

Note: Columns may not add due to rounding.

¹⁰ 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).

Operating Statement

An operating deficit of \$1.2 billion is forecast in 2018-19, in line with expectations at the time of the Mid-year Review. This follows an estimated \$2.3 billion operating deficit in 2017-18 (down from \$3.6 billion at the time of the Mid-year Review). An operating deficit of \$521 million is expected in 2019-20 before a turnaround to a forecast surplus in 2020-21 and 2021-22 (\$935 million and \$1.1 billion respectively). These operating outcomes are stronger than the Mid-year Review estimates, largely due to the improved general government sector forecasts (discussed earlier).

In line with the Mid-year Review projections, both the PNFC and PFC sectors are expected to be in an operating surplus position in each year of the forward estimates period.

Table 5

TOTAL PUBLIC SECTOR OPERATING BALANCE By Sector

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
Net Operating Balance						
General government sector	-2,474	-1,327	-906	-160	1,295	1,531
Public non-financial corporations sector	480	384	674	739	750	665
Public financial corporations sector	164	401	315	251	285	329
<i>less</i>						
General government dividend revenue	837	1,689	1,229	1,278	1,328	1,318
Public non-financial corporations dividend revenue ^(a)	78	64	71	73	67	69
Total public sector net operating balance	-2,744	-2,295	-1,217	-521	935	1,138

(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

While the PNFC sector is still expected to be in an operating surplus position in each year of the forward estimates period, aggregate operating outcomes are \$671 million lower than the Mid-year Review estimates over the period 2017-18 to 2020-21. This primarily reflects the net impact of:

- lower revenue (down \$339 million) and expenses (down \$73 million) for the Water Corporation, mainly as a result of:
 - a downward revision to developer contributions resulting from lower forecast development activity;
 - the impact of lower levels of water consumption on customer revenue;
 - lower operating subsidy revenue, reflecting a reduction in the Corporation's cost of service in country regions; and

- the application of reductions in infrastructure spending to meet the Corporation’s GTE net debt reduction target (implemented in the 2017-18 Budget), offset by higher recurrent expenditure originally expected to be applied to meet this measure;
- higher expenses (up \$148 million) for Synergy due to the net impact of:
 - higher rebates and concessions costs, including for the Energy Assistance Payment and the Hardship Utility Grant Scheme;
 - higher than expected metering, digital transaction fees, asbestos removal and other operating costs;
 - higher depreciation expenses flowing from infrastructure valuations in Synergy’s 2016-17 accounts and residual depreciation costs associated with the retirement of some generation plant;
 - increased Renewable Energy Certificate purchases to meet forecast shortfalls in 2018-19 and 2019-20; and
 - lower income tax expenses reflecting lower forecast profitability from 2017-18 to 2020-21;
- lower revenue (down \$62 million) for Horizon Power, reflecting the impact on customer demand of economic conditions in the Pilbara, Broome and Kununurra;
- lower revenue (down \$54 million) and expenses (down \$31 million) across the forward estimates period for the Southern Ports Authority, as a result of reduced trade forecasts with flow-on impacts on related expenditure; and
- lower revenue (down \$45 million) in 2017-18 and higher expenses (up \$65 million) across the period 2017-18 to 2020-21 for Western Power, primarily due to the net impact of:
 - lower spending on customer-driven works, resulting in lower private sector developer contributions;
 - higher current tax equivalent expenditure due to lower tax deductions for capitalised repairs and maintenance;
 - higher depreciation expenditure associated with increased investment in assets with shorter useful lives (such as information technology and business support systems); and
 - lower operating expenditure in 2017-18 achieved through Western Power’s Business Transformation Program.

Public Financial Corporations

Operating surpluses of around \$300 million are in prospect in 2018-19 and each of the outyears in the PFC sector. Relative to the Mid-year Review, operating outcomes have weakened slightly (down \$59 million over the four year period to 2020-21). This primarily reflects the net impact of:

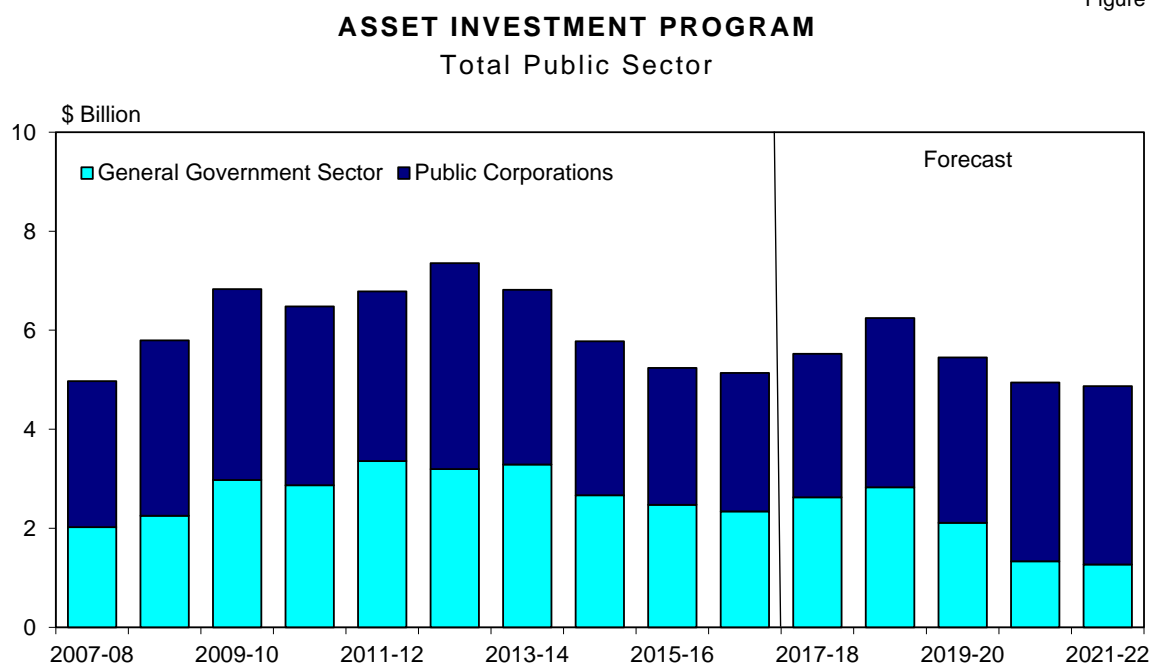
- lower revenue (down \$107 million) and expenses (down \$57 million) for the Insurance Commission of Western Australia, mainly due to:
 - lower expected future investment returns, largely due to high asset values that have driven recent strong returns and a consequent expectation of lower rates of return going forward;
 - lower tax equivalent payments as a result of the forecast reduction in expected future investment returns;
 - lower projected claims expenses for the Third Party Insurance Fund, resulting from a decrease in the expected size and quantity of future claim liabilities based on actuarial assessments; and
- lower RiskCover expenses (down \$90 million), with lower projected claims expenses primarily due to actuarial assessment of the forecast number and size of workers' compensation claims. This is expected to be partially offset by lower premium revenue (down \$60 million), directly linked to the forecast movement in claims expenses.

Capital Investment

Infrastructure spending is projected to total \$21.5 billion over the four years from 2018-19 to 2021-22. This investment supports the Western Australian economy and jobs growth, and the provision of quality services to the Western Australian community.

Nearly \$8 billion (or 37%) is forecast to be invested in road and public transport-related projects over this period, with significant investment also in the key areas of electricity infrastructure (\$3.8 billion), water (\$2.8 billion), education (\$1.2 billion) and health (\$655 million).

Figure 5



Relative to the Mid-year Review, infrastructure investment has been revised down by a marginal \$74 million (0.3%) over the period 2017-18 to 2020-21. This largely reflects the net impact of:

- a \$350 million provision held for METRONET projects under development from 2019-20 to 2020-21, with a further \$400 million allocated to 2021-22;
- a reduction of \$211 million in infrastructure investment by the Water Corporation to meet its contribution to the GTE efficiency measure announced in the 2017-18 Budget, and the deferral of investment in the next major water source, due to better than expected winter runoff and reduced customer demand;
- lower spending due to changes in the payment schedules for METRONET railcar procurement (down \$190 million). This reflects that the majority of payments will now take place beyond 2021-22, with the delivery of railcars still aligned to completion dates of METRONET projects;
- higher spending by Main Roads (up \$182 million), largely reflecting:
 - \$106 million of allocated spending funded from the Road Trauma Trust Account on infrastructure projects to support improved road safety outcomes, including upgrades to regional roads (\$55 million), improvements to Indian Ocean Drive (\$20 million) and further upgrades to Great Eastern Highway (\$17 million);
 - \$61 million over 2018-19 to 2020-21 to commence construction of the northern and southern sections of the Bunbury Outer Ring Road project;
 - \$15 million in 2018-19 (reallocated from recurrent expenditure) towards upgrades to the Mitchell Freeway northbound from Hutton Street to Cedric Street;

- a \$76 million increase in spending over the period 2017-18 to 2020-21 (with a further \$46 million in 2021-22) for the redevelopment of Joondalup Health Campus;
- a \$41 million capital investment by Communities for the METRONET Social and Affordable Housing and Jobs Package, expected to deliver 1,390 new homes, including up to 320 new social housing dwellings and at least 400 affordable homes; and
- a \$38 million reduction in capital investment related to the NDIS as previously budgeted set-up costs for a State-administered NDIS are no longer required following the Government's decision to transition to the Commonwealth-run scheme.

Consistent with previous years, the 2018-19 Budget includes a provision for anticipated underspending expected to emerge during the remainder of 2017-18. The provision is currently \$400 million with spending expected to be caught up in 2020-21 and 2021-22. This Budget also includes a provision of \$500 million in 2018-19 for slower than expected progress on yet to be identified projects, with this spending expected to be caught up by the end of the forward estimates period.

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

Cashflow Statement

The improved general government sector operating outlook (discussed earlier in this chapter) underpins an improvement in the total public sector cash position. Cash deficits remain in prospect for 2017-18 to 2019-20 (although at lower levels than forecast in the Mid-year Review). A turnaround to a cash surplus is forecast from 2020-21 on the back of the strengthening general government sector operating outlook.

TOTAL PUBLIC SECTOR CASH FLOW
Summary

Table 6

	2016-17 Actual \$m	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
Net cash from operating activities	-114	1,227	2,433	2,998	4,617	4,797
Net cash flows from investing in non-financial assets	-4,561	-4,695	-5,394	-4,550	-4,045	-3,999
Cash surplus/- deficit	-4,675	-3,468	-2,961	-1,553	572	798
<i>Financing transactions</i>						
Net cash flow from borrowings	5,674	5,031	2,143	3,323	1,530	906
Run-down in cash and cash equivalents	927	-342	1,703	-1,359	-1,635	-1,232
All other financing	-1,925	-1,220	-885	-411	-467	-472
Total Financing	4,675	3,468	2,961	1,553	-572	-798

Note: Columns may not add due to rounding.

Net Debt

The outlook for net debt has improved significantly since the Mid-year Review. Net debt for the total public sector is forecast to increase from an estimated \$36 billion at 30 June 2018 to \$40.9 billion at 30 June 2020, before declining to an estimated \$39.7 billion by 30 June 2022.

Net debt at 30 June 2018 (\$36 billion) is \$1.4 billion lower than the forecast contained in the Mid-year Review (\$37.4 billion). This improved outcome is primarily due to a \$1.4 billion improvement in the operating cash position of the total public sector (mainly due to the stronger general government sector outlook).

Net debt at 30 June 2021 (the last outyear in the Mid-year Review) has been revised down \$2.4 billion (to a forecast \$40.4 billion). This decrease reflects the net impact of:

- the improvement in the general government operating cash outlook over the period 2017-18 to 2020-21 (totalling \$2.3 billion), on the back of significant upward revisions to royalties and more moderate rises in taxation, along with lower recurrent spending; and
- a modest \$124 million lower forecast for (net) infrastructure spending, with the State's Asset Investment Program \$74 million lower, while sales of non-financial assets such as land are \$199 million lower¹¹.

¹¹ Largely reflecting \$52 million lower than previously forecast sales by the Western Australian Land Authority (due to a slower than expected recovery in the Perth market and continued challenging market conditions across many regional centres), a \$47 million reduction in Crown land sales targets by the Department of Planning, Lands and Heritage (which has been re-timed to 2021-22), and a \$77.4 million change in timing (into 2021-22) for the sale of Crown land at West Ellenbrook as part of the METRONET project (with the Mid-year Review including an expected \$104.8 million in sales up to and including 2020-21).

The following table summarises changes to projected net debt levels since the Mid-year Review.

Table 7

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE					
	2018	2019	2020	2021	2022
	\$m	\$m	\$m	\$m	\$m
2017-18 Mid-year Review - Total Public Sector Net Debt	37,354	40,727	42,876	42,784	
<i>Less: change in net cash flows from operating activities and dividends paid</i>					
- general government	1,226.3	193.4	494.4	391.8	
- public non-financial corporations	105.9	-7.3	-39.5	68.9	
- public financial corporations	51.9	-3.9	4.0	5.9	
<i>Total public sector</i>	<i>1,384.1</i>	<i>182.2</i>	<i>458.8</i>	<i>466.6</i>	
<i>Plus purchases of non-financial assets ^(a)</i>					
Revisions to AIP underspend/slippage provisions	350.0	-100.0	-250.0	-50.0	
METRONET Projects Under Development - Provision	-	-	100.0	250.0	
METRONET Railcar Acquisition	- ^(b)	-18.8	-77.2	-94.3	
METRONET Social and Affordable Housing and Jobs Package	-	1.0	12.5	27.5	
State-run NDIS investment	-27.3	-5.7	-4.7	-	
Revisions to Road Trauma Trust Account provision ^(c)	-	-46.7	-35.3	-18.9	
Deferral of next major water source - Water Corporation	-	-	-50.0	-50.0	
GTE efficiency measures - Water Corporation	-	-27.3	-37.1	-46.3	
All other AIP changes:					
- Main Roads	-28.7	34.5	189.6	-13.1	
- WA Health	-45.0	-13.1	106.9	22.4	
- Western Australia Police Force	5.1	7.1	2.7	24.3	
- Education	-50.3	34.5	38.6	15.3	
- Public Transport Authority	-77.6	62.1	-13.4	10.5	
- Western Power	-128.0	33.5	32.5	-45.7	
- All other ^(d)	-25.4	4.5	-16.8	-42.6	
<i>Total purchases of non-financial assets</i>	<i>-27.2</i>	<i>-34.7</i>	<i>-1.7</i>	<i>-10.9</i>	
<i>Less proceeds from sale of non-financial assets</i>	<i>-24.9</i>	<i>-6.8</i>	<i>-61.0</i>	<i>-106.2</i>	
<i>Plus all other financing ^(e)</i>	<i>-16.3</i>	<i>-11.5</i>	<i>1.7</i>	<i>21.9</i>	
<i>Cumulative impact on net debt at 30 June</i>	<i>-1,402.7</i>	<i>-1,624.4</i>	<i>-2,022.2</i>	<i>-2,371.5</i>	
2018-19 Budget - Total Public Sector Net Debt	35,951	39,103	40,853	40,413	39,745

(a) Material changes are outlined in Chapter 6.

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

(c) Allocated to agencies including Main Roads and Western Australia Police Force.

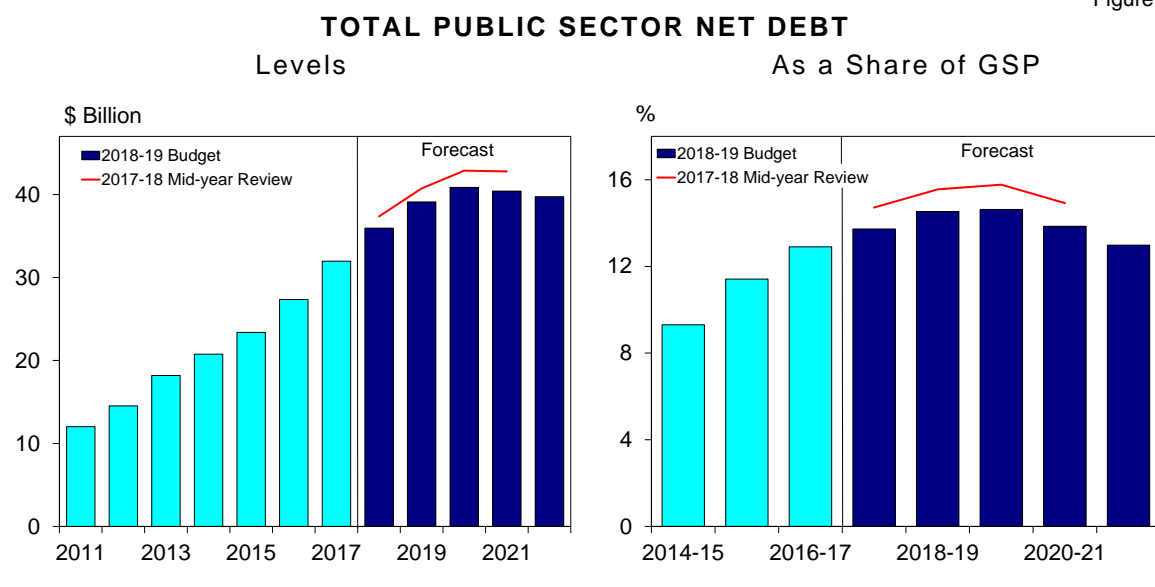
(d) Includes timing changes and other movements in agency infrastructure programs.

(e) 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.

As a share of the State's Gross State Product (GSP), net debt is now projected to peak at 14.6% in 2019-20 and decline to 13% by 2021-22, broadly the same level as that recorded in 2016-17.

Figure 6



Reflecting its commitment to responsible financial management, the Government established a Debt Repayment Account in 2017-18. The Account is to facilitate the repayment of centrally-held borrowings. Over the last decade, Consolidated Account (or central) debt has increased from a zero balance at 30 June 2008, to \$22.3 billion at 30 June 2017. The forecasts of centrally-held borrowings in this Budget rise to \$32.9 billion by 30 June 2022.

The 2018-19 Budget includes a total of \$595 million in debt repayments to flow through the Debt Repayment Account over the five years to 2021-22. These funds are sourced from a large, one-off duty assessment worth \$169.4 million, surplus funds to be paid into the Consolidated Account by RiskCover (totalling \$346 million over the period 2017-18 to 2021-22), and \$79 million of excess agency cash that will be returned to the Consolidated Account prior to 30 June 2018.

The table below shows the current source of funds and timing of the associated debt repayments.

Table 8

REPAYING CONSOLIDATED ACCOUNT DEBT

	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<i>Source of Funds</i>						
Unanticipated duty 'specials' ^(a)	-	169	-	-	-	169
RiskCover return of surplus capital	98	106	62	42	38	346
Return of surplus agency cash	-	79	-	-	-	79
<i>Total</i>	98	355	62	42	38	595
DEBT REPAYMENTS	98	355	62	42	38	595

(a) Originally forecast to be repaid in 2017-18, this repayment is now assumed to occur in 2018-19, subject to the result of review proceedings that will be determined after the current legal action before the High Court is finalised.

Government Financial Strategy Statement

The Government is committed to responsible financial management, while delivering high quality services to the Western Australian community. Progress is reflected in the following whole-of-government financial targets.

Financial Targets

The following financial targets are unchanged from those in the 2017-18 Budget:

- progress towards a net operating surplus for the general government sector, measured by a reduction in the operating deficit outcome relative to the previous year;
- progress towards a cash surplus for the total public sector;
- maintain disciplined general government expense management by:
 - delivering public sector wages outcomes in line with Government wages policy; and
 - ensuring key service delivery agency recurrent spending outcomes are in line with budgeted expense limits in Resource Agreements; and
- reduce the proportion of total public sector net debt held by the general government sector.

The Government is on track to meet all of its financial targets by 2020-21.

An explanation of each target appears in the section below. The following table summarises projected compliance of the 2018-19 Budget with these targets.

2018-19 BUDGET FINANCIAL TARGET COMPLIANCE					
	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate
Progress towards a net operating surplus for the general government sector					
- General government net operating balance (\$m)	-1,327	-906	-160	1,295	1,531
- 2018-19 Budget compliance	Yes	Yes	Yes	Yes	Yes
Progress towards a cash surplus for the total public sector					
- Total public sector cash surplus/deficit (\$m)	-3,468	-2,961	-1,553	572	798
- 2018-19 Budget compliance	Yes	Yes	Yes	Yes	Yes
Maintain disciplined general government expense management through:					
- delivering public sector wages outcomes in line with Government wages policy					
- 2018-19 Budget compliance	Yes	Yes	Yes	Yes	Yes
- ensuring key service delivery agency recurrent spending outcomes are in line with budgeted expense limits					
- 2018-19 Budget compliance	Yes	Yes	Yes	Yes	Yes
Reduce the proportion of total public sector net debt held by the general government sector					
- General government net debt as a share of TPS net debt (%)	62.3	66.2	67.4	66.7	64.6
- 2018-19 Budget compliance	No	No	No	Yes	Yes

Table 9

Progress Towards a Net Operating Surplus for the General Government Sector

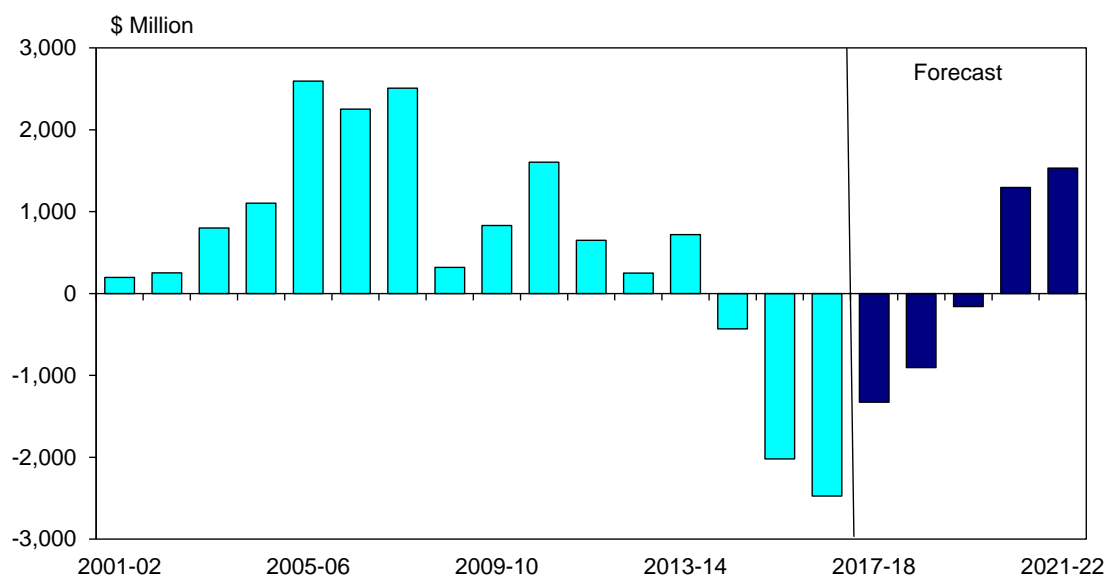
The Government is committed to returning the general government operating balance to a surplus position over the medium term. An operating surplus indicates that the Government can finance the day-to-day services it provides using the revenue generated in that financial year.

This target is expected to be met in each year of the forward estimates period, with operating deficits forecast to decline from an estimated \$1.3 billion in 2017-18 to a \$160 million deficit in 2019-20, before a return to an operating surplus of \$1.3 billion in 2020-21.

The improving operating outlook is supported by low expense growth (averaging 1.2% per annum), reflecting the Government's disciplined approach to expenditure management (see separate target later in this section), and growth in taxation revenue and GST grants (with total revenue forecast to grow by an average 3.5% per annum across the forward estimates period).

Figure 7

NET OPERATING BALANCE General Government Sector



Progress Towards a Cash Surplus for the Total Public Sector

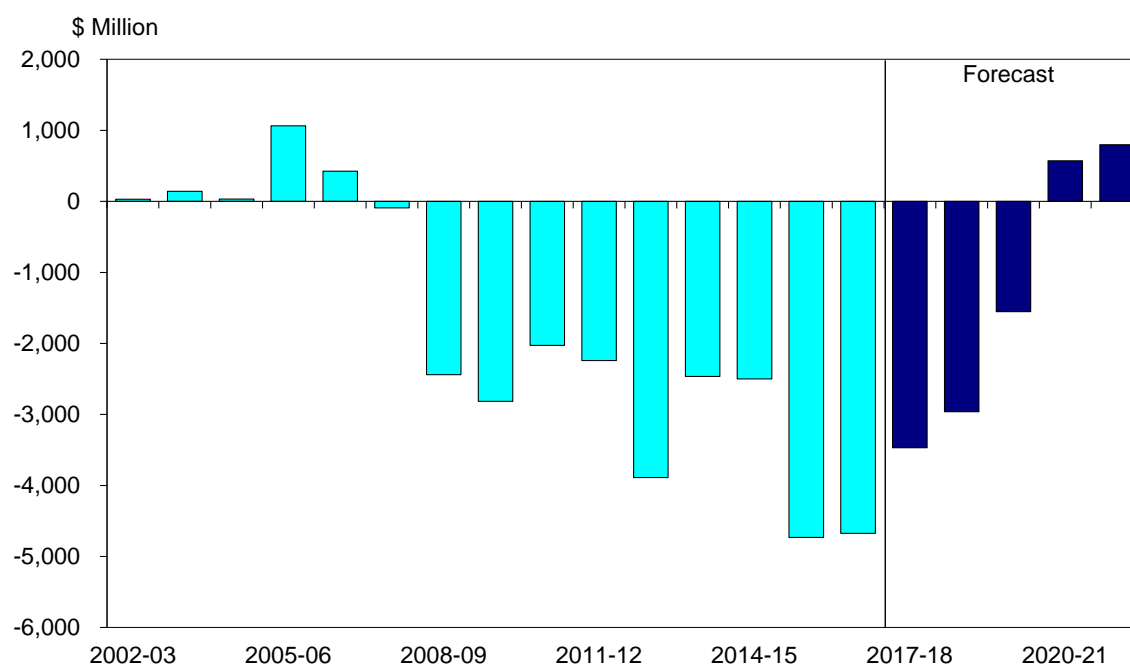
Achieving cash surpluses is necessary to pay down debt over the longer term. In this regard, the cash surplus/deficit of the total public sector indicates the borrowing requirement of the public sector as a whole. This measure takes into account the impact of both operating and investing activities across all sectors of government, including the public corporations.

This target is expected to be met in each year of the forward estimates period. The cash deficit of the total public sector is expected to decline from \$3.5 billion in 2017-18 to \$3 billion in 2018-19 and \$1.6 billion in 2019-20, before a turnaround to cash surpluses of \$572 million in 2020-21 and \$798 million in 2021-22. These will be the first cash surpluses since 2006-07.

This outlook reflects the improving general government sector operating outlook discussed earlier. In addition, a gradual decline in net infrastructure spending (i.e. infrastructure spending less the proceeds of surplus assets), from \$4.7 billion in 2017-18 to \$4 billion by 2020-21, is also assisting the cash position over the forward estimates.

CASH SURPLUS/DEFICIT
Total Public Sector

Figure 8



Maintain Disciplined General Government Expense Management

Disciplined management of recurrent spending in the general government sector is critical to returning the State's finances to a sustainable position. The Government's expense management target is expected to be met in 2017-18, 2018-19 and each year of the forward estimates period, on the basis of compliance with both the wages policy and budgeted expense limits.

Deliver public sector wages outcomes in line with Government wages policy

Consistent with the outlook in the Mid-year Review, wage outcomes are expected to be in line with the Government's wages policy in 2017-18, 2018-19 and across the forward estimates period.

Public sector wage agreements settled to date have been in line with the Government's wages policy (limiting increases in wages to \$1,000 per annum).

EXPIRING INDUSTRIAL AGREEMENTS

Table 10

Agreement	Employees (full-time equivalent)	Expiry Date	Status
2017-18			
Hospital Support Workers	3,350	4 Aug 2017	Agreement registered
Transit Officers	370	6 Oct 2017	Agreement registered
Disability Support Workers	40	21 Oct 2017	Agreement registered
TAFE Lecturers	1,650	2 Dec 2017	Under negotiation
Teachers	23,000	5 Dec 2017	In-principle agreement
Metropolitan Cemeteries Board	72	31 Dec 2017	Agreement registered
National Park Rangers	124	31 Dec 2017	Under negotiation
Culture and the Arts Venues Management	16	31 Dec 2017	Agreement registered
Botanic Gardens and Parks Authority	47	31 Dec 2017	Agreement registered
Main Roads	1,010	30 Jan 2018	Under negotiation
Prison Officers	2,260	10 Jun 2018	Under negotiation
Health Salaried Officers	13,100	30 Jun 2018	Under negotiation
2018-19			
Enrolled Nurses	1,400	6 Oct 2018	Upcoming agreement
Registered Nurses	11,800	11 Oct 2018	Upcoming agreement
Police Auxiliary Officers	320	1 Nov 2018	Upcoming agreement
Education Assistants	8,000	31 Dec 2018	Upcoming agreement
Government Services (miscellaneous)	2,400	31 Dec 2018	Upcoming agreement
WA Health Engineering and Building Services	230	31 Dec 2018	Upcoming agreement
PTA Train Drivers	330	16 Mar 2019	Upcoming agreement
Australian Workers Union	520	25 Apr 2019	Upcoming agreement
Public Service and General Government Officers	34,000	12 Jun 2019	Upcoming agreement
Western Australia Police Officers ^(a)	6,220	30 Jun 2019	Upcoming agreement
Dental Officers	130	30 Jun 2019	Upcoming agreement

(a) The previous industrial agreement for Western Australia police officers expired on 30 June 2017. The 2017 Western Australia Police Officer Industrial Agreement was settled within the \$1,000 wages policy, but included a minor change to the calculation of time off in lieu of overtime.

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

Spending outcomes for the 15 largest appropriation-funded agencies in 2017-18 are all expected to remain within 2% of their approved expense limits, consistent with the target. General government expenses are estimated to be \$597 million lower in aggregate than forecast in the 2017-18 Budget, when the limits were set.

AGENCY RESOURCE AGREEMENTS ^(a)

Table 11

	2017-18				
	Budget-time Resource Agreement	Functional Transfers ^(b)	Revised Limit	Current Total Cost of Service	Variance
	\$m	\$m	\$m	\$m	%
WA Health	8,943	28	8,970	9,025	0.6
Education	5,020	22	5,041	5,036	-0.1
Communities	3,672	19	3,690	3,505	-5.0
Western Australia Police Force	1,528	4	1,532	1,531	-0.1
Justice	1,508	16	1,523	1,510	-0.9
Public Transport Authority	1,502	- ^(c)	1,503	1,486	-1.1
Finance	1,435	2	1,437	1,445	0.6
Commissioner of Main Roads	1,274	-	1,274	1,264	-0.8
Mental Health Commission	914	1	915	914	-0.1
Training and Workforce Development	583	9	592	561	-5.3
Primary Industries and Regional Development	528	11	540	516	-4.4
Biodiversity, Conservation and Attractions	421	6	427	421	-1.5
Transport	414	2	417	401	-3.8
Fire and Emergency Services ^(d)	396	1	397	398	0.2
Mines, Industry Regulation and Safety	299	5	304	280	-8.1

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

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

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

(d) The estimated outturn for the 2017-18 total cost of service for the Department of Fire and Emergency Services shown in this table varies from the total cost of service shown in the Department's Budget Statements, reflecting Machinery of Government changes to amalgamate the Department and the Office of Emergency Management from 1 July 2018 and the associated back-casting for comparability in the Budget Paper No. 2 presentation.

Material changes to agency recurrent spending since the Mid-year Review are discussed in Chapter 5: *General Government Expenses*.

Reduce the Proportion of Total Public Sector Net Debt Held by the General Government Sector

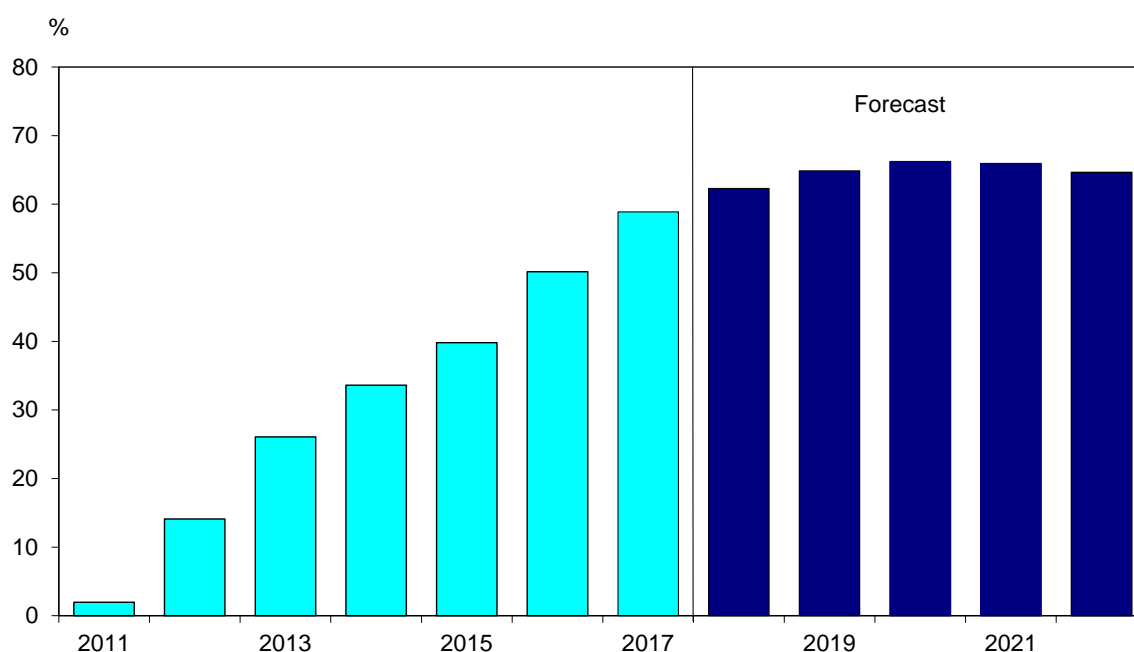
Increases in total public sector net debt over the last six years have been driven by the general government sector. An \$18.6 billion increase in general government sector net debt accounts for 93% of the \$19.9 billion increase in total public sector net debt over this period. As a result, interest expenses for the general government sector are estimated to total \$1 billion in 2018-19, exposing the sector to interest rate risk and diverting resources away from service delivery.

The Government's focus on reducing the rate of growth in general government sector net debt and associated interest costs is key to ensuring a more sustainable financial outlook over the medium term.

Consistent with the 2017-18 Budget and Mid-year Review, the target to reduce the share of net debt by the general government sector is not expected to be met until 2020-21. This is due to the general government operating deficits forecast over the period 2017-18 to 2019-20. The proportion of general government sector net debt to total public sector net debt is forecast to rise from 62.3% at 30 June 2018 to 67.4% at 30 June 2020, before declining to 66.7% at 30 June 2021 and 64.6% at 30 June 2022. The expected achievement of this target in 2020-21 reflects a forecast \$594 million reduction in general government net debt during that year as the sector turns around to an operating surplus position.

Figure 9

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



Statement of Risks

Forecasting Uncertainties

The inherent uncertainties associated with producing forecasts for an approximately \$247 billion economy and \$31 billion general government sector recurrent budget mean that there will always be differences between the forecasts of key aggregates and the final audited results. This Statement of Risks provides an overview of the known issues that have the potential to materially affect the financial projections contained in this Budget.

Revenue Estimates

The revenue estimates are highly sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore), employment and wage growth, and house prices and transaction volumes. Approximate annual impacts of changes in these variables are outlined in the following table.

Table 12

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES 2018-19

	Variability (\$m)	Detail
Royalty income and North West Shelf grants (mining revenue)	±76	For each US1 cent decrease/increase in the \$US/\$A exchange rate (royalty income is inversely related to the \$US/\$A exchange rate).
Iron ore royalties	±76	For each \$US1 per tonne increase/decrease in the price of iron ore.
Petroleum royalties and North West Shelf grants	±11	For each \$US1 increase/decrease in the price of a barrel of oil.
Payroll tax	±35	For each 1% increase/decrease in taxable wages or employment growth (i.e. the total wages bill).
Underlying transfer duty		
• Prices	±12	For each 1% increase/decrease in average property prices.
• Transactions	±9	For each 1% increase/decrease in transaction levels.
GST grants		
• Iron ore volumes	±90	For a \$100 million increase/decrease in iron ore royalty revenue, all else being equal, Western Australia will lose/gain an estimated \$90 million of GST grants in net present value terms if it is the result of a volume change and \$88 million if it is the result of a price change (as this also affects other States). The loss/gain will occur in later years due to the time lags in the Commonwealth Grants Commission process.
• Iron ore prices	±88	

Royalty Income (\$5,057 million in 2018-19)

Exchange Rate

Movements in the \$US/\$A exchange rate represent one of the largest risks to the forecasts of royalty income and North West Shelf grants (collectively referred to as mining revenue), as the majority of Western Australia's commodities are sold in international markets and priced in US dollars. Since the 2017-18 Budget, the \$US/\$A exchange rate has varied between a high of US81.1 cents and a low of US75.1 cents.

Iron Ore Prices

Over the past decade, a tripling in iron ore production volumes and increases in royalty rates have dramatically increased the importance of iron ore royalties as a source of revenue. This has coincided with the 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 estimates of general government revenue.

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

Since the 2017-18 Budget, the iron ore price has ranged from a low of \$US57.4 per tonne to a high of \$US80 per tonne, a range of \$US22.6 per tonne in just eight months.

State Taxes (\$8,853 million in 2018-19)

Payroll Tax

Following three consecutive years of declining collections, payroll tax is expected to grow in 2018-19. However, the over-representation of the resource (and related) sectors in the payroll tax base means that any unexpected events impacting on these industries pose a risk to the payroll tax outlook. For example, changes in the magnitude and timing of spending on construction and commissioning of the remaining LNG projects could translate into higher or lower payroll tax collections in the near-term.

Total Duty on Transfers ¹²

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.

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

A recent decision by the Western Australian Court of Appeal relating to the acquisition of a controlling interest in a landholder entity may have consequences for the magnitude and timing of receipt of revenue from similar high-value transactions in some circumstances. An assessment of tax remains valid until all review proceedings have been discontinued or otherwise finally determined. An appeal by the Commissioner of State Revenue of the Court of Appeal decision will be heard by the High Court in June 2018, with a decision expected in late 2018. Any risks to the revenue forecasts are dependent on the outcomes of this hearing, as well as any actions that may have to be taken to mitigate those risks.

¹² The sum of transfer duty and landholder duty.

Commonwealth Grants (\$10,488 million in 2018-19)

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 2018-19 Budget by the 9 April 2018 cut-off for this Budget. Accordingly, any updates to the outlook for grants in the Commonwealth's 2018-19 Budget are not reflected in the projections contained in this Budget (but will be reflected in the State's 2018-19 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 2017-18 *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.

GST grant estimates in this Budget are based on the Commonwealth's projected populations for the States and Territories used in its 2017-18 *Mid-year Economic and Fiscal Outlook*¹³. Changes to Western Australia's population share could substantially alter Western Australia's GST grants. Given current population trends, this represents a downside risk to the GST grant forecasts contained in this Budget.

The State's GST 'relativity' is recommended annually by the CGC. Its recommendations take account of States' relative costs of providing services and capacity to raise their own revenue. For 2018-19, the GST revenue estimates incorporate the CGC's approved recommendation of Western Australia's GST relativity (i.e. 47.3% of Western Australia's population share). The Western Australian Treasury's projections of GST relativities for 2019-20 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. However, changes may arise as a result of the Productivity Commission inquiry into horizontal fiscal equalisation (reporting 15 May 2018) and/or the CGC's review of its methods (reporting 28 February 2020).

Ongoing Tied Grants

The larger tied grants have ongoing agreements, such as the National Specific Purpose Payments (NSPPs). However, the Commonwealth is in the process of negotiating:

- a new National Housing and Homelessness Agreement to replace the national affordable housing NSPP;
- a new National Health Agreement to replace the National Health Reform Agreement; and
- a new Quality Schools Agreement to replace interim arrangements.

¹³ The Commonwealth estimates have been used 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.

While these potentially involve changes to funding, a substantial risk (particularly for housing and schools) is that the State will be required to increase its expenditures in order to maintain Commonwealth funding levels. For example, under the proposed Quality Schools Agreement, as it stands, Western Australia would be obliged to maintain its real level of per-student funding from a 2017 baseline using the Commonwealth’s prescribed rate of indexation, which is well above the State’s forecasts of cost growth.

Expiring National Partnership Agreements

Western Australia is currently party to around 34 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 15 NPs are currently under development. These agreements are generally for a limited period and have specific conditions attached to funding.

The majority of NPs create increased service levels, which generate community expectations 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 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 cease¹⁴.

Further details are provided in Appendix 12: *National Partnership Agreements*.

National Partnership on the Skilling Australians Fund

In its 2017-18 Budget, the Commonwealth Government announced a new National Partnership on the Skilling Australians Fund (NPSAF) to replace the National Partnership Agreement on Skills Reform, which expired on 30 June 2017.

The total Commonwealth funding available under the NPSAF will depend on the level of revenue collected through a new Skilled Migration Levy, subject to the passing of legislation through the Australian Parliament. As a condition of receiving funding, States and Territories would be required to deliver apprenticeship and traineeship targets set by the Commonwealth, and maintain the total vocational education and training budget above a mandatory benchmark.

¹⁴ Due to their ongoing nature, funding is assumed to continue for the Legal Assistance Services NP (\$64 million from 2020-21 to 2021-22), Natural Disaster Resilience NP (\$13 million from 2018-19 to 2021-22) and the Essential Vaccines NP (\$2 million in 2021-22). Funding is also assumed to continue for the Land Transport Infrastructure Projects NP (\$1.8 billion from 2019-20 to 2021-22).

Along with other jurisdictions, Western Australia has raised concerns with the Commonwealth's proposed conditions for funding, and the risk that funding levels could vary considerably over the forward estimates period. The State's agreement to the prescriptive terms of the NPSAF would potentially compromise the Government's flexibility in managing its Budget to achieve State training priorities.

Consistent with the 2017-18 Budget and Mid-year Review, NPSAF funding has not been reflected in this Budget.

Spending Risks

Sensitivity to Recurrent Spending Changes

The 2018-19 Budget forecasts average expense growth of 1.2% per annum across the forward estimates period. This historically low rate of expense growth reflects the Government's commitment to responsible financial management, and incorporates significant reprioritisation of expenditure and the cumulative impact of previous and new Budget repair measures.

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

This demonstrates the imperative for the Government to maintain a sustained, disciplined approach to managing recurrent expenditure, and for the Parliament to assist the Government in its Budget repair efforts.

Interest Rates

The Consolidated Account interest cost forecasts incorporated in the 2018-19 Budget are based on projections for Consolidated Account borrowings and the Western Australian Treasury Corporation's (WATC's) expected outlook for interest rates.

These interest rate expectations are anchored by an average of the WATC's, and each of the 'Big 4' Australian banks, expectations for the future path of the Reserve Bank of Australia's cash rate and Australian Government Bond 3 year and 10 year fixed rates. In addition, the WATC also produces a 'high' scenario to allow sensitivities to be calculated. The approach to producing the 'high' path is to add an increasing spread to the 'expected' path for each point across the interest rate maturity curve (i.e. 90 days, 180 days, 3 years, 5 years and 10 years) at each successive quarter.

The table below provides a comparison of the interest rate outcomes under the 'expected' and 'high' interest rate paths. As indicated, average effective annual interest rates are between 16 and 73 basis points higher over 2018-19 to 2021-22, and annual Consolidated Account interest expenses are around \$235 million higher by 2021-22, under the 'high' scenario.

Table 13

CONSOLIDATED ACCOUNT INTEREST RATE SCENARIOS				
	2018-19	2019-20	2020-21	2021-22
'Expected' (%)	3.15	3.25	3.40	3.55
'High' (%)	3.31	3.62	3.96	4.28
Variance (%)	0.16	0.37	0.56	0.73
Variance (\$m)	41	112	179	235

Forrestfield-Airport Link Project – Disposal of Contaminated Spoil

There is a risk that the Forrestfield-Airport Link project may exceed its approved budget. Spoil (i.e. excavated soil) from tunnelling has been found to contain minor concentrations of poly-fluoroalkyl substances (PFAS). There is a risk that this spoil is unable to be reused and instead must be disposed of in landfill at an additional cost to the project. The State is contributing to the National Environmental Management Plan for PFAS, which is expected to provide general guidance on the reuse of soil containing minor concentrations of PFAS.

Western Australia Natural Disaster Relief and Recovery Arrangements

An amount of \$45 million has been allocated in the 2018-19 Budget to meet the replacement costs of public infrastructure (such as roads and bridges) as a result of natural disasters around the State. There is a risk that further spending, over and above this amount, may be required in light of natural disaster events in the North West and Mid West regions, including severe flooding caused by Tropical Cyclones Joyce and Kelvin.

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 \$1.9 billion, or 6.3%, of general government revenue in 2018-19). Some GTEs also receive operating subsidies from the Consolidated Account (\$1.5 billion, or 4.8%, of general government expenses in 2018-19). GTEs also undertake a significant proportion of the State's infrastructure investment (around 55% in 2018-19), with any required borrowings contributing to the State's debt levels.

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

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

- *Synergy's cost and demand outlook* – the rapidly changing market in which Synergy operates (including falls in demand for electricity, excess or shortages of electricity and gas supply relative to demand, new technologies, and Government renewable energy commitments) and its response to this (including via its cost structure, contractual arrangements and current regulatory restrictions) have the potential to place pressure on Synergy's financial performance over the forward estimates period.
- *Western Power's regulatory arrangements* – a regulatory determination by the Economic Regulation Authority regarding Western Power's five year fourth access arrangement (known as AA4) was not made prior to the finalisation of the 2018-19 Budget, and hence has not been reflected in this Budget. Given that its previous access arrangement ended on 30 June 2017, Western Power will continue to make expenditure decisions without certainty that they will be considered efficient and hence recoverable. There is also potential uncertainty over regulatory pricing during AA4 relative to current assumptions, including flow-on implications for Synergy.
- *Southern Ports Authority (early closure of Cliffs' Yilgarn operations)* – this Budget does not reflect the impact on the Southern Ports Authority (SPA) of the recent decision by Cliffs Asia Pacific Iron Ore Pty Ltd (Cliffs) to close its Yilgarn operations on 30 June 2018. Cliffs' iron ore operations currently comprise around 30% of the SPA's annual throughput. Other parties may have an interest in acquiring Cliffs' operations. However at this stage, it is not clear if an acquisition will occur.
- *Southern Seawater Desalination Plant Output* – a \$23.9 million increase in the Water Corporation's operating expenditure in 2018-19 has been approved to meet an increase in projected output from the Plant from 80 gegalitres to 102 gegalitres. Operating expenditure projections assume that the Water Corporation will absorb any further expenditure required to increase output from the Plant beyond 102 gegalitres in 2018-19. It is expected that output of up to 109 gegalitres will be required in each of the remaining years of the forward estimates period. Operating expenditure projections for the Corporation over this period assume output of 87 gegalitres. Additional expenditure requirements associated with increased output will be assessed as part of future Budget processes.

Utilities and Tariffs

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

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

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

Contingent Assets and Liabilities

Contingent assets usually consist of the potential settlement of lawsuits of contractual claims. Typically, contingent liabilities consist of guarantees, indemnities and sureties, as well as legal and contractual claims. They constitute a potential risk or benefit to the financial projections should they eventuate. Contingent assets and liabilities were reported in full in the 2016-17 *Annual Report on State Finances* (ARSF), with material changes noted in subsequent financial publications (including the 2017-18 Mid-year Review and quarterly financial reports). The State's contingent assets and liabilities will again be reported in full in the upcoming 2017-18 ARSF, to be released by 28 September 2018.

Since the release of the 2017-18 Mid-year Review, the following material changes to these contingencies are noted.

- *Contingent Liability: Removal of Statutory Limitation Periods for Civil Litigation by Victims of Child Sexual Abuse* – the Civil Liability Legislation Amendment (Child Sexual Abuse Actions) Bill 2017 to remove statutory limitation periods for victims of historical child sexual abuse was passed by the Parliament in April 2018. It will come into force upon proclamation of the legislation which is anticipated to occur before the end of 2017-18. The removal of statutory limitation periods potentially exposes organisations in which abuse occurred (including State-based institutions) to claims for damages and compensation. The implementation of this reform represents a potentially significant liability to the State that will be assessed and funded on an emerging basis, in line with the settlement of resulting claims.
- *Western Australian Government Participation in the National Redress Scheme for Institutional Child Sexual Abuse* – in response to the recommendation made by the Royal Commission into Institutional Responses to Child Sexual Abuse, the Commonwealth Government has established a National Redress Scheme for Institutional Child Sexual Abuse (the Scheme). The Commonwealth Government is seeking formal agreement from States and Territories to opt in to the Scheme, which is scheduled to commence on 1 July 2018. The State is continuing to work collaboratively with the Commonwealth on the design and cost implications of the Scheme. Should the State choose to provide access to a redress scheme, a provision will be required that will have an impact on the State's financial aggregates.

Forthcoming Accounting Standards

A number of key accounting standards have been released by the Australian Accounting Standards Board and are due to be adopted in the coming financial years. Treasury is analysing these new standards in consultation with other public sector agencies, including GTEs. At this stage, the full impact of these standards on the financial aggregates is yet to be assessed or quantified.

General Government Revenue

HIGHLIGHTS

- After declining by 5.4% in 2016-17 and an estimated 1.3% in 2017-18, the State's taxation revenue (which accounts for almost 30% of total general government revenue) is forecast to increase by 4.2% in 2018-19. This is the result of improving labour market and broader economic conditions in the State, as well as revenue measures introduced in both last year's Budget and this Budget.
- Royalty income (which accounts for around 18% of total general government revenue) is forecast to decline slightly in 2018-19 and then remain relatively flat across the remaining forward estimates period, largely reflecting relatively stable iron ore price (in the \$US60-63 per tonne range) and volume projections over the next four years.
- Commonwealth grants (which account for around one third of total general government revenue) are forecast to grow by an average of 6.7% per annum across the forward estimates period, primarily reflecting a forecast increase in the State's GST relativity (from 34.4% in 2017-18 to 64.9% by 2021-22).
- Notwithstanding the projected increase in GST revenue, Western Australia will continue to heavily subsidise the rest of the nation. The State Government will continue fighting for a fair share for Western Australia.

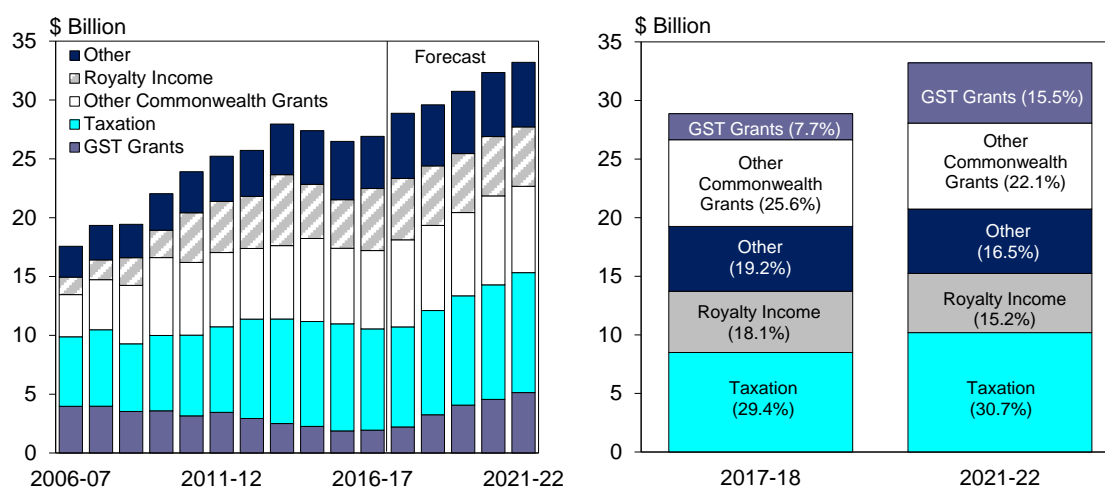
Introduction

General government revenue is forecast to increase by 2.4% in 2018-19 (to \$29.6 billion), primarily due to a lift in GST revenue and payroll tax collections. Nevertheless, Western Australia will still receive only 47.3% of its population share of national GST revenue in 2018-19, while growth in payroll tax is largely due to the implementation of a temporary increase to the payroll tax scale for large employers for the period 1 July 2018 to 30 June 2023 (announced in the 2017-18 Budget).

Underlying revenue growth of just 0.9% is anticipated for 2017-18. This increase abstracts from upfront infrastructure funding from the Commonwealth, the implementation of a number of revenue measures (announced in the 2017-18 Budget), and agency reclassifications as a result of the Machinery of Government changes that took effect from 1 July 2017¹. Including these factors, revenue is estimated to grow by 7.3% in 2017-18.

Figure 1

TOTAL REVENUE General Government Sector



Note: Percentages may not add due to rounding.

Revenue is expected to increase by an average of 3.5% per annum over the forward estimates period, as the State's GST relativity gradually improves (albeit to only 64.9% by 2021-22) and tax revenue grows in line with improving economic conditions. Over this period, royalty income is forecast to remain at around \$5 billion per annum, consistent with a moderate outlook for commodity prices, while North West Shelf grants are projected to decline due to an expected fall in oil and gas prices and lower assumed sales volumes.

¹ As part of these changes, the Rottne Island Authority was transferred to the new Department of Biodiversity, Conservation and Attractions. This resulted in a reclassification from the public non-financial corporations sector to the general government sector and therefore increased revenue (and expenses) for the general government sector. Similarly, employees of the Housing Authority (a public non-financial corporation) were transferred to the Department of Communities, with the Housing Authority supported by a new service delivery agreement with the Department of Communities. This also had the effect of 'grossing up' general government sector revenue (and expenses).

Table 1

GENERAL GOVERNMENT						
Operating Revenue						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Level (\$m)						
Taxation	8,604	8,495	8,853	9,286	9,741	10,189
Commonwealth grants	8,604	9,623	10,488	11,147	12,112	12,473
Sales of goods and services	2,261	2,452	2,556	2,657	2,744	2,815
Interest income	196	164	146	152	159	165
Revenue from public corporations	1,371	2,302	1,865	1,896	2,000	1,996
Royalty income	5,272	5,221	5,057	5,011	5,039	5,051
Other	604	615	607	566	516	498
Total	26,913	28,874	29,572	30,715	32,310	33,187
Annual Growth (%)						
Taxation	-5.4	-1.3	4.2	4.9	4.9	4.6
Commonwealth grants	3.6	11.8	9.0	6.3	8.7	3.0
Sales of goods and services	6.4	8.4	4.2	4.0	3.2	2.6
Interest income	2.2	-16.3	-10.9	3.4	4.9	3.8
Revenue from public corporations	-33.0	67.9	-19.0	1.7	5.4	-0.2
Royalty income	27.8	-1.0	-3.1	-0.9	0.6	0.2
Other	1.6	1.9	-1.4	-6.7	-8.8	-3.6
Total	1.6	7.3 ^(a)	2.4	3.9	5.2	2.7

(a) Abstracting from the one-off impacts of the Machinery of Government changes, upfront Commonwealth infrastructure funding, and a number of revenue measures announced in the 2017-18 Budget, underlying revenue growth is estimated at 0.9% for 2017-18.

Note: Columns may not add due to rounding.

Commonwealth grants (including GST) are expected to increase as a share of the State's revenue over the forward estimates period, from 33.3% in 2017-18 to almost 38% by 2021-22 (which is still low in comparison to most other States). Taxation revenue as a share of the total revenue base is expected to remain relatively stable over the forecast period, at around 30%. A large proportion of the State's revenue remains subject to fluctuations in commodity prices, with royalty income forecast to contribute 15.2% of total revenue by 2021-22. This share has trended down since peaking at 21.6% in 2013-14, but remains high by historical standards and its volatility remains an inherent risk to the revenue estimates.

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

The remainder of this chapter focuses on the new revenue measures implemented in this Budget, and the detailed basis for the estimates through to 2021-22 in each of the major revenue categories.

Revenue Measures

New revenue measures implemented in the 2018-19 Budget, together with their estimated impact, are outlined in the table below. In addition to these measures, a number of tariffs, fees and charges have been increased in order to maintain or improve the recovery of costs associated with the underlying services. These are outlined in Appendix 8: *Public Corporations and Major Tariffs, Fees and Charges*.

Table 2

SUMMARY OF REVENUE MEASURES IN THE 2018-19 BUDGET					
	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m	Total \$m
REVENUE MEASURES					
Foreign Buyers Surcharge rate increase	4.0	14.0	16.0	16.0	50.0
Building and Construction Industry Training Fund Levy	6.0	8.6	7.3	3.3	25.2
TOTAL	10.0	22.6	23.3	19.3	75.2

Note: Columns may not add due to rounding.

Foreign Buyers Surcharge Increase

The rate of the proposed Foreign Buyers Surcharge will increase from 4% to 7%, raising an estimated additional \$50 million over the period 2018-19 to 2021-22. The increase brings the total estimated revenue from the surcharge to \$123 million over this period.

The 7% rate brings Western Australia into line with New South Wales, Victoria and South Australia, all of which currently levy their surcharges at 7% or 8%, and Queensland, which has announced an increase in its rate to 7% from 1 July 2018.

The surcharge will apply to the dutiable value of residential property purchased by foreign individuals and entities in Western Australia from 1 January 2019.

Building and Construction Industry Training Fund Levy

A levy of 0.2% is currently payable on all residential, commercial and civil engineering projects undertaken in the State where the total value of construction is over \$20,000. From 1 July 2018, this levy will also apply to engineering construction projects in the resource sector, which have been exempt from payment of the levy since 1995.

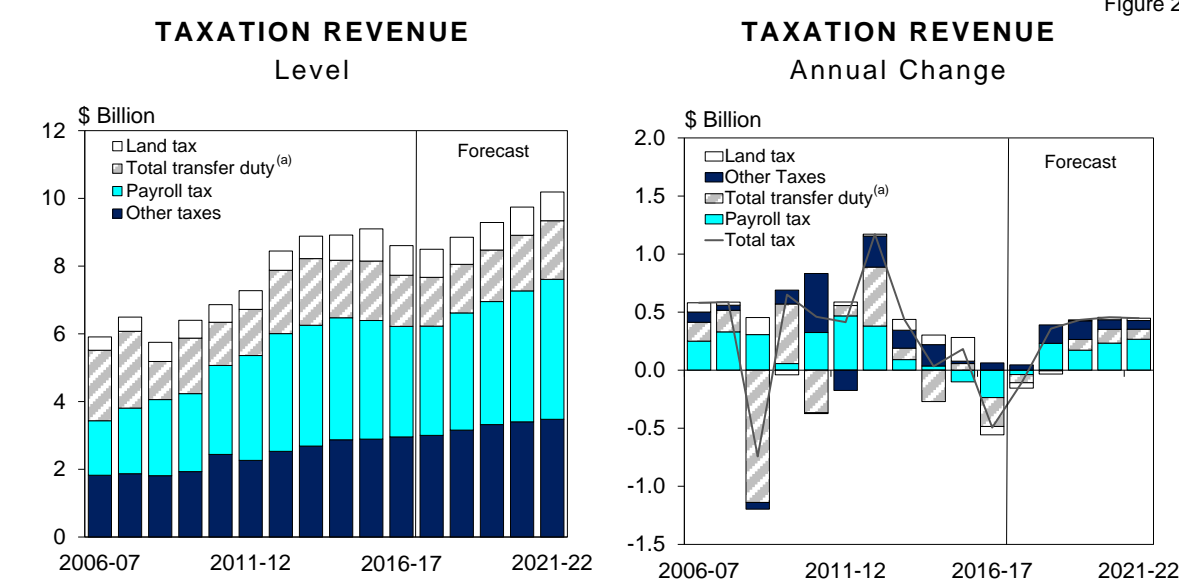
The additional revenue from this measure, estimated at around \$25 million over the forward estimates period, will be reinvested to support training in Western Australia.

Taxation Revenue

Summary

Taxation revenue is forecast to increase by 4.2% (or \$357 million) in 2018-19, primarily due to higher transfer duty and payroll tax collections as a result of an improving labour market, increased population growth and additional revenue from the full-year impact of policy measures announced in this Budget and in the 2017-18 Budget. Notwithstanding this, taxation revenue in 2018-19 is expected to remain below collections in 2015-16, following a decline of 5.4% (or \$494 million) in 2016-17 and an estimated decline of 1.3% (or \$109 million) in 2017-18.

Figure 2



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

Consistent with a forecast recovery in the domestic economy and the implementation of a number of new measures (in this Budget and in the 2017-18 Budget), taxation revenue is projected to strengthen over the three years to 2021-22, growing by an average of 4.8% per annum (which is still below historical average growth of 6.2% per annum).

