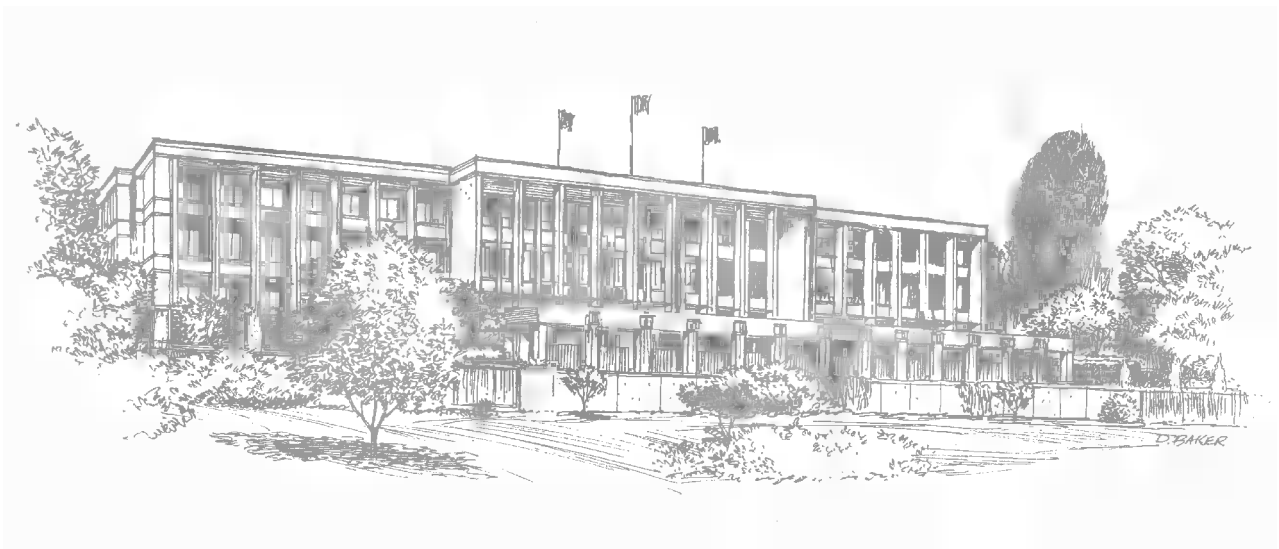




2008-09

ANNUAL REPORT ON STATE FINANCES

SEPTEMBER 2009



2008–09 Annual Report on State Finances

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ISSN 1834-1101 (print)
1834-111X (online)

2008-09
Annual Report on State Finances

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Foreword

This *Annual Report on State Finances* (ARSF) provides detail on the State's public sector financial results for 2008-09. It includes disclosure of material differences between these outcomes and the forecasts contained in the 2008-09 Budget (delivered on 8 May 2008).

The *Government Financial Responsibility Act 2000* (GFRA) requires the release of audited whole-of-government financial results consistent with external reporting standards within 90 days of year-end.

For the purpose of this ARSF, 'external reporting requirements' are embodied in Australian Accounting Standards Board (AASB) 1049: *Whole of Government and General Government Sector Financial Reporting* released in October 2007.

AASB 1049 took effect for public sector financial reporting from 1 July 2008. Like the GFRA, this new standard requires disclosure of budget and actual information on a consistent basis. The standard also 'harmonises' Government Finance Statistics (GFS) concepts, sources and methods (promulgated in Australia by the Australian Bureau of Statistics), with those of Australian Accounting Standards in a single set of financial statements.

All Australian State, Territory and Commonwealth governments publish financial disclosures consistent with AASB 1049, and with the requirements of the Uniform Presentation Framework (UPF). The UPF ensures consistent minimum levels of detail in whole-of-government disclosures. Western Australia's disclosures in this ARSF are consistent with the requirements of AASB 1049, other applicable accounting standards, GFS concepts, sources and methods, and exceed the minimum requirements specified in the UPF.

This ARSF contains information for:

- the 2008-09 Budget estimates (which were presented on an AASB 1049 basis);
- the 2008-09 estimated outturn, consistent with that published in the *2008-09 Pre-election Financial Projections Statement* (released on 16 August 2008) and 2008-09 mid-year review (released on 18 December 2008);
- the 2008-09 estimated outturn as published in the 2009-10 Budget, delivered on 14 May 2009;
- the actual outturn for 2008-09, which is the focus of this report;

- monthly and quarterly results for June 2009, completing the State's 2008-09 monthly and quarterly reporting series; and
- Public Ledger summary information, which includes the Consolidated Account, the Treasurer's Advance Account, and the Treasurer's Special Purpose Accounts.

It should be noted that outturn information for 2007-08 published in last year's ARSF has been restated to be consistent with the new AASB 1049 format.

The key differences between the presentation under previous reporting standards were described in Appendix 4: *Changes to Whole-of-Government Financial Reporting and Presentation* in the 2008-09 Budget Paper 3: *Economic and Fiscal Overview* and for financial targets purposes (discussed in Chapter 2) were generally immaterial.

Statement of Responsibility

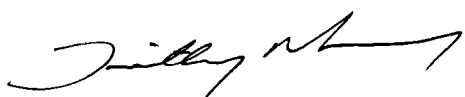
This ARSF is a statutory requirement of the *Government Financial Responsibility Act 2000*. It contains whole-of-government financial information in the same format as the State's budget presentations, reflecting applicable Australian Accounting Standards and Australian Bureau of Statistics' accrual GFS standards.

The consolidated financial statements included in this report have been prepared by the Department of Treasury and Finance from information provided by State public sector agencies.

In our opinion, the financial information presented in this report:

- fairly represents the operating results and cash flows of the Government of Western Australia for the year ended 30 June 2009, and the public sector's financial position at 30 June 2009; and
- has been prepared in accordance with Australian Accounting Standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, other applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and complies with statistical standards promulgated by the ABS.

At the date of signing, we are not aware of any circumstances which would cause any information included in the financial disclosures in this report to be misleading or inaccurate.



TIMOTHY MARNEY
UNDER TREASURER



ROY PICARDO
ASSISTANT DIRECTOR,
FINANCIAL REPORTING

18 September 2009

Opinion of the Auditor General



Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

ANNUAL REPORT ON STATE FINANCES FOR THE YEAR ENDED 30 JUNE 2009

I have audited the Annual Report on State Finances for the year ended 30 June 2009, which comprises: Financial Results (Chapter 1); Financial Targets (Chapter 2); Financial Statements (Appendix 1); Operating Revenue (Appendix 2); Other Uniform Presentation Framework Information (Appendix 3); Revenue Forecasting Performance (Appendix 4); Policy Decisions Affecting Spending (Appendix 5); Monthly and Quarterly Financial Results for June 2009 (Appendix 6); and Summary information from the Public Ledger (Appendix 7).

Under Treasurer's Responsibility for the Annual Report on State Finances

The Under Treasurer on behalf of the Treasurer is responsible for the preparation and fair presentation of the Annual Report on State Finances in accordance with Australian Accounting Standard AASB 1049 "Whole of Government and General Government Sector Financial Reporting", other applicable Australian Accounting Standards (including the Australian Accounting Interpretations) and the Government Financial Responsibility Act 2000. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Annual Report on State Finances that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Summary of my Role

As required by the Government Financial Responsibility Act 2000, my responsibility is to express an opinion on the Annual Report on State Finances based on my audit. My procedures consisted of:

- An audit of Appendix 1 "Financial Statements", Chapter 1 "Financial Results" (excluding Overview and Net Debt sections) and Appendix 7 "Summary information from the Public Ledger" in accordance with Australian Auditing Standards.
- A review of the Annual Report on State Finances to confirm that other information included in the Report is consistent with the audited information.

This work was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

An audit does not guarantee that every amount and disclosure in the Annual Report on State Finances is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the Annual Report on State Finances.

**Annual Report on State Finances
For the year ended 30 June 2009**

Audit Opinion

In my opinion, the Annual Report on State Finances

- (i) has been properly drawn up so as to present fairly the operating results and cash flows of the Government of Western Australia for the budget year ended 30 June 2009 and the financial position at the end of that budget year; and

- (ii) has been prepared in accordance with Australian Accounting Standard AASB 1049 "Whole of Government and General Government Sector Financial Reporting", other applicable Australian Accounting Standards (including the Australian Accounting Interpretations) and the Government Financial Responsibility Act 2000.



COLIN MURPHY
AUDITOR GENERAL
22 September 2009

Financial Results

Overview

The global economic and financial turmoil of the last year has had a major impact on State finances in Western Australia.

Since the 2008-09 Budget was presented to Parliament in May 2008, the State's major revenue sources have been adversely affected by the deterioration in the global and national economies. At the same time, spending on services has increased due to the implementation of the new Government's election commitments and the impact of the Commonwealth's economic stimulus spending. The combined impact of these factors is a substantially lower than expected operating surplus for 2008-09.

In summary, relative to the 2008-09 Budget, the State recorded:

- a general government sector operating surplus of \$318 million in 2008-09, down \$1,537 million on the original budget estimate;
- growth in general government revenue of just 0.5%, down significantly on the 5.5% growth forecast in May 2008. Revenue from State taxes, GST grants, and royalties was down \$1.6 billion (or 12%) compared to the budget forecast, although these shortfalls were partly offset by a higher level of specific purpose grants from the Commonwealth;
- general government expense growth of 13.5%, up from the 7.7% growth forecast at budget-time;
- infrastructure spending totalling a record \$5.8 billion, down \$691 million on the original budget estimate, but up \$821 million on the previous record investment of \$5.0 billion in 2007-08;
- total public sector net debt of \$6.8 billion at 30 June 2009, up \$3.2 billion from the outcome recorded a year earlier, but \$1.2 billion lower than the original budget estimate; and

- for the total non-financial public sector¹, a net debt to revenue ratio of 27.6%, a net financial liabilities² to revenue ratio of 54.4%, and a net interest to revenue ratio of 1.3%.

The following table summarises the State's key financial aggregates for 2008-09. Compared with the outlook at the time of the 2008-09 Budget presented in May 2008, the financial outlook initially improved at the time the 2008-09 *Pre-election Financial Projections Statement* was released in August 2008 (largely due to depreciation of the exchange rate). However, projected financial outcomes for 2008-09 progressively deteriorated as a result of the global downturn, which was reflected in the 2008-09 mid-year review and the 2009-10 Budget projections.

Table 1

KEY BUDGET AGGREGATES Western Australia

	2007-08	2008-09					Actual (5)	Variation on Budget (5) - (1)
	Actual	Budget Estimate (1)	PFPS Revision (2)	MYR Revision (3)	Estimated Outturn (4)			
GENERAL GOVERNMENT SECTOR								
Revenue (\$m)	19,345	19,872	19,903	20,039	19,677	19,435	-438	
Revenue Growth (%)	10.1	5.5	4.6	3.6	1.7	0.5	-5.0	
Expenses (\$m)	16,837	18,017	17,972	18,853	19,030	19,117	1,100	
Expense Growth (%)	9.9	7.7	7.5	12.0	13.0	13.5	5.9	
Net Operating Balance (\$m)	2,507	1,855	1,930	1,186	647	318	-1,537	
TOTAL NON-FINANCIAL PUBLIC SECTOR								
Net Debt to Revenue Ratio (%)	19.0	34.8	30.6	29.1	29.2	27.6	-7.2	
Net Financial Liabilities to Revenue (%) ^(a)	42.9	55.9	51.9	51.4	59.7	54.4	-1.5	
Net Interest Cost to Revenue (%)	1.0	1.9	1.9	2.1	1.6	1.3	-0.6	
TOTAL PUBLIC SECTOR								
Net Debt at 30 June (\$m)	3,634	7,911	6,826	6,921	6,959	6,688	-1,223	
Asset Investment Program (\$m) ^(b)	4,973	6,485	6,471	6,393	5,745	5,795	-691	

(a) As defined by Standard and Poor's².

(b) Comprises the purchases of non-financial assets by State public sector agencies. This differs from the Capital Works Program measure included in the 2008-09 Budget, which also included grants to third parties for construction of assets that did not form part of the State's balance sheet, and Keystart home loans.

Note: Columns may not add due to rounding.

Compared to the most recent estimates contained in the 2009-10 Budget (released in May 2009), the 2008-09 operating surplus declined by \$329 million, largely reflecting lower than expected iron ore royalties (down \$287 million). This was due to the combined effect of lower than anticipated shipments, a higher proportion of sales at lower spot market prices (rather than at fixed contract prices), and an appreciation in the \$US/\$A exchange rate.

¹ The total non-financial public sector comprises the general government sector (which provides services largely funded from tax and other central revenue), and the public non-financial corporations sector (which raises most of the State's net debt in support of infrastructure investment).

² As defined by Standard and Poor's for credit rating purposes to comprise net debt plus unfunded superannuation liabilities. In an effort to increase its transparency, as part of its recent credit rating assessment activities, Standard and Poor's has begun using 'trigger ratios'. These triggers include identified levels for total non-financial public sector net financial liabilities as a share of revenue. All other factors being equal, a breach in the threshold could trigger a re-assessment of risk ratings. Standard and Poor's has set a trigger threshold of 90% for Western Australia.

The remainder of this chapter analyses the movement in key financial aggregates between the original 2008-09 Budget estimates and the actual results for 2008-09 released in this report.

Results Compared to Estimates

General Government Sector

Operating Statement

A general government operating surplus of \$318 million was recorded in 2008-09. This is significantly lower than the \$1,855 million surplus projected in the 2008-09 Budget, reflecting lower revenue (down \$438 million) and higher expenses (up \$1,100 million).

Table 2

GENERAL GOVERNMENT Operating Statement

	2007-08	2008-09					Actual \$m (5)	Variation on Budget \$m (6)=(5) - (1)	Variation on Budget % (6)/(1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)				
REVENUE									
Taxation	6,447	6,576	6,287	5,896	5,561	5,706	-869	-13.2	
Current grants and subsidies	7,800	7,526	7,751	7,817	7,957	8,089	564	7.5	
Capital grants	436	433	446	440	511	411	-22	-5.1	
Sales of goods and services	1,407	1,329	1,330	1,484	1,484	1,410	81	6.1	
Interest Income	332	252	241	208	287	285	33	13.2	
Revenue from public corporations									
Dividends	512	476	476	495	506	466	-10	-2.1	
Tax equivalent payments	368	334	355	332	356	355	20	6.1	
Royalty income	1,680	2,646	2,715	3,037	2,675	2,348	-298	-11.3	
Other	364	300	302	331	340	364	63	21.1	
Total	19,345	19,872	19,903	20,039	19,677	19,435	-438	-2.2	
EXPENSES									
Salaries	6,906	7,278	7,224	7,383	7,514	7,764	486	6.7	
Superannuation									
Concurrent costs	666	713	697	709	722	746	33	4.7	
Superannuation interest cost	359	309	312	341	256	330	22	7.0	
Other employee costs	276	283	280	282	312	326	43	15.4	
Depreciation and amortisation	709	775	776	787	782	764	-12	-1.5	
Services and contracts	1,981	2,207	2,195	2,334	1,429	2,216	9	0.4	
Other gross operating expenses	1,560	1,843	1,819	1,770	2,670	1,698	-145	-7.9	
Other interest	120	121	121	128	115	118	-2	-2.0	
Other property expenses	-	-	-	-	-	-	-	-	
Current transfers	3,769	4,026	4,066	4,482	4,511	4,554	528	13.1	
Capital transfers	491	462	482	638	719	600	137	29.7	
Total	16,837	18,017	17,972	18,853	19,030	19,117	1,100	6.1	
NET OPERATING BALANCE	2,507	1,855	1,930	1,186	647	318	-1,537	-82.9	

Note: Columns may not add due to rounding.

The following table outlines the major general government revenue and expense variations relative to the 2008-09 Budget.

Table 3

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2008-09 BUDGET**

	2008-09 \$m
2008-09 BUDGET - NET OPERATING BALANCE	1,855
Revenue	
<i>Policy Decisions</i> ^(a)	
- Adjustment to land tax and MRIT scales	-43.0
- Other	10.8
<i>Total Policy</i>	<i>-32.2</i>
<i>Parameter</i> ^(b)	
Taxation	
- Total duty on transfers	-966.1
- Motor Vehicle taxes	-38.2
- Gambling taxes	26.8
- Payroll tax	117.0
- All other taxes	31.2
<i>Sub Total</i>	<i>-829.4</i>
Commonwealth grants	
- GST grants	-427.5
- North West Shelf grants	124.1
- First Home Owner Boost grants	100.1
- Education and Training grants	433.3
- Health grants	176.4
- Road grants	112.4
- All other grants	22.9
<i>Sub Total</i>	<i>541.7</i>
Royalty Income	
- Nickel	-158.9
- Iron Ore	-35.5
- Petroleum	-34.6
- All other royalties	-68.6
<i>Sub Total</i>	<i>-297.7</i>
Agency sales of goods and services	74.4
Other	105.6
<i>Total Parameter</i>	<i>-405.3</i>
TOTAL REVENUE	-437.6
Expenses	
<i>Policy Decisions</i> ^{(a), (c)}	
Efficiency dividend	367.6
Election Commitments	-155.2
Pilbara Revitalisation Plan ^(d)	335.7
Other policy decisions	120.0
	67.1
<i>Parameter</i> ^(b)	
Health salaries	243.4
Health non-salary costs	126.2
Education and Training salaries	80.9
Education and Training non-salary costs	147.6
Taxation and royalty refunds	132.5
Commonwealth First Home Owner Boost (on-passed)	100.1
State First Home Owner Grants	37.9
Native Title Grants	-27.9
Agricultural Grants	-37.9
Sport and Recreation Grants	-15.5
Other	-55.3
<i>Total Parameter</i>	<i>732.0</i>
TOTAL EXPENSES	1,099.6
TOTAL VARIANCE	-1,537.2
2008-09 ANNUAL REPORT ON STATE FINANCES - NET OPERATING BALANCE	318

(a) Excludes the public debt interest effect of policy measures.

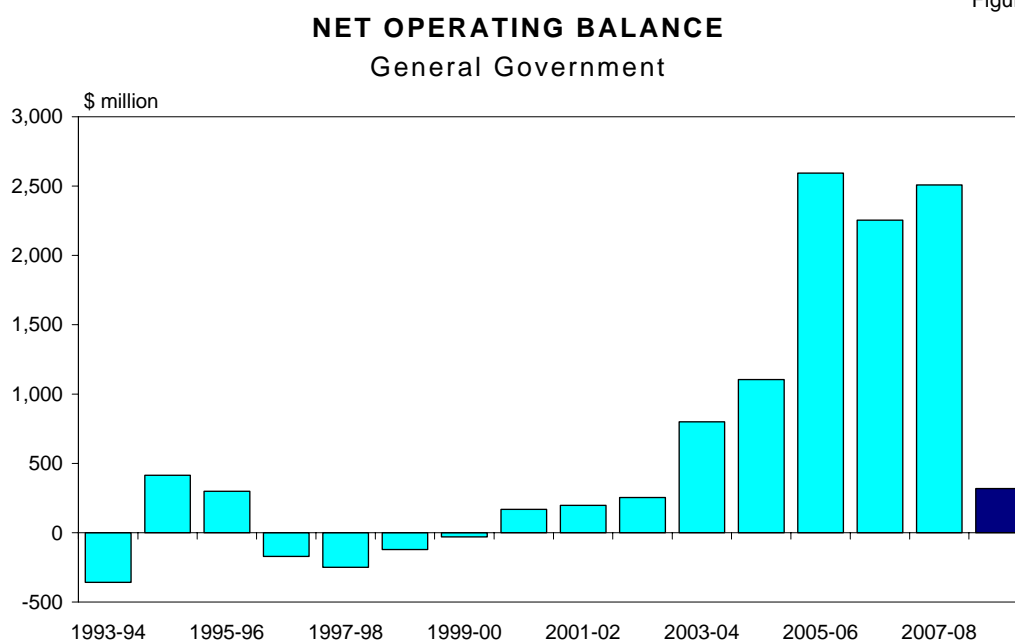
(b) 'Parameter' variations refer to all movements that are not directly related to a policy decision of the Government.

(c) An agency listing of the expense policy decisions taken since the 2008-09 Budget is provided in Appendix 5: *Policy Decisions Affecting Spending*.

(d) The 2008-09 component of the Pilbara Revitalisation Plan, funded under the *Royalties for Regions* program, was included as an expense policy decision in the 2009-10 Budget. It was offset by a negative capital policy decision of the same amount, as the entire *Royalties for Regions* program is treated as a policy decision. This treatment ensured that the policy impact of the *Royalties for Regions* program is not double counted.

Note: Columns may not add due to rounding.

Figure 1

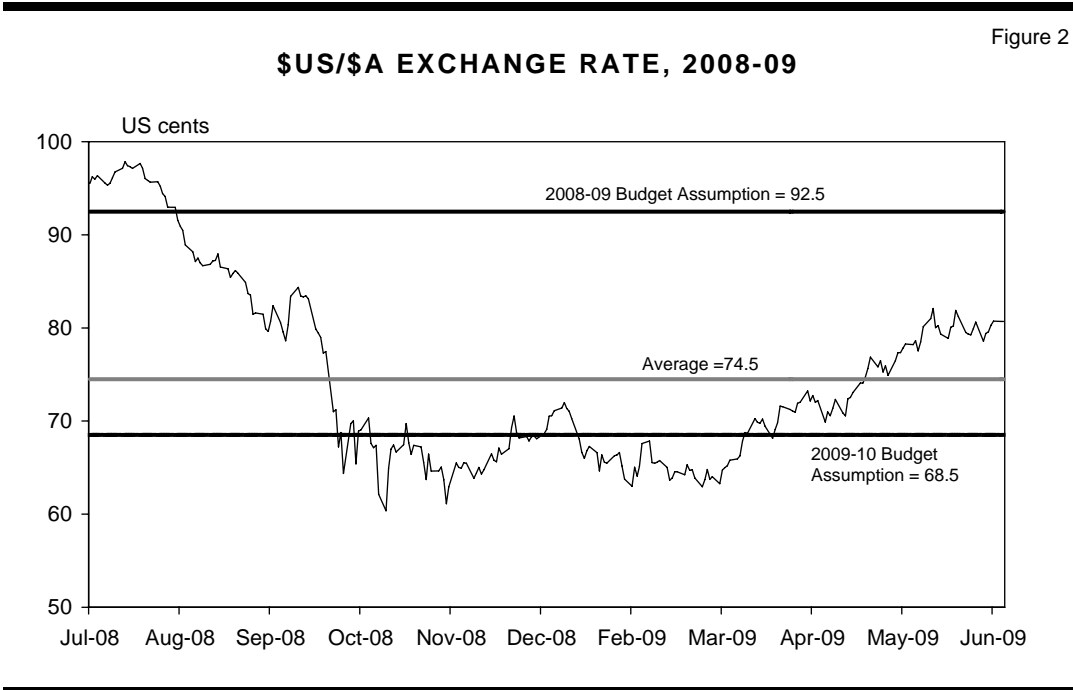


Revenue

General government revenue totalled \$19,435 million in 2008-09. This was \$438 million (or 2.2%) lower than the original budget estimate. The major variations were as follows:

- taxation revenue was down \$869 million (or 13.2%), reflecting the net impact of:
 - a dramatic collapse in total duty on transfers (down \$966 million or 46.2%), with the effect of a cyclical downturn in Western Australia's property market being compounded by the onset of the global economic and financial downturn. The number of property transactions was much lower than expected, while average property prices were also lower than forecast;
 - higher payroll tax (up \$117 million or 5.5%), reflecting unexpected strength in the labour market in the early part of the financial year and continued resilience in the wake of the global financial downturn, combined with an apparent concentration of earnings growth in firms operating above the payroll tax exemption threshold (the budget estimate assumed even growth across all firms);
 - lower motor vehicle taxes (down \$38 million or 4.3%), with higher than forecast revenue from motor vehicle registrations only partly offsetting a greater than expected decline in duty from vehicle licence transfers; and
 - lower taxes on insurance (down \$8 million or 2.1%), reflecting slightly weaker than budgeted insurance premiums written;
- Commonwealth grants were up \$530 million (or 6.7%), mainly due to:
 - increased specific purpose grants for health (up \$176 million), incorporating additional funding agreed at the November 2008 COAG meeting;

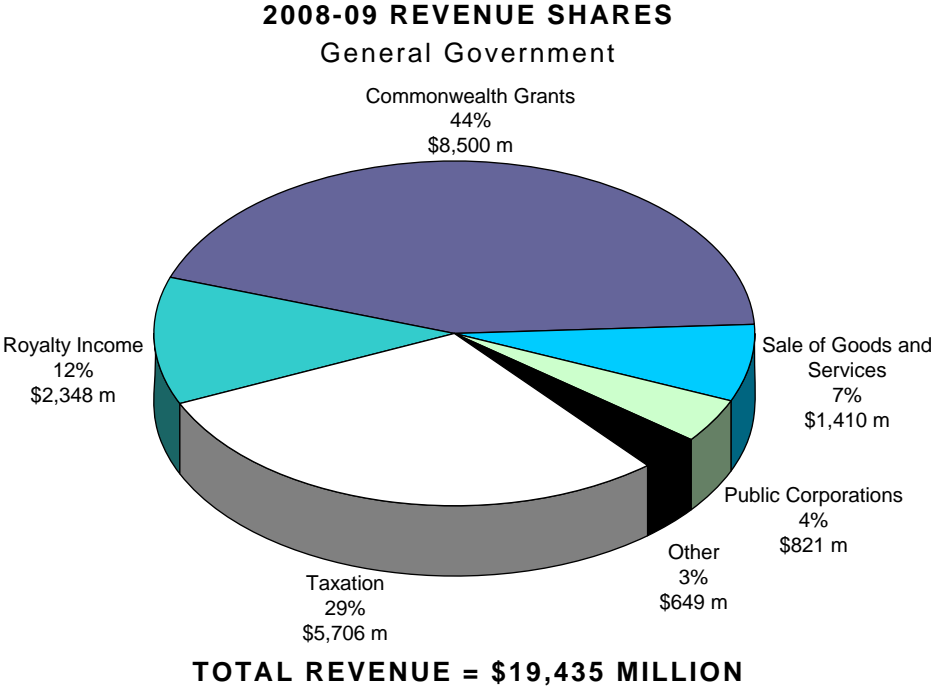
- increased road funding (up \$112 million);
 - higher assistance for schools (up \$222 million for government schools and up \$163 million for non-government schools), due mainly to unbudgeted funding from the Commonwealth for the Building the Education Revolution and Digital Education Revolution programs;
 - Commonwealth stimulus funding (adding \$100 million) for the First Home Owner Boost;
 - increased North West Shelf grants (up \$147 million), due mainly to the lower \$US/\$A exchange rate than assumed in the Budget (an average US74.5 cents was recorded in 2008-09, compared with a budget assumption of US92.5 cents) – see Figure 2; and
 - lower than forecast GST revenue (down \$427 million), reflecting an unbudgeted decline in national GST collections as consumption expenditure slowed in response to the downturn in economic conditions;
- royalty income was down \$298 million (or 11.3%), incorporating the net impact of:
 - a combination of lower than expected \$US commodity prices and export volumes, reflecting the onset of the global financial crisis and the subsequent decline in world economic activity. In particular, nickel royalties were significantly lower than originally forecast, partly due to the unexpected closure of several nickel operations in Western Australia; and
 - the boost to royalties from the lower than assumed \$US/\$A exchange rate noted above³;



³ Holding other factors constant, this increases the \$A value of mining royalties as most export contracts are priced in \$US terms.

- higher than forecast revenue from the sale of goods and services (up \$81 million, or 6.1%), largely reflecting higher than expected demand for the services of a number of general government agencies (see further details in Appendix 4: *Revenue Forecasting Performance*);
- ‘other’ revenue (up \$63 million, or 21.1%), including higher fines (up \$12 million due mainly to court-imposed fines including the confiscation of assets), higher lease rentals (up \$7 million due to a greater number of exploration lease applications), and all other movements in revenue including ‘lumpy’ items such as asset transfers and donations which are difficult to forecast with any certainty; and
- interest income was up \$33 million (or 13.2%), due to higher than anticipated cash holdings at the end of 2007-08 and through early 2008-09. This reflected the impact of the higher than expected 2007-08 operating surplus, and the actual timing of cash draw downs through 2008-09, which more than offset the impact of interest rate reductions since the budget.

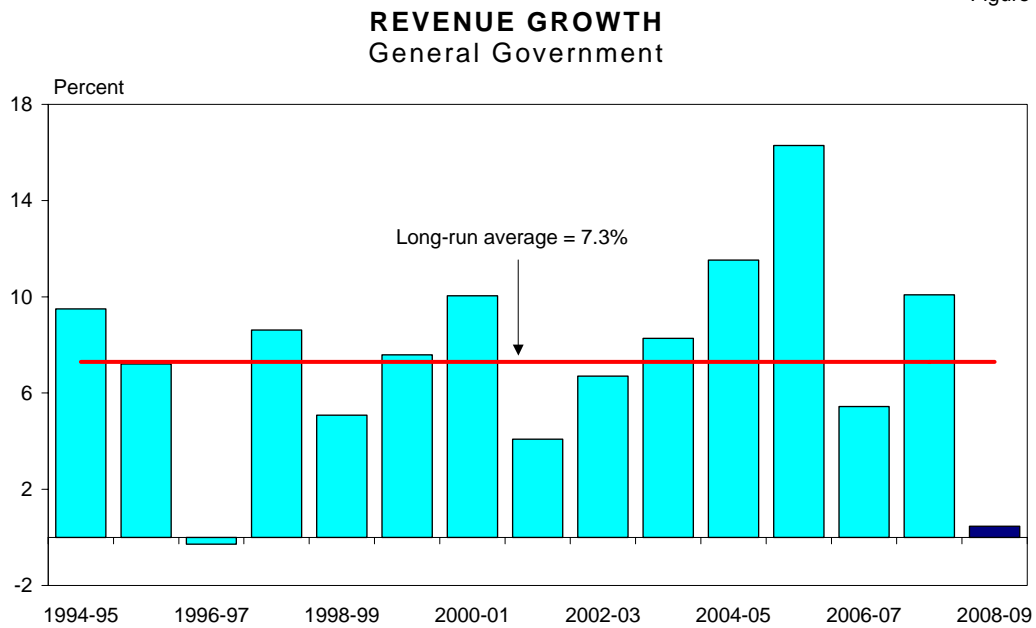
Figure 3



Note: Percentage represents share of total revenue. Components may not add to 100% due to rounding.

In total, growth in general government revenue in 2008-09 was just 0.5%, well below the long-run average growth rate of 7.3% and the original 5.5% projection in the 2008-09 Budget.

Figure 4



Details of revenue forecasting performance for the 2008-09 year are discussed in more detail in Appendix 4: *Revenue Forecasting Performance*.

Expenses

General government expenses totalled \$19,117 million in 2008-09, an increase of \$1,100 million (or 6.1%) on the original budget projections. Policy decisions represent \$368 million (or 33%) of the increase, while parameter⁴ factors accounted for the remaining \$732 million (or 67%).

Policy Decisions

Policy decisions since the 2008-09 Budget include savings initiatives, such as the half-year impact of the 3% efficiency dividend first disclosed in the *Pre-election Financial Projections Statement* released in August 2008 (total savings of \$155 million were achieved from implementation of the efficiency dividend during 2008-09).

⁴ Parameter changes include movements in consolidated public sector expenses not directly related to policy decisions of the State Government, such as variations in Commonwealth grants, cost escalation, movements in interest and depreciation, etc. The settlement of wage agreements are also included as parameter movements, including implementation of the Government's election commitment to settle the teachers' Enterprise Bargaining Agreement.

Other major policy decisions for 2008-09 were largely attributable to implementation of the Government's election commitments (\$456 million in 2008-09), including the *Royalties for Regions* program (with a total recurrent and capital allocation of \$334 million in 2008-09). Details of spending policy changes by agency since the 2008-09 Budget, including details of decisions since the 2009-10 Budget was finalised, are available in Appendix 5: *Policy Decisions Affecting Spending*.

Parameter Changes in Expenses

Higher spending by the State's two largest service delivery agencies accounted for the bulk of parameter-driven expense increases since the budget as follows:

- the Department of Health (up \$370 million or 8.2% over-budget) - largely reflecting additional State spending to meet increased hospital costs in metropolitan and regional areas. In addition, the Commonwealth provided funding for higher spending on public hospital cost and demand pressures through a one-off boost of \$51 million to the National Healthcare Agreement. The *National Partnership Agreement on Hospital and Health Workforce Reform*, signed after the 2008-09 Budget was finalised, also increased spending related to the four components of the agreement (Activity Based Funding, Health Workforce, Sub-acute Services and Taking Pressure Off Hospitals); and
- the Department of Education and Training (up \$229 million or 7.1% over-budget) - \$81 million of this increase is reflected in salaries expenses, primarily resulting from the teachers' Enterprise Bargaining Agreement (EBA), which was finalised post-budget in line with the Government's election commitment. The remaining increase reflects higher school spending (of around \$41 million), additional Commonwealth-funded programs (including one-off expenditure for non-government schools), and higher depreciation expenses (up \$11 million), mainly due to a revaluation of buildings in 2007-08.

The remaining parameter increases in general government expenses included the impact of:

- higher than budgeted refunds of taxes and mining royalties (up \$133 million), due largely to a number of successful tax assessment appeals finalised during the year;
- a \$138 million increase in First Home Owner Grant expenses, largely funded from the Commonwealth First Home Owner Boost (FHOB) stimulus funding. This reflects an increase in both the value of the grants as well as a significant pull-forward in first home buyer activity resulting from the Commonwealth's FHOB stimulus. The Commonwealth provided \$101 million in funding for the FHOB, with the State providing the remaining \$37 million; and
- lower than budgeted grants by the:
 - Department of Agriculture and Food (down \$38 million), largely reflecting a reduction in spending for the Caring for Our Country program;
 - Office of Native Title (down \$28 million), for lower than expected native title settlements; and

- Department of Sport and Recreation (down \$16 million), reflecting deferrals of spending for the Community Sports and Recreation Facilities Fund and the State Sporting Facilities and Infrastructure Fund.

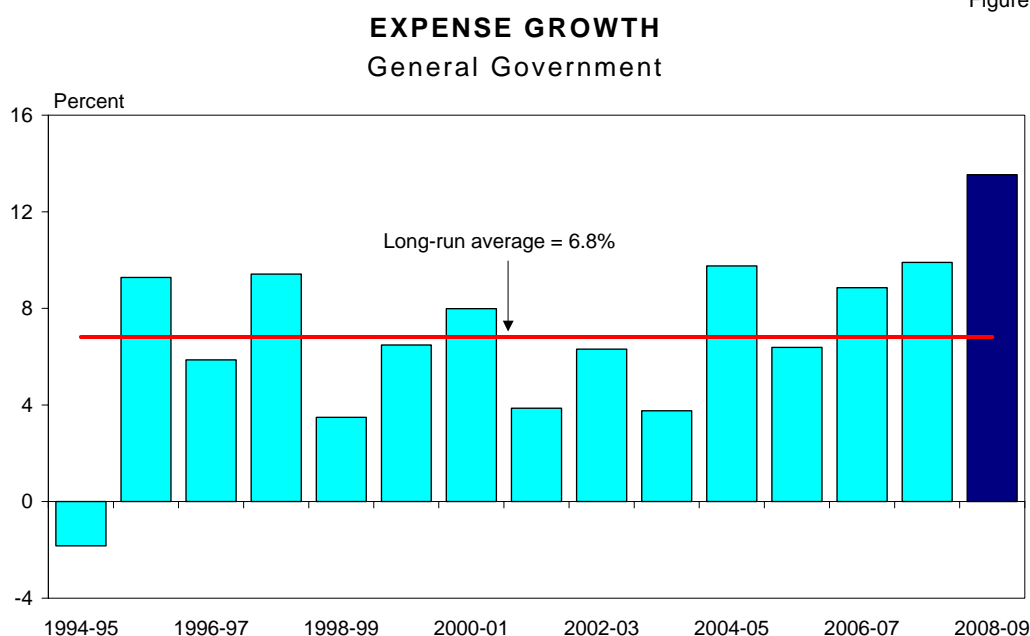
Taken together, the impact of the above policy decisions and parameter changes on the general government operating statement were reflected in the following major variations relative to the 2008-09 Budget:

- higher salaries and superannuation (up \$519 million), with higher than budgeted staffing numbers⁵ and wages growth. Wage increases for major EBAs finalised in 2008-09 include those for teachers (6% increase in headline rate from 18 September 2008), general public servants (4.0% from 26 February 2009), health salaried officers (4.5% from 1 July 2008) and social trainers (4.0% from 26 February 2009). The Departments of Health and Education and Training accounted for around 62% or \$323 million of the total increase in salaries and concurrent superannuation expenditure; and
- higher current and capital transfers (up \$528 million and \$137 million respectively), including:
 - the revenue refunds and First Home Owner Grant spending discussed above;
 - grants on-passed from the Commonwealth for non-government schools (up \$162 million), including stimulus grants under the *Nation Building and Jobs Plan* (NBJP);
 - central government transfers to the Housing Authority (up \$96 million), reflecting additional State funding to offset declines in land sales revenue, and to meet debt servicing costs and other operational commitments, and the on-passing of Commonwealth funding including stimulus grants under the NBJP;
 - grants by the Department of Local Government and Regional Development, primarily relating to recurrent spending on the *Royalties for Regions* program (up \$171 million); and
 - Health-related spending (up \$49 million), including grants to the Royal Flying Doctor Service, St John Ambulance, election commitments and other grants.

Growth in general government expenses in 2008-09 was 13.5%, compared to budgeted growth of 7.7% and long-run average growth of 6.8%.

⁵ Based on Human Resources Minimum Obligatory Information Requirements data sourced from the Public Sector Commission, general government Full Time Equivalent staffing numbers increased by 3,855 or 3.9% over the 12 months to 30 June 2009.

Figure 5



Asset Investment

General government sector fixed asset spending was \$2,255 million in 2008-09, \$453 million (or 16.7%) lower than the budget forecast. This mainly reflects lower than forecast spending in:

- the Department of Health (\$130 million below budget), mainly due to delays in the timing of works on projects such as Stage 2 of the replacement of the Hedland Regional Resource Centre, the Information Communication Technology project, the Queen Elizabeth II Major Research Facility, Stage 1 of the redevelopment of the Rockingham Kwinana Hospital. The total underspend also included the deferral of spending on a number of projects as a result of the Capital Works Audit (announced in the 2009-10 Budget);
- the Department of Sport and Recreation (\$77 million under-budget), reflecting the Government's Capital Works Audit decision to defer the development of a major new stadium;
- the Departments of Treasury and Finance, and Housing and Works⁶ (\$77 million below budget), due largely to delays in construction of the Perth Arena;
- the Department of Education and Training (under-budget by \$55 million), mainly due to timing changes for the commencement and completion of some projects, including works at Central TAFE, Roseworth and Greenwood Primary Schools; and

⁶ On 1 February 2009, the Works function of the former Department of Housing and Works was transferred to the Department of Treasury and Finance.

- the Western Australian Planning Commission (down \$52 million), due mainly to timing differences in the payments for land acquisition programs. The Commission expected these claims to be settled in 2008-09 but some claims will not be finalised until 2009-10.

Although the 2008-09 outturn was lower than budget, the \$2,255 million fixed asset spend by the general government sector was the highest on record, and was \$233 million or 11.5% higher than the previous record in 2007-08.

Balance Sheet

Net worth of the general government sector rose to \$107.2 billion at 30 June 2009. This is a significant \$23.0 billion (or 27.3%) increase on the original budget and \$14.4 billion higher than at 30 June 2008. The increase since budget mainly reflects:

- the flow-on impact of the stronger than expected final outcome for the sector's net asset holdings for the year ending 30 June 2008 (up \$11.0 billion), outlined in the 2007-08 *Annual Report on State Finances*, which was finalised after presentation of the 2008-09 Budget;
- a significant \$2.0 billion increase in the value of the State's land and other fixed asset holdings (largely revaluations)⁷;
- a \$12.7 billion increase in the sector's equity interest in public corporations, including \$1.7 billion from the 30 June 2008 outturn and \$11.1 billion in asset valuation change under AASB 1049 (see Total Public Sector Balance Sheet later in this chapter);
- the impact of the change in global financial conditions on the valuation of the sector's unfunded superannuation liabilities (up \$1.5 billion); and
- a lower than expected operating surplus in 2008-09 (down \$1.5 billion).

General government liabilities increased by \$3.3 billion from the original budget, to \$13.5 billion. Around \$1.9 billion of this variance is due to higher unfunded superannuation liabilities resulting from:

- lower superannuation assets held by the Government Employees Superannuation Board for defined benefit schemes (down \$0.4 billion), reflecting the impact of changes in international financial markets; and
- the valuation of unfunded superannuation liabilities which is linked to the value of the 10-year Commonwealth bond rate (which declined by 1 percentage point since the original budget estimate)⁸.

⁷ The budget forecasts assume an average 5% per annum increase in the value of land holdings in the outyears (excluding land inventories and the acquisition and disposal of land). The budget forecasts do not include any other estimates of valuation changes for assets or liabilities (e.g. buildings, unfunded superannuation, etc.), which are highly volatile and are generally not known by agencies until actuarial and other valuation advice is received for year-end accounts.

⁸ Movements in bond rates influence the value of unfunded superannuation liabilities from year to year. A declining bond rate means that unfunded liabilities increase (and vice versa) as the future value of cash payments hold their face value for a longer period. That is, inflationary impacts are reduced in the calculation on future value of employees' entitlements.

General government gross borrowings were \$704 million higher than originally budgeted, largely reflecting \$819 million in Consolidated Account borrowings on behalf of agencies in support of high levels of infrastructure spending. These borrowings represent the first central borrowings by the Consolidated Account since such debt was extinguished in September 2006. The borrowing requirement arose because of the significantly lower operating surplus for the year (discussed previously).

Cash Flow Statement

A \$375 million cash deficit was recorded by the general government sector in 2008-09. This is \$525 million lower than the \$150 million cash surplus projected in the 2008-09 Budget. In line with accrual movements described under the operating statement outcomes, net cash flows from operating activities were \$977 million lower than budgeted.

Partially offsetting the lower operating cash result, purchases of non-financial assets were \$453 million lower than originally budgeted.

Total Public Sector⁹

Summary

The total public sector recorded significantly weaker than expected financial results for 2008-09.

Driven largely by the dramatic decline in the general government operating surplus, the total public sector achieved an \$87 million operating surplus for 2008-09 (\$1.6 billion lower than budget).

Despite the substantially weaker operating result, total public sector net debt at 30 June 2009 was \$1.2 billion lower than budgeted, primarily reflecting the flow-on impact of the lower net debt outcome at 30 June 2008 (as reported in the 2007-08 *Annual Report on State Finances*).

Total public sector net worth rose by \$14.4 billion over the year, underpinned by a \$19.0 billion increase in the value of physical assets, which was partly offset by higher borrowings and unfunded superannuation liabilities which together increased by \$5.3 billion.

⁹ The total public sector consolidates the general government, public non-financial corporations and public financial corporations sectors. The total public sector is also known as the 'whole-of-government'. Detailed financial disclosures for each of these sectors are contained in Appendix 1: *Financial Statements*.

The table below provides summary results for the total public sector, with more detail on the key features underpinning these results provided below.

Table 4

TOTAL PUBLIC SECTOR
Summary Financial Aggregates

	2007-08	2008-09					Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)			
OPERATING STATEMENT								
Revenue	26,525	27,378	27,505	28,497	27,721	28,651	1,273	
Expenses	24,101	25,673	25,717	27,602	27,670	28,564	2,890	
Net Operating Balance	2,423	1,704	1,788	896	51	87	-1,617	
BALANCE SHEET								
Assets	123,719	114,800	115,279	130,178	129,386	144,216	29,416	
Liabilities	30,940	30,622	30,826	34,165	36,076	37,054	6,432	
Net Worth	92,780	84,178	84,453	96,013	93,310	107,162	22,984	
CASH FLOW STATEMENT								
Change in net cash held	353	-403	-169	-466	-68	335	738	
Cash Surplus	-92	-2,660	-2,383	-3,157	-3,161	-2,439	221	
Memorandum Item: Net Debt	3,634	7,911	6,826	6,921	6,959	6,688	-1,223	

Note: Columns may not add due to rounding.

Net Operating Balance

The total public sector recorded an operating surplus of \$87 million in 2008-09, \$1,617 million lower than the \$1,704 million surplus forecast in the 2008-09 Budget.

Deficits in the public non-financial corporations (PNC) and public financial corporations (PFC) sectors partially offset the \$318 million general government sector surplus discussed earlier in this chapter.

Total public sector revenue was \$1,273 million (or 4.6%) higher than forecast in the original budget. This largely reflects movements in PNC sector revenue, where income was substantially higher than forecast (up 21.4%), due mainly to precious metal trading volumes for the Gold Corporation (see below).

Total public sector expenses were also higher than budget, up \$2,890 million (or 11.3%). This in part reflects higher general government expenses outlined earlier, and the impact of the Gold Corporation's precious metal trading.

Public Non-Financial Corporations

The PNC sector recorded a \$222 million operating deficit in 2008-09, similar to the \$200 million deficit projected in the 2008-09 Budget. Revenue was \$2,047 million higher than budget while expenses increased by \$2,069 million. These large variations are driven by significant movements in precious metal prices and volumes, which directly affect the operations of the Gold Corporation.

Relative to the 2008-09 Budget, the following material PNC sector agency outcomes impacted the outcome:

- higher Western Power profit (up \$101 million), largely as a result of higher developers' contributions, and higher than anticipated customer demand;
- higher Synergy profit (up \$68 million), reflecting increased sales volumes at higher sales prices applying in the contestable electricity market sector;
- higher Port Hedland Port Authority profit (up \$62 million), due to the receipt of developers' contributions for the Utah Point Berth project;
- higher Gold Corporation profit (up \$32 million), with gold volumes and prices up 61% and 39% respectively relative to budget assumptions, while silver recorded higher volumes and prices of 32% and 12% respectively. Higher volumes for gold in particular reflect the market view that precious metals are a 'safe haven' during economic downturns, with price and volume changes contributing to an increase of around \$2.3 billion in both revenue and expenses in 2008-09 compared to budget;
- a lower than expected operating loss was recorded by Verve Energy (i.e. a \$19 million improvement in the agency's bottom line), driven by revenue from higher electricity supply volumes under the Vesting Contract and increased electricity tariffs applying from 1 April 2009; and
- higher Water Corporation profit (up \$14 million), resulting from the delay of the Collie River Diversion project and the return of \$10 million paid to the Department of Sport and Recreation as compensation for the proposed closure of Logue Brook Dam, offset by a \$6 million reduction in developers' contributions.

In addition to changes in agency profitability noted above, the first time recognition in this *Annual Report on State Finances* of financial outcomes on an AASB 1049 basis results in a substantial \$9.5 billion upward revaluation to PNC holdings of property, plant and equipment and the subsequent recognition of an additional \$341 million in depreciation expenses. This largely relates to electricity, water and port infrastructure.

This change will not be reflected in agency annual reports due to differences in applicable accounting standards but is reflected in the whole-of-government financial statements in this *Annual Report on State Finances*.

Public Financial Corporations

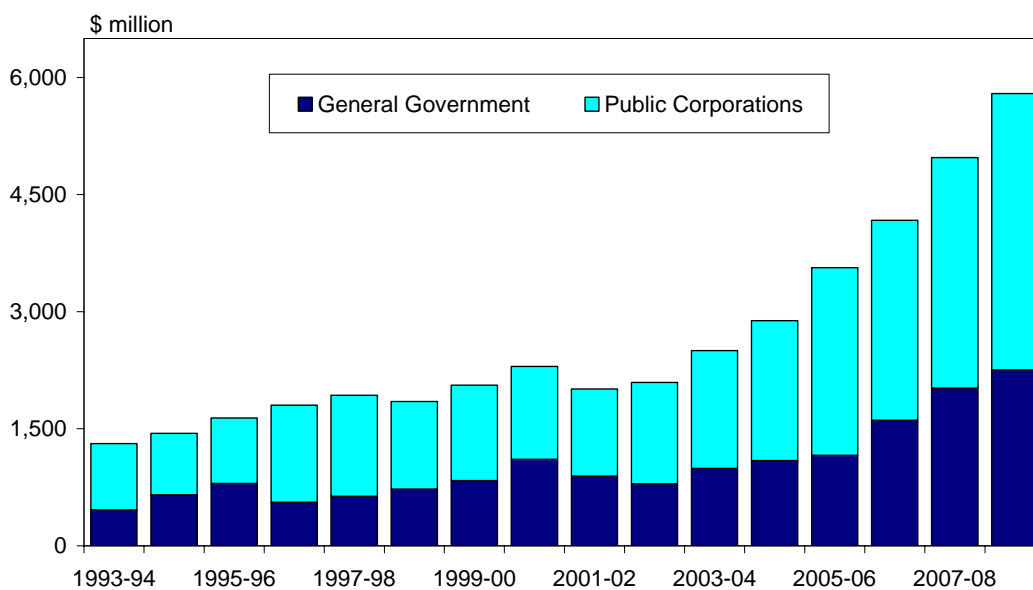
The PFC sector recorded a \$9 million deficit compared with the \$50 million surplus forecast at budget time. This outcome reflects lower than expected revenue (down \$121 million, or 6.6%), which more than offset lower expenses (down \$63 million, or 3.5%). Movements in revenue and expenses in this sector are heavily influenced by holdings in cash and investments and borrowings, which directly influence the operating surplus through associated interest revenue and expenses. Of particular note for this sector, official interest rates, which impact short-term cash investments, were lowered six times (and by 4.25 percentage points in total) by the Reserve Bank during 2008-09.

Asset Investment

Total public sector spending on infrastructure was a record \$5.8 billion in 2008-09. This compared with a \$6.5 billion projection at the time of the 2008-09 Budget.

Figure 6

ASSET INVESTMENT Total Public Sector



The general government sector accounted for \$2.3 billion (or 39%) of the total spend in 2008-09 (and \$453 million or 66% of the underspend against budget). Details of the general government infrastructure spend were outlined earlier in this chapter.

Fixed asset spending by the PNC sector was \$3,566 million in 2008-09, \$281 million lower than budget. This included around \$277 million of spending on land and development costs reflected in the operating activities of the Western Australian Land Authority, which were reclassified as asset investment at the time of the 2007-08 *Annual Report on State Finances*. Abstracting from this accounting change, fixed asset spending in the PNC sector was \$558 million lower than budget.

Significant variations in PNC spending on infrastructure include:

- Fremantle Port Authority (down \$150 million), due mainly to delays in environmental approvals for the Inner Harbour deepening project and the deferral of other projects involving land acquisition and infrastructure upgrades due to the impact of the economic downturn on port activity;
- Port Hedland Port Authority (down \$109 million), due largely to delays in commencing construction work on the Utah Point Berth project;

- Water Corporation (down \$109 million), reflecting delays in environmental approvals for the Southern Seawater Desalination Plant, and project scheduling for a range of water, wastewater and drainage projects;
- Verve Energy (down \$45 million), as a result of lower than forecast spending on plant and equipment, predominantly at the Muja Power Station;
- Western Power (up \$82 million), resulting from the inclusion of higher customer-driven works and capitalised interest. Higher than budget spending associated with distribution works were offset by lower than budgeted transmission expenditure, mainly associated with deferrals due to the Government's Capital Works Audit (i.e. the North Country 330Kv line, Southwest Bulk Reinforcement project and supply to the proposed Southdown Magnetite mine); and
- Western Australian Land Authority (down \$159 million, abstracting from the classification change noted above), reflecting the downturn in the property market which impacts the timing of land development activities and land sale proceeds.

The following table summarises the material movements in infrastructure spending of agencies during 2008-09.

INFRASTRUCTURE SPENDING

Table 5

	2007-08	2008-09				Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
Fremantle Port Authority	20	193	193	92	57	44	-150
Health	232	490	479	496	443	360	-130
Port Hedland Port Authority	25	162	87	88	88	52	-109
Water Corporation	732	1,098	1,098	1,098	1,002	989	-109
Sport & Recreation	1	77	77	77	-	-	-77
Treasury & Finance/Housing & Works ^(a)	110	357	357	356	370	285	-73
Education & Training	335	343	343	400	298	287	-55
WA Planning Commission	76	100	100	98	98	48	-52
Verve Energy	63	84	84	84	80	39	-45
Horizon Power	62	123	123	124	103	81	-42
Housing Authority	572	653	703	872	676	615	-38
Culture & The Arts	19	68	68	68	71	36	-32
Commissioner of Main Roads	732	747	747	820	854	788	41
Public Transport Authority	210	219	220	253	228	263	44
Western Power	770	948	948	970	918	1,030	82
Western Australian Land Authority	372	195	192	391	367	313	119
Provision for revised cash-flows ^(b)	-	-	-	-650	-650	-	-
All Other	641	627	651	754	742	563	-65
TOTAL PUBLIC SECTOR	4,973	6,485	6,471	6,393	5,745	5,795	-691

(a) On 1 February 2009, the Works function of the former Department of Housing and Works was transferred to the Department of Treasury and Finance.

(b) The 2008-09 mid-year review included a provision for expected underspending on infrastructure projects by 30 June 2009. This provision was also included in the estimated outturn data published in the 2009-10 Budget.

Balance Sheet

Net worth of the total public sector is identical to that of the general government sector (discussed earlier). This is because the general government sector records the net worth of public corporations as an equity asset on the balance sheet.

Total public sector net worth increased to \$107.2 billion at 30 June 2009. This represents an increase of \$23.0 billion since budget.

Around \$10.3 billion of this increase is reflected in the higher net worth of direct asset and liabilities holdings of the general government sector (discussed earlier in this chapter). The remaining increase reflects the higher net worth of the public corporations sectors:

- up \$13.1 billion for the PNC sector, due mainly to:
 - the \$1.6 billion impact of better than expected outcomes for 2007-08, detailed in the *2007-08 Annual Report on State Finances*;
 - \$11.1 billion is net acquisitions and valuation changes to the sector's significant holdings of land and other non-financial assets¹⁰; and
 - a lower than expected increase in net debt for 2008-09, which was budgeted to increase by \$3.0 billion but increased by a smaller \$2.0 billion (a discussion of net debt is provided later in this chapter);
- down \$0.3 billion for the public financial corporation sector due to the impact of valuation changes to financial assets held by the Insurance Commission of Western Australia (reflecting the impact of the deterioration in international financial markets).

Cash Flow Statement

A total public sector cash deficit of \$2,439 million was recorded in 2008-09. This was \$221 million lower than the budget-time deficit forecast of \$2,660 million. This largely reflects lower net spending on infrastructure assets, with net cash flows from operations (day-to-day activities), broadly unchanged from the budget forecast.

¹⁰ As noted in relation to PNC depreciation costs above.

Net Debt¹¹ and Net Financial Liabilities¹²

At 30 June 2009, net debt of the total public sector stood at \$6,688 million, \$1,223 million lower than forecast at the time of the 2008-09 Budget. Relative to the outturn for 30 June 2008, net debt increased by \$3.1 billion.

The lower than budget outcome primarily reflects the flow-on impact of the final outturn for 2007-08, which was \$1,077 million lower than expected at the time of the 2008-09 Budget (as discussed in the 2007-08 *Annual Report on State Finances*).

A range of other issues combined to have a largely neutral impact on movements in net debt during 2008-09. In particular:

- total public sector purchases of non-financial assets were \$691 million lower than budgeted, but this was largely offset by lower than budgeted sales of non-financial assets (down \$469 million);
- assets acquired under finance leases, which increase net debt on the balance sheet, were \$385 million lower than budgeted (this was primarily due to an anticipated \$419 million finance lease arrangement for Synergy, for Power Purchase Agreements, being recognised as an operating lease); and
- movements in other net debt assets and liabilities resulted in a net increase in liabilities of around \$458 million compared to budget, largely reflecting a reduction in the value of liquid financial assets held by the Insurance Commission of Western Australia (due largely to the impact of financial market turmoil through 2008-09).

The following table reconciles movements in total public sector net debt since the 2008-09 Budget.

¹¹ Net debt is derived by taking gross borrowings (deposits held, borrowings, finance leases, etc.) and netting off cash and other liquid assets (cash holdings and investments, loans and advances by government, etc.).

¹² Net financial liabilities are a wider measure of balance sheet liabilities than net debt. References to net financial liabilities in this section are consistent with the definition applied by Standard and Poor's for the purposes of credit ratings assessments and focus on the total non-financial public sector. This measure takes account of net debt and unfunded superannuation liabilities. This differs from the net financial liabilities disclosed in Appendix 1 as its calculation excludes some liabilities that are included in the Uniform Presentation Framework (UPF) measure (e.g. accounts payable are not included in the Standard and Poor's measure). Using standard UPF definitions, net financial liabilities in Appendix 1 are higher than those used by Standard and Poor's.

Table 6

**SUMMARY OF TOTAL PUBLIC SECTOR NET DEBT VARIATIONS
SINCE THE 2008-09 BUDGET**

	2007-08 \$m
2008-09 BUDGET - NET DEBT AT 30 JUNE 2009	7,911
<i>Plus</i> impact of final 2007-08 outturn	-1,077.5
<i>Less</i> change in net cash flows from operating activities and distributions paid	
- General government	-977.0
- Public non-financial corporations	873.9
- Public financial corporations	100.0
<i>Plus</i> purchases of non-financial assets	
Policy decisions ^(a)	
- Capital Works Audit	-210.1
- Election Commitments	204.7
- Pilbara Revitalisation Plan ^(b)	-120.0
- Other policy decisions	59.3
<i>Total Policy</i>	<i>-66.0</i>
Parameter movements	
- Western Australian Land Authority ^(c)	181.4
- Fremantle Port Authority	-149.5
- Education and Training	-112.8
- Port Hedland Port Authority	-109.4
- Water Corporation	-109.2
- Housing Authority	-103.4
- Health	-94.6
- Western Australian Planning Commission	-52.4
- Culture and the Arts	-30.1
- Verve Energy	-45.4
- All other	0.5
<i>Total Parameter</i>	<i>-624.8</i>
<i>Total purchase of non-financial assets</i>	<i>-690.9</i>
<i>Less</i> proceeds from sale of non-financial assets	
- Western Australian Land Authority	-238.8
- Housing Authority	-261.2
- All other	30.9
<i>Total sales of non-financial assets</i>	<i>-469.1</i>
<i>Plus</i> all other financing	
Net acquisition under finance leases and similar arrangements ^(d)	-385.1
All other ^(e)	458.2
<i>Cumulative impact on net debt at 30 June</i>	<i>-1,223.1</i>
2008-09 ANNUAL REPORT ON STATE FINANCES - NET DEBT AT 30 JUNE 2009	6,688

- (a) An agency listing of the policy decisions taken since the 2008-09 Budget is provided in Appendix 5: *Policy Decisions Affecting Spending*.
- (b) The 2008-09 component of the Pilbara Revitalisation Plan, funded under the *Royalties for Regions* program, was included as an expense policy decision in the 2009-10 Budget. It was offset by a negative capital policy decision of the same amount, as the entire *Royalties for Regions* program is treated as a policy decision. This treatment ensured that the policy impact of the *Royalties for Regions* program is not doubled counted.
- (c) Includes the impact of land development reclassified to non-financial asset spending at the time of the 2007-08 *Annual Report on State Finances*. See Total Public Sector section earlier in this chapter for further details.
- (d) Assets acquired under finance leases increase net debt but have no associated cash flow reflected in other items in this table.
- (e) Mainly the net movement of financial assets/liabilities in the public financial corporations sector.

Note: Columns may not add due to rounding.

Of note, the general government sector was net debt-free for the sixth consecutive year, with financial assets exceeding gross debt liabilities by \$2.6 billion at 30 June 2009 (broadly unchanged from the budget estimate).

Total non-financial public sector net financial liabilities at 30 June 2009 were \$360 million higher than budget at 30 June 2009.

Of this, higher unfunded superannuation liabilities, totalling \$1.9 billion across the general government and public non-financial corporations sectors, were largely offset by the lower levels of net debt held by these sectors (as discussed above).

Notwithstanding this increase, the ratio of total non-financial public sector net financial liabilities to revenue stood at 54.4%, well below the Standard and Poor's 90% 'trigger ratio' for a credit rating reassessment.

Financial Targets

Overview

The *Government Financial Responsibility Act 2000* (GFRA) requires that the *Annual Report on State Finances* include details of the outcomes of the financial targets set out in the original budget for the reporting year. The financial targets applicable at the time of the 2008-09 Budget (in May 2008) were to:

- maintain or increase real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- retain the State's triple-A credit rating, represented by the following specific targets:
 - maintain the net debt to revenue ratio for the total non-financial public sector (TNPS) at or below 47%; and
 - ensure that real per capita own-purpose expenses for the general government sector do not increase; and
- maintain Western Australia's tax competitiveness, as measured by maintaining tax revenue as a share of Gross State Product (GSP) below the average of the other States.

This chapter provides discussion and analysis against each of these targets based on the financial results discussed in Chapter 1.

The following table outlines compliance with these targets for 2008-09.

Table 1

COMPLIANCE WITH FINANCIAL TARGETS		
	2008-09	
	Budget	Actual
FINANCIAL TARGET		
Real net worth be maintained or increased	Yes	Yes
General government operating surplus	Yes	Yes
Triple-A credit rating be maintained:		
- net debt as a share of revenue for the TNPS at or below 47%	Yes	Yes
- no increase in real per capita own-purpose general government expenses	No	No
Tax revenue as a share of GSP below other States' average	Yes	Yes

The Government has adopted a revised set of financial targets, which were outlined in the 2009-10 Budget (in May 2009). The following table summarises 2008-09 compliance with this revised set of targets which is generally consistent with the expected compliance at the time of the 2009-10 Budget.

Table 2

2008-09 COMPLIANCE WITH 2009-10 BUDGET TARGETS		
	Expected Outturn ^(a)	Actual
FINANCIAL TARGET		
Real net worth be maintained or increased	No	Yes
General government operating surplus	Yes	Yes
Net interest costs as a share of revenue for the TNPS at or below 5%	Yes	Yes
No increase in real per capita own-purpose general government expenses	No	No
Tax competitiveness	No	No

(a) At the time of the 2009-10 Budget.

As required by the GFRA, the remainder of this chapter compares the financial results for 2008-09 to the targets contained in the original (2008-09) budget.

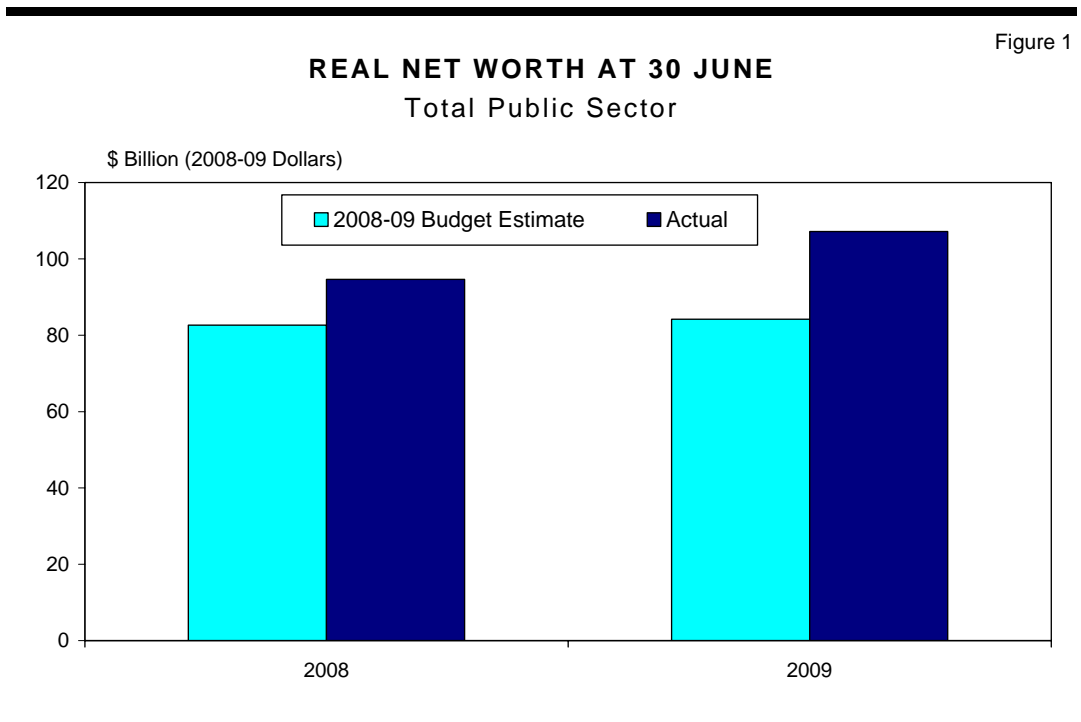
Performance against Financial Targets

Net Worth: Maintain Or Increase Real Net Worth Of The Total Public Sector

This target was met in 2008-09.

Net worth provides an indication of the strength of the public sector balance sheet. It is defined as total assets (both financial and non-financial) less total liabilities. This target focuses on net worth in real terms, abstracting from the impact of inflation.

In nominal terms, total public sector net worth was \$107.2 billion at 30 June 2009, an increase of \$23.0 billion over the 2008-09 Budget estimate. This is an increase of \$12.5 billion (or 13.2%) in real terms relative to 30 June 2008, and compares with a projected 1.8% real increase anticipated at the time of the 2008-09 Budget.



The improvement over budget expectations largely reflects:

- the impact of stronger than expected results in 2007-08 (discussed in the *2007-08 Annual Report on State Finances*);
- increases in the value of the public sector's land and fixed asset holdings (reflecting the application of fair value rather than cost valuation to property plant and equipment¹, particularly for water and electricity utilities, and port authorities); and
- the partly offsetting impact of lower than anticipated surplus outcomes for 2008-09.

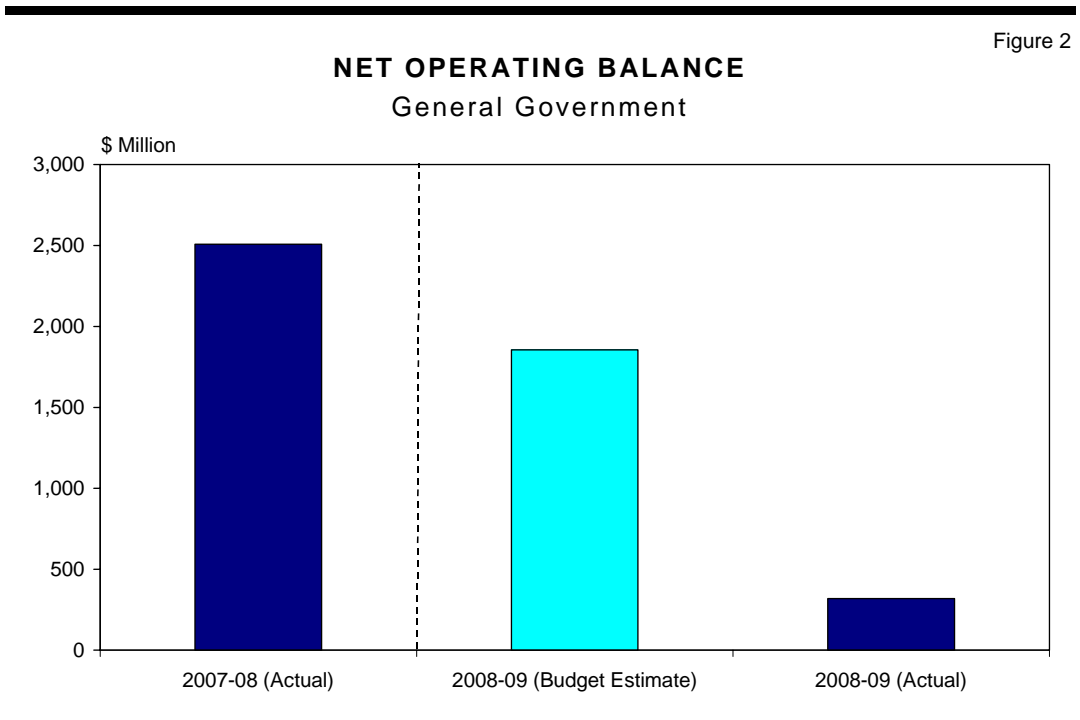
¹ AASB 1049, on which the public sector consolidated accounts presented in this *Annual Report on State Finances* are based, requires the use of fair value asset valuation where practical. The accounts of some agencies present property, plant and equipment on a cost basis, consistent with accounting standards applying to agency financial reporting in their own accounts. See Note 3: *Summary of Accounting Policies* in Appendix 1: *Financial Statements* for details.

Operating Result: Achieve An Operating Surplus For The General Government Sector

This target was met in 2008-09.

The general government net operating balance represents the difference between revenue and expense transactions during the year. The operating balance specifically excludes the impact of revaluations, accounting gains or losses on asset disposals, and other factors that are not attributable to the economic effect of operating activity in the reporting period. Purchases of non-financial assets (i.e. capital spending) are excluded from the net operating balance although the consumption of capital (i.e. depreciation) through the year is included.

The general government sector recorded a \$318 million operating surplus in 2008-09, \$1,537 million lower than the \$1,855 million surplus estimated at the time of the 2008-09 Budget. This follows surplus outcomes in excess of \$2 billion for each of the previous three financial years, reflecting the impact of the boom conditions prevailing at that time.



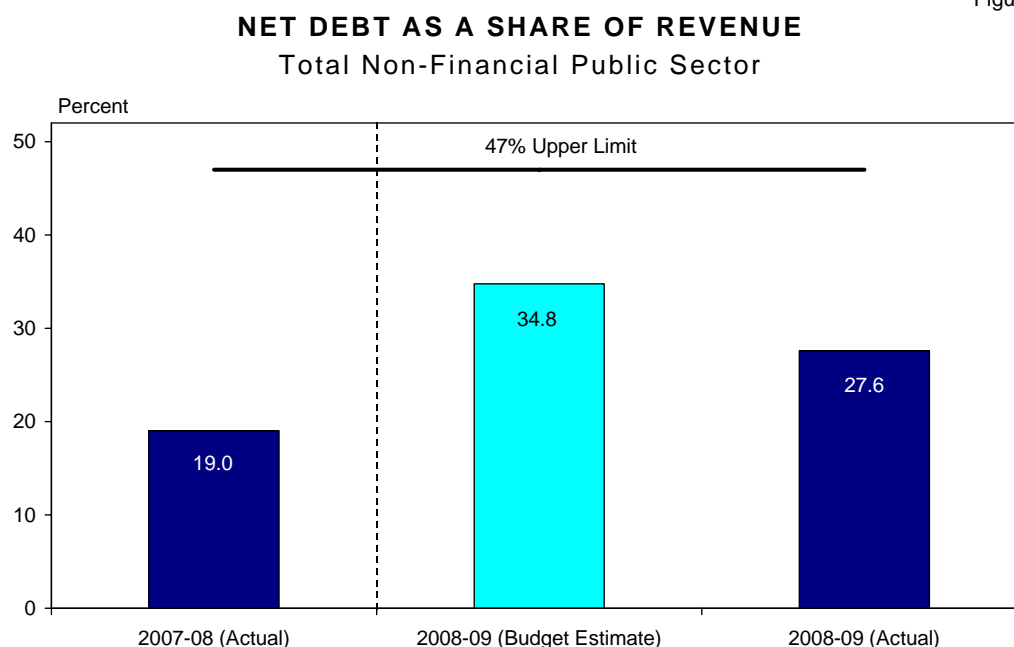
Further detail on the outcome for the operating surplus is provided in Chapter 1: *Financial Results*.

Retain The State's Triple-A Credit Rating - Maintain Net Debt To Revenue For The Total Non-Financial Public Sector At Or Below 47%

This target was met in 2008-09.

The net debt to revenue ratio is a measure of the sustainability of public sector net debt. It includes the net debt position of both the general government and public non-financial corporations sectors relative to the revenue available from those sectors to service that debt. The ratio is one of many measures of the sustainability and affordability of the public sector's net debt position.

Figure 3



The net debt to revenue ratio was 27.6% in 2008-09, 7.2 percentage points lower than originally forecast in the 2008-09 Budget but 8.6 percentage points higher than the 19.0% ratio recorded in 2007-08.

The lower than budgeted outcome reflects:

- lower net debt in the public non-financial corporations sector (down \$1.7 billion), due mainly to the flow-on impact of the better than expected outcome for 2007-08²;
- a lower than expected net asset position³ for the general government sector, representing the impact of the lower general government operating surplus; and
- the effect of higher total non-financial public sector revenue (up \$1.4 billion) on the ratio's denominator, mainly driven by the impact of higher gold prices and volumes on the revenue of the Gold Corporation.

² See 2007-08 *Annual Report on State Finances* for details.

³ The net asset position reduces the level of total net debt across the total public sector.

Retain the State’s Triple-A Credit Rating - Ensure That Real Per Capita Own-Purpose Expenses For The General Government Sector Do Not Increase

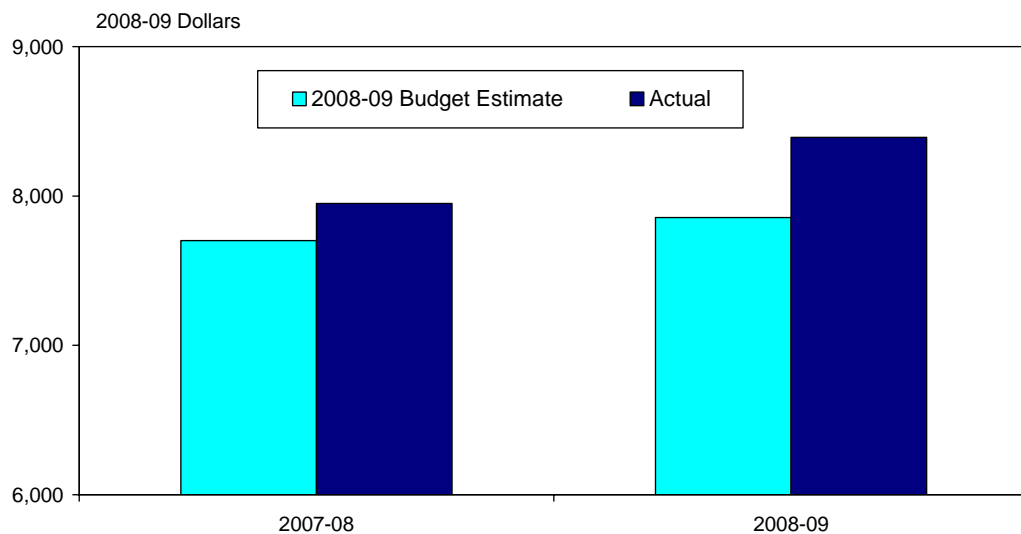
As forecast at the time of the budget, this target was not met in 2008-09.

The target allows for expenses to increase at a rate up to (but not exceeding) combined growth in the population and inflation⁴. It abstracts from Commonwealth specific purpose payments that pass ‘through’ the State, reflecting measurement of the spending under the State’s direct control.

In 2008-09, nominal expenses grew by a 13.5%, up from budgeted growth of 7.7%. Growth rates in excess of 6.8% for State own-purpose expenses result in an above-target outcome in 2008-09.

REAL PER CAPITA OWN-PURPOSE EXPENSES
General Government Sector

Figure 4



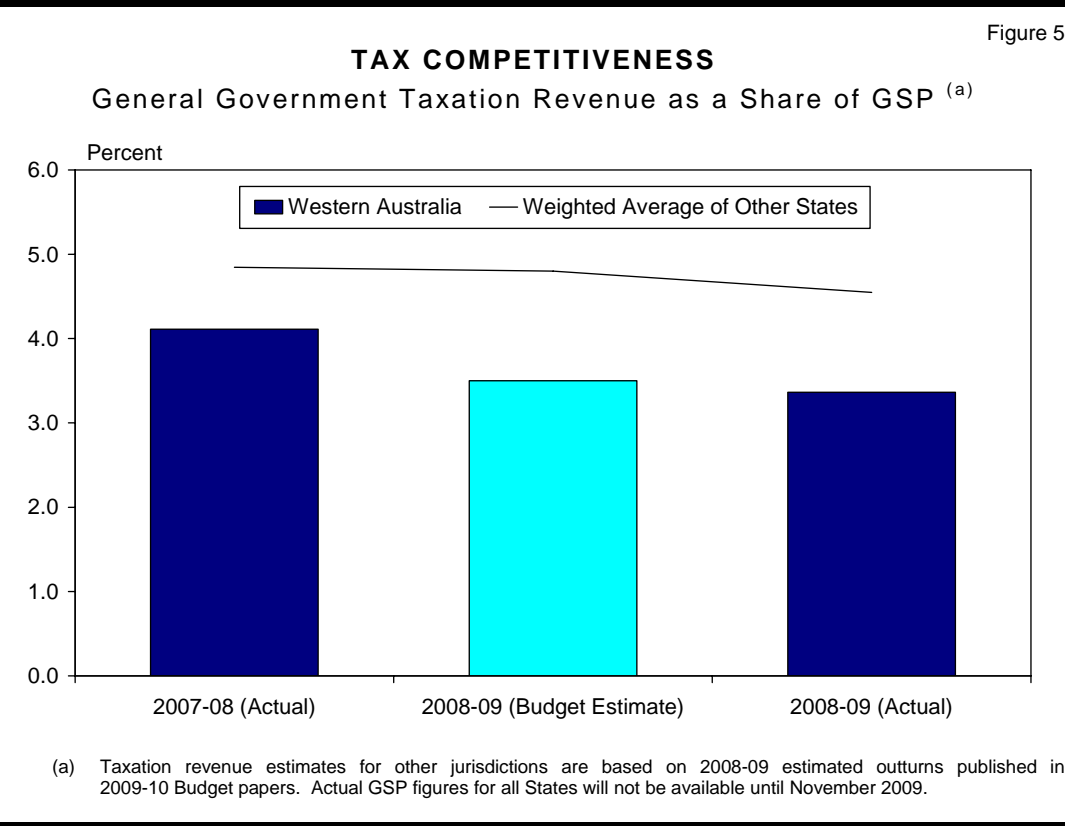
Notwithstanding the above-target expense growth, both Moody’s and Standard and Poor’s have recently confirmed the State’s triple-A credit rating (and stable outlook), reflecting the strength of the State’s balance sheet and the Government’s financial management response to deteriorating conditions.

⁴ Inflation as measured by growth in the public consumption deflator.

Tax Competitiveness: Maintain Western Australia's Tax Competitiveness, as Measured by Maintaining Tax Revenue as a Share of GSP Below the Other States' Average

This target was met in 2008-09.

Western Australia's taxation revenue declined as a share of GSP in 2008-09, with economic activity growing at a faster rate than taxation revenue. The State's taxation revenue as a share of GSP in 2008-09 remained well below the average of the other States.



APPENDIX 1

Financial Statements

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Introduction

Financial information presented in this appendix has been prepared in accordance with accounting standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting*. AASB 1049 was issued in October 2007 and applies to annual reporting periods beginning on or after 1 July 2008. Comparative information for 2007-08 has been restated to be consistent with the AASB 1049 presentation format used in this report and in all of the State's whole-of-government financial statements since the 2008-09 Budget Papers released on 8 May 2008.

These financial statements (Operating Statement, Balance Sheet and Cash Flow Statement) also comply with Uniform Presentation Framework (UPF) disclosure requirements by reporting the finances of all sub-sectors of government. These sub-sectors are: the general government, public non-financial corporations, total non-financial sector, public financial corporations and total public sectors. Other UPF disclosure requirements are included in the notes to the financial statements, and in Appendices 2 and 3 of this report.

Table 1.1

GENERAL GOVERNMENT
Operating Statement

	Notes	2007-08		2008-09			Actual \$m (5)	Variation on Budget \$m (5) - (1)
		Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
<i>Results from Transactions</i>								
REVENUE								
Taxation		6,447	6,576	6,287	5,896	5,561	5,706	-869
Current grants and subsidies		7,800	7,526	7,751	7,817	7,957	8,089	564
Capital grants		436	433	446	440	511	411	-22
Sales of goods and services		1,407	1,329	1,330	1,484	1,484	1,410	81
Interest Income		332	252	241	208	287	285	33
Dividends from other sector entities		512	476	476	495	506	466	-10
Tax equivalent income		368	334	355	332	356	355	20
Royalty income		1,680	2,646	2,715	3,037	2,675	2,348	-298
Other		364	300	302	331	340	364	63
Total	6	19,345	19,872	19,903	20,039	19,677	19,435	-438
EXPENSES								
Salaries		6,906	7,278	7,224	7,383	7,514	7,764	486
Superannuation								
Concurrent costs		666	713	697	709	722	746	33
Superannuation interest cost		359	309	312	341	256	330	22
Other employee costs		276	283	280	282	312	326	43
Depreciation and amortisation	9	709	775	776	787	782	764	-12
Services and contracts		1,981	2,207	2,195	2,334	1,429	2,216	9
Other gross operating expenses	10	1,560	1,843	1,819	1,770	2,670	1,698	-145
Other interest	8	120	121	121	128	115	118	-2
Other property expenses		-	-	-	-	-	-	-
Current transfers	7	3,769	4,026	4,066	4,482	4,511	4,554	528
Capital transfers	7	491	462	482	638	719	600	137
Total		16,837	18,017	17,972	18,853	19,030	19,117	1,100
NET OPERATING BALANCE ^(a)	4	2,507	1,855	1,930	1,186	647	318	-1,537
<i>Other economic flows</i>								
Gains on net assets		179	183	183	119	117	52	-131
Net actuarial gains - superannuation		-291	-	-	74	-2,072	-1,277	-1,277
Provision for doubtful debts		-59	-	-	-	-	24	24
All other		-	-	-3	-	-	-	-
Total other economic flows		-170	182	179	193	-1,955	-1,201	-1,383
OPERATING RESULT		2,337	2,038	2,110	1,379	-1,308	-883	-2,921
<i>All other movements in equity</i>								
Revaluations		11,313	1,011	1,004	1,064	1,412	3,563	2,552
Gains recognised directly in equity		8	-1	-1	-1	-1	6	7
Changes in accounting policy/correction of prior period errors		311	-	-	-	-	-204	-204
Change in net worth of the public corporations sectors		2,955	867	881	791	427	11,901	11,034
All other		-	-	-	-	-	-	-
Total all other movements in equity		14,587	1,878	1,885	1,854	1,838	15,266	13,388
TOTAL CHANGE IN NET WORTH ^(b)		16,924	3,916	3,995	3,234	531	14,382	10,466
KEY FISCAL AGGREGATES								
NET OPERATING BALANCE		2,507	1,855	1,930	1,186	647	318	-1,537
<i>Less Net acquisition of non-financial assets</i>								
Purchase of non-financial assets		2,022	2,707	2,721	2,743	2,463	2,255	-453
Changes in inventories		3	-	-	-	10	13	13
Other movement in non-financial assets		167	-38	-37	-41	-41	-36	2
<i>less:</i>								
Sales of non-financial assets		244	164	165	161	161	164	-
Depreciation		709	775	776	787	782	764	-11
Total net acquisition of non-financial assets		1,239	1,730	1,742	1,755	1,488	1,305	-425
NET LENDING/-BORROWING	4	1,268	125	188	-569	-841	-987	-1,112

(a) Also known as 'Net Result From Transactions'.