Detail

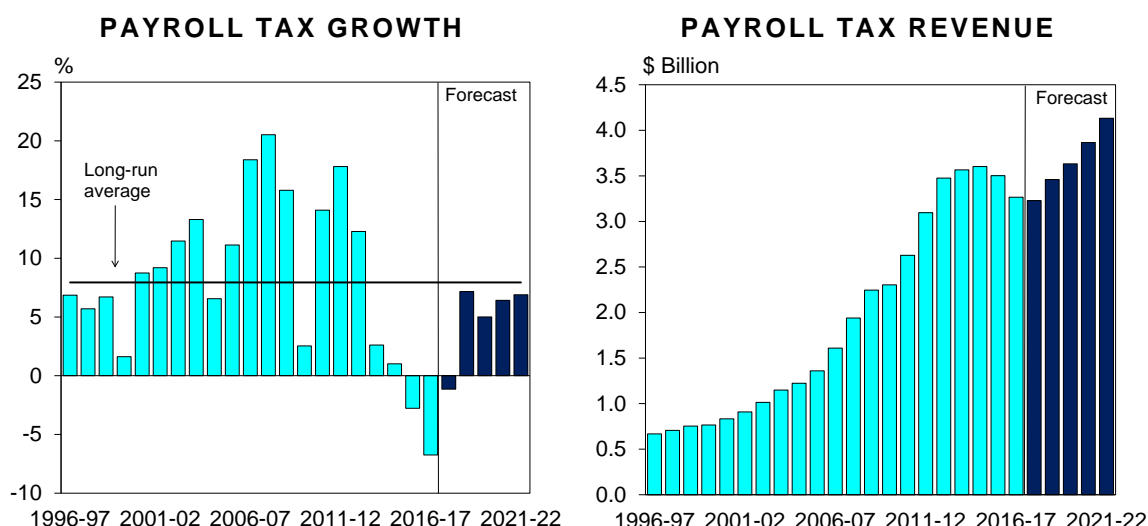
Payroll Tax

Payroll tax collections are expected to grow by 7.2% in 2018-19 (see figure on next page), following three consecutive annual falls. The sharp rebound is largely due to the implementation of a temporary increase to the payroll tax scale for large employers from 1 July 2018 to 30 June 2023, announced in the 2017-18 Budget. This is estimated to contribute 4.2 percentage points to growth in 2018-19. Excluding this policy change, payroll tax revenue is estimated to increase by 3% in 2018-19.

The outlook for 2018-19 is also supported by improved hiring conditions, particularly in the mining sector, and a smaller decline in annual payroll tax collections from the construction industry. These industries are significant contributors to the State's payroll tax base.

From 2019-20 to 2021-22, payroll tax is expected to lift by an average of 6.1% per annum, underpinned by an expansion in the State’s domestic economy, ongoing improvements in labour market conditions and an anticipated rise in private sector wages. However, growth is expected to remain below the historical average rate of 7.9% per annum.

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, the Perth Parking Levy, and the Building and Construction Industry Training Fund Levy.

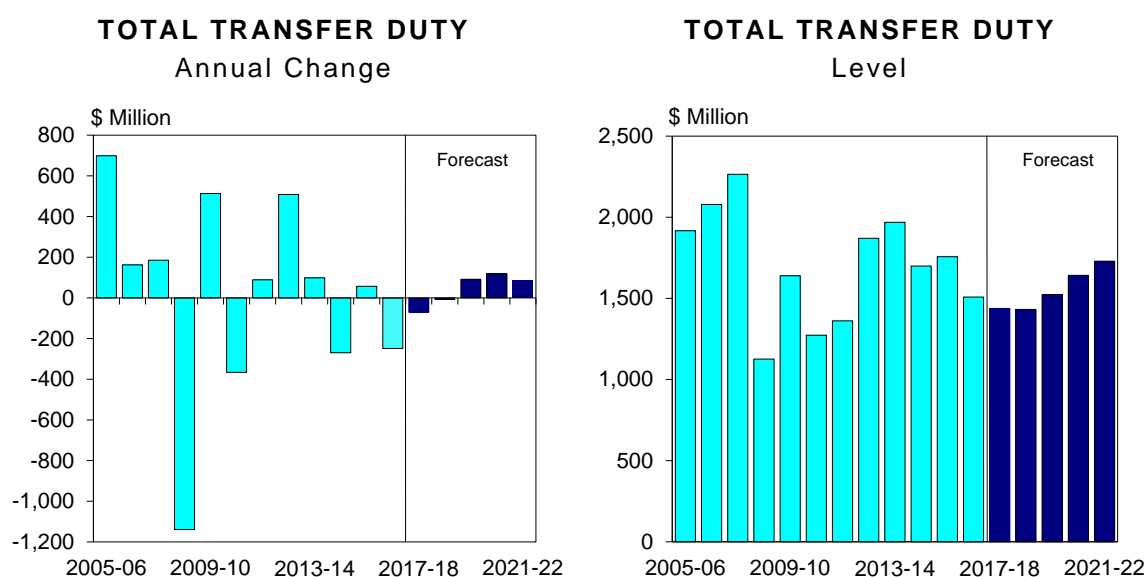
*Total Transfer Duty*²

Total transfer duty is forecast to fall by 0.4% (or \$6 million) in 2018-19. This follows an estimated decline of 4.7% (or \$70 million) in 2017-18 and a decline of 14.1% (or \$248 million) in 2016-17. The reduction in total transfer duty over the three years to 2018-19 largely reflects revenue from high value commercial property transactions returning to more typical levels and, to a lesser extent, weaker activity in the residential property market.

In 2019-20 and beyond, a recovery in population growth and an improved labour market are expected to underpin a modest recovery in transfer duty through a pick-up in both residential transaction volumes and house prices. Collections over this period are also expected to be supported by the full year impact of the Foreign Buyers Surcharge. Nonetheless, total transfer duty by 2021-22 is still projected to remain well below its level at the height of the property cycle in 2007-08 (see figure on next page).

² The sum of transfer duty and landholder duty.

Figure 4



Land Tax and MRIT

Land tax collections are projected to decline by \$27 million (or 3.2%) to \$803 million in 2018-19 due to a fall in taxable land values across Western Australia. This follows an estimated decline of \$46 million (or 5.3%) in 2017-18.

In 2019-20, land tax collections are anticipated to increase by 1%, consistent with the expectation that the value of unimproved land will increase modestly between August 2017 and August 2018³. In 2020-21 and 2021-22, land tax revenue is forecast to grow by 2.5% per annum, in line with underlying land tax growth in recent years.

MRIT is projected to contract by \$8 million (or 9%) to \$85 million in 2018-19, largely reflecting a fall in the value of taxable land in the metropolitan area. This follows an estimated decline of 3% in 2017-18. Across the remainder of the forward estimates, underlying growth in MRIT is expected to align with growth in the land tax estimates.

Other Taxes on Property

Other taxes on property comprise revenue from the Perth Parking Levy, the Emergency Services Levy, Loan Guarantee Fees, and the Building and Construction Industry Training Fund Levy.

Other taxes on property are projected to grow by \$53 million (or 9.4%) in 2018-19, following an estimated increase of \$14 million (or 2.6%) in 2017-18. The increase in 2018-19 is largely due to a 10.1% increase in the average residential charge for the Emergency Services Levy to support the State's fire and emergency services and improve rural fire capabilities. In 2019-20 and beyond, other taxes on property are estimated to grow by an average of 1.3% per annum.

³ Land tax and MRIT revenue in 2019-20 is based on the unimproved value of land as assessed by the Valuer General's Office as at August 2018.

Taxes on Gambling

Gambling tax revenue is forecast to increase by 13.6% in 2018-19 and 11.3% in 2019-20 partly reflecting the planned introduction of a point of consumption wagering tax from 1 January 2019 (announced in the 2017-18 Budget). Excluding this measure, gambling revenue is estimated to grow more moderately in these two years, averaging 3% per annum. This follows estimated growth of 2.5% in 2017-18, largely due to growth in lotteries and betting tax revenue.

In 2020-21 and 2021-22, revenue from gambling is expected to grow by an average of 1.9% per annum, in line with the annual average rate of 2% over the past two decades.

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).

In 2018-19, insurance duty is projected to grow by 4.5%. This follows an estimated decline of 3.8% in 2017-18, due to stronger than expected collections in 2016-17, with audit activity supporting the strong increase in that year.

Over the remaining forecast period, taxes on insurance are expected to increase by an average of around 5% per annum.

Motor Vehicle Taxes

Motor vehicle taxes predominantly comprise duty from the transfer of vehicles (vehicle licence duty) and annual vehicle registration fees. Permit fees for oversize vehicles and loads, and the motor vehicle recording fee, contribute to a lesser degree.

In 2018-19, vehicle licence duty is projected to increase by 1.2% (\$4 million) to \$360 million, following an estimated increase of 3.4% in 2017-18. Vehicle licence duty revenue is expected to grow in line with population estimates over the remaining forward estimates period.

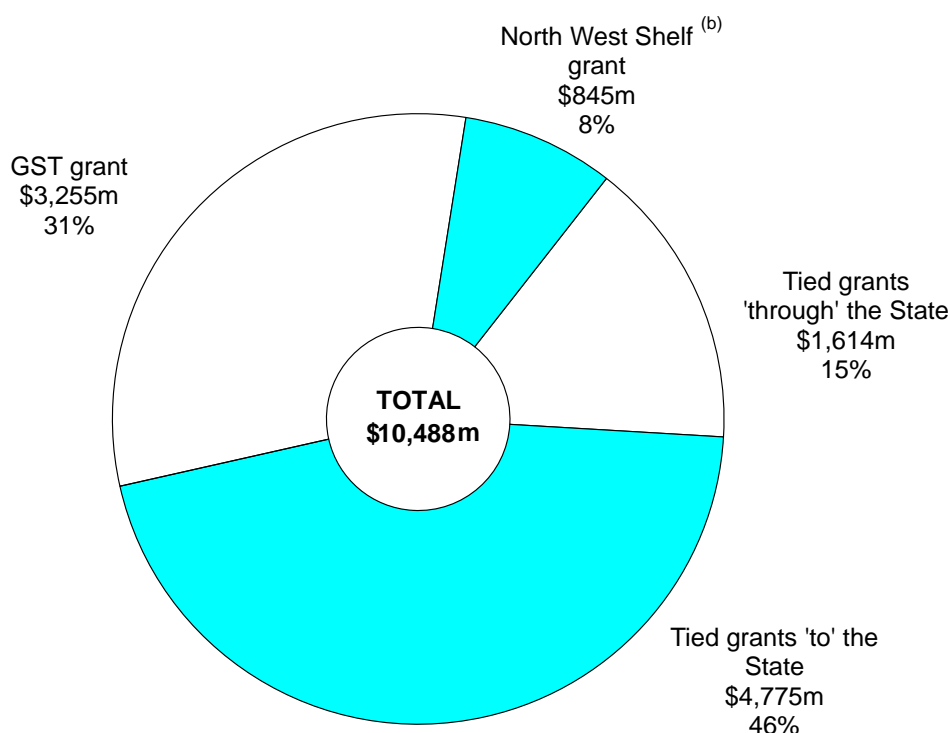
Revenue from annual vehicle registrations is expected to increase by 4.4% in 2018-19, and by an average of 2.8% per annum over the last three years of the forward estimates period.

Commonwealth Grants

Commonwealth grants are estimated to total \$10.5 billion in 2018-19 and account for 35% 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)
2018-19

Figure 5



(a) Includes recurrent and capital grants.

(b) Includes Commonwealth compensation for the removal of the exemption of condensate from crude oil excise.

Note: Segments may not add due to rounding.

Over the forward estimates period, GST grants to Western Australia are forecast to increase from \$3.3 billion in 2018-19 to \$5.1 billion in 2021-22 as a result of an increase in the State's GST relativity (albeit to just 64.9% of our population share by 2021-22). In total, other Commonwealth grants are expected to remain relatively flat across the forward estimates period.

COMMONWEALTH GRANTS TO WESTERN AUSTRALIA ^(a)							Table 3
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	
General Purpose Grants							
GST revenue (\$m)	1,944	2,219	3,255	4,077	4,555	5,136	
North West Shelf grants ^(b) (\$m)	640	750	845	713	576	487	
Total General Purpose Grants (\$m)	2,584	2,969	4,100	4,790	5,132	5,623	
Tied Grants							
Tied grants 'to' the State ^(c) (\$m)	4,407	5,271	4,775	4,652	5,176	4,941	
Tied grants 'through' the State ^(d) (\$m)	1,613	1,383	1,614	1,705	1,804	1,910	
Total Tied Grants (\$m)	6,020	6,654	6,388	6,357	6,981	6,851	
TOTAL COMMONWEALTH GRANTS (\$m)	8,604	9,623	10,488	11,147	12,112	12,473	
Growth (%)	3.6	11.8	9.0	6.3	8.7	3.0	

(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 \$1 billion to \$3.3 billion in 2018-19. This increase is largely the result of a lagged response of the GST grant calculations to Western Australia's weaker revenue capacity after 2013-14. Western Australia's GST grants in 2018-19 reflect fiscal circumstances in 2014-15, 2015-16 and 2016-17.

The higher GST grant is due to an increase in Western Australia's GST relativity (i.e. the State's GST grant as a proportion of our population share of the GST pool), from 34.4% in 2017-18 to 47.3% in 2018-19, as recommended by the Commonwealth Grants Commission (CGC) in its 2018 Update report. This is still very low, with the next lowest State, New South Wales, having a relativity of 85.5%.

ESTIMATED CHANGE IN WESTERN AUSTRALIA'S GST GRANT 2017-18 to 2018-19		Table 4
		\$m
Estimated 2017 - 18 GST Grant		2,219.2
Decrease in population share ^(a)		-8.1
Increase in the national GST pool		122.4
Increase in GST relativity		885.1
Exclude adjustment for overpayment in 2016-17		36.1
Total Change		1,035.7
Estimated 2018 - 19 GST Grant		3,254.9

(a) This is the impact of the decrease in Western Australia's estimated population share from 2017-18 to 2018-19. It does not include the impact of population revisions in earlier years that have affected Western Australia's GST relativity.

Note: Totals may not add due to rounding.

Table 5

GST RELATIVITIES				
	Relativity		Impact on GST of revised relativities	
	2017-18	2018-19	\$m	\$ per capita
New South Wales	0.877	0.855	-451	-56
Victoria	0.932	0.987	+929	+143
Queensland	1.188	1.096	-1,208	-241
Western Australia	0.344	0.473	+885	+338
South Australia	1.440	1.477	+172	+99
Tasmania	1.805	1.767	-52	-98
Australian Capital Territory	1.195	1.181	-15	-37
Northern Territory	4.660	4.258	-260	-1,054

In calculating States' relativities, the CGC applies a horizontal fiscal equalisation (HFE) principle. 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).

Forecast of GST Shares

Estimates of Western Australia's GST grants across the forward estimates period are based on the Western Australian Department of Treasury's projections of Western Australia's GST relativity beyond 2018-19, and the Commonwealth's 2017-18 *Mid-Year Economic and Fiscal Outlook* projections of the national pool of GST grants and States' population growth.

Western Australia's GST relativity is expected to slowly improve over the forward estimates period, reflecting the recent weakening of Western Australia's tax and royalty revenue capacity relative to other States. This GST adjustment occurs with a time lag, reflecting that the CGC uses a three-year average of the latest available historical data on States' fiscal capacities.

Table 6

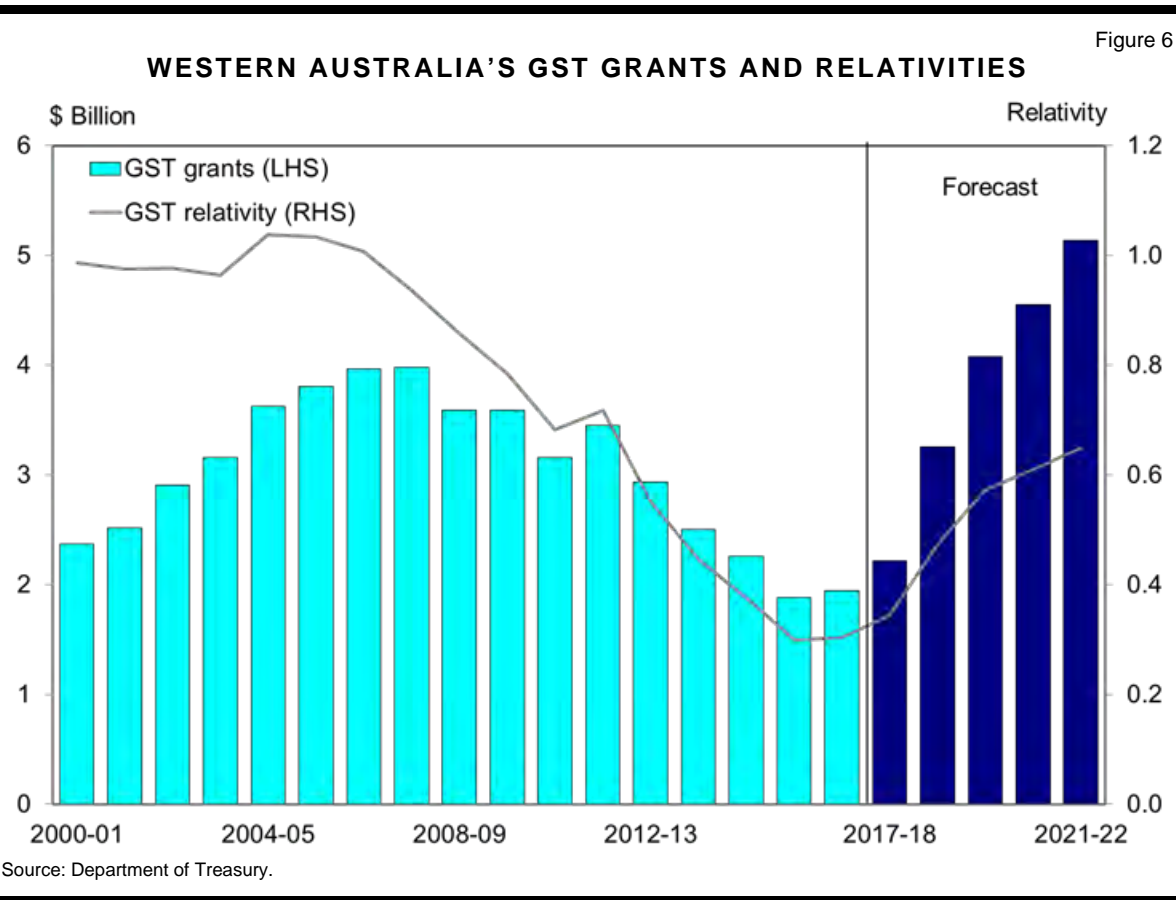
PROJECTED GST RELATIVITY AND GST SHARE						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
WA GST relativity ^(a)	0.303	0.344	0.473	0.573	0.610	0.649
WA population share (%)	10.5	10.5	10.4	10.4	10.4	10.4
WA share of national GST pool (%) ^(b)	3.3	3.5	4.9	6.0	6.3	6.8

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

(b) Western Australia's GST share equals Western Australia's population share multiplied by its scaled relativity.

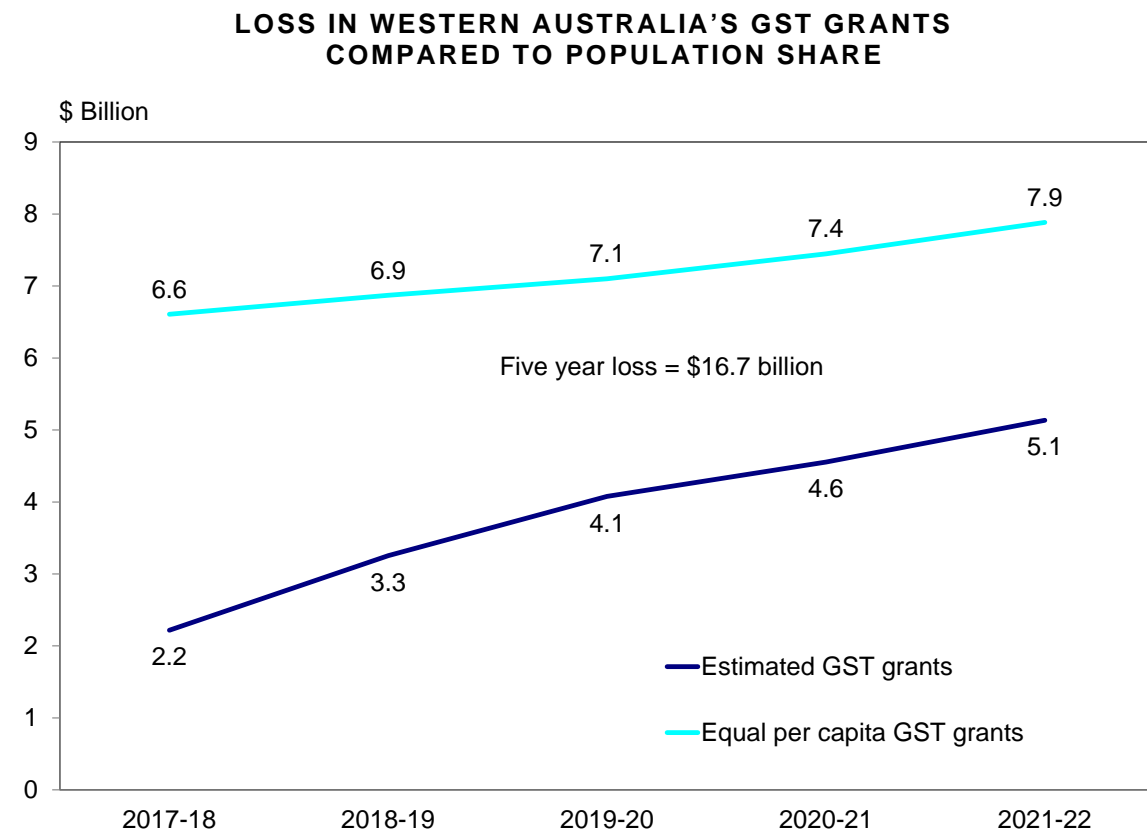
By 2021-22, Western Australia's relativity is projected to increase to 64.9% and its GST grant is expected to rise to \$5.1 billion. However, this still remains lower than any relativity faced by any other State since 1942-43⁴.

⁴ The predecessors to GST grants (initially known as tax reimbursement grants) were introduced in 1942-43 when State income tax was taken over by the Commonwealth.



Despite the projected increase in Western Australia's GST relative, the State is still projected to lose \$16.7 billion over the period 2017-18 to 2021-22 relative to a full population share of the national GST pool (see figure on next page).

Figure 7



Source: Department of Treasury estimates.

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 \$16.5 billion for 2016-17, according to the Department of Treasury's latest estimates (see Appendix 11: *Western Australia's Net Contribution to the Federation*).

Commonwealth Grants Commission Methodology Review

The CGC updates GST relativities annually, and undertakes a major review of its methods every five or six years.

The Commonwealth Government issued terms of reference to the CGC in November 2016 for a review of the methods the CGC uses to calculate the GST distribution, with the CGC required to report by 28 February 2020. This review is based on the existing principle of HFE (although this is being reviewed by the Productivity Commission, as discussed below).

The terms of reference specify that the CGC should consult regularly with the Commonwealth and States, consider the appropriateness of its supporting principles and provide a draft report for consideration by the Commonwealth and State Treasurers in 2019.

Western Australia is actively engaging in the review through submissions to the CGC, and meetings with the Commissioners and CGC staff, to demonstrate the CGC's current inadequate recognition of Western Australia's costs and the need for change.

The GST relativity projections in this Budget assume no method changes as a result of the CGC's 2020 Review. However, the results of the 2020 Review could have significant impacts on Western Australia's GST grant from 2020-21 onwards.

Productivity Commission Inquiry into Horizontal Fiscal Equalisation

In May 2017, the Commonwealth Government requested that the Productivity Commission undertake an inquiry into Australia's system of HFE, which underpins the distribution of GST revenue among the States. The inquiry is considering the impact of the current system of HFE on productivity, economic growth and Budget management, as well as whether there are preferable alternatives to the current system.

Following receipt of submissions (including from Western Australia), the Productivity Commission released its draft report in October 2017. The draft report acknowledged that the current HFE system results in a redistribution of GST that is too extreme, too complex and has the potential to distort State policies. To address this, the Productivity Commission recommended a change from the current system of equalising States' fiscal capacities to the fiscally strongest State, to a system of 'reasonable' equalisation (e.g. bringing States up to the average State fiscal capacity or to the fiscal capacity of the second strongest State). Other recommendations included simplification of the assessments and improvements to the mining assessments to address problems with their policy neutrality.

In response to the draft report, Western Australia delivered a second submission in November 2017. The submission supported the proposal for 'reasonable' HFE and provided options for reforming the mining revenue assessments to make them more policy neutral. The submission also provided examples of transition paths from the current GST distribution arrangements to reformed arrangements.

Western Australia made a third submission in December 2017 on issues raised in public hearings held in Perth in November 2017.

The Productivity Commission is expected to deliver a final report to the Commonwealth Government by 15 May 2018.

North West Shelf Grants

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

The Commonwealth also provides compensation to 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.

In 2018-19, the North West Shelf grant⁵ is expected to reach \$845 million, an increase of 12.7% from the estimated outcome in 2017-18. This is largely due to higher oil prices, which flow through to higher LNG prices (with a lag of around four months).

However, revenue from North West Shelf grants is projected to decline by 42.4% from 2018-19 to 2021-22 as a result of lower expected oil and gas prices and an assumed decline in sales volumes that are subject to the wellhead royalties. It is expected that by the end of the forecast period, the North West Shelf oil and gas project will be processing higher volumes of gas sourced from outside the area covered by the revenue sharing agreement with the Commonwealth.

Tied Grants

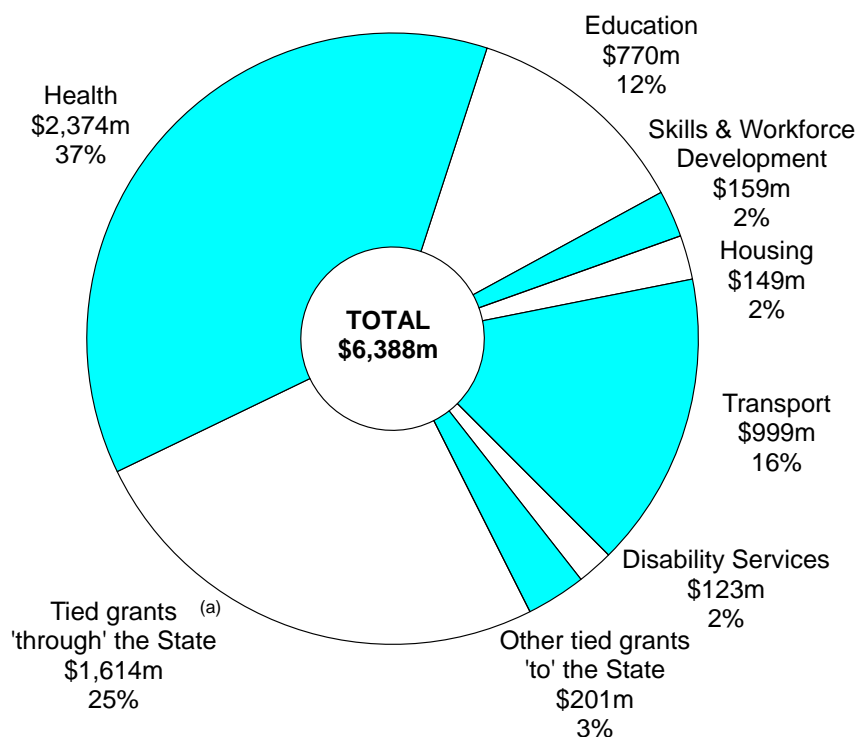
Tied grants for specific activities (e.g. health, education, roads and social housing) are received under a variety of Commonwealth-State agreements. Some specific activities (such as health) may have multiple agreements. Western Australia is estimated to receive \$6.4 billion in tied grants in 2018-19, \$266 million less than in 2017-18. This largely reflects the cessation of Commonwealth funding for remote housing and home and community care in 2018-19, and the provision of \$189 million in 2017-18 for hospital infrastructure (see below).

A break-down of tied grants by functional activity is provided in the following figure. Further detail is provided in Appendix 2: *General Government Operating Revenue*.

⁵ Includes Commonwealth compensation for the removal of the exemption of condensate from crude oil excise.

Figure 8

TIED GRANTS FOR WESTERN AUSTRALIA 2018-19



(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, housing (ceasing 1 July 2018) and disability services (ceasing 1 July 2020);
- National Housing and Homelessness Agreement funding (commencing 1 July 2018 for States that sign up);
- National Health Reform Agreement funding linked to the level of services delivered in public hospitals;
- Quality Schools 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.

The NSPPs 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. However, they are gradually being replaced by the Commonwealth with more prescriptive agreements.

On 9 May 2017, the Commonwealth announced its intention to establish a new National Housing and Homelessness Agreement (NHHA), which would replace the housing NSPP and the Homelessness NP from 2018-19. The NHHA would effectively maintain the current funding level and provide ongoing homelessness funding, but conditions on expenditure are yet to be agreed. The State Budget reflects a continuation of funding at the NSPP level.

Western Australia will continue to receive payments under the disability services NSPP until 30 June 2020. These payments, for existing State specialist disability services clients, will increasingly be redirected to the National Disability Insurance Agency (NDIA), as clients transition to the National Disability Insurance Scheme (NDIS). From 1 July 2020, following the expiration of the NSPP, the Commonwealth will provide its funding direct to the NDIA.

Public hospitals receive Commonwealth funding on an activity basis under the National Health Reform Agreement (NHRA), under which growth in Commonwealth funding reflects 45% of the growth in the cost of hospital services at the national efficient price. An addendum to the NHRA, which applies from 2017-18 to 2019-20, caps national growth in that funding at 6.5% per annum, and includes quality and safety requirements⁶. Funding for hospital services in 2020-21 and 2021-22 will be determined under a new National Health Agreement, currently being negotiated. On 9 February 2018, Western Australia signed a Heads of Agreement that will form the basis of negotiations for the new five-year agreement. While the Heads of Agreement would continue hospital funding on largely the same terms as the existing NHRA, the new National Health Agreement is not expected to be finalised until the end of 2018.

Following the signing of an interim agreement to cover the 2018 school year, the Commonwealth and States are currently negotiating school funding arrangements for commencement from 1 January 2019. Under the proposed arrangements, Commonwealth funding to Western Australia would transition from around 14% of the Schooling Resource Standard (SRS)⁷ in 2017 to 20% of the SRS over the six years to 2023. This additional Commonwealth funding has been assumed in the State Budget⁸. If agreed, as the proposed arrangements stand, Western Australia would be obliged to maintain its real level of per-student funding from a 2017 baseline using the Commonwealth's prescribed rate of indexation, which is well above the State's forecasts of cost growth. However, the Commonwealth has indicated that Western Australia can negotiate an alternative outcome that recognises the State's own circumstances. As such, the State's recurrent funding has not been adjusted in this Budget.

The framework for NP payments is provided by the Intergovernmental Agreement on Federal Financial Relations, agreed by COAG in December 2008. NP payments can vary substantially from year to year. Appendix 12: *National Partnership Agreements* provides a summary of NPs, including when they are scheduled to expire.

⁶ Based on the existing NHRA, Commonwealth funding for hospital services in Western Australia is estimated to grow by around 5.3% per annum over the four years to 2021-22.

⁷ The SRS is a national resourcing benchmark, consisting of a base per student amount with loadings for disadvantage and school characteristics.

⁸ As published in the Commonwealth's 2017-18 *Mid-Year Economic and Fiscal Outlook*.

On 4 April 2018, the Commonwealth Minister for Finance wrote to the Treasurer proposing funding for a number of State infrastructure projects.

In this regard, the Commonwealth has committed to providing additional funding of \$189 million in 2017-18 to support hospital infrastructure, including expansions of Joondalup Hospital and Osborne Park Hospital.

In addition, METRONET projects will receive \$729 million in Commonwealth funding over the five years from 2017-18 to 2021-22, with a further \$323 million in Commonwealth funding outside the forward estimates period.

This Budget also includes Commonwealth funding of \$140 million over the four years to 2021-22 for the following two road projects:

- \$75 million towards the Bunbury Outer Ring Road; and
- \$65 million towards the Stephenson Avenue extension.

The State Government will continue to work with the Commonwealth on future road funding as part of negotiations on a revised NP on Land Transport Infrastructure Projects.

A further \$140 million in Commonwealth funding (in addition to a concessional loan of up to \$50 million) has been committed towards the cost of the Myalup-Wellington Water project over the forward estimates. This project will divert the salty water flowing from the east to a new desalination plant, with fresher water from the south going to the Wellington dam to improve salinity. A new weir will be constructed at Burekup to replace the outdated one, and a 200 kilometre new pipeline will be developed to improve distribution and reduce water loss from open channels.

Royalty Income

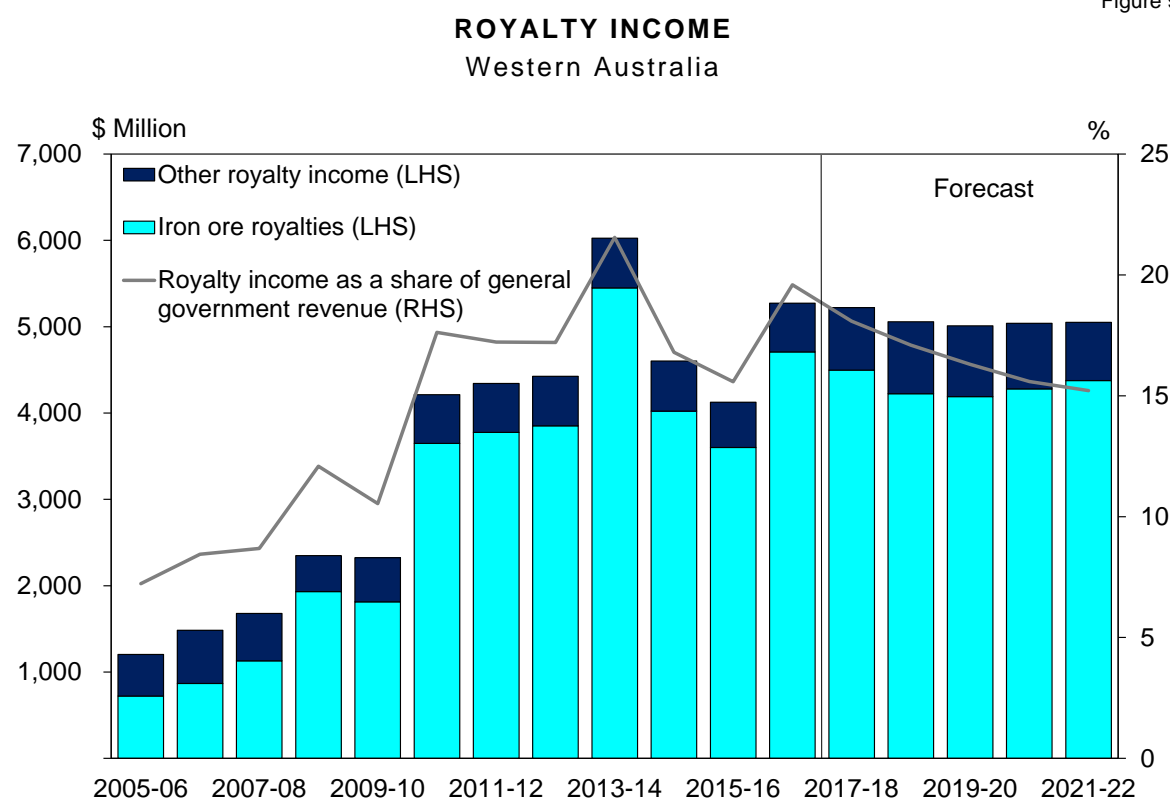
Summary

In 2018-19, total royalties are projected to decline by \$164 million (or 3.1%) as a result of lower iron ore royalties, partly offset by higher royalties from lithium, gold and other minerals. This follows an anticipated \$51 million (or 1%) decline in royalty receipts in 2017-18 to \$5.2 billion, with a fall in iron ore royalties partly offset by an anticipated record collection of royalties from other commodities.

From 2019-20, royalty income is projected to level off at around \$5 billion per annum. However, volatility in commodity prices is an ongoing risk as outlined in the Statement of Risks in Chapter 3: *Fiscal Outlook and Strategy*.

Western Australia is expected to effectively retain around 22% of royalty collections in present value terms net of the GST redistribution. For further discussion regarding commodity markets, refer to Chapter 2: *Economic Outlook*.

Figure 9



Source: Department of Treasury estimates.

Iron Ore Royalty Income

Iron ore royalty income is estimated to decline by \$212 million (or 4.5%) to \$4.5 billion in 2017-18. The decline is largely due to a higher \$US/\$A exchange rate in 2017-18, as well as higher shipping deductions, given a rise in ocean freight rates⁹. These impacts are partly offset by a 20 million dry metric tonne rise in iron ore shipping volumes in 2017-18 to an estimated 813 million dry metric tonnes, largely due to the ramp up of the Roy Hill mine. The average benchmark (62%Fe) price in 2017-18 is expected to be similar to 2016-17 at around \$US68.30 per tonne, despite continued volatility in spot prices, which have ranged between \$US57.4 per tonne and \$US80 per tonne for the year to date.

Iron ore royalty revenue is projected to decline by \$274 million (or 6.1%) to \$4.2 billion in 2018-19, due to a lower projected iron ore price of \$US61.90 per tonne, and higher shipping deductions (derived from market prices). These impacts are expected to be partly offset by a small rise in iron ore shipments to 822 million tonnes, combined with a slightly lower exchange rate and a small reduction in the discount for lower grade ores from its recent high levels¹⁰.

⁹ The benchmark iron ore prices referenced in sales typically include cost and freight (CFR) for ore delivered to China, whereas royalties are calculated based on the free-on-board prices, excluding freight, from Western Australia. As such, projected shipping costs are deducted from benchmark CFR price forecasts.

¹⁰ The discount for lower grade ores is expected to moderate in 2018-19 from recent record levels, but to remain above levels prior to 2017. It is expected these discounts will ease slightly as the supply of low quality ore is curtailed and moderating demand in China is likely to encourage steel mills to place a greater emphasis on reducing costs.

Iron ore royalty revenue is expected to remain at around \$4.2 billion in 2019-20 before rising to \$4.4 billion by 2021-22, due to a modest lift in prices in line with medium-term Consensus forecasts. Western Australian iron ore shipments are expected to level off at around 835-840 million dry metric tonnes as major producers complete expansions and the Roy Hill mine reaches capacity.

Iron ore royalty income is forecast to account for around 85% of total royalty income over the forecast period. Western Australia is expected to effectively retain only around 12% of iron ore royalties in present value terms through the GST distribution system.

For further discussion regarding the outlook for the iron ore market, refer to Chapter 2: *Economic Outlook*.

Other Royalty Income

Royalty income from all other commodities (excluding iron ore) is expected to rise by \$160 million (or 28.4%) to a record \$724 million in 2017-18, led by a \$65 million rise in lithium royalties (see table below).

Royalty revenue from other commodities is projected to increase again in 2018-19 (to \$834 million), up \$110 million (or 15.2%) from 2017-18. This is mainly due to a forecast \$41 million increase in lithium royalties and a \$36 million increase in gold royalties, given buoyant market conditions and the development of new mines and project expansions.

The decline in royalties from other commodities from 2019-20 to 2021-22 primarily reflects declining projected sales volumes due to depletions at existing mines. However, volumes are typically revised up over the forecast period as mines receive final investment approval.

Table 7

ROYALTY INCOME AND KEY ASSUMPTIONS
Western Australia

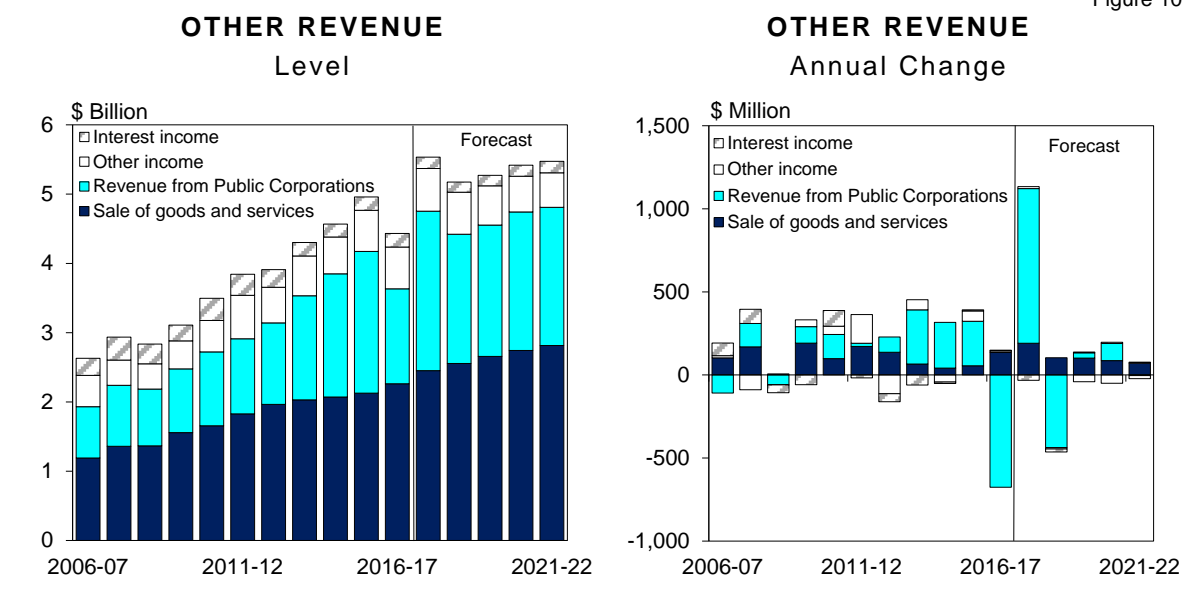
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
ROYALTY INCOME (\$m)						
Iron ore	4,708	4,497	4,223	4,191	4,280	4,376
Gold	267	279	315	308	280	237
Alumina	84	104	104	103	102	102
Copper	51	64	77	80	75	43
Nickel	43	65	71	71	70	63
Lithium	24	89	131	131	109	117
Mineral Sands	13	12	15	16	15	16
Diamonds	13	12	15	14	13	8
Petroleum - State component	4	6	6	3	2	2
Other	65	93	100	94	93	88
Total Royalty Income	5,272	5,221	5,057	5,011	5,039	5,051
KEY ASSUMPTIONS						
Exchange rate \$US/\$A (US cents)	75.4	77.8	77.0	77.2	77.4	77.4
Iron ore price (CFR, \$US per tonne)	68.8	68.3	61.9	60.8	62.1	63.4
Iron ore volumes (million dry tonnes)	793	813	822	836	837	839
Crude oil price (\$US per barrel)	49.7	62.1	66.0	62.2	59.4	57.7

Note: Columns may not add due to rounding.

Other Revenue

The majority of ‘other’ revenue is generated from sales of goods and services by general government agencies, and revenue from public corporations (in the form of dividends and revenue from the Tax Equivalent Regime¹¹).

Figure 10



Sales of Goods and Services

Revenue from the sale of goods and services is forecast to increase by 4.2% in 2018-19 and an average of 3.3% per annum across the outyears. An additional \$30 million is forecast to be collected in 2018-19, rising to \$69 million by 2021-22, from NDIS participants purchasing accommodation and support services from the Department of Communities under the Commonwealth NDIS.

These forecast increases follow a high rate of growth in 2017-18 (of 8.4%), mainly reflecting a new service delivery agreement between the Housing Authority (a public corporation) and the Department of Communities, as well as the transfer of the Rottnest Island Authority into the Department of Biodiversity, Conservation and Attractions as part of the Machinery of Government changes implemented from 1 July 2017. Excluding these Machinery of Government changes, revenue from sales of goods and services is estimated to decrease by around 1.5% in 2017-18, mainly reflecting the impact of high growth recorded in 2016-17 (as discussed in the 2016-17 *Annual Report on State Finances*).

¹¹ The National Tax Equivalent Regime (TER) arrangements ensure that public sector corporations do not have a competitive advantage over private sector entities as a result of their tax-free status. The TER arrangements impose the equivalent of company tax and local government rates on public sector corporations.

Interest Income

The general government sector earns interest income from investments in cash and other liquid asset holdings. In 2018-19, interest revenue is forecast to total \$146 million, down from an estimated \$164 million in 2017-18. This reduction largely reflects a revised cash management strategy in which lower Public Bank Account investment balances are required to support the State's interest commitments (matched by a commensurate decrease in Consolidated Account Borrowings)¹². Beyond 2018-19, interest revenue is forecast to grow in line with movements in underlying investment assets.

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 total \$1.9 billion in 2018-19, comprising \$1.2 billion in dividends, \$614 million in income tax equivalent payments and \$22 million in local government rates equivalent payments. This represents a \$437 million (or 19%) decrease on the \$2.3 billion estimated in 2017-18 (which was boosted as a result of a number of efficiency measures applied to government trading enterprises announced in the 2017-18 Budget).

Further information on revenue from, and payments to, individual public corporations is available in Appendix 8.

Other Income

Revenue from all other sources (which includes fines for traffic infringements, judicial fines and penalties, donations and gifts from private organisations, asset transfers, and mining-related lease rental revenue for exploration and production licences) is forecast to total \$607 million in 2018-19, largely unchanged from an estimated \$615 million in 2017-18. This includes \$231 million for contributions from third parties (such as industry funding), \$198 million for fines, \$99 million for mining-related lease rentals, and \$26 million from donations.

Mining lease rental revenue is forecast to increase from \$94 million in 2017-18 to \$105 million by 2019-20, largely reflecting increases in most mining tenement rents of 6% in 2018-19 and 2019-20 to fund the continuation of the Exploration Incentive Scheme¹³.

Across the forward estimates period, other income is forecast to decrease by around \$109 million to \$498 million by 2021-22, largely reflecting lower forecast capital grants revenue from the private sector (categorised as 'revenue not elsewhere classified') following the completion of the Onslow Water Infrastructure Upgrade project, and a forecast reduction in traffic infringement fines revenue.

¹² Joint work has been undertaken by the Department of Treasury and Western Australian Treasury Corporation to develop strategies to mitigate the 'cost of carry' incurred by the State. The reduction in interest revenue associated with decreasing the Public Bank Account investment balance and Consolidated Account borrowing requirements is offset by a greater reduction in interest expense.

¹³ Some exploration licences will only rise by 1.5% in 2018-19 and 2019-20 to minimise the impact on exploration activity.

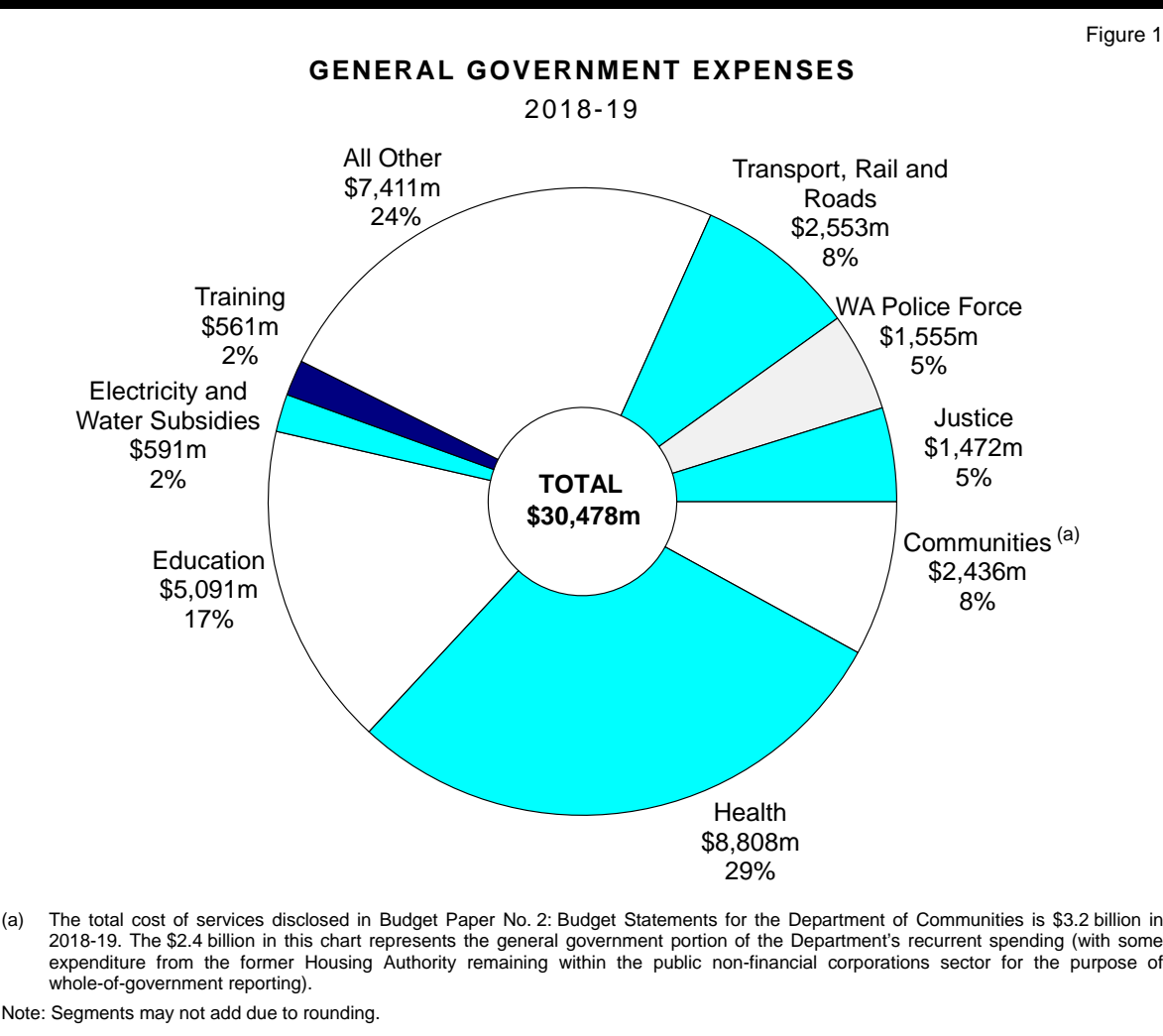
General Government Expenses

HIGHLIGHTS

- Recurrent spending by the general government sector is estimated to total \$30.5 billion in 2018-19, an increase of \$277 million or 0.9% on the estimated outturn for 2017-18.
- The 2018-19 Budget continues the work of Budget repair whilst also creating jobs and delivering quality health care, education and community services for all Western Australians. It delivers the Government's election commitments through responsible financial management including, wherever possible, funding of spending commitments through savings, reprioritising existing spending, and identifying new funding sources.
- Recurrent spending initiatives in this Budget include:
 - an additional \$128.9 million over the next four years to support the State's health system to meet increased demand;
 - \$80.3 million over the next four years to strengthen rural bushfire response capability;
 - a disability workforce transition and sector development package of \$34.8 million over 2018-19 and 2019-20 to assist in successfully transitioning to the Commonwealth-run National Disability Insurance Scheme;
 - \$28.3 million for road safety community education campaigns;
 - \$21.5 million to continue the delivery of regional youth justice services in the Kimberley and Pilbara;
 - \$20.5 million for the Government's Target 120 initiative, which aims to reduce juvenile reoffending and improve community safety; and
 - \$1.6 million for shark hazard mitigation initiatives including rebates for shark deterrent devices.

Introduction

Recurrent spending by the general government sector is estimated to total \$30.5 billion in 2018-19, with health, education, and community safety accounting for \$16.9 billion or 56% of this (see figure below).



Responsible Financial Management

The Government remains focused on containing recurrent expenditure growth and returning the general government operating balance to a surplus position by 2020-21, as ultimately this is the only way to sustainably reduce the State's net debt levels.

The Government is also investing an additional \$37.1 million over the forward estimates period to drive improved public sector performance and more robust infrastructure planning to deliver better value for money outcomes for Western Australian taxpayers.

This includes the creation of a central implementation unit in the Department of the Premier and Cabinet (\$15.9 million) to oversee the delivery of public sector reform and to improve the sector's performance and accountability. The establishment of Infrastructure WA (\$15.3 million) will result in better and more transparent infrastructure investment, through more robust planning and decision making. Improving governance arrangements for Government Trading Enterprises and enhancing revenue forecasting capacity will also be achieved through the provision of additional resources for Treasury (\$5.9 million).

These initiatives respond to a number of the key recommendations of the *Service Priority Review* and the *Special Inquiry into Government Programs and Projects*.

Delivering Quality Health Care, Education and Community Services

The *Service Priority Review* recommended that government agencies need to collaborate to deliver information-rich wrap around services that meet the needs of vulnerable children, families and seniors. The Target 120 initiative is a collaborative, targeted and flexible early intervention program providing young offenders and their families with coordinated and timely access to the services they need (see below).

Target 120

Western Australia's rate of detention for young people is one of the highest in Australia. On an average day, there are around 133 young people in detention at a cost of over \$800 per day per person. More than half of these young people will return to detention within two years of release.

To break this cycle of re-offending, the Government is investing \$20.5 million to help turn around the lives of Western Australia's most challenging young offenders and their families.

The four-year Target 120 initiative aims to reduce juvenile reoffending and improve community safety by providing up to 300 young offenders and their families with targeted, multi-agency support. The initiative will directly address the factors that contribute to juvenile offending, such as substance abuse, lack of housing, domestic violence, trauma, mental health issues and poor attendance at school.

The program will be informed by a data-driven Social Investment Approach, which uses linked government datasets to identify risk factors associated with juvenile crime and evaluate the initiative's impact on social and economic outcomes over time.

For each young person and their family, a dedicated service worker will work in partnership with multiple agencies, including police, health, education, child protection and justice, and non-government service providers. The service worker will ensure the families receive coordinated and timely access to the support services they need. The Target 120 initiative will be implemented across the State in a phased approach, starting in October 2018.

Beyond the benefits for the young person, their family and the community as a whole, the program intends to reduce the cost of intervention over the course of a young person's life. It is estimated that support provided to a young person and their family, who have had multiple contacts with justice and other departments, currently costs more than \$2 million over that young person's life.

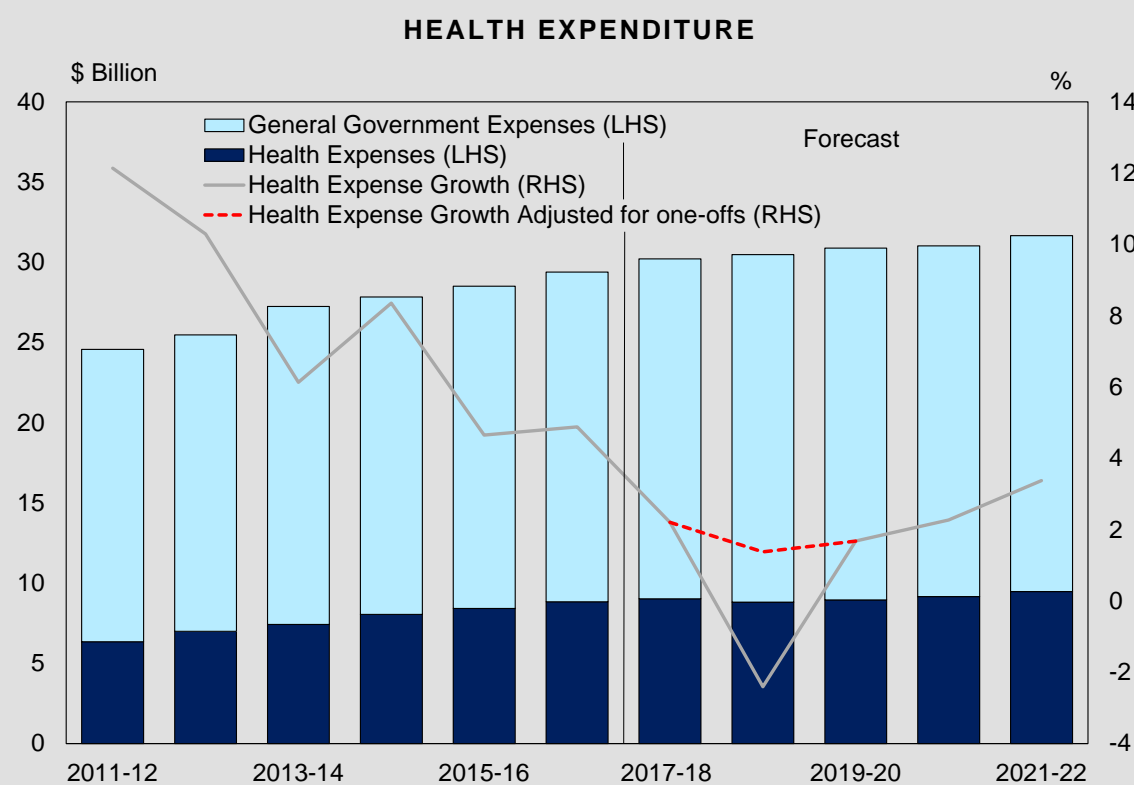
Recurrent spending on the State's health system is estimated at \$8.8 billion in 2018-19, around 29% of total general government expenditure. The Government will spend an additional \$128.9 million from 2018-19 to 2021-22 on the Western Australian health system so that it can meet increased demand for services. The Government's health reform agenda is getting the health system back on a sustainable footing as a result of stronger financial management and improved efficiency in the delivery of hospital services (see below).

Delivering Quality and Sustainable Health Care

Sustainable Expenditure Growth

Annual growth in health expenditure in Western Australia is moderating, from a high of 12.1% in 2011-12 to an estimated 2.2% in 2017-18. Across the Budget period, expenditure is forecast to grow by an average of 2.2% per annum once adjustments are made for time-limited expenditure in 2017-18¹. This adjustment primarily reflects the transfer of responsibility for the Home and Community Care program to the Commonwealth under the *Transitioning Responsibilities for Aged Care and Disability Services in Western Australia* bilateral agreement.

Figure 2

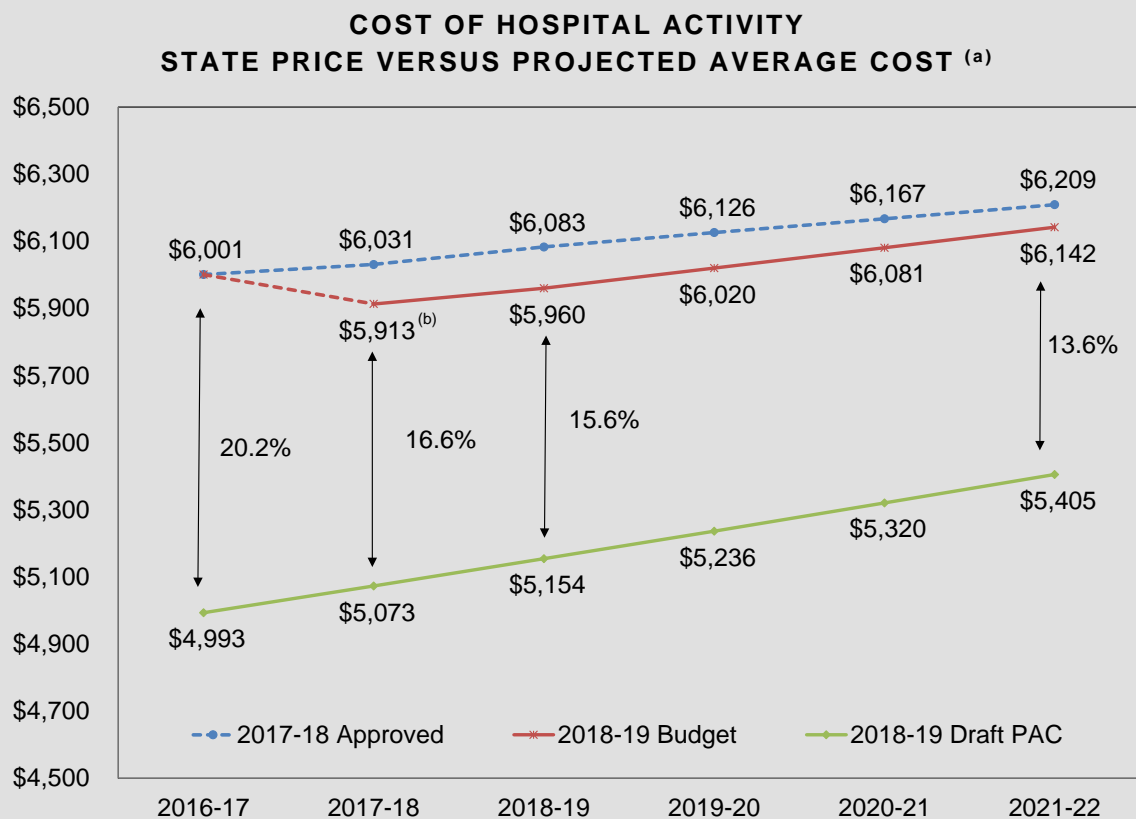


¹ This includes expenditure in 2017-18 that does not continue in 2018-19 primarily for the Home and Community Care program, the Perth Children's Hospital, Voluntary Targeted Separation Scheme payments and expensed capital.

Strong Financial Management

Improved efficiency in the delivery of hospital services has seen the unit cost of hospital activity fall in 2017-18. This helped to bring the cost of hospital services in Western Australia closer to the national average cost. This gap is projected to narrow further over the forward estimates period, with the unit cost of delivering hospital activity expected to fall from 20.2% above the national average cost in 2016-17 to 13.6% by 2021-22, as shown below.

Figure 3



(a) The Projected Average Cost (PAC) is a measure of the national average cost of delivering hospital services in Australia calculated by the Independent Hospital Pricing Authority.

(b) Estimated outturn.

Quality Health Care

Improved efficiency means that growth in health expenditure can be contained without compromising the delivery of quality health care. This Budget includes \$6.5 billion of expenditure on hospital services in 2018-19, which will provide an estimated 661,000 inpatient episodes of care, over 998,000 emergency department presentations and over 2,689,000 service events in outpatient clinics and community settings. Total expenditure on hospital services is projected to increase by 3.3% per annum over the Budget period.

The Government is also delivering on its commitments to build new health infrastructure in this Budget. This includes:

- \$158 million (funded by the Commonwealth) for the redevelopment of the Joondalup Health Campus, which has been provisioned from 2017-18 to 2022-23. The redevelopment will be undertaken in partnership with Ramsay Health Care, with \$4.6 million committed over 2017-18 and 2018-19 towards planning for the design and construction of the expanded facility. The remaining \$153.4 million provision will be allocated towards construction upon approval of the business case;
- \$73.3 million to redevelop the Geraldton Health Campus, including an upgrade and expansion of emergency and critical care services, an acute psychiatric unit and mental health short stay unit, and a further \$10.2 million to build and operate an offsite Step Up/Step Down Mental Health Facility;
- \$24.9 million over four years to redevelop Osborne Park Hospital to relieve pressure on neonatal cots at other tertiary hospitals and to increase bed capacity in rehabilitation and aged care services. The Commonwealth will contribute \$10.6 million towards this project;
- \$11.8 million to develop a Mental Health Observation Area and an authorised Mental Health Unit at Royal Perth Hospital, which will provide dedicated areas to manage patients that present to the emergency department with complex and severe behavioural disturbance. The Commonwealth will contribute \$4 million towards this project; and
- \$1.8 million to construct a Family Birthing Centre at the Fiona Stanley Hospital, which will provide mothers with the option of a midwife-led model of care through antenatal, labour, birth and postnatal stages of care.

To support continued innovation, the Government is progressing its commitment to develop a Future Health Research and Innovation Fund to provide a secure source of funding for health and medical research. A Project Board has been established to advise Government on the optimal design and implementation of the Fund.

To ensure the health system continues to build on these achievements and deliver quality care into the future, the Government has commissioned the *Sustainable Health Review*. The Interim Report, presented to Government early this year, identifies 12 preliminary directions, supported by a number of recommendations and areas for further work. These include a focus on prevention, technology and innovation, community-based care and building financial sustainability. It also highlights the need to ensure a fair share of funding from the Commonwealth to address the unique cost pressures associated with delivering health care in Western Australia. The Final Report is due to be presented to Government in November 2018.

As a result of the decision for Western Australia to enter the Commonwealth National Disability Insurance Scheme, through a revised bilateral agreement, the costs of administering the scheme in Western Australia have been transferred from the State to the Commonwealth. As part of this Budget, the State Government has committed \$34.8 million over 2018-19 and 2019-20 to ensure the successful transition of the current disability services workforce and non-government sector to the national scheme (see below).

National Disability Insurance Scheme

On 12 December 2017, the Western Australian and Commonwealth Governments entered into a revised National Partnership Agreement (NPA) for a transition to a Commonwealth-administered National Disability Insurance Scheme (NDIS) in Western Australia.

Under the revised agreement, entitled *Bilateral Agreement between the Commonwealth and Western Australia – Transition to a National Disability Insurance Scheme in Western Australia* (revised NPA), the National Disability Insurance Agency (NDIA) will deliver the scheme in Western Australia, with the Commonwealth responsible for all scheme administration costs from 2018-19. For the period 2017-18 to 2019-20, the Commonwealth will fund approximately 40 per cent of package costs for people aged under 65, and the State will fund the remaining 60 per cent. For the period 2020-21 to 2022-23, package costs for people aged under 65 will be shared 50/50.

Consistent with the previous bilateral agreement, a total of 39,097 clients are expected to join the scheme by 30 June 2020, including 25,665 clients that received State-administered disability services, and an estimated 13,432 new clients.

The estimated financial impact of the revised NPA is detailed below. As the State will no longer administer the scheme, this includes avoided State-funded administration costs and large Commonwealth-funded expense revisions (as the Commonwealth will now provide its funding directly to the NDIA). The Government has ensured responsible financial management by signing on to the national scheme, under which the Commonwealth will meet 100 per cent of the NDIA's administration costs, consistent with arrangements in all other jurisdictions. The revised agreement will result in avoided administration costs to the State of approximately \$1.3 billion over ten years.

As part of this Budget, the State Government has committed \$20.3 million to support the disability sector in the transition, including for system adaptations and building workforce capacity, and a further \$14.5 million to facilitate the transition of the existing workforce, including transfer payments for up to 200 employees who are expected to permanently transfer to the NDIA.

Table 1

REVISED NDIS TRANSITION NPA

	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18 to 2021-22
	\$m	\$m	\$m	\$m	\$m	\$m
Recurrent expenditure						
Revised bilateral agreement ^(a)	-113	-397	-700	-1,087	-1,197	-3,494
Sector support	-	12	8	-	-	20
Workforce transition	-	10	4	-	-	14
<i>Total</i>	-113	-375	-687	-1,087	-1,197	-3,459
<i>Funded by:</i>						
Commonwealth grants	-113	-358	-651	-1,126	-1,211	-3,459
Participant-funded supports ^(b)	-	30	55	68	69	222
State recurrent appropriation	-	-47	-92	-29	-54	-222
Capital expenditure						
Revised bilateral agreement	-27	-6	-5	-	-	-38
<i>Funded by:</i>						
State capital appropriation	-27	-6	-5	-	-	-38
Impact on General Government Net Operating Balance	-	47	92	29	54	222
Cumulative Impact on Total Public Sector Net Debt at 30 June	-27	-80	-177	-206	-260	-260

(a) Expenditure revision comprises -\$3.438 billion for the Department of Communities and -\$55 million administered by Treasury.

(b) Under the Commonwealth NDIS, the Department of Communities will remain a provider of accommodation and support services. This portion of the expense revision has no impact on the net operating balance or net debt.

Education spending is expected to total \$5.1 billion in 2018-19, or around 17% of total general government expenditure. Abstracting from the one-off cost of the Voluntary Targeted Separation Scheme in 2017-18, this represents 1.5% year on year growth in education spending, and sees Western Australian students continue to be among the best resourced in the country.

As part of this Budget, the Government has committed an additional \$125.5 million from 2018-19 in anticipation of increased enrolments and costs in government schools. A further \$3.4 million has been committed to expand the State Science, Technology, Engineering and Mathematics (STEM) strategy through improved awareness programs to promote STEM skills to students. In addition, the Government is investing in better learning environments at the Yanchep Secondary College and Albany Education Support Centre (see Chapter 6: *Asset Investment*), and funding air-conditioning upgrades in schools in bushfire prone areas.

Families are also provided support through a range of initiatives totalling \$12.5 million aimed at improving drug rehabilitation and treatment services, mental health outcomes and stopping domestic violence. These include additional funding (\$3.2 million) for crisis accommodation and specialist services for the perpetrators of domestic violence who wish to change their lives.

Creating Jobs and Strengthening the State's Economy

Investing in local jobs and strengthening the State's economy through diversification is a major focus of this Budget.

The establishment of a \$22.5 million Regional Economic Development Grants program will provide small, community-driven projects the opportunity to bid for funding to support initiatives to create local jobs and economic growth across the State.

An amount of \$10 million per annum will be invested in grain research and development capacity, strengthening the agricultural sector of the economy.

An additional \$5 million will be invested over 2017-18 to 2019-20 to commence the establishment of the Myalup Primary Industry Reserve, involving the conversion of land from pine plantation to irrigated agriculture. The Myalup horticultural precinct project will leverage private sector investment, create local jobs and boost the agricultural value of the area.

The Government has also provided an additional \$4.9 million over 2018-19 and 2019-20 to Defence West to expand its operations and establish the Defence West Advisory Panel, and committed \$5.5 million to support the State's bid for the New Energy Industry Cooperative Research Centre to be headquartered in Western Australia.

A total of \$3.4 million will be spent on expanding the State STEM strategy, which will improve educational outcomes for students.

Also, \$850,000 will be spent on identifying new, and protecting existing, food production precincts – these high value horticultural areas will facilitate private sector investment and create jobs.

The regional investment initiative will provide up to \$8.8 million to high priority regional projects that create jobs and strengthen the regional economy.

Major Expense Changes

Summary

The following information provides details of major changes in general government expenses by agency since the 2017-18 Mid-year Review. 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*.

A number of recurrent spending changes since the Mid-year Review are common to a number of agencies. These include the savings generated to date from the Voluntary Targeted Separation Scheme, implementation of agency-level savings resulting from the 20% reduction in Senior Executive Service positions, and incentive funding for smaller and low risk agencies under the Streamlined Budget Process.

Changes in total public sector infrastructure spending (i.e. the Asset Investment Program) since the Mid-year Review are outlined in Chapter 6.

PARLIAMENT

Table 2

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
LEGISLATIVE COUNCIL					
– 2018-19 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
LEGISLATIVE ASSEMBLY					
– 2018-19 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
PARLIAMENTARY COMMISSIONER FOR ADMINISTRATIVE INVESTIGATIONS					
– Complaint Resolution Services and Voluntary Separations	1.0	-	-	-	-
– 2018-19 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Voluntary Targeted Separation Scheme	0.2	-0.2	-0.2	-0.2	-0.2

Parliamentary Commissioner for Administrative Investigations

Complaint Resolution Services and Voluntary Separations

Spending of \$1 million in 2017-18 has been approved to meet the costs associated with an increase in the number of complaints and the payout of voluntary separations.

GOVERNMENT ADMINISTRATION

Table 3

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
PREMIER AND CABINET					
Election Commitments					
– Public Sector Reform	-	4.4	3.9	3.9	3.7
– Infrastructure WA	-	1.8	3.5	5.0	5.0
– Senior Executive Service Reductions	-0.4	-0.8	-0.8	-0.8	-0.8
Other Spending					
– Research Assistance to Minor Party Members in the Legislative Council	0.5	0.5	0.5	0.5	0.5
– Yarloop Bush Fire Clean-up	0.8	-	-	-	-
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.6	-	-	-
– Voluntary Targeted Separation Scheme	1.6	-0.5	-0.6	-0.6	-0.6
PUBLIC SECTOR COMMISSION					
Election Commitments					
– Senior Executive Service Reductions	-0.4	-0.8	-0.8	-0.8	-0.8
Other Spending					
– Voluntary Targeted Separation Scheme	– (a)	-0.3	-0.3	-0.3	-0.3
WESTERN AUSTRALIAN ELECTORAL COMMISSION					
– 2018-19 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
COMMISSIONER FOR EQUAL OPPORTUNITY					
– 2018-19 Streamlined Budget Process Incentive Funding	-	– (a)	-	-	-
OFFICE OF THE INFORMATION COMMISSIONER					
– 2018-19 Streamlined Budget Process Incentive Funding	-	– (a)	-	-	-
REGISTRAR, WESTERN AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION					
– 2018-19 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Voluntary Targeted Separation Scheme	0.1	-0.1	-0.1	-0.1	-0.1

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

Premier and Cabinet

Election Commitments

Public Sector Reform

The Department of the Premier and Cabinet has been allocated \$15.9 million over 2018-19 to 2021-22 to establish a central implementation unit to oversee the delivery of public sector reform and develop whole-of-government targets to improve the sector's performance and accountability. This will enable the Government to progress the findings of the *Service Priority Review*, the *Special Inquiry into Government Programs and Projects*, and the *Sustainable Health Review* in a coordinated and sustained manner.

Infrastructure WA

The Government has approved expenditure of \$15.3 million over 2018-19 to 2021-22 to establish Infrastructure WA (IWA), an independent body to provide expert advice to the Premier and Government on infrastructure needs and priorities. IWA's key objective will be to improve planning and decision making to maximise value to Western Australian taxpayers from infrastructure investment.

Other Spending

Research Assistance to Minor Party Members in the Legislative Council

An additional \$450,000 per annum will be spent over 2017-18 to 2021-22 to provide research assistance to minor party members in the Legislative Council, bringing total support to the minor parties to \$720,000 per annum over this period.

Yarloop Bush Fire Clean-up

A further \$800,000 will be spent in 2017-18 for remediation, waste removal and soil works arising from the January 2016 Yarloop Bush Fire.

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

An amount of \$628,000 will be spent in 2018-19 on implementation costs associated with the finalisation of the Settlement, including coordinating activities and work related to the Settlement and associated governance and community development projects.

FINANCIAL ADMINISTRATION

Table 4

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
TREASURY					
Election Commitments					
– Public Sector Reform	-	1.6	1.6	1.3	1.4
– Senior Executive Service Reductions	-0.5	-1.0	-1.0	-1.0	-1.0
Other Spending					
– Voluntary Targeted Separation Scheme	0.5	-0.9	-0.9	-0.9	-0.9
OFFICE OF THE AUDITOR GENERAL					
Election Commitments					
– Senior Executive Service Reductions	-0.1	-0.3	-0.3	-0.3	-0.3
Other Spending					
– Local Government Financial Audits	1.1	3.3	5.0	5.8	6.1
– 2018-19 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
FINANCE					
Election Commitments					
– Aboriginal Procurement Policy	-	0.5	0.5	0.5	-
– Senior Executive Service Reductions	-0.8	-1.7	-1.8	-1.8	-1.8
Other Spending					
– First Home Owner Grant Forecasts (Administered)	-3.0	-3.7	-3.6	-3.6	-
– Local Government Rates Rebates (Administered)	-	-0.5	-1.3	-2.6	-4.1
– Voluntary Targeted Separation Scheme	0.9	-1.8	-1.8	-1.8	-1.8

Treasury

Election Commitments

Public Sector Reform

In line with the Government's commitment to responsible financial management, an additional \$5.9 million has been allocated over 2018-19 to 2021-22 to enable the Department of Treasury to develop improved and standardised governance arrangements for Government Trading Enterprises, expand its revenue forecasting capacity, and provide additional guidance across the public sector on financial management and reporting issues.

Office of the Auditor General

Local Government Financial Audits

Financial audits of local governments to the value of \$21.3 million will be undertaken from 2017-18 to 2021-22 in accordance with the *Local Government Amendment (Auditing) Act 2017*, with costs to be fully recovered from local government authorities. This initiative will help ensure better financial management and reporting in the local government sector.

Finance

Election Commitments

Aboriginal Procurement Policy

The State's first Aboriginal Procurement Policy will take effect from 1 July 2018. A total of \$1.5 million will be spent over 2018-19 to 2020-21 to build capability within Aboriginal businesses to maximise their opportunities available through the policy. The policy requires all public sector agencies and Government Trading Enterprises to award 1% of all public sector procurement contracts from 1 July 2018, increasing to 2% from 1 July 2019 and 3% from 1 July 2020, to registered Aboriginal businesses. The aim of the policy is to support indigenous businesses and create jobs for indigenous employees.

Other Spending

First Home Owner Grant Forecasts (Administered)

First Home Owner Grant (FHOG) expenditure has been revised down by an estimated \$13.9 million over the four years to 2020-21, consistent with weaker than previously expected demand for first home purchases. FHOG expenditure has been lower than anticipated in 2017-18 to date, with forecast expenditure in 2018-19 and beyond consistent with projected changes in the population of 24-34 year olds (the cohort that best represents first home buyers).

Local Government Rates Rebates (Administered)

The removal of indexation for the Local Government Rates Rebate cap will generate savings of \$8.5 million from 2018-19 to 2021-22. These savings will be used to fund an equivalent increase over the same period in payments on grants and financial counselling services associated with the Hardship Utility Grants Scheme, which is administered by the Department of Communities.

JOBS AND ECONOMIC DEVELOPMENT

Table 5

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
JOBS, TOURISM, SCIENCE AND INNOVATION					
Election Commitments					
– Office of Defence West	-	2.0	2.9	-	-
– State Science, Technology, Engineering and Mathematics (STEM) Strategy	-	1.0	1.3	0.6	0.5
– Senior Executive Service Reductions	-0.1	-0.6	-0.6	-0.6	-0.6
Other Spending					
– Voluntary Targeted Separation Scheme	0.8	-1.2	-1.2	-1.2	-1.2
PRIMARY INDUSTRIES AND REGIONAL DEVELOPMENT					
Election Commitments					
– Natural Resource Management Metropolitan Program (Administered)	-	1.6	1.6	1.6	1.6
– Establishing Food Production Precincts	-	0.4	0.4	-	-
– Australian Centre for Applied Aquaculture Research	-	0.3	0.3	0.3	0.3
– Senior Executive Service Reductions	-0.5	-1.0	-1.0	-1.0	-1.0
Other Spending					
– Regional Economic Development Grants	-	6.3	6.3	5.0	5.0
– Building Western Australian Grains Research and Development Capacity	-	-	-	10.0	10.0
– Biosecurity and Agriculture Management Act – Declared Pest Control Activities	1.4	2.2	2.0	2.1	5.1
– Agriculture Projects	-	11.4	-	-	-
– Regional Investment Initiative	0.4	4.6	3.5	0.3	-
– Myalup Primary Industry Reserve	5.0	-	-	-	-
– Various Agricultural Research and Development Projects – Meat and Livestock Industries	1.4	0.8	0.8	0.8	0.2
– Depreciation Expense	-1.0	-2.0	-0.7	1.5	-
– Miriuwung and Gajerrong (MG) Corporation	0.3	0.2	-	-	-
– Shark Hazard Mitigation Initiatives	-	0.4	0.4	0.4	0.4
– Government Regional Officers' Housing	– (a)	– (a)	-0.5	-0.4	0.2
– Australian Trade and Investment Commission (TradeStart)	0.1	– (a)	-	-	-
– Voluntary Targeted Separation Scheme	6.1	-8.3	-8.4	-8.5	-8.6
RURAL BUSINESS DEVELOPMENT CORPORATION					
– 2018-19 Streamlined Budget Process Incentive Funding	-	– (a)	-	-	-
MINES, INDUSTRY REGULATION AND SAFETY					
Election Commitments					
– Senior Executive Service Reductions	-0.8	-1.5	-1.5	-1.5	-1.5
Other Spending					
– Magnetite Financial Assistance Program (Administered)	-	31.5	-	-	-
– Exploration Incentive Scheme	-	-	10.0	10.0	10.0
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.2	-	-	-
– Voluntary Targeted Separation Scheme	2.5	-3.6	-3.6	-3.7	-3.7
MINERAL RESEARCH INSTITUTE OF WESTERN AUSTRALIA					
Election Commitments					
– Renewable Technology Manufacturing Development in Western Australia	-	1.0	1.5	1.5	1.5
SMALL BUSINESS DEVELOPMENT CORPORATION					
– 2018-19 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Voluntary Targeted Separation Scheme	0.2	-0.3	-0.3	-0.3	-0.3
FOREST PRODUCTS COMMISSION					
– Relocation of Gnarup Pines Harvesting	0.8	1.7	-	-	-
GAMING AND WAGERING COMMISSION OF WESTERN AUSTRALIA					
– Racing Bets Levy Update	18.6	27.1	27.4	29.0	30.7

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

Jobs, Tourism, Science and Innovation

Election Commitments

Office of Defence West

Western Australia's specialised defence office, Defence West, will be provided an additional \$4.9 million over 2018-19 and 2019-20 to expand its operations, including the establishment of the Defence West Advisory Panel. The Panel will include members with an extensive military background and provide high level direction to better position Western Australian industry to secure future defence contracts and create local jobs.

State Science, Technology, Engineering and Mathematics (STEM) Strategy

A total of \$3.4 million will be spent over 2018-19 to 2021-22 for the expansion of the State STEM Strategy. The Strategy will focus on improving STEM education and identifying ways of promoting the importance of the key STEM skills of problem solving, critical thinking and innovation.

Primary Industries and Regional Development

Election Commitments

Natural Resource Management Metropolitan Program (Administered)

The Government has committed \$1.6 million per annum from 2018-19 to 2021-22 to continue the State's Natural Resource Management (NRM) program in the metropolitan area. The NRM program provides grants for activities that help conserve, restore and rehabilitate a local natural area or conserve biodiversity.

Establishing Food Production Precincts

The Government has allocated \$425,000 per annum in 2018-19 and 2019-20 to assist in protecting existing, and identifying new, high value food production precincts and processing opportunities for development in metropolitan Perth. The identified priority horticulture areas will facilitate further private sector investment to develop new food production businesses and technologies.

Australian Centre for Applied Aquaculture Research

The Government has approved additional operating expenditure of \$250,000 per annum from 2018-19 to 2021-22 to support growth in demand for services provided by this facility.

Other Spending

Regional Economic Development Grants

Regional Economic Development Grants, totalling \$22.5 million from 2018-19 to 2021-22, will be administered by the Department of Primary Industries and Regional Development.

The program will be competitive, supporting small, community-driven projects with the aim of delivering local jobs and stimulating economic activity at a local level.

Building Western Australian Grains Research and Development Capacity

An amount of \$10 million per annum in 2020-21 and 2021-22 will be spent on Grains Research and Development to drive improved productivity and profitability of the industry. It is anticipated that this commitment will assist in leveraging funding from the Grains Research and Development Corporation.

Biosecurity and Agriculture Management Act – Declared Pest Control Activities

Additional expenditure of \$12.8 million from 2017-18 to 2021-22 has been approved in accordance with the requirements of the *Biosecurity and Agriculture Management Act 2007*. The State's contribution of \$6.4 million will match updated rates levied on properties for declared pest control activities, including the introduction of five new Regional Biosecurity Groups.

Agriculture Projects

The Department will spend an additional \$11.4 million in 2018-19 to complete the Gascoyne Food Bowl and the Water for Food West Kimberley projects, and to continue the Asian Market Success, Boosting Western Biosecurity Defences and Boosting Grains Research and Development support projects.

Regional Investment Initiative

An amount of \$8.8 million will be spent from 2017-18 to 2020-21 on high priority regional projects focused on creating jobs and strengthening the State's economy. Business cases for projects under this initiative are under development.

Myalup Primary Industry Reserve

A total of \$5 million in 2017-18 will be spent to commence the establishment of the Myalup Primary Industry Reserve, involving the conversion of land from pine plantation to irrigated agriculture. The Myalup horticultural precinct project will leverage private sector investment, create local jobs and boost the agricultural value of the area.

Various Agricultural Research and Development Projects – Meat and Livestock Industries

Additional expenditure of \$4 million from 2017-18 to 2021-22 will support the delivery of various research and development programs, in collaboration with industry, to drive growth and productivity that will support the meat and livestock industries.

These initiatives are externally funded and comprise projects such as Live Export Industries Annual Transport Mortality Report, Advancing the Agronomy Package for Teder, Development of Sterile Leucaena, Dry Ageing Australian Sheep Meat, Capacity Building for the Western Australian Sheep Industry Value Chain and the Node Food Agility Co-operative Research Centre.

Depreciation Expense

A net reduction in expenditure of \$2.3 million over four years to 2020-21 reflecting a revised depreciation schedule for the South Perth headquarters. The planned redevelopment of the site is under consideration.

Miriuwung and Gajerrong (MG) Corporation

Grants totalling \$500,000 over 2017-18 and 2018-19 will be provided to the MG Corporation to provide governance and operational support due to the Corporation's financial sustainability being impacted by delays in Ord land releases.

Shark Hazard Mitigation Initiatives

An amount of \$400,000 per annum from 2018-19 to 2021-22 will be spent on shark hazard mitigation initiatives including rebates for shark deterrent devices.

Government Regional Officers' Housing

A net reduction in expenditure of \$724,000 from 2017-18 to 2021-22 will be reflected in relation to the housing needs of the Department's regional staff.

Australian Trade and Investment Commission (TradeStart)

An amount of \$182,000 will be spent over 2017-18 and 2018-19 to assist small to medium sized exporters in achieving long-term success in international markets through a range of information and education services provided in partnership with the Commonwealth Government.

Mines, Industry Regulation and Safety

Magnetite Financial Assistance Program (Administered)

Funding totalling \$31.5 million will be provided to extend the program until the end of calendar year 2018, continuing the provision of a rebate of up to 50% of royalty payments for eligible companies.

Exploration Incentive Scheme

The Government has approved additional expenditure of \$10 million per annum from 2019-20 onwards to extend the scheme, which encourages exploration in Western Australia through a co-funded drilling program and pre-competitive geoscience work. The extension of the scheme will be funded by industry through an increase in annual Mining Tenement Rents.

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

An amount of \$175,000 will be spent in 2018-19 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.

Mineral Research Institute of Western Australia

Election Commitments

Renewable Technology Manufacturing Development in Western Australia

Funding of \$5.5 million will be provided to the Mineral Research Institute of Western Australia (MRIWA) to support developing and manufacturing renewable energy technologies. The funding will be invested in the New Energy Industry Cooperative Research Centre, if the MRIWA is successful in its bid for the centre to be headquartered in Western Australia. Western Australia is well positioned to support the development of new technologies and industries, building on the State's abundance and variety of natural minerals, as well as the extensive research and industry capabilities and avenues for investment.

Forest Products Commission

Relocation of Gnangara Pines Harvesting

The Forest Products Commission is reducing pine harvesting in its northern pine plantations until 30 June 2019, and undertaking harvesting at other locations, to minimise impacts on the Carnaby's Cockatoo. An amount of \$2.5 million will be spent over 2017-18 and 2018-19 to meet additional haulage and thinning costs associated with harvesting at alternative sites.

Gaming and Wagering Commission of Western Australia

Racing Bets Levy Update

Forecast Racing Bets Levy payments by the Commission to Racing and Wagering Western Australia have been revised up by \$132.9 million over 2017-18 to 2021-22 following an update to the Racing Bets Levy estimates. These revised estimates are offset by a corresponding projected increase in Racing Bets Levy revenue.

HEALTH

Table 6

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WA HEALTH					
Election Commitments					
– Protection for Frontline Security Staff ^(a)	-	1.1	0.6	0.6	-
– Valley View Residence Facilities Upgrade	-	0.5	-	-	-
– Senior Executive Service Reductions	-0.5	-1.0	-1.0	-1.0	-1.0
– Internal Reallocation to Fund Election Commitments	-	-0.4	-0.2	-0.2	
Other Spending					
– National Partnership on Essential Vaccines	22.5	22.7	23.1	24.1	24.1
– Update to Depreciation Expense	-20.6	0.4	-12.7	-17.0	-20.0
– Non-Hospital Services Expenditure	-	16.6	16.8	17.1	17.3
– Hospital Services Expenditure	-	-16.5	2.1	25.8	49.7
– Home and Community Care Transition	-	23.7	2.6	-13.9	-13.9
– Project Agreement for the Expansion of the BreastScreen Australia Program	1.6	1.6	1.6	1.7	-
– Voluntary Targeted Separation Scheme	10.1	-18.1	-18.2	-18.4	-18.7
MENTAL HEALTH COMMISSION					
Election Commitments					
– Alcohol and Other Drug Residential Rehabilitation and Treatment Service in the South West	-	1.3	2.6	0.8	2.7
– Step Up/Step Down Mental Health Facility in Geraldton	-	-	-	-	1.8
– Preventing and Reducing Methamphetamine Related Harm	-	0.4	-	-	-
– Senior Executive Service Reductions	-0.3	-0.5	-0.5	-0.5	-0.5
Other Spending					
– Mental Health Public Hospital Services	-	3.2	5.9	8.8	12.1
– Alcohol Interlocks Assessment and Treatment Services	-	1.4	-	-	-
– Voluntary Targeted Separation Scheme	0.1	-0.4	-0.4	-0.4	-0.4

(a) Existing agency spending has been reprioritised to meet some of the costs of this commitment.

WA Health

Election Commitments

Protection for Frontline Security Staff

To provide a safer working environment for frontline security staff at major hospitals and for at-risk public health workers, the Government has committed to spend \$2.2 million over 2018-19 to 2020-21, including \$0.8 million internally reprioritised funding, for the purchase of anti-stab vests and duress alarms.

Valley View Residence Facilities Upgrade

A grant of \$500,000 will be provided to the Valley View Residence Aged Care facility in 2018-19 for building upgrades and improvements.

Other Spending

National Partnership on Essential Vaccines

To continue the implementation of the National Immunisation Program, an additional \$116.5 million in vaccines will be provided from 2017-18 to 2021-22. These vaccines will be provided by the Commonwealth under a renewed National Partnership Agreement on Essential Vaccines. The majority of vaccines provided are for young children, as well as adolescents, high risk adults and older people.

Update to Depreciation Expense

Depreciation expenses have been revised down by a net \$69.9 million from 2017-18 to 2021-22, mainly due to the delayed commissioning of the Perth Children's Hospital and an update to WA Health's Asset Investment Program depreciation schedule.

Non-Hospital Services Expenditure

To meet the projected cost and demand for non-hospital services within the Western Australian health system, an additional \$67.8 million will be spent from 2018-19 to 2021-22. These services include prevention and promotion programs, palliative care, patient transport and Aboriginal health services.

Hospital Services Expenditure

The Government has approved additional expenditure of \$61 million across the forward estimates period to reflect revised activity and cost settings for public hospital services. The revisions reflect the flow-on impacts of higher than expected 2017-18 activity, partially offset by a reduction in unit costs in 2017-18 as a result of improved efficiency in the delivery of hospital services.

The revised settings provide for average expense growth for public hospital services of 3.3% per annum over the forward estimates period.

Home and Community Care Transition

Following a review of State funding for existing Home and Community Care (HACC) services, an additional \$26.3 million will be spent over 2018-19 and 2019-20 on existing clients, prior to their transition to the NDIS. Ongoing expenditure requirements following Western Australia's full transition to the NDIS in 2020-21 have been reduced by \$13.9 million per annum. These requirements include spending on complex nursing and allied health services, and services for existing HACC clients under the age of 65 who are ineligible for the NDIS.

Project Agreement for the Expansion of the BreastScreen Australia Program

A further \$6.5 million will be spent from 2017-18 to 2020-21 to continue the Project Agreement for the Expansion of the BreastScreen Australia Program. This expenditure relates to the receipt of Commonwealth funding to continue BreastScreen services for women aged 70-74.

Mental Health Commission

Election Commitments

Alcohol and Other Drug Residential Rehabilitation and Treatment Service in the South West

The opening of new alcohol and other drug rehabilitation services in the South West is funded by an additional \$7.5 million over 2018-19 to 2021-22. This brings forward the planned commencement of these services by two years and increases the total allocation to \$9.3 million over the next four years for an additional 33 treatment beds across the region.

Capital funding for the establishment of a residential rehabilitation centre in 2020 was provided as part of the 2017-18 Budget under the Government's Methamphetamine Action Plan. However, the Commission has established that facilities will instead be able to be provided by non-government organisations and will seek to commence services in early 2019, which is two years earlier than previously expected.

Step Up/Step Down Mental Health Facility in Geraldton

As part of the new 10 bed Step Up/Step Down Mental Health Facility in Geraldton, operational funding of \$1.8 million in 2021-22 has been approved. Capital investment of \$5.9 million has also been allocated for this project (see Chapter 6), which will provide short term, residential support and individualised care for people with mental health issues.

Preventing and Reducing Methamphetamine Related Harm

Expenditure of \$400,000 in 2018-19 will allow the continuation of prevention and education initiatives, including the proactive targeting of youth programs, to reduce methamphetamine use and harm in the community.

Other Spending

Mental Health Public Hospital Services

Expenditure on public specialised mental health services (which is reflected in payments to WA Health for the delivery of those public hospital services) has increased by \$29.9 million over 2018-19 to 2021-22. This reflects the flow-on impacts of higher than expected 2017-18 activity, partially offset by a reduction in unit costs.

The revised settings provide for average expense growth for mental health public hospital services of 3% per annum over the forward estimates period.

Alcohol Interlocks Assessment and Treatment Services

The Commission will spend \$1.4 million in 2018-19 to deliver Alcohol Assessment and Treatment services under the Alcohol Interlock Scheme, which applies to people who have committed serious and/or repeat drink driving offences. Funded through the Road Trauma Trust Account, these services will be delivered by approved alcohol and other drug treatment providers across Western Australia.

EDUCATION AND TRAINING

Table 7

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
EDUCATION					
Election Commitments					
– Senior Executive Service Reductions	-1.0	-1.2	-1.2	-1.1	-2.0
Other Spending					
– Revision to Student Enrolments and Education Costs	2.9	7.6	23.4	30.9	63.6
– Per-Capita Grants to Non-Government Schools	-0.6	-10.3	-11.9	-2.1	-
– Voluntary Targeted Separation Scheme	16.7	-17.4	-23.3	-36.7	-50.7
TRAINING AND WORKFORCE DEVELOPMENT/TAFE COLLEGES					
Election Commitments					
– Vocational Education and Training Fee Freeze	-	-	3.2	3.2	4.8
– Senior Executive Service Reductions					
• Training and Workforce Development	-0.4	-0.7	-0.7	-0.7	-0.7
• TAFE Colleges	-0.5	-1.0	-1.0	-1.0	-1.0
Other Spending					
– Revisions to International Student Training Expenses	-6.7	-9.4	-7.3	-5.2	-2.9
– Voluntary Targeted Separation Scheme ^(a)					
• Training and Workforce Development	0.1	-6.7	-6.8	-6.9	-7.0
• TAFE Colleges	3.7	-	-	-	-

(a) Savings related to cessations at TAFE Colleges will be delivered by the Department of Training and Workforce Development.

Education

Revision to Student Enrolments and Education Costs

Recurrent expenditure for government schools has been revised up by a total of \$128.4 million from 2017-18 to 2021-22, primarily as a result of higher than expected student enrolments in Semester 1, 2018.

The revised forecasts also incorporate adjustments to education costs, including the Government's wages and non-salary costs indexation policies, as well as the expected superannuation guarantee increase to 10% from 1 July 2021.

Per-Capita Grants to Non-Government Schools

Recurrent per-capita grants to non-government schools have been reduced by \$24.9 million over 2017-18 to 2020-21, reflecting lower than forecast enrolments in Semester 1, 2018. This is consistent with the recent trend of student migration from the non-government schools sector into government schools.

Training and Workforce Development/TAFE Colleges

Election Commitments

Vocational Education and Training Fee Freeze

To fulfil the Government's commitment to freeze all vocational education and training (VET) course fees from 2018 to 2021, an additional \$11.2 million will be spent over 2019-20 to 2021-22. This reflects spending requirements to maintain the freeze in the second half of the 2021 training year, as well as maintaining fee caps for school-aged VET students. The freeze on VET fees is aimed at encouraging more students to undertake training, including students aged 15 to 17 years.

Other Spending

Revisions to International Student Training Expenses

Recurrent expenditure has been revised down by a total of \$31.6 million from 2017-18 to 2021-22 to reflect the most up-to-date international student training demand forecasts. Notwithstanding the revision to expenditure, international student enrolments are expected to grow over the forward estimates period.

COMMUNITY SAFETY

Table 8

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WESTERN AUSTRALIA POLICE FORCE					
Election Commitments					
– Senior Executive Service Reductions	-0.3	-0.5	-0.5	-0.5	-0.5
Other Spending					
– Policing at Major Events	0.9	1.8	1.8	1.8	1.8
– National Domestic Violence Order Scheme	-	0.8	0.5	0.5	0.5
– Road Trauma Trust Account					
• Community Education to Improve Road Safety Outcomes	-	7.0	7.0	7.0	7.3
• Towards Zero Road Safety Strategy Development	-	0.2	0.4	-	-
• Breath and Drug Bus Replacement	-	0.1	-	-	-
– Voluntary Targeted Separation Scheme ^(a)	11.0	13.5	-3.2	-3.2	-3.3
JUSTICE					
Election Commitments					
– Senior Executive Service Reductions	-1.0	-2.0	-2.0	-2.0	-2.0
Other Spending					
– Regional Youth Justice Services – Kimberley and Pilbara	-	5.3	5.3	5.4	5.5
– Cost and Demand Forecasts	-1.5	0.4	- ^(b)	-2.4	9.2
– Court and Tribunal Security Checkpoint Workforce	-	1.6	1.3	1.3	1.3
– Magistrates Court – Additional Judicial Resources	-	0.9	1.1	1.1	1.1
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.2	-	-	-
– Voluntary Targeted Separation Scheme	10.1	-12.4	-12.5	-12.6	-12.8
LEGAL AID COMMISSION OF WESTERN AUSTRALIA					
– Cost and Demand Forecasts	3.8	3.2	-	-	-
– Commonwealth Expensive Cases	2.1	-	-	-	-
– Voluntary Targeted Separation Scheme	0.5	-0.6	-0.6	-0.6	-0.7
FIRE AND EMERGENCY SERVICES					
Election Commitments					
– Senior Executive Service Reductions	-0.3	-0.5	-0.5	-0.5	-0.5
Other Spending					
– Enhanced Bushfire Risk Management Planning Mitigation	-	5.9	6.7	10.9	11.1
– Enhanced Bushfire Risk Management Planning	-	3.7	3.7	3.8	3.8
– Volunteer Marine Rescue Services	-	3.0	4.5	6.0	6.0
– Bushfire Centre of Excellence	-	0.5	6.2	7.3	4.1
– Rural Fire Division Support	-	3.1	3.1	3.2	3.2
– Comprehensive Crew Cab Protection	-	5.3	-	-	-
– Volunteer Fire and Emergency/Rescue Service Stations Upgrade and Replacement Program	-	0.7	0.7	-	-
– Voluntary Targeted Separation Scheme	1.0	-3.1	-3.1	-3.2	-3.2
OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS					
– Cost and Demand Forecasts	0.5	1.9	-	-	-
– Special Prosecutions Division	-	1.6	-	-	-
CHEMISTRY CENTRE (WA)					
– Voluntary Targeted Separation Scheme	0.2	-0.2	-0.2	-0.2	-0.2
OFFICE OF THE INSPECTOR OF CUSTODIAL SERVICES					
– 2018-19 Streamlined Budget Process Incentive Funding	-	- ^(b)	-	-	-

Table 8 (cont.)

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION					
– 2018-19 Streamlined Budget Process Incentive Funding	-	- (b)	-	-	-

(a) Includes a separate voluntary separation scheme for police officers appointed under the *Police Act 1892*, under similar principles to the Government's Voluntary Targeted Separation Scheme.

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

Western Australia Police Force***Policing at Major Events***

A total of \$8.1 million will be spent over 2017-18 to 2021-22 to provide a police presence at major events. The increase in spending is fully offset by revenue generated from organisers of major sporting and entertainment events.

National Domestic Violence Order Scheme

A total of \$2.3 million will be spent over the forward estimates period on ICT systems to support the integration of the National Order Reference System to improve the monitoring of domestic violence orders across Australia. A further \$2 million in capital investment has been approved for this initiative in 2018-19 (see Chapter 6).

Road Trauma Trust Account***Community Education to Improve Road Safety Outcomes***

The Road Safety Commission will spend \$28.3 million over the forward estimates period to continue its delivery of core community education campaigns. These campaigns target at-risk road user groups to promote appropriate road usage behaviour and reduce road trauma.

Towards Zero Road Safety Strategy Development

To commence the development of a new overarching road safety strategy for Western Australia, an amount of \$575,000 has been allocated over 2018-19 and 2019-20. The strategy will be implemented during 2020-21.

Breath and Drug Bus Replacement

A total of \$116,000 will be spent in 2018-19 to fit out two new small breath and drug buses to assist the Western Australia Police Force in conducting roadside alcohol and drug testing. An additional \$656,000 in capital investment has been approved for the purchase of the buses in 2018-19 (see Chapter 6).

Justice

Regional Youth Justice Services – Kimberley and Pilbara

The Government has approved \$21.5 million to be spent from 2018-19 to 2021-22 to continue the delivery of regional youth justice services in the Kimberley and Pilbara. These services include the supervision of young people on community based orders, and enhanced access to bail and counselling.

Cost and Demand Forecasts

Recurrent expenditure has been revised up by a net \$5.8 million over 2017-18 to 2021-22 as a result of updated forecasts of adult prisoner growth and associated costs.

Court and Tribunal Security Checkpoint Workforce

Expenditure of \$5.4 million from 2018-19 to 2021-22 has been approved to operationalise recently installed security screening equipment (X-rays and metal detection portals) at the State Administrative Tribunal and seven metropolitan courthouses.

Magistrates Court – Additional Judicial Resources

Two additional Magistrates and two support staff will be funded at a cost of \$4.2 million over 2018-19 to 2021-22 to address current and emerging demand pressures in the Magistrates Court. This additional expenditure will be offset by an increase in court and tribunal fees of 7.5% in 2018-19.

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

An amount of \$190,000 will be spent in 2018-19 to meet the State Solicitor's Office costs of providing advice on the Indigenous Land Use Agreement registration and implementation process.

Legal Aid Commission of Western Australia

Cost and Demand Forecasts

The Commission's total expenditure will increase by \$7 million over 2017-18 and 2018-19, reflecting forecast growth in demand for legal assistance services. The impact of increases in the Commission's case workload for State matters will be monitored and assessed on an emerging basis.

Commonwealth Expensive Cases

A further \$2.1 million will be spent in 2017-18 to meet legal services costs associated with unavoidable Commonwealth expensive cases. The increase in expenses is fully offset by revenue from the Commonwealth.

Fire and Emergency Services

This Budget delivers record additional investment of \$128.5 million over the next four years for critical fire and emergency services (including some capital investment – see Chapter 6). All of the following initiatives are funded from monies raised through the Emergency Services Levy.

Enhanced Bushfire Risk Management Planning Mitigation

An additional \$34.6 million will be spent over 2018-19 to 2021-22 on mitigation activities informed by the Bushfire Risk Management Planning process. These mitigation activities are in addition to the existing Mitigation Activity Fund.

Enhanced Bushfire Risk Management Planning

An additional \$15 million will be spent over 2018-19 to 2021-22 to assist local governments identify and manage their bushfire risks, therefore reducing the level of risk across the State.

Volunteer Marine Rescue Services

To improve resourcing for Western Australia's 38 Volunteer and Marine Rescue groups that provide emergency services along the State's coastline, an additional \$19.5 million will be spent over 2018-19 to 2021-22 to provide new vessels, building improvements, new vehicles, a standardised training program, and standardised internet-based communications systems.

Bushfire Centre of Excellence

The establishment of a Bushfire Centre of Excellence to facilitate greater bushfire capability across government agencies, local government, volunteers and landholders will be funded by an allocation of \$18.1 million over 2018-19 to 2021-22. The Centre will provide a specialised facility for volunteers to train other volunteers in bushfire firefighting.

Rural Fire Division Support

An amount of \$12.6 million will be spent over 2018-19 to 2021-22 on costs associated with the establishment of the Rural Fire Division and operational support to the Centre of Excellence.

Comprehensive Crew Cab Protection

A further \$5.3 million will be spent in 2018-19 to complete the rollout of crew protection measures in 111 local government-owned bushfire appliances, primarily in the North West of Western Australia. A further \$3.5 million has been committed as part of the Asset Investment Program (see Chapter 6).

Volunteer Fire and Emergency/Rescue Service Stations Upgrade and Replacement Program

A grant of \$700,000 each year in 2018-19 and 2019-20 will be paid to upgrade the Volunteer Fire and Rescue Service Station in Gingin under the replacement program.

Office of the Director of Public Prosecutions

Cost and Demand Forecasts

The Office's total expenditure will increase by \$2.4 million over 2017-18 and 2018-19, reflecting forecast growth in demand for core prosecution services. The Office's case workload will be monitored and assessed on an emerging basis.

Special Prosecutions Division

The Office will spend an additional \$1.6 million in 2018-19 to continue the operation of a special prosecution division assigned to prosecute the complex and high-profile case arising from Western Australia Police Force's Macro Taskforce operation.

COMMUNITY SERVICES

Table 9

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
COMMUNITIES					
Election Commitments					
– Target 120	-	2.0	3.8	6.6	8.1
– Establishment of a New 'Breathing Space' Service	-0.2 ^(a)	-	0.9	0.9	0.9
– Crisis and Transitional Accommodation in Collie	-	0.4	0.1	0.1	0.1
– Senior Executive Service Reductions	-1.0	-2.0	-2.0	-2.0	-2.0
Other Spending					
– National Disability Insurance Scheme					
• Revised Bilateral Agreement	-112.7	-369.9	-671.9	-1,087.1	-1,196.7
• Sector Support – Disability Services	-	11.9	8.5	-	-
• Workforce Transition Costs – Disability Services	-	10.0	4.5	-	-
– Disability Services Specific Purpose Payment	-5.0	-5.7	-6.6	-	-
– Hardship Utility Grant Scheme	-1.0	3.5	1.9	2.0	2.1
– Voluntary Targeted Separation Scheme	12.7	-16.6	-16.8	-17.0	-17.2
LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES					
Election Commitments					
– Contemporary Music Fund	-	0.5	1.0	1.0	0.5
– Virtual Reality Festival ^(b)	-	0.1	0.1	0.1	-
– Premier's Book Awards ^(b)	-	0.1	0.1	0.1	0.1
– Stop Puppy Farming	-	0.3	-	-	-
– Italian Insertion Program ^(b)	-	0.1	-	-	-
– Senior Executive Service Reductions	-0.5	-1.0	-1.0	-1.0	-1.0
– Internal Reallocation to Fund Election Commitments	-	-0.3	-0.2	-0.2	-0.1
Other Spending					
– City of Perth Inquiry Panel	0.3	1.6	0.6	-	-
– Albany Entertainment Centre	-	-	0.5	0.5	0.5
– Goldfields Art Centre	-	-	0.1	0.1	0.1
– Voluntary Targeted Separation Scheme	1.6	-2.7	-2.7	-2.7	-2.7
WESTERN AUSTRALIAN SPORTS CENTRE TRUST					
– Optus Stadium Insurance	0.4	0.7	0.7	0.8	0.8

(a) A previous funding allocation of \$200,000 has been reprioritised to meet some of the cost of this commitment.

(b) Existing agency spending has been reprioritised to meet some or all of this commitment.

Communities

Election Commitments

Target 120

Target 120 is a coordinated and assertive early intervention program designed to work with high risk juvenile offenders to change their offending behaviours, and make communities safer through the provision of coordinated and timely access to services. A total of \$20.5 million will be spent over 2018-19 to 2021-22 on the program. A data-driven Social Investment Approach will be used to target the program and evaluate its effectiveness.

Establishment of a New ‘Breathing Space’ Service

The Government has funded the establishment of a new ‘Breathing Space’ service from 2019-20 to 2021-22 at a cost of \$2.6 million. Breathing Space is a specialised, residential program designed to assist perpetrators of family and domestic violence in changing their behaviour.

Crisis and Transitional Accommodation in Collie

An amount of \$360,000 will be spent in 2018-19 to refurbish two Department of Communities’ properties for use as crisis and transitional accommodation in Collie. Additional appropriation of \$30,000 in 2018-19 and \$60,000 per annum from 2019-20 has been allocated towards operational expenses.

Other Spending

NDIS – Revised Bilateral Agreement

Relative to the previous assumption of a State-run NDIS, expenditure on disability services will reduce by \$3.4 billion over 2017-18 to 2021-22 as a result of the revised *Bilateral Agreement between the Commonwealth and Western Australia – Transition to a National Disability Insurance Scheme in Western Australia*, which was agreed on 12 December 2017. Under the revised agreement, the Commonwealth (through the NDIA) will operate the NDIS in Western Australia. Additional detail on the financial impact of the revised agreement, which also includes a \$55 million reduction in Treasury Administered expenditure, is outlined in the feature box earlier in this chapter.

NDIS – Sector Support – Disability Services

The Government has approved a sector support package totalling \$20.3 million over 2018-19 and 2019-20 to assist the disability services sector in its transition to the Commonwealth-operated NDIS. The funding will assist non-government organisations in improving organisational-level strategy and infrastructure (including required system adaptations), national compliance requirements, and workforce capacity and capability.

NDIS – Workforce Transition Costs – Disability Services

To support the State’s transition to the Commonwealth NDIS, a total of \$14.5 million will be spent over 2018-19 and 2019-20 on workforce transition costs, including secondments and staff transfers. Under the terms of the revised bilateral agreement, approximately 25 State employees will be seconded to the NDIA on a short-term basis to assist the transfer of existing Western Australian NDIS participants to the NDIA, and up to 200 employees are expected to permanently transfer to the NDIA over the transition period.

For permanently transferring employees, the *Public Sector Management (Redeployment and Redundancy) Regulations 2014* provide for transition payments to be made to employees redeployed to positions outside the public sector.

Disability Services Specific Purpose Payment

Disability services expenditure will reduce by \$17.3 million from 2017-18 to 2019-20 as a result of a reduction in the National Disability Services Specific Purpose Payment from the Commonwealth, as reflected in its 2017-18 *Mid-year Economic and Fiscal Outlook*. This reflects downward revisions to the Commonwealth’s population forecasts for Western Australia.

Hardship Utility Grant Scheme (HUGS)

A further \$3.5 million has been allocated to the HUGS in 2018-19 to meet anticipated demand for payments under the Scheme, and an additional \$6 million will be spent on financial counselling services between 2019-20 and 2021-22. From 2019-20, all applications for HUGS grants will be assessed by financial counselling service providers.

Local Government, Sport and Cultural Industries

Election Commitments

Contemporary Music Fund

The Government has committed \$3 million over 2018-19 to 2021-22 to establish a fund to support the contemporary music industry in Western Australia. Grants will be available to promote local musicians and assist them with marketing, promotional, performance, recording and production costs. The Fund will enable musicians and those working in the industry to build links between the local music industry and the national and international industry.

Virtual Reality Festival

The Government will spend \$300,000 over 2018-19 to 2020-21 to introduce a new annual festival to attract filmmakers using new technologies such as virtual reality.

Premier's Book Awards

To re-establish the Premier's Book Awards as an annual event, an amount of \$260,000 will be spent over 2018-19 to 2021-22.

Stop Puppy Farming

An amount of \$250,000 will be spent in 2018-19 to progress planning for the implementation of initiatives to stop puppy farming to improve the future health, welfare and protection of dogs.

Italian Insertion Program

The Government has committed a further \$110,000 in 2018-19 to the Italian Insertion Program, bringing total expenditure on the program over the period 2017-18 to 2019-20 to \$720,000.

Other Spending

City of Perth Inquiry Panel

The Government has allocated a total of \$2.4 million over 2017-18 to 2019-20 for the inquiry into the operations and affairs of the City of Perth. The inquiry will investigate the City's governance issues and will have the authority to make recommendations as to whether the council should be dismissed or reinstated.

Albany Entertainment Centre

An amount of \$500,000 per annum from 2019-20 to 2021-22 has been allocated as the State's contribution towards the operational and maintenance costs of the Albany Entertainment Centre.

Goldfields Art Centre

Expenditure of \$420,000 over 2019-20 to 2021-22 will address a backlog in maintenance at the Goldfields Art Centre.

Western Australian Sports Centre Trust

Optus Stadium Insurance

An amount of \$3.4 million from 2017-18 to 2021-22 will be spent to cover insurance costs associated with special risks, excess liability and professional indemnity for the operating phase of Optus Stadium.

TRANSPORT

Table 10

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
TRANSPORT					
Election Commitments					
– Principal Shared Path Program Continuation ^(a)	-	-	-	10.0	10.0
– Continuation of the Bike Boulevard and Western Australian Bicycle Network Grant Programs ^(a)	-	-	-	-	5.3
– Senior Executive Service Reductions	-0.5	-1.0	-1.0	-1.0	-1.0
Other Spending					
– Repairs and Maintenance for Maritime Infrastructure	-	0.3	2.7	3.3	4.1
– On-Demand Transport Reform – Assistance for Mandurah and Murray Operators	-	0.4	-	-	-
– Voluntary Targeted Separation Scheme	0.9	-0.4	-0.3	-0.3	-0.3
COMMISSIONER OF MAIN ROADS					
Election Commitments					
– Stephenson Avenue Extension	-	10.0	25.0	30.0	-
– Senior Executive Service Reductions	-0.3	-0.5	-0.5	-0.5	-0.5
Other Spending					
– Road Maintenance Expenditure	-	-12.4	-71.1	-123.4	-121.4
– Operating Expenditure Update	-12.9	-21.2	-8.7	-15.7	-
– Motor Vehicle Licence Revenue and Expenditure Update	-	-0.2	-6.9	-25.5	-0.6
– Road Transfers to Local Governments	-	24.2	6.2	-	-
– Reallocation to Fund Election Commitments within the Transport Portfolio	-	-	-	-10.0	-10.0
– Local Roads Expenditure Update – Cycling Grants	-	-	-	-	-5.3
– Road Trauma Trust Account – Speed Monitoring Project	-	0.1	0.1	0.1	0.1
PUBLIC TRANSPORT AUTHORITY OF WESTERN AUSTRALIA ^(b)					
Election Commitments					
– METRONET Office Expenses	-	1.9	2.0	2.0	2.0
– Senior Executive Service Reductions	-0.1	-0.3	-0.3	-0.3	-0.3
Other Spending					
– Railcar Replacement Operating Costs	-	-	-	3.2	23.1
– Revised Fuel Expenses	2.2	6.1	4.0	2.3	1.7
– Revised Interest Expenses	-1.1	-0.9	3.7	3.9	6.8
– Voluntary Targeted Separation Scheme	0.3	-0.3	-0.3	-0.3	-0.3
MID WEST PORTS AUTHORITY ^(b)					
– Financial Assistance for Karara Mining Limited	-	2.4	-	-	-

(a) Funding has been reprioritised from within the Transport portfolio to fund these commitments.

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

Transport

Election Commitments

Principal Shared Path Program Continuation

The Principal Shared Path (PSP) program will be provided a \$20 million increase over the forward estimates period. This will accelerate the completion of the PSP network within the 15 kilometre radius of the Perth central business district. The extension of the PSP election commitment will be funded through the reprioritisation of \$20 million over 2020-21 and 2021-22 of Main Roads' operating expenditure.

Continuation of the Bike Boulevard and Western Australian Bicycle Network Grant Programs

A further \$5.3 million has been allocated in 2021-22 to continue the Western Australian Bicycle Network and Bike Boulevard grant programs to Local Government Authorities to invest in cycling infrastructure. Funding will be directed from the State Road Funds to Local Government Agreement.

Other Spending

Repairs and Maintenance for Maritime Infrastructure

Over the forward estimates period, an additional \$10.4 million will be spent on repairs and maintenance for State-owned maritime infrastructure. The increase in expenditure will be funded from the implementation of a new State-wide fee structure for maritime facilities.

On-Demand Transport Reform – Assistance for Mandurah and Murray Operators

One-off payments totalling \$390,000 will be provided in 2018-19 to holders of existing taxi-car licences in the districts of Mandurah and Murray. These grants are to assist with the transition to levy collection associated with the Taxi Plate Buy Back Scheme.

Commissioner of Main Roads

Election Commitment

Stephenson Avenue Extension

Grants to the City of Stirling towards the extension of Stephenson Avenue between Scarborough Beach Road and the Mitchell Freeway will increase by \$65 million between 2018-19 and 2020-21. This will be funded by the Commonwealth Government. The State Government previously provided \$60 million towards the project as part of the 2017-18 Budget.

Other Spending

Road Maintenance Expenditure

Main Roads' road maintenance budget between 2018-19 and 2021-22 will total \$1.8 billion which is \$438 million more than road maintenance expenditure over the four years up to and including 2016-17 (\$1.3 billion). Growth in road maintenance expenditure will now be set to \$2 million per annum from 2018-19.

Operating Expenditure Update

Main Roads' operating expenditure has been revised down by a net \$58.6 million from 2017-18 to 2020-21 as a result of:

- \$22.3 million being reallocated towards capital expenditure across 2018-19 and 2019-20 for upgrades to the Mitchell Freeway and Albany Highway bridges;
- a \$12.9 million reduction in disaster recovery expenditure in 2017-18, reflecting works undertaken in 2016-17 that were previously budgeted for 2017-18; and
- a \$23.3 million reduction in 2019-20 and 2020-21 to enable Main Roads to meet previous savings measures.

Motor Vehicle Licence Revenue and Expenditure Update

Main Roads' operating expenditure is expected to decrease by a net \$33.2 million to offset a reduction in motor vehicle licence (MVL) revenues over the forward estimates period. This revenue is hypothecated to Main Roads under the *Road Traffic (Administration) Act 2008*. The update includes a \$7 million reduction in local government road grants under the State Road Funds to Local Government Agreement, as these grants are tied to MVL revenues.

Road Transfers to Local Governments

The total value of road transfers from the State to local governments has increased by \$30.4 million across 2018-19 and 2019-20, including transfers of sections of Brearley Avenue and the Bussell Highway.

Reallocation to Fund Election Commitments within the Transport Portfolio

A total of \$20 million over 2020-21 and 2021-22 will be reprioritised towards the Principal Shared Path program of works administered by the Department of Transport.

Local Roads Expenditure Update – Cycling Grants

Main Roads' expenditure on State-initiated local road projects under the State Road Funds to Local Government Agreement has been reduced by \$5.3 million in 2021-22. This funding has been reallocated to local government cycling grant programs administered by the Department of Transport.

Road Trauma Trust Account – Speed Monitoring Project

An amount of \$400,000 will be spent over the forward estimates period to conduct a travel speed study which will measure the effectiveness of previous and current speed reduction strategies.

Public Transport Authority

Election Commitments

METRONET Office Expenses

A total of \$7.9 million over the forward estimates period has been provided to meet METRONET Office operating costs, including whole-of-program oversight, coordination and stakeholder engagement.

Other Spending

Railcar Replacement Operating Costs

The operating subsidy paid to the Public Transport Authority will increase by \$26.3 million across 2020-21 and 2021-22 to fund increased operating costs associated with the replacement of Transperth railcars (see Chapter 6 for information on the related asset investment).

Revised Fuel Expenses

Higher fuel cost projections for buses will increase expenditure by \$16.3 million from 2017-18 to 2021-22. The increase primarily reflects higher oil price forecasts.

Revised Interest Expenses

Changes in the timing of asset investment expenditure will increase the Authority's debt servicing costs by \$12.4 million over the period 2017-18 to 2021-22.

Mid West Ports Authority

Financial Assistance for Karara Mining Limited

Financial assistance totalling \$2.4 million has been allocated in 2018-19 to compensate the Mid West Ports Authority for the projected loss of revenue from a discount on port user charges provided to Karara Mining Limited. The discount has been extended to 31 December 2018.

ENVIRONMENT

Table 11

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WATER AND ENVIRONMENTAL REGULATION					
Election Commitments					
– Senior Executive Service Reductions	-0.6	-1.1	-1.1	-1.1	-1.1
Other Spending					
– Environment Regulation Services	-	2.5	2.8	2.8	2.9
– Pilbara Environmental Offsets	- (a)	2.4	2.3	2.3	2.3
– Water Licence Compliance and Enforcement	-	0.7	0.7	0.7	0.7
– Rural Water Grants	-	-	-1.3	-0.6	-0.6
– Voluntary Targeted Separation Scheme	3.7	-4.8	-4.8	-4.9	-4.9
BIODIVERSITY, CONSERVATION AND ATTRACTIONS					
Election Commitments					
– Preston River to Ocean Regional Park and Leschenault Regional Park	-	1.2	1.2	1.2	1.2
– Senior Executive Service Reductions	-0.5	-1.0	-1.0	-1.0	-1.0
Other Spending					
– Voluntary Targeted Separation Scheme	3.0	-4.2	-4.2	-4.3	-4.3

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

Water and Environmental Regulation

Environment Regulation Services

The Government has approved expenditure of \$11 million over 2018-19 to 2021-22 for additional resources in the Department's environmental regulatory areas to increase the efficiency of the environmental assessment process, and improve compliance and enforcement activities. This expenditure is funded through additional revenue from increases to the Department's environmental fees and charges and is expected to result in reduced application timeframes and prevent backlogs, supporting additional investment in the State.

Pilbara Environmental Offsets

An amount of \$9.3 million that is funded by industry will be spent over 2017-18 to 2021-22 to deliver on-ground conservation projects in the Pilbara to offset the environmental impacts from the clearing of vegetation and fauna. Through this initiative the Department will combine funding from multiple industry sources to deliver larger conservation projects and greater environmental benefits than would be possible on an individual project basis.