(b) Also known as the 'Comprehensive Result'.

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Notes	2008		2009			Actual \$m (5)	Variation on Budget \$m (5) - (1)
		Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
ASSETS								
<i>Financial assets</i>								
Cash and deposits		497	401	398	405	513	380	-21
Advances paid		736	730	730	726	704	716	-14
Investments, loans and placements		3,970	3,417	3,583	3,353	3,522	4,168	751
Receivables	12	1,734	1,592	1,736	1,698	1,606	1,549	-43
Investment property	15	9	12	12	9	9	8	-4
Shares and other equity								
Investments in other public sector entities - equity method		29,052	28,204	28,165	29,843	29,479	40,952	12,748
Investments in other public sector entities - direct injections		2,797	3,244	3,232	3,298	3,286	3,164	-80
Investments in other entities		-	-	-	-	-	-	-
Other financial assets		-	5	5	-	-	-	-5
Total financial assets		38,795	37,605	37,860	39,332	39,119	50,937	13,332
<i>Non-financial assets</i>								
Land	16	37,624	29,736	29,769	38,389	38,294	39,389	9,653
Property, plant and equipment	17,18	26,511	26,640	26,649	28,840	28,987	29,657	3,017
Biological assets	13	2	2	2	2	2	2	-
Inventories	11							
Land inventories		93	44	44	73	74	96	52
Other inventories		59	56	56	59	68	72	16
Intangibles	19	259	197	199	242	253	336	139
Non-current assets held for sale	14	44	78	76	49	54	18	-60
Other		146	-	-	50	51	117	117
Total non-financial assets		64,737	56,754	56,797	67,704	67,783	69,686	12,932
TOTAL ASSETS		103,533	94,358	94,657	107,037	106,901	120,624	26,266
LIABILITIES								
Deposits held		326	248	248	325	265	391	143
Advances received		510	496	496	496	500	496	-
Borrowings	20	1,046	1,143	1,012	1,144	1,600	1,847	704
Unfunded superannuation	21	5,796	5,170	5,224	5,610	7,773	7,086	1,916
Other employee benefits	22	1,836	1,830	1,850	1,966	1,971	2,072	242
Payables		381	303	303	469	465	481	178
Other liabilities	23	858	989	1,069	1,012	1,016	1,088	99
TOTAL LIABILITIES		10,753	10,180	10,204	11,024	13,591	13,462	3,282
NET ASSETS		92,780	84,178	84,453	96,013	93,310	107,162	22,984
<i>Of which:</i>								
Contributed equity		-	-	-	-	-	-	-
Accumulated surplus		9,274	10,817	11,125	10,313	7,626	8,516	-2,301
Other reserves		83,505	73,361	73,329	85,700	85,684	98,646	25,285
NET WORTH	4	92,780	84,178	84,453	96,013	93,310	107,162	22,984
MEMORANDUM ITEMS								
<i>Net financial worth</i>		<i>28,042</i>	<i>27,425</i>	<i>27,656</i>	<i>28,309</i>	<i>25,527</i>	<i>37,476</i>	<i>10,051</i>
<i>Net financial liabilities</i>		<i>3,807</i>	<i>4,024</i>	<i>3,740</i>	<i>4,832</i>	<i>7,237</i>	<i>6,641</i>	<i>2,617</i>
Net debt								
Gross debt liabilities		1,882	1,888	1,757	1,966	2,365	2,734	846
less: liquid financial assets		5,203	4,547	4,711	4,485	4,739	5,264	717
less: convergence differences impacting net debt		88	88	88	88	88	88	-
Net debt		-3,409	-2,747	-3,042	-2,607	-2,461	-2,618	129

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	Notes	2007-08		2008-09			Actual \$m (5)	Variation on Budget \$m (5) - (1)
		Actual \$m (1)	Budget Estimate \$m (2)	PFPS Revision \$m (3)	MYR Revision \$m (4)	Estimated Outturn \$m (5)		
CASH FLOWS FROM OPERATING ACTIVITIES								
<i>Cash received</i>								
Taxes received		6,294	6,431	6,305	6,014	5,694	5,865	-566
Grants and subsidies received		8,192	7,943	8,179	8,227	8,383	8,538	595
Receipts from sales of goods and services		1,505	1,477	1,471	1,533	1,532	1,556	79
Interest receipts		314	245	248	216	267	295	50
Dividends and tax equivalents		827	848	851	850	949	877	29
Other		2,751	3,866	3,887	4,140	3,868	3,692	-174
<i>Total cash received</i>		19,882	20,811	20,942	20,980	20,695	20,822	11
<i>Cash Paid</i>								
Wages, salaries and supplements, and superannuation		-7,684	-7,109	-8,292	-8,376	-8,412	-8,595	-1,486
Payments for goods and services		-4,068	-5,595	-4,307	-4,376	-4,415	-4,441	1,154
Interest paid		-112	-120	-120	-149	-110	-131	-11
Grants and subsidies paid		-3,890	-4,086	-4,123	-4,444	-4,539	-4,650	-564
Dividends and tax equivalents		-	-	-	-	-	-	-
Other payments		-1,068	-1,207	-1,208	-1,453	-1,452	-1,289	-82
<i>Total cash paid</i>		-16,823	-18,118	-18,049	-18,799	-18,928	-19,106	-988
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	3,060	2,694	2,892	2,182	1,767	1,717	-977
CASH FLOWS FROM INVESTING ACTIVITIES								
<i>Cash flows from investments in non-financial assets</i>								
Purchase of non-financial assets		-2,022	-2,707	-2,721	-2,743	-2,463	-2,255	452
Sales of non-financial assets		244	164	165	161	161	164	-
<i>Total cash flows from investments in non-financial assets</i>		-1,778	-2,544	-2,555	-2,583	-2,302	-2,091	453
<i>Cash flows from investments in financial assets</i>								
<i>Cash received</i>								
For policy purposes		1	-	-	-	-	1	1
For liquidity purposes		83	-	-	-	3	25	25
<i>Cash paid</i>								
For policy purposes		-349	-283	-283	-358	-346	-368	-85
For liquidity purposes		-1	-10	-10	-8	-8	-3	7
<i>Total cash flows from investments in financial assets</i>		-267	-293	-293	-366	-350	-345	-52
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,045	-2,837	-2,849	-2,948	-2,652	-2,437	400
CASH FLOWS FROM FINANCING ACTIVITIES								
<i>Cash received</i>								
Advances received		13	1	1	14	10	14	13
Borrowings		45	58	58	338	773	1,012	954
Deposits received		-	-	-	-	-	-	-
Other financing receipts		54	27	27	27	29	30	3
<i>Total cash receipts from financing activities</i>		111	85	85	379	812	1,056	971
<i>Cash paid</i>								
Advances paid		-16	-	-	-17	-13	-14	-14
Borrowings repaid		-189	-177	-177	-201	-179	-182	-5
Deposits paid		-	-	-	-	-	-	-
Other financing payments		-31	-107	-107	-49	-52	-43	64
<i>Total payments for financing activities</i>		-236	-284	-284	-267	-244	-239	45
NET CASH FLOWS FROM FINANCING ACTIVITIES		-125	-199	-199	112	568	818	1,017
Net increase in cash and cash equivalents		890	-342	-155	-655	-317	98	440
Cash and cash equivalents at the beginning of the year		3,346	3,876	3,923	4,236	4,236	4,236	360
Cash and cash equivalents at the end of the year	25	4,236	3,534	3,768	3,581	3,919	4,334	800
KEY FISCAL AGGREGATES								
Net cash flows from operating activities		3,060	2,694	2,892	2,182	1,767	1,717	-977
Net cash flows from investing in non-financial assets		-1,778	-2,544	-2,555	-2,583	-2,302	-2,091	453
Cash surplus/-deficit	6	1,281	150	337	-401	-535	-375	-525

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	2007-08	2008-09				Actual \$m	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies	1,317	1,436	1,447	1,567	1,598	1,628	192
Capital grants	120	92	98	108	101	46	-46
Sales of goods and services	7,471	7,497	7,516	8,489	8,525	9,186	1,689
Interest Income	169	146	146	154	175	163	17
Other	431	386	456	472	480	580	194
<i>Total</i>	<i>9,508</i>	<i>9,557</i>	<i>9,663</i>	<i>10,789</i>	<i>10,878</i>	<i>11,604</i>	<i>2,047</i>
EXPENSES							
Salaries	702	805	793	814	806	835	30
Superannuation							
Concurrent costs	71	75	77	78	77	80	5
Superannuation interest cost	-	-	-	-	-	-	-
Other employee costs	38	21	20	27	26	39	18
Depreciation and amortisation	837	937	937	946	951	1,310	373
Services and contracts	492	253	259	422	430	557	304
Other gross operating expenses	5,109	5,302	5,379	6,343	6,290	6,791	1,489
Other interest	642	791	785	812	776	707	-84
Dividends and tax equivalents	822	785	806	819	857	808	23
Current transfers	633	782	793	807	851	682	-100
Capital transfers	66	6	6	17	23	17	11
<i>Total</i>	<i>9,412</i>	<i>9,757</i>	<i>9,855</i>	<i>11,085</i>	<i>11,087</i>	<i>11,826</i>	<i>2,069</i>
NET OPERATING BALANCE ^(a)	96	-200	-192	-296	-209	-222	-22
<i>Other economic flows</i>							
Gains on net assets	227	322	322	266	121	124	-198
Net actuarial gains - superannuation	-10	-	-	-	-40	-23	-23
Provision for doubtful debts	-11	-8	-8	-8	-8	-19	-11
All other	-	-	3	-	-	-	-
<i>Total other economic flows</i>	<i>205</i>	<i>314</i>	<i>317</i>	<i>259</i>	<i>74</i>	<i>81</i>	<i>-233</i>
OPERATING RESULT	301	114	125	-37	-136	-141	-255
<i>All other movements in equity</i>							
Revaluations	2,726	757	757	806	947	12,184	11,427
Gains recognised directly in equity	248	-46	-46	-43	-43	316	362
Changes in accounting policy/correction of prior period errors	-365	-	-	-	-	-156	-156
Capital injections from general government	348	283	283	501	489	367	84
All other	-	-	-	-	-	-	-
<i>Total all other movements in equity</i>	<i>2,956</i>	<i>995</i>	<i>995</i>	<i>1,264</i>	<i>1,393</i>	<i>12,711</i>	<i>11,716</i>
TOTAL CHANGE IN NET WORTH ^(b)	3,257	1,108	1,120	1,227	1,258	12,570	11,462
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	96	-200	-192	-296	-209	-222	-22
Less <i>Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	2,965	3,847	3,820	3,719	3,293	3,566	-281
Changes in inventories	371	-17	-16	114	122	700	717
Other movement in non-financial assets	187	413	413	-17	-17	-43	-456
<i>less:</i>							
Sales of non-financial assets	664	951	951	742	524	444	-507
Depreciation	837	937	937	946	951	1,310	373
<i>Total net acquisition of non-financial assets</i>	<i>2,023</i>	<i>2,354</i>	<i>2,328</i>	<i>2,127</i>	<i>1,923</i>	<i>2,470</i>	<i>116</i>
NET LENDING/-BORROWING	-1,927	-2,554	-2,520	-2,423	-2,132	-2,692	-138

(a) Also known as 'Net Result From Transactions'.

(b) Also known as the 'Comprehensive Result'.

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	2008	2009				Actual \$m	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
ASSETS							
<i>Financial assets</i>							
Cash and deposits	505	424	448	499	400	774	350
Advances paid	7	-	-	7	4	-	-
Investments, loans and placements	2,007	1,932	2,964	2,733	3,450	3,089	1,157
Receivables	1,837	1,320	1,249	1,857	1,841	1,423	103
Investment property	-	-	-	-	-	20	20
Shares and other equity							
Investments in other public sector entities - equity method	-	-	-	-	-	-	-
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in other entities	37	28	27	19	62	14	-14
Other financial assets	431	626	638	573	569	579	-47
Total financial assets	4,824	4,330	5,326	5,689	6,326	5,898	1,568
<i>Non-financial assets</i>							
Land	10,622	9,841	9,841	11,153	10,899	13,438	3,597
Property, plant and equipment	27,664	30,922	30,190	30,544	30,675	39,003	8,081
Biological assets	348	353	353	377	377	362	9
Inventories							
Land inventories	1,227	1,465	1,458	1,450	1,398	1,387	-78
Other inventories	999	813	830	1,113	1,121	1,700	887
Intangibles	167	118	118	172	172	234	116
Non-current assets held for sale	10	11	11	12	8	1	-10
Other	115	-	-	29	29	85	85
Total non-financial assets	41,152	43,523	42,802	44,850	44,679	56,209	12,686
TOTAL ASSETS	45,976	47,853	48,129	50,539	51,005	62,107	14,254
LIABILITIES							
Deposits held	3	1	1	1	1	8	7
Advances received	510	496	496	496	500	496	-
Borrowings	10,375	13,843	14,113	13,607	13,993	13,692	-151
Unfunded superannuation	114	144	147	88	127	124	-20
Other employee benefits	257	252	250	259	261	302	50
Payables	2,716	1,823	1,850	2,829	2,778	3,068	1,245
Other liabilities	1,464	1,243	1,275	1,496	1,550	1,310	67
TOTAL LIABILITIES	15,439	17,803	18,133	18,775	19,211	19,000	1,197
NET ASSETS	30,537	30,050	29,996	31,764	31,795	43,108	13,058
<i>Of which:</i>							
Contributed equity	2,797	3,244	3,232	3,298	3,286	3,164	-80
Accumulated surplus	17,851	18,450	18,408	20,653	20,554	17,783	-667
Other reserves	9,889	8,356	8,356	7,813	7,955	22,160	13,804
NET WORTH	30,537	30,050	29,996	31,764	31,795	43,108	13,058
MEMORANDUM ITEMS							
<i>Net financial worth</i>	<i>-41,152</i>	<i>-43,523</i>	<i>-42,802</i>	<i>-44,850</i>	<i>-44,679</i>	<i>-56,209</i>	<i>-12,686</i>
Net debt							
Gross debt liabilities	10,888	14,341	14,610	14,105	14,494	14,196	-145
less: liquid financial assets	2,519	2,356	3,412	3,239	3,854	3,863	1,507
less: convergence differences impacting net debt	-	-	-	-	-	-	-
Net debt	8,368	11,985	11,198	10,865	10,640	10,333	-1,652

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	2007-08	2008-09				Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received	1,302	1,405	1,416	1,511	1,540	1,531	126
Receipts from sales of goods and services	7,634	7,449	7,584	8,946	8,994	10,108	2,659
Interest receipts	170	145	144	151	172	168	23
Dividends and tax equivalents	20	-	-	-	-	-	-
Other	751	644	649	606	625	815	171
<i>Total cash received</i>	9,877	9,644	9,794	11,215	11,332	12,622	2,978
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation	-784	-849	-917	-959	-953	-885	-36
Payments for goods and services	-5,464	-5,545	-5,549	-6,857	-6,886	-7,676	-2,131
Interest paid	-620	-793	-788	-830	-768	-722	71
Grants and subsidies paid	-579	-719	-727	-731	-780	-550	169
Dividends and tax equivalents	-802	-831	-834	-846	-885	-800	31
Other payments	-1,043	-934	-946	-930	-953	-1,142	-208
<i>Total cash paid</i>	-9,294	-9,671	-9,761	-11,153	-11,224	-11,775	-2,104
NET CASH FLOWS FROM OPERATING ACTIVITIES	583	-27	33	62	108	847	874
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-2,965	-3,847	-3,820	-3,719	-3,293	-3,566	281
Sales of non-financial assets	664	951	951	742	524	444	-507
<i>Total cash flows from investments in non-financial assets</i>	-2,302	-2,895	-2,868	-2,976	-2,769	-3,122	-227
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	135	165	165	103	154	260	95
<i>Cash paid</i>							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	-315	-187	-187	-61	-104	-193	-6
<i>Total cash flows from investments in financial assets</i>	-180	-22	-22	42	49	68	90
NET CASH FLOWS FROM INVESTING ACTIVITIES	-2,482	-2,918	-2,891	-2,934	-2,720	-3,054	-136
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	8,623	7,755	8,084	8,549	13,370	19,229	11,474
Deposits received	-	-	-	-	-	-	-
Other financing receipts	383	284	284	359	343	329	45
<i>Total cash received</i>	9,007	8,039	8,368	8,908	13,713	19,557	11,518
<i>Cash paid</i>							
Advances paid	-13	-13	-13	-13	-9	-14	-1
Borrowings repaid	-7,111	-5,139	-5,515	-5,786	-10,890	-17,068	-11,929
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-52	-1	-1	-39	-19	-	1
<i>Total cash paid</i>	-7,176	-5,154	-5,530	-5,838	-10,918	-17,082	-11,928
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,831	2,885	2,838	3,070	2,795	2,476	-409
Net increase in cash and cash equivalents	-68	-60	-20	198	183	268	328
Cash and cash equivalents at the beginning of the year	880	852	1,427	812	812	812	-40
Cash and cash equivalents at the end of the year	812	792	1,407	1,009	995	1,080	288
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	583	-27	33	62	108	847	874
Net cash flows from investing in non-financial assets	-2,302	2,895	-2,868	-2,976	-2,769	-3,122	-6,017
Cash surplus/-deficit	-1,719	-2,922	-2,835	-2,914	-2,661	-2,275	647

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	2007-08	2008-09				Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m (1)	Budget Estimate \$m (2)	PFPS Revision \$m (3)	MYR Revision \$m (4)	Estimated Outturn \$m (4)		
<i>Results from Transactions</i>							
REVENUE							
Taxation	6,215	6,359	6,067	5,652	5,318	5,433	-926
Current grants and subsidies	7,800	7,526	7,751	7,817	7,957	8,089	563
Capital grants	436	433	446	440	511	411	-22
Sales of goods and services	8,654	8,547	8,546	9,680	9,687	10,322	1,775
Interest Income	464	365	354	341	439	416	51
Royalty income	1,680	2,646	2,715	3,037	2,675	2,348	-298
Other	825	699	770	798	807	939	240
Total	26,073	26,575	26,650	27,764	27,393	27,960	1,385
EXPENSES							
Salaries	7,608	8,083	8,018	8,197	8,320	8,600	517
Superannuation							
Concurrent costs	738	787	773	787	799	826	39
Superannuation interest cost	359	309	312	341	256	330	21
Other employee costs	227	199	195	214	210	246	47
Depreciation and amortisation	1,545	1,713	1,713	1,733	1,733	2,074	361
Services and contracts	2,466	2,459	2,453	2,755	1,859	2,763	304
Other gross operating expenses	6,386	6,847	6,879	7,785	8,630	8,177	1,330
Other interest	726	879	873	919	868	794	-85
Other property expenses	-	-	-	-	-	-	-
Current transfers	2,988	3,266	3,303	3,595	3,638	3,484	218
Capital transfers	428	377	390	547	641	570	193
Total	23,469	24,920	24,911	26,873	26,955	27,864	2,944
NET OPERATING BALANCE ^(a)	2,604	1,655	1,739	890	438	96	-1,559
<i>Other economic flows</i>							
Gains on net assets	406	505	505	386	239	176	-329
Net actuarial gains - superannuation	-301	-	-	74	-2,112	-1,301	-1,301
Provision for doubtful debts	-70	-9	-9	-8	-8	5	14
All other	-	-	-	-	-	-	-
Total other economic flows	34	496	496	452	-1,881	-1,120	-1,616
OPERATING RESULT	2,638	2,151	2,235	1,342	-1,443	-1,024	-3,175
<i>All other movements in equity</i>							
Revaluations	14,039	1,768	1,762	1,870	2,359	15,747	13,979
Gains recognised directly in equity	256	-46	-46	-43	-43	322	368
Changes in accounting policy/correction of prior period errors	-55	-	-	-	-	-360	-360
Change in net worth of the public financial corporations	46	42	44	65	-342	-302	-344
All other	-	-	-	-	-	-	-
Total all other movements in equity	14,286	1,764	1,760	1,892	1,974	15,407	13,643
TOTAL CHANGE IN NET WORTH ^(b)	16,924	3,916	3,995	3,234	531	14,382	10,466
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	2,604	1,655	1,739	890	438	96	-1,559
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	4,959	6,481	6,467	6,388	5,738	5,786	-695
Changes in inventories	374	-17	-16	114	132	714	731
Other movement in non-financial assets	354	375	376	-57	-58	-79	-454
<i>less:</i>							
Sales of non-financial assets	879	1,043	1,043	829	668	573	-470
Depreciation	1,545	1,713	1,713	1,733	1,733	2,074	361
Total net acquisition of non-financial assets	3,263	4,084	4,071	3,882	3,411	3,774	-310
NET LENDING/-BORROWING	-659	-2,429	-2,332	-2,991	-2,973	-3,679	-1,250

(a) Also known as 'Net Result From Transactions'.

(b) Also known as the 'Comprehensive Result'.

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	2008	2009				Actual \$m	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
ASSETS							
<i>Financial assets</i>							
Cash and deposits	803	708	729	730	781	897	189
Advances paid	233	234	234	413	383	220	-14
Investments, loans and placements	5,977	5,338	6,536	6,076	6,962	7,257	1,919
Receivables	3,405	2,808	2,869	3,412	3,308	2,783	-25
Investment property	9	12	12	9	9	27	15
Shares and other equity							
Investments in other public sector entities - equity method	1,312	1,398	1,400	1,377	970	1,009	-389
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in other entities	37	28	28	32	33	14	-14
Other financial assets	-	73	73	-	-	-	-73
<i>Total financial assets</i>	11,777	10,599	11,883	12,050	12,447	12,207	1,608
<i>Non-financial assets</i>							
Land	48,245	39,576	39,610	49,542	49,193	52,826	13,250
Property, plant and equipment	54,175	57,638	57,231	59,385	59,662	68,660	11,022
Biological assets	351	356	356	379	379	364	8
Inventories							
Land inventories	1,320	1,435	1,111	1,523	1,472	1,483	48
Other inventories	1,058	869	886	1,171	1,190	1,771	902
Intangibles	426	315	317	413	424	570	255
Non-current assets held for sale	53	89	87	61	62	19	-70
Other	261	-	-	80	80	201	201
<i>Total non-financial assets</i>	105,889	100,277	99,599	112,554	112,462	125,894	25,617
TOTAL ASSETS	117,665	110,876	111,482	124,604	124,908	138,101	27,225
LIABILITIES							
Deposits held	129	122	122	142	124	142	20
Advances received	510	496	496	496	500	496	-
Borrowings	11,422	14,987	15,125	14,751	15,592	15,539	552
Unfunded superannuation	5,909	5,314	5,371	5,698	7,900	7,210	1,896
Other employee benefits	2,093	2,083	2,101	2,225	2,232	2,374	291
Payables	2,934	1,035	2,040	3,179	3,126	3,361	2,326
Other liabilities	1,889	2,661	1,773	2,099	2,123	1,817	-844
<i>TOTAL LIABILITIES</i>	24,886	26,698	27,029	28,590	31,598	30,939	4,241
NET ASSETS	92,780	84,178	84,453	96,013	93,310	107,162	22,984
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	27,126	29,267	29,533	30,966	28,180	26,299	-2,968
Other reserves	65,654	54,911	54,920	65,047	65,130	80,863	25,952
NET WORTH	92,780	84,178	84,453	96,013	93,310	107,162	22,984
MEMORANDUM ITEMS							
<i>Net financial worth</i>	-13,109	-16,099	-15,146	-16,541	-19,152	-18,732	-2,633
<i>Net financial liabilities</i>	14,458	17,525	16,574	17,950	20,155	19,755	2,230
Net debt							
Gross debt liabilities	12,061	15,605	15,744	15,389	16,217	16,177	572
less: liquid financial assets	7,013	6,280	7,499	7,219	8,126	8,374	2,094
less: convergence differences impacting net debt	88	88	88	88	88	88	-
<i>Net debt</i>	4,959	9,238	8,156	8,082	8,003	7,715	-1,523

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	2007-08	2008-09				Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m (1)	Budget Estimate \$m (2)	PFPS Revision \$m (3)	MYR Revision \$m (4)	Estimated Outturn \$m (4)		
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received	6,065	6,217	6,087	5,775	5,455	5,603	-614
Grants and subsidies received	8,192	7,943	8,179	8,227	8,383	8,538	595
Receipts from sales of goods and services	8,906	8,649	8,760	10,179	10,198	11,403	2,754
Interest receipts	446	332	335	321	416	430	98
Dividends and tax equivalents	45	22	22	4	64	77	55
Other	3,332	4,495	4,523	4,739	4,503	4,347	-148
<i>Total cash received</i>	<i>26,986</i>	<i>27,658</i>	<i>27,907</i>	<i>29,245</i>	<i>29,020</i>	<i>30,397</i>	<i>2,739</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation	-8,469	-7,958	-9,209	-9,336	-9,366	-9,479	-1,521
Payments for goods and services	-9,157	-10,862	-9,560	-10,933	-10,973	-11,712	-850
Interest paid	-695	-855	-850	-933	-854	-822	33
Grants and subsidies paid	-3,145	-3,369	-3,403	-3,635	-3,767	-3,657	-288
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-1,878	-2,001	-1,958	-2,165	-2,186	-2,164	-163
<i>Total cash paid</i>	<i>-23,343</i>	<i>-25,046</i>	<i>-24,981</i>	<i>-27,002</i>	<i>-27,145</i>	<i>-27,834</i>	<i>-2,788</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,643	2,613	2,926	2,244	1,875	2,564	-49
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-4,959	-6,481	-6,467	-6,388	-5,738	-5,786	695
Sales of non-financial assets	879	1,043	1,043	829	668	573	-470
<i>Total cash flows from investments in non-financial assets</i>	<i>-4,080</i>	<i>-5,439</i>	<i>-5,424</i>	<i>-5,559</i>	<i>-5,070</i>	<i>-5,213</i>	<i>226</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes	1	-	-	-	-	1	1
For liquidity purposes	218	165	165	103	157	286	121
<i>Cash paid</i>							
For policy purposes	-1	-	-	-	-	-1	-1
For liquidity purposes	-317	-197	-197	-69	-112	-196	1
<i>Total cash flows from investments in financial assets</i>	<i>-99</i>	<i>-33</i>	<i>-33</i>	<i>34</i>	<i>45</i>	<i>90</i>	<i>123</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-4,179	-5,471	-5,456	-5,525	-5,026	-5,124	347
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received	-	1	1	1	1	-	-1
Borrowings	8,668	7,813	8,142	8,888	14,143	20,241	12,428
Deposits received	-	-	-	-	-	-	-
Other financing receipts	62	27	27	27	45	47	20
<i>Total cash received</i>	<i>8,730</i>	<i>7,840</i>	<i>8,169</i>	<i>8,915</i>	<i>14,189</i>	<i>20,288</i>	<i>12,448</i>
<i>Cash paid</i>							
Advances paid	-16	-13	-13	-17	-13	-14	-1
Borrowings repaid	-7,300	-5,317	-5,693	-5,987	-11,069	-17,250	-11,933
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-56	-107	-107	-86	-90	-98	9
<i>Total cash paid</i>	<i>-7,372</i>	<i>-5,437</i>	<i>-5,813</i>	<i>-6,091</i>	<i>-11,172</i>	<i>-17,362</i>	<i>-11,925</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,358	2,403	2,356	2,824	3,017	2,926	523
Net increase in cash and cash equivalents	822	-456	-175	-457	-134	366	822
Cash and cash equivalents at the beginning of the year	4,226	4,678	5,351	5,048	5,048	5,048	370
Cash and cash equivalents at the end of the year	5,048	4,222	5,176	4,591	4,914	5,414	1,192
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	3,643	2,613	2,926	2,244	1,875	2,564	-49
Net cash flows from investing in non-financial assets	-4,080	-5,439	-5,424	-5,559	-5,070	-5,213	226
Cash surplus/-deficit	-437	-2,826	-2,498	-3,315	-3,195	-2,649	177

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	2007-08	2008-09				Actual \$m	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies	-	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-	-
Sales of goods and services	459	736	739	649	214	719	-17
Interest Income	977	1,107	1,150	1,160	1,148	994	-113
Other	7	-	-	3	4	8	8
<i>Total</i>	1,442	1,843	1,890	1,812	1,366	1,722	-121
EXPENSES							
Salaries	29	32	33	35	35	35	3
Superannuation							
Concurrent costs	3	3	3	3	3	3	-
Superannuation interest cost	-	-	-	-	-	-	-
Other employee costs	1	2	2	2	2	2	-
Depreciation and amortisation	3	13	13	15	15	14	1
Services and contracts	7	8	8	8	8	3	-
Other gross operating expenses	573	691	697	675	648	689	-2
Other interest	925	1,016	1,056	1,057	1,034	969	-47
Dividends and tax equivalents	79	25	25	8	4	13	-12
Current transfers	3	3	3	3	3	3	-
Capital transfers	-	1	2	2	2	-	-1
<i>Total</i>	1,623	1,793	1,840	1,807	1,754	1,730	-63
NET OPERATING BALANCE ^(a)	-180	50	50	5	-387	-9	-59
<i>Other economic flows</i>							
Gains on net assets	-29	-	-	-	-	-298	-298
Net actuarial gains - superannuation	-	-	-	-	-	-	-
Provision for doubtful debts	-	-	-	-	-	-	-
All other	-	-	-	-	-	-	-
<i>Total other economic flows</i>	-28	-	-	-	-	-300	-300
OPERATING RESULT	-208	50	50	5	-387	-308	-358
<i>All other movements in equity</i>							
Revaluations	52	-7	-5	60	46	-24	-17
Gains recognised directly in equity	223	-	-	-	-	130	130
Changes in accounting policy/correction of prior period errors	-20	-	-	-	-	-101	-101
Capital injections from general government	-	-	-	-	-	-	-
All other	-	-	-	-	-	-	-
<i>Total all other movements in equity</i>	254	-7	-5	60	46	6	13
TOTAL CHANGE IN NET WORTH ^(b)	46	42	44	65	-342	-302	-344
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	-180	50	50	5	-387	-9	-59
Less <i>Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	14	4	5	5	7	8	4
Changes in inventories	-	-	-	-	-	-	-
Other movement in non-financial assets	-	-	-	-	-	-	-
less:							
Sales of non-financial assets	-	-	-	-	-	-	-
Depreciation	3	13	13	15	15	14	1
<i>Total net acquisition of non-financial assets</i>	10	-9	-8	-10	-8	-6	3
NET LENDING/-BORROWING	-190	58	58	16	-379	-2	-60

(a) Also known as 'Net Result From Transactions'.

(b) Also known as the 'Comprehensive Result'.

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	2008	2009				Actual \$m	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
ASSETS							
<i>Financial assets</i>							
Cash and deposits	20	23	28	28	26	20	-3
Advances paid	1,512	1,542	1,908	1,982	2,637	2,654	1,112
Investments, loans and placements	15,925	16,950	16,950	18,698	18,637	19,552	2,602
Receivables	455	399	399	507	506	702	303
Investment property	388	416	416	419	330	359	-57
Shares and other equity							
Investments in other public sector entities - equity method	-	-	-	-	-	-	-
Investments in other public sector entities - direct injections	-	-	-	-	-	-	-
Investments in other entities	1,052	1,506	1,506	1,144	879	990	-516
Other financial assets	12	49	50	11	11	26	-23
Total financial assets	19,365	20,885	21,257	22,789	23,026	24,302	3,417
<i>Non-financial assets</i>							
Land	40	18	18	41	41	24	6
Property, plant and equipment	266	225	229	270	266	261	36
Biological assets	-	7	7	7	7	-	-7
Inventories							
Land inventories	-	-	-	-	-	-	-
Other inventories	-	-	-	-	-	-	-
Intangibles	8	7	7	7	7	10	3
Non-current assets held for sale	-	-	-	-	-	-	-
Other	2	-	-	1	1	3	3
Total non-financial assets	316	258	261	325	322	298	40
TOTAL ASSETS	19,681	21,143	21,518	23,114	23,348	24,600	3,457
LIABILITIES							
Deposits held	-	-	-	-	-	-	-
Advances received	3	3	3	1	1	3	-
Borrowings	16,129	17,186	17,553	19,371	20,079	21,195	4,009
Unfunded superannuation	10	12	12	11	11	11	-1
Other employee benefits	6	6	6	7	7	8	2
Payables	67	270	272	75	12	54	-216
Other liabilities	2,154	2,267	2,273	2,274	2,268	2,320	53
TOTAL LIABILITIES	18,369	19,745	20,118	21,737	22,378	23,591	3,846
NET ASSETS	1,312	1,398	1,400	1,377	970	1,009	-389
<i>Of which:</i>							
Contributed equity	-	-	-	-	-	-	-
Accumulated surplus	1,169	1,282	1,282	975	582	894	-388
Other reserves	142	116	118	402	388	115	-1
NET WORTH	1,312	1,398	1,400	1,377	970	1,009	-389
MEMORANDUM ITEMS							
<i>Net financial worth</i>	-316	-258	-261	-325	-322	-298	-40
Net debt							
Gross debt liabilities	16,132	17,189	17,556	19,371	20,080	21,199	4,010
less: liquid financial assets	17,458	18,516	18,887	20,708	21,300	22,226	3,710
less: convergence differences impacting net debt	-	-	-	-	-	-	-
<i>Net debt</i>	-1,326	-1,327	-1,330	-1,337	-1,219	-1,027	300

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	2007-08	2008-09				Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received	-	-	-	-	-	-	-
Receipts from sales of goods and services	733	691	694	628	606	756	65
Interest receipts	1,010	1,107	1,150	1,160	1,146	1,098	-9
Dividends and tax equivalents	-	-	-	-	-	-	-
Other	91	72	72	1,763	60	90	18
<i>Total cash received</i>	<i>1,835</i>	<i>1,870</i>	<i>1,916</i>	<i>3,552</i>	<i>1,812</i>	<i>1,944</i>	<i>74</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation	-31	-32	-35	-38	-38	-37	-5
Payments for goods and services	-514	-561	-563	-542	-540	-592	-31
Interest paid	-761	-1,014	-1,048	-1,049	-1,031	-892	122
Grants and subsidies paid	-1	-1	-1	-1	-1	-1	-
Dividends and tax equivalents	-45	-22	-22	-4	-64	-77	-55
Other payments	-126	-121	-126	-1,754	-97	-129	-8
<i>Total cash paid</i>	<i>-1,477</i>	<i>-1,752</i>	<i>-1,796</i>	<i>-3,389</i>	<i>-1,771</i>	<i>-1,727</i>	<i>25</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	358	118	120	163	41	218	100
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-14	-4	-5	-5	-7	-8	-4
Sales of non-financial assets	-	-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>	<i>-13</i>	<i>-4</i>	<i>-5</i>	<i>-5</i>	<i>-7</i>	<i>-8</i>	<i>-4</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	2,866	1,227	1,227	1,047	1,006	3,966	2,739
<i>Cash paid</i>							
For policy purposes	-	-	-	-	-	-	-
For liquidity purposes	-3,740	-1,448	-1,666	-1,676	-2,148	-5,215	-3,767
<i>Total cash flows from investments in financial assets</i>	<i>-874</i>	<i>-221</i>	<i>-440</i>	<i>-629</i>	<i>-1,142</i>	<i>-1,249</i>	<i>-1,028</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-887	-225	-444	-633	-1,149	-1,257	-1,032
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received	-	-	-	-	-	-	-
Borrowings	19,866	23,645	24,012	25,494	28,413	33,437	9,792
Deposits received	-	-	-	-	-	-	-
Other financing receipts	-	-	-	-	-	-	-
<i>Total cash received</i>	<i>19,866</i>	<i>23,645</i>	<i>24,012</i>	<i>25,494</i>	<i>28,413</i>	<i>33,437</i>	<i>9,792</i>
<i>Cash paid</i>							
Advances paid	-	-	-	-	-	-	-
Borrowings repaid	-19,804	-23,537	-23,537	-25,015	-27,226	-32,429	-8,892
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-2	-	-	-	-1	-	-
<i>Total cash paid</i>	<i>-19,806</i>	<i>-23,537</i>	<i>-23,537</i>	<i>-25,015</i>	<i>-27,227</i>	<i>-32,429</i>	<i>-8,892</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	60	108	475	478	1,186	1,008	900
Net increase in cash and cash equivalents	-469	1	151	8	79	-32	-33
Cash and cash equivalents at the beginning of the year	2,073	2,073	2,073	1,604	1,604	1,604	-469
Cash and cash equivalents at the end of the year	1,604	2,074	2,224	1,612	1,683	1,572	-502
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	358	118	120	163	41	218	100
Net cash flows from investing in non-financial assets	-13	-4	-5	-5	-7	-8	-4
Cash surplus/-deficit	345	114	116	158	34	210	96

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR Operating Statement

	Notes	2007-08		2008-09			Actual \$m (5)	Variation on Budget \$m (5) - (1)
		Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
<i>Results from Transactions</i>								
REVENUE								
Taxation		6,214	6,357	6,065	5,650	5,316	5,432	-925
Current grants and subsidies		7,800	7,526	7,751	7,817	7,957	8,089	563
Capital grants		436	433	446	440	511	411	-22
Sales of goods and services		8,894	9,104	9,105	10,120	9,713	10,797	1,693
Interest Income		757	639	678	645	746	648	9
Royalty income		1,680	2,646	2,715	3,037	2,675	2,348	-298
Other		746	674	745	789	802	926	252
Total	6	26,525	27,378	27,505	28,497	27,721	28,651	1,273
EXPENSES								
Salaries		7,637	8,116	8,050	8,231	8,355	8,634	518
Superannuation								
Concurrent costs		740	790	776	791	803	829	39
Superannuation interest cost		359	309	312	341	256	330	21
Other employee costs		228	201	197	216	212	248	47
Depreciation and amortisation	9	1,549	1,725	1,726	1,748	1,748	2,088	363
Services and contracts		2,473	2,467	2,461	2,763	1,867	2,766	299
Other gross operating expenses	10	6,733	7,359	7,396	8,251	9,091	8,621	1,262
Other interest	8	966	1,062	1,102	1,120	1,061	1,000	-62
Other property expenses		-	-	-	-	-	-	-
Current transfers	7	2,988	3,266	3,303	3,592	3,634	3,477	211
Capital transfers	7	428	378	392	549	643	570	192
Total		24,101	25,673	25,717	27,602	27,670	28,564	2,890
NET OPERATING BALANCE ^(a)	4	2,423	1,704	1,788	896	51	87	-1,617
<i>Other economic flows</i>								
Gains on net assets		376	505	505	386	239	-122	-627
Net actuarial gains - superannuation		-300	-	-	74	-2,112	-1,301	-1,301
Provision for doubtful debts		-70	-9	-9	-8	-8	3	12
All other		-	-	-	-	-	-	-
Total other economic flows	6	496	496	452	-1,881	-1,420	-1,420	-1,916
OPERATING RESULT		2,430	2,201	2,284	1,347	-1,831	-1,332	-3,533
<i>All other movements in equity</i>								
Revaluations		14,091	1,761	1,757	1,929	2,404	15,724	13,963
Gains recognised directly in equity		479	-46	-46	-43	-43	452	498
Changes in accounting policy/correction of prior period errors		-75	-	-	-	-	-461	-461
All other		-	-	-	-	-	-	-
Total all other movements in equity		14,494	1,715	1,710	1,886	2,361	15,715	14,000
TOTAL CHANGE IN NET WORTH ^(b)		16,924	3,916	3,995	3,234	531	14,382	10,466
KEY FISCAL AGGREGATES								
NET OPERATING BALANCE		2,423	1,704	1,788	896	51	87	-1,617
<i>Less Net acquisition of non-financial assets</i>								
Purchase of non-financial assets		4,973	6,481	6,471	6,393	5,745	5,795	-686
Changes in inventories		374	-17	-16	114	132	714	731
Other movement in non-financial assets		354	375	376	-57	-58	-79	-454
<i>less:</i>								
Sales of non-financial assets		880	1,043	1,043	829	668	574	-469
Depreciation		1,549	1,713	1,726	1,748	1,748	2,088	375
Total net acquisition of non-financial assets		3,273	4,084	4,062	3,871	3,403	3,768	-316
NET LENDING/-BORROWING	4	-849	-2,429	-2,274	-2,976	-3,352	-3,681	-1,252

(a) Also known as 'Net Result From Transactions'.

(b) Also known as the 'Comprehensive Result'.

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Notes	2008		2009			Actual \$m (5)	Variation on Budget \$m (5) - (1)
		Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
ASSETS								
<i>Financial assets</i>								
Cash and deposits		822	730	757	757	806	916	186
Advances paid		1,743	1,773	2,139	2,218	2,843	2,871	1,098
Investments, loans and placements		9,852	6,910	7,611	9,143	8,152	9,528	2,618
Receivables	12	3,599	2,807	2,866	3,564	3,538	3,293	486
Investment property	15	398	428	428	428	339	386	-42
Equity - Investments in other entities		1,089	1,534	1,534	1,176	912	1,004	-530
Other financial assets		12	83	83	112	12	26	-57
Total financial assets		17,515	14,266	15,419	17,299	16,602	18,024	3,758
<i>Non-financial assets</i>								
Land	16	48,285	39,593	39,628	49,583	49,234	52,850	13,257
Property, plant and equipment	17,18	54,441	57,796	57,076	59,661	59,935	68,921	11,125
Biological assets	13	351	356	356	379	379	364	8
Inventories	11							
Land inventories		1,320	1,509	1,503	1,523	1,472	1,483	-26
Other inventories		1,058	869	886	1,171	1,190	1,771	902
Intangibles	19	434	323	325	421	432	580	257
Non-current assets held for sale	14	53	89	87	61	62	19	-70
Other		263	-	-	80	80	204	204
Total non-financial assets		106,205	100,534	99,860	112,879	112,783	126,192	25,658
TOTAL ASSETS		123,719	114,800	115,279	130,178	129,386	144,216	29,416
LIABILITIES								
Deposits held		129	122	122	141	123	141	19
Advances received		510	496	496	496	500	496	-
Borrowings	20	15,500	16,794	16,803	18,490	18,225	19,453	2,659
Unfunded superannuation	21	5,920	5,326	5,383	5,709	7,911	7,221	1,895
Other employee benefits	22	2,099	2,088	2,106	2,232	2,239	2,382	294
Payables		2,895	2,268	2,273	3,183	3,128	3,387	1,119
Other liabilities	23	3,887	3,527	3,642	3,914	3,949	3,973	446
TOTAL LIABILITIES		30,940	30,622	30,826	34,165	36,076	37,054	6,432
NET ASSETS		92,780	84,178	84,453	96,013	93,310	107,162	22,984
<i>Of which:</i>								
Contributed equity		-	-	-	-	-	-	-
Accumulated surplus		28,295	30,406	30,671	29,561	26,383	27,194	-3,212
Other reserves		64,484	53,772	53,782	66,452	66,927	79,968	26,196
NET WORTH	4	92,780	84,178	84,453	96,013	93,310	107,162	22,984
MEMORANDUM ITEMS								
<i>Net financial worth</i>		-13,425	-16,356	-15,407	-16,866	-19,473	-19,030	-2,674
<i>Net financial liabilities</i>		14,515	17,890	16,941	18,042	20,385	20,034	2,144
Net debt								
Gross debt liabilities		16,139	17,412	17,421	19,127	18,849	20,091	2,679
less: liquid financial assets		12,417	9,413	10,507	12,118	11,802	13,315	3,902
less: convergence differences impacting net debt		88	88	88	88	88	88	-
Net debt		3,634	7,911	6,826	6,921	6,959	6,688	-1,223

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Notes	2007-08		2008-09			Actual \$m (5)	Variation on Budget \$m (5) - (1)
		Actual \$m (1)	Budget Estimate \$m (2)	PFPS Revision \$m (3)	MYR Revision \$m (4)	Estimated Outturn \$m (5)		
CASH FLOWS FROM OPERATING ACTIVITIES								
<i>Cash received</i>								
Taxes received		6,023	6,175	6,046	5,734	5,414	5,559	-616
Grants and subsidies received		8,192	7,943	8,179	8,227	8,383	8,538	595
Receipts from sales of goods and services		9,496	9,160	9,273	10,629	10,648	11,978	2,818
Interest receipts		762	588	640	613	715	729	141
Dividends and tax equivalents		-	-	-	-	-	-	-
Other		3,416	4,557	4,585	6,498	4,560	4,431	-126
<i>Total cash received</i>		27,889	28,424	28,724	31,700	29,720	31,234	2,810
<i>Cash paid</i>								
Wages, salaries and supplements, and superannuation		-8,500	-7,990	-9,245	-9,373	-9,403	-9,516	-1,526
Payments for goods and services		-9,526	-11,244	-9,943	-11,297	-11,356	-12,122	-878
Interest paid		-761	-1,018	-1,052	-1,114	-1,038	-914	104
Grants and subsidies paid		-3,146	-3,370	-3,404	-3,636	-3,768	-3,658	-288
Dividends and tax equivalents		-	-	-	-	-	-	-
Other payments		-1,954	-2,020	-2,034	-3,874	-2,238	-2,243	-223
<i>Total cash paid</i>		-23,888	-25,641	-25,678	-29,294	-27,804	-28,453	-2,812
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	4,001	2,782	3,046	2,406	1,916	2,782	-
CASH FLOWS FROM INVESTING ACTIVITIES								
<i>Cash flows from investments in non-financial assets</i>								
Purchase of non-financial assets		-4,973	-6,485	-6,471	-6,393	-5,745	-5,795	691
Sales of non-financial assets		880	1,043	1,043	829	668	574	-469
<i>Total cash flows from investments in non-financial assets</i>		-4,094	-5,443	-5,429	-5,564	-5,078	-5,221	222
<i>Cash flows from investments in financial assets</i>								
<i>Cash received</i>								
For policy purposes		1	-	-	-17	-13	1	1
For liquidity purposes		3,074	1,391	1,246	1,150	1,163	4,242	2,851
<i>Cash paid</i>								
For policy purposes		-1	-	-	-	-	-1	-1
For liquidity purposes		-4,046	-1,645	-1,864	-1,745	-2,260	-5,402	-3,757
<i>Total cash flows from investments in financial assets</i>		-972	-253	-617	-611	-1,109	-1,160	-907
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,066	-5,696	-6,046	-6,175	-6,187	-6,381	-685
CASH FLOWS FROM FINANCING ACTIVITIES								
<i>Cash received</i>								
Advances received		-	1	1	1	1	-	-1
Borrowings		12,629	18,329	18,320	19,701	17,345	16,230	-2,099
Deposits received		-	-	-	-	-	-	-
Other financing receipts		62	27	27	27	45	47	20
<i>Total cash received</i>		12,691	18,356	18,347	19,728	17,390	16,277	-2,079
<i>Cash paid</i>								
Advances paid		-16	-13	-13	-17	-13	-14	-1
Borrowings repaid		-11,200	-15,725	-15,396	-16,322	-13,083	-12,231	3,494
Deposits paid		-	-	-	-	-	-	-
Other financing payments		-58	-107	-107	-86	-91	-98	9
<i>Total cash paid</i>		-11,273	-15,846	-15,517	-16,426	-13,187	-12,343	3,503
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,418	2,511	2,831	3,303	4,203	3,934	1,423
Net increase in cash and cash equivalents		353	-403	-169	-466	-68	335	738
Cash and cash equivalents at the beginning of the year		6,299	6,800	7,424	6,636	6,636	6,652	-148
Cash and cash equivalents at the end of the year	25	6,652	6,397	7,254	6,171	6,569	6,987	590
KEY FISCAL AGGREGATES								
Net cash flows from operating activities		4,001	2,782	3,046	2,406	1,916	2,782	-
Net cash flows from investing in non-financial assets		-4,094	-5,443	-5,429	-5,564	-5,078	-5,221	222
Cash surplus/-deficit	4	-92	-2,660	-2,383	-3,157	-3,161	-2,439	221

Note: Columns may not add due to rounding.

Notes to the Financial Statements

NOTE 1: MISSION STATEMENT THE GOVERNMENT OF WESTERN AUSTRALIA

The Government of Western Australia (the reporting entity hereafter referred to as ‘the public sector’) was effectively created by the *Western Australian Constitution Act 1889*.

The Executive Council is the governing body responsible for the control and management of the operations, affairs, concerns and property of the public sector. The Executive Council consists of the Governor, the Premier, and Ministers of the Crown, and is hereafter referred to as ‘the Government’.

The principal office of the Government is situated at Parliament House, Harvest Terrace, West Perth, Western Australia.

The Government’s mission is to achieve four key outcomes:

- protect jobs and support the Western Australian economy in the short term;
- secure Western Australia’s economic future, through structural change and strategic investments;
- provide better services for families and communities; and
- protect the financial position of the State of Western Australia.

This was enshrined in the 2008-09 Financial Strategy statement contained in Budget Paper Number 3: *Economic and Fiscal Outlook*:

“The Government’s financial strategy is centred around delivering a Capital Works Program that meets the State’s needs for essential social and economic infrastructure, while containing net debt to affordable and sustainable levels by achieving general government operating surpluses.”

The public sector is a not-for-profit entity funded primarily through Commonwealth grants, State taxation and territorial (mining) revenue.

NOTE 2: STATEMENT OF COMPLIANCE

Compliance Framework

The financial statements of the general government sector and the total public sector for the year ended 30 June 2009 have been prepared in accordance with Australian Accounting Standards (AAS) including AASB 1049: *Whole of Government and General Government Sector Financial Reporting* and Australian Accounting Interpretations.

In preparing these financial statements, where relevant, new and revised Standards and Interpretations have been applied from their operative dates as issued by the Australian Accounting Standards Board (AASB) and formerly the Urgent Issues Group (UIG).

The Standard under which the general government sector financial report is prepared does not require full application of AASB 127: *Consolidated and Separate Financial Statements* and AASB 139: *Financial Instruments: Recognition and Measurement*. Assets, liabilities, income, expenses and cash flows of government controlled entities that are in the public non-financial corporations sector and the public financial corporations sector are not separately recognised in the general government sector financial statements. Instead, the general government sector financial statements recognise an asset, being the controlling equity investment in those entities, and recognise a gain or loss relating to changes in the carrying amount of that asset, measured in accordance with AASB 1049.

In compliance with AASB 1049, where consistent with accounting standards, Government Financial Statistics (GFS), concepts, sources and methods are used. In Australia, GFS standards are promulgated by the Australian Bureau of Statistics.

Standards and Interpretations Issued not yet effective

Standards and Interpretations that have been issued or amended but are not yet effective for the annual reporting period ended 30 June 2009, have not been adopted in these financial statements.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Statement

The financial statements constitute a general purpose financial report.

The financial statements presented in this *Annual Report on State Finances* are required under section 14A of the *Government Financial Responsibility Act 2000* (GFRA) and the regulations of that Act.

(b) Reporting Entity

The reporting entities are the Government of Western Australia (the total public sector) and the general government sector, and include entities under their control. The statistical framework also classifies sub-sectors in accordance with the principles and rules contained in the Australian Bureau of Statistics *Australian System of Government Finance Statistic: Concepts, Sources and Methods 2005* (ABS GFS Manual). These entities are referred to as agencies in these financial statements and Note 31 contains a full list of agencies forming each of the sectors listed below.

General government sector

The general government sector comprises public sector agencies that are engaged mainly in the production of goods and services outside the normal market mechanism, or that provide for the transfer of income for public policy purposes. Costs are financed predominantly from centrally collected revenue such as taxes, Commonwealth grants and mining royalties.

Public non-financial corporation sector

The public non-financial corporation sector comprises those non-financial public sector agencies engaged mainly in the production of goods and services for sale in the market and whose objective is to recover at least a significant proportion of operating costs through charges for their goods and services.

Public financial corporation sector

The public financial corporation sector comprises those public sector agencies engaged primarily in financial activities, such as providing banking and insurance services.

The control of an agency by the Government is taken to exist where the:

- agency is accountable to the Government;
- Government, through the public sector, has a residual financial interest in the net assets of that agency; and
- Government has the power to control the financial and operating policies of an agency so as to obtain benefit from its activities.

Where control of an agency is obtained during a financial year, results are included in the Operating Statement from the date on which control commenced. Where control of an agency ceased during a financial year, results are included for that part of the year for which control existed.

Specific details of agencies controlled by the Government and consolidated in the public sector are shown in Note 31. A detailed list of other entities, nominally referred to as public sector agencies but that are not included in the consolidated financial statements, is also shown in Note 31. Exclusion of these agencies is based on the criteria of control noted above.

Most agencies have 30 June reporting dates. Where agencies have reporting dates other than 30 June, the data incorporated in this appendix are based on either:

- management accounts to 30 June; or
- the latest financial statements.

The use of management financial data or the latest financial statement does not have a material effect on these consolidated financial statements.

(c) Basis of Preparation

The financial statements of the total public sector and its sub-sectors have been prepared in accordance with AASB 1049, the Framework and other authoritative pronouncements of the AASB.

The ABS GFS Manual provides the basis upon which GFS information that is contained in this financial report is prepared. In particular, notes disclosing key fiscal aggregates of net worth, net operating balance, total change in net worth, net lending (borrowing) and cash surplus (deficit) determined using the principles and rules in the ABS GFS Manual are included in the financial report, together with a reconciliation of those key fiscal aggregates to the corresponding key fiscal aggregates recognised in the financial statements.

The Balance Sheet and Operating Statement have been prepared on an accrual basis of accounting and assets and liabilities are shown at fair value unless otherwise stated.

The accounting policies applied in the preparation of the financial statements have been consistently applied throughout all periods presented.

Assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to or from the reporting entity and the amounts of the assets or liabilities can be reliably measured.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability. The judgements made in the process of applying AIFRS accounting policies that had the most significant effect on the amounts recognised in the financial statements are disclosed, where applicable, in the relevant notes to the financial statements.

(d) Accounting judgements, estimates and assumptions

In the preparation of the consolidated financial statements, public sector entities are required to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at reporting date and the reported revenue and expenses during the reporting period of the consolidated financial statements.

On an ongoing basis, the public sector and its controlled entities evaluate estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and expenses, based on historical experience and various other factors (such as discount rates used in estimating provisions and estimating the useful life of key assets) that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Contingent assets and liabilities are not recognised in the Balance Sheet but are discussed in the relevant notes to the consolidated financial statements. They may arise through uncertainty as to the existence, settlement or measurement of an asset or liability and are recognised once this uncertainty is removed.

Judgements, estimates and assumptions that have significant effects on the financial statements are disclosed in the relevant notes to the financial statements.

(e) Comparatives

As this is the first year in adopting AASB 1049, the 2007-08 comparatives have been restated for consistency with current year disclosures.

(f) Presentation and Rounding of Amounts

The consolidated financial statements are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m). As a consequence, columns may not add due to rounding.

(g) Foreign Currency

Transactions in currencies other than Australian dollars are recorded at the rates of exchange prevailing on the settlement date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

In order to hedge its exposure to certain foreign exchange risks, the public sector enters into forward contracts and options (see Derivatives for details of the public sector accounting policies in respect of such derivatives financial instruments).

(h) Basis of Consolidation

The consolidated financial statements of the reporting entity include the assets and the liabilities of the public sector and its controlled agencies at the end of the financial year and the revenue and expenses of the public sector and its controlled agencies during the year.

The consolidated financial statements include the information and results of each controlled agency from the date on which the Government obtained control and until such time as the Government ceased to control the agency.

For the purposes of reporting the public sector as a single economic entity, all material transactions and balances and unrealised gains between Government controlled agencies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, the accounting policies and reporting periods of controlled agencies have been aligned with those adopted by the public sector as a whole, to achieve consistency. This approach has not materially affected the income and expenses or the assets and liabilities at the reporting date.

(i) Income Recognition

Revenue is measured at the fair value of the consideration received or receivable net of the amount of goods and services tax payable and net of discounts, rebates, concessions and allowances.

The policies adopted for the recognition of significant categories of revenue are as follows.

Taxation revenue

Revenue is recognised at the time when tax payments are due and payable, according to taxation law or upon issue of an assessment. The basis of recognition for each major type of taxation revenue, is shown in the following table.

Major Type of Taxation Revenue	Basis of Revenue Recognition
Stamp duty	On receipt of cash (self-assessment method), plus on the issue of an assessment.
Payroll tax and betting taxes	On receipt of cash (self-assessment method), plus on the issue of an assessment to amend self-assessed liability.
Land tax	On issue of assessment.
Motor vehicle and drivers licences	On receipt of cash.

Grants and subsidies revenue

Revenue from Commonwealth and other grant contributions, whether for recurrent operational or for capital purposes, are recognised as revenue in the period in which the public sector gains control over the assets, which is usually when cash is received.

Sale of goods and services

Revenue from the sale of goods, including regulatory fees, is recognised (net of returns, discounts, rebates, concessions and allowances) when control of the goods and the significant risks and benefits incidental to ownership have passed to the buyer.

Revenue from rendering of services is recognised upon delivery of the service or on a stage of completion basis. The stage of completion is determined according to the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

Interest income

Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and taking into account the effective yield on the financial asset.

Revenue from Public Corporations

Dividends, income tax equivalent payments and rate equivalent payments for the general government sector represents revenue from the other sectors of government. Dividends are recognised as revenue when the right to receive payment is established and the tax and rate equivalent payments are recognised in the period they are earned.

Royalty Income

Mineral and petroleum royalties from companies operating under government legislation are recognised on an accrual basis in accordance with the substance of the relative agreements considering the base on which the royalty is calculated. Under current systems, the base can be production, royalty value, net cash flows or profit.

(j) Expense Recognition

Expenses are recognised when incurred and are reported in the financial year to which they relate. The policies adopted for the recognition of significant categories of expenses are as follows.

Salaries

Salaries include wages and salaries, leave entitlements and redundancy payments.

Superannuation

The superannuation expense of the defined benefit plans relates to current service cost which is the cost of employer financed benefits that are expected to accrue for defined benefit members during the reporting period.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

Actuarial gains or losses relating to 'experience' adjustments and changes in actuarial assumptions of the defined benefit plans are reported separately as other economic flows.

Superannuation interest cost

The carrying cost of unfunded superannuation liabilities is recognised as an interest cost. This cost is estimated based on the discount rate used to value the gross superannuation liability, less the expected return on plan assets.

Depreciation and amortisation

Depreciation of non-financial physical assets (excluding inventories) is generally provided on a straight line basis at rates based on the expected useful lives of those assets. The expected useful life for each class of depreciable asset is provided at Note 3(1).

Amortisation is provided on leasehold improvements, intangible assets and on assets held under finance leases and is calculated on a straight line basis, generally over the expected useful lives of the underlying assets.

Other interest

Interest costs include interest charges, finance lease charges and borrowing costs. Interest costs are expensed in the period in which they are incurred.

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings.

Current and Capital transfers

Current and capital transfers include grants and subsidies and other payments made to other sectors of government and to non-government organisations for the delivery of services. They are recognised as an expense to the extent that:

- the service required to be performed by the grantee has been performed; or
- the grant eligibility criteria have been satisfied, but payments due have not been made.

(k) Other economic flows

Other economic flows are changes in volume or value of an asset or liability that do not result from transactions.

Realised gains (or losses) on disposal of non financial assets

Net gains (or losses) arising on the disposal or retirement of a non-current asset are recognised when control of the asset and the significant risks and benefits incidental to ownership have passed to the buyer.

Impairment – non-financial assets

Impairment losses are recognised as an expense when an asset's carrying amount exceeds its recoverable amount.

Net actuarial gains (or losses)

Actuarial gains (or losses) on superannuation defined benefit plans are recognised in the period in which they occur.

(l) Land, and Property, Plant and Equipment and Infrastructure

Initial recognition and measurement

All items of property, plant and equipment and infrastructure are initially recognised at cost.

Subsequent recognition and measurement

After initial recognition, the public sector has adopted the following measurement models.

Class of Asset	Subsequent Measurement
Land (including land under roads)	Fair value
Buildings	Fair value less accumulated depreciation and accumulated impairment losses
Infrastructure – road network	Fair value less accumulated depreciation and accumulated impairment losses
Infrastructure – water storage and distribution – electricity generation and transmission – other	Fair value less accumulated depreciation and accumulated impairment losses
Plant, equipment and other	Fair value less accumulated depreciation and accumulated impairment losses

Land

Land (excluding improvements) is valued at either:

- current market buying price, taking into account the nature of the parcel, any legal restriction on use, the opportunities for or impediments to development that are inherent to the specific parcel of land, any other constraints that exist in respect of that land and any special attributes that the land may possess (value in use); or
- current market value (selling price) based on its feasible alternative use taking account of the cost of achieving the alternative use.

The fair value of land under roads (i.e. land within road reserves) is based on the market value of the land adjoining the road reserve. The land values are provided by geographic location on an annual basis by the Land Information Authority as follows:

- Metropolitan area - median value for single residential land for each Local Government Area. Land parcels up to 899 square metres are assumed to have a single residential zoning;
- South West region - nominal unimproved valuation rates covering the south west of the State from Geraldton to Esperance; and
- Balance of State – nominal unimproved valuation rates based on leasehold rates for Crown land.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Buildings

The fair value of buildings is based on current market buying values determined by reference to recent market transactions. Where market evidence is not available, the fair value of buildings is determined on the basis of existing use where buildings are specialised. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. the depreciated replacement cost).

Building valuations are provided by the Land Information Authority, and by other independent professional valuers, with sufficient regularity, such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Infrastructure

The fair value of Infrastructure - Road Network, has been determined by reference to the current depreciated replacement cost (existing use basis) as the assets are specialised and no market evidence of value is available. The replacement cost is determined by Main Roads every three years by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost Index) to ensure asset values do not materially differ from fair value. The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2009 is based on the current depreciated replacement cost determined at 30 June 2008 by Main Roads and a cost index (ABS Road and Bridge Construction Cost Index) has been applied to ensure asset values do not materially differ from fair value.

Buildings and infrastructure in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the asset is ready for their intended use.

Plant, Equipment and Other Assets

Plant, equipment and other assets are stated at fair value which approximates carrying value (cost less accumulated depreciation and accumulated impairment losses).

Art collections and artefacts classified as heritage assets are stated at fair value. The revaluation of art works and artefacts is an independent valuation, provided by independent professional valuers, by reference to the current replacement cost as the assets are specialised and no market evidence of value is available.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is generally calculated using the straight-line method (as adjusted for any impairment), over the estimated useful lives of the assets. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

The following table summarises the expected useful lives for each class of depreciable asset in both the current and prior years used in compiling these financial statements.

Class of Asset	Depreciation Years
<i>Buildings</i>	20 – 50 years
<i>Infrastructure – Road network</i>	
Roads	40 – 50 years
Bridges	60 – 100 years
Earthworks	Up to 173 years
<i>Infrastructure – Water, storage and distribution</i>	
Pipelines and fittings	30 – 110 years
Dams and reservoirs	30 – 120 years
Drains and channels	20 – 150 years
<i>Infrastructure – Electricity generation and transmission</i>	
Electricity generation and transmission	20 – 45 years
<i>Infrastructure – Other</i>	
Harbour and ports	40 – 100 years
Forestry	20 years
Plant, equipment and other	5 – 15 years

Assets held under finance leases are depreciated over the shorter of the lease term and their expected useful lives on the same basis as owned assets.

Disposal

The gain or loss arising on disposal or retirement of an asset (calculated as the difference between the carrying amount of the asset at the time of disposal and the net disposal proceeds), is included in the Operating Statement in the period the item is disposed.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(m) Private Sector Financed Infrastructure Assets (Service Concession Arrangements)

Certain private sector financed infrastructure arrangements provide for a private sector entity to design, construct, operate and maintain certain infrastructure assets for a specified concession period, after which the infrastructure is transferred back to the public sector.

There is currently no accounting standard or Interpretation applicable to the public sector that specifically addresses the accounting for private sector financed infrastructure assets.

Pending the development of an accounting model applicable to the public sector for assets used to provide public services under Service Concession Arrangements, the interest of the public sector in such arrangements is recognised as an asset, being the emerging interest in the remaining service potential to be transferred. The emerging interest is recognised from the date of completion of construction and valued by reference to the written down value of the right to receive the asset at the date of transfer.

(n) Biological Assets

Biological assets in the form of standing trees in native and plantation forests are stated at fair value less estimated point-of-sale costs and costs necessary to get the assets to market. Standing trees are physically attached to land located within forest plantations and are recognised and measured separately from land.

The fair value of the biological asset is based on their present location and condition and is measured as the present value of expected net cash flows of the harvest based on the productive forestland, discounted at a current market-determined pre-tax rate.

Gains or losses arising from changes in the fair value of standing trees, (usually as a result of harvesting), are taken to account as gains or losses in the Operating Statement.

(o) Investment Properties

Initial recognition and measurement

Investment properties are held for rental yield and capital appreciation and are initially recognised at cost.

Subsequent recognition and measurement

After initial recognition, the public sector has adopted the revaluation model. Land and buildings are carried at fair value and no depreciation is provided in respect of buildings.

The fair value of investment properties is determined by reference to market based evidence, having regard to current economic and market conditions at reporting date. Valuations are performed annually by an independent professional valuer.

Gains and losses arising from changes in the fair value of investment properties are included in the Operating Statement in the year in which they arise.

(p) Intangible Assets

Acquired and internally developed intangible assets are initially measured at cost. The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Amortisation is calculated for the period of the expected benefit (estimated useful life) on the straight-line basis using rates, which are reviewed annually. All intangible assets controlled by the public sector have a finite useful life and zero residual value.

Expected useful lives for each class of intangible asset are 3 to 5 years for software and all other intangibles.

(q) Non-Current Assets Held for Sale

Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell and are presented separately from other assets in the Balance Sheet. These assets are not depreciated or amortised while they are classified as held for sale.

(r) Impairment of Assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount of the asset is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. As the public sector is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of asset is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

Intangible assets not yet available for use or with an indefinite useful life are tested for impairment each reporting period irrespective of whether there is any indication of impairment. Tests are undertaken by agencies at each reporting date.

(s) Leases

Finance lease rights and obligations are initially recognised, at the commencement of the lease term as assets and liabilities at amounts equal to the fair value of the leased item or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The assets are disclosed as holdings, infrastructure and/or property, plant and equipment (as applicable), and depreciated over the estimated useful life of the assets.

Lease payments are apportioned between finance charges and reduction of the outstanding lease liability according to the interest rate implicit in the lease. Finance charges are taken to account as finance costs expense in the Operating Statement.

(t) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned using the weighted average cost or the 'first in first out' method.

Inventories consisting of land held for development and resale are valued at the lower of cost and net realisable value. Costs include the cost of acquisition and development.

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.

Inventories not held for resale are valued at cost unless they are no longer required, in which case they are valued at net realisable value.

(u) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise restricted cash and cash equivalents. These include cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(v) Financial Instruments

Financial assets and liabilities are recognised on the Balance Sheet when the public sector becomes a party to the contractual provisions of the financial instrument. The public sector has the following categories of financial instruments:

- cash and cash equivalents;
- loans and receivables;
- held-for-trading financial assets;
- available for sale financial assets with quoted market price in an active market;
- available for sale without quoted market price in an active market;
- trading financial liabilities;
- non-trading financial liabilities; and
- derivatives.

Fair Value of Financial Instruments

The fair value of financial instruments is determined based on quoted market prices, where available, or on estimates using present values or other valuation techniques. These techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments. The principal methods and assumptions used in estimating the fair value of the following financial instruments are outlined below.

Receivables

Receivables are recognised and carried at original invoice amount less any provision for uncollectible amounts (impairment). The collectibility of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The provision for uncollectible amount (doubtful debts) is based on objective evidence of impairment. The carrying amount is equivalent to fair value, as it is due for settlement within 30 days. Receivables do not carry any interest.

Investments

Investments in controlled agencies are recorded at cost. The carrying amounts of investments at cost are reviewed annually for impairment. The recoverable amount is assessed from the underlying net assets and the expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Investments are classified as an available-for-sale investment if that asset can be revalued to fair value where an active market exists. For available-for-sale investments at fair value, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Operating Statement for the period.

Other investments are also classified as an available-for-sale investment but are stated at cost where an active market does not exist or when fair value cannot otherwise be determined. For available-for-sale investments at cost, the gains and losses are recognised directly in the Operating Statement on disposal or if determined to be impaired.

Dividend revenue is recognised in the Operating Statement when the right to receive payment is established.

Loans and Advances

Loans and advances are recognised at the original loan and advance amount at cost less principal repayments and any appropriate allowances and provision for uncollectible amounts (impairment).

Interest revenue is accrued on a time basis, by reference to the principal outstanding and using the effective interest rate yield method.

Payables

Payables are recognised when the public sector becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are settled within 30 days. Accounts payable are not interest bearing.

Borrowings

Borrowings are predominantly conducted by the Western Australian Treasury Corporation (WATC), which operates within the capital markets as the central financing authority of the public sector. Exposure to market risk for changes in interest rates relates primarily to long-term debt obligations. The risk is managed by WATC through portfolio diversification and maturity spread.

All borrowings are initially recognised at cost, being the fair value of the net proceeds received.

Subsequent fair value measurements are based upon the market value of current lending rates for similar borrowings with remaining maturities consistent with the debt being valued. Unrealised gains or losses arising from changes in fair value are recognised in the Operating Statement.

Derivatives

The public sector does not speculate on trading of derivatives, but uses appropriate hedging strategies to limit any material currency risk and interest rate risk. Derivatives are used exclusively to hedge interest rate and foreign currency exposures.

All derivative financial instruments are recognised in the Balance Sheet and measured at fair value. The fair values for derivative financial instruments are obtained from quoted market prices. Application of hedge accounting will only be available where specific designation and effectiveness criteria are satisfied. Where hedge accounting cannot be achieved for on-going risk mitigation activity, the changes in the fair value of derivative financial instruments are recognised in the Operating Statement as they arise.

(w) Liabilities

Liabilities of uncertain timing and amounts are recognised where there is a present legal or equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Liabilities are reviewed at each reporting date.

Superannuation

The public sector provides superannuation benefits under two types of schemes, defined benefit plans and defined contribution plans.

The Government Employees Superannuation Board (GESB) in accordance with legislative requirements administers the following State plans:

- Defined Benefit Plans:
 - Pension Scheme;
 - Judges' Pension Scheme;
 - Parliamentary Superannuation Scheme; and
 - Gold State Superannuation Scheme;
- Defined Contribution Plans:
 - West State Superannuation Scheme which was closed to all new members on 16 April 2007; and
 - GESB Super Scheme which commenced on 16 April 2007 for all new Western Australian Public Sector employees.

The defined benefit plans are superannuation plans that define the benefit amount that an employee will be entitled to receive upon retirement taking into account expected future salary increases and other actuarial assumptions such as mortality and retirement rates. Defined benefit plan contributions are calculated based upon regulatory requirements and/or plan terms. The defined benefit obligations and the related services costs are determined separately for each plan at each reporting date by a qualified actuary, using the Projected Unit Credit method.

The expected future payments are discounted using market yields at the reporting date on Commonwealth government 10 year bonds with a weighted average term consistent with that of the defined benefit obligation. Actuarial gains and losses attributable to defined benefits superannuation plans are immediately recognised in the Operating Statement.

The amounts recognised in the Balance Sheet represent the present value of the defined benefit obligations, reduced by the fair value of the plan assets. The assets of these plans are held separately from the public sector's general assets.

The defined contribution plans are superannuation plans in which the employer pays a defined contribution amount into a separate fund. Contributions to defined contribution plans are charged to the Operating Statement as incurred. The public sector has no further obligation to the plans as scheme members assume the investment risk. The unfunded portion of the West State Superannuation Scheme left over from full-funding arrangements is being amortised (funded) over the period to 2021.

See also Note 3(j), Superannuation Expense.

Other – Employee Benefits

Annual Leave and Long Service Leave

The liability for annual leave and long service leave that will fall due within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual leave and long service leave that will fall due more than 12 months after the end of the reporting date is recognised and measured at the present value of amounts expected to be paid when the liabilities are to be settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as superannuation contributions. In addition, the long service leave liability also considers experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the reporting date on Commonwealth government bonds with terms to maturity that match the estimated future cash flows.

All annual leave and unconditional long service leave provisions are classified as current liabilities.

Other Compensated Absences

Sick leave is recognised as an expense when paid. A liability for non-vesting sick leave has not been recognised because experience has indicated that it is improbable that existing accumulated benefits will be used by employees, and this experience is expected to occur in future reporting periods.

Other Liabilities

Employment On-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the salaries expense and the related on-cost liability is recognised separately from the employee benefit provision.

Decommissioning, Restoration and Rehabilitation

A provision is recognised where the public sector has a legal or equitable or constructive obligation in respect of plant decommissioning, restoration and site rehabilitation works. Estimates are based on the present value of expected future cash outflows.

(x) Initial application of Australian Accounting Standards

The public sector has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2008:

- AASB 1049: *Whole of Government and General Government Sector Financial Reporting*. This new Standard sets out requirements for the form and content of whole-of-government and general government sector financial reports. AASB 1049 harmonises Australian Generally Accepted Accounting Principles and Government Finance Statistics reporting in a single set of financial reports. The main impact on the financial statements was the valuation of some infrastructure assets at fair value instead of at cost.
- Review of AAS 27: *Financial Reporting by Local Governments*, AAS 29: *Financial Reporting by Government Departments* and AAS 31: *Financial Reporting by Governments*.

The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

- AASB 1004: *Contributions*;
- AASB 1050: *Administered Items*;
- AASB 1051: *Land Under Roads*;
- AASB 1052: *Disaggregated Disclosures*;
- AASB 2007-9: Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 (AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AAS 116, AASB 127 & AASB 137); and
- Interpretation 1038: *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and existing topic-based Standards and Interpretation. These requirements remain substantively unchanged. The new and revised Standards and Interpretation make some modifications to disclosures and provide additional guidance. There has been no financial impact on the financial statements.

(y) Future Impact of Australian Accounting Standards not yet operative

The public sector has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

- AASB 101: *Presentation of Financial Statements* (September 2007). This Standard was revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. There should be no financial impact on the financial statements when the Standard is applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-13: *Amendments to Australian Accounting Standards* arising from AASB Interpretation 17 – *Distributions of Non-cash Assets to Owners*. This Standard amends AASB 5: *Non-current Assets Held for Sale and Discontinued Operations* in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown land to be sold. There should be no financial impact on the financial statements when the Standard is first applied prospectively to annual reporting periods beginning on or after 1 July 2009.
- AASB 123: *Borrowing Costs* (June 2007). This Standard has been revised to mandate the capitalisation of all borrowing costs attributable to the acquisition, construction or production of qualifying assets. Agencies already capitalising borrowing costs directly attributable to buildings under construction will have no financial impact when the Standard is first applied. Agencies presently expensing such borrowing costs will need to report the financial impact. The AASB has deferred the withdrawal of the option to expense borrowing costs for public sector agencies (AASB Action Alert Issue No. 121 – 19 December 2008). The AASB has approved the issue of ED 176: *Amendments to Australian Accounting Standards - Borrowing Costs of Not-for-Profit Public Sector Entities* for comment, which proposes that not-for profit public sector entities be able to choose whether to expense or capitalise borrowing costs relating to qualifying assets by deferring the mandatory adoption of the capitalisation approach (AASB Action Alert Issue No. 122 - 9 February 2009). There will be no impact on the financial statements when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009.

NOTE 4: 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 convergence differences reflected in the June 2009 results.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Net Operating Balance

	2009	2008
	\$m	\$m
<i><u>General government</u></i>		
AASB 1049 net operating balance	318	2,507
<i>Plus GFS revenue adjustments</i>		
Capital grants - prepaid AusLink road grants	199	69
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-7
All other	-	-
<i>Total GFS revenue adjustments</i>	199	62
<i>Less GFS expense adjustments</i>		
Capitalised interest	-	-
All other	-	-
<i>Total GFS expense adjustments</i>	-	-
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	199	62
GFS net operating balance	517	2,569
<i><u>Total public sector</u></i>		
AASB 1049 net operating balance	87	2,423
<i>Plus GFS revenue adjustments</i>		
Capital grants - prepaid AusLink road grants	199	69
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-7
All other	-	-
<i>Total GFS revenue adjustments</i>	199	62
<i>Less GFS expense adjustments</i>		
Capitalised interest	43	30
All other	-	-
<i>Total GFS expense adjustments</i>	43	30
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	157	32
GFS net operating balance	244	2,455

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Net Lending/- Borrowing

	2009	2008
	\$m	\$m
<i><u>General government</u></i>		
AASB 1049 net lending/-borrowing	-987	1,268
<i>Plus Net operating balance convergence differences (noted above)</i>	199	62
GFS net lending/-borrowing	-787	1,330
<i><u>Total public sector</u></i>		
AASB 1049 net lending/-borrowing	-3,681	-849
<i>Plus Net operating balance convergence differences (noted above)</i>	157	32
GFS net lending/-borrowing	-3,524	-818

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Net Worth

	2009	2008
	\$m	\$m
<i>General government</i>		
AASB 1049 net worth	107,162	92,780
<i>Plus</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88
Provision for doubtful debts		
General government sector	158	183
Impact on public corporations net worth	29	25
Impact of AusLink Road grants prepayments	-3	-202
<i>Total GFS net worth adjustments</i>	273	94
GFS net worth	107,435	92,874
<i>Total public sector</i>		
AASB 1049 net worth	107,162	92,780
<i>Plus</i>		
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88
Provision for doubtful debts	187	209
Impact of AusLink Road grants prepayments	-3	-202
<i>Total GFS net worth adjustments</i>	273	94
GFS net worth	107,435	92,874

AASB 1049 TO GFS CONVERGENCE DIFFERENCES
Cash Surplus/- Deficit

	2009	2008
	\$m	\$m
<i>General government</i>		
AASB 1049 cash surplus/-deficit	-375	1,281
Less Acquisitions under finance leases and similar arrangements	7	213
GFS cash surplus/-deficit	-382	1,068
<i>Total public sector</i>		
AASB 1049 cash surplus/-deficit	-2,439	-92
Less Acquisitions under finance leases and similar arrangements	7	431
GFS cash surplus/-deficit	-2,447	-523

NOTE 5: GOVERNMENT PURPOSE CLASSIFICATION

The following allocation of expenses and assets is consistent with the ABS' General Purpose Classification (GPC). More detailed dissection of general government expenses, consistent with the Uniform Presentation Framework requirements is contained in Appendix 3: *Other Uniform Presentation Framework Information*.

GOVERNMENT PURPOSE CLASSIFICATION

General Government

	2008-09	2007-08
	\$m	\$m
EXPENSES		
General public services	500	292
Public order and safety	2,187	1,977
Education	4,884	4,359
Health	4,722	4,200
Social security and welfare	1,127	925
Housing and community amenities	1,866	1,389
Recreation and culture	620	562
Fuel and energy	120	91
Agriculture, forestry, fishing and hunting	418	423
Mining and mineral resources (other than fuels), manufacturing and construction	237	263
Transport and communications	1,476	1,503
Other economic affairs	380	370
Other purposes	581	482
TOTAL EXPENSES	19,117	16,837
<hr/>		
	2009	2008
	\$m	\$m
ASSETS AT 30 JUNE		
General public services	6,211	6,162
Public order and safety	2,668	2,497
Education	11,889	11,154
Health	3,893	3,327
Social security and welfare	366	323
Housing and community amenities	6,184	6,003
Recreation and culture	6,460	5,266
Fuel and energy	17	40
Agriculture, forestry, fishing and hunting	314	296
Mining and mineral resources (other than fuels), manufacturing and construction	722	801
Transport and communications	37,491	35,607
Other economic affairs	294	211
Other purposes	-	-
<i>plus</i> Investments in other public sector entities	44,117	31,849
TOTAL ASSETS	120,624	103,533

Note: Columns may not add due to rounding.

GOVERNMENT PURPOSE CLASSIFICATION
Total Public Sector

	2008-09	2007-08
	\$m	\$m
EXPENSES		
General public services	234	47
Public order and safety	2,145	1,929
Education	4,802	4,314
Health	4,683	4,171
Social security and welfare	1,115	934
Housing and community amenities	2,569	1,887
Recreation and culture	2,941	2,721
Fuel and energy	2,475	2,071
Agriculture, forestry, fishing and hunting	497	517
Mining and mineral resources (other than fuels), manufacturing and construction	226	257
Transport and communications	2,052	1,897
Other economic affairs	3,493	2,030
Other purposes	1,330	1,325
TOTAL EXPENSES	28,564	24,101

	2009	2008
	\$m	\$m
ASSETS AT 30 JUNE		
General public services	5,523	5,387
Public order and safety	2,677	2,505
Education	11,889	11,154
Health	3,893	3,327
Social security and welfare	366	323
Housing and community amenities	42,832	33,167
Recreation and culture	7,180	5,920
Fuel and energy	15,707	10,443
Agriculture, forestry, fishing and hunting	756	716
Mining and mineral resources (other than fuels), manufacturing and construction	722	801
Transport and communications	43,087	40,402
Other economic affairs	9,586	9,575
Other purposes	-	-
TOTAL ASSETS	144,216	123,719

Note: Columns may not add due to rounding

NOTE 6: OPERATING REVENUE

A detailed dissection of general government and total public sector operating revenue (which includes Uniform Presentation Framework disclosure requirements) is included in Appendix 2: *Operating Revenue*.

NOTE 7: 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 tables provide detail of current and capital transfer expenses of the general government sector and the total public sector, in line with Uniform Presentation Framework disclosure requirements.