Water Licence Compliance and Enforcement

A further \$2.9 million will be spent over 2018-19 to 2021-22 to support the introduction of additional water licensing requirements, and strengthen the Department's compliance and enforcement capabilities. This expenditure is funded through additional revenue from increases to the Department's water fees and charges levied on industry.

Rural Water Grants

A total of \$2.4 million has been reduced from the Department's Rural Water Grants scheme over 2019-20 to 2021-22 as a result of changes to the timing and scope of the scheme.

Biodiversity, Conservation and Attractions

Election Commitments

Preston River to Ocean Regional Park and Leschenault Regional Park

The Government has committed \$1.2 million per annum from 2018-19 to 2021-22 to establish and manage the Preston River to Ocean Regional Park and Leschenault Regional Park in the Greater Bunbury area. The parks will create regional open space and protect significant conservation and landscape values within the park boundaries.

PLANNING AND LAND USE

Table 12

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
PLANNING, LANDS AND HERITAGE					
– Claremont North East Precinct	1.5	-	-	-	-
WESTERN AUSTRALIAN LAND INFORMATION AUTHORITY (LANDGATE)					
Election Commitments					
– Senior Executive Service Reductions	-0.3	-0.5	-0.5	-0.5	-0.5
Other Spending					
– Strategic Development Plan	-6.7	-1.1	-7.9	-9.6	-12.6
METROPOLITAN REDEVELOPMENT AUTHORITY ^(a)					
– Scarborough Beach Redevelopment Area	4.7	-	-	-	-
HERITAGE COUNCIL OF WESTERN AUSTRALIA					
– Heritage Revolving Fund	-	2.5	1.6	-	-
– 2018-19 Streamlined Budget Process Incentive Funding	-	– (b)	-	-	-
NATIONAL TRUST OF AUSTRALIA (WA)					
– 2018-19 Streamlined Budget Process Incentive Funding	-	– (b)	-	-	-
– Voluntary Targeted Separation Scheme	0.1	-0.2	-0.2	-0.2	-0.2

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

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

Planning, Lands and Heritage

Claremont North East Precinct

As part of a Deed of Trust for the re-development of the precinct, \$1.5 million will be paid into a trust held by the Claremont Football Club for the maintenance, repair and renewal of the new club premises.

Western Australian Land Information Authority (Landgate)

Strategic Development Plan

A forecast reduction of \$37.9 million in spending has been achieved by Landgate over 2017-18 to 2021-22 mainly as a result of salaries and superannuation savings, and reduced expenditure following the transition to its new business operating model. This reduction will partially offset a deterioration in revenue associated with lower anticipated levels of registration and search activity.

Metropolitan Redevelopment Authority

Scarborough Beach Redevelopment Area

An additional \$4.7 million has been allocated in 2017-18 for costs relating to the completion of public realm works in the beachfront redevelopment.

Heritage Council of Western Australia

Heritage Revolving Fund

An amount of \$4.1 million will be spent over 2018-19 and 2019-20 to revitalise under-utilised State and local government-owned heritage assets through the Heritage Revolving Fund. This funding will be recouped through asset sales.

UTILITIES

Table 13

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
SYNERGY ^(a)					
– Operating Subsidy for Electricity Concessions and Rebates	-	7.2	6.3	5.8	-14.8
WATER CORPORATION ^(a)					
– Operating Subsidy – Country Expenditure	-	-4.8	-13.9	-21.1	-7.3
– Revised Onslow Water Infrastructure Upgrade Project ^(b)	-	-	-	-	-

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

(b) The additional funding is not disclosed as details of the project are subject to scope clarification.

Synergy

Operating Subsidy for Electricity Concessions and Rebates

The forecast value of electricity concessions and rebates has been revised up by a net \$4.6 million over 2018-19 to 2021-22 as a result of updated forecasts of recipients. This includes a reduction in the operating subsidy in 2021-22 to update previous forecasting assumptions.

Water Corporation

Operating Subsidy – Country Expenditure

The operating subsidy paid to the Water Corporation, which reflects the difference between the cost of service and charges paid by customers, has been revised down by a total of \$47.1 million over 2018-19 to 2021-22. This primarily reflects a reduction to the cost of service resulting from lower than forecast capital and operating expenditure in country regions, and some country projects being deferred to future years.

Revised Onslow Water Infrastructure Upgrade Project

Over 2017-18 to 2020-21, the Water Corporation will complete upgrades to Onslow's water infrastructure associated with revisions to the Onslow Water Infrastructure Upgrade Project, which aims to secure the drinking water supply to the town of Onslow. The upgrades will be funded by Chevron Australia, and details of the project are subject to scope clarification.

PROVISIONS

Table 14

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW					
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Provisions					
– Provision for Recurrent Underspending	-370.0	-	-	-	-
– Revised Road Trauma Trust Account Spending	-	-20.0	-15.1	-8.1	-11.2
– Myalup-Wellington Water Project	-	46.7	46.7	46.7	-
– Removal of Building and Construction Industry Training Fund Levy Exemption – Spending Provision	-	6.0	8.6	7.3	3.3

Provisions

Provision for Recurrent Underspending

A \$370 million provision has been included in 2017-18 for anticipated agency underspending throughout the remainder of the year. The provision is based on year-to-date expense outcomes, with the final expense outcome to be reported in the 2017-18 *Annual Report on State Finances* in September 2018.

Revised Road Trauma Trust Account Spending

The 2017-18 Mid-year Review included a \$214 million provision for anticipated spending from the Road Trauma Trust Account (RTTA) over 2017-18 to 2020-21. This spending provision has been extended to cover 2021-22 and revised down to \$90 million over the forward estimates period. This reflects the approved allocation of RTTA spending to specific road safety improvement projects, community education programs, and a contribution to a replacement police helicopter as part of the 2018-19 Budget process.

Of the remaining \$90 million provision, \$63 million is forecast to be used for infrastructure spending (see Chapter 6) and \$27 million is forecast to be spent for recurrent purposes. In 2018-19, RTTA spending is reflected in the budgets of Western Australia Police Force, WA Health, the Mental Health Commission, Main Roads, and the Departments of Transport, Fire and Emergency Services, and Education.

Myalup-Wellington Water Project

A provision has been included for the on-passing of Commonwealth funding for the Myalup-Wellington Water Project (\$140 million), with a matching \$35 million (2018-19 to 2022-23) in funding previously committed to the project by the State Government. The project, to be delivered by private sector partner Collie Water, will divert the salty water flowing from the East to a new desalination plant, with the fresher water from the South going to the Wellington Dam to improve salinity. A new weir will be constructed at Burekup to replace the existing outdated weir, and a 200km new pipeline will be constructed to improve distribution and reduce water loss from open channels.

Removal of Building and Construction Industry Training Fund Levy Exemption – Spending Provision

The removal of the Building and Construction Industry Training Fund levy exemption applying to resource sector engineering construction projects is forecast to generate additional revenue of around \$25 million over the forward estimates period. The corresponding expenditure on training will be held as a global spending provision.

Asset Investment

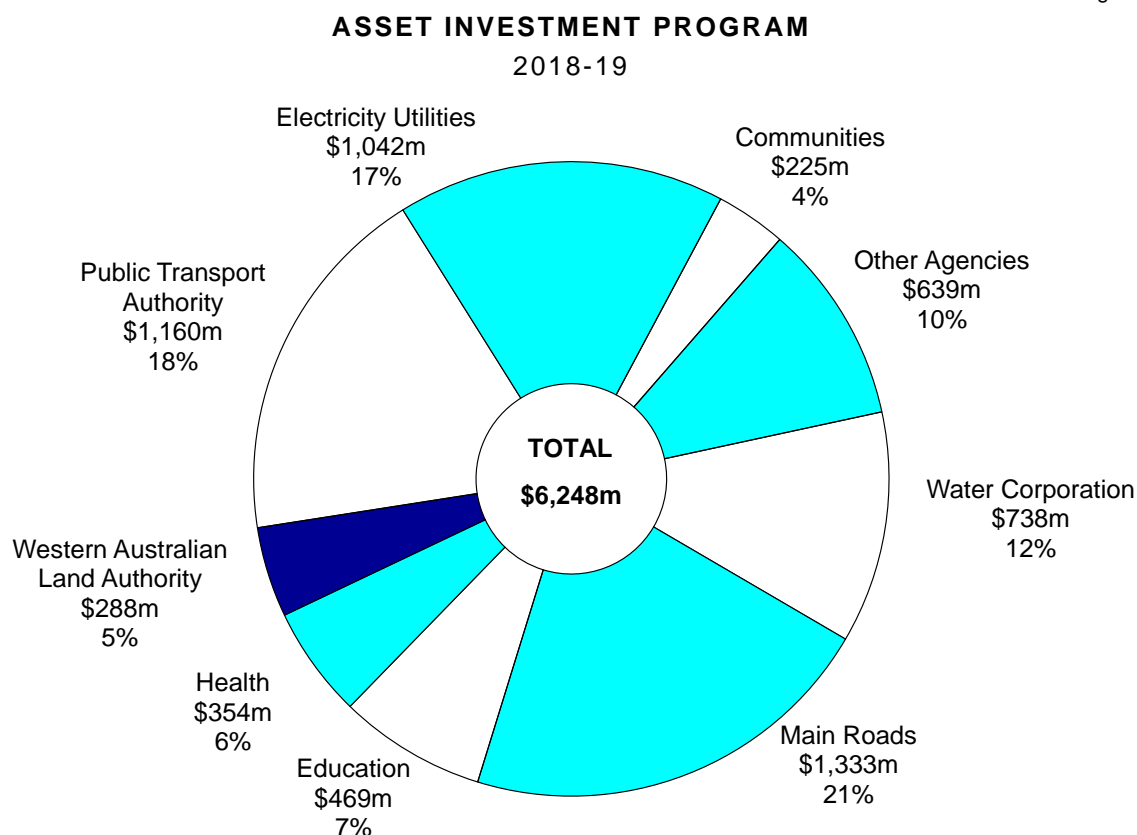
HIGHLIGHTS

- In 2018-19, the State's investment in economic and social infrastructure (i.e. the Asset Investment Program or AIP) is forecast to total \$6.2 billion, an increase of \$725 million on the estimated outturn for 2017-18.
- While the AIP responds to a broad range of infrastructure needs, investment in transport (roads, ports and public transport), water and power continues to be a major focus, accounting for \$4.6 billion or around 74% of the total AIP. Investment in infrastructure to ensure quality health and education services accounts for a further \$823 million or 13% of the 2018-19 AIP.
- New asset investment in this Budget is focused on creating jobs and strengthening the State's economy, delivering quality services, and investing in our suburbs and towns, and includes:
 - \$750 million over the forward estimates period for METRONET projects under development, including the Morley-Ellenbrook line and extension of the Armadale line to Byford;
 - \$276 million to upgrade and redevelop Western Australia's hospitals and health services;
 - \$233 million for the Bunbury Outer Ring Road and infrastructure projects to support improved road safety;
 - \$76 million for land acquisition for new primary and secondary schools, Yanchep Secondary College Stage 2 and critical maintenance programs;
 - \$41 million in capital expenditure for the METRONET Social and Affordable Housing and Jobs Package. The balance of the package, which is expected to deliver 1,390 new homes, comprises \$143 million in operating expenditure by the State and \$209 million of private sector investment; and
 - \$27 million to upgrade fire stations and emergency equipment across the State.
- Wherever possible, as part of the Government's commitment to responsible financial management, the net debt impact of these new investments has been minimised by reallocating funding from other projects and identifying new funding sources.

Introduction

Asset investment of \$21.5 billion between 2018-19 and 2021-22 will continue the trend towards investment in large transport projects. In 2018-19, the largest contributors to the AIP are roads (21%), public transport (18%), electricity (17%) and water (12%) – see figure below.

Figure 1



Note: Segments may not add due to rounding.

The share of the AIP delivered by the State's public corporations (as opposed to the general government sector) is expected to increase from 55% in 2018-19 to 74% by 2021-22, reflecting a reprioritisation of government investment towards infrastructure to support job creation and economic growth in public transport, housing, electricity and water.

The key sources of funding for the AIP are borrowings, internally generated funds (such as the sale of surplus land), cash from agency operating surpluses, and Commonwealth grants.

With the share of the AIP delivered by the State's public corporations expected to increase over the forward estimates, the proportion of the AIP funded from internally generated funds is forecast to increase significantly, from 29% in 2017-18 to 59% in 2021-22.

Creating Jobs and Strengthening the State's Economy

Transport

Investment in roads, public transport and ports totals \$2.8 billion in 2018-19 (up from an estimated \$1.9 billion in 2017-18) and \$8 billion over the four years to 2021-22. Consistent with the Government's focus on expanding public transport infrastructure, the program reflects the Public Transport Authority delivering a larger proportion of the AIP.

Table 1

ASSET INVESTMENT IN ROADS, PUBLIC TRANSPORT AND PORTS

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Main Roads ¹	1,018	1,333	1,019	518	328
Public Transport Authority	681	1,160	986	709	514
Provision for METRONET Projects Under Development	-	-	100	250	400
Western Australian Planning Commission	-	-	30	-	70
– METRONET-Yanchep Rail Extension Works					
Western Australian Port Authorities	169	326	106	63	58
Total	1,868	2,819	2,241	1,540	1,370

Note: Columns may not add due to rounding.

¹ Main Roads asset investment in the outyears is contingent upon finalisation of negotiations for the next Land Transport National Partnership Agreement.

METRONET – Delivering Jobs for Western Australia

Railcar Program Creating Local Jobs

Among the first projects to be started under the new *Western Australian Jobs Act 2017* will be the procurement of a new generation of railcars. The 2017-18 Budget included \$508 million to procure 102 railcars to service METRONET projects. This Budget contains approval to procure an additional 144 railcars to replace the ageing A-Series.

At \$1.6 billion over the period 2017-18 to 2027-28, this significant investment will deliver 246 railcars, an assembly facility and associated infrastructure. Overall, this will result in a 45.5% increase in the number of railcars servicing Perth's rail network.

With a focus on jobs in Western Australia, the upcoming tender will seek at least 50% of local manufacturing of the railcars, alongside a maintenance requirement of 30 years. This will create ongoing jobs within the State.

METRONET – An Integrated Land and Transport Plan

In last year's Budget, investment of \$1.8 billion over the period 2017-18 to 2024-25 was approved for METRONET projects, including the Thornlie-Cockburn Link and the Yanchep Rail Extension. This Budget recognises that various METRONET projects are still under development, with business cases currently being prepared for projects such as the Morley-Ellenbrook rail line, the Midland Station project and extension of the Armadale line to Byford. Accordingly, a provision for additional asset investment of \$1.1 billion over the period 2019-20 to 2024-25 has been approved for METRONET, including \$750 million over the forward estimates period. The provision will remain until such time that Government makes a formal investment decision to allocate the project to the relevant delivery agency's asset investment program.

Of the \$2.9 billion investment in METRONET (on top of the \$1.9 billion investment in the Forrestfield-Airport Link), \$2.2 billion is within the current forward estimates period.

Funding METRONET

State and Commonwealth funds totalling \$1.4 billion will be invested between 2017-18 and 2020-21 to complete the construction of the Forrestfield-Airport Link.

Furthermore, the substantial investment planned on other future METRONET projects has been funded with minimal impact on the State's net debt position. This reflects the Government's commitment to responsible financial management and maximising the Commonwealth's contribution in recognition of Western Australia's low GST return, while still delivering job-creating infrastructure.

The funding of these future METRONET projects comprises \$1.2 billion (Commonwealth and State funds) of the funds reallocated from the cancelled Perth Freight Link, an additional \$1.1 billion Commonwealth funding commitment and a program of land sales totalling \$305 million.

This funding includes a new \$750 million provision over the forward estimates period for METRONET projects under development, which is funded from a \$729 million contribution from the Commonwealth and \$21 million from the Metropolitan Region Improvement Fund.

Operating funding of \$7.9 million has also been allocated to the METRONET Office over the period 2018-19 to 2021-22 to facilitate work on business cases and undertake whole-of-program management.

Land Sales

As an integrated land and transport plan, METRONET not only involves the construction of rail and roads, but better management of land planning and delivery. The 2018-19 Budget includes additional land sales revenue of \$200 million over the period to 2021-22, reducing the need for borrowings while also ensuring alignment with METRONET's land use planning outcomes.

The Department of Communities and LandCorp will reprioritise their existing land acquisition budgets (by \$70 million and \$30 million respectively) to purchase surplus Western Australian Planning Commission (WAPC) land for future development. The \$100 million land sales revenue will flow into the Metropolitan Region Improvement Fund and the WAPC will use these funds to undertake improvements on WAPC-owned land as part of the Yanchep Rail Extension project.

Recognising that \$100 million of the Yanchep Rail Extension project's asset investment will be undertaken by the WAPC, the 2018-19 Budget reflects an equivalent transfer of asset investment from the Public Transport Authority.

The remaining \$100 million of new land sales proceeds has been reflected as a global provision and will consist of sales by the WAPC, Main Roads and the Public Transport Authority.

The existing \$104.8 million in land sales revenue (included in the 2017-18 Budget) will be met through the sale of Crown land at West Ellenbrook. Land will be sold to the Department of Communities and a joint venture partner in 2020-21 and 2021-22 (with an equivalent reduction in planned purchases from the private sector). The land will later be used for delivery of affordable housing and construction development that stimulates jobs while later taking advantage of the future rail infrastructure in the area.

Table 2

METRONET						
	2017-18	2018-19	2019-20	2020-21	2021-22	Total 2017-18 to 2021-22
	\$m	\$m	\$m	\$m	\$m	\$m
Capital Expenditure						
Forrestfield-Airport Link	332.7	514.9	419.5	163.7	-	1,430.8
Yanchep Rail Extension						
- Public Transport Authority	7.0	128.7	131.5	143.6	9.4	420.2
- Western Australian Planning Commission	-	-	30.0	-	70.0	100.0
Thornlie-Cockburn Link	8.0	110.0	155.0	150.0	112.8	535.8
Railcar Acquisition	1.0	29.5	30.5	71.4	44.2	176.6
Rail Line Planning ^(a)	8.1	12.1	-	-	-	20.2
Level Crossing Removal Program ^(b)	1.0	35.0	34.0	-	-	70.0
New Stations and Existing Station Upgrades ^(c)	4.0	28.3	10.8	11.0	11.3	65.5
Automatic Train Control Planning	4.2	3.2	-	-	-	7.4
Bus Acquisition	-	-	-	-	44.5	44.5
Provision for Projects under Development	-	-	100.0	250.0	400.0	750.0
Total	366.0	861.7	911.3	789.8	692.2	3,621.0
Capital Funding						
Commonwealth	533.3	143.4	320.1	405.2	103.4	1,505.4
Land Sales	10.7	15.0	46.0	38.7	194.4	304.8
Metropolitan Region Improvement Fund	-	-	21.0	-	-	21.0
State Capital Appropriation ^(d)	19.2	201.8	61.4	-4.6	97.8	375.6
Public Transport Authority Borrowings ^(e)	111.4	514.9	419.5	163.7	-	1,209.5
Public Transport Authority Cash Balances ^(f)	204.7	-	-	-	-	204.7
METRONET Account Balance	-	526.7	483.4	296.6	-	
METRONET Office Operating Costs	1.9	1.9	2.0	2.0	2.0	9.8

(a) Morley-Ellenbrook Line (\$18.1 million) and Byford Extension (\$2.1 million).
(b) Removal of level crossing at Denny Avenue (\$69 million) and planning for the removal of level crossings at Wharf Street, Caledonian Avenue and Oats Street (\$1 million).
(c) Planning for Midland Station relocation (\$2 million), new Karnup Station (\$2 million) and extension of Midland line to Bellevue including land acquisition (\$26.2 million); and upgrades to existing stations (\$71.1 million between 2018-19 and 2024-25).
(d) Includes \$16.6 million for the Forrestfield Airport Link in 2017-18. The current profile reflects the difference between capital expenditure and approved funding sources (in particular Commonwealth funding). The timing of Commonwealth funding will be revised in consultation with the Commonwealth and reflected in future Budget updates.
(e) Relates to Forrestfield-Airport Link.
(f) Forrestfield-Airport Link funding from Commonwealth GST top-up payment received in 2015-16 and interest earned on cash balance.

Delivering Quality Health Care, Education and Community Services

From 2018-19 to 2021-22, investment in the construction, refurbishment and expansion of the State's health infrastructure totals \$655 million. This will address growing demand for hospital and health services in metropolitan and regional areas, while improving the delivery and quality of care to Western Australians.

The Government has approved total investment over the next four years of \$1.2 billion for the construction, refurbishment and expansion of public schools across Western Australia, including \$469 million in 2018-19. The delivery of education infrastructure will focus on additional student accommodation and school facilities State-wide, with four new primary schools as well as the new South Baldivis Senior High School and Lakelands Senior High School to open in 2019. Further significant investment will address enrolment growth pressures in the northern and southern metropolitan growth corridors, as well as Perth's inner city suburbs and regional areas across the State.

The Department of Communities continues to work in collaboration with the private, public and not-for-profit sectors to maintain a sustainable social housing safety net, facilitate the availability of affordable housing, and invest in infrastructure to support the delivery of social services. The Government will invest \$1.1 billion in infrastructure to support these outcomes over the next four years, including delivery of the METRONET Social and Affordable Housing and Jobs Package (see next section).

Table 3

ASSET INVESTMENT IN HEALTH, EDUCATION AND COMMUNITIES

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WA Health	511	354	136	76	89
Education	409	469	349	198	165
Communities	241	225	249	346	311
Total	1,161	1,048	734	620	565

Note: Columns may not add due to rounding.

Shaping our State and Investing In Our Suburbs and Towns

The Government is committed to ensuring the safe and reliable provision of essential services, with asset investment of \$6.6 billion over the next four years for power and water infrastructure, including \$1.8 billion in 2018-19 (representing 29% of the total AIP).

The Water Corporation will invest a total of \$2.8 billion across the forward estimates period including \$1.2 billion on projects to ensure its customers have access to reliable and high quality water, and \$906 million to develop and maintain facilities that adequately collect and treat the community's wastewater.

The Government has also allocated \$3.8 billion over the next four years for investment in power infrastructure. This includes \$1.4 billion for Western Power to maintain customer service levels in terms of network security and reliability, power quality and regulatory compliance, and a further \$949 million to ensure the network is safe, including through the replacement and maintenance of poles, conductors, overhead service connections and transformers, and bushfire mitigation.

Between 2018-19 and 2021-22, the Government will invest a total of \$184 million (\$41 million in capital expenditure and \$143 million in operating expenditure), with the balance funded through private sector investment, to deliver a \$394 million Social and Affordable Housing and Jobs Package.

This package will address the need for additional social and affordable housing, create jobs, and by being strategically aligned to the delivery of METRONET projects, will meet the Government's election commitment to deliver transit-oriented housing.

The Government will use its investment to partner with the private sector to develop land and housing around METRONET projects, build on existing land owned by the Government, and redevelop housing assets owned by the State which are underutilised or reaching the end of their economic lives.

By 2021-22, this investment in our suburbs will deliver:

- an additional 1,390 new homes, including up to 320 new social housing dwellings and at least 400 affordable homes, with:
 - up to 200 housing opportunities for vulnerable singles/couples on the priority waiting list;
 - up to 300 homes created with universal design to meet the needs of people of every age and ability; and
- eight high-density METRONET-oriented mixed-tenure developments.

The remainder of this chapter details new asset investment decisions approved as part of the 2018-19 Budget by agency. Further information on the Government's expenditure in the regions is outlined in Chapter 7: *Investing in Regional Western Australia*.

Major Infrastructure Changes

Summary

The following tables provide details of major changes in total public sector infrastructure spending by agency since the 2017-18 Mid-year Review was released in December 2017. These include policy decisions made between the cut-off date for the Mid-year Review (4 December 2017) and the cut-off date for this Budget (9 April 2018), and other changes of a material nature affecting agency infrastructure spending over the forward estimates period.

The timing of cash flows for some previously announced projects may also have 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*.

GOVERNMENT ADMINISTRATION

Table 4

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
PREMIER AND CABINET					
– Ministerial Air Charter Service	-	- (a)	-	-	-

(a) Funding implications are not disclosed in order to avoid prejudicing commercial negotiations.

Premier and Cabinet

Ministerial Air Charter Service

Approval has been given for the Department to commence negotiations to purchase the two existing aircraft (or alternatively, two other used aircraft) for the Ministerial Air Charter Service, instead of extending the current lease arrangements that expire at the end of the year. The dedicated air charter service provides flexibility for Ministers' travel arrangements and assists them to serve the Western Australian public effectively across a large geographical area. The revised arrangement is expected to result in significant net savings over the next four years. The estimated purchase price has not been disclosed in order to avoid prejudicing commercial negotiations.

JOBS AND ECONOMIC DEVELOPMENT

Table 5

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
PRIMARY INDUSTRIES AND REGIONAL DEVELOPMENT					
Election Commitment					
– Australian Centre for Applied Aquaculture Research	-	0.2	-	-	-
FOREST PRODUCTS COMMISSION					
– Land Purchase for Plantation Expansion	-	6.9	6.6	1.1	-
– Myalup Replacement Land Purchase	5.0	-	-	-	-
RACING AND WAGERING WESTERN AUSTRALIA					
– Improvement to Wagering Products	1.9	2.9	-	-	-

Primary Industries and Regional Development

Election Commitments

Australian Centre for Applied Aquaculture Research

An amount of \$200,000 will be spent in 2018-19 for equipment at the Fremantle facility to ensure that the life support system and breeding tanks are able to support a commercial-scale hatchery capable of meeting the demand from industry.

Forest Products Commission

Land Purchase for Plantation Expansion

An amount of \$14.6 million will be spent from 2018-19 to 2020-21 on the acquisition of land for the establishment of softwood plantations. This represents a move away from the current strategy of 30-year leases to the purchase of plantation land, which reduces administration and softwood estate costs over the life of the plantation.

Myalup Replacement Land Purchase

The Commission will spend \$5 million in 2017-18 on the purchase of land to replace a plantation damaged by fire in Myalup. The cost has been met through the Department of Primary Industries and Regional Development, who will repurpose the land as a horticultural precinct. This, in turn, will leverage private sector investment, create local jobs and boost the agricultural value of the area.

Racing and Wagering Western Australia

Improvement to Wagering Products

An amount of \$4.7 million will be spent over 2017-18 and 2018-19 on Racing and Wagering Western Australia's gambling products to improve its position in the wagering market and compete with interstate and international competitors. Key projects include improving the agency's mobile platform and replacement of its storage area network.

HEALTH

Table 6

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WA HEALTH					
Election Commitments					
– Joondalup Health Campus Redevelopment Stage 2	2.6	1.9	27.1	44.7	46.0
– Geraldton Health Campus Redevelopment	-	-	1.8	2.2	36.7
– Osborne Park Hospital	-	3.1	13.6	8.2	0.1
– Royal Perth Hospital Mental Health Observation Area	0.2	2.8	8.8	-	-
– Fiona Stanley Hospital Birthing Centre	-	1.8	-	-	-
Other Spending					
– Telethon Kids Institute Fit Out – Perth Children's Hospital	2.9	-	-	-	-
– Reprioritisation of other Asset Investment Program funds	-	-14.1	-	-41.8	-
– Medical Equipment Replacement Program ^(a)	-	20.0	20.0	-	-
– Information and Communication Technology Minor Works ^(a)	-	3.5	5.0	-	-
– Peel Health Campus ^(a)	-	0.7	1.2	1.1	1.5
– Replacement of MRx Defibrillators ^(a)	-	1.5	-	-	-
– Psychiatric Services Online Information System Server Upgrade ^(a)	0.7	0.8	-	-	-
MENTAL HEALTH COMMISSION					
Election Commitments					
– Step Up/Step Down Mental Health Facility in Geraldton	-	-	1.5	4.2	0.2
– Alcohol and Other Drug Residential Rehabilitation and Treatment Service in the South West	-	-5.3	-10.8	-	-

(a) These projects have been funded from the reprioritisation of other AIP funds.

WA Health

Election Commitments

Joondalup Health Campus (JHC) Redevelopment Stage 2

The Commonwealth has provided funding of \$158 million for the redevelopment of the JHC, which has been provisioned from 2017-18 to 2022-23. The redevelopment will be undertaken in partnership with Ramsay Health Care with a total of \$4.6 million committed from 2017-18 to 2018-19 towards planning for the design and construction of the expanded facility, including review of the service delivery contract. The remaining \$153.4 million provision will be allocated towards construction upon Government approval of the business case.

Geraldton Health Campus (GHC) Redevelopment

A total of \$73.3 million has been allocated from 2019-20 to 2022-23 to WA Health for the staged redevelopment of the GHC to improve access to quality health care in the Geraldton and Mid-West region. WA Health will spend \$40.7 million in capital from 2019-20 to 2021-22, which includes an upgrade and expansion of emergency services, an acute psychiatric unit, a mental health short stay unit and associated building upgrades. As part of the redevelopment, the Mental Health Commission will establish a Step Up/Step Down Mental Health Facility, which will be offsite but integrated with GHC mental health services (see below).

Osborne Park Hospital

The Government will invest \$24.9 million from 2018-19 to 2021-22 to upgrade the neonatal unit, expand midwifery services, increase rehabilitation beds and increase post-operative physiotherapy services at Osborne Park Hospital. The Commonwealth will contribute \$10.6 million towards this project.

Royal Perth Hospital Mental Health Observation Area (MHOA)

A total of \$11.8 million will be spent from 2017-18 to 2019-20 to construct a MHOA with an associated authorised Mental Health Unit (MHU) at Royal Perth Hospital. The MHOA will provide a dedicated observation area for patients presenting with mental health issues or drug/alcohol intoxication. The authorised MHU will provide for the management of mental health patients with more complex and severe behavioural disturbances. The Commonwealth will contribute \$4 million towards this project.

Fiona Stanley Hospital Birthing Centre

The Government has committed \$1.8 million for the refurbishment of existing facilities at Fiona Stanley Hospital to establish a family birthing centre. This will provide women with greater birth options within a fully integrated service, which enables rapid access to the birth suite and neonatal intensive care unit.

Other Spending***Telethon Kids Institute Fit Out – Perth Children’s Hospital***

A total of \$2.9 million has been spent in 2017-18 on fit-out works for the Telethon Kids Institute premises within Perth Children’s Hospital. This will be funded by the Institute.

Reprioritisation of other Asset Investment Program funds

A total of \$55.9 million of uncommitted capital expenditure from within WA Health’s AIP has been reprioritised to address five urgent priority needs as set out below.

Medical Equipment Replacement Program

A total of \$40 million over 2018-19 and 2019-20 has been allocated to the Medical Equipment Replacement Program, which will enable Health Services to replace medical equipment that is approaching the end of its useful life.

Information and Communication Technology Minor Works

A total of \$8.5 million will be spent from 2018-19 to 2019-20 to address a number of Information and Communication Technology requirements that are critical to the operation of key clinical and corporate systems. These include a number of application and infrastructure upgrades.

Peel Health Campus

A total of \$4.4 million will be spent from 2018-19 to 2021-22 on upgrades at the Peel Health Campus.

Replacement of MRx Defibrillators

An amount of \$1.5 million in 2018-19 has been allocated for the replacement of Philips HeartStart MRx Defibrillators.

Psychiatric Services Online Information System Server Upgrade

Expenditure of \$1.5 million will be reprioritised in 2017-18 and 2018-19 to upgrade the Psychiatric Services Online Information System Server application and database server in order to address system stability issues.

Mental Health Commission

Election Commitments

Step Up/Step Down Mental Health Facility in Geraldton

The Government will invest \$5.9 million over 2019-20 to 2021-22 to establish a 10-bed Step Up/Step Down Mental Health Facility in Geraldton. This will provide short-term residential support and individualised care for people with mental health issues following discharge from hospital, or for those experiencing a change in mental health from the community avoiding the need for possible hospitalisation. An accompanying \$1.8 million of recurrent expenditure will also be incurred in 2021-22 to operate this service (see Chapter 5).

Alcohol and Other Drug Residential Rehabilitation and Treatment Service in the South West

Following consultation with non-government organisations, the additional alcohol and other drug rehabilitation beds in the South West can be delivered by existing service providers. Capital funding of \$16.2 million will therefore no longer be required as facilities are able to be provided by non-government organisations. The commencement date of the additional beds, partly funded by the previously allocated capital funds, has also been brought forward by two years to early 2019 (see Chapter 5).

EDUCATION AND TRAINING

Table 7

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
EDUCATION					
– Land Acquisition	-	22.2	20.0	-	-
– Yanchep Secondary College (Stage 2)	-	1.1	9.0	3.6	-
– Maintenance Programs	-	7.4	2.9	-	-
– North Albany Senior High School and Albany Secondary Education Support Centre	-	0.4	7.5	1.9	-

Education

Land Acquisition

The Department of Education will spend a total of \$42.2 million over the next two years to meet immediate land assembly costs for its current school building program. This includes the integration of new schools into local utilities and road infrastructure, as well as enabling long-term land acquisition planning for future secondary schooling.

Yanchep Secondary College (Stage 2)

The Government will invest \$13.7 million over 2018-19 to 2020-21 to provide increased permanent student accommodation at Yanchep Secondary College by the 2021 school year, as well as additional facilities to support the Year 11 and 12 curriculum.

Maintenance Programs

An amount of \$10.3 million over 2018-19 and 2019-20 has been allocated for the remediation and replacement of plasterglass ceilings in schools, as well as the installation of ember screens over air conditioners at schools located in bushfire prone areas.

North Albany Senior High School and Albany Secondary Education Support Centre

A total of \$9.8 million will be invested in North Albany Senior High School and Albany Secondary Education Support Centre over the period 2018-19 to 2020-21. This will enable construction of a new building encompassing six general classrooms and two science laboratories for North Albany Senior High School students. An existing building will also be refurbished for the Albany Secondary Education Support Centre to increase its permanent student accommodation, and deliver a new sensory room, as well as upgraded and additional life skills learning facilities to enhance student independence.

COMMUNITY SAFETY

Table 8

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WESTERN AUSTRALIA POLICE FORCE					
– Helicopter Replacement	-	0.8	4.7	0.2	21.3
– National Domestic Violence Order Scheme	-	2.0	-	-	-
– Road Trauma Trust Account – Breath and Drug Bus Replacement	-	0.7	-	-	-
FIRE AND EMERGENCY SERVICES					
– Kensington Career Fire and Rescue Service Fire Station	-	0.6	7.2	0.2	-
– Volunteer Fire and Emergency/Rescue Service Stations Upgrade and Replacement Program	-	1.3	1.3	2.0	2.0
– Mobile Data Terminals ^(a)	3.9	0.9	-	-	-
– Minor Equipment Replacement Program	-	1.0	1.0	1.0	1.0
– Comprehensive Crew Cab Protection	-	3.5	-	-	-

(a) These projects have been funded from the reprioritisation of other AIP funds.

Western Australia Police Force

Helicopter Replacement

An additional \$26.9 million (partially funded from the Road Trauma Trust Account) will be invested from 2018-19 to 2021-22 for a new helicopter to replace the existing 30-year-old helicopter. The new helicopter will be equipped with modern technology and systems which provide enhanced safety, reliability and operating efficiencies. Delivery of the new helicopter is expected in 2021-22.

National Domestic Violence Order Scheme

A total of \$2 million will be spent in 2018-19 to upgrade information and communication technology systems to integrate with the National Order Reference System information sharing platform. This initiative is a Council of Australian Governments reform to improve inter-jurisdictional monitoring of domestic violence orders. An additional \$2.3 million in recurrent expenditure will also be spent over the period 2018-19 to 2021-22 on this initiative (see Chapter 5).

Road Trauma Trust Account – Breath and Drug Bus Replacement

A total of \$656,000 will be spent in 2018-19 to replace one large breath and drug bus with two smaller buses to improve the Western Australia Police Force's flexibility in conducting breath and drug testing. An additional \$116,000 in recurrent expenditure will also be spent in 2018-19 on this project (see Chapter 5).

Fire and Emergency Services

Kensington Career Fire and Rescue Service Fire Station

An amount of \$8 million, funded by the Emergency Services Levy, will be spent across 2018-19 to 2020-21 on the replacement of the Kensington Career Fire and Rescue Service Fire Station. The new station will cater for future accommodation requirements, including garaging of appliances with aerial capacity for high rise residential and commercial situations, provide improved capacity to meet divergent operational needs, and enhanced training facilities.

Volunteer Fire and Emergency/Rescue Service Stations Upgrade and Replacement Program

An amount of \$6.6 million over the period 2018-19 to 2021-22 has been allocated to establish an upgrade and replacement program for Volunteer Fire and Emergency Stations, and Volunteer Fire and Rescue Service stations across the State. Phase 1 of the program will see replacement and upgraded stations in Margaret River, Northampton and Halls Creek. In addition, a grant of \$700,000 per annum in 2018-19 and 2019-20 will be paid to the Shire of Gingin to be used towards the building of a co-located facility to house the Gingin Volunteer Fire Rescue Service with the Gingin Bushfire Brigade and a regional Incident Control Centre (see Chapter 5).

Mobile Data Terminals

An amount of \$4.8 million will be spent over 2017-18 and 2018-19 on the replacement of mobile data terminals (MDTs) used in emergency vehicles. The cost of the MDTs has been met from savings from favourable tender outcomes for new fire stations, and the reallocation of capital expenditure due to timing delays under the tanker replacement programs.

Equipment Replacement Program

An additional \$1 million per annum from 2018-19 onwards has been approved for the Department's minor equipment replacement program.

Comprehensive Crew Cab Protection

Additional capital expenditure of \$3.5 million will be incurred in 2018-19 to complete the rollout of crew protection measures in 155 Department-owned bushfire appliances, primarily in the north of Western Australia. These measures will ensure bushfire appliances are appropriately designed and fitted with enhanced safety measures to protect volunteers at risk of burn over/entrapment situations. Furthermore, it will mean all bushfire fighting personnel, volunteer and career, have the same level of protection. A further \$5.3 million will be spent on recurrent costs associated with this initiative (see Chapter 5).

COMMUNITY SERVICES

Table 9

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
COMMUNITIES					
Election Commitments					
– METRONET Social and Affordable Housing and Jobs Package	-	1.0	12.5	27.5	-
– West Ellenbrook Purchase	-	-	-	-	52.4
Other Spending					
– National Disability Insurance Scheme (NDIS)	-27.3	-5.7	-4.7	-	-
LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES					
– New Museum Project	-	-1.0	-16.8	-9.9	-4.7
– His Majesty's Theatre Upgrades		6.5	-	-	-

Communities

Election Commitments

METRONET Social and Affordable Housing and Jobs Package

Between 2018-19 and 2021-22, the Government will invest a total of \$184 million (\$41 million in capital expenditure and \$143 million in operating expenditure) to deliver a \$394 million Social and Affordable Housing and Jobs Package, with the balance funded through private sector investment.

This package will address the need for additional social and affordable housing, and create jobs. As the package is strategically aligned to the delivery of METRONET projects, it will meet the Government's election commitment to deliver transit-oriented housing.

The package will deliver 1,390 new homes, including up to 320 new social housing dwellings, at least 400 affordable homes, and eight high-density METRONET-oriented mixed-tenure developments.

West Ellenbrook Purchase

The Department will purchase Crown land at West Ellenbrook for \$104.8 million. The purchase will be funded through the Department's existing land acquisition budget and by establishing a joint venture partnership with the private sector.

The land will be used for the delivery of affordable housing and construction development that stimulates jobs while later taking advantage of the future rail infrastructure in the area.

Other Spending

National Disability Insurance Scheme (NDIS)

As a result of the revised bilateral agreement for a Commonwealth-administered NDIS in Western Australia, previously budgeted set-up costs of \$37.7 million over 2017-18 to 2019-20 for a State-administered NDIS are no longer required. By entering the Commonwealth scheme, the State has avoided the need to develop a \$20 million information technology system and \$17.7 million in other set-up costs, including office refurbishments.

Local Government, Sport and Cultural Industries

New Museum Project

Spending on the New Museum Project has been reduced by \$32.4 million over 2018-19 to 2021-22 to reflect cost savings from a reduction in project scope, due to the removal of basement exhibition space from the design of the New Museum. A total of \$395.9 million will now be spent on delivering this world class museum.

His Majesty's Theatre Upgrades

An amount of \$6.5 million will be spent in 2018-19 to upgrade the orchestra pit and front of house at His Majesty's Theatre. This includes a new stage lift and upgrades to entries, foyers and visitor amenities.

TRANSPORT

Table 10

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
TRANSPORT					
– Driver and Vehicle Services Facilities Upgrades	-	0.5	1.7	1.7	-
COMMISSIONER OF MAIN ROADS					
Election Commitments					
– Bunbury Outer Ring Road	-	15.0	18.8	27.5	32.5
Other Spending					
– Road Trauma Trust Account – Road Safety Initiatives	-	48.6	39.4	18.0	18.1
– Mitchell Freeway – Hutton Street to Cedric Street Northbound	-	15.0	-	-	-
PUBLIC TRANSPORT AUTHORITY OF WESTERN AUSTRALIA					
Election Commitments					
– METRONET – Railcar Acquisition	- (a)	-18.8	-77.2	-94.3	-69.1
– METRONET – Yanchep Rail Extension	-	-	-30.0	-	-70.0
Other Spending					
– Railcar Replacement	-	-	-	-	151.2
– Radio System Replacement	-	-	-	8.1	8.1
– Claremont Station Development	-	-10.5	-	-	-
FREMANTLE PORT AUTHORITY					
– Kwinana Bulk Terminal Land Acquisition ^(b)	-	32.0	1.2	-	-
– Reprioritisation of existing Asset Investment Program	-16.7	-47.5	1.8	5.5	2.0
KIMBERLEY PORTS AUTHORITY					
– Construct Gangway at Broome	0.8	-	-	-	-
SOUTHERN PORTS AUTHORITY					
– Purchases of Freehold Land at Bunbury	-	-3.6	-	-	-

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

(b) These projects have been funded from the reprioritisation of other AIP funds.

Transport

Driver and Vehicle Services Facilities Upgrades

An amount of \$3.9 million will be invested from 2018-19 to 2020-21 for accommodation upgrades at Driver and Vehicle Service Centres at Kelmscott, Cockburn, Joondalup and City West. Funding will be provided from the sale proceeds of the existing Welshpool Licensing Centre property.

Commissioner of Main Roads

Election Commitments

Bunbury Outer Ring Road

A total of \$93.8 million will be invested from 2018-19 to 2021-22 to commence construction of the northern and southern sections of the Bunbury Outer Ring Road. The central section was opened in 2013. The project will improve road freight access to the Port of Bunbury, and reduce congestion and improve safety for all traffic. This expenditure will be funded jointly by the Commonwealth and the State on an 80:20 basis.

Other Spending

Road Trauma Trust Account – Road Safety Initiatives

A total of \$124.1 million will be spent over the four years from 2018-19 on infrastructure projects to support improved road safety, including:

- \$70 million over the next four years to deliver upgrades on regional roads where there is a high risk of run-off road accidents. Treatments include road widening and sealing, and audible edge lining;
- \$20 million over 2018-19 and 2019-20 to widen a 58km section of the Indian Ocean Drive to provide a one metre-wide centre line with audible tactile line marking, which will reduce the risk of off-path and head-on crashes;
- \$17.2 million over 2018-19 and 2019-20 to continue upgrades to Great Eastern and Great Southern Highways on priority sections identified in the Wheatbelt Safety Review;
- \$13.3 million over the next four years on safety treatments at high priority metropolitan intersections;
- \$2.4 million in 2018-19 on planning and pre-construction activities for upgrades to Toodyay Road; and
- \$1.2 million over the four years to 2021-22 on advanced warning signs at rural intersections.

Mitchell Freeway – Hutton Street to Cedric Street Northbound

The Government will invest \$15 million in 2018-19 to widen the northbound lanes of the Mitchell Freeway between Hutton Street and Cedric Street and add an extra lane to the Cedric Street off ramp northbound to reduce traffic congestion.

Public Transport Authority

Election Commitments

METRONET – Railcar Acquisition

Following a review of likely payment schedules, expenditure by the Public Transport Authority on METRONET railcars has been re-cashflowed, with the majority of payments now expected to take place beyond 2021-22. The estimated total cost has not been adjusted, pending outcomes of the current tender process. The delivery of railcars is still aligned to completion dates of METRONET projects (e.g. Yanchep Rail Extension).

METRONET – Yanchep Rail Extension

Asset investment expenditure of \$100 million over the forward estimate period will transfer from the Authority to the Western Australian Planning Commission (WAPC). This reflects that the WAPC will use land sales proceeds paid to the Metropolitan Region Improvement Fund to undertake improvements on WAPC-owned land as part of the Yanchep Rail Extension project. A corresponding increase is reflected in the WAPC's AIP.

Other Spending

Railcar Replacement

An amount of \$151.2 million will be invested in 2021-22 (with a further \$908.3 million beyond the forward estimates) to replace the Transperth A-Series railcars, and includes funding for a local railcar assembly facility and associated infrastructure. The replacement railcars are expected to be delivered from 2023 as part of the contract for METRONET railcars, bringing the total contract to 246. This railcar strategy will be among the first projects to be delivered under the new *Western Australian Jobs Act 2017*.

Radio System Replacement

The Government has approved an additional \$16.3 million for the existing Radio System Replacement project to design and construct a digital radio system for the Transperth rail network. The increased expenditure primarily reflects scope refinements since the project was approved in the 2015-16 Budget.

Claremont Station Development

The Authority will reduce its asset investment expenditure previously allocated to the Claremont Station upgrade by \$10.5 million in 2018-19. This revision reflects a funding contribution expected from LandCorp's Claremont North East Precinct development project now not eventuating due to reduced land sales proceeds. The upgrade of Claremont Station will instead be progressed as part of the METRONET – New Stations and Existing Station Upgrades program.

Fremantle Port Authority

Kwinana Bulk Terminal Land Acquisition

The Fremantle Port Authority will spend \$32 million in 2018-19 and \$1.2 million in 2019-20 to acquire two parcels of land (and associated land improvements and demolition) at the Kwinana Bulk Terminal. These strategic land parcels are adjacent to the Authority's existing landholdings at the facility.

Reprioritisation of AIP

In order to minimise the impact on the State's finances from its purchase of Kwinana Bulk Terminal land, the Authority has reprioritised its existing AIP. This reprioritisation has reduced the Authority's AIP by \$54.9 million over 2017-18 to 2021-22. After taking into account the Kwinana Bulk Terminal land acquisition, the Authority's AIP is a net \$21.7 million lower than at the 2017-18 Mid-year Review.

Kimberley Ports Authority

Construct Gangway at Broome

An amount of \$750,000 will be spent in 2017-18 to construct a gangway for cruise liners in Broome. The works will be funded by the Commonwealth (under the Tourism Demand-Driver Infrastructure Program) and the Kimberley Ports Authority (through a reprioritisation of its AIP).

Southern Ports Authority

Purchases of Freehold Land at Bunbury

The Southern Ports Authority has forgone the purchase of freehold land in Bunbury (expected to cost \$3.6 million in 2018-19), as part of its net debt reduction target.

ENVIRONMENT

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW					
	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WATER AND ENVIRONMENTAL REGULATION					
– Environment Online	-	2.0	1.9	2.3	2.9
BIODIVERSITY, CONSERVATION AND ATTRACTIONS					
Election Commitments					
– Preston River to Ocean Regional Park and Leschenault Regional Park	-	1.4	1.4	1.4	1.4

Water and Environmental Regulation

Environment Online

Investment totalling \$9 million from 2018-19 to 2021-22 will expand the Department's existing Water Online Information Technology system to include an environmental portal for customer facing and back office processes. This project, which is subject to the submission of a business case, will replace ageing legacy systems currently used by the Department. It is expected to improve application processing efficiency and reduce application timeframes and backlogs, thereby facilitating future investment in the State. This project is being funded through additional revenue from increases to the Department's environmental fees and charges.

Biodiversity, Conservation and Attractions

Election Commitments

Preston River to Ocean Regional Park and Leschenault Regional Park

The Government has committed \$1.4 million per annum from 2018-19 to 2021-22 to establish the Preston River to Ocean Regional Park, and the Leschenault Regional Park in the Greater Bunbury area. This asset investment includes the purchase and construction of fencing and gates, walk trails, look outs and other public access ways and facilities. The new regional parks will protect the area's biodiversity and cultural values while improving recreational opportunities for the residents of Bunbury and surrounds.

PLANNING AND LAND USE

Table 12

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WESTERN AUSTRALIAN LAND AUTHORITY (LANDCORP)					
– Strategic Development Plan	-1.8	1.3	-13.8	-25.0	-23.0
WESTERN AUSTRALIAN LAND INFORMATION AUTHORITY (LANDGATE)					
– Strategic Development Plan	-	-2.7	2.0	0.8	-1.2
WESTERN AUSTRALIAN PLANNING COMMISSION					
– METRONET–Yanchep Rail Extension Project	-	-	30.0	-	70.0
METROPOLITAN REDEVELOPMENT AUTHORITY					
– Riverside Project Budget Reallocation to Subiaco Project	-4.0	-	-	-	-
– Riverside Business Case	-1.7	-0.3	-	-	-

Western Australian Land Authority (LandCorp)

Strategic Development Plan

LandCorp's updated revenue and expenditure forecasts for 2017-18 to 2021-22 reflect its strategic direction in terms of land sales, acquisitions and development expenditure, underpinned by forecast market conditions. This has resulted in a reduction in development and acquisition expenditure totalling \$62.4 million from the agency's metropolitan, regional and industrial programs over the period from 2017-18 to 2021-22.

Western Australian Land Information Authority (Landgate)

Strategic Development Plan

A net reduction in spending of \$1.1 million has been achieved by Landgate from 2018-19 to 2021-22 as a result of asset investment savings associated with office equipment and software procurement.

Western Australian Planning Commission

METRONET–Yanchep Rail Extension Project

The Department of Communities and LandCorp will reprioritise their existing land acquisition budgets (by \$70 million and \$30 million respectively) to purchase surplus Western Australian Planning Commission (WAPC) land for future development. The \$100 million land sales revenue will flow into the Metropolitan Region Improvement Fund and the WAPC will use these funds to undertake improvements on WAPC-owned land as part of the Yanchep Rail Extension project.

Metropolitan Redevelopment Authority

Riverside Project Budget Reallocation to Subiaco Project

A reduction of \$4 million in 2017-18 to the approved Riverside project capital budget has been approved to offset previously recognised revenue write-downs in the Subiaco project.

Riverside Business Case

In addition, a further \$2 million of Riverside project capital expenditure over 2017-18 and 2018-19 has been reallocated to operating expenditure for the Western Australia Police Force Headquarters site. This will be used to investigate possible site contamination issues and other potential constraints, as well as financing the preparation of a business case.

UTILITIES

Table 13

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
WESTERN POWER					
– Update to 2017-18 Estimated Outturn and Alignment with Access Arrangement Submission	-128.0	33.5	131.8	-45.0	-66.2
– Remove Impact of Accounting for Capitalised Leases	-	-	-99.3	-0.6	-14.0
HORIZON POWER					
– Increase in Customer Funded Works	0.7	1.7	2.4	0.4	-
WATER CORPORATION					
– Deferral of Major New Water Source	-	-	-50.0	-50.0	-100.0
– Revised Onslow Water Infrastructure Upgrade Project ^(a)	-	-	-	-	-
– Net Debt Reduction Target	-	-27.3	-37.1	-46.3	-

(a) The additional funding required is not disclosed as the details of the project are subject to scope clarification.

Western Power

Update to 2017-18 Estimated Outturn and Alignment with Access Arrangement Submission

Western Power's estimated asset investment spending in 2017-18 has been reduced by \$128 million relative to the estimate in the 2017-18 Mid-year Review as a result of reductions in work volumes and deferment of projects. This has been facilitated by Western Power's improved asset management strategies leading to better targeted investment and implementation of its Business Transformation Program initiatives.

Western Power is applying \$54 million of the \$128 million saving to align its AIP over the four years from 2018-19 with its proposed spending on assets in its fourth access arrangement submission to the Economic Regulation Authority.

Remove Impact of Accounting for Capitalised Leases

In anticipation of upcoming changes to accounting standards (specifically, AASB 16: *Leases*), Western Power's AIP in its fourth access arrangement submission included the capitalisation of operating leases under the new standard. This has since been removed from Western Power's AIP to recognise that current accounting standards continue to apply until AASB 16 becomes effective (1 July 2019). The impact of this for the 2018-19 Budget is to reduce Western Power's spending on assets by \$113.9 million over the three years from 2019-20.

The full impact of AASB 16 on the financial aggregates of Western Power will be reported when the standard becomes operative.

Horizon Power

Increase in Customer Funded Works

Horizon Power will spend an additional \$5.2 million on customer funded works over the period 2017-18 to 2020-21. Horizon Power's cost reductions across its business have enabled more competitive pricing for the provision of services such as land subdivision and stand-alone power systems. As such, Horizon Power is forecasting that it will gain a greater market share of the provision of these services.

Water Corporation

Deferral of Major New Water Source

The Water Corporation has deferred \$200 million of investment in its next major water source over the period 2019-20 to 2021-22 to beyond the forward estimates period. The deferral has been made possible due to current dam storage being bolstered by better than expected winter runoff and reduced customer demand in 2016 and 2017. Water tariff increases approved as part of the 2018-19 Budget that target significant users in an attempt to moderate demand for water are anticipated to support the deferral.

Revised Onslow Water Infrastructure Upgrade Project

Over 2017-18 to 2020-21, the Water Corporation will complete upgrades to Onslow's water infrastructure associated with revisions to the Onslow Water Infrastructure Upgrade Project, which aims to secure the drinking water supply to the town of Onslow. The upgrades will be funded by Chevron Australia, and details of the project are subject to scope clarification.

Net Debt Reduction Target

Capital expenditure will be reduced by \$110.7 million across 2018-19 to 2020-21 to partly meet the Corporation's net debt reduction target announced as part of a broader package of Government Trading Enterprise efficiency measures in the 2017-18 Budget. The 2017-18 Budget assumed that the GTE net debt reduction targets would be met through operating expenditure reductions, however, GTEs were provided the flexibility to meet the targets through capital expenditure reductions if more appropriate for their commercial requirements.

PROVISIONS

Table 14

MAJOR SPENDING CHANGES SINCE THE 2017-18 MID-YEAR REVIEW

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Provisions					
– Revised 2017-18 Underspending Provision	350.0	-	-250.0	-50.0	200.0
– Slippage Provision	-	-100.0	-	-	100.0
– METRONET Projects Under Development	-	-	100.0	250.0	400.0
– Land Transport Infrastructure Projects	-	-	-	-	625.0
– Road Trauma Trust Account Spending – Revised Provision	-	-46.7	-35.3	-18.9	-26.1

Provisions

Revised 2017-18 Underspending Provision

Consistent with Budgets in previous years, this Budget includes a provision for yet to be identified underspending in agency asset investment programs that is expected to emerge during the remainder of 2017-18. At \$400 million, this provision is \$350 million lower than previously forecast, reflecting the allocation of a portion of the Mid-year Review provision to agency budgets as part of the 2018-19 Budget process. The provisioned underspending is assumed to be caught up by the end of the forward estimates period.

Slippage Provision

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

The provision for slippage in the timing of works in 2018-19 has been increased from \$400 million to \$500 million. This \$100 million increase represents the likelihood that the larger AIP in 2018-19 (at \$6.2 billion compared with an estimated \$5.5 billion in 2017-18) is likely to be susceptible to unforeseen delays which typically emerge during the year. This additional slippage is assumed to be caught up by 2021-22 to be neutral in net debt terms over the forward estimates period.

METRONET Projects Under Development

A \$750 million provision has been made for additional asset investment in METRONET projects that are currently under development, with a further \$323 million planned beyond 2021-22. This provision is funded from a \$729 million contribution from the Commonwealth over the forward estimates period (\$1,052 million to 2024-25) and \$21 million from the Metropolitan Region Improvement Fund.

Land Transport Infrastructure Projects

A provision for \$625 million of infrastructure spending in 2021-22 has been included in the Budget to reflect an expected continuation of Commonwealth funding (and associated matching funding from the State) for transport projects following renegotiation of the National Partnership Agreement on Land Transport Infrastructure, which is due to expire on 30 June 2019.

Road Trauma Trust Account Spending – Revised Provision

The 2017-18 Mid-year Review included a \$214 million provision for anticipated spending from the Road Trauma Trust Account (RTTA) over 2017-18 to 2020-21. This spending provision has been extended to cover 2021-22 and revised down to \$90 million over the forward estimates period. This reflects the approved allocation of RTTA spending to specific road safety projects, community education programs, and a contribution to a replacement police helicopter as part of the 2018-19 Budget process.

Investing in Regional Western Australia

HIGHLIGHTS

- The State Government is committed to the ongoing sustainability of the Royalties for Regions program, which totals over \$4 billion over the next four years.
- The Government's investment in regional Western Australia is focused on creating jobs, delivering quality services, and shaping our towns by investing in regional roads, schools, hospitals and other infrastructure.
- A total of \$3.4 billion will be invested in regional infrastructure over the next four years.
- New initiatives in this Budget include \$80.3 million over four years to establish a dedicated Rural Fire Division within the Department of Fire and Emergency Services, an additional \$19.5 million for the State's Volunteer and Marine Rescue groups, and \$22.5 million for a new Regional Economic Development Grants program.

Creating Jobs and Strengthening the State's Economy

Diversifying and strengthening the State's economy is integral to creating jobs in the regions. The establishment in last year's Budget of a Collie Futures Fund (\$20 million over five years), the development of serviced land at Shotts in Collie and the Kemerton Industrial Park, a large investment in regional tourism and the \$20 million Aboriginal Ranger Program are examples of the Government's investment in economic diversification in the regions.

In addition, over the period 2018-19 to 2021-22, \$346.6 million will be invested by the regional port authorities in infrastructure works, including dredging of the channel at Broome Port to facilitate all tide access (particularly for cruise ships), and significant port infrastructure at Port Hedland and Ashburton.

Initiatives funded as part of this Budget that support jobs in the regions include:

- a new Regional Economic Development Grants program totalling \$22.5 million over the forward estimates period for contestable grants that will deliver improved economic development outcomes;

- an additional \$4 million in 2018-19, and \$10 million per annum in 2020-21 and 2021-22 for Grains Research and Development activities to drive improved productivity and profitability of the industry, on top of the existing \$21 million investment;
- up to \$5 million for the Myalup Primary Industry Reserve to convert land from pine plantation to irrigated agriculture;
- an additional \$10 million per annum from 2019-20 onwards to extend the Exploration Incentive Scheme;
- \$31.5 million to extend the Magnetite Financial Assistance Program until 31 December 2018; and
- extension of port pricing relief for junior iron ore miners at Utah Point Bulk Handling Facility in Port Hedland to 31 December 2018 (\$17.8 million).

Delivering Quality Health Care, Education and Community Services

Putting Patients First

The State Government will spend approximately \$1.7 billion per annum on the delivery of health services in regional Western Australia, providing access to quality services and supporting people to look after their own health.

As well as funding the ongoing cost of hospital and health services (including mental health services), significant investment is also occurring in areas such as nursing post refurbishments, hospital redevelopments, renal dialysis, aged care and dementia programs, patient transport and digital innovation.

The Government has committed significant resources to improving mental health services in the regions, including the drug and alcohol support program in the North West (\$12.8 million), a step up/step down facility in Kalgoorlie (\$9 million), sub-acute services in Bunbury (\$9.1 million) and Karratha (\$10.5 million), and additional funding for residential rehabilitation and low medical withdrawal beds as part of the Methamphetamine Action Plan.

New initiatives funded as part of this Budget include:

- \$73.3 million to redevelop the Geraldton Health Campus, including an upgrade and expansion of emergency and critical care services, an acute psychiatric unit and mental health short stay unit, and a further \$10.2 million to build and operate an offsite Step Up/Step Down Mental Health Facility;
- an additional \$7.5 million for alcohol and other drug rehabilitation and treatment services in the South West;
- \$4.4 million for ongoing corrective maintenance and restoration of infrastructure at Peel Health Campus; and
- \$500,000 to assist with the upgrade of the Valley View Residence Aged Care facility in Collie.

Investing in Our Children's Education

The State Government will spend an estimated \$1.1 billion per annum to provide access to a quality education for over 72,000 students enrolled in over 300 schools across regional Western Australia.

A number of 2017-18 Budget measures commenced in the 2018 school year. From 2018 to 2020, these measures will deliver:

- an additional 147 regional education assistants;
- ten new independent learning coordinators;
- an additional 50 Aboriginal and Islander Education Officers;
- nine additional teachers to deliver mental health programs in regional schools; and
- an estimated 16 teachers to improve teacher quality.

In addition, \$177 million will be invested in primary and secondary schools in regional Western Australia across the forward estimates period for vital infrastructure, including refurbishment, upgrades and new builds.