TRANSFER EXPENSES ^(a)

General Government

	2009	2008
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	216	85
Local government on-passing	132	122
Private and not-for-profit sector	1,792	1,607
Private and not-for-profit sector on-passing	751	603
Other sectors of government	1,663	1,351
<i>Total Current Transfers</i>	<i>4,554</i>	<i>3,769</i>
<i>CAPITAL TRANSFERS</i>		
Local government	171	140
Local government on-passing	89	83
Private and not-for-profit sector	276	117
Private and not-for-profit sector on-passing	18	31
Other sectors of government	46	120
<i>Total Capital Transfers</i>	<i>600</i>	<i>491</i>

Total Public Sector

	2009	2008
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	216	85
Local government on-passing	132	122
Private and not-for-profit sector	2,335	2,145
Private and not-for-profit sector on-passing	751	603
Other sectors of government	43	33
<i>Total Current Transfers</i>	<i>3,477</i>	<i>2,988</i>
<i>CAPITAL TRANSFERS</i>		
Local government	188	160
Local government on-passing	89	83
Private and not-for-profit sector	276	154
Private and not-for-profit sector on-passing	18	31
Other sectors of government	-	-
<i>Total Capital Transfers</i>	<i>570</i>	<i>428</i>

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

NOTE 8: OTHER INTEREST

General Government		
	2009	2008
	\$m	\$m
Interest on borrowings	113	116
Finance charges on finance leases	6	5
Total	118	120
Less: Capitalised interest on borrowings	-	-
Total other interest	118	120
Total Public Sector		
	2009	2008
	\$m	\$m
Interest on borrowings	979	929
Finance charges on finance leases	64	67
Total	1,042	996
Less: Capitalised interest on borrowings	43	30
Total other interest	1,000	966

NOTE 9: DEPRECIATION AND AMORTISATION EXPENSE

General Government		
	2009	2008
	\$m	\$m
<i>Depreciation</i>		
Buildings	310	269
Infrastructure	170	176
Plant, equipment and other	237	22
<i>Total</i>	<i>717</i>	<i>667</i>
<i>Amortisation</i>		
Intangible assets	47	42
<i>Total</i>	<i>47</i>	<i>42</i>
Total depreciation and amortisation expenses	764	709
Total Public Sector		
	2009	2008
	\$m	\$m
<i>Depreciation</i>		
Buildings	455	383
Infrastructure	1,026	652
Plant, equipment and other	515	432
<i>Total</i>	<i>1,996</i>	<i>1,467</i>
<i>Amortisation</i>		
Intangible assets	92	82
<i>Total</i>	<i>92</i>	<i>82</i>
Total depreciation and amortisation expenses	2,088	1,549

NOTE 10: OTHER GROSS OPERATING EXPENSES

 General Government

	2009	2008
	\$m	\$m
Betting dividends payouts	-	-
Health sector specific expenses	814	751
Education sector specific expenses	369	358
Insurance claims expenses	-	-
Other	516	451
Total	1,698	1,560

 Total Public Sector

	2009	2008
	\$m	\$m
Betting dividends payouts	1,357	1,284
Health sector specific expenses	814	751
Education sector specific expenses	369	358
Insurance claims expenses	588	469
Other	5,492	3,871
Total	8,621	6,733

NOTE 11: INVENTORIES

General Government		
	2009	2008
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development - at cost	1	1
Land acquisition and development - at net realisable value	95	92
<i>Total Land inventories</i>	96	93
<i>Other Inventories</i>		
Precious metals - at net realisable value	-	-
Power station fuel stocks -at cost	-	-
Other materials and stores - at cost	44	30
Other materials and stores - at net replacement cost	2	2
Other - at cost	19	20
Other - at net realisable value	6	6
<i>Total Other inventories</i>	72	59
Total Inventories	168	152
Total Public Sector		
	2009	2008
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development - at cost	1,360	1,225
Land acquisition and development - at net realisable value	122	95
<i>Total Land inventories</i>	1,483	1,320
<i>Other Inventories</i>		
Precious metals - at net realisable value	1,390	752
Power station fuel stocks -at cost	45	46
Other materials and stores - at cost	46	32
Other materials and stores - at net replacement cost	21	20
Other - at cost	263	201
Other - at net realisable value	6	6
<i>Total Other inventories</i>	1,771	1,058
Total Inventories	3,254	2,378

NOTE 12: RECEIVABLES

General Government		
	2009	2008
	\$m	\$m
Receivables	1,708	1,918
Provision for impairment of receivables	-158	-183
Total receivables	1,549	1,734
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
Balance at start of year	183	137
Doubtful debts expense recognised in the income statement	-	62
Amounts written off during the year	-28	-17
Amounts recovered during the year	2	1
Balance at the end of year	158	183
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	141	409
More than 3 Months but less than 6 months	112	46
More than 6 months but less than 1 year	141	62
More than 1 year	115	119
Total	509	636
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	14	21
Impairment loss	-	-4
Carrying amount at the end of year	14	17
Total Public Sector		
	2009	2008
	\$m	\$m
Receivables	3,481	3,807
Provision for impairment of receivables	-187	-209
Total receivables	3,293	3,599
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
Balance at start of year	209	157
Doubtful debts expense recognised in the income statement	11	76
Amounts written off during the year	-34	-26
Amounts recovered during the year	1	2
Balance at the end of year	187	208
Ageing of receivables past due but not impaired at the balance sheet date:		
Not more than 3 months	276	537
More than 3 Months but less than 6 months	131	71
More than 6 months but less than 1 year	153	67
More than 1 year	123	119
Total	683	794
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount before deducting any impairment loss	29	13
Impairment loss	-4	-5
Carrying amount at the end of year	25	8

NOTE 13: BIOLOGICAL ASSETS

General Government

	2009	2008
	\$m	\$m
Native and plantation standing trees ^(a)	-	-
Livestock and other	2	2
Total Biological Assets	2	2

(a) Biological assets (non current) consist of mature and maturing standing trees stated at fair value less estimated selling costs, determined by valuations provided by Forest Products Commission each year, based on discounted cash flow models using a pre-tax weighted average cost of capital, supported by market evidence.

Reconciliation of Biological Assets

Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year are set out below:

	Standing Trees \$m	Livestock and Other \$m	Total \$m
Carrying amount at beginning of year	-	2	2
Gain/(loss) from changes in fair value	-	-	-
Purchases	-	1	1
Other	-	-1	-1
Carrying amount at end of year	-	2	2

Total Public Sector

	2009	2008
	\$m	\$m
Native and plantation standing trees ^(a)	362	348
Livestock and other	2	2
Total Biological Assets	364	351

(a) Biological assets (non current) consist of mature and maturing standing trees stated at fair value less estimated selling costs, determined by valuations provided by Forest Products Commission each year, based on discounted cash flow models using a pre-tax weighted average cost of capital, supported by market evidence.

Reconciliation of Biological Assets

Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year are set out below:

	Standing Trees \$m	Livestock and Other \$m	Total \$m
Carrying amount at beginning of year	348	2	351
Gain/(loss) from changes in fair value	5	-	5
Purchases	12	1	13
Other	-4	-1	-4
Carrying amount at end of year	362	2	364

NOTE 14: NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

General Government		
	2009	2008
	\$m	\$m
Land	14	34
Other	4	10
Total Current	18	44

Assets held for sale primarily relates to: The Western Australia Police, with \$11.766 million non-current land held for sale and \$4.292 million non-current buildings held for sale. Main Roads reclassified \$11.599 million of land held for sale which related to land and buildings previously acquired for roadworks. Sale of land and buildings worth \$10.306 million held by Department of Mines and Petroleum sold to CSIRO during the year.

Reconciliation of Non-Current Assets classified as Held for Sale

Reconciliation of changes in the carrying amount of non-current assets classified as held for sale at the beginning and the end of the year are set out below:

	Land	Other	Total
	\$m	\$m	\$m
Carrying amount at beginning of year	34	10	44
Assets reclassified as held for sale	2	1	2
Write down from cost to fair value less selling cost	-	-	-
Assets sold	-8	-7	-15
Transfers out/other	-14	-	-13
Carrying amount at end of year	14	4	18

Total Public Sector		
	2009	2008
	\$m	\$m
Land	14	35
Other	6	18
Total Current	19	53

Assets held for sale primarily relates to: The Western Australia Police, with \$11.766 million non-current land held for sale and \$4.292 million non-current buildings held for sale. Main Roads reclassified \$11.599 million of land held for sale which related to land and buildings previously acquired for roadworks. Sale of land and buildings worth \$10.306 million held by Department of Mines and Petroleum sold to CSIRO during the year.

Reconciliation of Non-Current Assets classified as Held for Sale

Reconciliation of changes in the carrying amount of non-current assets classified as held for sale at the beginning and the end of the year are set out below:

	Land	Other	Total
	\$m	\$m	\$m
Carrying amount at beginning of year	35	18	53
Assets reclassified as held for sale	2	44	45
Write down from cost to fair value less selling cost	-	-	-
Assets sold	-9	-57	-64
Transfers out/other	-14	-1	-16
Carrying amount at end of year	14	6	19

NOTE 15: INVESTMENT PROPERTIES

General Government		
	2009	2008
	\$m	\$m
Carrying amount at beginning of year	9	12
Additions	-	-
Revaluation increments/(decrements)	-1	-3
Transfers from non-current assets held for sale	-	-
Carrying amount at end of year	8	9

Total Public Sector		
	2009	2008
	\$m	\$m
Carrying amount at beginning of year	398	322
Additions	21	2
Revaluation increments/(decrements)	-33	18
Transfers from non-current assets held for sale	-	56
Carrying amount at end of year	386	398

NOTE 16: LAND

General Government		
	2009	2008
	\$m	\$m
Land, at fair value ^(a)	16,348	15,381
Land under roads, at fair value ^(b)	23,040	22,243
Total	39,389	37,624

Total Public Sector		
	2009	2008
	\$m	\$m
Land, at fair value ^(a)	29,810	26,043
Land under roads, at fair value ^(b)	23,040	22,243
Total	52,850	48,285

(a) Land valuations are provided by the Western Australian Land Information Authority each financial year with an effective date of 1 July. The valuation is based on information on the stock of land as at 30 June 2009. Land vested in local authorities of \$3,250 million (2008: \$4,267 million) is not recognised in the consolidated Balance Sheet, as it is not under State public sector control.

(b) Land under roads valuations are provided by the Western Australian Land Information Authority each financial year with an effective date of 1 July. The valuation based on information on the stock of land as at 30 June 2009.

NOTE 17: PROPERTY, PLANT AND EQUIPMENT

General Government		
	2009	2008
	\$m	\$m
Buildings, at fair value ^(a)	12,513	11,179
Accumulated Depreciation	122	84
<i>Total</i>	<i>12,391</i>	<i>11,095</i>
Electricity generation and transmission, at fair value ^(a)	1	1
Accumulated Depreciation	-	-
<i>Total</i>	<i>1</i>	<i>1</i>
Road networks, at fair value ^(b)	21,480	20,133
Accumulated Depreciation	7,542	7,214
<i>Total</i>	<i>13,938</i>	<i>12,919</i>
Water storage and distribution, at fair value ^(c)	-	-
Accumulated Depreciation	-	-
<i>Total</i>	<i>-</i>	<i>-</i>
Other infrastructure, at fair value ^(a)	252	227
Accumulated Depreciation	106	102
<i>Total</i>	<i>146</i>	<i>125</i>
Plant, equipment and other, at fair value	2,997	2,431
Accumulated depreciation	912	869
<i>Total</i>	<i>2,084</i>	<i>1,562</i>
Assets under construction	1,096	809
Total Property, Plant and Equipment	29,657	26,511

NOTE 17: PROPERTY, PLANT AND EQUIPMENT (CONT.)

Total Public Sector		
	2009	2008
	\$m	\$m
Buildings, at fair value ^(a)	18,987	17,108
Accumulated Depreciation	344	295
<i>Total</i>	<i>18,642</i>	<i>16,813</i>
Electricity generation and transmission, at fair value ^(b)	9,401	5,207
Accumulated Depreciation	1,905	455
<i>Total</i>	<i>7,496</i>	<i>4,752</i>
Road networks, at fair value ^(c)	21,483	20,136
Accumulated Depreciation	7,542	7,214
<i>Total</i>	<i>13,941</i>	<i>12,922</i>
Water storage and distribution, at fair value ^(d)	24,603	11,113
Accumulated Depreciation	8,826	1,978
<i>Total</i>	<i>15,777</i>	<i>9,135</i>
Other infrastructure, at fair value ^(a)	4,672	4,257
Accumulated Depreciation	1,107	1,072
<i>Total</i>	<i>3,565</i>	<i>3,185</i>
Plant, equipment and other, at fair value	8,220	6,526
Accumulated depreciation	3,072	2,300
<i>Total</i>	<i>5,148</i>	<i>4,226</i>
Assets under construction	4,351	3,408
Total Property, Plant and Equipment	68,921	54,441

- (a) Building valuations are provided by Western Australian Land Information Authority Valuation Services Branch and by other independent professional valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from fair value at reporting date.
- (b) Electricity generation and transmission includes the cost of decommissioning of property, plant and equipment including the cost of dismantling and removing the asset and restoring the site on which it is located, to the extent that these costs are also recognised as a provision.
- (c) Road infrastructure comprising roads, bridges and road furniture was valued at fair value by the Commissioner of Main Roads' Engineer at 30 June 2009.
- (d) Water storage and distribution, comprising pipelines, outfalls and fittings, dams, reservoirs, bores and tanks, ocean outfalls, pump stations and treatment plants, drains and channels and other structures, are reported at deemed cost being a revalued amount prior to transition that approximates the fair value as at date of valuation.
-

NOTE 18: RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

General Government

	Land	Buildings	Infra-structure	Plant, equip & other	Fixed Assets under Construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m
30 June 2009						
Carrying amount at beginning of year	37,624	11,095	13,045	1,562	809	64,135
Assets classified as NCAHFS	-2	-1	-	-	-	-2
Additions	210	527	856	566	255	2,413
Disposals	-80	-40	-69	-369	-12	-569
Transfers in/(out)	25	15	-34	38	49	93
Revaluation increments/(decrements)	1,585	1,082	457	438	-	3,563
Depreciation	-	-310	-170	-237	-	-717
Impairment losses	-	-1	-	-	-	-1
Accumulated depreciation written back	-	36	-	-13	-	24
Other	27	-12	-	98	-5	108
Carrying amount at end of year	39,389	12,391	14,085	2,084	1,096	69,045
30 June 2008						
Carrying amount at beginning of year	28,501	9,640	10,890	1,526	496	51,053
Assets classified as NCAHFS	-5	-2	-	5	-	-2
Additions	626	297	765	417	782	2,887
Disposals	-109	-4	-64	-200	-	-377
Transfers in/(out)	50	339	49	-14	-468	-44
Revaluation increments/(decrements)	8,553	1,061	1,581	35	-	11,230
Depreciation	-	-269	-176	-222	-	-667
Impairment losses	-	-	-	-	-	-
Accumulated depreciation written back	-	33	-	18	-	51
Other	8	-	-	-3	-1	4
Carrying amount at end of year	37,624	11,095	13,045	1,562	809	64,135

NOTE 18: RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT (CONT.)

Total Public Sector

30 June 2009	Land \$m	Buildings \$m	Infra- structure \$m	Plant, equip & other \$m	Fixed Assets under Construction \$m	Total \$m
Carrying amount at beginning of year	48,285	16,814	29,993	4,226	3,408	102,726
Assets classified as NCAHFS	-21	-24	-	-	-	-45
Additions	439	280	2,321	1,014	1,805	5,859
Disposals	-106	-77	-85	-405	-12	-685
Transfers in/(out)	41	208	729	-83	-808	87
Revaluation increments/(decrements)	4,183	1,859	8,875	807	-	15,724
Depreciation	-	-455	-1,026	-515	-	-1,996
Impairment losses	-	-1	-	-1	-	-2
Accumulated depreciation written back	-	50	12	3	-	65
Other	29	-11	-39	101	-43	36
Carrying amount at end of year	52,850	18,642	40,780	5,148	4,351	121,771

30 June 2008	Land \$m	Buildings \$m	Infra- structure \$m	Plant, equip & other \$m	Fixed Assets under Construction \$m	Total \$m
Carrying amount at beginning of year	37,434	14,354	25,880	3,953	3,219	84,840
Assets classified as NCAHFS	-12	-18	-	-	-	-30
Additions	318	579	2,131	921	1,888	5,836
Disposals	-130	-30	-88	-349	-285	-881
Transfers in/(out)	60	501	675	28	-1,316	-53
Revaluation increments/(decrements)	10,615	1,774	2,020	30	-	14,438
Depreciation	-	-383	-652	-431	-	-1,466
Impairment losses	-	-	-	-	-	-
Accumulated depreciation written back	-	37	5	92	-	134
Other	-	-	22	-17	-98	-92
Carrying amount at end of year	48,285	16,814	29,993	4,226	3,408	102,726

NOTE 19: INTANGIBLE ASSETS

General Government

	2009	2008
	\$m	\$m
Computer software	215	151
Software in progress	18	15
Other	103	92
Total	336	259

Reconciliation of Intangibles

	Computer Software	Software in progress	Other	Total
	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	151	15	92	259
Additions	96	18	11	125
Assets classified as held for sale	-	-	-	-
Disposals	-	-	-	-
Transfers in/-out	-3	-14	19	2
Revaluation increments/-decrements	-	-	-	-
Impairment losses	-	-	-	-
Impairment losses reversed	-	-	-	-
Amortisation	-29	-	-19	-48
Other	-	-1	-	-1
Carrying amount at end of year	215	18	103	336

Total Public Sector

	2009	2008
	\$m	\$m
Computer software	367	267
Software in progress	19	16
Renewable Energy Certificates	17	-
Other	177	151
Total	580	434

Reconciliation of Intangibles

	Computer Software	Software in progress	Renewable Energy Certificates	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	267	16	-	151	434
Additions	176	18	17	28	239
Assets classified as held for sale	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers in/-out	-5	-14	-	19	-
Revaluation increments/-decrements	-	-	-	-	-
Impairment losses	-	-	-	-	-
Impairment losses reversed	-	-	-	-	-
Amortisation	-71	-	-	-21	-92
Other	-	-	-	-	-
Carrying amount at end of year	367	19	17	177	580

NOTE 20: BORROWINGS

General Government

	2009	2008
	\$m	\$m
Bank overdrafts	13	-
Finance leases - secured ^(a)	288	285
Domestic and foreign borrowings ^(b)	1,546	762
Borrowings ^(c)	1,847	1,046
Unamortised net discounts	-	-
Total	1,847	1,046

(a) Finance Leases

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Amounts payable under finance leases are as follows:

	2009	2008
	\$m	\$m
Finance leases due:		
- not later than one year	20	18
- later than one year and not later than five years	51	45
- later than five years	231	237
Minimum lease payments	301	300
Future finance charges	-13	-16
Total finance lease liabilities	288	285
Classified as:		
- Current	17	15
- Non-current	271	270
Total	288	285

(b) Foreign currency borrowings

The following foreign currency borrowings are reported at Australian dollar equivalents applicable at the reporting date and the amounts in foreign currency included.

	Current	Non-current
<i>2008-09</i>		
United States Dollars	-	-
Swiss Francs	-	-
<i>2007-08</i>		
United States Dollars	-	-
Swiss Francs	-	-

At the reporting date, all foreign currency borrowings have either been hedged, swapped, covered forward specifically or invested in the foreign currency market. Consequently, any gain or loss on the transaction of the foreign currency borrowing is matched by a corresponding loss or gain made on the foreign currency contract or the foreign currency investment.

(c) Borrowings - maturity profile

	2009	2008
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	286	283
- later than one year and not later than five years	1,196	398
- later than five years	364	365
Total	1,847	1,046

NOTE 20: BORROWINGS (CONT.)

Total Public Sector		
	2009	2008
	\$m	\$m
Bank overdrafts	14	1
Finance leases - secured ^(a)	809	812
Domestic and foreign borrowings ^(b)	18,630	14,687
Borrowings ^(c)	19,453	15,500
Unamortised net discounts	-	-
Total	19,453	15,500

(a) Finance Leases

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Amounts payable under finance leases are as follows:

	2009	2008
	\$m	\$m
Finance leases due:		
- not later than one year	29	27
- later than one year and not later than five years	97	91
- later than five years	696	709
Minimum lease payments	822	828
Future finance charges	-13	-16
Total finance lease liabilities	809	812
Classified as:		
- Current	26	25
- Non-current	783	788
Total	809	812

(b) Foreign currency borrowings

The following foreign currency borrowings are reported at Australian dollar equivalents applicable at the reporting date and the amounts in foreign currency included.

<i>2008-09</i>	Current	Non-current
United States Dollars	2,996	-
Hong Kong Dollars	52	-
		-
<i>2007-08</i>	Current	Non-current
United States Dollars	584	-
Swiss Francs	30	-
	614	-

At the reporting date, all foreign currency borrowings have either been hedged, swapped, covered forward specifically or invested in the foreign currency market. Consequently, any gain or loss on the transaction of the foreign currency borrowing is matched by a corresponding loss or gain made on the foreign currency contract or the foreign currency investment.

(c) Borrowings - maturity profile

	2009	2008
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	8,706	5,860
- later than one year and not later than five years	5,750	5,983
- later than five years	4,997	3,657
Total	19,453	15,500

NOTE 21: UNFUNDED SUPERANNUATION

General Government		
	2009	2008
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,265	2,087
Gold State Superannuation Scheme	3,906	2,801
Judges' Pension Scheme	254	208
Parliamentary Superannuation Scheme	143	116
Defined contribution superannuation scheme:		
West State Superannuation Scheme	518	583
Total	7,086	5,795
<p>The superannuation liability for the general government sector at 30 June 2009 was \$7,086 million (2008 \$5,795 million). The liability represents 94.4% (2008: 94.5%) of the whole-of-government total superannuation liability of \$7,222 million at 30 June 2009 (2008: \$5,920 million). The disclosure information included in the total public sector note below also applies to the general government sector.</p>		
Total Public Sector		
	2009	2008
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,401	2,211
Gold State Superannuation Scheme	3,906	2,801
Judges' Pension Scheme	254	208
Parliamentary Superannuation Scheme	143	116
Defined contribution superannuation scheme:		
West State Superannuation Scheme	518	584
Total	7,221	5,920

(i) The GESB administers the following superannuation schemes:

Defined Benefit Superannuation Schemes

The defined benefit schemes are:

- Pension Scheme, a defined benefit pension scheme now closed to new members;
- Gold State Superannuation Scheme, a defined benefit lump sum scheme closed to new members;
- Judges' Pension Scheme, a defined benefit pension scheme which remains open to new members; and
- Parliamentary Superannuation Scheme, a defined benefit pension scheme closed to new members.

These benefits are partially unfunded and the liabilities for future payments are provided for at reporting date. The liabilities under these schemes have been calculated annually by PricewaterhouseCoopers actuaries using the Projected Unit Credit method. The expected future payments are discounted to present value using market yields at the reporting date on Commonwealth Government 10 years bonds with terms to maturity that match, as closely as possible the estimated future cash outflows.

Defined Contribution Superannuation Schemes

Employees who do not qualify for membership to the various defined benefit plan schemes become non-contributory members of the defined contribution plan, compliant with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. The West State Superannuation Scheme, an accumulation fund is administered by GESB.

The Government has no further obligation to the plan if there are insufficient assets to pay employees the benefits relating to their services rendered in current and prior periods, except for, the unfunded portion of the West State Superannuation Scheme for which the unfunded benefits are being amortised (funded) over the period to 2021.

The Government agreed to amortise the unfunded liability over 20 years from 1 July 2001, and the GESB introduced Member Investment Choice from the same date. The liability has been determined as the present value of the amortisation payments discounted at market yields at the reporting date.

NOTE 21: UNFUNDED SUPERANNUATION (CONT.)

(ii) The Government has applied the following principal assumptions in assessing the defined benefit superannuation liabilities as at balance date and for following year expense:

	2009	2008
	%	%
Discount rate (gross of tax) ^(a)	5.5	6.5
Salary rate ^(b)	4.5	4.5
Expected return on plan assets	7.5	7.5
Inflation (pensions)	3.0	3.0

(a) Discount rate is based on the average term of liabilities

(b) Assumed rate of salary inflation is 4% pa plus an additional 0.5% for promotional increases.

(iii) Major categories of defined benefit plan assets as a percentage of total fund assets ^(c) are as follows:

	2009	2008
	%	%
Australian equities	25	25
Overseas equities	27	27
Fixed interest securities	33	33
Property	7	7
Cash	8	8
Total	100	100

(c) Only the Pension Scheme and Gold State Scheme have plan assets. The Judges' Pension and Parliamentary Superannuation Schemes are totally unfunded.

(iv) The net liability of defined benefit plans recognised in the balance sheet is as follows:

	2009	2008
	\$m	\$m
Total defined benefit obligations	8,721	7,736
Scheme assets ^(d)	-2,017	-2,400
Deficit/-Surplus	6,704	5,336
(d) Based on audited accounts as at 30 June 2009.		
Current net liability	16	13
Non-current net liability	6,688	5,323

(v) Details of the deficit of the defined benefit plans measured in accordance with AAS 25 *Financial Reporting by Superannuation Plans* as determined from the plans' most recent financial report are shown below:

	Pension Scheme	Gold State Super Scheme ^(e)	Judges' Pension Scheme	Parliamentary Super Scheme
	2009	2009	2009	2009
	\$m	\$m	\$m	\$m
Gross accrued benefits	-2,574	-5,314	-254	-143
Net market value of plan assets	100	1,926	-	-
Deficit	-2,474	-3,388	-254	-143

(e) The amounts recorded for the Gold State Superannuation Scheme relate to the scheme as a whole (i.e. The pre-transfer benefit component plus the concurrently funded benefit component). The funding policy adopted by the Government in respect of the defined benefit plans is directed at ensuring that benefits accruing to members and beneficiaries are fully funded at the time the benefits become payable. As such, the actuary has considered long-term trends in such factors as scheme membership, salary growth and average market value of the schemes' assets when advising the Government on employer and employee contribution rates.

NOTE 21: UNFUNDED SUPERANNUATION (CONT.)

(vi) Reconciliation of the present value of the defined benefit superannuation obligation, at the beginning and the end of the year are set out below

	2009	2008
	\$m	\$m
Net liability/(asset) in balance sheet at beginning of year	5,336	5,111
Expense recognised in income statement	1,843	773
Actual employer contributions	-475	-548
Net liability/(asset) in balance sheet at end of year	6,704	5,336

(vii) The amounts recognised in the income statement in respect of the defined benefit plans are as follows:

	2009	2008
	\$m	\$m
Total employer service cost	186	201
Interest cost	485	465
Expected return on plan assets	-180	-189
Recognised actuarial (gains)/losses	1,352	296
Total	1,843	773

(viii) Reconciliation of the fair value of defined benefit superannuation assets at the beginning and at the end of the year are set out below

	2009	2008
	\$m	\$m
Fair value plan assets at beginning of year ^(f)	2,400	2,672
Employer contributions	482	559
Actual participant contributions	71	69
Actual operating costs	-11	-11
Actual benefit payments	-551	-685
Expected return on plan assets	180	189
Expected plan assets at end of year	2,570	2,793
Actuarial (gain)/loss on assets	-553	-393
Fair value of plan assets at end of year	2,017	2,400

(f) See below

(ix) Reconciliation of the fair value of defined benefit superannuation obligations at the beginning and at the end of the year are set out below

	2009	2008
	\$m	\$m
Defined benefit obligation at beginning of year	7,736	7,784
Employer service cost plus operating costs	184	176
Interest cost	487	413
Actual participant contributions	70	60
Actual operating costs	-11	-10
Actual benefit payments	-549	-600
Expected defined benefit obligations at end of year	7,918	7,823
Actuarial (gain)/loss on liabilities	801	-88
Defined benefit obligation at end of year	8,719	7,735

NOTE 21: UNFUNDED SUPERANNUATION (CONT.)

(x) Reconciliation of actuarial (gain)/loss at the beginning and end of the year are set out below:

	2009	2008
	\$m	\$m
Unrecognised actuarial (gain)/loss at beginning of year	-	-
Actuarial (gain)/loss on assets	551	398
Actuarial (gain)/loss on liabilities	801	-102
Amount recognised during year in operating statement	1,352	296
Unrecognised actuarial (gain)/loss at end of year	-	-

For 2009, the assets were re-instated at 1 July 2008 , resulting in an increase in the assets of \$ 4.3 million. For 2008, the assets were re-instated at 1 July 2007 , resulting in a decrease in the assets of \$ 117 million. The increases/decreases were treated as actuarial losses in the respective years.

(xi) Interest costs are as follows:

	2009	2008
Defined benefit obligations at the beginning of the year (\$m)	7,736	7,784
Actual benefit payments (\$m)	685	685
Weighted for timing (\$m)	343	343
Average benefit obligations (\$m)	7,394	7,442
Discount rate (%)	6.50%	6.25%
Calculated interest cost (\$m)	481	465

(xii) Expected return on assets at the beginning and the end of the year are set out below.

	2009	2008
Fair value plan assets at beginning of year (\$m)	2,403	2,554
Actual employer contributions (\$m)	482	559
Weighted for timing (\$m)	241	279
Actual participant contributions (\$m)	71	69
Weighted for timing (\$m)	35	34
Actual operating costs (admin plus insurance) (\$m)	-11	-11
Weighted for timing (\$m)	-5	-5
Actual benefit payments (\$m)	-551	-685
Weighted for timing (\$m)	-276	-343
Average expected assets (\$m)	2,398	2,519
Assumed rate of return (%)	7.5%	7.5%
Calculated expected return on assets (\$m)	180	189

(xiii) Net liability

	2009	2008
	\$m	\$m
Total defined benefit obligation	8,719	7,735
Actual assets	-2,017	-2,400
Deficit/(surplus)	6,702	5,335

(xiv) Actuarial gain/(loss)

	2009	2008
	\$m	\$m
Defined benefit obligations (prior year assumptions)	8,121	7,966
Defined benefit obligations (current year assumptions)	8,719	7,735
Actuarial (gain)/loss due to assumptions	598	-231
Actuarial (gain)/loss due to experience	201	135
Actuarial (gain)/loss on assets	553	393
Total actuarial (gain)/loss	1,352	296

(xv) History Summary

	2009	2008
Total defined benefit obligations	8,719	7,735
Actual assets	2,017	2,400
Deficit/(surplus)	6,702	5,335
Experience adjustment on liabilities	201	135
Experience adjustment on assets	553	393

NOTE 22: OTHER EMPLOYEE BENEFITS

General Government

	2009	2008
	\$m	\$m
Annual leave	722	632
Long service leave	1,167	995
Other	183	209
Total	2,072	1,836

Total Public Sector

	2009	2008
	\$m	\$m
Annual leave	833	728
Long service leave	1,319	1,126
Other	230	245
Total	2,382	2,099

NOTE 23: OTHER LIABILITIES

General Government		
	2009	2008
	\$m	\$m
Insurance claims	-	-
Interest payable	10	12
Other liabilities and accruals	1,078	847
Total	1,088	858
Total Public Sector		
	2009	2008
	\$m	\$m
Insurance claims ^(a)	1,916	1,796
Interest payable	182	155
Other liabilities and accruals	1,876	1,937
Total	3,973	3,887
	2009	2008
(a) Insurance claims	\$m	\$m
The liabilities for outstanding insurance claims comprise:		
Third Party Insurance Fund	1,403	1,327
Government Insurance Fund	45	44
RiskCover	371	336
Other	97	89
<i>Total</i>	<i>1,916</i>	<i>1,796</i>
Liability for outstanding claims (undiscounted)	2,306	2,365
Discount to present value	-390	-569
<i>Total Liability for outstanding claims (undiscounted)</i>	<i>1,916</i>	<i>1,796</i>
	2009	2008
Claims expected to be paid:	%	%
Not later than one year		
Inflation rate	3.00	5.10
Discount rate	3.40	7.00
Later than one year		
Inflation rate	3.88	4.90
Discount rate	5.93	6.43

**NOTE 24: RECONCILIATION OF NET CASH FLOWS FROM
OPERATING ACTIVITIES TO SURPLUS FOR PERIOD**

General Government		
	2009	2008
	\$m	\$m
Surplus for period	318	2,507
Non-cash movements		
Depreciation	765	709
Increase/Decrease in accrual in employees benefits	245	247
Increase/Decrease in inventories	-13	-3
Increase/Decrease in receivables	216	-468
Increase/Decrease in prepayments and other assets	29	4
Increase/Decrease in payables	100	76
Increase/Decrease in other liabilities and accruals	230	97
Net GST receipts/payments	-16	-39
Other non cash net grant receipts	-87	-101
Adjustment for other non cash items	-70	31
Total	1,717	3,060
Net cash flows from operating activities per Cash Flow Statement.	1,717	3,060
Total Public Sector		
	2009	2008
	\$m	\$m
Surplus for period	87	2,423
Non-cash movements		
Depreciation	2,090	1,552
Premium discount amortisation	83	129
Increase/Decrease in accrual in employees benefits	277	236
Increase/Decrease in inventories	-713	-374
Increase/Decrease in receivables	348	-959
Increase/Decrease in prepayments and other assets	45	-8
Increase/Decrease in payables	492	987
Increase/Decrease in other liabilities and accruals	86	191
Net GST receipts/payments	-83	-109
Other non cash net grant receipts	-75	-82
Adjustment for other non cash items	144	15
Total	2,782	4,001
Net cash flows from operating activities per Cash Flow Statement.	2,782	4,001

NOTE 25: CLOSING CASH BALANCES

For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank and investments in highly liquid money market instruments, net of outstanding bank overdrafts.

General Government		
	2009	2008
	\$m	\$m
The amount comprises:		
Cash assets as per the Balance Sheet	380	497
Bank Overdrafts	-13	0
Investments included as cash on the Cash Flow Statement	3,967	3,739
Total closing cash balance	4,334	4,236
Total Public Sector		
	2009	2008
	\$m	\$m
The amount comprises:		
Cash assets as per the Balance Sheet	916	822
Bank Overdrafts	-14	-1
Investments included as cash on the Cash Flow Statement	6,085	5,831
Total closing cash balance	6,987	6,652

Note: 'Cash' for the purposes of the Cash Flow Statement is defined differently to 'Cash' for the purposes of the consolidated Balance Sheet. As a result, the 'Cash' reported on the Cash Flow Statement does not equal 'Cash' in the Balance Sheet.

NOTE 26: RESTRICTED FINANCIAL ASSETS

There are restrictions on the uses of specific purpose Commonwealth grants and advances received and not yet expensed. The restricted financial assets included in Investments total \$427 million (2008: \$122 million).

NOTE 27: MONEYS HELD IN TRUST

Moneys held in a trustee capacity are not controlled by the State and are excluded from assets and liabilities. An amount of \$259 million was recorded for 2009, compared with \$240 million in 2008.

NOTE 28: EXPENDITURE COMMITMENTS

General Government

Capital expenditure commitments^(a)

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the consolidated financial statements, are expected to require payment as follows:

	2009	2008
	\$m	\$m
Not later than one year	2,276	1,018
Later than one year and not later than five years	1,192	790
Later than five years	60	68
Total	3,529	1,876

Operating leases expenditure commitments

In addition to the finance leases for which the liabilities are incorporated in the balance sheet, the government has non-cancellable operating leases of buildings for office accommodation and motor vehicles, under which the following amounts are payable:

	2009	2008
	\$m	\$m
Not later than one year	349	440
Later than one year and not later than five years	830	1,006
Later than five years	428	265
Total	1,608	1,711

Operating lease expenses for the year amounted to \$316 million (2007-08: \$252 million)

Other Commitments

The Government has commitments with private sector contractors for the purchase of electricity and gas, and for the provision of health services and rail and bus operations. These commitments are payable as follows:

	2009	2008
	\$m	\$m
Not later than one year	1,109	881
Later than one year and not later than five years	1,836	1,987
Later than five years	6,831	1,922
Total	9,775	4,790

NOTE 28: EXPENDITURE COMMITMENTS (CONT.)

Total Public Sector

Capital expenditure commitments^(a)

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the consolidated financial statements, are expected to require payment as follows:

	2009	2008
	\$m	\$m
Not later than one year	4,150	2,449
Later than one year and not later than five years	2,083	1,128
Later than five years	60	69
Total	6,293	3,645

Operating leases expenditure commitments

In addition to the finance leases for which the liabilities are incorporated in the balance sheet, the government has non-cancellable operating leases of buildings for office accommodation and motor vehicles, under which the following amounts are payable:

	2009	2008
	\$m	\$m
Not later than one year	474	542
Later than one year and not later than five years	1,212	1,366
Later than five years	802	548
Total	2,488	2,455

Operating lease expenses for the year amounted to \$416 million (2007-08: \$326 million).

Other Commitments

The Government has commitments with private sector contractors for the purchase of electricity and gas, and for the provision of health services and rail and bus operations. These commitments are payable as follows:

	2009	2008
	\$m	\$m
Not later than one year	2,049	1,390
Later than one year and not later than five years	5,410	4,959
Later than five years	15,534	11,916
Total	22,992	18,265

(a) The capital commitments include the following material amounts for:

The Commonwealth Government's Building the Education Revolution program of Primary Schools for the 21st Century and Secondary Schools Science and Language facilities; new secondary and primary schools; additions and improvements to secondary, primary and district high schools; TAFEWA colleges and miscellaneous projects \$1,565 million (2008: \$320 million);

Southern Seawater Desalination Plant, Alkimos Wastewater Scheme and additional Water Corporation's capital expenditure programs \$1,155 million (2008: \$471 million);

Redevelopment of Rockingham/Kwinana hospital, Fiona Stanley hospital, replacement of Hedland Regional Resources Centre, Royal Perth Hospital emergency department expansion, King Edward Memorial Hospital redevelopment and other redevelopments and medical equipment replacements \$627 million (2008: \$416 million);

Royalties for Regions initiatives: Ord River Scheme; East Kimberley Expansion – Stage 2 \$379 million;

New Perth Bunbury Highway; Great Northern Highway; Roe Highway; Gibb River Road and Mitchell Freeway \$344 million (2008: \$314 million);

New Fremantle station power upgrade, Karrinyup bus depot refurbishment, overhead customer connections and Indigenous Remote Communities Power Supply Project \$276 million (2008: \$382 million);

Home loans to borrowers \$240 million (2008: \$123 million);

Land and buildings; fire and emergency replacements to vehicles and other plant and equipment \$163 million (2008: \$184 million); and

Counter-Terrorism Initiatives; South Hedland police station replacement; motor vehicles and other police station upgrades and redevelopments \$148 million (2008: \$48 million).

NOTE 29: CONTINGENT ASSETS AND LIABILITIES

In addition to the assets and liabilities incorporated in the Balance Sheet, the public sector has the following quantified contingent assets and liabilities:

	2009	2008
	\$m	\$m
<i>Contingent Assets</i>		
Commissioner of Main Roads	26	10
Racing and Wagering Western Australia	14	-
Total	40	10
<i>Contingent Liabilities</i>		
Contingent liabilities under guarantees, warranties, indemnities and sureties ^(a)	571	524
Contingent liabilities in relation to public universities' superannuation liabilities ^(b)	107	99
Guaranteed obligations of the Bank of Western Australia Ltd at credit risk equivalents ^(c)	11	40
Other contingent liabilities ^(d)	704	972
Total	1,393	1,635

Contingent Assets

Commissioner of Main Roads

The Commissioner of Main Roads has contingent assets in relation to claims against various contractors for deficient works. These claims are currently proceeding through dispute resolution processes (\$24.0 million).

A damages claim is in progress, which relates to damage to Main Roads infrastructure by a mining company (\$2.1 million).

Racing and Wagering Western Australia

Racefields legislation for Western Australia is currently being drafted. It is expected that the legislation when passed will be retrospective to 1 September 2008. The net product fee income of this legislation is estimated at \$13.8 million.

(a) Contingent liabilities under guarantees, warranties indemnities and sureties.

Public Trustee Common Fund

Guarantees for the Public Trustee's Common Fund of \$334 million (2008: \$299 million).

Home Indemnity Insurance

The Treasurer has entered into Deeds of Indemnity that provide catastrophe cover for loss resulting from death, insolvency or disappearance of a builder or building group. The Treasurer's exposure to these indemnities is limited to \$180 million.

Public Transport Authority (PTA)

The PTA has issued indemnities to parties to cross-border lease parties in respect to taxation resulting from changes in law, taxation administration determinations or as a result of loss of railcars which result in a loss of economic benefit to parties to the leases or result in increased costs. There are no notifications of adverse taxation circumstances. There have been no railcar losses. It is not possible to estimate the amount of any payments that may arise from these indemnities at balance sheet date.

The PTA has issued indemnities to parties to cross-border lease transactions for the financial obligations and performance of the lessees and deposit takers. In the event of default by the lessees or deposit takers to pay for obligations when due or perform functions required of them. PTA as issuer of the indemnity is required to meet the liabilities, losses, costs and charges of the indemnity to other parties to the contracts. In the event of default the maximum obligation at 30 June 2009 is \$46.1 million. There have been no notifications of default.

Insurance Commission of Western Australia

Indemnities have been issued by the Treasurer to reimburse claims and administration costs incurred by the Government Insurance Fund and HIH Rescue Package, both maintained and managed by the Insurance Commission of Western Australia.

(b) Contingent liabilities in relation to public universities' superannuation liabilities.

The *State Superannuation Act 2000* (SSA), repealed the *Government Employees Superannuation Act 1987* and the *Superannuation and Family Benefits Act 1938*. The schemes operating under those Acts are continued under the SSA. The State guarantees the benefits payable under those schemes.

The liabilities of \$107 million have been actuarially assessed as at 30 June 2009 (2008: \$99 million).

(c) Guaranteed obligations of the Bank of Western Australia Ltd (BankWest) at credit risk equivalents.

BankWest was privatised on 1 December 1995 with the completion of the sale to the Bank of Scotland and its wholly owned subsidiary Scottish Western Australia Holdings Pty Ltd. The *Bank of Western Australia Act 1985* guarantees financial obligations of BankWest at the time of privatisation subject to phase out conditions. The guaranteed exposures of BankWest amount to \$11 million at 30 June 2009 (2008: \$40 million).

(d) Other contingent liabilities.

Other contingent liabilities include legal and contractual claims against individual agencies as reported in their financial statements.

The consolidated financial statements do not contain any provision in respect of either quantified or unquantified contingencies in respect of the following material contingent liabilities.