New initiatives funded as part of this Budget include:

- \$9.8 million to upgrade North Albany Senior High School and the Albany Secondary Education Support Centre over the period 2018-19 to 2020-21;
- \$4.9 million for the remediation and replacement of plaster glass ceilings in regional schools, and the installation of ember screens over air conditioners at schools located in bushfire prone areas; and
- \$735,000 increase to the provision of transportable classrooms at regional schools for the 2019 school year.

Investing in Our Communities

The Department of Communities has around 1,500 staff in 122 offices in regional Western Australia, providing access to disability, housing, child protection and family supports and services. The Department administers 5,150 Government Regional Officer Housing (GROH) properties to government employees across regional Western Australia, and will invest a further \$82.3 million in GROH housing stock over the forward estimates period. It also supports remote communities through the coordination and delivery of essential and municipal services and social and affordable housing, and works in partnership with locally-based not-for-profit organisations to deliver quality community services in regional towns.

To support the Government's commitment to protect rural communities, over \$340 million per annum will be spent on services provided by the Western Australia Police Force's regional districts. This encompasses 123 police stations and over 1,600 police officers and staff.

A further \$260 million per annum will be spent by the Department of Justice on court and tribunal administration in the regions, and the operation of the State's eight regional prisons (and workcamps) and community corrections. This investment supports access to justice across the whole of the State, including by allowing offenders to be secured and rehabilitated close to their community.

An additional 160 beds will be added to Bunbury Regional Prison to address capacity constraints. This expansion is a pilot project under the Western Australian Industry Participation Strategy, ensuring local businesses have the greatest opportunity to benefit from capital projects in the regions.

As part of the Government's Stopping Family and Domestic Violence election commitment, \$5.8 million will be spent over the forward estimates period to establish and operate a new women's refuge in the Peel region. This service is expected to begin operations in 2019-20.

New initiatives funded as part of this Budget include:

- \$80.3 million to establish a dedicated Rural Fire Division within the Department of Fire and Emergency Services, including \$34.6 million for bushfire mitigation activities and \$18 million for the development of a Bushfire Centre of Excellence;
- \$21.5 million over the forward estimates period to continue Regional Youth Justice Services in the Kimberley and Pilbara, including supervision of young people on community orders and enhanced access to bail and counselling;
- \$19.5 million for the 38 Volunteer and Marine Rescue groups that provide emergency services along the State's coastline;
- \$8 million to replace ageing volunteer fire stations in regional locations such as Gingin, Margaret River, Northampton and Halls Creek, and \$8.8 million to complete the rollout of crew protection measures in 261 bushfire appliances;
- \$360,000 to refurbish two Department of Communities' properties for use as crisis and transitional accommodation in Collie; and
- the Target 120 initiative, which will deliver targeted intervention for at-risk youth, will be implemented across the State from October 2018, with Bunbury to be one of the initial sites for the program. Further regional locations will be rolled out in a phased approach over the next four years.

Shaping Our State, Investing In Our Suburbs and Towns

Investing in Roads

More than \$2 billion will be spent on the State's regional roads between 2018-19 and 2021-22. A further \$41.2 million in 2018-19, and approximately \$40 million per annum thereafter, will also be spent on regional roads under the State Road Funds to Local Government Agreement. Major ongoing projects include:

- Great Northern Highway – Muchea to Wubin Stage 2, with a total cost of \$347.2 million for a range of upgrades including town bypasses, road widening, passing lanes and other safety treatments across the 218 km section of the Highway;
- Broome–Cape Leveque Road, with a total cost of \$65.7 million to complete construction of the remaining 90 km of unsealed sections of the road;
- Great Northern Highway–Wyndham Spur and Maggie's Jump Up, with a total cost of \$56.1 million to reconstruct and realign 28 km of the Highway between Maggie Creek and the Wyndham town site;
- Regional Road Safety Program, with a total cost of \$55.3 million for 16 projects targeted to improve road safety across the regions, including projects on Indian Ocean Drive, Albany-Lake Grace Road and the Goldfields Highway;
- Marble Bar Road–Coongan Gorge Realignment, with a total cost of \$54.5 million to realign and reconstruct the road through the Coongan Gorge; and
- Karratha–Tom Price Road, with a total cost of \$50 million for construction of the next 50 km stage of the road.

New initiatives funded as part of this Budget include:

- \$93.8 million to commence construction of the northern and southern sections of the Bunbury Outer Ring Road, funded 80% (\$75 million) by the Commonwealth and 20% (\$18.8 million) by the State; and
- \$110.8 million between 2018-19 and 2021-22 to be invested in regional roads and funded from the Road Trauma Trust Account (RTTA), including:
 - \$70 million for improvements to regional roads identified as high risk for runoff crashes;
 - \$20 million on upgrades to Indian Ocean Drive;
 - \$17.2 million to continue upgrades to Great Eastern Highway on priority sections identified in the Wheatbelt Safety Review;
 - \$2.4 million for planning and pre-construction activities for upgrades to Toodyay Road; and
 - \$1.2 million for advanced warning signs at intersections on rural roads.

This investment builds on the \$25.2 million allocated to regional road projects from the RTTA in the 2017-18 Budget.

Investing in Power and Water

More than \$900 million will be invested over the forward estimates period on water, wastewater and drainage projects in regional Western Australia.

As part of this Budget, the Water Corporation will complete upgrades to Onslow's water infrastructure associated with revisions to the Onslow Water Infrastructure Upgrade Project. This aims to secure the drinking water supply to the town of Onslow, with the cost to be met by Chevron Australia.

The Government is committed to ensuring the safe and reliable provision of power supplies in regional Western Australia, with asset investment of over \$800 million over the period 2018-19 to 2021-22. This includes Western Power's safety-related capital expenditure on poles and wires and maintenance of Synergy's generation assets located in the regions, as well as Horizon Power's Asset Investment Program.

Investing in Our Environment

The Department of Biodiversity, Conservation and Attractions maintains a network of 100 national parks, 20 marine reserves, 66 conservation parks, 56 State forests and other lands and waters across the State. Total direct recurrent regional expenditure by the Department is estimated at approximately \$170 million in 2018-19, employing around 900 regional staff. This expenditure delivers management of parks, prescribed burning and bushfire suppression, scientific research, threatened species conservation and management of State forests in the regions. This is a significant commitment by the Government to regional economies, nature-based tourism and conservation of biodiversity.

Supporting this investment, the Department of Primary Industries and Regional Development is spending \$6.2 million per annum on Natural Resource Management in regional areas. The Natural Resource Management program provides grants for activities that help conserve, restore and rehabilitate a local natural area or conserve biodiversity.

New initiatives funded as part of this Budget include:

- \$10.5 million to fast track the creation of the Preston River to Ocean Regional Park. The funding will also assist the Government to create the Leschenault Regional Park and ensure the long-term preservation of much needed open space for the greater Bunbury area; and
- an amount of \$9.3 million, funded by industry, will deliver conservation projects in the Pilbara to offset the environmental impacts from the clearing of vegetation and fauna.

Further details of new expenditure initiatives included as part of this Budget are outlined in Chapters 5 and 6.

Royalties for Regions Program

The State Government has secured the ongoing sustainability of the Royalties for Regions (RfR) program through its responsible financial management.

Under this program, which is funded by 25% of the State's annual royalty income (up to a \$1 billion annual cap on the balance held in the RfR Fund), the Government will spend more than \$4 billion over the period 2018-19 to 2021-22 to support service delivery and infrastructure provision in regional Western Australia.

The 2018-19 Budget RfR program is detailed in the following table.

Table 1

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
INVESTING IN JOBS							
Aboriginal Tourism Development Program	1.2	1.2	1.2	-	-	-	1.2
Agriculture – Development Funding	-	-	6.8	11.1	2.1	-	20.0
Agricultural Sciences Research and Development Fund	1.5	6.9	7.3	2.5	-	-	9.8
Agricultural Telecommunications Infrastructure Fund	-	0.5	10.2	2.3	2.3	1.8	16.5
Albany Middleton Beach Stage 2	-	1.7	1.9	-	-	-	1.9
Albany Wave Energy Project	-	1.0	6.2	6.2	6.2	-	18.5
Asia Market Success	2.2	1.9	1.5	-	-	-	1.5
Boost Grains Research and Development Support	5.4	9.1	5.1	-	-	-	5.1
Boosting Biosecurity Defences	5.1	5.0	4.6	-	-	-	4.6
Brand WA – Stage 2	1.9	0.2	2.3	4.2	-	-	6.5
Brand WA – Destination Marketing	-	-	3.5	5.5	5.5	5.5	20.0
Brand WA – Event Tourism	-	-	0.8	6.3	6.3	6.3	19.7
Building WA Grains Research and Development Capacity	-	-	10.0	10.0	10.0	10.0	40.0
Caravan and Camping/Parks for People	11.3	3.1	-	-	-	-	-
Collie Futures Fund	-	1.0	4.0	5.0	5.0	5.0	19.0
Combined Pilbara Water Projects – West Canning Basin Sandfire	0.5	0.2	-	-	-	-	-
Develop Serviced Land at Shotts and Kemerton	-	-	5.3	5.2	-	-	10.5
Digital Farm	-	-	5.0	-	-	-	5.0
Doppler Radar Project	0.1	0.2	0.1	-	-	-	0.1
Exploration Incentive Scheme	-	10.0	5.0	-	-	-	5.0
Extension of Doppler Radar Coverage	-	4.4	0.6	-	-	-	0.6
Feasibility Study (Yara Pilbara and Sahara Forest)	-	0.1	-	-	-	-	-
Ferguson Valley Wellington Forest marketing	-	0.3	-	-	-	-	-
Forest Product Development	0.2	0.3	-	-	-	-	-
Gascoyne Food Bowl	3.1	0.4	0.5	-	-	-	0.5
Goldfields Major Solar Feasibility	-	0.3	0.3	-	-	-	0.3
Halifax Business Park	-	-	1.5	1.5	-	-	3.0
Help Grain Growers to Better Manage Risk (e-Connected Grainbelt)	1.9	3.4	2.7	-	-	-	2.7
Infrastructure Audit and Investment Fund – Administration	0.3	0.1	-	-	-	-	-
Jawun Indigenous Corporate Partnership Program	0.3	0.2	0.3	0.1	-	-	0.4
Kalbarri Skywalk and National Park Infrastructure	5.4	8.3	6.0	-	-	-	6.0
Kariyarra Indigenous Land Use Agreement	-	0.1	0.1	0.1	0.1	0.1	0.4
Karratha City of the North Project	-	-	2.9	-	-	-	2.9
Karratha Enterprise Hub/Business Centre	1.0	1.0	-	-	-	-	-
Lake Argyle Dam – Ord Phase 2 Expansion	- (a)	-	-	-	-	-	-
Lands Staff Support Project 2014-2017	0.3	-	-	-	-	-	-
Local Projects Local Jobs	7.1	2.2	- (a)	-	-	-	- (a)
Mid West Coastal Nodes	0.3	-	-	-	-	-	-
Middleton Beach Hotel Site	0.4	1.1	-	-	-	-	-
Modernising the Framework for WA's Crown Land	0.5	0.6	-	-	-	-	-
Murujuga Cultural Interpretive Centre – Burrup Peninsula	-	8.0	-	-	-	-	-

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Murujuga Tourism Project	0.1	- (a)	-	-	-	-	-
Myalup Primary Industry Reserve	-	3.5	-	-	-	-	-
Myalup-Wellington Water for Growth	-	-	-	10.0	10.0	8.5	28.5
Northern Beef Industry Strategy	4.7	2.1	2.4	-	-	-	2.4
Northern Planning Program	0.4	-	-	-	-	-	-
Ord Final Agreement	- (a)	-	-	-	-	-	-
Pilbara Underground Power – Stage 2	32.3	5.0	-	-	-	-	-
Port Hedland Hospital Site Release for Development	2.1	-	-	-	-	-	-
Port Hedland Water Front Revitalisation – Spoilbank Marina	-	0.5	0.8	20.0	50.7	-	71.5
Potato Marketing Board – Structural Readjustment	12.8	0.6	0.6	-	-	-	0.6
Premium Food Centre Manjimup	1.0	0.6	0.8	0.5	-	-	1.3
Rangelands Reform Program	0.1	-	-	-	-	-	-
Rebuilding Our Agriculture Capability	-	-	10.0	-	-	-	10.0
Regional Buy Local Initiatives	- (a)	-	0.3	-	-	-	0.3
Regional Economic Development Grants	-	-	6.3	6.3	5.0	5.0	22.5
Regional Events Program Larger Events	9.2	9.6	10.0	0.3	-	-	10.3
Regional Natural Resource Management – State Barrier Fence	0.3	2.4	1.2	1.8	-	-	2.9
Regional Telecommunications Project	10.6	18.5	21.5	-	-	-	21.5
Regional Tourism Marketing Campaign	6.7	-	-	-	-	-	-
Regional Tourism Marketing Program	- (a)	-	-	-	-	-	-
Regional Visitor Centres	1.3	1.4	-	-	-	-	-
Science and Agribusiness Connect Program	0.8	0.8	0.9	0.7	-	-	1.7
Sheep Industry Business Innovation	4.0	2.3	-	-	-	-	-
South Coast Aquaculture Development Zone	0.1	0.5	0.4	0.3	-	-	0.7
Southern Forest Irrigation Scheme	-	-	3.5	7.0	8.5	-	19.0
Specialist Food Centre Albany	0.4	0.1	0.6	0.4	-	-	1.0
Sustainable Development of the Abrolhos Islands	-	-	-	5.0	5.0	-	10.0
Transform Peel – Phase 1	2.5	9.9	25.2	6.5	3.2	2.0	36.9
Transforming Agriculture in the Pilbara	0.9	0.4	2.9	2.0	0.6	-	5.5
Transforming Bunbury Waterfront	2.4	13.4	21.5	-	-	-	21.5
Victoria Hotel Redevelopment	-	1.0	-	-	-	-	-
WA Open For Business	0.9	2.0	6.3	5.6	5.2	5.2	22.3
WA Regional Small Business Awards	0.2	0.2	-	-	-	-	-
Water For Food – Part II	6.8	8.0	1.0	-	-	-	1.0
Water For Food West Kimberley	3.1	2.5	0.8	-	-	-	0.8
Western Australian Regional Film Fund	6.0	4.0	3.0	3.0	-	-	6.0
Wild Dogs Action Plan	-	4.9	5.6	4.6	1.5	-	11.7
Wild Dogs Management Plan	0.8	-	-	-	-	-	-
Yellow Tail Kingfish Grow-out Trial	0.3	-	-	-	-	-	-
TOTAL – INVESTING IN JOBS	161.0	166.9	221.0	134.1	127.1	49.3	531.5
PUTTING PATIENTS FIRST							
Emergency and Acute Workforce	30.6	33.2	21.9	21.0	20.5	20.5	84.0
Digital Innovation, Transport and Access to Care	26.0	21.7	66.8	59.8	58.2	58.3	243.3
Health Services							
Expand the Ear Bus Program	-	1.1	0.8	0.9	-	-	1.7
Find Cancer Early	-	0.4	0.4	0.4	0.4	0.4	1.6
Meet and Greet Service	-	0.5	0.5	0.5	0.5	0.5	1.9

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Pilbara Health Partnership	3.1	3.4	3.5	-	-	-	3.5
Renal Dialysis	0.5	1.7	5.3	1.5	-	-	6.8
Residential Aged and Dementia Care Investment Program	14.1	5.9	2.3	1.7	-	-	4.0
Health Infrastructure							
Carnarvon Residential Aged Care Facility	-	1.0	8.0	2.6	-	-	10.6
Derby Community Health Service	-	1.0	2.7	-	-	-	2.7
District Hospital Investment Program	39.2	85.6	24.7	2.4	-	-	27.1
Dongara Aged care	-	-	1.0	-	-	-	1.0
Geraldton Health Campus Redevelopment	-	-	-	1.8	2.2	36.7	40.7
Karratha Health Campus	43.9	95.0	48.4	1.0	-	-	49.4
Newman Health Service Redevelopment project	-	1.5	35.9	-	-	-	35.9
Onslow Health Service Redevelopment project	-	2.8	17.0	-	-	-	17.0
Primary Health Centres Demonstration Program	2.5	10.4	16.3	1.1	-	-	17.4
Remote Indigenous Health Clinics	1.4	3.4	4.2	-	-	-	4.2
Small Hospital and Nursing Post Refurbishment Program	19.7	31.2	19.6	1.4	-	-	21.0
Tom Price Hospital Redevelopment	-	0.3	-	-	5.0	-	5.0
Valley View Aged Care Centre	-	-	0.5	-	-	-	0.5
Other Health Programs							
Fitzroy Kids Health	0.1	-	-	-	-	-	-
Ear, Eye and Oral Health	0.9	2.0	-	-	-	-	-
Growing the Capacity of Drug and Alcohol Detoxification and Rehabilitation Program	1.5	0.2	-	-	-	-	-
Regional Health Administrative Accommodation	- (a)	-	-	-	-	-	-
Rural Palliative Care Program	1.3	0.5	-	-	-	-	-
Mental Health Programs							
Ice Breaker Program – Albany	-	0.2	0.2	-	-	-	0.2
Geraldton Step Up/Step Down facilities	-	-	-	1.5	4.2	2.0	7.7
Mental Health Step Up/Step Down facilities – Kalgoorlie/Goldfields 10 beds	-	-	1.0	4.4	1.9	1.7	9.0
Methamphetamine Action Plan – Kimberly and South West AOD Residential Rehabilitation and Treatment Service	-	0.2	1.3	2.6	2.7	2.7	9.3
North West Drug and Alcohol Support Program	-	6.1	6.3	6.5	-	-	12.8
North West Drug and Alcohol Support Program – Gascoyne	0.5	0.1	-	-	-	-	-
North West Drug and Alcohol Support Program – Kimberley and Pilbara	4.9	0.1	-	-	-	-	-
Regional Men's Health	0.8	0.8	0.8	0.8	-	-	1.6
Sub-acute Mental Health Services in Bunbury	-	4.3	2.6	2.1	2.2	2.2	9.1
Sub-acute Mental Health Services in Karratha	-	4.3	3.0	2.5	2.5	2.5	10.5
Three Tier Youth Mental Health Program – GP Down South	-	0.1	0.1	0.1	-	-	0.3
TOTAL – PUTTING PATIENTS FIRST	190.9	318.8	295.0	116.7	100.4	127.5	639.6

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
INVESTING IN OUR CHILDREN'S EDUCATION							
Aboriginal and Islander Education Officer	-	0.9	2.6	3.5	3.6	3.6	13.3
Albany Secondary Education Support Centre and North Albany Senior High School	-	-	0.4	7.5	1.9		9.8
Allied Health Training Centre – Pilbara Institute	2.9	-	-	-	-	-	-
Attraction and Retention – Pilbara Education	1.0	-	-	-	-	-	-
Better Beginnings – Early Literacy	0.9	0.3	0.3	0.3	-	-	0.5
Boarding Away From Home	- ^(a)	1.4	-	-	-	-	-
Bunbury Senior High School	-	0.2	4.8	-	-	-	4.8
Cape Naturaliste College	-	2.0	20.0	8.1	-	-	28.1
Carnarvon Community College	5.4	13.2	21.9	3.5	-	-	25.4
Clontarf Colleges	-	1.5	1.7	1.5	1.5	1.5	6.3
Collie Senior High School	-	1.1	6.4	-	-	-	6.4
Curtin Jiji Program	-	0.7	0.1	0.5	0.2	-	0.8
Durack Student Services Interactive Hub	1.8	-	-	-	-	-	-
Eaton Community College Expansion	-	-	2.5	2.5	-	-	5.0
Eaton Primary School Upgrades	-	-	1.5	1.5	-	-	3.0
Future Development of Muresk	0.8	0.2	-	-	-	-	-
Feasibility Study Residential Colleges for Aboriginal Students in Newman	-	0.1	0.2	0.1	-	-	0.2
Geraldton Senior College	-	2.8	1.2	-	-	-	1.2
Glen Huon Primary School	-	0.1	1.4	-	-	-	1.4
Improving Teacher Quality	-	0.9	1.9	1.9	1.9	1.9	7.7
Independent Learning Co-ordinators	-	0.7	1.5	1.5	1.5	1.5	5.9
John Willcock Community College	-	10.4	8.2	-	-	-	8.2
Joint Use Sporting Facility Lakelands Senior High School (Mandurah)	-	2.5	-	-	-	-	-
Kalgoorlie-Boulder Community High School – Redevelopment – Stage One	18.4	2.3	2.8	-	-	-	2.8
Kimberley School Project	-	5.9	9.5	4.4	3.7	-	17.7
Major Upgrade to Collie TAFE	-	-	0.2	-	-	-	0.2
Margaret River Senior High School	-	6.5	20.0	3.0	-	-	23.0
Mental Health Support	-	0.4	0.8	0.8	0.8	0.8	3.2
Muresk Institute Agricultural Degree	0.7	0.7	0.7	0.7	0.7	-	2.1
Muresk Institute Agricultural Skills Development Pathway	2.3	1.4	1.6	-	-	-	1.6
Newton Moore Senior High School – New STEM Centre	-	-	1.5	1.5	-	-	3.0
Peel Workforce Development Centre	0.1	0.1	0.1	-	-	-	0.1
Preventative Maintenance Programs	-	-	3.4	1.5	-	-	4.9
Pilbara Partnerships for Student Success	-	1.0	2.0	1.6	-	-	3.6
Pilbara Universities Centre	-	-	0.3	0.3	-	-	0.6
Pilbara Institute – Electrical Specialist Centre	3.5	1.2	-	-	-	-	-
Pilbara Institute – Upgrade and Expansion of South Hedland and Karratha Campus	0.4	0.6	-	-	-	-	-
Pre-primary Centre at Flinders Park Primary School	-	-	-	2.0	-	-	2.0
Put Education Assistants Back in the Classroom	-	1.9	5.3	7.8	9.1	9.1	31.4
RAWA Aboriginal Independent Community School – Engagement Program	-	0.1	-	-	-	-	-

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Clontarf Foundation Academies	1.5	-	-	-	-	-	-
Regional Learning Specialists	-	0.6	1.3	1.3	1.3	1.3	5.3
Regional Residential College Upgrades	5.5	0.2	-	-	-	-	-
Regional School Breakfast and Nutritional Education Program	0.2	0.2	0.2	0.2	0.2	0.2	0.9
Regional School Bus Services	-	-	-	-	-	79.9	79.9
Science in Primary Schools	-	0.3	0.3	0.3	0.3	0.3	1.3
South Regional TAFE Esperance New Replacement Campus	-	-	-	-	10.0	-	10.0
TAFE Regional Subsidies	-	-	-	44.4	44.9	45.4	134.7
The Strelly Community School – Engagement Program	-	0.1	-	-	-	-	-
Upgrade Mount Lockyer Primary School	-	-	-	-	3.0	-	3.0
Upgrade to South Bunbury Primary School	-	-	1.0	2.0	-	-	3.0
TOTAL – INVESTING IN OUR CHILDREN'S EDUCATION	45.6	62.5	127.4	104.1	84.9	145.7	462.2
INVESTING IN OUR COMMUNITIES							
Aboriginal Community Critical Response Fund	0.8	- (a)	-	-	-	-	-
Aboriginal Governance and Leadership Development Program	- (a)	1.2	0.6	-	-	-	0.6
Aboriginal Youth Transitions	0.2	0.4	0.4	-	-	-	0.4
Additional Women's Refuge	-	-	2.5	1.1	1.1	1.1	5.8
Affordable Student Housing	2.2	-	-	-	-	-	-
Air-conditioning at Five Remote Multifunctional Policing Facilities	-	-	5.7	7.0	-	-	12.7
Albany Artificial Surf Reef Business Case	-	-	0.3	-	-	-	0.3
Albany Entertainment Centre	0.6	0.5	0.5	0.5	0.5	0.5	2.0
Athlete Travel Subsidy Scheme	- (a)	-	-	-	-	-	-
Balingup Town Hall	-	0.2	-	-	-	-	-
Batavia Coast Marina 2	0.2	0.2	0.9	-	-	-	0.9
Broome Aboriginal Short Stay Accommodation Facility	4.9	13.3	2.6	2.6	-	-	5.2
Building a State of Creativity in the Pilbara	0.5	-	-	-	-	-	-
Bunbury Bowling Club – Wheelchair access	-	0.2	-	-	-	-	-
Capacity Building – Regional Governance Services and Asset Management	3.0	3.6	-	-	-	-	-
Capel Police Station	-	-	4.0	4.0	-	-	8.0
Capel Town Centre Revitalisation	-	1.3	1.0	-	-	-	1.0
Carnarvon Fascine Revitalisation – Completion – Independent Project Manager Advisor Services	-	-	0.1	-	-	-	0.1
Carnarvon Independent Living Units	3.0	-	-	-	-	-	-
Carnarvon One Mile Jetty Interpretive Centre	0.3	-	-	-	-	-	-
Centennial Park – Albany	5.8	-	-	-	-	-	-
Centennial Park Sporting and Event Precinct	-	3.0	3.9	-	-	-	3.9
Collie Crisis and Transitional Accommodation	-	-	0.4	-	-	-	0.4
Collie Motorplex	-	0.3	-	-	-	-	-
Collie Mineworkers Memorial Pool enclosure	-	0.2	-	1.9	-	-	1.9

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Community Chest Grants Scheme	3.6	5.3	0.1	-	-	-	0.1
Community Pool Revitalisation	3.3	0.5	-	-	-	-	-
Community Resource Centres	12.8	13.0	13.0	8.0	8.0	8.0	37.0
Community Sport Equipment Grants	0.2	-	-	-	-	-	-
Community Safety Network	14.6	21.2	8.6	8.2	8.5	8.5	33.7
Country Age Pension Fuel Card	28.4	34.1	34.1	34.1	34.1	34.1	136.4
Coral Bay Key Worker Housing – Headworks	-	0.3	2.5	-	-	-	2.5
Country Water, Sewerage and Drainage Operations	-	-	-	191.5	284.1	320.2	795.8
Creative Regions Program	5.6	6.7	4.4	-	-	-	4.4
Culturally Appropriate Services to Victims of Domestic Violence	-	0.1	0.1	0.1	0.1	0.1	0.4
Dalyellup Family Centre	-	-	-	1.5	-	-	1.5
Denmark Water Treatment	1.4	-	-	-	-	-	-
Dirk Hartog 400 th Anniversary Commemorations	0.2	-	-	-	-	-	-
Donnybrook Town Centre Revitalisation	-	-	0.2	1.8	-	-	2.0
Eaton Bowling Club upgrade	-	0.1	2.0	-	-	-	2.0
Eaton/Australind Waterfront Historic Walk Trail	-	0.3	0.3	-	-	-	0.3
Enhanced Driver Training and Education for Regional and Remote Communities	1.2	1.5	1.3	1.2	-	-	2.5
Enhanced Services for Victims of Crime within Regional and Remote Communities	0.9	-	-	-	-	-	-
Entry Statement and Signage for Bunbury	-	-	0.2	-	-	-	0.2
Esperance Indoor Sports Stadium	-	3.1	1.0	-	-	-	1.0
Essential and Municipal Services Improvement in Remote Aboriginal Communities	-	2.0	25.0	25.0	-	-	50.0
Exmouth Service Worker Housing	0.9	- (a)	-	-	-	-	-
Expansion of Aged Care for the Esperance Community	1.4	1.6	-	-	-	-	-
Fairbridge Farm Refurbishment (Evelyn Cottage)	- (a)	-	-	-	-	-	-
Family and Domestic Violence Counselling Services – Peel	-	0.1	0.3	0.3	0.3	0.3	1.1
Fire Crew Protection	6.0	6.9	-	-	-	-	-
Fitzroy Crossing Courthouse	- (a)	-	-	-	-	-	-
Geraldton Cemetery Board Capital Works	0.1	-	-	-	-	-	-
Goldfields Arts Centre	0.3	0.3	0.3	0.1	0.1	0.1	0.7
Goldfields Esperance Arts and Culture Trail	-	-	0.1	0.1	0.1	-	0.3
Government Regional Officer Housing Boost	- (a)	-	-	-	-	-	-
Hospital Site Remediation – Port Hedland	2.3	5.3	0.2	-	-	-	0.2
Indigenous Visitor Hostels	2.6	2.3	1.7	1.7	-	-	3.4
Jurien Bay to Cervantes Cycle Path	0.6	-	-	-	-	-	-
Karratha Arts and Community Precinct	4.0	5.0	5.0	-	-	-	5.0
Karratha City Centre Infrastructure Works Project	22.0	2.0	-	-	-	-	-
Karratha Government Office Co-Location Project (The Quarter)	4.9	0.5	-	-	-	-	-
Karratha Water Recycling Scheme	0.2	-	-	-	-	-	-
Killarney Retirement Living	9.4	0.4	-	-	-	-	-

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Kimberley Aboriginal Law and Cultural Centre to Document and Teach Traditional Languages	-	-	0.1	0.1	0.1	0.1	0.5
Kimberley Family Violence	-	1.1	1.1	-	-	-	1.1
Koombana Park Facilities	4.8	2.8	3.3	-	-	-	3.3
Kununurra, Broome and Karratha Courthouse	5.6	1.5	0.7	-	-	-	0.7
Laverton Community Hub	-	2.6	-	-	-	-	-
Mandurah Eastern Foreshore Redevelopment	-	-	-	5.0	5.0	-	10.0
Margaret River Hub of Entertainment Arts Regional Tourism Project	-	2.5	0.6	-	-	-	0.6
Margaret River Region Lighthouse Precincts Redevelopment	-	0.2	-	-	-	-	-
Miriuwung and Gajerrong Corporation	-	0.3	0.2	-	-	-	0.2
Minninup Pool	-	0.2	0.3	-	-	-	0.3
Motoring South West – Marketing Campaign	-	-	0.1	-	-	-	0.1
Motorplex Complex Albany	-	-	0.3	-	5.5	-	5.8
Multipurpose Outdoor Courts – Weatherproof Structure, Seating and Lighting	-	-	-	1.9	-	-	1.9
Murchison Radio-Astronomy Observatory Power Supply Project	1.6	-	-	-	-	-	-
Newman Town Centre Revitalisation – Stage 3	6.7	1.2	-	-	-	-	-
NGO Housing Strategic Intervention – Stage 2	2.2	3.6	-	-	-	-	-
Norseman: The Heart of the Great Western Woodlands	-	1.2	0.4	-	-	-	0.4
North West Aboriginal Housing Initiative	-	5.0	20.0	20.0	20.0	35.0	95.0
Paraburdoo Childcare Centre	0.5	-	-	-	-	-	-
Performing Arts Regional Tours Boost	0.2	- (a)	-	-	-	-	-
Pilbara Aboriginal Town Based Reserves – Unallocated	-	1.0	2.0	4.0	6.0	6.3	18.3
Pilbara Aboriginal Town Based Reserves (Stage 1)	0.2	0.5	-	-	-	-	-
Police Radio Network	-	3.7	8.1	1.4	0.2	-	9.6
Regional Grants Scheme	11.0	18.0	1.2	-	-	-	1.2
Regional Police Incentives	2.0	2.5	2.5	2.5	2.5	2.5	10.0
Rapid Response Signs – Regional	-	0.2	0.2	0.2	0.2	-	0.6
Regional Aged Accommodation Program – Unallocated	-	-	13.2	7.7	-	-	20.9
Regional Athlete Support Program	-	1.0	1.0	1.0	-	-	2.0
Regional Centres Development Plan	4.4	0.4	4.5	-	-	-	4.5
Regional Community Childcare Development Fund	0.1	1.7	1.3	-	-	-	1.3
Regional Traffic Enforcement Unit	-	2.5	5.2	5.3	5.5	5.5	21.5
Regional Exhibition Touring Boost	-	0.5	0.5	1.8	1.8	1.8	5.8
Regional Museum Grants	-	-	0.3	0.3	0.3	0.3	1.0
Regional Talent Development Network	0.9	-	-	-	-	-	-
Regional Work Camp Enhancement – Roebourne	0.1	-	-	-	-	-	-
Regional Youth Justice Strategy Kimberley and Pilbara Expansion	7.4	5.5	5.3	5.3	5.4	5.5	21.5
Reinstate funding to Financial Counselling Services	-	0.3	0.7	0.7	0.7	0.7	2.9
Remote and Essential Services	-	-	-	56.0	56.0	56.0	168.0

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Remote Rural and Regional Women's Network	0.3	0.5	0.3	-	-	-	0.3
Remote Swimming Pools	-	7.0	4.3	3.6	0.6	0.6	9.1
Respectful Relationship Programs in Schools	-	-	-	0.1	0.1	0.1	0.3
Responsible Parenting Support Services	4.8	4.4	-	-	-	-	-
Riverview Residence – Upgrade to Over 55's Estate	-	-	-	2.0	-	-	2.0
Royal Agricultural Society Show Concessions – Free entry for Children	- (a)	-	-	-	-	-	-
Social Service Worker Housing	59.0	4.1	-	-	-	-	-
South Hedland and CBD Revitalisation – Stage 2	0.6	0.8	0.4	0.4	0.4	-	1.2
South West Emergency Rescue Helicopter Service	11.3	8.8	4.6	-	-	-	4.6
Stockton Lake	-	0.3	-	-	-	-	-
Upgrade Surf Life Saving Club – Dalyellup	-	-	0.3	-	-	-	0.3
Upgrades to Hay Park – Bunbury	-	0.2	3.9	-	-	-	3.9
Volunteer Fuel Card	1.8	1.0	1.0	1.0	1.0	1.0	4.0
Warooka Housing Options Village	-	1.8	-	-	-	-	-
Water Playground Kununurra	-	0.6	-	-	-	-	-
Wellington Dam Walk Trails	-	0.2	-	-	-	-	-
West Kimberley Transitional Housing Program	4.1	3.8	-	-	-	-	-
TOTAL – INVESTING IN OUR COMMUNITIES	278.1	230.2	210.7	411.0	448.1	488.2	1,557.9
INVESTING IN OUR ROADS AND PORTS							
AgLime Routes	-	-	8.0	2.0	-	-	10.0
Albany Ring Road – Design, Preconstruction and Construction activities	-	1.0	4.0	15.0	15.0	-	34.0
Avonlink Enhancement Project	2.0	-	-	-	-	-	-
Bidyadanga Road (Kimberley) – Seal 13km	-	1.0	3.0	-	-	-	3.0
Boordarie Entrance Road	- (a)	- (a)	-	-	-	-	-
Broome Boating Facilities Upgrade	-	4.5	5.2	-	-	-	5.2
Broome Marina Planning	-	0.5	0.5	-	-	-	0.5
Port of Broome Dredging	-	1.0	1.3	-	-	-	1.3
Broome-Cape Leveque Road	-	2.0	2.2	5.2	-	-	7.4
Bunbury Outer Ring Road Design and Technical Assessment	-	1.7	0.9	-	-	-	0.9
Bunbury Port Planning	-	0.5	-	-	-	-	-
Collie Preston Region – Upgrades Over Multiple Local Roads	-	-	4.2	4.9	5.9	-	15.0
Coolgardie-Esperance Highway (Goldfields) – Widen, Overlay and Reconstruction	-	1.0	4.0	3.0	-	-	7.0
Dongara Road Alignment	- (a)	0.2	0.5	-	-	-	0.5
Exmouth Boat Harbour – New Project	11.1	2.2	-	-	-	-	-
Fortescue River Crossing Marble Bar Road Bridge	0.5	-	-	-	-	-	-
Geraldton Airport Runway Pavement Renewal	-	-	6.5	-	-	-	6.5
Great Eastern Highway – Dual Anzac Road to Gatacre Drive, Kalgoorlie	-	2.0	10.0	2.0	-	-	12.0
Great Eastern Highway Passing Lanes	29.3	0.1	0.1	0.1	0.1	-	0.2

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Great Northern Highway – Bow River Bridge	-	6.7	-	-	-	-	-
Great Northern Highway – Maggie's Jump	-	2.8	1.3	0.1	-	-	1.4
Great Northern Highway – Muchea to Wubin	-	38.8	-	-	-	-	-
Great Northern Highway – Ord River North (Turkey Creek)	-	-	1.0	1.2	-	-	2.1
Great Northern Highway – Wyndham Spur Stage 2	-	1.5	4.3	0.2	-	-	4.5
Gibb River Road	-	7.8	8.0	-	-	-	8.0
Karratha-Tom Price Road – Sealing of 50km to Millstream	-	1.0	6.0	30.0	13.0	-	49.0
Local Government Commodity Freight Roads Fund	-	-	10.0	-	-	-	10.0
Mandurah Train Station – New Parking Bays	-	-	2.6	13.5	-	-	16.1
Marble Bar Road – Coongan Gorge	-	3.2	7.7	-	-	-	7.7
Margaret River Perimeter Road	9.1	27.8	5.0	0.1	-	-	5.1
Moonamang Road	-	2.0	13.0	1.3	-	-	14.3
Outback Way – Seal Priority Sections	-	-	4.6	2.0	-	-	6.6
Planning for the Upgrade of Bremer Bay Boat Harbour	-	-	0.3	-	-	-	0.3
Portlink Inland Freight Corridor Planning	- (a)	-	-	-	-	-	-
Rail Future Fund	-	0.6	2.0	17.4	12.0	-	31.4
Rail to Kemerton Industrial Park	-	0.5	1.0	3.0	5.5	-	9.5
Recreational Boating Facilities Scheme	2.9	1.1	-	-	-	-	-
Regional Airports Development Scheme	2.1	-	-	-	-	-	-
Replacement of the TransWA Road Coach Fleet	5.6	0.1	-	-	-	-	-
South Coast Highway – Widening Pfeiffer Road Manypeaks to Jerramungup Road	-	1.0	5.0	24.0	-	-	29.0
Square Kilometre Array Roads	-	2.8	10.2	8.5	7.5	6.0	32.2
Trial of Subsidised Perth-Derby Regular Public Transport Air Services	-	-	1.0	-	-	-	1.0
TOTAL – INVESTING IN OUR ROADS AND PORTS	62.7	115.3	133.4	133.4	59.0	6.0	331.7
INVESTING IN OUR ENVIRONMENT							
Aboriginal Ranger Program	-	4.0	4.0	4.0	4.0	4.0	16.0
Bushfire Mitigation on Crown Land Regional Townsites	0.7	3.5	5.0	5.8	-	-	10.8
Carnarvon Flood Mitigation Works – Stage 2	-	0.1	3.0	-	-	-	3.0
Collie River Revitalisation	-	0.1	0.1	-	-	-	0.1
Enhanced Prescribed Burning Program	6.4	4.3	5.5	-	-	-	5.5
Great Kimberley Marine Park	3.7	4.8	1.5	0.4	1.8	-	3.6
Kimberley Science and Conservation Strategy	- (a)	0.9	-	-	-	-	-
Lake Kepwari	-	0.2	1.0	1.8	-	-	2.8
Living Lakes	0.3	2.0	1.4	-	-	-	1.4
Lucky Bay Campground Redevelopment Stage 2	-	0.9	-	-	-	-	-
Managing Western Australia's Natural Resources: Supporting Community Involvement	7.1	8.8	0.5	-	-	-	0.5
Marine Parks Management	1.6	1.7	2.4	0.5	-	-	2.9
Millstream Chichester National Park Eco Retreat	0.1	-	-	-	-	-	-
Murujuga Joint Management	-	1.0	1.0	1.0	1.0	-	3.0

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Natural Resource Management Program	-	-	6.2	6.2	6.2	6.2	24.8
New Kimberley National Park	1.1	2.2	-	-	-	-	-
Oyster Reef Habitat Restoration – Albany	-	0.3	0.3	0.3	0.3	-	0.8
Peel-Harvey – Estuary Protection Plan	-	0.5	0.5	0.5	-	-	1.0
Peel-Harvey Estuary 1 FTE	-	0.1	0.1	0.1	-	-	0.2
Preston River to Ocean Regional Park and Leschenault Regional Park	-	-	2.6	2.6	2.6	2.6	10.5
Public Recreation and Joint Management Arrangements for the Ningaloo Coast	0.7	2.2	2.7	-	-	-	2.7
Regional Economic Development – Water Opportunities	0.1	-	-	-	-	-	-
Regional Estuaries Initiative	4.7	5.4	5.3	3.3	-	-	8.6
Regional Water Availability, Planning and Investigation	0.3	0.3	-	-	-	-	-
Revitalising Waterways of Geographe Bay	2.8	2.1	1.2	- (a)	-	-	1.2
Watering Western Australia	0.7	1.0	2.5	3.0	-	-	5.5
Yawuru Joint Management	-	0.7	1.1	1.1	1.1	-	3.3
TOTAL – INVESTING IN OUR ENVIRONMENT	30.5	46.9	47.8	30.5	16.9	12.8	108.1
ADMINISTRATION AND ADMINISTERED ITEMS							
Administration ^(b)	73.3	80.7	80.9	77.2	73.7	72.3	304.1
Administered Items ^(c)	-	6.9	28.8	37.2	94.9	74.7	235.6
Total – ADMINISTRATION AND ADMINISTERED ITEMS	73.3	87.6	109.7	114.4	168.6	147.0	539.7
Underspend Provision	-	-64.0	-119.1	-	-	-	-119.1
TOTAL – ROYALTIES FOR REGIONS FUND	842.1	964.1	1,026.0	1,044.2	1,005.0	976.5	4,051.8
Regional Reform Fund Special Purpose Account Transfer ^(d)	-	-	-	16.0	-	-	16.0

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

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

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

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

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

Source: Department of Primary Industries and Regional Development.

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*.

A revised GFS manual was released in 2015 by the Australian Bureau of Statistics (ABS). The implications for State-level GFS aggregates included in the 2018-19 Budget projections are uncertain but are expected to be minimal at the level of disclosure included in this appendix¹. The presentation requirements of the current UPF remain in place for the purposes of this Budget and for the detailed projections contained in this appendix.

¹ With the release of the revised Australian GFS Manual, changes will likely be required for the UPF framework applying to whole-of-government financial disclosures by the States, Territories and the Commonwealth. Any changes to the UPF may have an impact on Western Australia's whole-of-government disclosures in the future. Whole-of-government disclosures for the 2018-19 reporting cycle will continue to include information presented in the format used in this Budget, consistent with the requirements of Western Australia's *Government Financial Responsibility Act 2000*.

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Table 1.1

GENERAL GOVERNMENT **Operating Statement**

	Note	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,604	8,495	8,853	9,286	9,741	10,189
Current grants and subsidies		8,091	8,317	9,552	10,393	11,592	11,816
Capital grants		513	1,306	936	754	520	658
Sales of goods and services		2,261	2,452	2,556	2,657	2,744	2,815
Interest income		196	164	146	152	159	165
Revenue from public corporations							
Dividends from other sector entities		837	1,689	1,229	1,278	1,328	1,318
Tax equivalent income		534	613	636	618	672	678
Royalty income		5,272	5,221	5,057	5,011	5,039	5,051
Other		604	615	607	566	516	498
Total	3	26,913	28,874	29,572	30,715	32,310	33,187
EXPENSES							
Salaries		11,610	12,237	12,214	12,207	12,350	12,592
Superannuation							
Concurrent costs		1,166	1,234	1,224	1,217	1,225	1,304
Superannuation interest cost		156	210	206	212	217	220
Other employee costs		358	348	356	359	361	367
Depreciation and amortisation		1,320	1,430	1,493	1,533	1,545	1,497
Services and contracts		2,393	2,547	2,632	2,624	2,479	2,558
Other gross operating expenses		5,772	5,780	5,620	5,788	5,852	6,078
Other interest		783	893	1,009	1,130	1,225	1,290
Current transfers	4	5,280	5,022	5,305	5,454	5,440	5,479
Capital transfers	4	549	500	418	350	321	271
Total	5	29,387	30,201	30,478	30,875	31,015	31,656
NET OPERATING BALANCE	6	-2,474	-1,327	-906	-160	1,295	1,531
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-193	-47	16	18	58	115
Net actuarial gains - superannuation		659	-187	-165	-157	-171	-126
Provision for doubtful debts		-41	-14	-14	-14	-14	-14
Changes in accounting policy/adjustment of prior periods		143	-	-	-	-	-
Total other economic flows		568	-248	-163	-153	-127	-25
OPERATING RESULT		-1,905	-1,575	-1,068	-313	1,169	1,505
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-3,042	-287	662	1,132	1,102	1,368
Gains recognised directly in equity		15	-	-	-	-	-
Change in net worth of the public corporations sectors		254	-974	-234	385	511	479
All other		-	-	-	-	-	-
Total all other movements in equity		-2,772	-1,262	427	1,516	1,612	1,846
TOTAL CHANGE IN NET WORTH		-4,677	-2,837	-642	1,203	2,780	3,352
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-2,474	-1,327	-906	-160	1,295	1,531
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,341	2,627	2,830	2,111	1,331	1,270
Changes in inventories		-11	-	-	-	-	-
Other movement in non-financial assets		240	468	55	79	15	14
<i>Less:</i>							
Sales of non-financial assets		132	164	173	174	153	310
Depreciation		1,320	1,430	1,493	1,533	1,545	1,497
Total net acquisition of non-financial assets		1,119	1,499	1,219	484	-352	-524
NET LENDING/-BORROWING	6	-3,592	-2,826	-2,124	-645	1,647	2,055

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

Note	2017	2018	2019	2020	2021	2022
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS						
<i>Financial assets</i>						
Cash and deposits	778	773	793	834	857	880
Advances paid	717	743	746	768	765	755
Investments, loans and placements	4,278	4,976	3,530	4,593	5,960	6,834
Receivables	3,099	3,108	2,906	2,885	2,851	2,822
Shares and other equity						
Investments in other public sector entities - equity method	47,909	46,934	46,700	47,085	47,595	48,075
Investments in other public sector entities - direct injections	9,019	8,886	10,161	10,866	11,514	12,017
Investments in other entities	51	45	50	65	80	98
Other financial assets	8	8	8	9	9	9
<i>Total financial assets</i>	<i>65,859</i>	<i>65,474</i>	<i>64,894</i>	<i>67,105</i>	<i>69,631</i>	<i>71,489</i>
<i>Non-financial assets</i>						
Land	37,269	36,771	36,667	37,280	38,026	38,902
Property, plant and equipment	42,640	45,425	47,456	48,504	48,676	48,830
Biological assets	8	4	4	4	4	4
Inventories						
Land inventories	98	107	109	110	111	112
Other inventories	73	72	73	73	73	73
Intangibles	680	695	668	610	554	509
Non-current assets held for sale	111	88	88	81	81	81
Investment property	7	-	-	-	-	-
Other	665	245	246	237	241	248
<i>Total non-financial assets</i>	<i>81,551</i>	<i>83,408</i>	<i>85,311</i>	<i>86,899</i>	<i>87,766</i>	<i>88,757</i>
TOTAL ASSETS	147,410	148,881	150,205	154,004	157,397	160,247
LIABILITIES						
Deposits held	646	433	765	805	691	354
Advances received	376	360	368	377	360	342
Borrowings	23,572	28,099	29,827	32,546	33,470	33,462
Unfunded superannuation	7,043	6,941	6,812	6,686	6,575	6,501
Other employee benefits	2,911	2,947	2,999	3,039	3,068	3,091
Payables	1,294	1,384	1,433	1,447	1,457	1,460
Other liabilities	1,380	1,366	1,290	1,191	1,081	992
TOTAL LIABILITIES	37,221	41,529	43,494	46,091	46,703	46,201
NET ASSETS	110,189	107,352	106,711	107,914	110,694	114,045
<i>Of which:</i>						
Contributed equity	-	-	-	-	-	-
Accumulated surplus	6,553	4,974	3,904	3,585	4,749	6,248
Other reserves	103,636	102,378	102,807	104,328	105,945	107,797
NET WORTH	6	110,189	107,352	107,914	110,694	114,045
MEMORANDUM ITEMS						
<i>Net financial worth</i>	<i>28,638</i>	<i>23,945</i>	<i>21,400</i>	<i>21,014</i>	<i>22,928</i>	<i>25,288</i>
<i>Net financial liabilities</i>	<i>28,290</i>	<i>31,875</i>	<i>35,462</i>	<i>36,937</i>	<i>36,181</i>	<i>34,804</i>
<i>Net debt</i>						
Gross debt liabilities	24,594	28,892	30,960	33,728	34,521	34,158
Less: liquid financial assets	5,773	6,492	5,069	6,194	7,582	8,469
Less: convergence differences impacting net debt	-	-	-	-	-	-
<i>Net debt</i>	<i>18,820</i>	<i>22,400</i>	<i>25,891</i>	<i>27,534</i>	<i>26,940</i>	<i>25,689</i>

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT **Cash Flow Statement**

	Note	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		8,463	8,502	9,036	9,301	9,757	10,205
Grants and subsidies received		8,529	9,613	10,500	11,169	12,135	12,488
Receipts from sales of goods and services		2,303	2,487	2,568	2,686	2,784	2,833
Interest receipts		193	159	142	145	153	161
Dividends and tax equivalents		1,484	2,294	1,853	1,892	2,002	2,019
Other receipts		7,218	7,053	6,892	6,728	6,665	6,666
<i>Total cash received</i>		<i>28,191</i>	<i>30,109</i>	<i>30,992</i>	<i>31,921</i>	<i>33,496</i>	<i>34,372</i>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-13,141	-13,979	-13,891	-13,884	-14,043	-14,292
Payments for goods and services		-8,608	-8,627	-8,657	-8,843	-8,760	-9,078
Interest paid		-758	-869	-979	-1,101	-1,210	-1,281
Grants and subsidies paid		-5,389	-5,172	-5,285	-5,369	-5,334	-5,304
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,836	-1,570	-1,594	-1,547	-1,544	-1,562
<i>Total cash paid</i>		<i>-29,732</i>	<i>-30,217</i>	<i>-30,407</i>	<i>-30,743</i>	<i>-30,891</i>	<i>-31,517</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		-1,541	-108	585	1,178	2,605	2,856
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,341	-2,627	-2,830	-2,111	-1,331	-1,270
Sales of non-financial assets		132	164	173	174	153	310
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,210</i>	<i>-2,462</i>	<i>-2,657</i>	<i>-1,937</i>	<i>-1,178</i>	<i>-959</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		14	10	30	10	10	10
For liquidity purposes		83	34	28	45	12	11
<i>Cash paid</i>							
For policy purposes		-861	-585	-1,391	-775	-815	-623
For liquidity purposes		-46	-14	-	-37	-14	-6
<i>Total cash flows from investments in financial assets</i>		<i>-809</i>	<i>-555</i>	<i>-1,332</i>	<i>-757</i>	<i>-808</i>	<i>-608</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,018	-3,017	-3,989	-2,694	-1,986	-1,567
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		16	16	17	17	17	18
Borrowings		5,166	4,312	2,176	2,845	1,082	121
Deposits received		-	-	-	-	-	-
Other financing receipts		46	170	190	149	146	115
<i>Total cash receipts from financing activities</i>		<i>5,227</i>	<i>4,499</i>	<i>2,382</i>	<i>3,011</i>	<i>1,244</i>	<i>253</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-17	-17	-17	-18
Borrowings repaid		-168	-176	-431	-139	-115	-96
Deposits paid		-	-	-	-	-	-
Other financing payments		-418	-275	-301	-288	-233	-199
<i>Total payments for financing activities</i>		<i>-602</i>	<i>-468</i>	<i>-749</i>	<i>-443</i>	<i>-365</i>	<i>-313</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,626	4,031	1,633	2,567	879	-60
Net increase in cash and cash equivalents		66	906	-1,770	1,051	1,498	1,229
Cash and cash equivalents at the beginning of the year		4,773	4,839	5,745	3,974	5,025	6,523
Cash and cash equivalents at the end of the year		4,839	5,745	3,974	5,025	6,523	7,751
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		-1,541	-108	585	1,178	2,605	2,856
Net cash flows from investing in non-financial assets		-2,210	-2,462	-2,657	-1,937	-1,178	-959
Cash surplus/-deficit	6	-3,751	-2,570	-2,072	-760	1,426	1,896

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2016-17 Actual \$m	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forw ard Estimate \$m	2020-21 Forw ard Estimate \$m	2021-22 Forw ard Estimate \$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		2,121	1,962	1,899	1,899	1,923	1,947
Capital grants		129	291	64	36	4	-
Sales of goods and services		17,943	18,337	19,289	19,876	20,441	20,872
Interest income		145	129	154	175	200	219
Other		493	432	547	535	548	590
<i>Total</i>		<i>20,830</i>	<i>21,151</i>	<i>21,953</i>	<i>22,521</i>	<i>23,116</i>	<i>23,628</i>
EXPENSES							
Salaries		1,147	1,092	1,099	1,125	1,150	1,155
Superannuation							
Concurrent costs		115	110	110	112	114	120
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		57	29	30	30	30	31
Depreciation and amortisation		2,074	2,115	2,164	2,233	2,289	2,351
Services and contracts		912	818	588	564	547	636
Other gross operating expenses		13,551	14,063	14,678	15,036	15,412	15,823
Other interest		861	805	840	885	971	1,021
Tax equivalents		483	541	587	583	627	623
Current transfers		1,094	1,146	1,181	1,214	1,224	1,202
Capital transfers		57	49	1	-	-	-
<i>Total</i>		<i>20,350</i>	<i>20,767</i>	<i>21,279</i>	<i>21,782</i>	<i>22,366</i>	<i>22,963</i>
NET OPERATING BALANCE	6	480	384	674	739	750	665
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		82	45	104	240	223	223
Net actuarial gains - superannuation		-23	1	2	2	2	1
Provision for doubtful debts		-60	-36	-36	-34	-32	-29
Changes in accounting policy/adjustment of prior periods		-1,068	-	-	-	-	-
<i>Total other economic flows</i>		<i>-1,069</i>	<i>10</i>	<i>70</i>	<i>208</i>	<i>193</i>	<i>195</i>
OPERATING RESULT		-589	394	744	947	943	860
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		237	-1,023	-1,009	-445	-315	-313
Gains recognised directly in equity		1,058	991	1,015	984	994	990
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>1,295</i>	<i>-32</i>	<i>7</i>	<i>540</i>	<i>680</i>	<i>677</i>
<i>Movements in owner equity</i>							
Dividends		-713	-1,579	-1,141	-1,186	-1,242	-1,242
Capital injections		870	58	1,307	742	686	543
<i>Total movements in owner equity</i>		<i>157</i>	<i>-1,521</i>	<i>166</i>	<i>-444</i>	<i>-556</i>	<i>-699</i>
TOTAL CHANGE IN NET WORTH		863	-1,159	916	1,042	1,066	839
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	480	384	674	739	750	665
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,874	2,889	3,409	3,420	3,664	3,813
Changes in inventories		-437	149	516	213	162	170
Other movement in non-financial assets		131	56	175	154	189	197
<i>Less:</i>							
Sales of non-financial assets		527	663	680	815	804	780
Depreciation		2,074	2,115	2,164	2,233	2,289	2,351
<i>Total net acquisition of non-financial assets</i>		<i>-33</i>	<i>316</i>	<i>1,255</i>	<i>739</i>	<i>923</i>	<i>1,049</i>
NET LENDING/-BORROWING	6	514	68	-581	-	-173	-383

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2017	2018	2019	2020	2021	2022
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS							
<i>Financial assets</i>							
Cash and deposits		1,750	1,234	1,258	1,469	1,499	1,352
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,034	4,607	5,036	5,044	5,047	5,055
Receivables		1,117	1,162	1,225	1,225	1,209	1,170
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		-	12	37	51	48	48
Other financial assets		801	743	620	506	392	301
<i>Total financial assets</i>		<i>7,702</i>	<i>7,758</i>	<i>8,175</i>	<i>8,296</i>	<i>8,195</i>	<i>7,927</i>
<i>Non-financial assets</i>							
Land		13,601	12,921	12,533	12,659	12,912	13,299
Property, plant and equipment		55,889	56,083	57,217	58,496	59,766	61,303
Biological assets		326	317	309	299	288	281
Inventories							
Land inventories		1,966	2,023	2,250	2,333	2,486	2,504
Other inventories		3,980	4,128	4,644	4,858	5,020	5,190
Intangibles		432	423	412	397	367	334
Non-current assets held for sale		24	23	23	23	23	23
Investment property		59	105	100	93	89	89
Other		138	108	107	105	106	105
<i>Total non-financial assets</i>		<i>76,416</i>	<i>76,133</i>	<i>77,595</i>	<i>79,263</i>	<i>81,057</i>	<i>83,129</i>
TOTAL ASSETS		84,119	83,891	85,771	87,558	89,252	91,056
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		376	380	343	327	310	292
Borrowings		21,869	22,787	23,163	23,791	24,316	25,149
Unfunded superannuation		116	85	53	21	-	-
Other employee benefits		388	351	354	357	350	354
Payables		4,955	4,965	5,583	5,771	5,936	6,084
Other liabilities		1,498	1,564	1,601	1,576	1,558	1,556
TOTAL LIABILITIES		29,202	30,133	31,097	31,842	32,469	33,435
NET ASSETS		54,917	53,758	54,674	55,717	56,783	57,621
<i>Of which:</i>							
Contributed equity		9,033	9,091	10,398	11,140	11,826	12,370
Accumulated surplus		19,337	20,102	20,720	21,465	22,160	22,768
Other reserves		26,547	24,565	23,556	23,111	22,797	22,484
NET WORTH	6	54,917	53,758	54,674	55,717	56,783	57,621
MEMORANDUM ITEMS							
<i>Net financial worth</i>		<i>-76,416</i>	<i>-76,133</i>	<i>-77,595</i>	<i>-79,263</i>	<i>-81,057</i>	<i>-83,129</i>
<i>Net debt</i>							
Gross debt liabilities		22,245	23,167	23,506	24,118	24,625	25,441
Less: liquid financial assets		5,784	5,841	6,294	6,514	6,546	6,407
Less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<i>16,460</i>	<i>17,326</i>	<i>17,212</i>	<i>17,604</i>	<i>18,080</i>	<i>19,034</i>

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		2,250	2,243	1,966	1,939	1,932	1,952
Receipts from sales of goods and services		17,976	18,590	19,513	20,136	20,703	21,196
Interest receipts		151	129	155	176	200	219
Dividends and tax equivalents		87	78	64	71	73	67
Other receipts		1,323	926	1,005	977	958	952
<i>Total cash received</i>		<i>21,787</i>	<i>21,965</i>	<i>22,704</i>	<i>23,299</i>	<i>23,866</i>	<i>24,386</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,387	-1,245	-1,241	-1,269	-1,299	-1,309
Payments for goods and services		-12,922	-13,383	-13,802	-14,177	-14,289	-14,840
Interest paid		-811	-763	-787	-852	-956	-1,016
Grants and subsidies paid		-664	-692	-711	-736	-755	-748
Tax equivalents		-516	-552	-551	-579	-630	-647
Other payments		-3,109	-2,878	-3,036	-3,131	-3,163	-3,175
<i>Total cash paid</i>		<i>-19,409</i>	<i>-19,514</i>	<i>-20,128</i>	<i>-20,744</i>	<i>-21,092</i>	<i>-21,735</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,378	2,451	2,576	2,556	2,774	2,651
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,874	-2,889	-3,409	-3,420	-3,664	-3,813
Sales of non-financial assets		527	663	680	815	804	780
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,347</i>	<i>-2,226</i>	<i>-2,729</i>	<i>-2,605</i>	<i>-2,860</i>	<i>-3,033</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		133	43	26	66	6	1
<i>Cash paid</i>							
For policy purposes		-3	-21	-20	-20	-60	-35
For liquidity purposes		-84	-107	-66	-35	-19	-12
<i>Total cash flows from investments in financial assets</i>		<i>45</i>	<i>-85</i>	<i>-60</i>	<i>10</i>	<i>-72</i>	<i>-46</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,302	-2,311	-2,789	-2,595	-2,932	-3,079
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	20	-	-	-	-
Borrow ings		17,641	12,078	8,641	10,838	10,569	10,589
Deposits received		-	-	-	-	-	-
Other financing receipts		904	614	1,503	879	919	704
<i>Total cash received</i>		<i>18,545</i>	<i>12,711</i>	<i>10,145</i>	<i>11,717</i>	<i>11,488</i>	<i>11,293</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-37	-17	-17	-18
Borrow ings repaid		-17,450	-11,807	-8,667	-10,215	-10,011	-9,704
Deposits paid		-	-	-	-	-	-
Other financing payments		-49	-47	-65	-39	-37	-37
Dividends paid		-713	-1,579	-1,141	-1,186	-1,242	-1,242
<i>Total cash paid</i>		<i>-18,228</i>	<i>-13,449</i>	<i>-9,910</i>	<i>-11,457</i>	<i>-11,307</i>	<i>-11,001</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		317	-737	235	260	180	292
Net increase in cash and cash equivalents		394	-597	22	221	22	-136
Cash and cash equivalents at the beginning of the year		1,781	2,174	1,577	1,599	1,820	1,842
Cash and cash equivalents at the end of the year		2,174	1,577	1,599	1,820	1,842	1,706
KEY FISCAL AGGREGATES							
Net cash flow s from operating activities		2,378	2,451	2,576	2,556	2,774	2,651
Net cash flow s from investing in non-financial assets		-2,347	-2,226	-2,729	-2,605	-2,860	-3,033
Dividends paid		-713	-1,579	-1,141	-1,186	-1,242	-1,242
Cash surplus/-deficit	6	-682	-1,354	-1,294	-1,236	-1,329	-1,624

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,121	8,014	8,328	8,719	9,158	9,595
Current grants and subsidies		8,091	8,317	9,552	10,393	11,592	11,816
Capital grants		513	1,306	936	754	520	658
Sales of goods and services		19,808	20,202	21,280	21,919	22,577	22,991
Interest income		307	268	277	304	336	363
Royalty income		5,272	5,221	5,057	5,011	5,039	5,051
Dividend and tax equivalents		252	247	208	200	197	200
Other		980	950	1,052	995	961	986
Total		43,344	44,525	46,690	48,294	50,380	51,660
EXPENSES							
Salaries		12,756	13,329	13,313	13,333	13,500	13,747
Superannuation							
Concurrent costs		1,281	1,344	1,334	1,329	1,339	1,423
Superannuation interest cost		156	210	206	212	217	220
Other employee costs		274	226	233	232	228	230
Depreciation and amortisation		3,394	3,545	3,658	3,765	3,835	3,848
Services and contracts		3,298	3,368	3,223	3,192	3,030	3,198
Other gross operating expenses		18,876	19,201	19,654	20,102	20,548	21,095
Other interest		1,609	1,673	1,826	1,992	2,173	2,290
Current transfers		3,927	3,899	4,260	4,430	4,389	4,382
Capital transfers		477	253	355	314	317	271
Total		46,050	47,048	48,063	48,902	49,578	50,706
NET OPERATING BALANCE	6	-2,706	-2,522	-1,373	-608	803	954
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-111	-2	120	258	281	338
Net actuarial gains - superannuation		636	-185	-163	-155	-169	-125
Provision for doubtful debts		-102	-50	-49	-48	-45	-43
Changes in accounting policy/adjustment of prior periods		-864	-	-	-	-	-
Total other economic flows		-440	-237	-93	55	67	170
OPERATING RESULT		-3,147	-2,759	-1,466	-553	869	1,124
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-2,804	-928	-285	762	863	1,136
Gains recognised directly in equity		1,073	991	1,015	984	994	989
Change in net worth of the PFC sector		201	-141	95	10	54	103
All other		-	-	-	-	-	-
Total all other movements in equity		-1,531	-78	824	1,756	1,911	2,228
TOTAL CHANGE IN NET WORTH		-4,677	-2,837	-642	1,203	2,780	3,352
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-2,706	-2,522	-1,373	-608	803	954
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,133	5,515	6,239	5,441	4,938	4,865
Changes in inventories		-449	149	516	213	162	170
Other movement in non-financial assets		371	523	230	233	205	210
<i>Less:</i>							
Sales of non-financial assets		576	827	853	899	899	872
Depreciation		3,394	3,545	3,658	3,765	3,835	3,848
Total net acquisition of non-financial assets		1,085	1,815	2,474	1,224	571	525
NET LENDING/-BORROWING	6	-3,792	-4,337	-3,847	-1,831	231	429

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

Note	2017	2018	2019	2020	2021	2022
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS						
<i>Financial assets</i>						
Cash and deposits	1,916	1,606	1,316	1,528	1,696	1,909
Advances paid	341	363	403	442	455	463
Investments, loans and placements	8,309	9,579	8,562	9,633	11,003	11,885
Receivables	4,133	4,194	4,036	4,004	3,956	3,909
Shares and other equity						
Investments in other public sector entities - equity method	2,011	2,062	2,187	2,235	2,327	2,470
Investments in other public sector entities - direct injections	-	-	-	-	-	-
Investments in other entities	51	58	87	116	129	147
Other financial assets	8	8	8	9	9	9
<i>Total financial assets</i>	<i>16,769</i>	<i>17,869</i>	<i>16,600</i>	<i>17,966</i>	<i>19,574</i>	<i>20,791</i>
<i>Non-financial assets</i>						
Land	50,870	49,692	49,201	49,939	50,938	52,201
Property, plant and equipment	98,530	101,508	104,673	107,000	108,442	110,133
Biological assets	334	321	313	303	292	285
Inventories						
Land inventories	2,065	2,130	2,359	2,443	2,597	2,616
Other inventories	4,052	4,201	4,717	4,930	5,093	5,263
Intangibles	1,112	1,119	1,080	1,007	921	843
Non-current assets held for sale	135	111	111	104	104	104
Investment property	67	105	100	93	89	89
Other	803	354	353	342	347	353
<i>Total non-financial assets</i>	<i>157,967</i>	<i>159,540</i>	<i>162,906</i>	<i>166,162</i>	<i>168,822</i>	<i>171,887</i>
TOTAL ASSETS	174,736	177,410	179,506	184,128	188,396	192,678
LIABILITIES						
Deposits held	29	27	27	27	27	27
Advances received	376	360	368	377	360	342
Borrowings	45,441	50,887	52,989	56,338	57,786	58,611
Unfunded superannuation	7,159	7,026	6,865	6,707	6,575	6,501
Other employee benefits	3,299	3,299	3,353	3,395	3,418	3,445
Payables	6,170	6,276	6,926	7,114	7,293	7,464
Other liabilities	2,073	2,184	2,268	2,257	2,244	2,243
TOTAL LIABILITIES	64,547	70,058	72,796	76,215	77,703	78,633
NET ASSETS	110,189	107,352	106,711	107,914	110,694	114,045
<i>Of which:</i>						
Contributed equity	-	-	-	-	-	-
Accumulated surplus	25,897	25,083	24,631	25,057	26,916	29,024
Other reserves	84,292	82,269	82,080	82,856	83,778	85,022
NET WORTH	6	110,189	107,352	107,914	110,694	114,045
MEMORANDUM ITEMS						
<i>Net financial worth</i>	<i>-47,778</i>	<i>-52,188</i>	<i>-56,195</i>	<i>-58,248</i>	<i>-58,129</i>	<i>-57,841</i>
<i>Net financial liabilities</i>	<i>49,841</i>	<i>54,308</i>	<i>58,470</i>	<i>60,599</i>	<i>60,584</i>	<i>60,458</i>
<i>Net debt</i>						
Gross debt liabilities	45,846	51,274	53,385	56,741	58,173	58,980
Less: liquid financial assets	10,565	11,548	10,281	11,603	13,154	14,257
Less: convergence differences impacting net debt	-	-	-	-	-	-
<i>Net debt</i>	<i>35,281</i>	<i>39,726</i>	<i>43,103</i>	<i>45,138</i>	<i>45,019</i>	<i>44,723</i>

Note: Columns may not add due to rounding.