Tipperary Development Pty Ltd

The claim lodged by Tipperary Developments against the State for loss arising from a \$50 million deposit with Rothwells in 1988 was heard in the Supreme Court in July 2005. The judgement was ultimately handed down in July 2006. The claim was dismissed. However, Tipperary lodged a Notice of Appeal in the Western Australian Court of Appeal. The appeal was heard on 16 to 20 March 2009 with judgement reserved and subsequently handed down on 22 July 2009. Tipperary's appeal was dismissed and Tipperary was ordered to pay the State's costs. Tipperary has indicated that it will seek leave to appeal to the High Court of Australia, although the State has yet to be served with any appeal papers. The appeal period closes shortly. The quantum of the claim by Tipperary (including interest) is approximately \$80 million plus costs.

Native Title

The *Commonwealth Native Title Act 1993* (NTA), as amended, creates a liability for the States for any compensation in regard to loss or impairment of native title rights and interests that occurred after 31 October 1975.

Native title compensation is generally the responsibility of governments. In respect of future acts involving mining, the compensation liability has been passed onto the mining industry through legislation.

Commissioner of Main Roads

Claims have been submitted by contractors in relation to services provided under roadwork contracts. The contingent liability of \$11.9 million is the difference between the amount of the claim and the liability estimated by Main Roads based on legal advice. Claims have been lodged by owners of property acquired for road construction purposes. The contingent liability of \$189.8 million is the difference between the owners' claim and the estimated settlement price determined by Main Roads in accordance with an independent valuation.

Western Australian Planning Commission

Under the operation of the Metropolitan, Peel and Greater Bunbury Region Schemes, reservations exist on properties that may result in compensation being paid to the landholder or the property being acquired for the Planning Commission's estate. The Commission on an annual basis sets such compensation and acquisition priorities. In some cases the landholder disputes the compensation/consideration offered by the Commission, either through arbitration or through Court action. Resolving such disputes forms part of the ordinary business of the Planning Commission and any additional payments that arise are managed within the resources of the Metropolitan Region Improvement Fund. It is estimated that the Commission's contingent liabilities at 30 June 2009 are in the order of \$212.3 million.

Public Transport Authority

The PTA is awaiting judgement from the Supreme Court on the amount of Leighton Contractors Ltd legal costs payable by the Authority in respect of the Supreme Court action that dealt with the calculation of entitlement to rise and fall payments under the contract. Leighton Contractors Ltd has claimed costs of \$5.6 million.

Insurance Commission of Western Australia

The Insurance Commission has agreed to fund the costs of the liquidators of the Bell Group in the liquidator's action against a syndicate of banks. Contingent upon the outcome of this litigation, the Insurance Commission is likely at a future point in time to either realise an asset or incur a liability.

During the year, the liquidators were successful in obtaining judgement in the Supreme Court of Western Australia which required the banks to repay in excess of \$1.6 billion. The judgement is the subject of appeal processes. The contingent asset relates to the amount which the Insurance Commission will receive from the liquidators, if the recovery action against the banking syndicate is upheld after all rights of appeal are exhausted.

The contingent liability relates to the Insurance Commission's share of any amounts required to be paid in respect of costs ordered by the Court, in the event that the banks' appeals are successful. To mitigate the extraordinary and unforeseen level of funding of the liquidators, an insurance cover program was put in place in relation to some of the exposure to this contingent liability. The Insurance Commission continues to monitor, and where considered appropriate, modify the insurance program in respect of exposure to the funding of the litigation.

As the Court outcome and the amounts of any resulting contingent asset or liability are subject to inherent uncertainty, it is not practical to estimate the potential effect upon the Insurance Commission at balance date.

Contaminated Sites

Under the *Contaminated Sites Act 2003*, agencies are required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of risk to human health, the environment and environmental issues. Where sites are classified as 'contaminated remediation required', or 'possibly contaminated – investigation required', the agency may have a liability in respect of investigation or remediation expenses. DEC have not yet finalised the classification of sites that have been reported to them by agencies. As agencies are unable to assess the likely outcome of the classification process, it is not possible to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Agencies have an on-going management plan to remediate contaminated sites as they are identified.

NOTE 30: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

Exposure to credit risk, liquidity risk, interest rate risk and other financial risks arise in the normal course of government activity. Public sector agencies adopt various programs for managing market risk, which include derivative financial instruments. The two main sources of market risk are fluctuations in interest and foreign exchange rates. Derivatives in use include interest rate swaps, interest rate futures, cross-currency swaps and forward foreign exchange contracts. Whenever derivative positions are created, cash or an underlying physical security is held to cover any potential liability.

Credit risk

Credit risk in relation to financial assets is the risk that a third party will not meet its obligation in accordance with agreed terms. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet. Credit risk in relation to cash assets and fixed interest securities is mitigated by investing in counter parties that have acceptable credit ratings. Credit risk concentration is minimised in relation to financial assets and hedging instruments and public sector agencies do not have significant exposures to any concentrations of credit risk. Generally, agencies exposures are to a large number of customers or highly rated counter-parties and their credit risks are very low. There is a high degree of geographically-based concentrations of recognised financial assets in Australia. Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 12, Receivables.

Liquidity risk

Liquidity management is undertaken by the Western Australian Treasury Corporation (WATC) on behalf of public sector agencies. WATC maintains a minimum prudent level of highly liquid quality assets at all times to ensure that commitments are met. The risk is minimised through the diversification of its funding activity across domestic and offshore markets and across the maturity spectrum.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency exposures are managed through the use of foreign exchange contracts and derivatives.

Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The interest rate risk by class of recognised financial asset and financial liability at 30 June 2009 is shown in the table below. The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets or liabilities. For floating instruments, the rate is the current market rate. The bands reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

(b) Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities recorded in the consolidated Balance Sheet are not materially different from their net fair value.

(c) Derivative Financial Instruments

The public sector limits dealings in derivatives to only those counter parties that are recognised financial intermediaries and possess a credit rating of A or better. The public sector does not have a material exposure to any individual counter party. The following table provides details of outstanding derivatives used for hedging purposes as at 30 June 2009.

NOTE 30: FINANCIAL INSTRUMENTS (CONT.)

 General Government

Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

	2009	2008
	\$m	\$m
Financial Assets		
Cash and cash equivalents	380	497
Receivables and advances	2,265	2,470
Investments, loans and placements	4,168	3,970

Financial Liabilities

Advances and borrowings	2,343	1,556
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Financial assets and liabilities exclude GST receivable/payable to the ATO but include other statutory receivables relating to taxation and royalty income.

	Notional face Value 2009 \$m	Net fair Value 2009 \$m	Credit Exposure 2009 \$m
<i>Fair Values</i>			
Interest rate contracts	-	-	-
Forward exchange contracts	1	1	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
Total	1	1	-

	Notional face Value 2008 \$m	Net fair Value 2008 \$m	Credit Exposure 2008 \$m
<i>Fair Values</i>			
Interest rate contracts	-	-	-
Forward exchange contracts	2	2	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
Total	2	2	-

NOTE 30: FINANCIAL INSTRUMENTS (CONT.)

Total Public Sector

Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

	2009	2008
	\$m	\$m
Financial Assets		
Cash and cash equivalents	916	822
Receivables and advances	6,164	5,342
Investments, loans and placements	9,528	9,852
Financial Liabilities		
Advances and borrowings	19,949	16,010

Financial assets and liabilities exclude GST receivable/payable to the ATO but include other statutory receivables relating to taxation and territorial revenue.

	Notional face Value 2009 \$m	Net fair Value 2009 \$m	Credit Exposure 2009 \$m
<i>Fair Values</i>			
Interest rate contracts	3,430	178	165
Forward exchange contracts	336	16	-
Futures contracts	205	9	-
Commodity contracts	-	-10	-
Total	3,970	192	165
	Notional face Value 2008 \$m	Net fair Value 2008 \$m	Credit Exposure 2008 \$m
<i>Fair Values</i>			
Interest rate contracts	3,763	54	36
Forward exchange contracts	367	1	-
Futures contracts	65	2	-
Commodity contracts	17	-	-
Total	4,212	57	36

NOTE 30: FINANCIAL INSTRUMENTS (CONT.)

General Government

Interest rate risk exposure

The public sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability at 30 June 2009 are as follows:

	Fixed interest rate maturing in:									Total carrying amount \$m	Weighted average effective interest rate %
	Floating interest rate \$m	Up to 3 months \$m	3 to 12 months \$m	1 to 2 years \$m	2 to 3 years \$m	3 to 4 years \$m	4 to 5 years \$m	More than 5 years \$m	Non-interest bearing \$m		
Financial assets											
Cash and deposits	304	9	-	-	-	-	-	-	67	380	2.90
Receivables	-	-	-	-	-	-	-	-	1,549	1,549	-
Investments, loans and placements	1,025	2,777	282	84	-	-	-	-	-	4,168	5.40
Advances paid:											
Non-government schools	-	4	16	21	19	21	22	81	-	184	8.20
Other	13	-	-	-	-	-	-	-	519	532	-
Equity - investments in other entities	-	-	-	-	-	-	-	-	3,164	3,164	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-
Total financial assets	1,342	2,790	298	105	19	21	22	81	5,299	9,977	
Financial liabilities											
Deposits held	177	-	-	-	-	-	-	-	214	391	5.6
Advances received	-	-	-	-	-	-	-	-	496	496	-
Borrowings	1,126	111	72	48	45	40	36	370	-	1,847	4.2
Payables	-	-	-	-	-	-	-	-	481	481	-
Total financial liabilities	1,303	111	72	48	45	40	36	370	1,191	3,215	

The interest on financial assets and liabilities other than those separately disclosed above is immaterial and does not expose the public sector to any significant interest rate risk.

NOTE 30: FINANCIAL INSTRUMENTS (CONT.)

General Government (Cont.)

Interest rate risk exposure

The public sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability at 30 June 2008 are as follows:

	Floating interest rate \$m	Fixed interest rate maturing in:						More than 5 years \$m	Non-interest bearing \$m	Total carrying amount \$m	Weighted average effective interest rate %
		Up to 3 months \$m	3 to 12 months \$m	1 to 2 years \$m	2 to 3 years \$m	3 to 4 years \$m	4 to 5 years \$m				
Financial assets											
Cash and deposits	383	60	3	-	-	-	-	-	52	497	3.9
Receivables	-	-	-	-	-	-	-	-	1,734	1,734	-
Investments, loans and placements	-	2,865	951	77	77	-	-	-	-	3,970	7.0
Advances paid:											
Non-government schools	-	2	13	19	20	22	23	87	-	186	8.1
Other	-	-	-	-	-	-	-	-	550	550	-
Equity - investments in other entities	-	-	-	-	-	-	-	-	2,797	2,797	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-
Total financial assets	383	2,927	967	96	97	22	23	87	5,133	9,734	
Financial liabilities											
Deposits held	138	-	-	-	-	-	-	-	188	326	7.0
Advances received	-	-	-	-	-	-	-	-	510	510	-
Borrowings	64	82	115	102	86	87	86	423	-	1,046	7.0
Payables	-	-	-	-	-	-	-	-	381	381	-
Total financial liabilities	202	82	115	102	86	87	86	423	1079	2263	

NOTE 30: FINANCIAL INSTRUMENTS (CONT.)

Total Public Sector

Interest rate risk exposure

The public sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability at 30 June 2009 are as follows:

	Fixed interest rate maturing in:							More than 5 years	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	Floating interest rate	Up to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years				
	\$m	\$m	\$m	\$m	\$m	\$m	\$m				
Financial assets											
Cash and deposits	665	34	132	-	-	-	-	-	85	916	3.2
Receivables	-	-	635	-	-	-	-	12	2,646	3,293	0.4
Investments, loans and placements	878	5,877	2,038	322	12	37	27	156	181	9,528	4.6
Advances paid:											
Homebuyers	-	-	-	-	-	-	-	2,652	-	2,652	6.2
Non-government schools	-	4	16	21	19	21	22	81	-	184	8.2
Other	-	-	19	-	-	-	-	-	14	33	-
Equity - investments in other entities	-	-	-	-	-	-	-	-	1,004	1,004	-
Other financial assets	-	-	-	-	-	-	-	-	26	26	-
Total financial assets	1,543	5,915	2,840	343	31	58	49	2,901	3,956	17,636	
Financial liabilities											
Deposits held	-	-	-	-	-	-	-	-	141	141	-
Advances received	-	-	19	19	19	19	18	252	150	496	3.1
Borrowings	37	5,285	3,469	3,141	101	2,460	94	4,866	-	19,453	5.5
Payables	-	-	141	-	-	-	-	-	3,245	3,387	0.1
Total financial liabilities	37	5,285	3,629	3,160	120	2,479	112	5,118	3,536	23,477	

The interest on financial assets and liabilities other than those separately disclosed above is immaterial and does not expose the public sector to any significant interest rate risk.

NOTE 30: FINANCIAL INSTRUMENTS (CONT.)

Total Public Sector (Cont.)

Interest rate risk exposure

The public sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability at 30 June 2008 are as follows:

	Fixed interest rate maturing in:							More than 5 years	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	Floating interest rate	Up to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years				
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Financial assets											
Cash and deposits	586	61	124	-	-	-	-	-	51	822	6.1
Receivables	-	-	1,080	-	-	-	-	12	2,506	3,599	0.5
Investments, loans and placements	1,030	4,714	3,224	147	114	30	35	244	314	9,852	6.9
Advances paid:											
Homebuyers	-	-	-	-	-	-	-	1,512	-	1,512	8.2
Non-government schools	-	2	13	19	20	22	23	87	-	186	8.1
Other	-	-	-	-	-	-	-	-	44	44	-
Equity - investments in other entities	-	-	-	-	-	-	-	-	1,089	1,089	-
Other financial assets	-	-	-	-	-	-	-	-	12	12	-
Total financial assets	1,616	4,777	4,441	166	134	52	58	1,855	4,016	17,116	
Financial liabilities											
Deposits held	129	-	-	-	-	-	-	-	-	129	7.0
Advances received	-	-	19	19	19	18	18	269	148	510	-
Borrowings	-	2,673	2,568	2,333	1,889	61	1,701	4,275	-	15,500	6.1
Payables	-	-	445	-	-	-	-	-	2,450	2,895	0.3
Total financial liabilities	129	2,673	3,032	2,352	1,908	79	1,719	4,544	2,598	19,034	

NOTE 30: FINANCIAL INSTRUMENTS (CONT.)

General Government

	2009					2008				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets										
Cash and cash equivalents	380	-3	-3	3	3	497	-4	-4	4	4
Receivables	1,549	-15	-15	15	15	1,734	-17	-17	17	17
Other financial assets	8,048	-46	-46	46	46	3,533	-33	-33	33	33
Financial Liabilities										
Payables	481	5	5	-5	-5	381	4	4	-4	-4
Borrowings	1,847	8	8	-8	-8	1,046	-	-	-	-
Other financial liabilities	887	8	8	-8	-8	836	8	8	-8	-8
Total Increase/(Decrease)		-42	-42	42	42		-42	-42	42	42

NOTE 30: FINANCIAL INSTRUMENTS (CONT.)

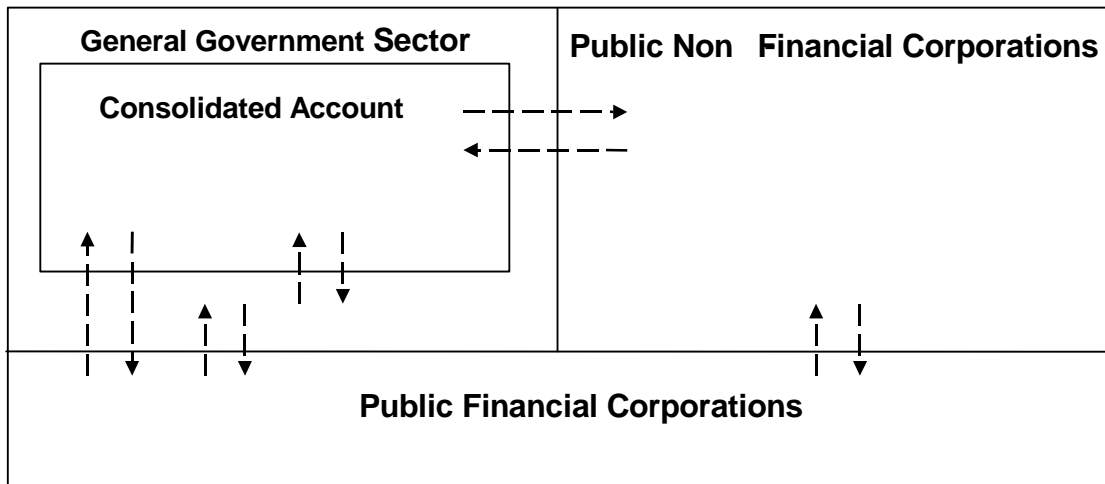
Total Public Sector

	2009					2008				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets										
Cash and cash equivalents	916	-6	-6	6	6	822	-5	-5	5	5
Receivables	3,293	-26	-26	26	26	3,599	-25	-25	25	25
Other financial assets	13,427	-19	-19	19	19	12,695	-22	-22	22	22
Financial Liabilities										
Payables	3,387	32	32	-32	-32	2,895	25	25	-25	-25
Borrowings	19,453	-	-	-	-	15,500	-	-	-	-
Other financial liabilities	637	3	3	-3	-3	639	2	2	-2	-2
Total Increase/(Decrease)		-16	-16	16	16		-25	-25	25	25

NOTE 31: COMPOSITION OF SECTORS

The following diagram shows the sectors within which agencies have been classified by the Australian Bureau of Statistics (ABS), which are all embraced in the consolidation

TOTAL PUBLIC SECTOR



Each agency produces its own annual report. All controlled agencies, regardless of funding source or sector classification, have been included in these consolidated financial statements.

The agencies included within each sector are listed below.

General Government

Agricultural Practices Board of Western Australia	Goldfields-Esperance Development Commission
Agricultural Produce Commission	Governor's Establishment
Botanic Gardens and Parks Authority	Great Southern Development Commission
Building and Construction Industry Training Board	Great Southern TAFE
Central TAFE	Heritage Council of Western Australia
Central West TAFE	Independent Market Operator
Challenger TAFE	Keep Australia Beautiful Council (W.A.)
Chemistry Centre (W.A.)	Kimberley TAFE
Commissioner for Children and Young People	Kimberley Development Commission
Commissioner of Equal Opportunity	Law Reform Commission of Western Australia
Commissioner of Main Roads	Legal Aid Commission of Western Australia
Corruption and Crime Commission	Legal Costs Committee
Country High School Hostels Authority	Local Health Authorities Analytical Committee
Curriculum Council	Mid-West Development Commission
C.Y. O'Connor College of TAFE	Minerals and Energy Research Institute of Western Australia
Department for Child Protection	Office of Energy
Department for Communities	Office of Health Review
Department for Planning and Infrastructure ^(a)	Office of Native Title
Department for Planning	Office of the Auditor General
Department of Agriculture and Food	Office of the Director of Public Prosecutions
Department of Commerce	Office of the Information Commissioner
Department of Consumer and Employment Protection ^(a)	Office of the Inspector of Custodial Services
Department of Corrective Services	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Department of Culture and the Arts	Office of the Public Sector Standards Commissioner
Department of Education and Training	Parliamentary Commissioner for Administrative Investigations
Department of Education Services	Parliamentary Services Department
Department of Environment and Conservation	Peel Development Commission
Department of Fisheries	Perth Theatre Trust
Department of Health (including Public Hospitals)	Pilbara Development Commission
Department of Housing and Works ^(a)	Pilbara TAFE
Department of Housing	Police Service
Department of Indigenous Affairs	Professional Combat Sports Commission
Department of Industry and Resources ^(a)	Professional Standards Council
Department of Local Government and Regional Development ^(a)	Public Sector Commission ^(a)
Department of Local Government	Racing Penalties Appeal Tribunal of Western Australia
Department of Mines and Petroleum ^(a)	Rural Business Development Corporation
Department of Racing, Gaming and Liquor	Salaries and Allowances Tribunal
Department of Regional Development and Lands ^(a)	Screen West (Inc.)
Department of Sport and Recreation	Small Business Development Corporation
Department of State Development ^(a)	South West Development Commission
Department of Transport ^(a)	South West Regional College of TAFE
Department of the Legislative Assembly	State Supply Commission
Department of the Legislative Council	Swan River Trust
Department of the Premier and Cabinet	Swan TAFE
Department of the Attorney General	The Aboriginal Affairs Planning Authority
Department of the Registrar, Western Australian Industrial Relations Commission	The Agriculture Protection Board of Western Australia
Department of Treasury and Finance	The Anzac Day Trust
Department of Water	The Board of the Art Gallery of Western Australia
Disability Services Commission	The Burswood Park Board
Economic Regulation Authority	The Coal Miners' Welfare Board of Western Australia
Fire and Emergency Services Authority of Western Australia	The Library Board of Western Australia
Gaming and Wagering Commission of Western Australia	The National Trust of Australia (W.A.)
Gascoyne Development Commission	The Queen Elizabeth II Medical Centre Trust
	The Western Australia Museum
	Trustees of the Public Education Endowment

(a) Agency, which has been either created, abolished, amalgamated or renamed since the 8 May 2008 presentation of the 2008-09 Budget.

General Government (cont.)

West Coast TAFE
Western Australian Alcohol and Drug Authority
Western Australian Building Management Authority
Western Australian Electoral Commission
Western Australian Gas Disputes Association
Western Australian Greyhound Racing Association
Western Australian Health Promotion Foundation
Western Australian Institute of Sport

Western Australian Land Information Authority
Western Australian Meat Industry Authority
Western Australian Planning Commission
Western Australian Sports Centre Trust
Western Australian Tourism Commission
Wheatbelt Development Commission
WorkCover Western Australia Authority
Zoological Parks Authority

Public Non-Financial Corporations

Albany Port Authority
Animal Resources Authority
Armadale Redevelopment Authority
Broome Port Authority
Bunbury Port Authority
Bunbury Water Board
Busselton Water Board
Dampier Port Authority
East Perth Redevelopment Authority
Electricity Generation Corporation (Verve Energy)
Electricity Networks Corporation (Western Power)
Electricity Retail Corporation (Synergy)
Esperance Port Authority
Forest Products Commission
Fremantle Port Authority
Geraldton Port Authority
Gold Corporation and its subsidiaries

Housing Authority
Lotteries Commission
Metropolitan Cemeteries Board
Midland Redevelopment Authority
Perth Market Authority
Port Hedland Port Authority
Potato Marketing Corporation of Western Australia
Public Transport Authority of Western Australia
Racing and Wagering Western Australia
Regional Power Corporation (Horizon Power)
Rottnest Island Authority
Subiaco Redevelopment Authority
The Eastern Goldfields Transport Board ^(a)
Water Corporation
Western Australian Coastal Shipping Commission
Western Australian Land Authority

Public Financial Corporations

Community Insurance Fund
Country Housing Authority
Insurance Commission of Western Australia (and subsidiary State Government Insurance 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
RiskCover
Western Australian Treasury Corporation

(a) Agency which has been either created, abolished, amalgamated or renamed since the 8 May 2008 presentation of the 2008-09 Budget.

Agencies Outside the State's Public Sector

Some State agencies are not covered by the whole-of-government reporting framework as defined under Australian Accounting Standards and/or the GFS framework. The entities listed below, which administer superannuation and like funds and/or hold private funds in trust or fidelity type funds, are examples of such agencies not included in the definition of the public sector used in the budget. This is because the assets are not available for the benefit of, and/or are not controlled by, the State.

Coal Industry Superannuation Board
 Construction Industry Long Service Leave Payments Board
 Curtin University of Technology and its subsidiaries
 Edith Cowan University
 Fire and Emergency Services Superannuation Board
 Government Employees Superannuation Board
 Legal Contribution Trust
 Murdoch University and its subsidiaries
 Public Trustee
 Real Estate and Business Agents Supervisory Board
 Settlement Agents Supervisory Board
 The University of Western Australia and its subsidiaries

NOTE 32: BUDGETARY INFORMATION

Explanations of significant variances between actual results for 2008-09 and the original Budget (brought down in May 2008) for the general government sector and the total public sector are included in Chapter 1.

NOTE 33: KEY TECHNICAL TERMS USED IN THE FINANCIAL REPORT

ABS GFS manual

The Australian Bureau of Statistics publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* as updated from time to time.

Cash surplus (deficit)

Reported in the cash flow statement it measures the net impact of cash flows during the period. It equals net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets, less distributions paid less value of assets acquired under finance leases and similar arrangements.

Capital transfers

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset, for which no economic benefits of equal value are receivable in return.

Total change in net worth

The net result of all items of income and expense recognised for the period. This is sometimes also referred to as the 'Comprehensive Result'. It is the aggregate of operating result and other movements in equity, other than transactions with owners as owners.

Contingent asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability

A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Convergence difference

The difference between the amounts recognised in the financial statements compared with the amounts determined for GFS purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.

Current transfers

The provision of something of value for no specific return or consideration and include grants, subsidies and donations.

Finance lease

Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset).

Financial asset

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

General government sector

Defined in Government Finance Statistics as an entity or group of entities which are mainly engaged in the production of goods and/or services outside the normal market mechanism. Goods and services are provided free of charge or at nominal charges well below costs of production.

Government Finance Statistics (GFS)

Refers to statistics that measure the financial transactions of governments and reflect the impact of those transactions on other sectors of the economy. GFS in Australia are developed by the Australian Bureau of Statistics in conjunction with all governments and are mainly based on international statistical standards developed, in consultation with member countries, by the International Monetary Fund.

Government Purpose Classification (GPC)

Classifies outlays or expenditure transactions by the purpose served such as health, education.

Key fiscal aggregates

Financial aggregates that are important for analysis purposes, including assessing the impact of a government and its sectors on the economy.

National Partnership Payments

Grants received from the Commonwealth to support the delivery of specified projects, to facilitate reforms or to reward jurisdictions that deliver on national reforms.

Net acquisition (disposal) of non-financial assets from transactions

Includes purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Purchases exclude non-produced assets and valuables which are included in other movements in non-financial assets.

Net actuarial gains

Includes actuarial gains and losses on defined benefit superannuation plans.

Net cash flows from investments in financial assets (liquidity management purposes)

Includes cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net cash flows from investments in financial assets (policy purposes)

Includes cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by Government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.

Net debt

Net debt measures the public sector's net stock of selected gross financial liabilities less financial assets. Net debt equals sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements.

Net financial liabilities

Equals total liabilities less financial assets, other than equity in public corporations. This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements).

Net financial worth

Measures the public sector's net holdings of financial assets. It is calculated from the Uniform Presentation Framework balance sheet as financial assets minus liabilities. Net financial worth is a broader measure than net debt, in that it incorporates provisions (such as superannuation, but excludes depreciation and doubtful debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities.

Net lending (borrowing)

An operating statement measure that differs from the net operating balance in that it includes spending on capital items but excludes depreciation. The net lending/borrowing measure more accurately reflects the cash requirements of the public sector in any given year. A net lending (or fiscal surplus) balance indicates that the public sector is saving more than enough to finance all its investment spending. A net borrowing (or fiscal deficit) position indicates that the public sector's level of investment is greater than its level of savings.

Net operating balance

This is calculated as income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations and excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to Government policies.

Net other economic flows

The net change in the volume or value of assets and liabilities that does not result from transactions.

Net worth

It is an economic measure of wealth and provides a relatively comprehensive picture of a government's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. For the general government sector, net worth is assets less liabilities, since shares and contributed capital do not exist in a general government sector context. The change in net worth is the preferred measure for assessing the sustainability of fiscal activities.

Non-financial assets

Assets that are not 'financial assets', predominantly land and other fixed assets.

Non-financial public sector

The sector formed through a consolidation of the general government and public non-financial corporation sub sectors.

Operating result

A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

Other revenue

Revenue other than from taxes, sales of goods and services, Commonwealth grants, etc.

Other economic flows

Changes in the volume or value of an asset or liability that do not result from transactions (i.e. revaluations and other changes in the volume of assets).

Public financial corporations (PFC) sector

The sector comprises government controlled entities mainly engaged in financial activities, such as providing banking and insurance services.

Public non-financial corporations (PNC) sector

The PNC sector comprises those non-financial public sector agencies engaged mainly in the production of goods and services for sale in the market and whose objective is to recover at least a significant proportion of operating costs through charges for their goods and services.

Public Private Partnerships (PPPs)

A term used to describe a method of procuring government infrastructure and associated services. PPPs create opportunities with the private sector for increasing investment in social and economic infrastructure.

Securities other than shares

Negotiable financial instruments serving as evidence of the obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. The security normally specifies a schedule for interest payments and principal repayments. Some examples are: bills, bonds and debentures, commercials paper, and securitised mortgage loans.

Specific purpose payments (SPPs)

Tied grants received from the Commonwealth, which are earmarked for a specific purposes.

Superannuation concurrent cost

Includes all superannuation expenses from transactions except superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.

Superannuation interest cost

Represents the carrying cost of unfunded superannuation liabilities, net of interest revenue on plan assets of defined benefit schemes.

Tax equivalents regime

The mechanism to ensure that public corporations incur similar tax liabilities to privately owned organisations. Thus, greater parity exists between the cost structures of government controlled trading entities and the private sector, aiding in the achievement of competitive neutrality.

Uniform Presentation Framework

The Uniform Presentation Framework (UPF) was first agreed by the Australian Loan Council in 1993, The UPF was further updated and reissued in April 2008 to incorporate the new accounting standard AASB 1049: *Whole Government and General Government Sector Financial Reporting*. The UPF specifies that the Commonwealth, State and Territory governments will present a minimum set of budget and financial outcome information on the Government Finance Statistics basis according to an agreed format and specified Loan Council reporting arrangements.

Whole-of-government financial report

A financial report prepared by a Government that is prepared in accordance with Australian Accounting Standards, including AASB 127: *Consolidated and Separate Financial Statements*, and thereby separately recognises assets, liabilities, income, expenses and cash flows of all entities under the control of the government on a line-by-line basis.

Operating Revenue

The tables in this appendix detail operating revenue of the general government and total public sectors. They provide detailed revenue information consistent with the operating statements presented in Appendix 1: *Financial Statements*.

The total public sector consolidates internal transfers between the general government sector and agencies in the public corporation sectors.

Accordingly, some total public sector revenue aggregates may be smaller than the general government equivalent. For example, the general government sector collects payroll tax from some public corporations. These collections are not shown in the total public sector taxation revenue data which is thus smaller than the general government taxation revenue aggregate.

Table 2.1

OPERATING REVENUE

General Government

	2007-08	2008-09				Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
TAXATION							
<i>Payroll tax</i>	1,940	2,129	2,112	2,281	2,235	2,246	117
Property taxes							
<i>Land tax</i>	421	563	563	562	563	568	5
Transfer Duty	2,265	1,948	1,669	1,278	1,041	1,102	-847
Landholder Duty	-	144	138	40	25	24	-120
<i>Total duty on transfers</i>	2,265	2,092	1,807	1,318	1,066	1,126	-966
Mortgages	108	10	10	10	5	4	-5
Other stamp duties	-	1	1	2	1	1	-
Metropolitan Region Improvement Tax	76	86	86	84	84	82	-4
Emergency Services Levy	150	154	154	154	154	157	3
Loan guarantee fees	14	19	22	21	21	19	-
<i>Total other property taxes</i>	348	270	273	270	264	264	-6
Taxes on provision of goods and services							
Lotteries Commission	121	114	114	121	121	134	20
Video lottery terminals	-	1	1	1	1	-	-
Casino Tax	84	81	81	81	81	91	10
TAB betting tax	30	35	35	35	35	32	-3
<i>Total taxes on gambling</i>	235	230	230	237	237	257	27
Insurance Duty	342	388	368	360	360	377	-11
Other	30	18	18	18	18	21	3
<i>Total taxes on insurance</i>	372	406	386	378	378	397	-8
Taxes on use of goods and performance of activities							
Vehicle Licence Duty	393	376	406	340	309	318	-59
Permits - Oversize Vehicles and Loads	5	4	4	4	4	4	-
Motor Vehicle recording fee	34	40	40	40	40	40	-
Motor Vehicle registrations	434	465	465	465	465	486	21
<i>Total motor vehicle taxes</i>	866	886	916	850	819	848	-38
Total Taxation	6,447	6,576	6,287	5,896	5,561	5,706	-869
CURRENT GRANTS AND SUBSIDIES							
<i>General Purpose Grants</i>							
GST Grants	3,984	3,957	3,918	3,790	3,573	3,529	-427
Competition Reform	4	-	-	-	-	-	-
Compensation for Condensate Excise	71	-	9	64	64	23	23
<i>Specific Purpose Grants to the State</i>							
Australian Health Care Agreement	971	972	972	972	1,050	1,032	59
Other health	349	322	322	339	441	439	117
Schools assistance – government schools	312	274	274	282	406	493	219
Vocational training	102	103	103	103	103	127	24
Roads	36	27	27	36	72	53	26
Other	364	316	312	331	373	478	163
<i>Specific Purpose Grants through the State</i>							
Schools assistance – non-government schools	603	588	588	609	609	751	163
Local government financial assistance grants	122	128	130	130	130	132	4
Local government roads	83	86	87	88	88	89	2
First Home Owner Boost	-	-	-	101	101	100	100
Other	-	33	31	14	14	-	-33
<i>Other Grants</i>							
North West Shelf grants	798	720	979	957	933	844	124
Total Current Grants and Subsidies	7,800	7,526	7,751	7,817	7,957	8,089	564

Note: Columns may not add due to rounding.

Table 2.1 (cont)

OPERATING REVENUE
General Government

	2007-08		2008-09			Actual \$m	Variation on Budget \$m (5) - (1)
	Actual	Budget	PFPS	MYR	Estimated		
	\$m	Estimate \$m (1)	Revision \$m (2)	Revision \$m (3)	Outturn \$m (4)		
CAPITAL GRANTS							
<i>Specific Purpose Grants to the State</i>							
Roads	174	152	152	220	196	238	87
Schools assistance – government schools	32	33	33	33	104	36	3
Vocational training	26	17	17	26	26	41	24
Other	173	214	227	148	172	78	-135
<i>Specific Purpose Grants through the State</i>							
Schools assistance – non-government schools	31	18	18	12	12	18	-
Total Capital Grants	436	433	446	440	511	411	-22
SALES OF GOODS AND SERVICES							
Department for Planning and Infrastructure	127	139	139	133	135	142	4
WA Health	321	282	282	338	338	340	58
Department of Education and Training	198	156	156	196	196	170	14
TAFE Colleges	91	87	87	100	100	100	13
Land Information Authority	91	96	96	87	87	81	-15
Departments of the Attorney General	77	57	58	64	79	69	12
Department of Corrective Services	20	16	16	16	18	21	5
Department of Environment and Conservation	69	68	68	65	65	69	1
Department of Consumer and Employment Protection/Commerce	43	44	44	46	43	41	-3
Department of Fisheries	24	24	24	25	25	24	-
Department of Culture and the Arts	22	19	19	22	23	24	6
Western Australia Police	28	22	22	22	25	28	6
All Other	297	320	319	370	350	300	-20
Total Sales of Goods and Services	1,407	1,329	1,330	1,484	1,484	1,410	81
INTEREST INCOME	332	252	241	208	287	285	33
REVENUE FROM PUBLIC CORPORATIONS							
Dividends	512	476	476	495	506	466	-10
Tax Equivalent Regime	368	334	355	332	356	355	20
Total Revenue from Public Corporations	880	810	831	827	861	821	10
ROYALTY INCOME	1,680	2,646	2,715	3,037	2,675	2,348	-298
OTHER							
Lease Rentals	65	58	58	61	65	65	7
Fines	125	125	125	125	125	138	12
Revenue not elsewhere counted	174	117	119	144	150	161	44
Total Other	364	300	302	331	340	364	63
GRAND TOTAL	19,345	19,872	19,903	20,039	19,677	19,435	-438

Note: Columns may not add due to rounding.

Table 2.2

OPERATING REVENUE Total Public Sector

	2007-08	2008-09				Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m (1)	Budget Estimate \$m (2)	PFPS Revision \$m (3)	MYR Revision \$m (4)	Estimated Outturn \$m (4)		
TAXATION							
<i>Payroll tax</i>	1,904	2,104	2,087	2,257	2,210	2,204	100
Property taxes							
<i>Land tax</i>	391	538	538	519	520	523	-15
Transfer Duty	2,265	1,948	1,669	1,278	1,041	1,102	-846
Landholder Duty	-	144	138	40	25	24	-120
<i>Total duty on transfers</i>	2,265	2,092	1,807	1,318	1,066	1,126	-966
Mortgages	108	10	10	10	5	4	-6
Other stamp duties	-	1	1	2	1	1	-
Metropolitan Region Improvement Tax	76	86	86	84	84	82	-4
Emergency Services Levy	146	151	151	151	151	154	3
Loan guarantee fees	1	2	2	2	2	1	-1
<i>Total other property taxes</i>	332	250	250	248	242	243	-7
Taxes on provision of goods and services							
Lotteries Commission	-	-	-	-	-	-	-
Video lottery terminals	-	1	1	1	1	-	-1
Casino Tax	84	81	81	81	81	91	10
TAB betting tax	-	-	-	-	-	-	-
<i>Total taxes on gambling</i>	84	82	82	82	82	91	9
Insurance Duty	342	388	368	360	360	377	-11
Other	30	18	18	18	18	21	3
<i>Total taxes on insurance</i>	372	406	386	378	378	397	-9
Taxes on use of goods and performance of activities							
Vehicle Licence Duty	393	376	406	340	309	318	-58
Permits - Oversize Vehicles and Loads	5	4	4	4	4	4	-
Motor Vehicle recording fee	34	40	40	40	40	40	-
Motor Vehicle registrations	434	465	465	465	465	486	21
<i>Total motor vehicle taxes</i>	866	886	916	850	819	848	-38
Total Taxation	6,214	6,357	6,065	5,650	5,316	5,432	-925
CURRENT GRANTS AND SUBSIDIES							
<i>General Purpose Grants</i>							
GST Grants	3,984	3,957	3,918	3,790	3,573	3,529	-428
Competition Reform	4	-	-	-	-	-	-
Compensation for Condensate Excise	71	-	9	64	-	23	23
<i>Specific Purpose Grants to the State</i>							
Australian Health Care Agreement	971	972	972	972	1,050	1,032	60
Other health	349	322	322	339	59	439	117
Schools assistance – government schools	312	274	274	282	177	493	219
Vocational training	102	103	103	103	53	127	24
Roads	36	27	27	36	57	53	26
Other	364	316	312	345	1,133	478	162
<i>Specific Purpose Grants through the State</i>							
Schools assistance – non-government schools	603	588	588	609	609	751	163
Local government financial assistance grants	122	128	130	130	130	132	4
Local government roads	83	86	87	88	88	89	3
First Home Owner Boost	-	-	-	101	101	100	100
Other	-	33	31	-	-	-	-33
<i>Other Grants</i>							
North West Shelf grants	798	720	979	957	929	844	124
Total Current Grants and Subsidies	7,800	7,526	7,751	7,817	7,957	8,089	564

Note: Columns may not add due to rounding.

Table 2.2 (cont)

OPERATING REVENUE
Total Public Sector

	2007-08	2008-09				Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
CAPITAL GRANTS							
<i>Specific Purpose Grants to the State</i>							
Roads	174	152	152	220	191	238	86
Schools assistance – government schools	32	33	33	33	65	36	3
Vocational training	26	17	17	26	15	41	24
Other	173	214	227	148	226	78	-136
<i>Specific Purpose Grants through the State</i>							
Schools assistance – non-government schools	31	18	18	12	12	18	-
Total Capital Grants	436	433	446	440	511	411	-22
SALES OF GOODS AND SERVICES	8,894	9,104	9,105	10,120	9,713	10,797	1,693
INTEREST INCOME	757	639	678	645	746	648	9
ROYALTY INCOME	1,680	2,646	2,715	3,037	2,675	2,348	-298
OTHER							
Lease Rentals	65	58	58	61	65	65	7
Fines	127	125	125	125	125	140	15
Revenue not elsewhere counted	554	491	562	602	612	721	230
Total Other	746	674	745	789	802	926	252
GRAND TOTAL	26,525	27,378	27,505	28,497	27,721	28,651	1,273

Note: Columns may not add due to rounding.

Other Uniform Presentation Framework Information

Under an intergovernmental agreement between the States, Territories and the Commonwealth in the early 1990s, all jurisdictions release whole-of-government and other public sector information in a consistent format.

The Uniform Presentation Framework (UPF) assists users by disclosing information in a consistent format. This supports transparency and interjurisdictional comparisons.

Western Australia's whole-of-government financial disclosures, found in its annual budget, mid-year review and monthly, quarterly and annual outturn reporting (including this *Annual Report on State Finances* (ARSF)) are consistent with the UPF disclosure requirements.

In particular, UPF information in this ARSF includes:

- financial statements by sector of government and for the consolidated total public sector (see Appendix 1: *Financial Statements*);
- information on grants and transfer payments are available in the notes to the financial statements (see Appendix 1);
- detailed operating revenue information (disclosed in Appendix 2: *Operating Revenue*); and
- detailed general government expenses and purchases of non-financial assets by function (required by the UPF), along with outcome information for the State's Loan Council Allocation (detailed in this appendix).

Table 3.1

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION ^(a)
General Government

	2007-08		2008-09			Actual \$m	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
EXPENSES							
<i>General Public Services</i>	292	766	614	595	669	500	-266
Government superannuation benefits	161					205	
Other general public services	131					295	
<i>Public Order and Safety</i>	1,977	2,057	2,064	2,080	2,098	2,187	129
Police and fire protection services	1,020					1,135	
Police services	820					919	
Fire protection services	200					216	
Law courts and legal services	375					448	
Prisons and corrective services	476					578	
Other public order and safety	107					26	
<i>Education</i>	4,359	4,560	4,554	4,672	4,711	4,884	324
Primary and secondary education	3,621					4,088	
Primary education	1,986					2,220	
Secondary education	1,597					1,868	
Primary and secondary education nec.	38					-	
Tertiary education	424					481	
University education	23					24	
Technical and further education	401					457	
Tertiary education nec.	-					-	
Pre-school education and education not definable by level	225					215	
Pre-school education	61					63	
Special education	164					152	
Other education not definable by level	-					-	
Transportation of students	89					98	
Transportation of non-urban school children	88					97	
Transportation of other students	1					1	
Education nec.	-					2	
<i>Health</i>	4,200	4,365	4,386	4,498	4,638	4,722	357
Acute care institutions	2,817					3,176	
Admitted patient services in acute care institutions	2,204					2,453	
Non-admitted patient services in acute care institutions	613					723	
Mental health institutions	135					156	
Nursing homes for the aged	52					64	
Community health services	610					698	
Community mental health	200					210	
Patient transport	78					88	
Other community health services	332					400	
Public health services	197					210	
Pharmaceuticals, medical aids and appliances	296					332	
Health research	30					34	
Health administration nec.	63					51	

Note: Columns may not add due to rounding.

Table 3.1 (cont.)
(a)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION
General Government

	2007-08	2008-09				Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual \$m	Budget Estimate \$m (1)	PFPS Revision \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (4)		
<i>Social Security and Welfare</i>	925	1,026	1,031	1,108	1,158	1,127	101
Social security	-					-	
Welfare services	925					1,127	
Family and child welfare services	305					378	
Welfare services for the aged	227					256	
Welfare services for people with a disability	358					414	
Welfare services nec.	35					79	
Social security and welfare nec.	-					-	
<i>Housing and Community Amenities</i>	1,389	1,451	1,449	1,851	2,092	1,866	415
Housing and community development	724					984	
Housing	351					639	
Aboriginal community development	59					24	
Other community development	314					321	
Water supply	438					533	
Sanitation and protection of the environment	160					100	
Other community amenities	67					250	
<i>Recreation and Culture</i>	562	571	574	595	560	620	49
Recreation facilities and services	338					364	
National parks and wildlife	189					207	
Recreation facilities and services nec.	149					156	
Cultural facilities and services	150					178	
Broadcasting and film production	-					-	
Recreation and culture nec.	74					78	
<i>Fuel and Energy</i>	91	115	116	89	82	120	5
Fuel affairs and services	-					-	
Gas	-					-	
Fuel affairs and services nec.	-					-	
Electricity and other energy	83					105	
Electricity	83					72	
Other energy	-					33	
Fuel and energy nec.	8					15	
<i>Agriculture, Forestry, Fishing and Hunting</i>	423	404	404	427	408	418	14
Agriculture	338					314	
Forestry, fishing and hunting	85					104	
<i>Mining and mineral resources other than fuels; manufacturing; and construction</i>	263	404	293	316	234	237	-166
Mining and mineral resources other than fuels	227					201	
Manufacturing	13					12	
Construction	23					24	

Note: Columns may not add due to rounding.

Table 3.1 (cont.)
(a)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION
General Government

	2007-08		2008-09			Actual \$m (5)	Variation on Budget \$m (5) - (1)
	Actual	Budget	PFPS	MYR	Estimated		
	\$m	\$m (1)	\$m (2)	\$m (3)	\$m (4)		
<i>Transport and Communications</i>	1,503	1,624	1,669	1,750	1,492	1,476	-148
Road transport	954					876	
Road maintenance	236					133	
Road rehabilitation/Aboriginal community road transport service	84					138	
Road construction	496					463	
Road transport nec.	138					142	
Water transport	21					25	
Urban water transport services	-					-	
Other water transport services	21					25	
Rail transport	111					78	
Urban rail transport services	-					-	
Non-urban rail transport freight services	62					29	
Non-urban rail transport passenger services	49					49	
Air transport	19					22	
Pipelines	-					-	
Other transport	397					475	
Multi-mode urban transport	397					475	
Other transport nec.	-					-	
Communications	-					-	
<i>Other Economic Affairs</i>	370	378	384	403	516	380	2
Storage, saleyards and markets	2					2	
Tourism and area promotion	102					101	
Labour and employment affairs	248					188	
Vocational training	86					91	
Other labour and employment affairs	162					96	
Other economic affairs	19					89	
<i>Other Purposes</i>	482	430	433	468	371	581	151
Public debt transactions	480					449	
General purpose inter-government transactions	-					132	
Natural disaster relief	2					-	
Other purposes nec.	-					-	
TOTAL EXPENSES	16,837	18,017	17,972	18,853	19,030	19,117	1,100
PURCHASES OF NON-FINANCIAL ASSETS							
General public services	173	234	234	32	335	270	35
Public order and safety	177	223	224	255	219	176	-47
Education	335	344	344	412	313	301	-43
Health	224	473	462	479	427	347	-126
Social security and welfare	26	31	31	33	39	39	8
Housing and community amenities	214	375	375	361	292	184	-191
Recreation and culture	59	178	178	179	97	70	-108
Fuel and energy	3	1	1	2	2	3	1
Agriculture, forestry, fishing and hunting	18	16	16	19	21	16	-1
Mining and mineral resources (other than fuels), manufacturing and construction	15	5	5	35	8	6	2
Transport and communications	743	770	770	846	854	790	20
Other economic affairs	36	57	80	90	70	54	-3
Other purposes	-	-	-	-	-215	-	-
TOTAL PURCHASES OF NON-FINANCIAL ASSETS	2,022	2,707	2,721	2,743	2,463	2,255	-453

(a) The accuracy of spending by Government Purpose Classification (GPC) data is subject to ongoing refinement and improvement. Calculation methods and the allocation of spending to the various GPCs are continually being updated based on data availability and correspondence with the Australian Bureau of Statistics and the Commonwealth Grants Commission. Previously published data is not restated for such changes.

Note: Columns may not add due to rounding.

Loan Council Allocations

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

Western Australia recorded an LCA deficit of \$3,624 million in 2008-09, up \$830 million from the 2008-09 Budget estimate.

The general government cash deficit outturn of \$375 million was a \$525 million turnaround on the \$150 million cash surplus outcome forecast at budget time. For the public non-financial corporations sector, a smaller than expected deficit, together with changes to the planned acquisition of a Power Purchase Agreement (PPA), originally expected to be supported by a finance lease, more than offset the change in the general government cash result. These movements are discussed in more detail in Chapter 1 of this report.

At the same time, a \$1.4 billion turnaround in LCA memorandum items was recorded during 2008-09². This was almost entirely due to higher public sector home lending activity by Keystart, and the operating lease treatment of the PPA (noted above) in the PNC sector.

The \$830 million variance exceeded the LCA tolerance limit of \$495 million for 2008-09.

2008-09 LOAN COUNCIL ALLOCATIONS Western Australia

Table 3.2

	Nomination ^(a) \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	Variation on Budget \$m (3)-(1)
General government cash surplus/deficit	-368	-150	535	375	525
Public non-financial Corporations sector cash surplus/deficit	2,290	2,922	2,661	2,275	-647
<i>Total non-financial public sector cash surplus/deficit</i>	<i>1,922</i>	<i>2,774</i>	<i>3,195</i>	<i>2,649</i>	<i>-125</i>
Acquisitions under finance leases and similar arrangements	-	419	1	7	-411
<i>GFS cash surplus/deficit</i>	<i>1,922</i>	<i>3,193</i>	<i>3,196</i>	<i>2,657</i>	<i>-536</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-	-	-
Plus: Memorandum items	-222	-398	1,256	968	1,366
Loan Council Allocation	1,700	2,795	4,452	3,624	830
<i>Tolerance Limit^(b)</i>	<i>495</i>	-	-	-	-

(a) 2007-08 Government Mid-Year Financial Projections Statement, released 27 December 2007.

(b) ±2% of total non-financial public sector revenue at the time of the original LCA nomination.

Note: Columns may not add due to rounding.

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

² Memorandum items are used to adjust the ABS cash deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the funding of more than emerging costs under public superannuation schemes).

Revenue Forecasting Performance

The Department of Treasury and Finance (DTF) published a major review of its revenue forecasting in 2006, prompted by a period of significant under-estimation of operating revenue and a desire to improve the quality of the forecasts¹. The review made a number of recommendations in relation to forecasting methodology, governance, resourcing and communication, with the intention of making the forecasting process more informed, systematic and transparent.

The report's recommendations included a more robust approach to identifying and modelling long-term drivers of revenue growth, the adoption of futures market contract prices as the basis for the oil price assumptions for the petroleum revenue estimates, and an ongoing program of research on specific forecasting issues. Subsequently, the use of futures prices has been extended to certain other commodities.

Three years of data are now available since the initial recommendations were first implemented as part of the 2006-07 Budget.

Overall Forecasting Performance

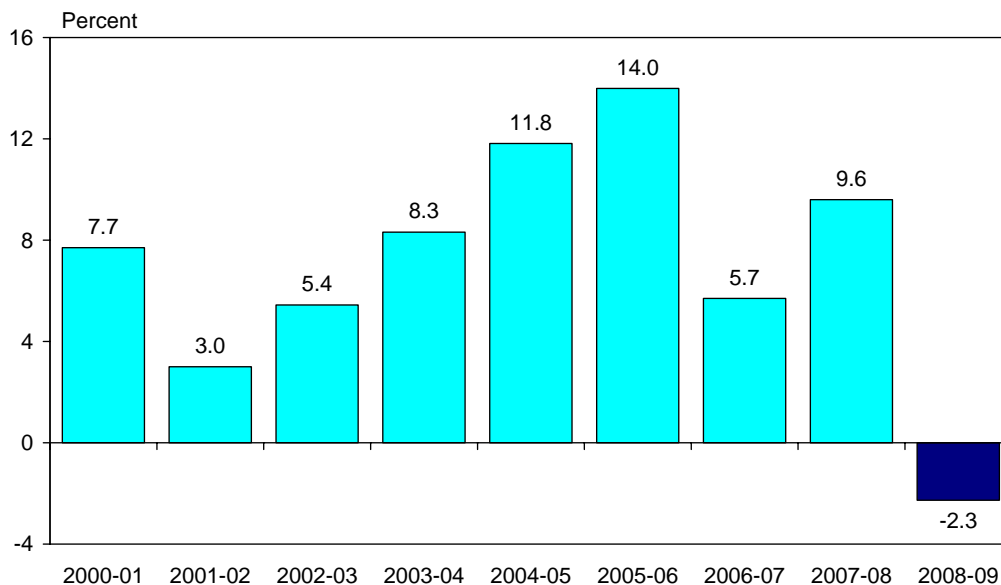
Budget estimate

Despite recent turmoil in global financial and commodity markets, and the high degree of exposure of Western Australia's revenue base to conditions in these markets, DTF's revenue forecasting error in 2008-09 was relatively small. In part, this was due to stimulus funding from the Commonwealth, which limited the forecasting error to an overestimate of \$438 million (or 2.2%), relative to the original 2008-09 Budget estimate.

¹ The report, *Review of Revenue Forecasting*, is available from the DTF website at the following location http://www.dtf.wa.gov.au/cms/uploadedFiles/review_revenue_forecasting_march2006.pdf.

Figure 1

BUDGET FORECASTING ERROR^(a)
 General government operating revenue



(a) Error relative to the original budget forecast for the reported year.

The largest source of forecasting error in 2008-09 was taxation, which was \$869 million (or 13.2%) lower than originally estimated in 2008-09. GST grant revenue was also significantly lower than forecast (down by \$427 million or 10.8%), while royalty income in 2008-09 was \$298 million (or 11.3%) lower than forecast.

However, these shortfalls were partly offset by a higher than expected level of specific purpose grants from the Commonwealth. Excluding Commonwealth grants, the actual for own-source revenue was \$979 million (or 8.2%) below forecast.

Estimated Outturn

The total revenue outturn in 2008-09 was lower than the estimated outturn published in the 2009-10 Budget by \$243 million (i.e. down 1.2%). This mainly reflected end of year outcomes for royalty income, which was \$327 million (or 12.2%) lower than forecast at the time of the 2009-10 Budget, partly offset by slightly higher outturns for both taxation and Commonwealth grants.

Table 4.1

**FORECASTING PERFORMANCE - GENERAL GOVERNMENT
OPERATING REVENUE VARIANCES, 2008-09**

	Budget Estimate \$m	Estimated Outturn ^(a) \$m	Actual Outturn \$m	Actual Outturn Relative to			
				Budget Estimate		Estimated Outturn ^(a)	
				\$m	%	\$m	%
Taxation	6,576	5,561	5,706	-869	-13.2	145	2.6
GST grant revenue	3,957	3,573	3,529	-427	-10.8	-44	-1.2
North West Shelf grants	720	929	844	124	17.2	-85	-9.1
Other grants and subsidies	3,282	3,966	4,127	845	25.7	161	4.1
Royalty income	2,646	2,675	2,348	-298	-11.3	-327	-12.2
Sales of goods and services	1,329	1,484	1,410	81	6.1	-74	-5.0
Interest income	252	287	285	33	13.2	-2	-0.7
Revenue from public corporations	810	861	821	10	1.3	-41	-4.7
Other	300	340	364	63	21.1	23	6.9
Total	19,872	19,677	19,435	-438	-2.2	-243	-1.2

(a) Published in the 2009-10 Budget Papers.

The following section explains the forecasting errors for individual revenue items in more detail.

Forecast Performance for Selected Revenue Aggregates

Tax Revenue

As in previous years, taxation was the largest source of revenue forecasting error in 2008-09 (see Table 4.1), albeit that for 2008-09, the error was due to overestimation rather than previous underestimation.

Total duty on transfers in 2008-09 was much weaker than originally forecast, with the outturn being \$966 million (or 46.2%) lower than the 2008-09 Budget estimate. This reflected a collapse in the number of residential property transactions on the back of the global financial downturn and a related decline in consumer confidence. Average property prices were also slightly lower than expected.

In contrast, payroll tax was higher than estimated in the 2008-09 Budget (up \$117 million or 5.5%). This was due to continued strength in the labour market notwithstanding the slowdown in the global economy (employment grew by 3.2% in 2008-09 compared to forecast growth of 2.5%) and an apparent concentration of earnings growth in firms operating above the payroll tax exemption threshold.

Table 4.2

2008-09 FORECASTING PERFORMANCE
Taxation

	Budget Estimate \$m	Estimated Outturn ^(a) \$m	Actual Outturn \$m	Actual Outturn Relative to			
				Budget Estimate		Estimated Outturn ^(a)	
				\$m	%	\$m	%
Payroll tax	2,129	2,235	2,246	117	5.5	11	0.5
Total duty on transfers	2,092	1,066	1,126	-966	-46.2	60	5.6
Motor vehicle taxes	886	819	848	-38	-4.3	29	3.6
Taxes on insurance	406	378	397	-8	-2.1	19	5.1
Land tax and MRIT	648	646	650	2	0.3	4	0.6
Other	414	417	439	25	6.0	22	5.2
Total taxes	6,576	5,561	5,706	-869	-13.2	145	2.6

(a) Published in the 2009-10 Budget Papers.

Commonwealth Grants

GST grant revenue was \$427 million (or 10.8%) lower than the 2008-09 Budget forecast, reflecting the State's share of a reduction in national GST collections. However, reflecting the Commonwealth's response to the associated global financial turmoil (which followed release of both the 2008-09 State's and Commonwealth's budgets), other Commonwealth grants were \$969 million higher than forecast.

North West Shelf grant revenue was \$124 million (or 17.2%) higher than the 2008-09 Budget forecast. This was due to the actual \$US/\$A exchange rate being lower than the average assumed at the time of the 2008-09 Budget, which offset a sharp reduction in \$US crude oil prices. Average LNG prices (in \$US terms) were also higher than expected.

Royalty Income

Royalty income in 2008-09 was \$298 million (or 11.3%) lower than the 2008-09 Budget forecast. This was due to a combination of lower than expected \$US commodity prices and export volumes, reflecting the onset of the global financial downturn. Partly offsetting these developments was the effect of a lower than assumed \$US/\$A exchange rate² (of US74.5 cents, compared to the original 2008-09 Budget assumption of US92.5 cents).

By commodity, the largest source of the forecasting variance was nickel, with the outturn being \$159 million (or 72%) lower than forecast in the 2008-09 Budget. This was due to lower \$US prices (partly offset by the depreciation in the exchange rate) and the unexpected closure of a number of nickel operations, most notably the Ravensthorpe nickel mine. The remaining forecast error was spread across a range of commodities, including iron ore, petroleum and gold.

² Holding other factors constant, this increases the \$A value of mining royalties as most export contracts are priced in \$US terms.

Table 4.3

2008-09 FORECASTING PERFORMANCE
Royalty Income

	Budget Estimate \$m	Estimated Outturn ^(a) \$m	Actual Outturn \$m	Actual Outturn Relative to			
				Budget Estimate		Estimated Outturn ^(a)	
				\$m	%	\$m	%
Iron Ore	1,968	2,219	1,933	-36	-1.8	-287	-12.9
Petroleum	56	34	21	-35	-62.1	-13	-37.2
Alumina	74	86	72	-2	-2.6	-14	-16.3
Diamonds	28	12	20	-9	-30.8	8	62.7
Mineral Sands	28	29	24	-4	-15.0	-5	-16.7
Nickel	221	69	62	-159	-72.0	-7	-9.6
Gold	138	136	126	-11	-8.3	-10	-7.2
Other	134	91	91	-42	-31.7	-	0.2
Total	2,646	2,675	2,348	-298	-11.3	-327	-12.2

(a) Published in the 2008-09 Budget Papers.

Sales of Goods and Services Revenue

Sales of goods and services were \$81 million (or 6.1%) higher than forecast in 2008-09. This reflects underestimation of revenue by a number of agencies across a range of goods or services.

Table 4.4

2008-09 FORECASTING PERFORMANCE
Sales of Goods and Services

Agency	Budget Estimate \$m	Estimated Outturn ^(a) \$m	Actual Outturn \$m	Actual Outturn Relative to			
				Budget Estimate		Estimated Outturn ^(a)	
				\$m	%	\$m	%
Health	282	338	340	58	17.1	1	0.4
Education and Training	156	196	170	14	8.0	-26	-15.3
Agriculture and Food	13	29	30	17	56.7	1	3.4
Attorney General	57	79	69	12	17.6	-10	-14.3
Land Information Authority	96	87	81	-15	-18.0	-6	-6.8
Other ^(b)	726	755	720	-5	-0.8	-35	-4.9
Total	1,329	1,484	1,410	81	6.1	-74	-5.0

(a) Published in the 2009-10 Budget Papers.

(b) Across around 100 other general government agencies.

The key variations (relative to the original budget estimates) include:

- Health (up \$58 million), mainly due to stronger than expected revenue from daily bed charges to private and overseas patients for the Motor Vehicle Insurance Trust, health service recovery fees and charges, and a Riskcover rebate;
- Education and Training (up \$14 million), reflecting higher than budgeted revenue from international students, voluntary contributions from parents, and workers compensation recoveries;

- Agriculture and Food (up \$17 million), due largely to a reclassification from 'other income' (grants received from external organisations) to sales of goods and services;
- Attorney General (up \$12 million), primarily due to stronger than expected demand for recoverable services, and one-off additional revenue from the licensing of an internally developed software package; and
- Land Information Authority (down \$15 million), reflecting the impact of lower property market activity due to the downturn in the economy.

DTF Forecasting Performance

DTF's central revenue forecasting is measured against the following key performance indicator (KPI) targets: (1) that the actual outcome for the sum of tax, royalty income and North West Shelf grants be within plus or minus five percentage points of the budget estimate; and (2) that the actual GST revenue outcome be within plus or minus three percentage points of the original budget estimate.

These KPIs incorporate the allocation of responsibilities for revenue forecasting across the public sector, with other heads of general government operating revenue being estimated by line agencies (e.g. sales of goods and services revenue).

Table 4.5

FORECASTING PERFORMANCE KEY PERFORMANCE INDICATORS				
Performance Indicator	Target Performance	Actual Outcome \$m	Outturn relative to Budget Estimate	
			\$m	%
Tax, royalty income and North West Shelf payments				
2006-07	±5%	7,842	536	7.3
2007-08	±5%	8,802	760	9.4
2008-09^(a)	±5%	8,898	-1,043	-10.5
GST Revenue				
2006-07	±3%	3,968	39	1.0
2007-08	±3%	3,984	33	0.8
2008-09^(a)	±3%	3,529	-427	-10.8

(a) Key performance indicators for 2008-09 are consistent with Accounting Standard AASB1049. Data for previous years are based on the Government Finance Statistics presentation framework which applied for Uniform Presentation Framework disclosures prior to 2008-09. The differences in these presentations are not material.

Both KPI targets were breached in 2008-09, mainly due to the impact of the unanticipated global financial downturn from late 2008, and the ensuing negative impact on economic activity and associated revenue collections.

Policy Decisions Affecting Spending

This appendix provides detail of the impact of policy decisions on general government expenses and total public sector infrastructure spending since the 2008-09 Budget cut-off date of 7 April 2008.

The policy decisions listed in the following table have been discussed in detail in related publications released since the 2008-09 Budget. These disclosures¹ include:

- Appendix 3 of the 2008-09 *Pre-election Financial Projections Statement*, released on 16 August 2008;
- Appendix 3 of the 2008-09 *Government Mid-year Financial Projections Statement*, released on 18 December 2008; and
- Chapters 4: *General Government Expenses* and 5: *Capital Investment* of the 2009-10 Budget Paper 3: *Economic and Fiscal Outlook*, presented to Parliament on 14 May 2009.

Between the 16 April 2009 cut-off date for the 2009-10 Budget and 30 June 2009, the Government made the following policy decisions which affected the 2008-09 outturn. These were:

- \$26.2 million (out of a total planned expenditure of \$32 million) was provided to the Esperance Port Authority to undertake the urgent upgrade of existing port facilities for the export of bulk concentrates through the port;
- \$1.5 million was made available to the Department of Fisheries to settle compensation claims for the impact of the establishment of the Ningaloo Marine Park and the Murion Islands Marine Management Area;

¹ Each of these publications are available from the Department of Treasury and Finance website (<http://www.dtf.wa.gov.au/cms/index.aspx>).

- \$3.1 million for an ex-gratia payment to Mr Andrew Mallard (administered by the Department of the Attorney General); and
- \$1.0 million provided for the cleanup and removal of lead (and nickel) contamination in the Town of Esperance (administered by the Department for Planning and Infrastructure).

Details of all other decisions since the 2008-09 Budget can be obtained from the documents listed above.

Table 5.1

**SPENDING POLICY DECISIONS TAKEN SINCE
THE 2008-09 BUDGET**

GENERAL GOVERNMENT EXPENSES	\$m
<i>2008-09 Pre-election Financial Projections Statement</i>	
Communities	0.9
Environment and Conservation	0.6
Health	12.5
Housing Authority ^(a)	0.8
Industry and Resources	18.9
Office of Energy	1.0
Premier and Cabinet	0.5
South West Development Commission	6.0
Sport and Recreation	0.8
Western Australia Police	1.5
Global adjustment for 3% efficiency dividend	-191.0
<i>Total 2008-09 Pre-election Financial Projections Statement</i>	<i>-147.7</i>
<i>2008-09 Mid-year Review</i>	
Agriculture and Food	-2.6
Attorney General	-4.5
Botanic Gardens and Parks Authority	-0.2
Chemistry Centre (WA)	-0.2
Child Protection	-4.4
Communities	27.9
Consumer and Employment Protection	-1.5
Corrective Services	-7.6
Corruption and Crime Commission	-0.3
Country High School Hostels Authority	-0.2
Culture and the Arts	-1.2
Curriculum Council	-0.3
Disability Services Commission	7.9
Economic Regulation Authority	-0.1
Education and Training	-43.2
Education Services	-0.3
Environment and Conservation	-0.6
Fire and Emergency Services Authority	-0.1
Fisheries	-0.8
Health	-0.6
Housing and Works	-0.5
Housing Authority ^(a)	6.3

Note: Columns may not add due to rounding.

Table 5.1 (cont.)

**SPENDING POLICY DECISIONS TAKEN SINCE
THE 2008-09 BUDGET**

GENERAL GOVERNMENT EXPENSES	\$m
Indigenous Affairs	-0.4
Industry and Resources	18.2
Legislative Assembly	-0.4
Legislative Council	-0.2
Local Government and Regional Development	175.3
Main Roads	-4.8
Office of Energy	1.5
Office of the Auditor General	-0.2
Office of the Director of Public Prosecutions	-0.4
Parliamentary Services Department	-0.2
Planning and Infrastructure	-1.8
Premier and Cabinet	-3.9
Public Transport Authority ^(a)	2.3
Racing, Gaming and Liquor	-0.1
Registrar, WA Industrial Relations Commission	-0.2
Small Business Development Corporation	-0.1
South West Development Commission	8.8
Sport and Recreation	9.2
Swan River Trust	-0.1
Treasury and Finance	-2.5
Water	-0.7
Western Australia Police	-11.0
Western Australian Electoral Commission	-0.3
Western Australian Land Authority ^(a)	10.0
Western Australian Land Information Authority	-1.6
Western Australian Planning Commission	-0.5
Western Australian Sports Centre Trust	-0.3
Western Australian Tourism Commission	-0.9
Zoological Parks Authority	-0.2
Reverse Provision for 3% Efficiency Dividend, allocated to specific agencies	191.0
Provision for Media, Marketing and Advertising Savings (Election Commitment)	-7.4
<i>Total 2008-09 Mid-year Review</i>	<i>350.6</i>
 <i>2009-10 Budget</i>	
Agriculture and Food	-0.1
Attorney General	-0.2
Botanic Gardens and Parks Authority	_ ^(b)
Child Protection	_ ^(b)
Commerce	-0.3
Communities	-0.2
Corrective Services	-0.2
Culture and the Arts	-0.2
Curriculum Council	4.1
Disability Services Commission	_ ^(b)
Economic Regulatory Authority	_ ^(b)
Education and Training	17.9
Environment and Conservation	-0.3
Equal Opportunity Commission	_ ^(b)
Fire and Emergency Services Authority	-1.9
Fisheries	-0.1
Goldfields-Esperance Development Commission	_ ^(b)

Note: Columns may not add due to rounding.

Table 5.1 (cont.)

**SPENDING POLICY DECISIONS TAKEN SINCE
THE 2008-09 BUDGET**

GENERAL GOVERNMENT EXPENSES	\$m
Governor's Establishment	- (b)
Great Southern Development Commission	- (b)
Health	-5.7
Heritage Council of WA	- (b)
Housing Authority ^(a)	-0.1
Indigenous Affairs	-0.1
Kimberley Development Commission	- (b)
Land Information Authority	-0.1
Legislative Assembly	0.4
Legislative Council	0.2
Local Government	- (b)
Main Roads	-0.1
Mid-West Development Commission	- (b)
Mines and Petroleum	0.5
Office of Energy	-0.3
Office of the Auditor General	- (b)
Parliamentary Commissioner for Administrative Investigations	0.2
Parliamentary Services Department	0.2
Peel Development Commission	- (b)
Pilbara Development Commission	- (b)
Planning and Infrastructure	-0.2
Premier and Cabinet	4.0
Public Sector Commission	0.2
Public Sector Standards Commissioner	- (b)
Public Transport Authority ^(a)	0.9
Racing, Gaming and Liquor	- (b)
Regional Development and Lands	120.0
Registrar, WA Industrial Relations Commission	- (b)
Small Business Development Corporation	- (b)
South West Development Commission	- (b)
Sport and Recreation	1.5
State Development	4.3
Swan River Trust	-0.1
Treasury and Finance	0.1
Water	- (b)
Western Australia Police	7.3
Western Australian Planning Commission	-0.4
Western Australian Sports Centre Trust	0.4
Wheatbelt Development Commission	- (b)
Reverse Media and Marketing, Advertising and Consultants Provision	7.4
<i>Total 2009-10 Budget</i>	<i>158.9</i>
<i>2008-09 Annual Report on State Finances</i>	
Attorney General	3.1
Fisheries	1.5
Planning and Infrastructure	1.1
<i>Total 2008-09 Annual Report on State Finances</i>	<i>5.6</i>
TOTAL EXPENSE POLICY DECISIONS	367.6

Note: Columns may not add due to rounding.

Table 5.1 (cont.)

**SPENDING POLICY DECISIONS TAKEN SINCE
THE 2008-09 BUDGET**

TOTAL PUBLIC SECTOR PURCHASE OF NON-FINANCIAL ASSETS	\$m
<i>2008-09 Pre-election Financial Projections Statement</i>	
Health	0.2
Main Roads	0.5
Western Australian Land Authority	0.5
<i>Total 2008-09 Pre-election Financial Projections Statement</i>	<i>1.2</i>
<i>2008-09 Mid-year Review</i>	
Corrective Services	7.5
Education and Training	57.5
Health	9.7
Housing Authority	139.7
Industry and Resources	30.0
Main Roads	0.3
Parliamentary Services Department	0.2
Public Transport Authority	9.0
Royalties for Regions – Regional and State-wide Initiatives	13.1
Western Australia Police	8.0
<i>Total 2008-09 Mid-year Review</i>	<i>275.0</i>
<i>2009-10 Budget</i>	
Agriculture and Food	-1.1
Attorney General	-18.7
Culture and the Arts	-2.0
Health	-45.2
Horizon Power	-21.4
Housing Authority	-4.2
Planning and Infrastructure	-0.9
Public Transport Authority	-0.2
Royalties for Regions – Regional and State-wide Initiatives ^(c)	-120.0
Sport and Recreation	-76.9
Western Australian Land Authority	-19.1
Western Australian Sports Centre Trust	0.6
Western Australia Police	-5.0
Western Power	-54.3
<i>Total 2009-10 Budget</i>	<i>-368.5</i>
<i>2008-09 Annual Report on State Finances</i>	
Esperance Port Authority	26.2
<i>Total 2008-09 Annual Report on State Finances</i>	<i>26.2</i>
TOTAL PUBLIC SECTOR PURCHASE OF NON-FINANCIAL ASSETS	-66.0

(a) Represented in general government expenses as Department of Treasury and Finance spending as grants and subsidies from the Consolidated Account to these public corporations.

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

(c) Including a reallocation to recurrent spending by the Department of Local Government and Regional Development.

Note: Columns may not add due to rounding.

Monthly and Quarterly Financial Results – June 2009

This appendix completes the monthly and quarterly data series for the 2008-09 year.

June monthly and quarterly data presented in this appendix are subject to year-end finalisation of audited accounts by agencies submitting source data. They may contain final year-end accruals, which may differ from estimated accruals submitted by agencies through the year, and reclassifying some aggregates in previously reported, unaudited data. Accordingly, monthly and quarterly outcomes for June 2009 may include one-off movements in items relative to previous reports, to move them into line with final outcomes.

General Government

Month of June 2009

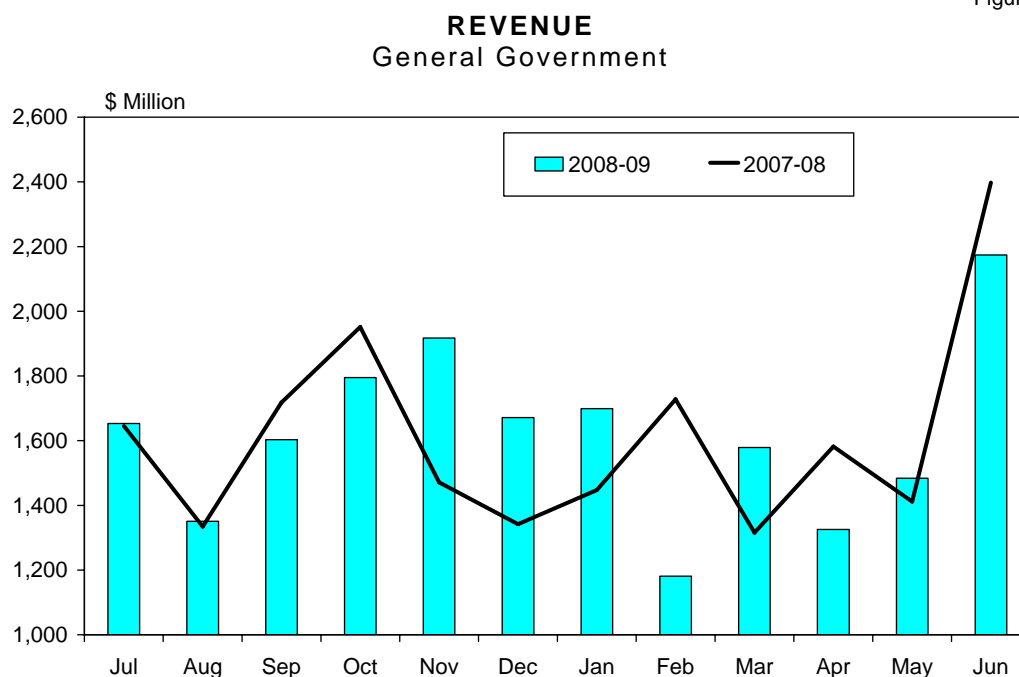
The general government sector recorded an operating surplus of \$287 million for the month of June 2009, a decrease of \$491 million on the surplus of \$778 million recorded for June 2008.

Revenue for the month of June 2009 totalled \$2,174 million, \$224 million lower than June 2008. The decrease in June monthly revenue relative to last year was primarily due to:

- lower taxation revenue (down \$149 million), due particularly to lower transfer duty (down \$171 million) reflecting continued weakness in Western Australia's property market, partially offset by higher payroll tax (up \$17 million) and higher motor vehicle licences (up \$13 million);
- higher Commonwealth grants (up \$139 million), mainly due to increased funding for programs in the education sector (up \$213 million), health sector (up \$39 million) and community housing (up \$36 million) and the receipt of First Home Owner Boost grants (up \$20 million), partially offset by lower North West Shelf petroleum grants (down \$60 million), Crude Oil Compensation grants (down \$68 million) and the State's share of lower national collections of GST;
- lower sales of goods and services (down \$90 million), due to the receipt of a large ad valorem petroleum fee in June 2008, and lower schools revenue;
- lower royalty income (down \$44 million), due to decreases in volumes and prices of cobalt, copper and lead, and the impact of lower prices for iron ore royalties since April 2009, partly offset by higher sales of gold;
- lower revenue from public corporations (down \$39 million), due primarily to lower after-tax profit for the Water Corporation and earlier declaration of the 2008-09 dividend by the Western Australian Land Authority;
- lower interest income (down \$31 million), reflecting lower cash holdings and lower interest rates; and
- lower 'other' revenue (down \$13 million), largely related to prior year revenue for road trauma initiatives and the Logue Brook Dam.

The following chart shows monthly revenue collections for 2008-09 relative to those recorded through 2007-08.

Figure 1

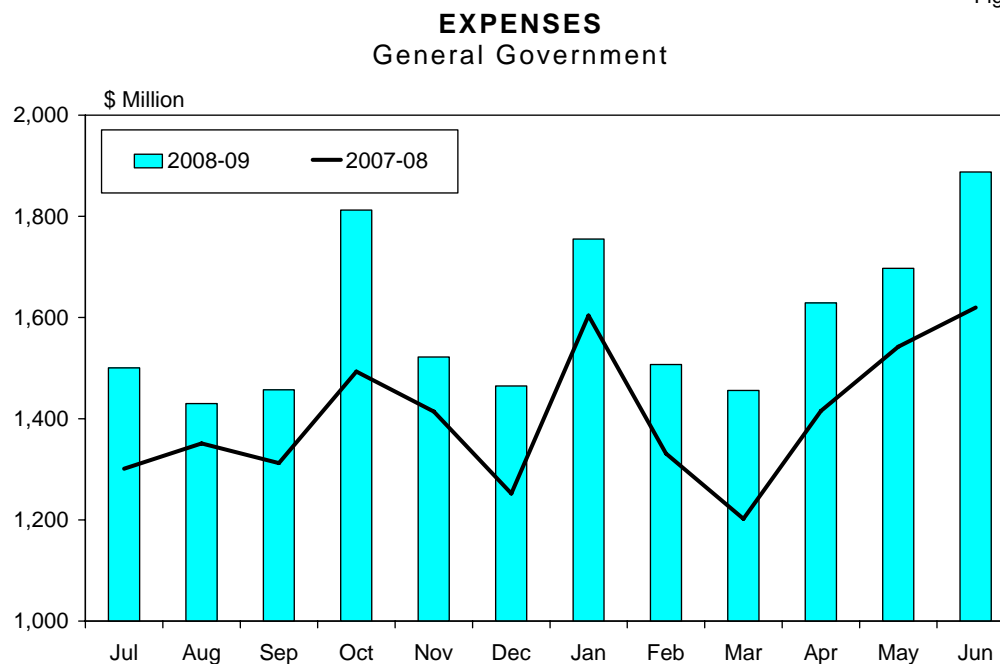


Totalling \$1,888 million, expenses for the month of June 2009 were \$268 million higher than June 2008. This largely reflects:

- higher current and capital transfers (up \$199 million), due largely to distributions of grants received under the *Royalties for Regions* program - for the Country Local Government Fund (\$97 million) and Pilbara Revitalisation Plan (\$77 million) – and for First Home Owner grants (\$31 million);
- higher salaries expenditure (up \$77 million), reflecting higher employee numbers and pay rates across the public sector (particularly for the health, education, and law and order sectors, which account for 81% of the increase);
- higher ‘other’ gross operating expenses (up \$57 million), reflecting movements in the spending pattern of agency purchases (timing of such purchases on a monthly basis is highly volatile); and
- lower nominal superannuation interest (down \$51 million) reflecting the impact of the year-end actuarial valuation of superannuation liabilities.

Figure 2 shows monthly expenses relative to those recorded last year. Spending patterns typically fluctuate due to timing issues through the year.

Figure 2



A cash surplus of \$378 million was recorded for the month of June 2009, similar in magnitude to the \$386 million surplus in June 2008. The June 2009 surplus comprises a \$713 million net cash inflow from operating activities (reflecting the cash impact of the items discussed above) and a net cash outflow for capital investment of \$335 million, reflecting the higher levels of capital spending for 2008-09 (further details of infrastructure spending are outlined in Chapter 1: *Financial Results*).

Three Months to 30 June 2009

The general government sector recorded a \$229 million operating deficit for the three months to 30 June 2009, compared with a \$815 million surplus for the same period in 2007-08.

Revenue for the three months to 30 June 2009 totalled \$4,984 million, down \$407 million (or 7.5%) compared with the same period the previous year, mainly reflecting:

- lower taxation revenue (down \$219 million), due primarily to lower transfer duty (down \$232 million) reflecting the factors noted above;
- lower interest income (down \$61 million), due to downward movements in interest rates over the past year;
- lower royalty income (down \$49 million), mainly due to lower sales volumes for copper, lead, DomGas and condensate together with lower prices per unit for crude oil, cobalt and copper;
- lower 'other' income (down \$21 million), due to one-off revenue which boosted the 2007-08 June quarter result;

- lower Commonwealth grants (down \$17 million), due to the factors discussed in the monthly discussion above, together with the timing of funding for the New Perth-Bunbury Highway (down \$99 million); and
- lower revenue from public corporations (down \$17 million), reflecting agency profitability noted above.

Expenses for the three months to 30 June 2009 totalled \$5,213 million, up \$636 million (or 13.9%) compared to the same period last year. This was primarily due to:

- higher current and capital transfers (up \$421 million), due to the distributions of grants under the *Royalties for Regions* program (\$174 million), increased funding for the Housing Authority (up \$98 million) for social housing refurbishment and maintenance, and First Home Owner grants (\$84 million);
- higher salaries (up \$144 million), reflecting similar factors to those outlined above for the monthly result;
- higher 'other' gross operating expenses (up \$63 million), reflecting changes in timing of purchases by general government agencies;
- lower nominal superannuation interest (down \$47 million), reflecting the actuarial valuation noted above; and
- higher services and contracts expense (up \$35 million), mainly due to higher expensed project costs for the Rockingham/Kwinana hospital, State Theatre Centre and AK Reserve, and higher lease expenses for commercial property.

A cash deficit of \$336 million was recorded for the June 2009 quarter, comprising a net cash inflow from operating activities of \$374 million and a net cash outflow from capital investment of \$710 million.

Infrastructure spending (i.e. purchases of non-financial assets) increased by \$126 million (or 20%) relative to the same quarter in 2007-08, mainly reflecting higher spending on health projects including the construction of the Fiona Stanley Hospital and the redevelopment of the Rockingham/Kwinana and Armadale hospitals.

Total Public Sector

Three Months to 30 June 2009

The total public sector recorded a \$455 million operating deficit for the June 2009 quarter, compared to the \$364 million operating surplus for the same quarter in the previous year. Revenue totalled \$7,540 million, up \$610 million on the same period in 2007-08, while expenses were up \$1,430 million at \$7,996 million. This largely reflects the quarterly factors impacting the general government sector noted above, together with the impact of higher costs for the electricity utilities, and the impact of bringing fair value property, plant and equipment to book in the balance sheet for the first time in this *Annual Report on State Finances* (with an associated \$341 million depreciation cost in June 2009)¹.

A cash deficit of \$1,367 million was recorded for the three months to 30 June 2009, compared to the \$808 million cash deficit recorded for the same period the previous year. This included a net cash inflow from operating activities of \$346 million (\$351 million lower than the June 2008 quarter) and a net cash outflow for capital investment of \$1,713 million (\$208 million higher than the outcome recorded in the same period the previous year).