Table 1.9

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

	Note	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		7,974	8,016	8,501	8,723	9,165	9,601
Grants and subsidies received		8,529	9,613	10,500	11,169	12,135	12,488
Receipts from sales of goods and services		19,883	20,489	21,512	22,204	22,876	23,331
Interest receipts		311	263	273	298	330	359
Dividends and tax equivalents		343	240	225	198	203	198
Other receipts		8,207	7,618	7,476	7,353	7,278	7,268
<i>Total cash received</i>		<i>45,247</i>	<i>46,239</i>	<i>48,488</i>	<i>49,945</i>	<i>51,986</i>	<i>53,244</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,528	-15,224	-15,132	-15,153	-15,342	-15,601
Payments for goods and services		-20,833	-21,088	-21,493	-22,078	-22,123	-22,898
Interest paid		-1,536	-1,607	-1,742	-1,930	-2,143	-2,275
Grants and subsidies paid		-3,773	-3,596	-4,007	-4,139	-4,128	-4,075
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,452	-3,961	-4,094	-4,098	-4,114	-4,131
<i>Total cash paid</i>		<i>-45,123</i>	<i>-45,475</i>	<i>-46,468</i>	<i>-47,398</i>	<i>-47,850</i>	<i>-48,980</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		125	763	2,020	2,547	4,136	4,265
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,133	-5,515	-6,239	-5,441	-4,938	-4,865
Sales of non-financial assets		576	827	853	899	899	872
<i>Total cash flows from investments in non-financial assets</i>		<i>-4,557</i>	<i>-4,688</i>	<i>-5,386</i>	<i>-4,543</i>	<i>-4,039</i>	<i>-3,993</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		14	10	10	10	10	10
For liquidity purposes		216	77	54	90	18	13
<i>Cash paid</i>							
For policy purposes		-13	-10	-10	-10	-10	-10
For liquidity purposes		-130	-120	-66	-51	-33	-18
<i>Total cash flows from investments in financial assets</i>		<i>87</i>	<i>-43</i>	<i>-12</i>	<i>39</i>	<i>-15</i>	<i>-5</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-4,470	-4,732	-5,398	-4,504	-4,054	-3,998
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		22,807	16,390	10,817	13,683	11,650	10,710
Deposits received		-	-	-	-	-	-
Other financing receipts		45	147	170	129	86	80
<i>Total cash received</i>		<i>22,851</i>	<i>16,538</i>	<i>10,988</i>	<i>13,812</i>	<i>11,736</i>	<i>10,790</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-17	-17	-17	-18
Borrowings repaid		-17,617	-11,983	-9,099	-10,354	-10,126	-9,801
Deposits paid		-	-	-	-	-	-
Other financing payments		-413	-262	-243	-214	-156	-146
<i>Total cash paid</i>		<i>-18,047</i>	<i>-12,261</i>	<i>-9,358</i>	<i>-10,584</i>	<i>-10,299</i>	<i>-9,964</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,805	4,277	1,629	3,229	1,437	825
Net increase in cash and cash equivalents		460	309	-1,748	1,272	1,519	1,092
Cash and cash equivalents at the beginning of the year		6,552	7,012	7,321	5,573	6,844	8,364
Cash and cash equivalents at the end of the year		7,012	7,321	5,573	6,844	8,364	9,456
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		125	763	2,020	2,547	4,136	4,265
Net cash flows from investing in non-financial assets		-4,557	-4,688	-5,386	-4,543	-4,039	-3,993
Cash surplus/-deficit	6	-4,432	-3,925	-3,366	-1,996	97	272

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2016-17 Actual \$m	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		1,129	1,486	1,385	1,467	1,553	1,646
Interest income		1,765	1,937	2,184	2,399	2,615	2,770
Other		-	2	1	-	-	-
Total		2,894	3,425	3,570	3,866	4,168	4,416
EXPENSES							
Salaries		55	62	58	59	60	62
Superannuation							
Concurrent costs		5	5	5	6	6	6
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	3	3	3	3	3
Depreciation and amortisation		5	5	5	6	7	7
Services and contracts		11	10	11	11	11	11
Other gross operating expenses		1,013	1,121	1,145	1,311	1,356	1,401
Other interest		1,579	1,733	1,966	2,170	2,384	2,531
Tax equivalents		51	73	50	35	44	54
Current transfers		5	5	5	5	5	5
Capital transfers		5	7	8	8	7	6
Total		2,730	3,024	3,256	3,615	3,883	4,086
NET OPERATING BALANCE	6	164	401	315	251	285	329
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		298	16	-	-	-	-
Net actuarial gains - superannuation		2	2	2	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
Changes in accounting policy/adjustment of prior periods		-84	-	-	-	-	-
Total other economic flows		215	18	2	-	-	-
OPERATING RESULT		379	419	316	251	285	330
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		1	-88	-86	-87	-87	-85
Gains recognised directly in equity		83	85	85	85	85	85
All other		-	-	-	-	-	-
Total other non-owner movements in equity		84	-3	-1	-2	-2	-
<i>Movements in owner equity</i>							
Dividends		-202	-174	-159	-165	-153	-145
Capital injections		-30	-191	-31	-38	-38	-41
Total movements in owner equity		-232	-365	-190	-202	-191	-186
TOTAL CHANGE IN NET WORTH		231	51	126	47	92	143
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	164	401	315	251	285	329
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4	7	9	8	7	7
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>Less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		5	5	5	6	7	7
Total net acquisition of non-financial assets		-1	2	4	1	-	-
NET LENDING/-BORROWING	6	165	399	311	250	285	329

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

Note	2017	2018	2019	2020	2021	2022
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS						
<i>Financial assets</i>						
Cash and deposits	224	192	202	211	222	232
Advances paid	3,372	4,010	4,473	4,475	4,476	4,478
Investments, loans and placements	57,333	62,827	65,193	68,830	70,670	71,961
Receivables	633	657	666	673	680	685
Shares and other equity						
Investments in other public sector entities - equity method	-	-	-	-	-	-
Investments in other public sector entities - direct injections	-	-	-	-	-	-
Investments in other entities	2,050	2,249	2,395	2,588	2,805	3,040
Other financial assets	6	6	6	6	6	6
<i>Total financial assets</i>	<i>63,618</i>	<i>69,941</i>	<i>72,935</i>	<i>76,784</i>	<i>78,860</i>	<i>80,402</i>
<i>Non-financial assets</i>						
Land	-	-	-	-	-	-
Property, plant and equipment	4	5	8	7	7	7
Biological assets	-	-	-	-	-	-
Inventories						
Land inventories	-	-	-	-	-	-
Other inventories	-	-	-	-	-	-
Intangibles	7	8	9	11	11	12
Non-current assets held for sale	-	-	-	-	-	-
Investment property	196	-	-	-	-	-
Other	4	2	2	2	2	2
<i>Total non-financial assets</i>	<i>210</i>	<i>15</i>	<i>19</i>	<i>20</i>	<i>20</i>	<i>20</i>
TOTAL ASSETS	63,829	69,956	72,954	76,805	78,880	80,422
LIABILITIES						
Deposits held	-	-	-	-	-	-
Advances received	3	3	3	3	3	3
Borrowings	57,609	63,251	65,865	69,229	70,759	71,689
Unfunded superannuation	7	8	7	9	10	11
Other employee benefits	11	12	13	13	13	13
Payables	205	340	274	254	251	252
Other liabilities	3,983	4,279	4,606	5,063	5,517	5,984
TOTAL LIABILITIES	61,817	67,894	70,767	74,570	76,553	77,952
NET ASSETS	2,011	2,062	2,187	2,235	2,327	2,470
<i>Of which:</i>						
Contributed equity	-14	-205	-236	-274	-312	-353
Accumulated surplus	2,003	2,333	2,575	2,747	2,964	3,233
Other reserves	22	-66	-152	-238	-325	-410
NET WORTH	6	2,062	2,187	2,235	2,327	2,470
MEMORANDUM ITEMS						
<i>Net financial worth</i>	<i>-210</i>	<i>-15</i>	<i>-19</i>	<i>-20</i>	<i>-20</i>	<i>-20</i>
<i>Net debt</i>						
Gross debt liabilities	57,612	63,254	65,868	69,232	70,762	71,692
Less: liquid financial assets	60,929	67,029	69,868	73,516	75,369	76,670
Less: convergence differences impacting net debt	-	-	-	-	-	-
<i>Net debt</i>	<i>-3,317</i>	<i>-3,775</i>	<i>-4,000</i>	<i>-4,284</i>	<i>-4,606</i>	<i>-4,978</i>

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

Note	2016-17 Actual \$m	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forw ard Estimate \$m	2020-21 Forw ard Estimate \$m	2021-22 Forw ard Estimate \$m
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash received</i>						
Grants and subsidies received	-	5	5	5	5	5
Receipts from sales of goods and services	1,210	1,329	1,317	1,363	1,441	1,524
Interest receipts	1,731	1,937	2,184	2,399	2,615	2,770
Dividends and tax equivalents	-	-	-	-	-	-
Other receipts	154	151	153	161	169	177
<i>Total cash received</i>	<i>3,095</i>	<i>3,422</i>	<i>3,660</i>	<i>3,928</i>	<i>4,230</i>	<i>4,475</i>
<i>Cash paid</i>						
Wages, salaries and supplements, and superannuation	-58	-65	-62	-64	-65	-67
Payments for goods and services	-815	-765	-834	-879	-922	-964
Interest paid	-1,965	-1,733	-1,966	-2,170	-2,384	-2,531
Grants and subsidies paid	-1	-	-	-	-	-
Tax equivalents	-132	-53	-74	-35	-44	-54
Other payments	-152	-155	-159	-166	-175	-183
<i>Total cash paid</i>	<i>-3,122</i>	<i>-2,772</i>	<i>-3,095</i>	<i>-3,314</i>	<i>-3,590</i>	<i>-3,799</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	-27	650	565	613	640	676
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash flows from investments in non-financial assets</i>						
Purchase of non-financial assets	-4	-7	-9	-8	-7	-7
Sales of non-financial assets	-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>	<i>-4</i>	<i>-7</i>	<i>-9</i>	<i>-8</i>	<i>-7</i>	<i>-7</i>
<i>Cash flows from investments in financial assets</i>						
<i>Cash received</i>						
For policy purposes	-	-	-	-	-	-
For liquidity purposes	5,920	6,447	6,480	7,074	7,169	7,273
<i>Cash paid</i>						
For policy purposes	-	-99	-108	-63	-43	-40
For liquidity purposes	-7,548	-7,407	-7,188	-7,363	-7,491	-7,617
<i>Total cash flows from investments in financial assets</i>	<i>-1,628</i>	<i>-1,059</i>	<i>-815</i>	<i>-353</i>	<i>-365</i>	<i>-383</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-1,632	-1,065	-824	-360	-371	-390
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash received</i>						
Advances received	-	-	-	-	-	-
Borrowings	33,750	32,370	28,206	29,687	28,028	27,634
Deposits received	-	-	-	-	-	-
Other financing receipts	-	13	31	4	-	-
<i>Total cash received</i>	<i>33,750</i>	<i>32,383</i>	<i>28,237</i>	<i>29,691</i>	<i>28,028</i>	<i>27,634</i>
<i>Cash paid</i>						
Advances paid	-	-	-	-	-	-
Borrowings repaid	-33,266	-31,747	-27,781	-29,694	-28,022	-27,637
Deposits paid	-	-	-	-	-	-
Other financing payments	-	-	-	-	-	-
Dividends paid	-212	-187	-152	-163	-159	-144
<i>Total cash paid</i>	<i>-33,477</i>	<i>-31,934</i>	<i>-27,933</i>	<i>-29,857</i>	<i>-28,181</i>	<i>-27,780</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	273	449	304	-166	-153	-146
Net increase in cash and cash equivalents	-1,387	34	45	88	116	140
Cash and cash equivalents at the beginning of the year	5,395	4,008	4,042	4,087	4,175	4,290
Cash and cash equivalents at the end of the year	4,008	4,042	4,087	4,175	4,290	4,430
KEY FISCAL AGGREGATES						
Net cash flows from operating activities	-27	650	565	613	640	676
Net cash flows from investing in non-financial assets	-4	-7	-9	-8	-7	-7
Dividends paid	-212	-187	-152	-163	-159	-144
Cash surplus/-deficit	6	-243	405	443	475	526

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR Operating Statement

	Note	2016-17 Actual \$m	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		8,117	8,010	8,324	8,715	9,154	9,590
Current grants and subsidies		8,091	8,317	9,552	10,393	11,592	11,816
Capital grants		513	1,306	936	754	520	658
Sales of goods and services		20,602	21,366	22,349	23,028	23,761	24,258
Interest income		597	535	586	626	673	713
Royalty income		5,272	5,221	5,057	5,011	5,039	5,051
Other		979	949	1,051	994	960	985
<i>Total</i>		<i>44,172</i>	<i>45,704</i>	<i>47,856</i>	<i>49,520</i>	<i>51,698</i>	<i>53,071</i>
EXPENSES							
Salaries		12,811	13,390	13,371	13,392	13,561	13,809
Superannuation							
Concurrent costs		1,287	1,349	1,340	1,335	1,345	1,429
Superannuation interest cost		156	210	206	212	217	220
Other employee costs		277	229	236	235	231	233
Depreciation and amortisation		3,399	3,550	3,663	3,771	3,841	3,855
Services and contracts		3,309	3,368	3,223	3,192	3,030	3,198
Other gross operating expenses		19,554	20,008	20,493	21,066	21,546	22,128
Other interest		1,714	1,735	1,917	2,086	2,278	2,401
Current transfers		3,927	3,900	4,261	4,431	4,390	4,382
Capital transfers		482	260	363	322	324	277
<i>Total</i>		<i>46,916</i>	<i>47,999</i>	<i>49,073</i>	<i>50,042</i>	<i>50,764</i>	<i>51,933</i>
NET OPERATING BALANCE	6	-2,744	-2,295	-1,217	-521	935	1,138
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		187	14	120	258	281	338
Net actuarial gains - superannuation		638	-184	-162	-155	-169	-125
Provision for doubtful debts		-102	-50	-49	-48	-45	-43
Changes in accounting policy/adjustment of prior periods		-1,008	-	-	-	-	-
<i>Total other economic flows</i>		<i>-285</i>	<i>-220</i>	<i>-91</i>	<i>55</i>	<i>67</i>	<i>170</i>
OPERATING RESULT		-3,030	-2,515	-1,308	-467	1,001	1,308
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-2,803	-1,398	-433	600	700	969
Gains recognised directly in equity		1,155	1,076	1,100	1,069	1,079	1,074
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>-1,648</i>	<i>-322</i>	<i>667</i>	<i>1,669</i>	<i>1,779</i>	<i>2,044</i>
TOTAL CHANGE IN NET WORTH		-4,677	-2,837	-642	1,203	2,780	3,352
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-2,744	-2,295	-1,217	-521	935	1,138
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,137	5,522	6,248	5,449	4,945	4,872
Changes in inventories		-449	149	516	213	162	170
Other movement in non-financial assets		371	523	230	233	205	210
<i>Less:</i>							
Sales of non-financial assets		576	827	853	899	900	873
Depreciation		3,399	3,550	3,663	3,771	3,841	3,855
<i>Total net acquisition of non-financial assets</i>		<i>1,085</i>	<i>1,817</i>	<i>2,478</i>	<i>1,225</i>	<i>571</i>	<i>525</i>
NET LENDING/-BORROWING	6	-3,829	-4,112	-3,695	-1,746	363	613

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2017	2018	2019	2020	2021	2022
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
ASSETS							
<i>Financial assets</i>							
Cash and deposits		2,136	1,797	1,517	1,738	1,917	2,140
Advances paid		3,710	4,370	4,873	4,913	4,928	4,938
Investments, loans and placements		18,613	19,698	18,462	19,802	21,472	22,741
Receivables		4,190	4,303	4,154	4,123	4,078	4,028
Equity - Investments in other entities		2,101	2,307	2,481	2,705	2,934	3,186
Other financial assets		14	15	15	15	15	16
<i>Total financial assets</i>		<i>30,764</i>	<i>32,489</i>	<i>31,503</i>	<i>33,297</i>	<i>35,344</i>	<i>37,049</i>
<i>Non-financial assets</i>							
Land		50,870	49,692	49,201	49,939	50,938	52,201
Property, plant and equipment		98,534	101,513	104,681	107,007	108,449	110,139
Biological assets		334	321	313	303	292	285
Inventories							
Land inventories		2,065	2,130	2,359	2,443	2,597	2,616
Other inventories		4,052	4,201	4,717	4,930	5,093	5,263
Intangibles		1,119	1,127	1,089	1,018	932	855
Non-current assets held for sale		135	111	111	104	104	104
Investment property		262	105	100	93	89	89
Other		806	356	355	345	349	355
<i>Total non-financial assets</i>		<i>158,178</i>	<i>159,555</i>	<i>162,925</i>	<i>166,182</i>	<i>168,843</i>	<i>171,907</i>
TOTAL ASSETS		188,942	192,044	194,428	199,479	204,186	208,956
LIABILITIES							
Deposits held		26	26	26	26	26	26
Advances received		376	360	368	377	360	342
Borrowings		56,021	61,430	63,561	66,905	68,344	69,195
Unfunded superannuation		7,166	7,034	6,872	6,716	6,585	6,512
Other employee benefits		3,310	3,311	3,366	3,408	3,431	3,458
Payables		6,235	6,455	7,063	7,232	7,409	7,581
Other liabilities		5,619	6,076	6,461	6,902	7,339	7,797
TOTAL LIABILITIES		78,753	84,692	87,717	91,565	93,493	94,910
NET ASSETS		110,189	107,352	106,711	107,914	110,694	114,045
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		27,900	27,416	27,206	27,804	29,880	32,257
Other reserves		82,289	79,936	79,504	80,109	80,814	81,788
NET WORTH	6	110,189	107,352	106,711	107,914	110,694	114,045
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-47,989	-52,203	-56,215	-58,269	-58,149	-57,862
<i>Net financial liabilities</i>		50,089	54,510	58,696	60,973	61,083	61,048
<i>Net debt</i>							
Gross debt liabilities		56,423	61,816	63,955	67,307	68,730	69,563
Less: liquid financial assets		24,459	25,865	24,852	26,454	28,317	29,818
Less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<i>31,964</i>	<i>35,951</i>	<i>39,103</i>	<i>40,853</i>	<i>40,413</i>	<i>39,745</i>

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Note	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		7,971	8,007	8,492	8,714	9,155	9,592
Grants and subsidies received		8,529	9,613	10,500	11,169	12,135	12,488
Receipts from sales of goods and services		20,788	21,492	22,514	23,209	23,948	24,474
Interest receipts		609	573	645	665	680	711
Dividends and tax equivalents		-	-	-	-	-	-
Other		8,355	7,764	7,626	7,510	7,443	7,441
<i>Total cash received</i>		<i>46,252</i>	<i>47,449</i>	<i>49,777</i>	<i>51,266</i>	<i>53,361</i>	<i>54,706</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,586	-15,289	-15,194	-15,217	-15,407	-15,668
Payments for goods and services		-21,342	-21,526	-22,011	-22,598	-22,676	-23,481
Interest paid		-2,068	-1,712	-1,896	-2,068	-2,262	-2,388
Grants and subsidies paid		-3,773	-3,591	-4,002	-4,134	-4,123	-4,070
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,596	-4,103	-4,240	-4,252	-4,276	-4,302
<i>Total cash paid</i>		<i>-46,366</i>	<i>-46,222</i>	<i>-47,344</i>	<i>-48,269</i>	<i>-48,744</i>	<i>-49,909</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES		-114	1,227	2,433	2,998	4,617	4,797
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,137	-5,522	-6,248	-5,449	-4,945	-4,872
Sales of non-financial assets		576	827	853	899	900	873
<i>Total cash flows from investments in non-financial assets</i>		<i>-4,561</i>	<i>-4,695</i>	<i>-5,394</i>	<i>-4,550</i>	<i>-4,045</i>	<i>-3,999</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		14	10	10	10	10	10
For liquidity purposes		6,136	6,524	6,534	7,164	7,187	7,286
<i>Cash paid</i>							
For policy purposes		-13	-10	-10	-10	-10	-10
For liquidity purposes		-7,678	-7,527	-7,253	-7,415	-7,524	-7,635
<i>Total cash flows from investments in financial assets</i>		<i>-1,541</i>	<i>-1,003</i>	<i>-719</i>	<i>-250</i>	<i>-337</i>	<i>-349</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES		-6,102	-5,698	-6,114	-4,801	-4,382	-4,348
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		16,150	20,391	19,109	19,335	17,904	17,836
Deposits received		-	-	-	-	-	-
Other financing receipts		45	49	62	66	43	40
<i>Total cash received</i>		<i>16,195</i>	<i>20,439</i>	<i>19,171</i>	<i>19,401</i>	<i>17,947</i>	<i>17,876</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-17	-17	-17	-18
Borrowings repaid		-10,477	-15,360	-16,965	-16,012	-16,374	-16,929
Deposits paid		-	-	-	-	-	-
Other financing payments		-413	-249	-212	-210	-156	-146
<i>Total cash paid</i>		<i>-10,906</i>	<i>-15,625</i>	<i>-17,194</i>	<i>-16,239</i>	<i>-16,547</i>	<i>-17,093</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,289	4,814	1,977	3,162	1,400	783
Net increase in cash and cash equivalents		-927	342	-1,703	1,359	1,635	1,232
Cash and cash equivalents at the beginning of the year		11,946	11,019	11,361	9,658	11,017	12,652
Cash and cash equivalents at the end of the year		11,019	11,361	9,658	11,017	12,652	13,885
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		-114	1,227	2,433	2,998	4,617	4,797
Net cash flows from investing in non-financial assets		-4,561	-4,695	-5,394	-4,550	-4,045	-3,999
Cash surplus/-deficit	6	-4,675	-3,468	-2,961	-1,553	572	798

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 for the first time in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' (ABS) *Government Finance Statistics Concepts, Sources and Methods 2015*. The implications of the new manual (released in 2015) for State-level GFS aggregates included in the 2018-19 Budget projections are minimal at the level of disclosure included in this appendix.

Subsequent changes may be required for the UPF framework applying to whole-of-government financial disclosures by States, Territories and the Commonwealth. However, the presentation requirements of the existing UPF remain in place for the purposes of this Budget.

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 2016-17 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2016-17 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 2017-18 is shown at Appendix 3: *2017-18 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						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>CURRENT TRANSFERS</i>						
Local government	278	319	341	303	323	258
Local government on-passing	262	80	181	187	194	201
Private and not-for-profit sector	1,422	1,413	1,570	1,671	1,520	1,505
Private and not-for-profit sector on-passing	1,172	1,230	1,301	1,381	1,466	1,556
Other sectors of government	2,147	1,981	1,913	1,912	1,937	1,960
<i>Total Current Transfers</i>	<i>5,280</i>	<i>5,022</i>	<i>5,305</i>	<i>5,454</i>	<i>5,440</i>	<i>5,479</i>
<i>CAPITAL TRANSFERS</i>						
Local government	138	49	79	39	32	29
Local government on-passing	163	56	113	117	121	126
Private and not-for-profit sector	103	87	144	138	141	90
Private and not-for-profit sector on-passing	16	17	18	20	23	27
Other sectors of government	129	291	64	36	4	-
<i>Total Capital Transfers</i>	<i>549</i>	<i>500</i>	<i>418</i>	<i>350</i>	<i>321</i>	<i>271</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)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
<i>Expenses</i>						
General public services	506	401	318	307	355	369
Public order and safety	3,357	3,396	3,438	3,401	3,423	3,419
Education	7,058	7,307	7,433	7,574	7,816	8,113
Health	8,672	8,965	9,058	9,193	9,394	9,705
Social security and welfare	2,171	2,517	2,244	2,361	2,169	2,232
Housing and community amenities	1,526	1,799	1,619	1,595	1,570	1,514
Recreation and culture	832	852	881	863	887	881
Fuel and energy	470	328	179	177	165	151
Agriculture, forestry, fishing and hunting	361	440	446	374	339	315
Mining and mineral resources other than fuels; manufacturing; and construction	228	234	211	165	161	155
Transport and communications	2,342	2,367	2,517	2,690	2,519	2,528
Other economic affairs	663	729	744	697	635	637
Other purposes	1,202	1,194	1,395	1,529	1,636	1,712
Other ^(b)	-	-328	-6	-50	-54	-77
Total General Government Expenses	29,387	30,201	30,478	30,875	31,015	31,656
<i>Purchases of new non-financial assets</i>						
General public services	152	156	122	121	85	84
Public order and safety	170	181	188	143	110	85
Education	351	420	476	357	206	173
Health	311	494	356	143	81	89
Social security and welfare	21	25	3	6	4	3
Housing and community amenities	80	84	53	145	136	197
Recreation and culture	137	213	193	90	41	44
Fuel and energy	2	2	1	1	1	1
Agriculture, forestry, fishing and hunting	30	32	37	28	25	33
Mining and mineral resources other than fuels; manufacturing; and construction	10	7	2	2	-	-
Transport and communications	1,012	1,062	1,372	1,054	563	489
Other economic affairs	66	50	26	23	30	21
Other purposes ^(c)	-	-100	-	-	50	50
Total Purchases of Non-financial Assets	2,475	2,627	2,830	2,111	1,331	1,270

(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 provisions not allocated by GPC.

(c) Includes an underspending provision for unforeseen slippages in the Asset Investment Program that typically emerges during the year.

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

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
<u>General government</u>						
AASB 1049 net operating balance	-2,474	-1,327	-906	-160	1,295	1,531
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-	-	-	-
Total GFS Expense adjustments	-	-	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-	-	-
GFS net operating balance	-2,474	-1,327	-906	-160	1,295	1,531
<u>Public non-financial corporations</u>						
AASB 1049 net operating balance	480	384	674	739	750	665
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	1	17	24	31	15	16
Dividends	713	1,579	1,141	1,186	1,242	1,242
Total GFS expense adjustments	714	1,596	1,165	1,218	1,258	1,257
Total GFS adjustments to AASB 1049 net operating balance	-714	-1,596	-1,165	-1,218	-1,258	-1,257
GFS net operating balance	-233	-1,212	-491	-478	-508	-592
<u>Total non-financial public sector</u>						
AASB 1049 net operating balance	-2,706	-2,522	-1,373	-608	803	954
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	1	17	24	31	15	16
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-	-	-	-
Total GFS expense adjustments	1	17	24	31	15	16
Total GFS adjustments to AASB 1049 net operating balance	-1	-17	-24	-31	-15	-16
GFS net operating balance	-2,707	-2,539	-1,397	-639	787	938
<u>Public financial corporations</u>						
AASB 1049 net operating balance	164	401	315	251	285	329
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dividends	202	174	159	165	153	145
Total GFS expense adjustments	202	174	159	165	153	145
Total GFS adjustments to AASB 1049 net operating balance	-202	-174	-159	-165	-153	-145
GFS net operating balance	-38	227	156	86	132	184
<u>Total public sector</u>						
AASB 1049 net operating balance	-2,744	-2,295	-1,217	-521	935	1,138
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	1	17	24	31	15	16
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-	-	-	-
Total GFS expense adjustments	1	17	24	31	15	16
Total GFS adjustments to AASB 1049 net operating balance	-1	-17	-24	-31	-15	-16
GFS net operating balance	-2,745	-2,312	-1,241	-553	919	1,122

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Lending

	2016-17 Actual \$m	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
<u>General government</u>						
AASB 1049 net lending/-borrowing	-3,592	-2,826	-2,124	-645	1,647	2,055
Plus Net operating balance convergence difference (noted above)	-	-	-	-	-	-
GFS net lending/-borrowing	-3,592	-2,826	-2,124	-645	1,647	2,055
<u>Public non-financial corporations</u>						
AASB 1049 net lending/-borrowing	514	68	-581	-	-173	-383
Plus Net operating balance convergence difference (noted above)	-714	-1,596	-1,165	-1,218	-1,258	-1,257
GFS net lending/-borrowing	-200	-1,528	-1,746	-1,218	-1,431	-1,641
<u>Total non-financial public sector</u>						
AASB 1049 net lending/-borrowing	-3,792	-4,337	-3,847	-1,831	231	429
Plus Net operating balance convergence difference (noted above)	-1	-17	-24	-31	-15	-16
GFS net lending/-borrowing	-3,793	-4,354	-3,871	-1,862	216	414
<u>Public financial corporations</u>						
AASB 1049 net lending/-borrowing	165	399	311	250	285	329
Plus Net operating balance convergence difference (noted above)	-202	-174	-159	-165	-153	-145
GFS net lending/-borrowing	-37	225	152	85	132	184
<u>Total public sector</u>						
AASB 1049 net lending/-borrowing	-3,829	-4,112	-3,695	-1,746	363	613
Plus Net operating balance convergence difference (noted above)	-1	-17	-24	-31	-15	-16
GFS net lending/-borrowing	-3,830	-4,129	-3,718	-1,777	348	598

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Worth at 30 June

	2017 Actual \$m	2018 Estimated Actual \$m	2019 Budget Estimate \$m	2020 Forward Estimate \$m	2021 Forward Estimate \$m	2022 Forward Estimate \$m
<u>General government</u>						
AASB1049 net worth	110,189	107,352	106,711	107,914	110,694	114,045
Plus						
Provision for doubtful debts						
General government sector	266	263	263	263	263	263
Impact on public corporations net worth	84	28	36	44	52	60
Total GFS net worth adjustments	350	291	299	307	316	324
GFS net worth	110,539	107,643	107,010	108,221	111,009	114,369
<u>Public non-financial corporations</u>						
AASB1049 net worth	54,917	53,758	54,674	55,717	56,783	57,621
Plus						
Impact of general government equity injections	-8,487	-8,830	-10,188	-10,933	-11,678	-12,257
Provision for doubtful debts	84	28	36	44	52	60
Total GFS net worth adjustments	-8,403	-8,803	-10,152	-10,889	-11,626	-12,196
GFS net worth	46,514	44,955	44,522	44,828	45,157	45,425
<u>Total non-financial public sector</u>						
AASB1049 net worth	110,189	107,352	106,711	107,914	110,694	114,045
Plus						
Provision for doubtful debts						
Total non-financial public sector	350	291	299	307	316	324
Impact on public corporations net worth	-	-	-	-	-	-
Total GFS net worth adjustments	350	291	299	307	316	324
GFS net worth	110,539	107,643	107,010	108,221	111,009	114,369
<u>Public financial corporations</u>						
AASB1049 net worth	2,011	2,062	2,187	2,235	2,327	2,470
Plus						
Provision for doubtful debts	-	-	-	-	-	-
Total GFS net worth adjustments	-	-	-	-	-	-
GFS net worth	2,011	2,062	2,187	2,235	2,327	2,470
<u>Total public sector</u>						
AASB1049 net worth	110,189	107,352	106,711	107,914	110,694	114,045
Plus						
Provision for doubtful debts	350	291	299	307	316	324
Total GFS net worth adjustments	350	291	299	307	316	324
GFS net worth	110,539	107,643	107,010	108,221	111,009	114,369

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Change in Net Worth

	2017 Actual \$m	2018 Estimated Actual \$m	2019 Budget Estimate \$m	2020 Forward Estimate \$m	2021 Forward Estimate \$m	2022 Forward Estimate \$m
<u>General government</u>						
AASB1049 change in net worth	-4,677	-2,837	-642	1,203	2,780	3,352
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-	-	-	-
Provision for doubtful debts						
General government sector	4	-3	-	-	-	-
Impact on public corporations net worth	53	-56	8	8	8	8
Total GFS change in net worth adjustments	56	-58	8	8	8	8
GFS change in net worth	-4,621	-2,895	-634	1,211	2,788	3,360
<u>Public non-financial corporations</u>						
AASB1049 change in net worth	863	-1,159	916	1,042	1,066	839
Plus change in:						
Impact of general government equity injections	-813	-344	-1,357	-745	-746	-578
Provision for doubtful debts	53	-56	8	8	8	8
Total GFS change in net worth adjustments	-760	-399	-1,349	-737	-737	-570
GFS change in net worth	103	-1,558	-433	306	329	268
<u>Total non-financial public sector</u>						
AASB1049 change in net worth	-4,677	-2,837	-642	1,203	2,780	3,352
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-	-	-	-
Provision for doubtful debts						
Total non-financial public sector	56	-58	8	8	8	8
Total GFS change in net worth adjustments	56	-58	8	8	8	8
GFS change in net worth	-4,621	-2,895	-634	1,211	2,788	3,360
<u>Public financial corporations</u>						
AASB1049 change in net worth	231	51	126	47	92	143
Total GFS change in net worth adjustments	-	-	-	-	-	-
GFS change in net worth	231	51	126	47	92	143
<u>Total public sector</u>						
AASB1049 change in net worth	-4,677	-2,837	-642	1,203	2,780	3,352
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-	-	-	-	-	-
Provision for doubtful debts	56	-58	8	8	8	8
Total GFS change in net worth adjustments	56	-58	8	8	8	8
GFS change in net worth	-4,621	-2,895	-634	1,211	2,788	3,360

Note: Columns may not add due to rounding.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

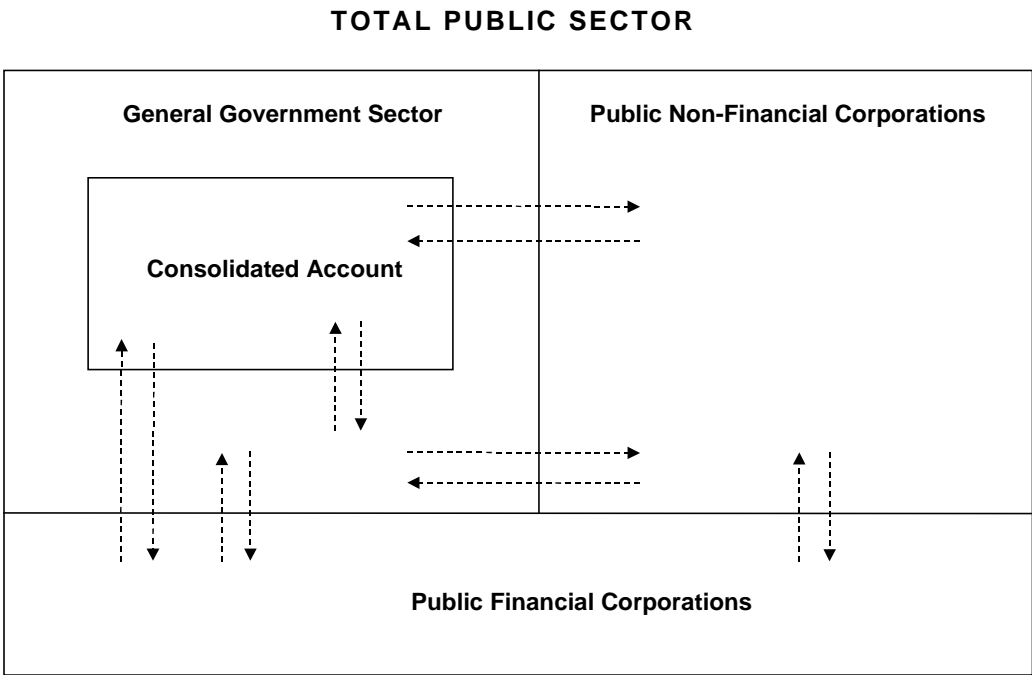
Cash Surplus/-Deficit

	2016-17 Actual \$m	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
<i><u>General government</u></i>						
AASB 1049 cash surplus/-deficit	-3,751	-2,570	-2,072	-760	1,426	1,896
Less Acquisitions under finance leases and similar arrangements	288	469	61	86	15	14
GFS cash surplus/-deficit	-4,039	-3,040	-2,133	-845	1,411	1,883
<i><u>Public non-financial corporations</u></i>						
AASB 1049 cash surplus/-deficit	-682	-1,354	-1,294	-1,236	-1,329	-1,624
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	-682	-1,354	-1,294	-1,236	-1,329	-1,624
<i><u>Total non-financial public sector</u></i>						
AASB 1049 cash surplus/-deficit	-4,432	-3,925	-3,366	-1,996	97	272
Less Acquisitions under finance leases and similar arrangements	288	469	61	86	16	14
GFS cash surplus/-deficit	-4,721	-4,394	-3,427	-2,081	82	258
<i><u>Public financial corporations</u></i>						
AASB 1049 cash surplus/-deficit	-243	456	405	443	475	526
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	-243	456	405	443	475	526
<i><u>Total public sector</u></i>						
AASB 1049 cash surplus/-deficit	-4,675	-3,468	-2,961	-1,553	572	798
Less Acquisitions under finance leases and similar arrangements	288	469	61	86	16	14
GFS cash surplus/-deficit	-4,963	-3,938	-3,023	-1,638	556	784

Note: Columns may not add due to rounding.

NOTE 7: 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.



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* which includes only those agencies that receive appropriations and/or have an Asset Investment Program.

General Government

Agricultural Produce Commission	North Regional TAFE
Botanic Gardens and Parks Authority	Office of Emergency Management ^(a)
Building and Construction Industry Training Board	Office of the Auditor General
Central Regional TAFE	Office of the Director of Public Prosecutions
Chemistry Centre (WA)	Office of the Government Chief Information Officer ^(a)
Combat Sports Commission	Office of the Information Commissioner
Commissioner for Children and Young People	Office of the Inspector of Custodial Services
Commissioner for Equal Opportunity	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Commissioner of Main Roads	Parliamentary Commissioner for Administrative Investigations
Corruption and Crime Commission	Parliamentary Services Department
Department of Biodiversity, Conservation and Attractions	Peel Development Commission
Department of Communities	Perth Theatre Trust
Department of Education	Pilbara Development Commission
Department of Finance	Professional Standards Council
Department of Fire and Emergency Services ^(a)	Public Sector Commission
Department of Health	Racing and Wagering Commission of Western Australia
Department of Jobs, Tourism, Science and Innovation	Racing Penalties Appeal Tribunal of Western Australia
Department of Justice	Rural Business Development Corporation
Department of Local Government, Sport and Cultural Industries	Salaries and Allowances Tribunal
Department of Mines, Industry Regulation and Safety	School Curriculum and Standards Authority
Department of Planning, Lands and Heritage	Small Business Development Corporation
Department of Primary Industries and Regional Development	South Metropolitan TAFE
Department of Training and Workforce Development	South Regional TAFE
Department of Transport	South West Development Commission
Department of Treasury	The Aboriginal Affairs Planning Authority
Department of the Legislative Assembly	The ANZAC Day Trust
Department of the Legislative Council	The Board of the Art Gallery of Western Australia
Department of the Premier and Cabinet ^(a)	The Burswood Park Board
Department of the Registrar, Western Australian Industrial Relations Commission	The Coal Miners' Welfare Board of Western Australia
Department of Water and Environmental Regulation	The Library Board of Western Australia
Disability Services Commission	The National Trust of Australia (W.A.)
Economic Regulation Authority	The Queen Elizabeth II Medical Centre Trust
Gascoyne Development Commission	The Western Australia Museum
Goldfields Esperance Development Commission	Trustees of the Public Education Endowment
Governor's Establishment	Western Australia Police Force
Great Southern Development Commission	Western Australian Alcohol and Drug Authority
Health and Disability Services Complaints Office	Western Australian Building Management Authority
Heritage Council of Western Australia	Western Australian Electoral Commission
Independent Market Operator	Western Australian Energy Disputes Arbitrator
Keep Australia Beautiful Council (W.A.)	Western Australian Greyhound Racing Association
Kimberley Development Commission	Western Australian Health Promotion Foundation
Law Reform Commission of Western Australia	Western Australian Institute of Sport
Legal Aid Commission of Western Australia	Western Australian Land Information Authority
Legal Costs Committee	Western Australian Meat Industry Authority
Local Health Authorities Analytical Committee	Western Australian Planning Commission
Mental Health Commission	Western Australian Sports Centre Trust
Mid West Development Commission	Western Australian Tourism Commission
Minerals Research Institute of Western Australia	Wheatbelt Development Commission
North Metropolitan TAFE	WorkCover Western Australia Authority
	Zoological Parks Authority

(a) Agency which has been either created, amalgamated or renamed since the presentation of the 2017-18 Budget.

Public Non-Financial Corporations

Animal Resources Authority	Metropolitan Redevelopment Authority
Bunbury Water Corporation	Mid West Port Authority
Busselton Water Corporation	Pilbara Ports Authority
Electricity Networks Corporation (Western Power)	Public Transport Authority of Western Australia
Electricity Generation and Retail Corporation (Synergy)	Racing and Wagering Western Australia
Forest Products Commission	Regional Power Corporation (Horizon Power)
Fremantle Port Authority	Rottne Island Authority
Gold Corporation and its subsidiaries	Southern Ports Authority
Housing Authority	Water Corporation
Kimberley Port Authority	Western Australian Coastal Shipping Commission
Lotteries Commission	Western Australian Land Authority
Metropolitan Cemeteries Board	

Public Financial Corporations

Country Housing Authority	RiskCover
Insurance Commission of Western Australia	Western Australian Treasury Corporation
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	

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.

Construction Industry Long Service Leave Payments Board	Legal Contribution Trust
Curtin University and its subsidiaries	Murdoch University and its subsidiaries
Edith Cowan University	Public Trustee
Fire and Emergency Services Superannuation Board	Parliamentary Superannuation Board
Government Employees 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

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,266	3,228	3,460	3,633	3,866	4,133
Property taxes						
<i>Land tax</i>	876	829	803	811	831	852
Transfer duty	1,357	1,237	1,331	1,424	1,542	1,629
Landholder duty	151	201	101	100	100	100
<i>Total duty on transfers</i>	1,508	1,438	1,432	1,524	1,642	1,729
Metropolitan Region Improvement Tax	96	93	85	91	93	96
Perth Parking Levy	56	58	58	59	60	60
Emergency Services Levy	325	337	372	381	382	380
Loan guarantee fees	140	144	155	162	170	173
Building and Construction Industry Training Fund Levy ^(a)	31	29	35	37	36	32
<i>Total other property taxes</i>	648	660	704	731	742	741
Taxes on provision of goods and services						
Lotteries Commission	151	155	160	160	161	161
Video lottery terminals	-	-	-	-	-	-
Casino tax	62	62	71	71	71	71
Betting tax	40	42	64	98	103	108
<i>Total taxes on gambling</i>	253	260	295	328	335	341
Insurance duty	641	617	645	676	710	745
Other	20	20	17	20	20	20
<i>Total taxes on insurance</i>	661	637	662	696	730	766
<i>On-demand Transport Levy</i>	-	-	3	30	30	30
Taxes on use of goods and performance of activities						
Vehicle licence duty	344	356	360	365	372	379
Permits - oversize vehicles and loads	6	8	8	8	9	9
Motor vehicle recording fee	59	59	59	60	61	63
Motor vehicle registrations	885	916	956	989	1,012	1,038
<i>Total motor vehicle taxes</i>	1,294	1,339	1,383	1,423	1,454	1,488
<i>Mining Rehabilitation Levy</i>	28	28	28	28	28	28
<i>Landfill Levy</i>	69	76	83	83	83	83
Total Taxation	8,604	8,495	8,853	9,286	9,741	10,189

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
CURRENT GRANTS AND SUBSIDIES						
General Purpose Grants						
GST grants	1,944	2,219	3,255	4,077	4,555	5,136
North West Shelf grants	609	711	801	676	546	461
Commonwealth compensation for changed crude oil excise arrangements	31	39	44	37	30	25
Grants Through the State						
Schools assistance – non-government schools	1,172	1,230	1,301	1,381	1,466	1,556
Local government financial assistance grants	262	80	181	187	194	201
Local government roads	163	56	113	117	121	126
National Specific Purpose Payment Agreement Grants						
National Agreement for Skills and Workforce						
Development	160	153	159	160	162	163
National Disability Services	148	142	88	24	-	-
National Affordable Housing	145	143	145	146	148	150
Quality Schools	598	658	737	828	925	1,030
National Health Reform	2,089	2,119	2,252	2,392	2,494	2,601
Other Grants/National Partnerships						
Health	399	363	122	84	84	81
Housing	17	24	5	-	-	-
Transport	64	85	91	92	89	59
Disability Services	42	145	35	27	609	109
Other	247	152	224	165	168	117
Total Current Grants and Subsidies	8,091	8,317	9,552	10,393	11,592	11,816
CAPITAL GRANTS						
Grants Through the State						
Schools assistance – non-government schools	16	17	18	20	23	27
Other Grants/National Partnerships						
Housing	51	179	-	-	-	-
Transport	425	899	908	735	497	631
Other	21	211	10	-	-	-
Total Capital Grants	513	1,306	936	754	520	658

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
WA Health	715	714	736	760	783	795
Department of Transport	162	158	163	170	171	171
Department of Education	211	185	187	190	194	198
State Training Providers/TAFE Colleges	128	126	126	126	128	129
Department of Training and Workforce Development	47	40	42	44	47	51
Western Australian Land Information Authority	122	109	119	147	152	166
Department of Biodiversity, Conservation and Attractions	98	101	101	102	102	102
Department of Justice	133	132	136	134	135	136
Department of Mines, Industry Regulation and Safety	143	148	157	142	135	133
All Other	504	738	789	843	896	934
Total Sale of Goods and Services ^(a)	2,261	2,452	2,556	2,657	2,744	2,815
INTEREST INCOME	196	164	146	152	159	165
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	837	1,689	1,229	1,278	1,328	1,318
Tax Equivalent Regime	534	613	636	618	672	678
Total Revenue from Public Corporations	1,371	2,302	1,865	1,896	2,000	1,996
ROYALTY INCOME	5,272	5,221	5,057	5,011	5,039	5,051
OTHER						
Lease rentals	99	94	99	105	105	105
Fines	199	195	198	189	184	179
Revenue not elsew here counted	305	326	310	272	228	214
Total Other	604	615	607	566	516	498
TOTAL REVENUE	26,913	28,874	29,572	30,715	32,310	33,187

(a) The Building and Construction Industry Training Fund Levy is a compulsory levy and has been reclassified as taxation revenue on advice from the Australian Bureau of Statistics. This revenue was previously classified as sales of goods and services. Prior periods have been rebased for consistency.

Note: Columns may not add due to rounding.

2017-18 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2017-18 financial year, comparing the original 2017-18 Budget estimates, 2017-18 Mid-year Review, and the estimated outturn contained in this Budget.

For general government revenue in 2017-18, the difference between the estimated outturn included in this Budget (\$28,874 million) and the original 2017-18 Budget forecast (\$28,457 million) is \$417 million (a 1.5% increase).

Table 3.1

2017-18 OPERATING REVENUE
General Government

	2017-18 Budget Estimate \$m	2017-18 Mid-year Revision \$m	2017-18 Estimated Actual \$m
TAXATION			
Taxes on employers' payroll and labour force			
<i>Payroll tax</i>	3,224	3,229	3,228
Property taxes			
<i>Land tax</i>	846	814	829
Transfer duty	1,297	1,237	1,237
Landholder duty	201	201	201
<i>Total duty on transfers</i>	1,498	1,438	1,438
Metropolitan Region Improvement Tax	95	92	93
Perth Parking Levy	58	58	58
Emergency Services Levy	337	337	337
Loan guarantee fees	146	146	144
Building and Construction Industry Training Fund Levy ^(a)	29	29	29
<i>Total other property taxes</i>	664	662	660
Taxes on provision of goods and services			
Lotteries Commission	166	157	155
Video lottery terminals	1	-	-
Casino tax	62	62	62
Betting tax	46	46	42
<i>Total taxes on gambling</i>	275	265	260
Insurance duty	645	624	617
Other	20	20	20
<i>Total taxes on insurance</i>	665	644	637
Taxes on use of goods and performance of activities			
Vehicle licence duty	348	356	356
Permits - oversize vehicles and loads	8	8	8
Motor vehicle recording fee	59	59	59
Motor vehicle registrations	916	916	916
<i>Total motor vehicle taxes</i>	1,331	1,339	1,339
<i>Mining Rehabilitation Levy</i>	27	28	28
<i>Landfill Levy</i>	76	76	76
Total Taxation ^(a)	8,606	8,495	8,495

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2017-18 OPERATING REVENUE
General Government

	2017-18 Budget Estimate \$m	2017-18 Mid-year Revision \$m	2017-18 Estimated Actual \$m
CURRENT GRANTS AND SUBSIDIES			
<i>General Purpose Grants</i>			
GST grants	2,229	2,225	2,219
North West Shelf grants	538	654	711
Commonwealth compensation for changed crude oil excise arrangements	30	36	39
<i>Grants Through the State</i>			
Schools assistance – non-government schools	1,233	1,233	1,230
Local government financial assistance grants	90	90	80
Local government roads	56	56	56
<i>National Specific Purpose Payment Agreement Grants</i>			
National Agreement for Skills and Workforce Development	162	162	153
National Disability Services	167	167	142
National Affordable Housing	147	143	143
<i>Quality Schools</i>	649	649	658
<i>National Health Reform</i>	2,120	2,123	2,119
<i>Other Grants/National Partnerships</i>			
Health	356	371	363
Housing	24	24	24
Transport	77	83	85
Disability Services	238	237	145
Other	140	148	152
Total Current Grants and Subsidies	8,255	8,401	8,317
CAPITAL GRANTS			
<i>Grants Through the State</i>			
Schools assistance – non-government schools	18	18	17
<i>Other Grants/National Partnerships</i>			
Housing	179	179	179
Transport	750	425	899
Other	22	22	211
Total Capital Grants	968	643	1,306

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

2017-18 OPERATING REVENUE
General Government

	2017-18 Budget Estimate \$m	2017-18 Mid-year Revision \$m	2017-18 Estimated Actual \$m
SALES OF GOODS AND SERVICES			
WA Health	713	714	714
Department of Transport	162	158	158
Department of Education	184	185	185
State Training Providers/TAFE Colleges	128	128	126
Department of Training and Workforce Development	50	46	40
Western Australian Land Information Authority	123	123	109
Department of Biodiversity, Conservation and Attractions	101	101	101
Department of Justice	133	133	132
Department of Mines, Industry Regulation and Safety	157	158	148
All Other ^(a)	667	709	738
Total Sale of Goods and Services ^(a)	2,417	2,454	2,452
INTEREST INCOME	189	166	164
REVENUE FROM PUBLIC CORPORATIONS			
Dividends	1,649	1,728	1,689
Tax Equivalent Regime	572	601	613
Total Revenue from Public Corporations	2,221	2,329	2,302
ROYALTY INCOME	5,211	5,132	5,221
OTHER			
Lease rentals	98	98	94
Fines	207	196	195
Revenue not elsewhere counted	285	278	326
Total Other	590	572	615
TOTAL REVENUE	28,457	28,193	28,874

(a) The Building and Construction Industry Training Fund Levy is a compulsory levy and has been reclassified as taxation revenue, on advice from the Australian Bureau of Statistics. This revenue was previously classified as sales of goods and services. Amounts for the 2017-18 Budget and 2017-18 Mid-year Review have been rebased for comparative purposes.

Note: Columns may not add due to rounding.

The Treasurer's Advance

The Treasurer's Advance is provided for under 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. In addition, new or supplementary funding can be provided during the year for extraordinary or unforeseen matters (known as 'excesses and new items'). Draw downs against the Treasurer's Advance may be made up to an approved limit authorised by section 29 of the FMA. The total amount expected to be drawn against recoverable advances, excesses and new items for 2017-18 is \$141.9 million, which is well within the \$646.1 million limit authorised by the FMA.

Table 4.1 shows the forecast position of the Treasurer's Advance at 30 June 2018 based on estimates finalised on 9 April 2018.

TREASURER'S ADVANCE AS AT 30 JUNE			Table 4.1
	2016-17 Actual	2017-18 Projection ^(a)	
AUTHORISED LIMIT	632.4	646.1	
<i>Total Drawn Against Treasurer's Advance Account</i>	427.4	141.9	
Comprising:			
Net recoverable advances at 30 June	9.3	40.0	
Overdraw n Special Purpose Accounts	13.6	5.3	
Excesses and New Items			
- recurrent	297.0	57.3	
- capital	107.5	39.2	

(a) Detailed disclosure of the final audited outcome for 2017-18 will be available in the 2017-18 *Annual Report on State Finances*, due to be released by 28 September 2018.

Note: Columns may not add due to rounding.

Transfers, Excesses and New Items

Section 25 of the FMA allows appropriations originally allocated in the 2017-18 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 2017-18 Budget include:

- \$144.1 million from the Provision for Voluntary Targeted Separation Scheme (administered by the Department of Treasury) to various agencies for separation costs under this scheme, as shown in the following table;

2017-18 VOLUNTARY TARGETED SEPARATION SCHEME			Table 4.2
Item	Agency	Transfer from Appropriation \$m	
4	Parliamentary Commissioner for Administrative Investigations	0.3	
5	Premier and Cabinet	0.8	
6	Public Sector Commission	0.4	
9	Jobs, Tourism, Science and Innovation	1.3	
11	WA Health	28.5	
12	Mental Health Commission	0.4	
15	Mental Health Commission - Mental Health Tribunal	0.1	
16	Education	21.5	
18	Training and Workforce Development	9.1	
19	Biodiversity, Conservation and Attractions	6.1	
20	Water and Environmental Regulation	5.9	
21	Communities	19.0	
23	Western Australia Police	4.1	
24	Primary Industries and Regional Development	11.1	
27	Fire and Emergency Services	1.2	
31	Justice	15.6	
32	Local Government, Sport and Cultural Industries	2.0	
33	Local Government, Sport and Cultural Industries - Art Gallery of Western Australia	0.1	
35	Local Government, Sport and Cultural Industries - Library Board of Western Australia	0.3	
37	Local Government, Sport and Cultural Industries - Western Australian Museum	0.3	
40	National Trust of Australia (WA)	0.2	
41	Planning, Lands and Heritage	4.8	
	Treasury		
49	Delivery of Services	0.9	
	<i>Operating Subsidy Payments</i>		
54	Public Transport Authority	0.5	
	<i>Grants, Subsidies and Transfer Payments</i>		
62	Health and Disability Services Complaints Office	0.1	
73	Finance	1.8	
75	Small Business Development Corporation	0.2	
76	Mines, Industry and Regulation	5.1	
78	Registrar, WA Industrial Relations Commission	0.2	
80	Transport	2.3	
87	Chemistry Centre (WA)	0.3	
Total		144.1	

Note: Columns may not add due to rounding.

- \$2.1 million of recurrent appropriation from the Library Board of Western Australia to the Department of Local Government, Sport and Cultural Industries for the administration of the State Records Office;
- \$1.0 million from the Department of Planning, Lands and Heritage to the Department of the Premier and Cabinet for the transfer of part of the Aboriginal Policy Unit;

- \$0.7 million from WA Health to the Mental Health Commission for the transfer of two full-time employees for the Office of the Chief Psychiatrist;
- \$0.3 million from the Department of Communities to the Department of the Premier and Cabinet for the transfer of part of the Aboriginal Policy Unit;
- \$0.3 million from WA Health to the Mental Health Commission for the transfer of the Fresh Start Recovery Program;
- \$0.2 million from the Department of Finance to the Department of Local Government, Sport and Cultural Industries for the transfer of the Sunset Heritage Precinct; and
- \$0.1 million of recurrent appropriation from the Department of Finance to the Department of Planning, Lands and Heritage for the transfer of the Government Architect.

Table 4.3 details excesses and/or new items during 2017-18 and the impact of these on the Treasurer's Advance under the authority of section 27 of the FMA.

Table 4.3

2017-18 TRANSFERS, EXCESSES AND NEW ITEMS

Item	Treasurer's Advance					Draw n against Treasurer's Advance to date ^(b) \$m
	Budget	Transfers ^(a)	New Items	Approved Excesses	Revised Appropriation Limit	
	\$m	\$m	\$m	\$m	\$m	
Recurrent Appropriations						
<i>Parliamentary Commissioner for Administrative Investigations</i>						
Item 4: Delivery of Services	7.1	0.3	-	-	7.3	-
<i>Premier and Cabinet</i>						
Item 5: Delivery of Services	127.6	2.1	-	-	129.7	-
<i>Public Sector Commission</i>						
Item 6: Delivery of Services	24.4	0.4	-	-	24.7	-
<i>Jobs, Tourism, Science and Innovation</i>						
Item 9: Delivery of Services	156.9	1.3	-	-	158.2	-
<i>WA Health</i>						
Item 11: Delivery of Services	4,919.4	27.6	-	-	4,947.0	-
<i>Mental Health Commission</i>						
Item 12: Delivery of Services	705.7	0.7	-	-	706.3	-
Item 14: Mental Health Tribunal	2.6	0.1	-	-	2.7	-
Item 15: Office of the Chief Psychiatrist	2.3	0.7	-	-	2.9	-
<i>Education</i>						
Item 16: Delivery of Services	4,058.4	21.5	-	-	4,079.9	-
<i>Training and Workforce Development</i>						
Item 18: Delivery of Services	351.7	9.1	-	3.4	364.2	-
<i>Biodiversity, Conservation and Attractions</i>						
Item 19: Delivery of Services	251.0	6.1	-	-	257.1	-
<i>Water and Environmental Regulation</i>						
Item 20: Delivery of Services	90.2	5.9	-	-	96.1	-
<i>Communities</i>						
Item 21: Delivery of Services	1,617.5	18.7	-	-	1,636.1	-
<i>Western Australia Police</i>						
Item 23: Delivery of Services	1,331.7	4.1	-	-	1,335.8	-
<i>Primary Industries and Regional Development</i>						
Item 24: Delivery of Services	179.8	11.1	-	-	190.9	-
<i>Fire and Emergency Services</i>						
Item 27: Delivery of Services	19.7	1.2	-	-	20.9	-
<i>Justice</i>						
Item 31: Delivery of Services	1,195.8	15.6	-	-	1,211.4	-
<i>Local Government, Sport and Cultural Industries</i>						
Item 32: Delivery of Services	101.3	4.2	-	10.1	115.6	-
Item 33: Art Gallery of Western Australia	8.9	0.1	-	-	9.0	-
Item 35: Library Board of Western Australia	32.5	-1.8	-	0.8	31.5	-
Item 37: Western Australian Museum	22.3	0.3	-	0.1	22.7	-
<i>National Trust of Australia (WA)</i>						
Item 40: Delivery of Services	3.2	0.2	-	-	3.4	-

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

Table 4.3 (cont.)

2017-18 TRANSFERS, EXCESSES AND NEW ITEMS

Item	Treasurer's Advance					Draw n against Treasurer's Advance to date ^(b) \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation Limit \$m	
<i>Planning, Lands and Heritage</i>						
Item 41: Delivery of Services	114.1	3.9	-	-	118.0	-
<i>Office of the Director of Public Prosecutions</i>						
Item 44: Delivery of Services	33.6	-	-	0.9	34.5	-
<i>Western Australian Sports Centre Trust</i>						
Item 48: Delivery of Services	74.6	-	-	0.8	75.4	-
<i>Treasury</i>						
Item 49: Delivery of Services	63.9	0.9	-	-	64.8	-
<i>Operating Subsidy Payments</i>						
Item 50: Bunbury Water Corporation	0.7	-	-	-(c)	0.7	-
Item 52: Electricity Generation and Retail Corporation (Synergy)	249.0	-	-	2.2	251.2	-
Item 54: Public Transport Authority	838.6	0.5	-	-	839.0	-
Item 58: Western Australian Land Authority	45.3	-	-	7.5	52.8	-
New Item: Forest Products Commission	-	-	0.8	-	0.8	-
<i>Grants, Subsidies and Transfer Payments</i>						
Item 59: Bell Group Administration Wind-up and Associated Costs	1.3	-	-	1.6	2.9	-
Item 62: Health and Disability Services Complaints Office	2.8	0.1	-	-	2.9	-
Item 63: Metropolitan Redevelopment Authority	37.3	-	-	8.4	45.7	-
Item 65: Provision for Voluntary Targeted Separation Scheme	300.0	-144.1	-	-	155.9	-
Item 69: State Property - Emergency Services Levy	16.0	-	-	1.5	17.5	-
<i>Finance</i>						
Item 73: Delivery of Services	150.9	1.5	-	-	152.4	-
Item 74: Administered Grants, Subsidies and Other Transfer Payments	185.1	-	-	6.7	191.8	-
<i>Small Business Development Corporation</i>						
Item 75: Delivery of Services	12.2	0.2	-	-	12.4	-
<i>Mines, Industry Regulation and Safety</i>						
Item 76: Delivery of Services	126.3	5.1	-	-	131.4	-
Item 77: Administered Grants, Subsidies and Other Transfer Payments	49.8	-	-	12.5	62.3	-
<i>Registrar, Western Australian Industrial Relations Commission</i>						
Item 78: Delivery of Services	9.3	0.2	-	-	9.4	-
<i>Transport</i>						
Item 80: Delivery of Services	63.8	2.3	-	-	66.1	-
<i>Chemistry Centre (WA)</i>						
Item 87: Delivery of Services	6.9	0.3	-	-	7.2	-
Total Recurrent		-	0.8	56.5		-

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

Table 4.3 (cont.)

2017-18 TRANSFERS, EXCESSES AND NEW ITEMS

Item	Treasurer's Advance					Drawn against Treasurer's Advance to date ^(b)
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation Limit \$m	
Capital Appropriations						
<i>Governor's Establishment</i>						
Item 89: Capital Appropriation	1.4	-	-	2.6	4.0	-
<i>WA Health</i>						
Item 91: Capital Appropriation	186.2	-	-	14.1	200.3	-
<i>Western Australia Police</i>						
Item 97: Capital Appropriation	29.5	-	-	6.6	36.1	-
<i>Treasury</i>						
<i>Government Equity Contributions</i>						
Item 109: Animal Resources Authority	1.3	-	-	0.6	1.9	-
Item 115: Pilbara Ports Authority	53.7	-	-	7.0	60.7	-
New Item: Kimberley Ports Authority	-	-	0.4	-	0.4	-
New Item: Western Australian Land Authority	-	-	0.2	-	0.2	-
New Item: Forest Products Commission	-	-	1.3	-	1.3	-
<i>Other</i>						
Item 120: Perth Stadium Account	122.2	-	-	5.7	127.9	-
<i>Chemistry Centre (WA)</i>						
Item 129: Capital Appropriation	0.9	-	-	0.8	1.7	0.8
Total Capital		-	1.9	37.4		0.8
TOTAL		-	2.7	93.9		0.8

(a) Authorised under section 25 of the FMA.

(b) Budget cut-off date, 9 April 2018.

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

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

Special Purpose Accounts

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

This appendix contains information on key SPAs. It is not an exhaustive list of all SPAs, but covers the major/material SPAs in existence at the 9 April 2018 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 2018-19 outlined elsewhere in this Budget.

Debt Repayment Account

In line with the Government's election commitments, a Debt Repayment Account has been established to apply windfall funds to the repayment of Consolidated Account borrowings.

The initial funds to flow through the account in 2017-18 come from surplus funds from RiskCover (with further surpluses from RiskCover also expected to occur across the forward estimates period). In 2018-19, funds flowing through the account include a large, one-off duty assessment for a high value commercial property transaction which was issued by the Commissioner of State Revenue in late 2016-17, excess cash that has been swept from agencies, and a further contribution from RiskCover surplus funds.

DEBT REPAYMENT ACCOUNT

Table 5.1

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	-	-
Receipts	98	355
Payments	98	355
Closing Balance	-	-

Note: Columns may not add due to rounding.

Fiona Stanley Hospital Construction Account

This SPA was established in October 2007 to set aside funds to be used for the construction of the Fiona Stanley Hospital. The hospital achieved practical completion in December 2013 and commenced phased operation in October 2014.

During 2017-18, WA Health returned \$18 million to the SPA in unspent construction funds. Final invoicing and completion of project close-out activities are expected to be finalised and the SPA to be closed by 30 June 2018. Consistent with the enabling legislation for the Account, residual funds on closure of the SPA will be returned to the Consolidated Account.

FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT			Table 5.2
	2017-18 \$m	2018-19 \$m	
<i>Balance at 1 July</i>	20	-	
Receipts	18	-	
Payments	-	-	
Return of residual funds to Consolidated Account	38	-	
Closing Balance	-	-	
Note: Columns may not add due to rounding.			

Forrestfield-Airport Link Account

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

FORRESTFIELD-AIRPORT LINK ACCOUNT			Table 5.3
	2017-18 \$m	2018-19 \$m	
<i>Balance at 1 July</i>	219	-	
Receipts	2	-	
Payments	221	-	
Closing Balance	-	-	
Note: Columns may not add due to rounding.			

METRONET Account

This SPA was established in August 2017 to support the delivery of METRONET transport infrastructure projects. Forecast receipts for 2018-19 reflect State funding (\$204 million), Commonwealth funding (\$657 million) and proceeds from land sales (\$15 million).

Funds are drawn down for project payments as works progress. In 2018-19, forecast payments include \$347 million for transport infrastructure and \$2 million for METRONET Office operating costs (for further detail see the METRONET feature box in Chapter 6).

METRONET ACCOUNT

Table 5.4

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	-	-
Receipts	35	875
Payments	35	349
Closing Balance	-	527

Note: Columns may not add due to rounding.

Metropolitan Region Improvement Fund

This account was established under the *Metropolitan Region Improvement Tax Act 1959* to hold funds for the management of the Metropolitan Region Scheme, including receipts from the Metropolitan Region Improvement Tax (MRIT). 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 in 2018-19 mainly reflect MRIT collections (\$85 million), proceeds from the sale of land and buildings (\$19 million), rent income and interest income (\$14 million). Forecast payments in 2018-19 are for the acquisition of land and buildings (\$30 million), service delivery costs (\$31 million), and works in progress on a range of smaller infrastructure projects (\$2 million).

METROPOLITAN REGION IMPROVEMENT FUND

Table 5.5

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	348	408
Receipts	123	120
Payments	63	63
Closing Balance	408	465

Note: Columns may not add due to rounding.

Mining Rehabilitation Fund

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

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

Table 5.6

MINING REHABILITATION FUND

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July ^(a)</i>	92	120
Receipts	30	31
Payments	2	2
Closing Balance	120	149

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

Note: Columns may not add due to rounding.

Municipal and Essential Services Account

This account was established in 2015-16 to administer the Commonwealth's final \$90 million contribution for essential and municipal services for remote Aboriginal communities in Western Australia.

The 2017-18 Budget included \$34 million to be spent on essential and municipal services for remote Aboriginal communities in 2017-18. However, an underspend of \$7 million in 2016-17 (primarily due to lower fuel costs for electricity generation) is now expected to be spent on other critical municipal services in 2017-18. The remaining funds from the SPA are expected to be fully spent in 2017-18.

Table 5.7

MUNICIPAL AND ESSENTIAL SERVICES ACCOUNT

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

Note: Columns may not add due to rounding.

Perth Children's Hospital Account

This SPA was established in October 2010 to hold money for the construction and commissioning of the Perth Children's Hospital.

The Hospital is scheduled to receive its first patients in May 2018 and be fully open in June 2018. A small cash balance is expected to remain at the end of 2017-18 to cover costs associated with project close-out activities and the defect liability period.

PERTH CHILDREN'S HOSPITAL ACCOUNT

Table 5.8

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	40	2
Receipts	-	-
Payments	38	2
Closing Balance	2	-

Note: Columns may not add due to rounding.

Perth Parking Licensing Account

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

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

PERTH PARKING LICENSING ACCOUNT

Table 5.9

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	23	53
Receipts	58	58
Payments	28	20
Closing Balance	53	91

Note: Columns may not add due to rounding.

Perth Stadium Account

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

Forecast receipts of \$1 million in 2018-19 reflect appropriation funding for the remaining payments for minor transport infrastructure works. Following closure of the project, any remaining funds will be returned to the Consolidated Account.

Table 5.10

PERTH STADIUM ACCOUNT

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	96	3
Receipts	128	1
Payments	220	1
Closing Balance	3	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.

Total payments from the account in 2018-19 are forecast at \$111 million, including an additional \$69 million of payments approved as part of the 2018-19 Budget process, which includes:

- \$49 million to Main Roads WA for road safety treatments to improve metropolitan intersections and to reduce run-off road crash types and severities at a number of roads, including Great Eastern Highway, Toodyay Road and Indian Ocean Drive;
- \$7 million for road safety community education campaigns undertaken by the Road Safety Commission;
- \$7 million for the Safe Speed Enforcement Program delivered by Western Australia Police Force;
- \$2 million for police breath and drug testing capabilities; and
- \$1 million for Alcohol Assessment and Treatment services administered by the Mental Health Commission.

The forecast closing balance of the account includes cash for some costs incurred in the current year but which will be paid after 30 June.

Table 5.11

ROAD TRAUMA TRUST ACCOUNT

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	57	37
Receipts	116	116
Payments	135	111
Closing Balance	37	41

Note: Columns may not add due to rounding.

Royalties for Regions Fund

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

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

Details of the RfR program and other regional spending are available in Chapter 7: *Investing in Regional Western Australia*.

ROYALTIES FOR REGIONS FUND

Table 5.12

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	1,000	1,000
Receipts	850	971
Payments	850	971
Closing Balance	1,000	1,000

Note: Columns may not add due to rounding.

Royalties for Regions Regional Reform Fund

This SPA was approved as part of the 2015-16 Budget to receive \$150 million, transferred from the RfR Fund, commencing in 2014-15. The account will fund strategic reform initiatives in regional Western Australia, with regional Aboriginal reform initiatives the first area of focus. To date, \$100 million has been transferred to this SPA, with the next contribution of \$16 million to be made in 2019-20. Payments in 2018-19 are expected to fund the Kimberley Schools project, the North West Aboriginal Housing initiative and improvements to essential and municipal services in remote Aboriginal communities.

ROYALTIES FOR REGIONS REGIONAL REFORM FUND

Table 5.13

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	100	87
Receipts	-	-
Payments	13	55
Closing Balance	87	32

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 and are drawn from the SPA to support improved access to core health services (by providing additional resources and improvements to local hospitals and health facilities, aged care and telehealth services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions).

Revised forecasts of receipts (up \$38 million) and payments (up \$39 million) in 2017-18 reflect updated project schedules and milestone payments.

With the consolidation of country health programs funded through the RfR Fund, the SPA is to be closed in 2018-19.

Table 5.14

ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	56	20
Receipts	138	-
Payments	174	20
Closing Balance	20	-

Note: Columns may not add due to rounding.

Waste Avoidance and Resource Recovery Account

The Waste Avoidance and Resource Recovery Account was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* to hold revenue allocated from the waste levy. The purpose of the account is to fund nominated programs and other waste management initiatives approved by the Minister for Environment.

Table 5.15

WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT

	2017-18 \$m	2018-19 \$m
<i>Balance at 1 July</i>	33	38
Receipts	20	22
Payments	15	21
Closing Balance	38	39

Note: Columns may not add due to rounding.

Western Australian Future Fund

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

Forecast receipts include 1% (or \$51 million) of the State's Budget-time forecast of royalty revenue and interest earned on the account balance (\$41 million).

Table 5.16

WESTERN AUSTRALIAN FUTURE FUND

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

Note: Columns may not add due to rounding.

State Government Social Concessions Expenditure Statement

Introduction

The State Government provides social concessions in the form of rebates, discounts and waivers for services, and subsidies to help reduce the cost of living for individuals and families in need.

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 2016-17 and estimated expenditure in 2017-18 and 2018-19.

The total value of State Government social concessions in 2018-19 is estimated at almost \$2.4 billion, including \$1.4 billion in operating subsidies for electricity, water, and public transport services¹. This is down slightly from around \$2.6 billion in 2016-17, primarily reflecting the removal of the Tariff Adjustment Payment to Synergy (\$280 million in 2016-17).

General Notes on the Statement

For the purposes of this appendix, social concessions are defined as:

- discounts, rebates and 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 8.5 in Appendix 8: *Public Corporations and Major Tariffs, Fees and Charges*.

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.

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Table 6.1

Concession	2016-17 Actual \$'000	2016-17 No. of Recipients	2017-18 Estimated Actual \$'000	2017-18 Estimated No. of Recipients	2018-19 Budget Estimate \$'000	2018-19 Estimated No. of Recipients
BIODIVERSITY, CONSERVATION AND ATTRACTIONS						
National Park Entrance Fee Reduction	564	51,754	564	51,754	564	51,754
Tree Top Walk Entry Concession	82	16,427	82	16,427	82	16,427
Geike Gorge Boat Trip Concession	39	3,268	39	3,268	44	3,268
Camping Concession	257	41,633	295	41,633	303	41,633
Monkey Mia Park Entry Fee Concessions	34	12,366	34	12,366	56	12,366
Concession Annual All Park Pass	104	4,103	106	4,103	107	4,103
Dryandra Woodland Barna Mia Concession Tour fee	2	466	2	466	2	466
Cave Concessions	13	4,012	13	4,012	13	4,012
Penguin Island Concessions	18	13,076	18	13,076	18	13,076
Train/Bus/Bike Concessions	2	800	3	850	3	872
Tour Concessions	4	2,000	5	2,300	5	2,475
Children's Discount – Perth Zoo	1,318	87,836	1,400	87,522	1,538	92,866
Children Under Four – Free Zoo Entry	3,252	111,718	3,464	111,751	3,794	118,575
Education Excursion Discount	663	38,689	725	38,551	807	40,905
Seniors Discount and Concession Card – Perth Zoo	408	58,226	406	58,018	431	61,561
Carers Free Entry	107	3,695	114	3,682	125	3,907
Sub-Total	6,867		7,270		7,891	
BUNBURY WATER CORPORATION						
Pensioners and Seniors Supply Charge Rebate ^(a)	326	4,113	305	4,154	314	4,196
Pensioners and Seniors Consumption Rebate ^(a)	371	3,354	354	3,388	364	3,422
Pensioners Tenant Rebate ^(a)	12	137	14	138	14	139
Ex-Gratia Water (Leak) Allowance	94	109	124	110	126	111
Sub-Total	803		797		818	
BUSSELTON WATER CORPORATION						
Pensioners Supply Charge and Consumption Rebate ^(a)	440	2,087	443	2,074	469	2,074
Seniors Supply Charge and Consumption Rebate ^{(a)(b)}	87	957	65	983	80	983
Pensioners Tenant Rebate ^(a)	-	-	139	810	147	810
Ex-Gratia Water (Leak) Allowance	55	41	19	41	20	41
Sub-Total	582		666		716	

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	2016-17 Actual \$'000	2016-17 No. of Recipients	2017-18 Estimated Actual \$'000	2017-18 Estimated No. of Recipients	2018-19 Budget Estimate \$'000	2018-19 Estimated No. of Recipients
COMMUNITIES						
Rental Subsidy	283,733	35,585	265,318	35,585	269,584	35,585
Cash Assistance Grant	-	-	5	2	5	2
Rental Sales Scheme Subsidy	6	3	8	4	8	4
Bond Assistance Loans Interest Foregone	424	14,925	351	12,371	369	12,990
Centenarian Initiative	68	6	76	6	94	9
Seniors Cost of Living Rebate	22,413	303,112	23,648	313,822	25,269	331,434
Homes for Carers Placement Support Subsidy ^(c)	31	5	169	15	201	20
Sub-Total	306,675		289,575		295,530	
EDUCATION						
Secondary Assistance Scheme						
– Education Program Allowance	6,522	27,902	6,559	28,058	6,670	28,535
Secondary Assistance Scheme						
– Clothing	3,209	27,902	3,227	28,058	3,282	28,535
Boarding Away from Home Allowance	3,117	1,511	3,119	1,510	3,162	1,531
Boarding Away from Home Allowance						
– Agriculture College	554	272	595	292	597	293
Boarding Away from Home Allowance						
– Gifted and Talented	65	33	75	38	74	38
Secondary Assistance Scheme						
– Abstudy Supplement	37	472	38	481	38	483
Sub-Total	13,504		13,613		13,823	
FINANCE						
Council Rates Concession for Pensioners and Seniors:						
• Rates and Charges Rebate – Local Government	102,118	224,047	100,400	226,287	108,700	229,003
• Rates and Charges Rebate						
– Emergency Services Levy	18,561	226,245	20,000	228,507	21,500	231,250
Energy Concession Extension Scheme	1,300	5,475	1,500	4,900	1,600	4,959
Thermoregulatory Dysfunction Energy Subsidy	1,715	2,648	2,000	2,674	2,200	2,707
Life Support Equipment Energy Subsidy	1,030	1,497	1,300	1,732	1,400	1,753
Sub-Total	124,724		125,200		135,400	
GOLD CORPORATION						
Concession Admission	21	10,378	21	10,500	22	10,750
Sub-Total	21		21		22	
HEALTH						
Spectacle Subsidy Scheme	2,646	50,300	2,558	48,108	2,733	50,000
Subsidised Dental Care – Dental Health Services	15,691	58,347	16,600	58,000	16,850	58,500
Subsidised Dental Care – Oral Health Centre of WA	13,370	15,483	13,649	15,483	13,796	15,483
Country Patients Dental Subsidy Scheme	3,870	14,504	3,947	14,500	4,026	14,500
Metropolitan Patients Dental Subsidy Scheme	1,050	3,190	1,000	2,900	950	2,800
WA Country Health Service Patient Assisted Travel Scheme	32,358	38,390	33,464	39,116	34,706	39,969
Peel Health Service Patient Assisted Travel Scheme	50	59	42	58	43	60

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	2016-17 Actual \$'000	2016-17 No. of Recipients	2017-18 Estimated Actual \$'000	2017-18 Estimated No. of Recipients	2018-19 Budget Estimate \$'000	2018-19 Estimated No. of Recipients
Home Haemodialysis	34	69	38	62	39	65
Ambulance Services for Seniors ^(d)	41,707	117,408	46,959	127,024	47,329	93,000
Sub-Total	110,776		118,257		120,472	
HORIZON POWER						
Energy Assistance Payment ^(a)	1,146	6,597	1,250	4,575	1,251	4,598
Dependent Child Rebate ^(a)	556	2,459	584	1,607	625	1,618
Tariff Migration (Caravan Park Subsidy) ^{(a)(e)}	203	11	221	11	-	-
Aboriginal and Remote Communities Project – Stage 1 ^(a)	7,083	817	6,156	714	4,982	720
Aboriginal and Remote Communities Project – Stage 2 ^(a)	2,582	228	1,984	220	1,999	220
Air Conditioning Allowance (North of 26 th Parallel) ^(a)	675	2,460	586	1,940	627	1,953
Feed-In Tariff ^(a)	978	601	1,079	601	1,097	601
Tariff Adjustment Payment – Operating Subsidy ^{(a)(f)}	35,620	37,909	9,379	39,324	207	38,713
Sub-Total	48,843		21,239		10,788	
INSURANCE COMMISSION OF WESTERN AUSTRALIA						
Farm Vehicles – 50% Insurance Premium Rebate	1,041	6,672	1,090	6,789	1,129	6,864
Voluntary Emergency Vehicles ^(g)	139	802	153	904	158	914
Sub-Total	1,180		1,243		1,287	
JUSTICE						
Legal Aid Concessions	24,648	77,027	23,246	73,446	23,246	73,446
Public Trustee Discount Fees	497	2,553	322	1,455	330	1,500
Court and Tribunal Concessions ^(h)	3,115	12,413	3,242	13,958	3,358	14,027
Sub-Total	28,260		26,810		26,934	
KEYSTART HOUSING SCHEME TRUST						
Safety Net ⁽ⁱ⁾	-	256	-	276	-	276
Sub-Total	-		-		-	
LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES						
Art Gallery Concessions ^(j)	18	4,058	30	8,116	19	3,900
Perth Theatre Trust Concessions	178	9,837	180	9,945	182	10,055
WA Museum Concessions ^(j)	410	42,566	540	63,104	397	40,673
Children's Camp Prices	33	431	33	450	35	460
Sub-Total	639		783		633	
PLANNING, LANDS AND HERITAGE						
Pension Protection Plan Fees and Charges	4	2	2	1	2	1
Fremantle Prison Entry Concessions	333	54,903	333	54,903	333	54,903
Sub-Total	337		335		335	
PRIMARY INDUSTRIES AND REGIONAL DEVELOPMENT						
Concessional Abalone Fishing Licence	54	2,885	57	2,700	57	2,700
Concessional Net Fishing Licence	95	5,184	108	5,250	108	5,250
Concessional Marron Fishing Licence	52	2,768	57	2,700	57	2,700

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	2016-17 Actual \$'000	2016-17 No. of Recipients	2017-18 Estimated Actual \$'000	2017-18 Estimated No. of Recipients	2018-19 Budget Estimate \$'000	2018-19 Estimated No. of Recipients
Concessional Rock Lobster Fishing Licence	213	11,603	242	11,700	242	11,700
Concessional South West Freshwater Angling Licence	42	2,247	49	2,350	49	2,350
Concessional Recreational Fishing from a Boat Licence	495	34,279	572	34,000	572	34,000
Sub-Total	951		1,085		1,085	
PUBLIC TRANSPORT AUTHORITY ^(k)						
Transperth – General ^{(a)(l)}	528,990	83,930,703	517,302	85,642,020	546,774	87,777,039
Transperth – Concession Fares ^(a)	74,383	35,954,693	77,865	35,867,384	78,522	36,046,311
Transperth – Pensioners, Seniors and Carers Free Travel ^{(a)(m)}	18,034	5,662,378	19,594	5,664,714	19,916	5,692,824
Transperth – Free Transit Zone ^(a)	15,009	14,087,091	15,443	13,676,451	15,691	13,676,451
Transperth – Perth Stadium Special Events ^(a)	-	-	4,312	1,872,480	7,376	3,447,640
Regional Town Bus Services – General ^{(a)(n)}	11,854	2,191,059	11,908	2,105,169	12,292	2,105,169
Regional Town Bus Services – Concession Fares ^(a)	3,929	1,990,405	4,056	1,944,630	4,087	1,944,630
Regional Town Bus Services – Pensioners, Seniors and Carers Free Travel ^{(a)(n)}	294	123,248	247	94,158	247	94,158
Regional School Bus Services ^(a)	125,318	26,691	126,053	26,913	124,578	27,136
Regional School Bus Services – Student Conveyance Allowance ^(a)	2,165	4,750	2,292	4,783	2,312	4,817
Transwa – General ^(a)	29,070	159,633	27,962	160,068	28,580	160,068
Transwa – Concession Fares ^(a)	3,997	192,998	4,105	194,584	4,167	194,584
Transwa – Annual Free Trip for Pensioners ^(a)	1,840	23,256	1,971	24,534	2,000	24,534
Sub-Total	814,883		813,110		846,542	
SYNERGY ^(o)						
Energy Assistance Payment ^{(a)(p)}	49,590	268,141	64,997	270,822	65,777	274,072
Dependent Child Rebate ^(a)	15,694	63,716	17,579	64,353	17,790	65,125
Account Establishment Fee Rebate ^(a)	1,053	32,849	1,071	33,177	1,111	33,576
Air Conditioning Rebate ^(a)	47	343	55	346	56	351
Late Payment Waiver ^(a)	704	88,344	714	89,227	757	90,298
Feed-In Tariff ^(a)	52,400	76,024	49,900	75,798	49,400	75,358
Tariff Adjustment Payment – Operating Subsidy ^{(a)(q)}	280,469	1,070,596	146,136	1,083,931	-	-
Sub-Total	399,956		280,452		134,891	
TRAINING AND WORKFORCE DEVELOPMENT						
Tuition Fees – Vocational Education and Training (VET) Courses – General ^(r)	194,023	46,504	268,223	57,844	271,845	57,313
Tuition Fees – VET Courses – 70% Course Fee Concession ^(s)	5,889	9,840	9,485	13,016	9,503	12,632
Tuition Fees – VET Courses – 100% Course Fee Waiver ^(t)	6,424	3,258	8,414	3,592	8,494	3,559
South West Bus Service	345	118	350	120	360	125
Sub-Total	206,681		286,472		290,202	

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	2016-17 Actual \$'000	2016-17 No. of Recipients	2017-18 Estimated Actual \$'000	2017-18 Estimated No. of Recipients	2018-19 Budget Estimate \$'000	2018-19 Estimated No. of Recipients
TRANSPORT						
Pensioner/Senior Inter-Town Travel Scheme	274	13,348	350	13,615	350	13,682
Pensioner/Senior Intra-Town Travel Scheme	164	47,138	162	48,081	162	48,316
Students Subsidised Travel Scheme	1,471	1,929	1,236	1,973	1,236	1,938
Taxi Users' Subsidy Scheme	10,769	13,292	10,785	13,416	10,785	13,148
Motor Drivers Licence (50% + 100%) ^(u)	4,818	136,989	4,508	124,384	4,701	126,988
Motor Vehicle Licence (50% + 100%) ^(v)	35,541	224,180	39,113	234,159	42,264	244,609
Pensioner Annual Free Trip	1,016	1,087	1,077	1,126	1,077	1,141
Perth Parking Management Exemptions	16,904	16,389	17,441	16,620	17,580	16,458
Sub-Total	70,957		74,672		78,155	
WESTERN AUSTRALIAN GREYHOUND RACING ASSOCIATION						
Veterans, Disabled and Aged Discount	1	450	1	450	1	450
Sub-Total	1		1		1	
WESTERN AUSTRALIAN SPORTS CENTRE TRUST – VENUESWEST						
Aquatic Centre Entry Concession – Total	33	29,909	42	29,909	45	29,909
Aquatic Concession Aqua Card – Total	23	1,386	26	1,386	27	1,386
Fitness Membership	44	460	45	462	46	467
Sub-Total	100		113		118	
WATER CORPORATION						
Pensioners Service Charge Rebate ^(a)	55,512	141,120	55,576	143,412	55,311	145,670
Pensioners Consumption Concession ^(a)	18,906	179,222	19,339	182,133	22,706	185,000
Seniors Service Charge Rebate ^(a)	19,603	78,750	19,624	80,029	19,531	81,288
Retirement Unit Concession ^(a)	14	73	14	74	15	75
Interest on Rates Deferred for Pensioners ^(a)	303	16,456	334	16,456	328	16,456
Country – Water ^{(a)(w)}	294,228	229,337	240,079	231,091	290,171	232,813
Country – Drainage ^(a)	18,105	9,122	15,735	9,192	18,286	9,260
Leaks and Bursts ^(a)	7,174	10,293	7,693	10,447	8,243	10,593
Sub-Total	413,845		358,394		414,591	
Total	2,550,586		2,420,108		2,380,234	

(a) Operating subsidies are reported in Appendix 8.

(b) This includes rebates for Commonwealth Seniors Health Card holders, Western Australian Seniors Card holders and State Concession Card holders.

(c) This is a pilot program (beginning in 2016-17) between the Department of Communities and Foundation Housing Limited designed to provide an innovative solution to inadequate housing supply in the social housing system by sourcing 20 properties in the private rental market for carers and their children.

(d) The drop in recipient numbers in 2018-19 is due to Priority 4 transport (for patients on routine appointments) no longer receiving the subsidy from 1 July 2018.

(e) The number of recipients reflect the number of caravan parks as there is no data on individual recipients, and the expenditure represents the difference between residential tariff (A2) and the small business tariff (L2). It reduces to \$0 in 2018-19 as the L2 tariff is less than the A2 tariff.

(f) The Tariff Adjustment Payment reduction from 2016-17 to 2018-19 reflects a reduction in forecast demand together with the transition of regulated electricity tariffs to cost reflectivity.

(g) This concession was previously administered by the Department of Transport.

(h) This includes State Administrative Tribunal (WA), Magistrates Courts and Tribunal, Supreme Court, Children's Court, Coroner's Court, District Court, and Family Court.

Table 6.1 (cont.)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS

Western Australia

- (i) A value for the Safety Net concession cannot be identified as this program provides assistance to borrowers with reduced payments for three to six months. When the client comes out of the Safety Net, they will resume making normal repayments.
- (j) The increase in 2017-18 figures are due to special exhibitions, resulting in higher than normal expenditure and recipient numbers for that year.
- (k) The number of recipients is based on the total number of boardings in each concession category, except where otherwise indicated.
- (l) The decline in the 2017-18 Estimated Actual compared to the 2016-17 Actual subsidy reflects increased revenue from standard fares, due to reductions in SmartRider discounts, and increased subsidy for other Transperth concessions reflecting higher foregone revenue.
- (m) The increase in the 2017-18 Estimated Actual compared to the 2016-17 Actual subsidy reflects higher foregone revenue as a result of reductions in SmartRider discounts and increases in concession fares.
- (n) The decline in the estimated number of recipients in the 2017-18 Estimated Actual compared to the 2016-17 Actual reflects the year-to-date patronage and projections for the remainder of the financial year.
- (o) Synergy has revised its reporting of recipient numbers to reflect the number of instances a concession or part concession is accessed, rather than the number of individuals accessing each concession.
- (p) The increased Energy Assistance Payment concession in 2017-18 reflects the significant increase in the Energy Assistance Payment rate (from \$234 to \$300) applying from 2017-18.
- (q) The Tariff Adjustment Payment operating subsidy paid to Synergy will cease from 2018-19.
- (r) The increase in the total cost of concessions between 2016-17 and 2017-18 is largely due to the repositioning of State Government funds at the 2017-18 Budget, to address the Commonwealth funding shortfall following expiry of the National Partnership Agreement on Skills Reform, as well as the freezing of all vocational education and training fees from 2018.
- (s) Prior to 1 January 2017, a 50% concession was available.
- (t) A number of private training organisations enrolled significantly more students in 2017-18 under the 100% fee waivers than was anticipated.
- (u) Age pensioners and pensioners holding both a Western Australian Seniors Card and a Commonwealth Seniors Health Card receive a 100% concession on their annual drivers licence fee. Holders of a Pensioner Concession Card, Western Australian Seniors Card or a Commonwealth Seniors Health Card receive a 50% concession.
- (v) Invalid or disability pensioners receive a 100% concession on their annual motor vehicle licence fee. Holders of a Pensioner Concession Card or a Western Australian Seniors Card and a Commonwealth Seniors Health Card receive a 50% concession.
- (w) The 2017-18 Estimated Actual is lower than the 2016-17 Actual and the 2018-19 forecast due to the 2016-17 budgeted concessions exceeding the 2016-17 actual concessions (with the difference being settled in 2017-18) and downward revisions to the Country Water's cost of service in 2017-18, which reduce the value of the required concession.

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

	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
PARLIAMENT					
Legislative Council	-	-	-	-	-
Legislative Assembly	-	-	-	-	-
Parliamentary Services	1.0	1.0	1.0	1.0	1.0
Parliamentary Commissioner for Administrative Investigations	0.2	0.2	0.2	0.2	0.2
GOVERNMENT ADMINISTRATION					
Premier and Cabinet	0.6	0.4	0.4	0.1	0.1
Public Sector Commission	0.1	0.1	0.1	0.1	0.1
Governor's Establishment	4.2	2.0	0.1	0.1	0.0
Western Australian Electoral Commission	0.2	0.1	0.1	0.1	0.1
Salaries and Allowances Tribunal	-	-	-	-	-
Commissioner for Equal Opportunity	- (a)	- (a)	- (a)	0.1	0.1
Commissioner for Children and Young People	-	-	-	-	-
Office of the Information Commissioner	-	-	-	-	-
Office of the Government Chief Information Officer	-	-	-	-	-
WorkCover WA Authority	0.8	0.8	0.8	1.3	0.9
Registrar, Western Australian Industrial Relations Commission	0.3	0.2	0.2	0.2	0.2
FINANCIAL ADMINISTRATION					
Treasury	-	0.8	0.4	0.4	0.4
Western Australian Treasury Corporation	1.6	0.9	1.2	0.7	0.5
Office of the Auditor General	0.5	0.5	0.6	0.7	0.7
Finance	149.3	117.5	118.4	81.9	81.8
Insurance Commission of Western Australia	4.5	4.8	5.5	5.0	5.3
Gold Corporation	17.9	20.8	8.2	7.9	8.2
JOBS AND ECONOMIC DEVELOPMENT					
Jobs, Tourism, Science and Innovation	1.6	0.7	1.1	0.7	1.0
Primary Industries and Regional Development	2.0	-4.8	51.5	72.6	74.4
Mines, Industry Regulation and Safety	11.4	4.9	4.4	0.9	0.9
Western Australian Meat Industry Authority	0.7	0.5	0.4	0.5	0.5
Small Business Development Corporation	0.2	0.1	0.1	0.1	0.1
Rural Business Development Corporation	-	-	-	-	-
Economic Regulation Authority	-	-	0.3	-	-
Forest Products Commission	5.9	7.7	7.2	1.7	0.7
Racing and Wagering Western Australia	18.1	13.5	11.3	11.3	11.8
Western Australian Greyhound Racing Association	0.6	-	-	-	-
Burswood Park Board	-	0.3	-	-	-
HEALTH					
WA Health	510.6	353.9	136.4	76.0	88.7
Mental Health Commission	-	1.0	5.9	4.5	0.2
Western Australian Health Promotion Foundation	0.1	0.1	0.1	0.1	0.1
Animal Resources Authority	1.6	0.2	0.2	0.2	0.2

ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
EDUCATION AND TRAINING					
Education	408.5	468.7	349.1	198.0	165.2
Training and Workforce Development	37.5	17.8	15.3	25.3	15.3
TAFE Colleges	13.2	8.9	8.7	8.1	8.1
Building and Construction Industry Training Board	3.0	-	-	-	-
COMMUNITY SAFETY					
Western Australia Police Force	77.2	57.3	51.7	69.3	47.5
Justice	47.2	94.6	58.4	15.5	15.5
Legal Aid Commission of Western Australia	0.8	1.3	0.8	2.9	1.2
Fire and Emergency Services	52.1	34.8	31.9	22.6	19.7
Office of the Director of Public Prosecutions	0.6	1.1	0.7	0.7	0.7
Corruption and Crime Commission	8.5	2.2	1.7	1.7	1.7
Chemistry Centre (WA)	2.3	1.0	1.0	1.0	1.0
Office of the Inspector of Custodial Services	- (a)	- (a)	- (a)	- (a)	- (a)
Parliamentary Inspector of the Corruption and Crime Commission	-	-	-	-	-
COMMUNITY SERVICES					
Communities	240.9	224.8	248.8	346.3	311.3
Keystart Housing Scheme Trust	1.0	3.2	1.2	1.2	1.2
Local Government, Sport and Cultural Industries	173.7	171.1	67.0	13.5	14.9
Western Australian Sports Centre Trust	28.1	10.1	10.3	12.2	12.6
Western Australian Institute of Sport	0.1	0.1	0.1	0.1	0.1
Lotteries Commission	8.7	2.1	1.5	2.2	1.8
Metropolitan Cemeteries Board	9.7	7.9	4.3	4.3	9.3
TRANSPORT					
Transport	30.5	32.4	20.1	17.7	20.0
Commissioner of Main Roads	1,018.1	1,332.9	1,019.2	518.4	328.1
Public Transport Authority of Western Australia	680.9	1,160.3	986.2	708.8	514.3
Fremantle Port Authority	35.1	84.2	70.4	28.8	22.3
Kimberley Ports Authority	7.8	8.3	1.6	1.6	1.6
Mid West Ports Authority	10.2	8.0	5.0	5.5	5.5
Pilbara Ports Authority	105.0	210.6	20.0	18.4	19.2
Southern Ports Authority	10.6	14.8	8.8	9.0	9.0
ENVIRONMENT					
Water and Environmental Regulation	17.3	14.5	14.1	14.4	15.3
Biodiversity, Conservation and Attractions	42.1	38.6	28.0	27.1	27.9
PLANNING AND LAND USE					
Planning, Lands and Heritage	6.0	6.4	3.2	4.0	3.6
Western Australian Planning Commission	44.1	37.4	76.8	46.9	116.9
Western Australian Land Authority (LandCorp)	193.4	287.6	172.3	179.6	165.5
Western Australian Land Information Authority (Landgate)	15.7	11.6	13.3	12.9	10.8
Metropolitan Redevelopment Authority	85.3	60.3	31.1	26.2	18.9
Heritage Council of Western Australia	-	-	-	-	-
National Trust of Australia (WA)	0.7	0.7	0.7	0.7	0.7

Table 7.1 (cont.)

ASSET INVESTMENT PROGRAM

	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
UTILITIES					
Synergy	50.6	53.9	27.7	40.9	40.1
Western Power	708.7	889.0	866.5	805.3	830.9
Horizon Power	143.2	99.5	55.3	52.2	53.1
Water Corporation	852.5	738.3	791.9	609.6	634.4
Bunbury Water Corporation	5.2	15.8	3.4	3.5	4.0
Busselton Water Corporation	4.3	3.7	2.9	2.9	2.9
PROVISIONS					
METRONET Projects Under Development	-	-	100.0	250.0	400.0
Provision for Road Trauma Trust Account Spending	8.2	4.2	12.1	24.6	14.0
Provision for Transport Projects ^(b)	-	-	-	-	625.0
Inter-agency Purchases	-0.3	-0.3	-90.0	-57.4	-217.4
Provision for Underspend	-400.0	-	-	200.0	200.0
Provision for Slippage	-	-500.0	-	400.0	100.0
TOTAL	5,522.4	6,247.6	5,449.2	4,944.9	4,872.0
<i>Funded by:</i>					
APPROPRIATIONS					
Capital Appropriation ^(c)	942.0	1,175.0	928.6	789.7	621.6
OTHER FUNDING					
Holding Account	196.6	259.5	244.0	208.8	192.1
Agency Borrowings	857.9	1,226.3	1,122.8	523.9	532.1
Royalties for Regions	443.0	421.9	238.2	201.6	112.9
Commonwealth Grants	807.0	789.7	414.2	107.0	43.0
Land and Property Sales	381.6	456.6	457.1	440.0	418.3
Internal Funds and Balances	1,604.3	1,771.0	1,917.9	2,594.2	2,881.1
Special Purpose Accounts ^(d)	290.0	147.7	126.4	79.8	70.9
TOTAL	5,522.4	6,247.6	5,449.2	4,944.9	4,872.0

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

(b) A provision for transport project expenditure assuming the continuation of Commonwealth funding following the renegotiation of the National Partnership Agreement on Land Transport Infrastructure Projects (which is due to expire on 30 June 2019) and the allocation of additional State funding.

(c) Includes Commonwealth contributions to projects undertaken by agencies such as the Public Transport Authority and WA Health, which are paid to the agencies as capital appropriations.

(d) Funding held at the Department of Treasury for the Perth Stadium and other projects funded from Special Purpose Accounts and/or subject to business cases.

Note: Columns may not add due to rounding.

Public Corporations and Major Tariffs, Fees and Charges

Public Corporations

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.

The Government has a role in setting household tariffs, fees and charges to ensure an appropriate balance between cost recovery and impacts on households. Some public corporations also receive operating subsidies where the cost of providing a service is not fully recovered from customers, to assist with reducing the prices for consumers of electricity, water and public transport services. Some of these operating subsidies reflect lower than cost-reflective tariffs, fees and charges that benefit all households, while others are only targeted at particular groups such as pensioners, seniors or consumers in regional areas.

The general government sector will receive a net amount totalling an estimated \$92 million from public corporations in 2018-19 (see Table 8.1). That is, tax equivalent and dividend revenue received from public corporations (around \$1.9 billion) is expected to exceed gross subsidy payments to these corporations (around \$1.8 billion) by \$92 million. This is a \$281 million reduction on the \$373 million net amount received in 2017-18, primarily driven by reduced dividend revenue from public corporations in 2018-19 relative to 2017-18.

Table 8.1

PUBLIC CORPORATIONS
Revenue to and Expenses from the General Government Sector ^(a)

	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m
Electricity Corporations ^(b)		
Dividends, Tax Equivalents, and Local Government Rate Equivalents		
Horizon Pow er	83.9	42.4
Synergy	204.1	5.2
Western Pow er	469.1	309.5
TOTAL	757.0	357.1
Operating Subsidies		
Horizon Pow er	20.2	9.7
Synergy	260.9	115.8
Western Pow er	-	-
Subtotal	281.0	125.5
Other Subsidies		
Horizon Pow er	89.5	12.3
Synergy	19.8	12.6
Western Pow er	3.1	7.6
Subtotal	112.4	32.6
Net Electricity Corporations	363.6	199.0
Water Corporation		
Dividends, Tax Equivalents, and Local Government Rate Equivalents	830.9	985.9
Operating Subsidies	408.9	464.3
Other Subsidies	13.7	11.0
Net Water Corporation	408.2	510.6
Public Transport Authority ^(c)		
Operating Subsidies	812.5	834.8
Other Subsidies	20.7	21.0
Net Public Transport Authority	-833.2	-855.8
Other Public Corporations		
Dividends, Tax Equivalents, and Local Government Rate Equivalents	714.0	521.9
Operating Subsidies	59.1	31.5
Other Subsidies	220.6	252.1
Net Other Public Corporations	434.3	238.4
Total revenue from Public Corporations	2,301.9	1,864.9
Dividends	1,688.6	1,228.7
Tax Equivalents	592.4	614.5
Local Government Rate Equivalents	20.9	21.8
Total expense to Public Corporations	1,929.0	1,772.8
Operating Subsidies	1,561.6	1,456.1
Other Subsidies	367.4	316.6
Net impact on General Government Sector ^(d)	372.9	92.1

(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 8.2 and Table 8.5.

(b) The reduction in revenue from the electricity corporations from 2017-18 to 2018-19 primarily reflects the payment in 2017-18 of 2016-17 interim dividends and \$148 million in special dividends by Synergy.

(c) The Public Transport Authority does not pay dividends or tax equivalent payments.

(d) A positive total for the net impact on the general government sector means that the sector receives more revenue from public corporations than it pays out in subsidies.

Note: Columns may not add due to rounding.

Revenue

General government sector revenue from public corporations in 2018-19 is estimated to total almost \$1.9 billion, comprising \$1.2 billion in dividend payments, \$615 million in income tax equivalent payments, and \$22 million in local government rate equivalent payments.

Revenue from public corporations in 2018-19 is expected to be \$437 million (or 19%) lower than in 2017-18. This is primarily the result of the electricity corporations' and port authorities' 2016-17 interim dividends being paid in 2017-18, with Western Power's 2018-19 dividend forecast to be \$164 million lower than 2017-18. Similarly, the Pilbara Ports Authority's and Fremantle Port Authority's dividends are forecast to reduce by \$90 million and \$30 million, respectively, between 2017-18 and 2018-19.

Additionally, Synergy's 2018-19 dividend is forecast to be \$171 million lower than in 2017-18, primarily reflecting the payment of special dividends totalling \$148 million in 2017-18.

These reductions are partially offset by a \$90 million increase in the Water Corporation's 2018-19 dividend, relative to 2017-18.

A detailed list of revenue items from individual public corporations to the general government sector is provided in Table 8.2.

Table 8.2

GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS

Details of Payment	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
ELECTRICITY CORPORATIONS					
Horizon Power					
Income tax expense	39.8	17.8	5.2	2.1	3.6
Local Government Rates expense	0.3	0.3	0.3	0.3	0.3
Dividends	43.8	24.4	11.0	4.3	5.7
<i>Subtotal</i>	<i>83.9</i>	<i>42.4</i>	<i>16.5</i>	<i>6.6</i>	<i>9.6</i>
Synergy					
Income tax expense	27.6	-	4.6	50.2	36.6
Local Government Rates expense	1.6	1.6	1.6	1.7	1.7
Dividends	174.9	3.6	9.6	74.1	77.3
<i>Subtotal</i>	<i>204.1</i>	<i>5.2</i>	<i>15.8</i>	<i>126.0</i>	<i>115.6</i>
Western Power					
Income tax expense	48.5	52.9	35.3	12.0	-
Local Government Rates expense	1.7	1.7	1.7	1.8	1.8
Dividends	418.9	254.9	231.0	192.5	153.7
<i>Subtotal</i>	<i>469.1</i>	<i>309.5</i>	<i>268.0</i>	<i>206.3</i>	<i>155.5</i>
WATER CORPORATIONS					
Water Corporation					
Income tax expense	295.9	360.7	381.5	405.0	426.3
Local Government Rates expense	6.6	6.7	6.8	7.0	7.1
Dividends	528.4	618.5	682.0	727.9	771.2
<i>Subtotal</i>	<i>830.9</i>	<i>985.9</i>	<i>1,070.3</i>	<i>1,139.9</i>	<i>1,204.6</i>
Bunbury Water Corporation (Aquwest)					
Income tax expense	1.6	1.7	1.4	1.7	1.7
Local Government Rates expense	0.1	0.1	0.1	0.1	0.1
Dividends	1.9	2.0	2.3	2.0	2.3
<i>Subtotal</i>	<i>3.6</i>	<i>3.8</i>	<i>3.9</i>	<i>3.7</i>	<i>4.1</i>
Busselton Water Corporation					
Income tax expense	1.2	0.8	0.8	0.8	0.9
Local Government Rates expense	0.1	0.1	0.1	0.1	0.1
Dividends	1.4	1.1	1.2	1.1	1.0
<i>Subtotal</i>	<i>2.7</i>	<i>2.0</i>	<i>2.1</i>	<i>2.0</i>	<i>2.0</i>
PORT AUTHORITIES					
Fremantle Port Authority					
Income tax expense	20.4	18.6	19.1	20.5	22.7
Local Government Rates expense	0.7	0.7	0.8	0.8	0.9
Dividends	59.3	29.7	29.4	31.4	34.7
<i>Subtotal</i>	<i>80.4</i>	<i>49.0</i>	<i>49.3</i>	<i>52.7</i>	<i>58.3</i>
Kimberley Ports Authority					
Income tax expense	-	-	0.2	0.3	0.3
Local Government Rates expense	0.2	0.2	0.2	0.2	0.2
Dividends	-	-	0.4	0.7	0.7
<i>Subtotal</i>	<i>0.2</i>	<i>0.2</i>	<i>0.8</i>	<i>1.1</i>	<i>1.1</i>
Mid West Ports Authority					
Income tax expense	3.0	5.2	4.0	4.5	0.3
Local Government Rates expense	0.8	0.8	0.8	0.9	0.9
Dividends	15.2	10.9	10.1	10.3	3.1
<i>Subtotal</i>	<i>19.0</i>	<i>16.9</i>	<i>15.0</i>	<i>15.6</i>	<i>4.3</i>

Table 8.2 (cont.)

GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS					
Details of Payment	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
Pilbara Ports Authority					
Income tax expense	64.8	77.0	73.0	69.9	70.2
Local Government Rates expense	1.6	1.6	1.6	1.7	1.7
Dividends	220.7	130.3	130.5	123.9	122.8
<i>Subtotal</i>	<i>287.1</i>	<i>208.8</i>	<i>205.1</i>	<i>195.5</i>	<i>194.8</i>
Southern Ports Authority					
Income tax expense	9.2	12.1	13.9	9.9	8.9
Local Government Rates expense	0.6	0.7	0.7	0.7	0.7
Dividends	44.4	26.6	31.3	25.4	17.4
<i>Subtotal</i>	<i>54.2</i>	<i>39.3</i>	<i>45.9</i>	<i>35.9</i>	<i>27.0</i>
OTHER AGENCIES					
Western Australian Land Authority (LandCorp)					
Income tax expense	4.2	8.8	11.3	17.0	17.1
Local Government Rates expense	5.4	5.9	6.2	6.4	5.9
Dividends	53.8	33.2	31.1	31.1	31.1
<i>Subtotal</i>	<i>63.4</i>	<i>47.9</i>	<i>48.6</i>	<i>54.5</i>	<i>54.1</i>
Gold Corporation					
Income tax expense	3.5	9.2	10.1	10.6	11.8
Local Government Rates expense	1.1	1.2	1.2	1.2	1.3
Dividends	12.8	6.3	16.1	17.8	18.5
<i>Subtotal</i>	<i>17.4</i>	<i>16.7</i>	<i>27.4</i>	<i>29.6</i>	<i>31.6</i>
Western Australian Treasury Corporation					
Income tax expense	8.1	10.2	12.2	13.5	14.2
Dividends	9.2	14.1	17.9	21.3	23.6
<i>Subtotal</i>	<i>17.3</i>	<i>24.4</i>	<i>30.0</i>	<i>34.8</i>	<i>37.8</i>
Insurance Commission of Western Australia					
Income tax expense	64.5	39.5	23.3	31.0	40.0
Dividends	100.4	73.1	73.8	64.1	52.6
<i>Subtotal</i>	<i>164.9</i>	<i>112.6</i>	<i>97.0</i>	<i>95.1</i>	<i>92.6</i>
Forest Products Commission					
Income tax expense	-	-	-	-	0.1
Local Government Rates expense	0.3	0.3	0.3	0.3	0.3
Dividends	3.6	-	0.2	-	2.3
<i>Subtotal</i>	<i>3.9</i>	<i>0.3</i>	<i>0.5</i>	<i>0.3</i>	<i>2.7</i>
Subtotal Amounts					
Income tax expense ^(a)	592.4	614.5	596.0	648.9	654.8
Local Government Rates expense	20.9	21.8	22.3	22.9	22.9
Dividends	1,688.6	1,228.7	1,278.0	1,327.8	1,318.0
TOTAL	2,301.9	1,864.9	1,896.3	1,999.6	1,995.7

(a) Some general government sector agencies (e.g. the Chemistry Centre (WA) and the Western Australian Land Information Authority (Landgate)) pay income tax equivalent payments. As these agencies are not in the public non-financial corporations or public financial corporations sectors, they are not reflected in this table.

Note: Columns may not add due to rounding.

Dividends

Dividend Payout Ratios

Public corporation dividend payout ratios are considered as part of the annual Budget process to determine appropriate returns to the Government as the sole shareholder of these agencies. Dividend payout ratios were increased for the majority of public corporations as part of the 2017-18 Budget when they were increased from 65% to 75% of Net Profit After Tax (NPAT).

Table 8.3 summarises the dividend payout ratios for the public corporations.

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Horizon Power	75	75	75	75	75
Synergy	75	75	75	75	75
Western Power	75	75	75	75	75
Water Corporation	85	85	85	85	85
Busselton Water Corporation	75	85	85	85	85
Bunbury Water Corporation	75	85	85	85	85
Fremantle Port Authority	75	75	75	75	75
Kimberley Ports Authority	75	75	75	75	75
Mid West Ports Authority	100	100	100	100	75
Pilbara Ports Authority	85	85	85	85	85
Southern Ports Authority	100	100	100	100	75
Western Australian Land Authority (LandCorp) ^(a)	n.a.	n.a.	n.a.	n.a.	n.a.
Gold Corporation	75	75	75	75	75
Western Australian Treasury Corporation	75	75	75	75	75
Insurance Commission of Western Australia ^(b)	75	75	75	75	75
Forest Products Commission	75	75	75	75	75

(a) Western Australian Land Authority's dividend arrangement consists of a fixed component of \$31.07 million and project specific payments.

(b) Annual ratio 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.

As part of the 2017-18 Mid-year Review, the Pilbara Ports Authority's dividend payout ratio increased from 75% to 85% of NPAT from 2017-18. This increased payout ratio offset the impact on the State's finances of the Pilbara Ports Authority's adoption of fair value accounting for certain asset classes, including the Port of Port Hedland Shipping Channel (which increased the Pilbara Ports Authority's depreciation expenses and reduced dividends payable).

Expenses

Subsidies provided to public corporations in 2018-19 are estimated to total almost \$1.8 billion, a decrease of \$156 million (or 8.1%) from 2017-18. The general government sector is forecast to pay a total of \$7 billion across the four year period to 2021-22 to subsidise the activities of public corporations or reduce cost pressures on consumers.

A detailed list of these subsidies is provided in Table 8.5.

Amongst other factors, 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 approved tariff, fee and charge increases in 2018-19 are outlined in Tables 8.6-8.9 below.

Despite these increases, public transport fares and water tariffs in regional areas will still fall well short of the cost of service delivery. In this regard:

- the expected cost recovery rate for metropolitan public transport services is 30.1% in 2018-19 (unchanged from 2017-18); and
- the Water Corporation is expected to receive subsidies totalling \$475 million in 2018-19, most of which (\$312 million) is to support the ongoing commitment to provide water, sewerage and drainage services at the same or lower cost for country residential users as for metropolitan residents, despite the higher cost of delivery.

Based on the approved electricity tariff increases in 2018-19 and the budgeted increase in 2019-20, residential electricity tariffs are 3.1% below cost-reflectivity in 2018-19.

The Tariff Adjustment Payment operating subsidy paid to Synergy will cease in 2018-19. This change is expected to drive ongoing efficiencies in the Synergy business. If the payment of the subsidy had continued in 2018-19, Synergy would have received a Tariff Adjustment Payment operating subsidy of \$57 million (based on the 2018-19 electricity tariff decision and estimated efficient costs of electricity supply in the South West Interconnected System in 2018-19).

Regional Utilities Pricing Subsidies

The Government's commitment to applying uniform tariffs for water and electricity services to metropolitan and regional areas has a significant impact on the State's finances.

Water Corporation Country Loss

The Water Corporation's operating subsidy for its Country Water, Sewerage and Drainage Operations totals \$1.3 billion over the forward estimates period.

Electricity Subsidies

Horizon Power currently receives the Tariff Equalisation Contribution (TEC) due to the Government's Uniform Tariff Policy, whereby all residential and small business customers pay the same regulated charges for electricity services.

The TEC funds the difference between the efficient costs of supply in the South West Interconnected System and Horizon Power's (higher regional) costs. The TEC is funded by Western Power's network distribution customers; that is, all Synergy retail customers and non-Synergy retail customers.

In 2018-19, approximately 60% of the TEC will be funded by Synergy's residential and small business customers and the remaining 40% by other regulated tariff and contract (commercial) customers (both Synergy and non-Synergy).

Table 8.4 outlines the value of the Country Loss and the TEC provided to the Water Corporation and Horizon Power, respectively, over the forward estimates period.

REGIONAL UTILITIES PRICING SUBSIDIES					
	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
Country Water, Sewerage and Drainage Operations	259.4	312.3	318.5	324.0	320.2
Tariff Equalisation Contribution ^(a)	167.0	198.0	162.0	157.0	161.0
TOTAL	426.4	510.3	480.5	481.0	481.2

(a) The TEC is gazetted prior to the commencement of each financial year. Given the timing of the 2017-18 Budget, the final TEC estimate, which required an additional \$12 million, has been carried forward to the 2018-19 Budget.

Table 8.5

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS						
Details of Payment	Funding Department	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
ELECTRICITY CORPORATIONS						
Horizon Power						
<i>Operating Subsidies</i> ^(a)						
Aboriginal and Remote Communities Project – Stage 1	Treasury	6.2	5.0	4.8	4.8	4.9
Aboriginal and Remote Communities Project – Stage 2	Treasury	2.0	2.0	1.9	1.9	2.0
Air Conditioning Allowance (North of 26 th Parallel)	Treasury	0.6	0.6	0.7	0.7	0.7
Dependent Child Rebate	Treasury	0.6	0.6	0.7	0.7	0.7
Energy Assistance Payment	Treasury	1.3	1.3	1.3	1.3	1.4
Feed-in Tariff	Treasury	- (b)	- (b)	- (b)	- (b)	- (b)
Tariff Adjustment Payment – Operating Subsidy	Treasury	9.4	0.2	-	-	-
Tariff Migration – Movement to L2 and A2 Tariff	Treasury	0.2	-	-	-	-
<i>Other Subsidies</i>						
Onslow Power Infrastructure Project ^(c)	JTSI ^(d)	89.0	12.0	5.0	-	-
Hardship Utility Grant Scheme	Communities ^(e)	0.5	0.3	0.2	0.2	0.2
<i>Subtotal</i>		109.7	22.1	14.6	9.7	9.9
Synergy						
<i>Operating Subsidies</i> ^(a)						
Air Conditioning Allowance	Treasury	0.1	0.1	0.1	0.1	0.1
Late Payment Fee Waiver	Treasury	0.7	0.8	0.8	0.8	0.8
Account Establishment Fee Rebate	Treasury	1.1	1.1	1.1	1.1	1.2
Dependent Child Rebate	Treasury	17.6	17.8	19.1	20.5	21.3
Energy Assistance Payment	Treasury	65.0	65.8	67.8	70.2	73.1
Feed-in Tariff	Treasury	30.3	30.3	30.3	17.4	-
Tariff Adjustment Payment – Operating Subsidy	Treasury	146.1	-	-	-	-
<i>Other Subsidies</i>						
Hardship Utility Grant Scheme	Communities ^(e)	19.8	12.6	7.9	7.9	7.9
<i>Subtotal</i>		280.6	128.4	127.0	118.0	104.3
Western Power						
<i>Other Subsidies</i>						
State Underground Power Program	Treasury	3.1	7.6	3.8	0.8	0.8
<i>Subtotal</i>		3.1	7.6	3.8	0.8	0.8

Table 8.5 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
WATER CORPORATIONS						
Water Corporation						
<i>Operating Subsidies</i> ^(a)						
Country Water, Sewerage and Drainage Operations – Consolidated Account	Treasury	259.4	312.3	127.0	39.9	-
Country Water, Sewerage and Drainage Operations – Royalties for Regions	Treasury	-	-	191.5	284.1	320.2
Pensioner and Senior Concessions	Treasury	94.9	97.9	99.4	100.9	103.4
Concessional Land ^(f)	Treasury	52.7	51.3	52.6	53.9	55.2
Metropolitan Operations	Treasury	1.9	2.8	2.8	2.9	3.0
<i>Other Subsidies</i>						
Hardship Utility Grant Scheme	Communities ^(e)	1.0	0.6	0.4	0.4	0.4
Burrup Water Supply System	JTSI ^(d)	10.1	10.3	10.6	10.9	11.1
Onslow Wastewater Treatment and Conveyance ^(g)	JTSI ^(d)	-	-	-	-	-
National Water Infrastructure Development Fund – Ord Stage 3 Feasibility Study	DWER ^(h)	2.3	-	-	-	-
Denmark Water Treatment – Royalties for Regions	Treasury	0.3	-	-	-	-
<i>Subtotal</i>		<u>422.7</u>	<u>475.3</u>	<u>484.3</u>	<u>492.9</u>	<u>493.3</u>
Bunbury Water Corporation (Aqwest)						
<i>Operating Subsidies</i> ^(a)						
Pensioner and Senior Concessions	Treasury	0.7	0.7	0.7	0.7	0.7
<i>Subtotal</i>		<u>0.7</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	Treasury	0.6	0.7	0.7	0.7	0.7
<i>Subtotal</i>		<u>0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
PORT AUTHORITIES						
Mid West Ports Authority						
<i>Operating Subsidies</i> ^(a)						
Financial Assistance for Karara Mining Ltd	Treasury	5.0	2.4	-	-	-
<i>Subtotal</i>		<u>5.0</u>	<u>2.4</u>	<u>-</u>	<u>-</u>	<u>-</u>

Table 8.5 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
Pilbara Ports Authority						
<i>Other Subsidies</i>						
Dampier – Burrup Port Infrastructure	JTSI ^(d)	8.7	8.8	9.0	9.1	9.2
<i>Subtotal</i>		8.7	8.8	9.0	9.1	9.2
Southern Ports Authority						
<i>Other Subsidies</i>						
Esperance Minerals Concentrate Circuit Unit – Debt Servicing	Treasury	0.4	0.3	0.2	0.1	-
Bunbury Port Planning – Royalties for Regions	Treasury	0.5	-	-	-	-
<i>Subtotal</i>		0.9	0.3	0.2	0.1	-
LAND AGENCIES						
Western Australian Land Authority (LandCorp)						
<i>Operating Subsidies ^(a)</i>						
Australian Marine Complex – Rate of Return Stages 1 and 2	Treasury	22.0	19.0	19.0	19.0	19.0
Australian Marine Complex Technology Precinct	Treasury	0.2	0.6	0.6	0.7	0.7
Australian Marine Complex Common User Valve Replacement	Treasury	8.3	-	-	-	-
Hope Valley/Wattleup Redevelopment – Land Acquisition	Treasury	15.5	-	-	-	-
Karratha/Burrup Service Corridor	Treasury	2.3	2.3	-	-	-
Kwinana Land – Holding Costs	Treasury	0.5	1.8	1.8	1.9	1.9
Townsite Development Program	Treasury	4.0	4.0	4.0	4.0	4.0
<i>Other Subsidies</i>						
Various Projects – Royalties for Regions	Treasury	30.5	51.9	8.2	3.6	2.0
<i>Subtotal</i>		83.3	79.6	33.6	29.1	27.6
Metropolitan Redevelopment Authority						
<i>Other Subsidies</i>						
Chinatown Improvement	Treasury	- ^(b)	-	-	-	-
Curtin Medical School Midland	Treasury	10.3	9.8	-	-	-
Yagan Square Place Management	Treasury	0.5	-	-	-	-
Inner City College	Treasury	3.7	0.3	-	-	-
Scarborough Beach Redevelopment Area	Treasury	30.7	0.3	-	-	-
Scarborough Beach Redevelopment Area	DPLH ⁽ⁱ⁾	1.6	-	-	-	-
Scarborough Beach Relief Package	Treasury	0.4	-	-	-	-
<i>Subtotal</i>		47.3	10.4	-	-	-

Table 8.5 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
OTHER						
Racing and Wagering Western Australia						
<i>Other Subsidies</i>						
Direct Grants – Various Racing Funding	Various ⁽ⁱ⁾	68.7	78.6	80.3	82.1	83.8
<i>Subtotal</i>		68.7	78.6	80.3	82.1	83.8
Forest Products Commission						
<i>Other Subsidies</i>						
Relocation of Gnangara Pines Harvesting	Treasury	0.8	1.7	-	-	-
Myalup Replacement Land Purchase	DPIRD ^(k)	5.0	-	-	-	-
Forest Product Development – Royalties for Regions	Treasury	0.3	-	-	-	-
<i>Subtotal</i>		6.1	1.7	-	-	-
Public Transport Authority ^(l)						
<i>Operating Subsidies ^(a)</i>						
Transperth and Regional Town Services						
Transperth – General	Treasury	517.3	546.8	584.2	604.7	631.8
Transperth – Concessional Fares	Treasury	50.4	50.3	49.4	52.4	52.7
Transperth – Pensioners, Seniors and Carers Free Travel	Treasury	19.6	19.9	20.5	51.6	22.2
Transperth – School Children Fares	Treasury	27.5	28.2	29.5	31.6	33.2
Transperth – Perth Stadium Special Events	Treasury	4.3	7.4	7.5	7.5	7.5
Regional Town Bus Services	Treasury	16.2	16.6	17.0	17.0	16.9
Regional School Bus Services						
School Bus Services – Consolidated Account	Treasury	120.8	119.3	125.0	124.8	45.7
School Bus Services – Royalties for Regions	Treasury	-	-	-	-	79.9
Conveyance Allowance	Treasury	2.3	2.3	2.3	2.4	2.4
Transwa						
General	Treasury	28.0	28.6	27.4	27.7	27.7
Concession Fares	Treasury	4.1	4.2	4.2	4.4	4.5
Annual Free Trip for Pensioners	Treasury	2.0	2.0	2.0	2.1	2.1
Freight Network – General	Treasury	20.1	9.2	9.7	9.5	11.8
<i>Other Subsidies</i>						
District Allowance Payments – Royalties for Regions	Treasury	- ^(b)	- ^(b)	- ^(b)	- ^(b)	- ^(b)
Transperth Free Transit Zone – Recurrent Grant	Transport	15.4	15.7	16.1	15.3	15.3
Regional School Bus Services – Intensive English Centres and Other Services	Education	5.3	5.3	5.3	5.3	5.3
<i>Subtotal</i>		833.2	855.8	900.2	926.3	958.9

Table 8.5 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2017-18 Estimated Actual \$m	2018-19 Budget Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	2021-22 Forward Estimate \$m
Department of Communities, Housing Services ^(m)						
<i>Other Subsidies</i>						
Aboriginal Housing and Essential Remote Services – Various Programs	Treasury	49.0	82.1	16.2	16.3	16.3
Mental Health Sub-acute Facilities – Broome/Karratha/Bunbury	MHC ⁽ⁿ⁾	-	6.3	2.8	-	-
Various Programs	Treasury	1.5	4.4	-	-	-
Essential Services and Remote Regional Communities – Royalties for Regions	Treasury	-	-	56.0	56.0	56.0
Various Projects – Royalties for Regions	Treasury	7.9	7.7	4.1	1.1	1.1
<i>Subtotal</i>		58.4	100.4	79.2	73.4	73.4
Total		1,929.0	1,772.8	1,733.5	1,742.8	1,762.7

- (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. A further breakdown of some of these operating subsidies is contained in Appendix 6: *State Government Social Concessions Expenditure Statement*.
- (b) Amount less than \$50,000.
- (c) The Department of Jobs, Tourism, Science and Innovation's expense profile against this item is: 2016-17 – \$44.5 million; 2017-18 – \$44.5 million; 2018-19 – \$12 million; and 2019-20 – \$5 million. In accordance with the Australian Accounting Standards Board Interpretation 18, Horizon Power is recognising the revenue when the service is performed.
- (d) Department of Jobs, Tourism, Science and Innovation.
- (e) Department of Communities.
- (f) Discounts as defined by the *Water Services (Water Corporations Charges) Regulations 2014* provided for various purposes including State and local government properties, properties used for aged care, and to charitable, religious and not-for-profit entities.
- (g) The upgrades will be funded by Chevron Australia, with details of the project subject to scope clarification. The value of the subsidy is not reflected in the Water Corporation's Subtotal or the Total of Table 8.5.
- (h) Department of Water and Environmental Regulation.
- (i) Department of Planning, Lands and Heritage.
- (j) Gaming and Wagering Commission and the Department of Local Government, Sport and Cultural Industries.
- (k) Department of Primary Industries and Regional Development.
- (l) Includes service appropriations authorised under the *Salaries and Allowances Act 1975*.
- (m) The Department of Communities, Housing Services also receives funding from the Commonwealth for affordable housing programs (\$617 million across the forward estimates period) and indigenous housing programs (\$179 million in 2017-18), which are not included here as they have no net impact on the general government sector.
- (n) Mental Health Commission.

Note: Columns may not add due to rounding.

Household 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.

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.

Nonetheless, 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).

Results

Table 8.6 shows the impact of changes in government tariffs, fees and charges on the ‘representative’ household with a single income (full-time work), two adults and two children.

Table 8.6

ESTIMATED IMPACT ON THE ‘REPRESENTATIVE’ HOUSEHOLD				
	2017-18 \$ level	% change	\$ change	2018-19 \$ level
Motor Vehicles ^(a)				
Vehicle licence charge	353.48	5.8	20.48	373.96
Recording fee	12.10	-9.1	-1.10	11.00
Drivers licence	85.00	3.7	3.10	88.10
Motor Injury Insurance (MII)	382.60	2.4	9.18	391.79
<i>Total</i>	<i>833.18</i>	<i>3.8</i>	<i>31.66</i>	<i>864.85</i>
Utility Charges ^(b)				
Electricity ^(c)	1,722.53	7.0	120.57	1,843.10
Water, sewerage and drainage ^{(d)(e)}	1,642.91	5.5	91.04	1,733.95
<i>Total</i>	<i>3,365.44</i>	<i>6.3</i>	<i>211.61</i>	<i>3,577.05</i>
Public Transport ^(f)				
Student fares	364.00	-	-	364.00
Standard fares (2 zones)	977.60	2.1	20.80	998.40
<i>Total</i>	<i>1,341.60</i>	<i>1.6</i>	<i>20.80</i>	<i>1,362.40</i>
Emergency Services Levy ^(e)	<i>278.00</i>	<i>10.1</i>	<i>28.00</i>	<i>306.00</i>
Stamp Duty ^(g)				
Stamp duty on general insurance ^(h)	177.54	-	-	177.54
Stamp duty on MII	39.18	-	-	39.18
<i>Total</i>	<i>216.72</i>	<i>-</i>	<i>-</i>	<i>216.72</i>
Total Expenditure	6,034.94	4.8	292.07	6,327.02

- (a) Based on a household with two drivers and owning one car (a sedan with tare weight of 1,600 kg – relevant for the purpose of determining the appropriate level of vehicle licence charge).
- (b) Assumes no access to concessions, rebates or hardship packages.
- (c) Consumes 5,198 kW hours of electricity per annum, based on the current average consumption level for a household.
- (d) Average water consumption is modelled on 240kL in the 2018-19 Household Model, revised downwards from 250kL in the 2017-18 Budget. Water charges shown in 2017-18 have been estimated using the 2018-19 average consumption in order to isolate the price increase.
- (e) Owns and occupies a property that has an average gross rental value (GRV) (for calculation of sewerage, drainage and Emergency Services Levy charges).
- (f) 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) and increases are rounded to the nearest 10 cents.
- (g) Stamp duty in 2017-18 has been estimated using 2018-19 insurance premiums in order to isolate the price impact.
- (h) The ‘representative’ household pays average home and contents and motor vehicle insurance, based on information from the insurance industry.

Note: Columns may not add due to rounding.

Total expenditure by the ‘representative’ household on this basket of public sector goods and services in 2018-19 is \$6,327.02. This represents an increase of \$292.07 (or 4.8%) on 2017-18 levels. The table below shows that since 2009-10, the increase in expenditure on tariffs, fees and charges for the representative household has ranged from 3.6% to 9.1%, with an average increase over this period (2009-10 to 2017-18) of 6%.

REPRESENTATIVE HOUSEHOLD EXPENDITURE INCREASES ^(a)

Table 8.7

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Change (\$)	334.61	367.86	205.66	163.20	234.98	324.18	198.54	257.00	438.39	292.07
Change (%)	9.1	9.1	4.6	3.6	4.9	6.6	3.8	4.8	7.7	4.8

(a) Historical representative household increases as published in the relevant Budget Papers.

Electricity Tariffs

Approved increases for 2018-19, and assumed increases for Budget planning purposes from 2019-20 onwards, are outlined in Table 8.8.

2018-19 ELECTRICITY TARIFF PRICE PATHS

Table 8.8

	2018-19 %	2019-20 %	2020-21 %	2021-22 %
NON-CONTESTABLE TARIFFS				
Residential (A1/A2) ^(a)	7.0	5.6	3.5	1.8
Residential Hot Water (B1) ^(b)	-3.8	1.5	2.1	1.2
Community and Charitable Organisations (C1/C2) ^(b)	4.7	-	4.6	-
Charitable Organisation Providing Residential Accommodation (D1/D2) ^(b)	-1.9	2.4	3.3	1.7
Combined Residential/Business (K1/K2) ^(a)	2.5	4.9	3.2	1.4
Small Business (L1/L2) ^(b)	-1.5	-1.5	-1.5	1.4
Small Business Time of Use (R1) ^(b)	4.1	1.1	3.5	1.3
Unmetered Supply (UMS) ^(c)	5.2	5.2	5.2	5.2
Traffic Lighting (W1/W2) ^(c)	5.4	5.4	5.4	5.4
Street Lighting (Z) ^(c)	3.2	3.2	3.2	3.2
CONTESTABLE TARIFFS ^(a)				
Medium Business (L3/L4)	3.7	3.7	3.7	3.7
Medium Business Time of Use (R3)	5.5	5.5	5.5	5.5

(a) These regulated tariffs are assumed to reach full cost-reflectivity within the forward estimates period.

(b) These regulated tariffs are at cost-reflective levels.

(c) These regulated tariffs are at cost-reflective levels but have been smoothed over the forward estimates period in order to minimise large year-on-year movements in price.

For Budget planning purposes, residential (i.e. A1/A2) electricity tariffs are assumed to increase by 5.6% in 2019-20, 3.5% in 2020-21 and 1.8% in 2021-22.

Despite a 7% increase in tariffs in 2018-19, residential electricity tariffs remain 3.1% below cost-reflective levels. In view of the decreasing gap to cost-reflective levels and Synergy's financial position, the Government will not be paying Synergy a Tariff Adjustment Payment subsidy in 2018-19.

Further to the rebalancing of the residential A1 tariff in the 2017-18 Budget, all other non-contestable tariffs have been rebalanced in this Budget. That is, the fixed charge component of these tariffs has increased by a greater degree than the change in variable charges, with the fixed component intended to align with Western Power's applicable fixed network charge.

Water Tariffs

The Government has approved a 6% increase in tariffs for the majority of services provided by the Water Corporation in 2018-19. Other approved changes include a:

- 3% increase to fixed water service charges;
- 40% increase for metropolitan residential water customers that consume more than 500 kilolitres of water per annum; and
- 15% increase for country residential water customers that consume more than 300 kilolitres of water per annum in Country South and 500 kilolitres of water in Country North.

A selection of key tariff changes from 2017-18 to 2018-19 is provided in Table 8.9.

	2017-18	2018-19	% Change
Metropolitan Residential Tariffs			
Water			
Standard fixed service charge (\$)	250.39	257.90	3.0
Consumption charges (c/kL) ^(a)			
0-150kL	168.10	178.20	6.0
151-500kL	224.10	237.50	6.0
Over 500kL	317.30	444.20	40.0
Wastewater (c in \$GRV) ^(b)			
First \$20,500 Gross Rental Value (GRV)	4.198	n.a. ^(c)	6.0
Over \$20,500 GRV	3.100	n.a. ^(c)	6.0
Drainage			
Drainage charge (c in \$GRV) ^(d)	0.527	n.a. ^(c)	6.0
Metropolitan Non-Residential Tariffs			
Water			
Standard fixed service charge (\$)			
Minimum charge (15 or 20 mm) ^(e)	250.39	257.90	3.0
Consumption charges (c/kL) ^(f)	231.80	245.70	6.0
Wastewater ^(g)			
First fixture (\$)	939.88	996.27	6.0
Volumetric charge (c/kL)	345.30	366.00	6.0
Drainage			
Drainage charge (c in \$GRV) ^(d)	0.302	n.a. ^(c)	6.0

(a) Country residential water consumption charges are no more than metropolitan charges for the first 300kL in Country South and 500kL in Country North, after which the charges reflect the cost of providing services.

(b) Country residential wastewater charges reflect the cost of delivering services with minimum and maximum charges applied.

(c) 2018-19 GRV-based tariffs will be determined in May 2018 once GRV data is available.

(d) Drainage is not charged in the country.

(e) The charge varies depending upon the size of the meter.

(f) Country non-residential water consumption charges are based on the cost of delivering services.

(g) Non-residential wastewater charges are uniform across the State.

For the ‘representative’ household that pays a fixed service charge, consumes 240kL and owns and occupies a property that has an average gross rental value, this will result in a 5.5% increase.

In approving increases for significant water users (i.e. 40% in the metropolitan area and 15% in the country), the Government has recognised the increasing scarcity and value of water to our community. This clear price signal should moderate the behaviour of the relatively few (around 5.7% of users in the metropolitan area) that consume over twice the amount of water that the ‘representative’ household does. Such changes in behaviour will assist in deferring the significant investment that will be required for the next major water source.

For Budget planning purposes, it has been assumed that:

- increased revenue resulting from the tariff increases for significant water users will be fully offset by a behavioural response in consumption by consumers (i.e. no net increase in revenue has been assumed); and
- water, sewerage and drainage tariffs increase by 2.5% per annum from 2019-20 to 2021-22.

Public Transport Fares

The Government has approved the following public transport fare changes from 1 July 2018:

- a 1.5% increase to standard public transport fares (rounded to the nearest 10 cents);
- no change to the 70 cent school student fare;
- concession fares increasing from 41% to 42% of standard fares;
- no changes to SmartRider discounts, which will remain at 20% for Autoload and 10% for Other reload; 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 standard Transperth fares will increase by 2% in 2019-20 and 2.5% per annum in 2020-21 and 2021-22. It is assumed that concession fares will increase as a proportion of standard fares by 1% per annum from 2019-20 to 2021-22. This continues the Government’s policy (set in the 2017-18 Budget) to increase concession fares to 50% of standard fares over a 10 year period. Table 8.10 details the change in cash fares for various journey lengths between 2017-18 and 2018-19.

Table 8.10

TRANSPERTH FARES 2018-19

	2017-18	\$ increase ^(a)	% increase	2018-19
Standard Cash Fare ^(b)				
2 sections	\$2.20	\$0.00	-	\$2.20
1 zone	\$3.10	\$0.00	-	\$3.10
2 zones	\$4.70	\$0.10	2.1	\$4.80
3 zones	\$5.60	\$0.00	-	\$5.60
4 zones	\$6.60	\$0.10	1.5	\$6.70
5 zones	\$8.20	\$0.20	2.4	\$8.40
6 zones	\$9.30	\$0.10	1.1	\$9.40
7 zones	\$10.90	\$0.20	1.8	\$11.10
8 zones	\$11.80	\$0.10	0.8	\$11.90
9 zones	\$12.60	\$0.20	1.6	\$12.80
Day Rider	\$12.60	\$0.20	1.6	\$12.80
Family Rider	\$12.60	\$0.20	1.6	\$12.80
Student	\$0.70	\$0.00	-	\$0.70

(a) Fare increases are rounded to 10 cent increments and are based on the 2017-18 fare calculated before rounding.

(b) Concession Fares will increase from 41% to 42% of the full standard fare from 1 July 2018 subject to rounding.

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 2018-19 Budget process.

The following is a selection of major tariffs, fees and charges that involve increases in excess of inflation approved as part of this Budget. These increases are required to support service provision and ensure an appropriate level of cost recovery for essential government services to businesses and households. Changes to tariffs, fees and charges which are being used to fund service delivery improvements include:

- the Emergency Services Levy increasing by 10.1% in 2018-19. Additional revenue from this increase will be used to fund initiatives to support the State’s fire and emergency services, including enhancing rural fire capability;
- annual Mining Tenement Rent fees increasing by 6% in each of 2018-19 and 2019-20. These increases will raise additional revenue of approximately \$5 million in 2018-19 and \$10 million per annum from 2019-20, which will be used to fund continuation of the Exploration Incentive Scheme;
- a number of increases for the Department of Water and Environmental Regulation’s fees to help address the significant under recovery of costs in clearing and industry regulations. The additional revenue will allow for the employment of additional staff and development of an Environment Online system to improve efficiency and provide more timely environmental regulatory assessments;
- increases to a number of fees administered by the Department of Justice, including court and tribunal fee increases of 7.5% in 2018-19. The additional revenue will fund the appointment of two new Magistrates (and support staff), and the resources required to operate security screening equipment at seven metropolitan courthouses and the State Administrative Tribunal; and
- the Department of Transport will implement a State-wide fee structure for marine facilities. As part of the transition to the new arrangements, the associated fees will increase by 10% (plus CPI) in each year over a maximum of ten years to increase the rate of cost recovery. The increased revenue will fund repairs and maintenance for maritime infrastructure.

Western Australian Treasury Corporation Borrowings

Introduction

The Western Australian Treasury Corporation (WATC) is the State's central borrowing authority and primary provider of debt finance for Western Australia's public sector. Each Australian State and Territory has a central borrowing authority similar to WATC to fund its debt.

The Treasurer borrows from WATC on behalf of the State for general public purposes. Borrowings for general public purposes are authorised by the *Loan Act 2017* and preceding Loan Acts. The proceeds of all loans raised by the Loan Acts are paid into the Consolidated Account.

Individual agencies with borrowing powers in their enabling legislation also borrow from WATC. This includes Government Trading Enterprises, some general government statutory authorities, public universities and local government.

The aggregation of the borrowing requirements for each of these entities across the total public sector¹ results in the total debt portfolio that WATC is required to manage. For 30 June 2018, total borrowings from WATC are expected to reach \$50.8 billion. A breakdown of this portfolio by broad industry/sector, and its evolution since 30 June 2013 is shown below in Figure 9.1.

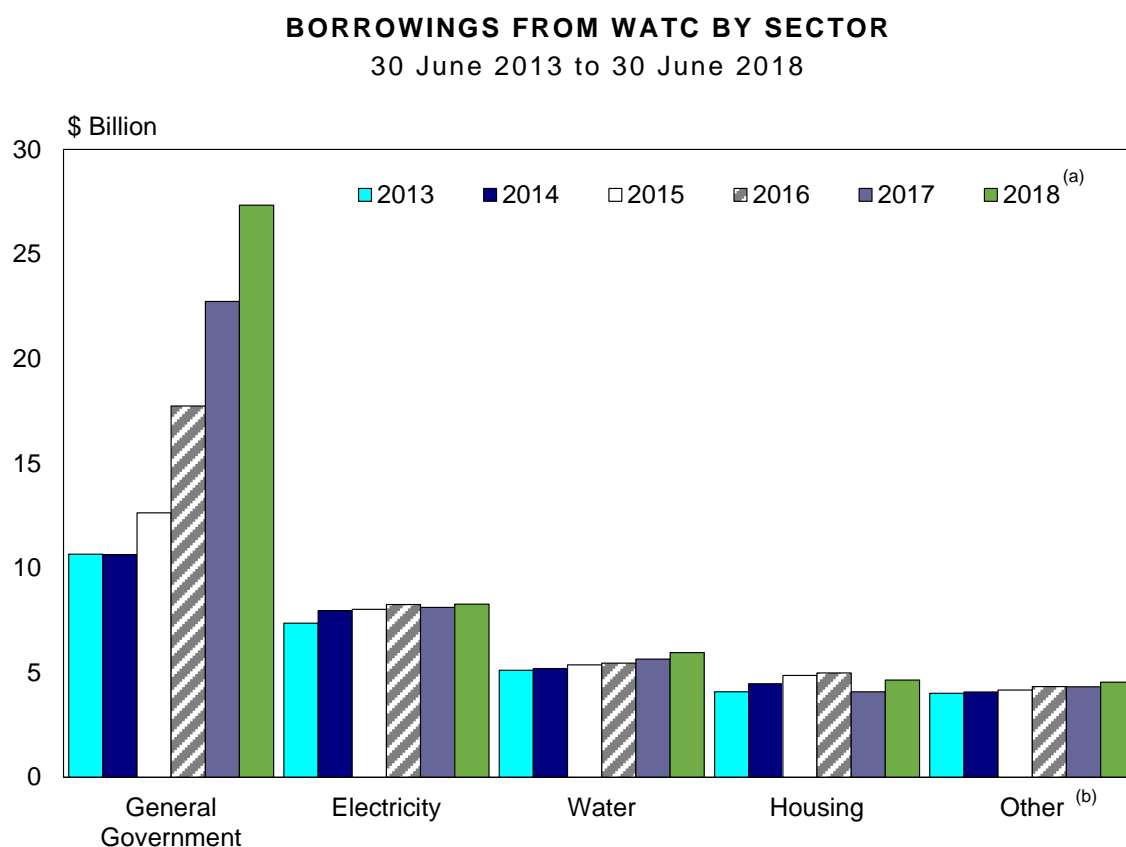
The borrowing requirement for Western Australia in any particular year is determined as an outcome of the annual Budget and Mid-year Review processes.

Western Australia's borrowing requirement for public purposes (distinct from borrowings by statutory authorities with borrowing powers in their enabling Acts) has increased relative to other States.

This increase has been driven by the requirement to fund the State's Asset Investment Program and, more recently, to address funding pressures arising from recent (and projected) general government operating deficits.

¹ Gross borrowings for the total public sector also include finance lease obligations (expected to total \$1.9 billion at 30 June 2018) and other minor parcels of external debt. While funded by WATC, for the purposes of whole-of-government financial disclosures reflected in this Budget, and in line with treatment under applicable accounting standards, local governments and public universities are not classified as total public sector agencies of the State of Western Australia in the balance sheet disclosures elsewhere in the Budget Papers.

Figure 9.1



(a) WATC estimates for 30 June 2018.

(b) Ports, transport, public universities, local governments and all other public entity borrowings from WATC.

How WATC Raises Funds

WATC raises funds to finance Western Australia's debt requirements through issuing a range of debt securities on the Australian and international debt markets.

- **Benchmark Bonds** – Fixed coupon bonds which at 31 March 2018 had a face value of \$39.1 billion outstanding, with ten annual bond maturities from 2018 to 2027.
- **Floating Rate Notes (FRNs)** – FRNs with coupon rates that change every three months, with \$9.7 billion outstanding at 31 March 2018 and seven maturities out to 2023.
- **Short Term Inscribed Stock (STIS)** – Domestically issued short term paper with maturities out to one year, with \$2.7 billion outstanding at 31 March 2018.
- **Euro Commercial Paper (ECP)** – Short term paper issued in a range of currencies offshore, out to one year maturities, with nil outstanding at 31 March 2018. All proceeds are swapped back into Australian dollars so that no currency risk exists. This market is only used when there is a pricing advantage compared to STIS.

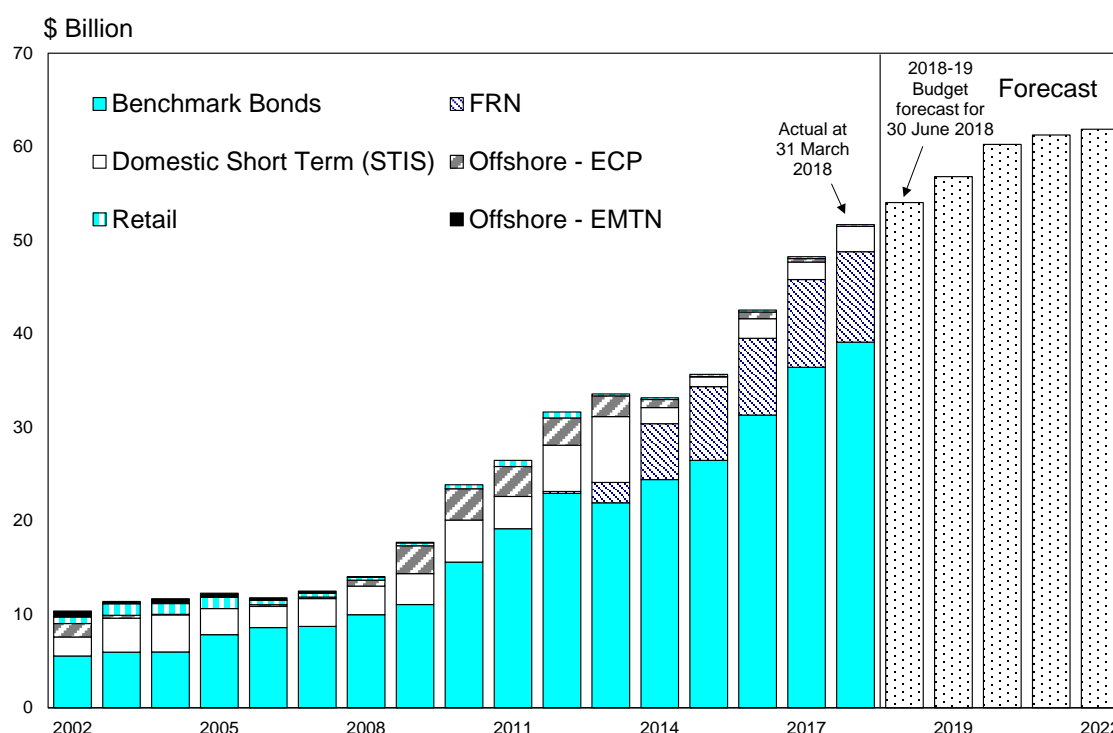
- Euro Medium Term Notes (EMTN) – Bonds issued offshore in a range of currencies, hedged back into Australian dollars such that no currency risk exists. This market is only used when pricing advantages exist relative to benchmark bonds. There has been no issuance under this program for about 10 years.
- Other Borrowings – These include retail bonds (smaller parcels of bonds issued in conjunction with migrant schemes), and other smaller programs.

Total outstanding debt on WATC's balance sheet is a combination of that required to meet the borrowing needs of each public sector agency and the debt that funds, in part, WATC's liquid asset portfolio. The distribution of WATC debt is shown in Figure 9.2.

Prior to 2014, the percentage of WATC debt maturing within 12 months at the end of each financial year ranged from about 35% to 50%. Since the Global Financial Crisis, this was increasingly seen by investors and credit ratings agencies as creating too much refinancing risk, especially as the debt portfolio grew. From 30 June 2014, a target was implemented to restrict debt maturing within 12 months to a maximum of 20% of total debt. An additional target was also created to maintain the State's liquidity portfolios at a level at least equal to the amount of debt maturing within 12 months at 30 June of each financial year. This change was largely achieved by reducing the issuance of short term paper (i.e. STIS and ECP) and issuing a similar proportion of FRNs (for terms out to five years), as can be seen in Figure 9.2 below. This approach allows for the interest rate risk of floating rate assets and liabilities to continue to be matched, while reducing refinancing risk.

Figure 9.2

DISTRIBUTION OF OUTSTANDING WATC DEBT At 30 June



Sources: WATC – actuals to 31 March 2018; Treasury – forecasts for 30 June 2018 and beyond (being forecasts for aggregate position only).

Similar to last year, it is estimated that about 55% of WATC paper is currently held by Australian banks² to meet regulatory requirements for their High Quality Liquid Asset portfolios³. It is also estimated that between 20% and 25% of WATC's paper is held by offshore investors.

By comparison, the Commonwealth has approximately 55% of its investors offshore, and two other large Australian States estimate that as many as 40% of their investors are offshore. This continues to suggest that opportunities exist for WATC to increase its percentage of offshore issuance. Currently, approximately half of WATC's offshore holdings come from North Asia (particularly Japan), with the balance largely from Europe.

The increase in debt and volatility in Western Australia's revenue base has resulted in a deterioration in the State's credit rating since 2012. As a result, notwithstanding some improvement in the past year, Western Australian-issued bonds continue to broadly trade at higher yields than all other States. This increases the importance of ensuring that the State's borrowing requirement and interest rate risk is effectively managed.

Consolidated Account Borrowings

Consolidated Account borrowings (i.e. borrowings for general public purposes) are expected to represent 52.9% of WATC lending at 30 June 2018.

Borrowings for the Consolidated Account are authorised by Loan Acts. The proceeds of all loans raised under the authority of the Loan Acts are paid into the Consolidated Account. The funds are then appropriated to agencies by Parliament in accordance with the State Budget.

The *Loan Act 2017* authorisation reflected the estimated borrowing requirements of the Consolidated Account up to 30 June 2021 based on the *Pre-election Financial Projections Statement* released on 9 February 2017. The Consolidated Account borrowing expectation for 2018-19 is \$1.81 billion, comprising \$2.16 billion of gross proceeds less \$355 million in repayments.

The Department of Treasury is responsible for administering the Loan Acts on behalf of the Treasurer. The actual function of borrowing through debt capital markets is undertaken and managed by WATC and then on-lent to the Consolidated Account in accordance with a Debt Management Strategy that is agreed to by both parties.

The primary objective is for WATC to manage interest rate risk by maintaining a diversified portfolio of fixed and floating rate debt, subject to maintaining flexibility for WATC to respond to evolving demand for its debt paper in capital markets.

This borrowing strategy is informed by financial modelling performed by WATC. Practical implementation involves Treasury and WATC agreeing on a target floating and fixed rate debt and maturity allocation to be achieved within each financial year to meet new borrowing and refinancing requirements. WATC has discretion as to the component products and maturity structure of individual advances provided they are within the agreed allocation limits. Deviation from target allocations between fixed and floating rate debt is permitted over the short term.

² The holders of WATC paper are difficult to identify with precision, as about 25% is held in nominee company names with some investors preferring to remain anonymous. This is similar for central borrowing authorities in all States.

³ Only Commonwealth and State-issued paper is currently eligible to meet this requirement from the Australian Prudential Regulation Authority.

Borrowings and Portfolio Structure

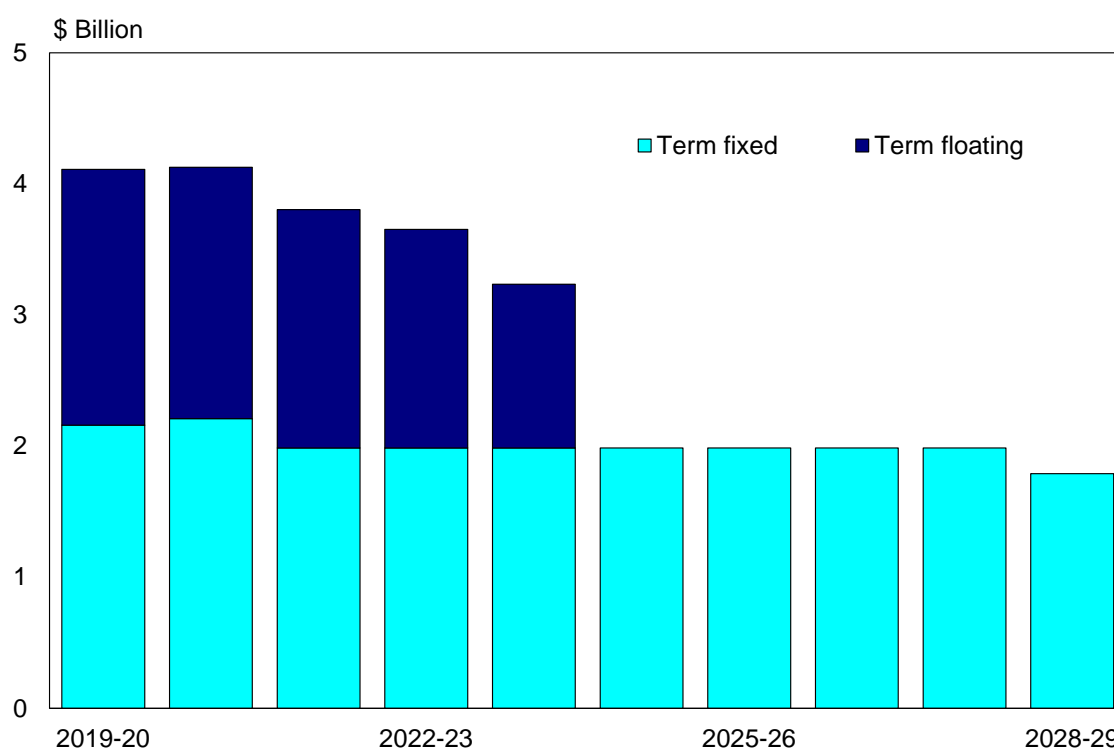
At 31 March 2018, Consolidated Account borrowings totalled \$26 billion at an average interest rate of 3.06% across a portfolio of term fixed rate and term floating rate loans. Interest costs have increased commensurately with the growing Consolidated Account debt portfolio. This means that a greater proportion of general government revenue is consumed by interest costs rather than funding service delivery.

The Consolidated Account debt portfolio is forecast to reach \$26.9 billion at 30 June 2018, and \$28.7 billion at 30 June 2019.

The target structure for the Consolidated Account borrowing profile at 30 June 2019 is shown below in Figure 9.3. This is the projected outcome of the borrowing activity to be undertaken by WATC to achieve the interest rate risk management objective discussed above.

CONSOLIDATED ACCOUNT BORROWINGS
Target Portfolio Structure for 30 June 2019

Figure 9.3



All Other Borrowings from WATC

WATC also undertakes all other borrowings required by individual agencies with borrowing powers in their enabling legislation, managing them through debt capital markets and then on-lending borrowings to each agency in accordance with the agreed Debt Management Strategies adopted by these agencies.

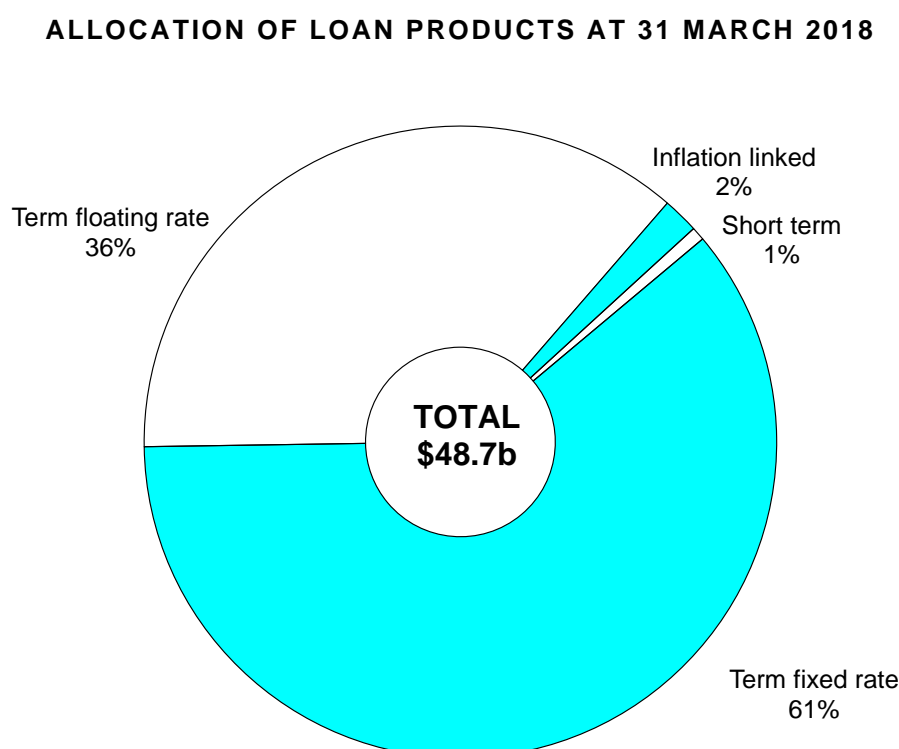
Agencies with this authority mostly include the public non-financial corporations and public financial corporations, public universities and local government. However, some general government agencies can also borrow independently from WATC (e.g. the Departments of Finance, Fire and Emergency Services, and Education⁴).

Each Western Australian public sector entity has its own unique borrowing requirements. WATC has a range of loan products and portfolio management services at its disposal to assist each agency develop and maintain an appropriate debt portfolio. This includes a working capital facility, short term loan facilities, floating rate loan facilities, fixed rate loan facilities and inflation linked products. WATC works with each agency to determine an appropriate debt management strategy with the dual objective of meeting agency business needs and contributing to meeting WATC's overall balance sheet targets.

At 31 March 2018, all other borrowings from WATC (i.e. excluding the Consolidated Account) were \$22.7 billion at an average portfolio interest rate of 3.24%.

Total Borrowings from WATC

As at 31 March 2018, total borrowings from WATC stood at \$48.7 billion, allocated over WATC's loan products as shown below, at an average portfolio interest rate of 3.14%.



Note: Segments may not add due to rounding.

⁴ In support of non-government school loans previously administered by the Department of Education Services.

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 reports. 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 2016-17 and 2017-18.

Table 10.1

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES

Western Australia

	2016-17 Estimated Actual \$m	2017-18 Estimated Actual \$m
PAYROLL TAX		
Tax-free threshold ^(a)	1,407.7	1,648.1
State government departments exemption ^{(b)(c)}	241.3	256.2
Schools/colleges exemption ^(b)	247.8	253.4
Public hospitals exemption ^(b)	247.9	251.8
Apprentices and trainees exemption	80.4	59.3
Local government exemption	82.9	86.0
Charitable body exemption	56.4	59.9
LAND TAX AND METROPOLITAN REGION IMPROVEMENT TAX		
Principal place of residence exemption	475.2	456.6
Primary production exemption	101.8	109.0
Religious bodies exemption	30.7	29.9
Educational institutions exemption ^(b)	27.2	27.4
Public charitable or benevolent institution exemption	18.2	17.8
Land value growth cap	28.1	22.1
Developers' concession ^(d)	25.0	19.3
Retirement villages exemption	9.7	9.8
Club or sporting association exemption/concession	8.0	6.0
Aged care facilities exemption	4.8	5.2
Caravan parks exemption	3.2	3.1
Public or religious hospitals exemption ^(b)	2.0	1.4
TRANSFER DUTY (INCLUDING LANDHOLDER DUTY)		
Connected entities restructure exemption ^(e)	215.1	143.4
First home owners' exemption/concession	123.0	108.0
Concessional scale for residential property	64.0	70.0
Family farm exemption	5.0	5.2
INSURANCE DUTY		
Health insurance policies exemption	241.3	255.5
Workers' compensation insurance exemption	56.6	58.8
Marine hulls exemption	6.5	6.5
Reinsurance exemption	8.3	8.7
VEHICLE LICENCE FEES		
Pensioner and Seniors vehicle concession	35.5	39.1
Primary producer vehicle concession	10.8	11.0
VEHICLE LICENCE DUTY		
Heavy vehicle concession	33.2	34.3
Caravan and camper trailer exemption	21.2	21.7
MINING ROYALTIES		
Gold royalty-free threshold	6.0	5.3
Salt State Agreement Acts concession	3.7	3.9
TOTAL	3,928.4	4,093.5

(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 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 \$850,000 or less. A diminishing exemption threshold was introduced from 1 July 2015 for employers with taxable wages between the tax-free threshold 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 increased from \$800,000 to \$850,000 from 1 July 2016.

State government departments exemption

The wages paid by all State Government departments listed on Pay-roll Tax 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

A school or college (other than a vocational education and training college) that is carried on by a not-for-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 employers or contractors of a health service provider, as defined in the *Health Services Act 2016*, 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. The Government announced changes to the exemption to apply from 1 December 2017, which limit eligibility to the wages of trainees who are new employees earning \$100,000 or less per annum. Transitional arrangements apply for existing employees earning \$100,000 or less per annum who had already lodged a training contract. The wages of all apprentices remain eligible for the exemption.

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 Commonwealth *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 Pensioner 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 2016-17 rate paid by salt projects covered by the various salt Agreement Acts is around 39 cents per tonne, compared to the average 2016-17 salt royalty rate prescribed under the Mining Regulations 1981 of 73 cents per tonne.

Western Australia's Net Contribution to the Federation

In 2018-19, Western Australia will effectively contribute around \$3.6 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 47.3% of its population share of national GST revenue in 2018-19.

However, although large, this redistribution of GST revenue is only one part of Western Australia's total support for other States.

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 revenues generated in that State (including GST) and the Commonwealth expenditures for the benefit of that State (including GST grants).

For example, 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.

Using the latest available data, Western Australia is estimated to have contributed around \$16.5 billion to the Federation (or \$6,420 per person) in 2016-17 alone.

Results for all States 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 2016-17, Western Australia's estimated contribution to the Federation was much greater than that of New South Wales and Victoria, the only other net contributors. On a per capita basis, Western Australia's net contribution was around six times that of New South Wales and more than 27 times that of Victoria.

This is why the State Government is fighting for a fair share for Western Australia.

Table 11.1

NET CONTRIBUTION OF EACH STATE TO THE FEDERATION (a)
2016-17

	Total Resources	
	\$m	\$ per capita
New South Wales	8,375	1,073
Victoria	1,464	234
Queensland	-12,780	-2,615
Western Australia	16,500	6,420
South Australia	-5,510	-3,207
Tasmania	-4,281	-8,245
Northern Territory	-3,769	-15,353
Total	0	n.a.

(a) All Commonwealth outlays and revenues 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 a breakdown of Western Australia's estimated net contribution in 2016-17, compared with the previous two years. The figures indicate the extent to which Western Australia contributes more than its population share to Commonwealth revenues, or receives less than its population share of Commonwealth expenses¹.

Western Australia's large net contribution to the Federation is mainly driven by:

- the high level of Commonwealth company tax and personal income tax 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 grant share.

Overall, in 2016-17 it is estimated that the Commonwealth derived \$52.5 billion in revenue from Western Australia, while expenditure for the benefit of the State (including the State's share of the Commonwealth deficit) totalled \$36 billion, yielding a net contribution to the Federation of around \$16.5 billion, or \$6,420 per capita.

¹ The negative figures for Other Grants to State and Local Governments indicate that Western Australia receives more than its population share of these grants.

Table 11.2

COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION
Relative to Western Australia's Population Share

	2014-15 ^(a)	2015-16 ^(a)	2016-17 (Preliminary)
	\$m	\$m	\$m
Personal income tax	6,036	4,561	4,919
Company tax	5,433	2,783	2,991
Fuel excise (net of rebates)	347	496	732
Taxes and royalties on mineral extraction ^(b)	942	573	595
Commonwealth services ^(c)	1,041	1,005	1,183
Personal benefit payments	2,430	2,319	2,165
Net impact of GST	3,547	4,042	3,833
Other grants to State and local governments ^(d)	-763	-384	-33
Other	218	64	117
Total	19,232	15,458	16,500

(a) Figures are revised compared to past publications as the Australian Bureau of Statistics (ABS) has revised some data and some data was not available at the time. The revisions mainly reflect replacing estimated 2015-16 data on income taxes with actual data and large revisions by the ABS to State level data on Commonwealth expenditure. The latter revisions reduced the estimated net contributions by Western Australia by around \$3 billion per annum.

(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. Further information on the methodology for calculating the net fiscal subsidy for each State is available in the Department of Treasury and Finance's March 2002 Economic Research Articles at <http://www.treasury.wa.gov.au/uploadedFiles/ecoresearchart2002.pdf>.

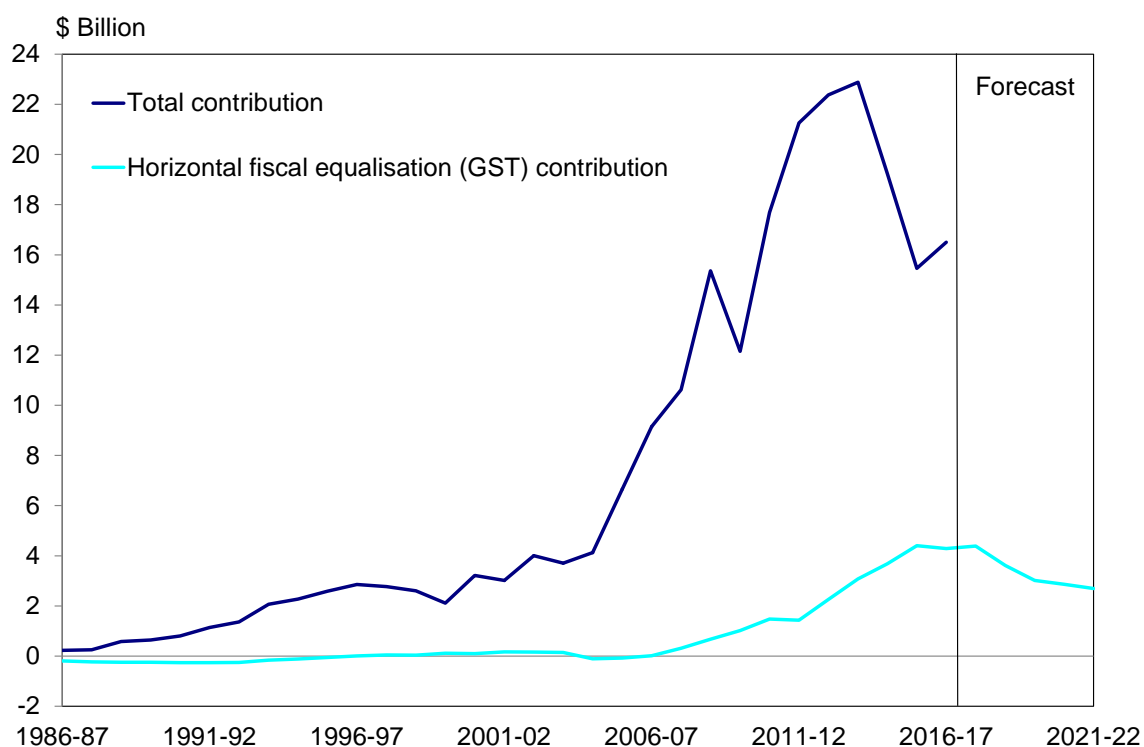
Note: Columns may not add due to rounding.

The figure below shows that Western Australia's net contribution has grown strongly over time, and also that the annual net contributions by Western Australia are substantially larger than the State's annual horizontal fiscal equalisation (GST) contributions.

Over the period 1986-87 to 2016-17, Western Australia's net contributions to the Federation have totalled \$230 billion.

Figure 11.1

WESTERN AUSTRALIA'S NET CONTRIBUTION TO THE FEDERATION (a)



(a) Data to calculate Western Australia's total contribution are currently only available to 2016-17.

Source: Department of Treasury estimates.

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 of funding for each agreement.

Given the uncertain future 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.

Where an agreement has been rolled over in a similar form, only the most recent version of that agreement is reflected in the 'Funding Start Year' and 'Total Commonwealth Contribution' columns.

Table 12.1

NATIONAL PARTNERSHIP AGREEMENTS
Current Agreements Applicable to Western Australia

National Partnership Agreements	Funding Start	Funding Expiry	Total Commonwealth Contribution ^(b)	Estimated Commonwealth Funding to Western Australia ^(a)					
				2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forw ard Estimate	2020-21 Forw ard Estimate	2021-22 Forw ard Estimate	Total Five Years
	Year ^(c)	Year	\$m	\$m	\$m	\$m	\$m	\$m	\$m
HEALTH									
Bringing Renal Dialysis and Support Services Closer to Home	2013-14	2018-19	45.8	10.0	7.8	-	-	-	17.8
Strengthening Cancer Services in Regional WA	2012-13	2018-19	22.3	4.5	1.6	-	-	-	6.1
Public Dental Services for Adults	2016-17	2018-19	21.8	12.1	9.7	-	-	-	21.8
Essential Vaccines ^{(d)(e)}	2017-18	2020-21 ^(f)	12.7	6.7	2.1	2.0	2.0	2.0	14.7
Bunbury, Narrogin and Collie - Pathology Laboratories	2013-14	2018-19	7.0	-	0.2	-	-	-	0.2
Improving Trachoma Control Services	2017-18	2020-21	6.7	1.6	1.6	1.7	1.7	-	6.7
Expansion of the BreastScreen Australia Program	2017-18	2020-21	6.5	1.6	1.6	1.6	1.7	-	6.5
Narrogin General Dental Clinic	2013-14	2018-19	2.8	-	0.5	-	-	-	0.5
National Bow el Cancer Screening Program	2014-15	2017-18	1.7	0.6	-	-	-	-	0.6
Rheumatic Fever Strategy	2016-17	2016-17	0.9	0.9	-	-	-	-	0.9
OzFoodNet Program	2016-17	2019-20	0.8	0.2	0.2	0.2	-	-	0.6
TOTAL HEALTH			128.9	38.2	25.3	5.5	5.4	2.0	76.3

Table 12.1 (cont.)

NATIONAL PARTNERSHIP AGREEMENTS
Current Agreements Applicable to Western Australia

National Partnership Agreements	Funding Start	Funding Expiry	Total Commonwealth Contribution ^(b)	Estimated Commonwealth Funding to Western Australia ^(a)					
				2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	Total Five Years
	Year ^(c)	Year	\$m	\$m	\$m	\$m	\$m	\$m	\$m
EDUCATION									
Universal Access to Early Childhood Education - 2018	2017-18	2018-19	46.0	47.0	32.2	-	-	-	79.2
National School Chaplaincy Program	2014-15	2017-18	30.5	7.6	-	-	-	-	7.6
National Quality Agenda for Early Childhood Education and Care	2015-16	2017-18 ^(g)	3.8	1.5	-	-	-	-	1.5
School Pathways Programs	2017-18	2019-20	1.8	0.9	0.6	0.6	-	-	2.1
Online Safety Programmes in Schools	2015-16	2017-18	0.9	0.4	-	-	-	-	0.4
MoneySmart Teaching	2017-18	2020-21	0.6	0.1	0.1	0.1	0.1	-	0.6
TOTAL EDUCATION			83.6	57.6	32.9	0.7	0.1	-	91.4
COMMUNITY SERVICES									
Home and Community Care ^{(d)(h)}	2008-09	2017-18	1,482.7	189.9	-	-	-	-	189.9
National Disability Insurance Scheme ^{(d)(i)}	2017-18	2023-24	1,098.5	103.6	19.7	26.6	609.1	109.3	868.3
Pay Equity for the Social and Community Services Sector ⁽ⁱ⁾	2016-17	2018-19	93.0	56.8	19.7	-	-	-	76.5
TOTAL COMMUNITY SERVICES			2,674.2	350.3	39.4	26.6	609.1	109.3	1,134.6

Table 12.1 (cont.)

NATIONAL PARTNERSHIP AGREEMENTS
Current Agreements Applicable to Western Australia

National Partnership Agreements	Funding Start	Funding Expiry	Total Commonwealth Contribution ^(b)	Estimated Commonwealth Funding to Western Australia ^(a)					
				2017-18	2018-19	2019-20	2020-21	2021-22	Total
				Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	Five Years
	Year ^(c)	Year	\$m	\$m	\$m	\$m	\$m	\$m	\$m
AFFORDABLE HOUSING									
Remote Housing	2016-17	2017-18	214.1	178.7	-	-	-	-	178.7
Homelessness	2017-18	2017-18	15.4	15.4	-	-	-	-	15.4
TOTAL AFFORDABLE HOUSING			229.5	194.1	-	-	-	-	194.1
INFRASTRUCTURE									
Land Transport Infrastructure Projects ^(d)	2014-15	2018-19 ^(f)	2,511.0	467.3	960.5	747.5	467.3	557.3	3,199.8
Western Australian Infrastructure Projects ^(d)	2014-15	2018-19	1,404.0	188.9	-	-	-	-	188.9
Interstate Road Transport ^{(d)(h)}	2008-09	Unspecified	37.6	3.1	2.8	2.8	2.8	2.8	14.3
TOTAL INFRASTRUCTURE			3,952.6	659.3	963.3	750.3	470.1	560.1	3,403.0
ENVIRONMENT									
Natural Disaster Resilience	2015-16	2017-18 ^(f)	9.3	3.1	3.1	3.1	3.1	3.1	15.7
National Water Infrastructure Development Fund - Feasibility Component	2016-17	2018-19	6.3	2.1	1.6	-	-	-	3.8
Managing Established Pest Animals and Weeds	2015-16	2018-19	4.4	1.0	1.0	-	-	-	1.9
Pest and Disease Preparedness and Response Programs	2013-14	2016-17	0.3	0.1	-	-	-	-	0.1
TOTAL ENVIRONMENT			20.3	6.3	5.7	3.1	3.1	3.1	21.5

Table 12.1 (cont.)

NATIONAL PARTNERSHIP AGREEMENTS
Current Agreements Applicable to Western Australia

National Partnership Agreements	Funding Start	Funding Expiry	Total Commonwealth Contribution ^(b)	Estimated Commonwealth Funding to Western Australia ^(a)					
				2017-18	2018-19	2019-20	2020-21	2021-22	Total
				Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	Five Years
	Year ^(c)	Year	\$m	\$m	\$m	\$m	\$m	\$m	\$m
OTHER									
Legal Assistance Services	2015-16	2019-20 ^(f)	152.8	30.5	31.3	32.0	32.0	32.0	158.0
Provision of Fire Services ^(k)	2017-18	2021-22	7.8	1.4	1.5	1.6	1.6	1.7	7.8
Delivery of Tourism Demand-Driver Infrastructure	2014-15	2017-18	5.1	1.8	-	-	-	-	1.8
Unallocated	2017-18	Unspecified	Unspecified	513.3	82.1	122.4	161.9	129.4	1,009.0
TOTAL OTHER			165.6	547.1	114.9	156.0	195.5	163.1	1,176.5
TOTAL NATIONAL PARTNERSHIP AGREEMENT FUNDING			7,254.7	1,852.9	1,181.5	942.2	1,283.4	837.64	6,097.5

(a) Western Australian Treasury estimates, which may differ from the Commonwealth due to different timing assumptions and inclusion of funding from a previous version of an agreement.

(b) Includes funding since the commencement of the current version of the agreement, which may be prior to 2017-18. Unless otherwise noted, excludes funding which is forecast by the State but not yet agreed with the Commonwealth.

(c) For agreements that have been rolled over this is the start of the current version of the agreement.

(d) The 'Total Commonwealth Contribution' is a Western Australian Treasury estimate.

(e) This does not include vaccines received as 'resources received free of charge', which make up the majority of the Commonwealth contribution.

(f) The agreement expires within or before the Budget period. However, estimates are based on the expected timing of the project or State assumptions of future funding.

(g) Two and a half years as the NP expires on 31 December 2018.

(h) The agreement is a Deemed NP (a current agreement created prior to the Intergovernmental Agreement on the Federal Financial Relations).

(i) Includes the Transition to a National Disability Insurance Scheme in Western Australia NP, Transitional Responsibilities for Aged Care and Disability Services NP, and the DisabilityCare Australia Fund Payments NP (subject to finalisation).

(j) Although no Pay Equity for the Social and Community Services Sector NP exists beyond 2018-19, the National Disability Insurance Scheme funding arrangements provide for related pay equity funding in 2019-20.

(k) The agreement is a Memorandum of Understanding.

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