In addition to the general government spending movements noted earlier, the increase in infrastructure investment also includes higher capital spending on waste water treatment plants at Alkimos, East Rockingham and Woodman Point by the Water Corporation, bus and railcar acquisitions and spending relating to the New Metro Rail project by the Public Transport Authority, and increased capital works spending by Western Power.

¹ Discussed further in Chapter 1: *Financial Results*.

Table 6.1

GENERAL GOVERNMENT
Operating Statement

	2008-09			2007-08		
	Month of June \$m	Three Months to 30 June \$m	Actual \$m	Month of June \$m	Three Months to 30 June \$m	Actual \$m
RESULTS FROM TRANSACTIONS						
<i>Revenue</i>						
Taxation	429	1,228	5,706	578	1,447	6,447
Current grants and subsidies	775	2,166	8,089	698	2,102	7,800
Capital grants	62	107	411	-	188	436
Sales of goods and services	64	331	1,410	154	356	1,407
Interest Income	20	47	285	51	108	332
Dividends from other sector entities	354	387	466	398	405	512
Tax equivalent income	65	112	355	57	108	368
Royalty income	355	505	2,348	399	554	1,680
Other	50	101	364	63	122	364
<i>Total</i>	<i>2,174</i>	<i>4,984</i>	<i>19,435</i>	<i>2,398</i>	<i>5,391</i>	<i>19,345</i>
<i>Expenses</i>						
Employee Expenses						
Salaries	762	2,100	7,764	685	1,956	6,906
Superannuation concurrent costs	69	198	746	63	186	666
Superannuation interest cost	20	81	330	71	128	359
Other employee costs	57	107	326	45	93	276
Depreciation and amortisation	75	206	764	66	191	709
Services and contracts	264	659	2,216	279	624	1,981
Other gross operating expenses	66	378	1,698	9	315	1,560
Other interest	-1	19	118	25	39	120
Other property expenses	-	-	-	-	-	-
Current transfers	414	1,175	4,554	305	893	3,769
Capital transfers	162	291	600	72	152	491
<i>Total</i>	<i>1,888</i>	<i>5,213</i>	<i>19,117</i>	<i>1,620</i>	<i>4,577</i>	<i>16,837</i>
NET OPERATING BALANCE	287	-229	318	778	815	2,507
<i>Other economic flows</i>						
Net gains on assets/liabilities		48	52		95	179
Net actuarial gains - superannuation		-1,277	-1,277		-291	-291
Provision for doubtful debts		24	24		-59	-59
All other		-	-		-	-
<i>Total other economic flows</i>		<i>-1,206</i>	<i>-1,201</i>		<i>-255</i>	<i>-170</i>
OPERATING RESULT		-1,435	-883		560	2,337
<i>All other movements in equity</i>						
Revaluations		2,892	3,563		10,834	11,313
Gains recognised directly in equity		12	6		24	8
Changes in accounting policy/correction of prior period errors		-141	-204		311	311
Change in net worth of the public corporations sectors		-	11,901		2,145	2,955
All other		-	-		-	-
<i>Total all other movements in equity</i>		<i>11,549</i>	<i>15,266</i>		<i>13,313</i>	<i>14,587</i>
TOTAL CHANGE IN NET WORTH		14,312	14,382		13,873	16,924
KEY FISCAL AGGREGATES						
NET OPERATING BALANCE		-229	318		815	2,507
Less <i>Net acquisition of non-financial assets</i>						
Purchase of non-financial assets		757	2,255		631	2,022
Changes in inventories		10	13		-1	3
Other movement in non-financial assets		-40	-36		169	167
<i>less:</i>						
Sales of non-financial assets		47	164		51	244
Depreciation		206	764		191	709
<i>Total net acquisition of non-financial assets</i>		<i>474</i>	<i>1,305</i>		<i>556</i>	<i>1,239</i>
NET LENDING/-BORROWING		-703	-987		258	1,268

Note: Columns may not add due to rounding.

Table 6.2

GENERAL GOVERNMENT
Operating Revenue

	2008-09			2007-08		
	Month of June \$m	Three Months to 30 June \$m	Actual \$m	Month of June \$m	Three Months to 30 June \$m	Actual \$m
TAXATION						
<i>Payroll tax</i>	175	543	2,246	158	498	1,940
Property taxes						
<i>Land tax</i>	-4	-8	568	-2	-2	421
Transfer Duty	99	275	1,102	270	531	2,265
Landholder Duty	2	24	24	-	-	-
<i>Total duty on transfers</i>	101	299	1,126	270	531	2,265
Mortgages	-	-	4	7	25	108
Other stamp duties	-	1	1	-	-	-
Metropolitan Region Improvement Tax	-	-1	82	-	-	76
Emergency Services Levy	14	14	157	12	13	150
Loan guarantee fees	1	5	19	2	3	14
<i>Total other property taxes</i>	15	19	264	22	40	348
Taxes on provision of goods and services						
Lotteries Commission	15	26	134	19	38	121
Video lottery terminals	-	-	0	-	-	-
Casino Tax	7	25	91	4	23	84
TAB betting tax	2	8	32	-1	4	30
<i>Total taxes on gambling</i>	24	59	257	22	65	235
Insurance Duty	31	92	377	32	86	342
Other	2	5	21	2	6	30
<i>Total taxes on insurance</i>	33	97	397	34	92	372
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	32	79	318	34	101	393
Permits - Oversize Vehicles and Loads	-	1	4	2	2	5
Motor Vehicle recording fee	4	10	40	3	9	34
Motor Vehicle registrations	49	128	486	37	112	434
<i>Total motor vehicle taxes</i>	86	219	848	75	224	866
Total Taxation	429	1,228	5,706	578	1,447	6,447
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST Grants	156	760	3,529	209	1,021	3,984
Competition Reform	-	-	-	-	-	4
Compensation for Condensate Excise	3	10	23	71	71	71
<i>Specific Purpose Grants to the State</i>						
Australian Health Care Agreement	82	283	1,032	124	283	971
Other health	147	192	439	41	99	349
Schools assistance – government schools	93	268	493	18	80	312
Vocational training	12	43	127	-	47	102
Roads	1	16	53	1	1	36
Other	121	230	478	122	191	364
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	87	101	751	1	5	603
Local government financial assistance grants	-	33	132	-	31	122
Local government roads	-	22	89	-	21	83
First Home Owner Boost	20	47	100	-	-	-
Other	-	-	-	-	-	-
<i>Other Grants</i>						
North West Shelf grants	52	161	844	112	253	798
Total Current Grants and Subsidies	775	2,166	8,089	698	2,102	7,800

Note: Columns may not add due to rounding.

GENERAL GOVERNMENT
Operating Revenue

Table 6.2 (cont)

	2008-09			2007-08		
	Month of June \$m	Three Months to 30 June \$m	Actual \$m	Month of June \$m	Three Months to 30 June \$m	Actual \$m
CAPITAL GRANTS						
<i>Specific Purpose Grants to the State</i>						
Roads	30	67	238	6	153	174
Schools assistance – government schools	17	15	36	3	9	32
Vocational training	9	10	41	16	16	26
Other	5	10	78	-26	3	173
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	1	6	18	2	6	31
Total Capital Grants	62	107	411	-	188	436
SALES OF GOODS AND SERVICES	64	331	1,410	154	356	1,407
INTEREST INCOME	20	47	285	51	108	332
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	354	387	466	398	405	512
Tax Equivalent Regime	65	112	355	57	108	368
Total Revenue from Public Corporations	419	499	821	455	513	880
ROYALTY INCOME	355	505	2,348	399	554	1,680
OTHER						
Lease Rentals	6	16	65	7	18	65
Fines	13	36	138	17	35	125
Revenue not elsewhere counted	31	49	161	39	69	174
Total Other	50	101	364	63	122	364
GRAND TOTAL	2,174	4,984	19,435	2,398	5,391	19,345

Note: Columns may not add due to rounding.

Table 6.3

GENERAL GOVERNMENT
Cash Flow Statement

	2008-09			2007-08		
	Month of	Three	Actual	Month of	Three	Actual
	June	Months to		June	Months to	
	\$m	30 June	\$m	\$m	30 June	\$m
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash received</i>						
Taxes received	479	1,319	5,865	525	1,395	6,294
Grants and subsidies received	890	2,337	8,538	673	2,255	8,192
Receipts from sales and goods and services	132	406	1,556	205	417	1,505
Interest receipts	39	62	295	54	115	314
Dividends and tax equivalents	378	432	877	410	462	827
Other receipts	533	873	3,692	375	756	2,751
<i>Total cash received</i>	<i>2,450</i>	<i>5,430</i>	<i>20,822</i>	<i>2,243</i>	<i>5,401</i>	<i>19,882</i>
<i>Cash paid</i>						
Wages, salaries and supplements, and superannuation	-711	-2,319	-8,595	-667	-2,106	-7,684
Payments for goods and services	-308	-1,031	-4,441	-374	-1,109	-4,068
Interest paid	-20	-42	-131	-31	-49	-112
Grants and subsidies paid	-656	-1,374	-4,650	-451	-1,025	-3,890
Dividends and tax equivalents	-	-	-	-	-	-
Other payments	-41	-289	-1,289	-70	-268	-1,068
<i>Total cash paid</i>	<i>-1,737</i>	<i>-5,056</i>	<i>-19,106</i>	<i>-1,593</i>	<i>-4,557</i>	<i>-16,823</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	713	374	1,717	650	843	3,060
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash flow from investment in non-financial assets</i>						
Purchase of non-financial assets	-358	-757	-2,255	-282	-631	-2,022
Sales of non-financial assets	23	47	164	17	51	244
<i>Total cash flows from investments in financial assets</i>	<i>-335</i>	<i>-710</i>	<i>-2,091</i>	<i>-265</i>	<i>-580</i>	<i>-1,778</i>
<i>Cash flows from investments in financial assets</i>						
<i>Cash received</i>						
For policy purposes	-	-	1	-	-	1
For liquidity purposes	-	1	25	-1	-	83
<i>Cash paid</i>						
For policy purposes	-120	-159	-368	-61	-95	-349
For liquidity purposes	4	4	-3	11	19	-1
<i>Total cash flows from investments in financial assets</i>	<i>-116</i>	<i>-154</i>	<i>-345</i>	<i>-50</i>	<i>-77</i>	<i>-267</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-451	-864	-2,437	-314	-657	-2,045
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash received</i>						
Advances received	13	14	14	11	13	13
Borrowings	555	975	1,012	-3	54	45
Deposit received	-	-	-	-	-	-
Other financing receipts	-	10	30	4	12	54
<i>Total cash received</i>	<i>568</i>	<i>999</i>	<i>1,056</i>	<i>11</i>	<i>79</i>	<i>111</i>
<i>Cash paid</i>						
Advances paid	-4	-10	-14	-11	-13	-16
Borrowings repaid	-22	-13	-182	-71	-88	-189
Deposits paid	-	-	-	-	-	-
Other financing payments	-16	-20	-43	-22	-19	-31
<i>Total cash paid</i>	<i>-43</i>	<i>-43</i>	<i>-239</i>	<i>-104</i>	<i>-120</i>	<i>-236</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	525	956	818	-93	-41	-125
Net increase in cash and cash equivalents	787	467	98	243	146	890
Cash and cash equivalents at beginning of year	3,547	3,867	4,236	3,993	4,090	3,346
Cash and cash equivalents at end of year	4,334	4,334	4,334	4,236	4,236	4,236
KEY FISCAL AGGREGATES						
Net cash flows from operating activities	713	374	1,717	650	843	3,060
Net cash flows from investing in non-financial assets	-335	-710	-2,091	-265	-580	-1,778
Cash surplus/-deficit	378	-336	-375	386	263	1,281

Note: Columns may not add due to rounding.

Table 6.4

TOTAL PUBLIC SECTOR
Operating Statement

	2008-09		2007-08	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
RESULTS FROM TRANSACTIONS				
<i>Revenue</i>				
Taxation	1,168	5,432	1,382	6,214
Current grants and subsidies	2,166	8,089	2,102	7,800
Capital grants	107	411	188	436
Sales of goods and services	3,208	10,797	2,270	8,894
Interest Income	86	648	212	757
Royalty income	505	2,348	554	1,680
Other	298	926	222	746
<i>Total revenue</i>	7,537	28,651	6,930	26,525
<i>Expenses</i>				
Employee Expenses				
Salaries	2,327	8,634	2,145	7,637
Superannuation concurrent costs	220	829	208	740
Superannuation interest cost	81	330	128	359
Other employee costs	86	248	82	228
Depreciation and amortisation	817	2,088	418	1,549
Services and contracts	844	2,766	833	2,473
Other gross operating expenses	2,214	8,621	1,617	6,733
Other interest	213	1,000	281	966
Other property expenses	-	-	-	-
Current transfers	896	3,477	686	2,988
Capital transfers	296	570	166	428
<i>Total expenses</i>	7,993	28,564	6,566	24,101
NET OPERATING BALANCE	-455	87	364	2,423
<i>Other economic flows</i>				
Net gains on assets/liabilities	-184	-122	163	376
Net actuarial gains - superannuation	-1,301	-1,301	-300	-300
Provision for doubtful debts	12	3	-66	-70
All other	-	-	-	-
<i>Total other economic flows</i>	-1,474	-1,420	-203	6
OPERATING RESULT	-1,929	-1,332	160	2,430
<i>All other movements in equity</i>				
Revaluations	14,885	15,724	13,714	14,091
Gains recognised directly in equity	47	452	74	479
Changes in accounting policy/correction of prior period errors	-	-	-	-
All other	-	-	-	-
<i>Total all other movements in equity</i>	14,805	15,715	13,713	14,494
TOTAL CHANGE IN NET WORTH	12,876	14,382	13,873	16,924
KEY FISCAL AGGREGATES				
NET OPERATING BALANCE	-455	87	364	2,423
<i>Less Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	1,924	5,795	1,733	4,973
Changes in inventories	150	714	140	374
Other movement in non-financial assets	-51	-79	356	354
<i>less:</i>				
Sales of non-financial assets	211	574	228	880
Depreciation	817	2,088	418	1,549
<i>Total net acquisition of non-financial assets</i>	995	3,768	1,583	3,273
NET LENDING/-BORROWING	-1,450	-3,681	-1,219	-849

Note: Columns may not add due to rounding.

Table 6.5

TOTAL PUBLIC SECTOR
Operating Revenue

	2008-09		2007-08	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
TAXATION				
<i>Payroll tax</i>	532	2,204	488	1,904
Property taxes				
<i>Land tax</i>	-18	523	-13	391
Transfer Duty	275	1,102	531	2,265
Landholder Duty	24	24	-	-
<i>Total duty on transfers</i>	299	1,126	531	2,265
Mortgages	-	4	25	108
Other stamp duties	1	1	-	-
Metropolitan Region Improvement Tax	-1	82	-	76
Emergency Services Levy	13	154	12	146
Loan guarantee fees	-	1	-	1
<i>Total other property taxes</i>	14	243	36	332
Taxes on provision of goods and services				
Lotteries Commission	-	-	-	-
Video lottery terminals	-	-	-	-
Casino Tax	25	91	23	84
TAB betting tax	-	-	-	-
<i>Total taxes on gambling</i>	25	91	23	84
Insurance Duty	92	377	86	342
Other	5	21	6	30
<i>Total taxes on insurance</i>	97	397	92	372
Taxes on use of goods and performance of activities				
Vehicle Licence Duty	79	318	101	393
Permits - Oversize Vehicles and Loads	1	4	2	5
Motor Vehicle recording fee	10	40	9	34
Motor Vehicle registrations	128	486	112	434
<i>Total motor vehicle taxes</i>	219	848	224	866
Total Taxation	1,168	5,432	1,382	6,214
CURRENT GRANTS AND SUBSIDIES				
<i>General Purpose Grants</i>				
GST Grants	760	3,529	1,021	3,984
Competition Reform	-	-	-	4
Compensation for Condensate Excise	10	23	71	71
<i>Specific Purpose Grants to the State</i>				
Australian Health Care Agreement	283	1,032	283	971
Other health	192	439	99	349
Schools assistance – government schools	268	493	80	312
Vocational training	43	127	47	102
Roads	16	53	1	36
Other	230	478	191	364
<i>Specific Purpose Grants through the State</i>				
Schools assistance – non-government schools	101	751	5	603
Local government financial assistance grants	33	132	31	122
Local government roads	22	89	21	83
First Home Owner Boost	47	100	-	-
Other	-	-	-	-
<i>Other Grants</i>				
North West Shelf grants	161	844	253	798
Total Current Grants and Subsidies	2,166	8,089	2,102	7,800

Note: Columns may not add due to rounding.

TOTAL PUBLIC SECTOR
Operating Revenue

Table 6.5 (cont)

	2008-09		2007-08	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
CAPITAL GRANTS				
<i>Specific Purpose Grants to the State</i>				
Roads	67	238	153	174
Schools assistance – government schools	15	36	9	32
Vocational training	10	41	16	26
Other	10	78	3	173
<i>Specific Purpose Grants through the State</i>				
Schools assistance – non-government schools	6	18	6	31
Total Capital Grants	107	411	188	436
SALES OF GOODS AND SERVICES	3,208	10,797	2,270	8,894
INTEREST INCOME	86	648	212	757
ROYALTY INCOME	505	2,348	554	1,680
OTHER				
Lease Rentals	16	65	18	65
Fines	37	140	36	127
Revenue not elsewhere counted	245	721	168	554
Total Other	298	926	222	746
GRAND TOTAL	7,537	28,651	6,930	26,525

Note: Columns may not add due to rounding.

Table 6.6

TOTAL PUBLIC SECTOR
Cash Flow Statement

	2008-09		2007-08	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Cash received</i>				
Taxes received	1,156	5,559	1,219	6,023
Grants and subsidies received	2,337	8,538	2,255	8,192
Receipts from sales and goods and services	3,488	11,978	2,251	9,496
Interest receipts	116	729	223	762
Dividends and tax equivalents	-	-	-	-
Other receipts	1,053	4,431	910	3,416
<i>Total cash received</i>	8,150	31,234	6,858	27,889
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-2,541	-9,516	-2,312	-8,500
Payments for goods and services	-3,415	-12,122	-2,320	-9,526
Interest paid	-311	-914	-303	-761
Grants and subsidies paid	-998	-3,658	-728	-3,146
Dividends and tax equivalents	0	-	-	-
Other payments	-539	-2,243	-499	-1,954
<i>Total cash paid</i>	-7,804	-28,453	-6,161	-23,888
NET CASH FLOWS FROM OPERATING ACTIVITIES	346	2,782	697	4,001
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-1,924	-5,795	-1,733	-4,973
Sales of non-financial assets	211	574	228	880
<i>Total cash flows from investments in financial assets</i>	-1,713	-5,221	-1,505	-4,094
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	-	1	-	1
For liquidity purposes	941	4,242	706	3,074
<i>Cash paid</i>				
For policy purposes	1	-1	-	-1
For liquidity purposes	-1,789	-5,402	-1,697	-4,046
<i>Total cash flows from investments in financial assets</i>	-847	-1,160	-992	-972
NET CASH FLOWS FROM INVESTING ACTIVITIES	-2,560	-6,381	-2,497	-5,066
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash received</i>				
Advances received	-	-	-	-
Borrowings	4,236	16,230	3,950	12,629
Deposit received	-	-	-	-
Other financing receipts	15	47	30	62
<i>Total cash received</i>	4,251	16,277	3,980	12,691
<i>Cash paid</i>				
Advances paid	-10	-14	-13	-16
Borrowings repaid	-1,997	-12,231	-2,757	-11,200
Deposits paid	-	-	-	-
Other financing payments	-27	-98	-28	-58
<i>Total cash paid</i>	-2,034	-12,343	-2,799	-11,273
NET CASH FLOWS FROM FINANCING ACTIVITIES	2,216	3,934	1,181	1,418
Net increase in cash and cash equivalents	3	335	-618	353
Cash and cash equivalents at beginning of year	6,984	6,652	7,270	6,299
Cash and cash equivalents at end of year	6,987	6,987	6,652	6,652
KEY FISCAL AGGREGATES				
Net cash flows from operating activities	346	2,782	697	4,001
Net cash flows from investing in non-financial assets	-1,713	-5,221	-1,505	-4,094
Cash surplus/-deficit	-1,367	-2,439	-808	-92

Note: Columns may not add due to rounding.

Public Ledger

The Public Ledger, established by section 7 of the *Financial Management Act 2006* (FMA), includes those transactions and operations that are conducted through the Consolidated Account, the Treasurer's Advance Account and the Treasurer's Special Purpose Accounts (TSPAs).

Table 7.1 shows that the aggregate balance of the Public Ledger at 30 June 2009 was \$136 million lower than the balance at 30 June 2008. This reflects a \$1,249 million increase in the Consolidated Account deficit which was partially offset by a \$1,112 million increase in the balances of TSPAs.

PUBLIC LEDGER BALANCES AT 30 JUNE			Table 7.1
	2009 \$m	2008 \$m	
THE PUBLIC LEDGER			
Consolidated Account ^(a)	-3,844	-2,595	
Treasurer's Special Purpose Accounts	5,768	4,656	
Treasurer's Advance Account – Net Advances	-5	-6	
Total	1,919	2,055	

(a) The balance of the Consolidated Account at 30 June 2009 includes cash and non-cash balances. Non-cash appropriations of \$4,051 million at 30 June 2009 (30 June 2008: \$3,300 million) represent the balance of the non-cash cost of agency services. These appropriations are credited to Agency Holding Accounts that are included in the Treasurer's Special Purpose Accounts balance. In cash terms, the Consolidated Account recorded a surplus of \$207 million at 30 June 2009 (30 June 2008: \$705 million).

Information on individual agencies' Special Purpose Accounts, which are not part of the Public Ledger, can be found in the annual reports of those agencies.

Consolidated Account

The *Constitution Act 1889* requires that all revenue of the Crown that is not permanently appropriated by legislation to another entity, shall be credited to the Consolidated Account. The Act also requires that payments out of the Account must be appropriated by Parliament.

Accordingly, Consolidated Account revenue is not available for use by agencies that collect it, and such receipts must be paid directly to the credit of the Account. Expenditure is authorised by Parliament, with both the amount and the expressed purpose of the relevant appropriation clearly specified.

The Consolidated Account deficit at 30 June 2009 was \$3,844 million, an increase of \$1,249 million on the accumulated deficit a year earlier. This included \$4,051 million in Agency Holding Account balances, associated with accrual (non-cash) appropriations for depreciation and leave entitlements, with these accrued balances increasing by \$751 million during 2008-09.

In cash terms, the Consolidated Account recorded a surplus of \$207 million at 30 June 2009. This compares with the \$705 million cash surplus recorded at 30 June 2008.

Reflecting the impact of significantly lower transfer duty collections and GST revenue receipts as a result of the global downturn and its flow-on effect on the Western Australian economy, the Consolidated Account borrowed \$872 million by 30 June 2009. These borrowings were authorised by the balance of the existing *Loan Act 2004* and the *Loan Act 2009*.

CONSOLIDATED ACCOUNT TRANSACTIONS

Table 7.2

	2009 \$m	2008 \$m
REVENUE		
<i>Operating Activities</i>		
Taxation	4,920	5,423
Commonwealth Grants	3,635	4,214
Government Enterprises	881	829
Revenue from other agencies	5,295	4,222
Other	361	175
<i>Total Operating Activities</i>	15,092	14,863
<i>Financing Activities</i>		
Repayments of Recoverable Advances	11	12
Transfers from:		
Public Bank Account Interest Earned Account	79	100
Bankwest Pension Trust	2	2
Other Receipts	12	9
Borrowings	872	-
<i>Total Financing Activities</i>	976	123
TOTAL REVENUE	16,068	14,986
EXPENDITURE		
<i>Recurrent</i>		
Authorised by Other Statutes	1,209	1,180
Appropriation Act (No. 1)	13,079	11,711
Recurrent Expenditure under the Treasurer's Advance	1,002	443
<i>Total Recurrent Expenditure</i>	15,290	13,334
<i>Investing Activities</i>		
Authorised by Other Statutes	113	140
Appropriation Act (No. 2)	1,764	2,590
Investing Expenditure under the Treasurer's Advance	139	162
<i>Total Investing Activities</i>	2,016	2,892
<i>Financing Activities</i>		
Loan repayments	-	-
Other financing	11	3
<i>Total Financing Activities</i>	11	3
TOTAL EXPENDITURE	17,317	16,229
NET MOVEMENT (REVENUE LESS EXPENDITURE)	-1,249	-1,243
Consolidated Account Balance		
Opening balance at 1 July	-2,595	-1,352
Closing balance at 30 June	-3,844	-2,595
Of which:		
Appropriations payable	-4,051	-3,300
Cash balance at 30 June	207	705

Note: Columns may not add due to rounding.

Treasurer's Special Purpose Accounts

The Treasurer's Special Purpose Accounts (TSPAs) consist of:

- any account established by the Treasurer as a TSPA for the purposes determined by the Treasurer;
- suspense accounts established for the purposes of section 26 of the FMA;
- any account established to hold money transferred under section 39(5) of the FMA;
- the Public Bank Account Interest Earned Account established for the purpose of holding money credited to that account under section 38(9) of the FMA pending its allocation and payment as required or permitted under the FMA or another written law;
- any account established under written law and determined by the Treasurer to be a TSPA; and
- any account established to hold other money and determined by the Treasurer to be a TSPA.

The \$1,112 million increase in TSPA balances during 2008-09 largely reflects movement in Agency Holding Accounts, which increased by \$751 million during the year. This increase primarily reflects the impact of non-cash appropriations for depreciation and accrued leave entitlements for centrally funded government agencies.

The balance of the Fiona Stanley Hospital Construction Account increased by \$213 million, due mainly to additional appropriation funding approved in the 2008-09 Budget to replace lower anticipated interest receipts (following significant interest rate declines over the last 18 months), and the receipt of interest on the account balance, which were partially offset by the payment of project costs from the account during the year.

Other Special Purpose Accounts increased by \$122 million, due largely to increases in balances held for Commonwealth funded purposes (\$89 million) and Accrued Salaries (\$22 million). The Royalties for Regions Special Purpose Account had \$26 million in unspent funds at 30 June 2009.

Table 7.3

TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE

	2009	2008
	\$m	\$m
Agency Holding Accounts	4,051	3,300
Fiona Stanley Hospital Construction Account	1,320	1,107
Royalties for Regions Special Purpose Account	26	-
Other Special Purpose Accounts	371	249
TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE	5,768	4,656

Treasurer's Advance

The Treasurer's Advance allows for repayable advances to agencies for working capital purposes (known as 'net recoverable advances') and the provision of supplementary appropriation funding for unforeseen and/or extraordinary events during the year (known as 'excesses and new items').

A total of \$1,200 million was authorised by section 29 of the FMA and the *Treasurer's Advance Authorisation Act 2009* for the year ended 30 June 2009. This compares with a \$750 million limit authorised for the preceding year.

Of the \$1,200 million authorised limit, \$1,146 million was drawn down in 2008-09, comprising \$1,141 million against increases in recurrent and capital appropriations and new items (see Table 7.5), and \$5 million was held at 30 June 2009 in the form of net recoverable advances (see Table 7.4).

TREASURER'S ADVANCE AT 30 JUNE			Table 7.4
	2009 \$m	2008 \$m	
AUTHORISED LIMIT	1,200.0^(a)	750.0	
Total Drawn Against Treasurer's Advance Account	1,146.0	611.6	
<i>Comprising:</i>			
Net recoverable advances as at 30 June (see below)	5.2	6.1	
Excesses and New Items (see Table 7.5)			
- recurrent	1,001.8	443.2	
- capital	139.0	162.3	
NET RECOVERABLE ADVANCES			
Public Sector Standards Commissioner – CEO selection	0.5	0.5	
Electoral Distribution Commission	-	0.3	
Energy Smart Government Program	1.1	1.6	
Gas Review Board	0.5	0.5	
Suitors Fund	1.1	1.1	
Planning and Infrastructure	2.0	2.0	
Sundry debtors	-	0.1	
TOTAL RECOVERABLE TREASURER'S ADVANCES	5.2	6.1	

(a) The original limit for the year ending 30 June 2009, as authorised by section 29 of the FMA, was \$437.7 million. However, this was increased to \$1,200 million by the *Treasurer's Advance Authorisation Act 2009*, which received Royal Assent on 17 April 2009.

Transfers, Excesses and New Items

Table 7.5 outlines transfers of appropriations between agencies, authorised under section 25 of the FMA (and which have no impact on the Treasurer's Advance), and excesses and/or new items approved by the Treasurer (under the authority of section 3 of the *Treasurer's Advance Authorisation Act 2009* and section 27 of the FMA).

Table 7.5

TRANSFERS, EXCESSES AND NEW ITEMS

For the twelve months to 30 June 2009

	<u>Treasurer's Advance</u>					Drawn against Treasurer's Advance \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Excesses \$m	Revised Appropriation \$m	
Recurrent Appropriations						
<i>Legislative Council</i>						
Item 1: Delivery of Services	3.6	-	-	0.1	3.7	0.1
<i>Legislative Assembly</i>						
Item 2: Delivery of Services	4.4	-	-	0.1	4.5	0.1
<i>Parliamentary Services</i>						
Item 3: Delivery of Services	11.7	-	-	0.3	12.0	0.3
<i>Parliamentary Commissioner for Administrative Investigations</i>						
Item 4: Delivery of Services	3.7	-	-	0.3	4.0	0.3
<i>Premier and Cabinet</i>						
Item 5: Delivery of Services	121.9	-12.0	-	8.6	118.5	8.6
<i>Public Sector Commission</i>						
New Item: Delivery of Services	-	10.9	-	0.3	11.2	0.3
<i>Office of the Public Sector Standards Commissioner</i>						
Item 7: Delivery of Services	4.2	-	-	0.1	4.3	0.1
<i>Treasury and Finance</i>						
Item 9: Delivery of Services	148.0	0.9	-	6.1	155.0	5.8
Item 13: Water Corporation	445.8	-	-	0.1	445.9	-
Item 15: Aerial Shark Surveillance Program	0.2	-	-	0.1	0.3	- ^(b)
Item 22: First Home Owners' Assistance	111.0	-	-	140.7	251.7	138.0
Item 25: Office of Health Review	1.6	-	-	0.1	1.7	0.1
Item 30: Refund of Past Years Revenue Collections - Public Corporations	5.0	-	-	20.0	25.0	16.2
Item 31: Refund of Past Years Revenue Collections - All Other	39.8	-	-	95.8	135.6	90.7
Item 33: State Property - Emergency Services Levy	12.0	-	-	0.4	12.4	-
Item 38: All Other Grants, Subsidies and Transfer Payments	14.4	-	-	2.2	16.6	0.5
New Item: Contribution to Royalties for Regions	-	-	272.1	-	272.1	269.1
<i>Office of the Auditor General</i>						
Item 40: Delivery of Services	16.7	-	-	0.7	17.4	0.7
<i>State Supply Commission</i>						
Item 42: Delivery of Services	1.7	-0.3	-	-	1.4	-

Table 7.5 (cont)

TRANSFERS, EXCESSES AND NEW ITEMS
For the twelve months to 30 June 2009

	<u>Treasurer's Advance</u>					Drawn against Treasurer's Advance \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Excesses \$m	Revised Appropriation \$m	
<i>Mines and Petroleum</i>						
Item 43: Delivery of Services	160.7	-59.5	-	9.4	110.6	7.4
Item 44: Administered Grants, Subsidies and Other Transfer Payments	48.5	-4.0	-	39.0	83.5	39.0
<i>State Development</i>						
New Item: Delivery of Services	-	16.9	4.4	-	21.3	2.3
<i>Mid West Development Commission</i>						
Item 48: Delivery of Services	4.3	-	-	-(b)	4.3	-(b)
<i>Wheatbelt Development Commission</i>						
Item 49: Delivery of Services	1.5	-	-	-(b)	1.5	-(b)
<i>Great Southern Development Commission</i>						
Item 50: Delivery of Services	1.5	-	-	-(b)	1.5	-(b)
<i>Racing, Gaming and Liquor</i>						
Item 54: Administered Grants, Subsidies and Other Transfer Payments	72.1	-	-	5.6	77.7	4.3
<i>Goldfields-Esperance Development Commission</i>						
Item 55: Delivery of Services	1.5	-	-	-(b)	1.5	-(b)
<i>Western Australia Police</i>						
Item 56: Delivery of Services	885.0	4.7	-	6.4	896.1	6.4
<i>Fire and Emergency Services Authority of Western Australia</i>						
Item 57: Delivery of Services	28.0	-	-	15.9	43.9	15.9
<i>Water</i>						
Item 58: Delivery of Services	81.2	0.1	-	4.5	85.8	4.5
<i>Western Australian Sports Centre Trust</i>						
Item 62: Delivery of Services	7.8	-	-	2.2	10.0	2.2
<i>Commissioner for Equal Opportunity</i>						
Item 64: Delivery of Services	2.9	-	-	0.1	3.0	0.1
<i>Corruption and Crime Commission</i>						
Item 65: Delivery of Services	27.0	-	-	0.2	27.2	-
<i>Office of the Director of Public Prosecutions</i>						
Item 68: Delivery of Services	24.2	0.2	-	0.1	24.5	0.1

Table 7.5 (cont)

TRANSFERS, EXCESSES AND NEW ITEMS

For the twelve months to 30 June 2009

	<u>Treasurer's Advance</u>					Drawn against Treasurer's Advance \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Excesses \$m	Revised Appropriation \$m	
<i>Office of the Information Commissioner</i>						
Item 70: Delivery of Services	1.2	-	-	0.1	1.3	0.1
<i>Health</i>						
Item 71: Delivery of Services	755.0	-	-	42.2	797.2	42.2
Item 72: Contribution to Hospital Fund	3,027.0	-0.6	-	145.7	3,172.1	145.7
<i>Western Australian Electoral Commission</i>						
Item 73: Delivery of Services	22.0	-	-	4.4	26.4	4.3
<i>Housing Authority</i>						
Item 75: Delivery of Services	133.2	-	-	60.0	193.2	59.2
<i>Western Australian Land Information Authority</i>						
Item 79: Delivery of Services	26.6	-	-	3.2	29.8	3.2
<i>Planning and Infrastructure</i>						
Item 80: Delivery of Services	188.6	-	-	10.8	199.4	5.5
<i>Public Transport Authority of Western Australia</i>						
Item 83: Delivery of Services	633.2	-	-	21.3	654.5	14.2
<i>Disability Services Commission</i>						
Item 85: Delivery of Services	325.2	-	-	28.1	353.3	23.5
<i>Education and Training</i>						
Item 92: Delivery of Services	3,050.6	-	-	23.2	3,073.8	23.2
<i>Country High School Hostels Authority</i>						
Item 93: Delivery of Services	5.8	-	-	^(b)	5.8	^(b)
<i>Curriculum Council</i>						
Item 94: Delivery of Services	21.6	-	-	2.2	23.8	2.2
<i>South West Development Commission</i>						
Item 97: Delivery of Services	6.5	-	-	5.0	11.5	5.0
<i>Commerce</i>						
Item 100: Delivery of Services	73.5	43.5	-	5.0	122.0	-
New Item: Administered Grants, Subsidies and Other Transfer Payments	-	4.0	-	-	4.0	-
<i>Fisheries</i>						
Item 102: Delivery of Services	28.8	-	-	1.7	30.5	1.7

Table 7.5 (cont)

TRANSFERS, EXCESSES AND NEW ITEMS

For the twelve months to 30 June 2009

	<u>Treasurer's Advance</u>					Drawn against Treasurer's Advance \$m
	Budget \$m	Transfers ^(a) \$m	New Items \$m	Excesses \$m	Revised Appropriation \$m	
<i>Kimberley Development Commission</i>						
Item 103: Delivery of Services	4.1	-	-	-(b)	4.1	-(b)
<i>Pilbara Development Commission</i>						
Item 104: Delivery of Services	1.7	0.1	-	-(b)	1.8	-(b)
<i>Corrective Services</i>						
Item 106: Delivery of Services	508.1	-5.0	-	19.0	522.1	19.0
<i>Office of the Inspector of Custodial Services</i>						
Item 107: Delivery of Services	2.0	-	-	0.4	2.4	0.4
<i>Small Business Development Corporation</i>						
Item 108: Delivery of Services	12.8	-	-	0.1	12.9	0.1
<i>Environment and Conservation</i>						
Item 109: Delivery of Services	202.0	-0.1	-	-	201.9	-
<i>Peel Development Commission</i>						
Item 114: Delivery of Services	4.6	-	-	-(b)	4.6	-(b)
<i>Child Protection</i>						
Item 115: Delivery of Services	299.0	-10.2	-	12.2	301.0	12.2
<i>Communities</i>						
Item 116: Delivery of Services	40.3	10.2	-	27.9	78.4	26.6
<i>Total Recurrent</i>		-	276.5	772.1		1,001.8
Capital Appropriations						
<i>Treasury and Finance</i>						
<i>Item 126: Government Equity</i>						
<i>Contribution Forest Products</i>						
Commission	1.2	-	-	15.0	16.2	15.0
New Item: Royalties for Regions	-	-	64.9	-	64.9	64.9
<i>Mines and Petroleum</i>						
Item 138: Capital Contribution	2.6	-1.6	-	-	1.0	-
<i>Western Australian Sports Centre Trust</i>						
Item 148: Capital Contribution	0.1	-	-	0.1	0.2	0.1
<i>Housing Authority</i>						
Item 155: Capital Contribution	110.9	-	-	30.0	140.9	30.0
<i>Public Transport Authority of Western Australia</i>						
Item 159: Capital Contribution	56.7	-	-	28.0	84.7	28.0
<i>Commerce</i>						
Item 173: Capital Contribution	2.8	1.6	-	-	4.4	-
<i>Fisheries</i>						
Item 174: Capital Contribution	0.4	-	-	1.0	1.4	1.0
<i>Total Capital</i>		-	64.9	74.1		139.0
TOTAL		-	341.4	846.2		1,140.8

(a) Authorised under section 25 of the FMA.

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

Note: Columns may not add due to rounding.

Transfers of appropriations between agencies (which do not impact the Treasurer's Advance) were for the following purposes during 2008-09:

- \$49.4 million (including both recurrent and capital appropriations) from the former Department of Industry and Resources (DoIR) to the Department of Commerce (DoC) for costs associated with the delivery of the Science and Innovation Business Division's (SIB's) functions. SIB functions were transferred to DoC following the abolition of DoIR and the creation of DoC on 1 January 2009;
- \$15.9 million from the former DoIR to the Department of State Development (DSD) for general operational functions and expenses, following the establishment of DSD on 1 January 2009;
- \$10.9 million from the Department of the Premier and Cabinet (DPC) to the Public Sector Commission, for the transfer of the Public Sector Management Office and E-Government Policy and Coordination functions, following the creation of the Public Sector Commissioner's position from 1 November 2008;
- \$10.2 million from the Department for Child Protection to the Department for Communities, for the transfer of non-government services and grant programs from 1 July 2008;
- \$5.0 million from the Department of Corrective Services to Western Australia Police for costs associated with the operation of the East Perth Watch House;
- \$4.2 million (including both recurrent and capital appropriations) from the former Department of Consumer and Employment Protection (DoCEP) to the Department of Mines and Petroleum (DMP) for costs associated with the delivery of the Resources Safety Division's functions. The Resources Safety Division was transferred to DMP following abolition of DoCEP and the creation of DMP on 1 January 2009;
- \$4.0 million from the former DoIR to DoC for administered grants, subsidies and transfer payments associated with SIB functions;
- \$1.1 million from DPC to the DSD for costs associated with the delivery of functions of the Office of Development Approvals Coordination. These functions were transferred to DSD following its establishment on 1 January 2009;
- \$0.6 million from the Department of Health to the Department of Treasury and Finance (DTF), following the provision of seven additional project officer positions to the existing procurement health cluster originally approved under the Memorandum of Understanding signed by both agencies on 20 March 2006;
- \$0.3 million from the State Supply Commission (SSC) to DTF upon the transfer of SSC functions to DTF;
- \$0.2 million from Western Australia Police to the Office of the Director of Public Prosecutions for the 'civilianisation' of the Perth Children's Court, replacing two police officers with non-police staff;

- \$0.2 million from DTF to the Pilbara Development Commission, reflecting the transfer of funding and responsibilities to facilitate the implementation of the Pilbara Housing Study;
- \$0.1 million from the Department of Environment and Conservation to the Department of Water in relation to the transfer of the Water Drilling Team;
- \$0.1 million from DoC to DTF, following the transfer of the procurement function in line with the procurement reform agenda and re-badging;
- \$0.1 million from Western Australia Police to DTF following the transfer of nine procurement officers positions in line with the procurement reform agenda; and
- \$44,000 from DTF to DMP for costs associated with the transfer of a contracts administration officer.

Excesses and New Items

Funds drawn against the Treasurer's Advance for excesses and new items were for the purposes outlined below. Further detail is available in the annual reports of the agencies listed.

Legislative Council

Item 1: Net Amount Appropriated to Deliver Services (\$0.1 million), to fund additional salary costs, including superannuation, following settlement of the Public Sector General Agreement (PSGA), concluded in September 2008.

Legislative Assembly

Item 2: Net Amount Appropriated to Deliver Services (\$0.1 million), to fund additional salary costs, including superannuation, as a result of the PSGA outcome.

Parliamentary Services

Item 3: Net Amount Appropriated to Deliver Services (\$0.3 million), to fund additional salary costs, including superannuation, as a result of the PSGA outcome.

Parliamentary Commissioner for Administrative Investigations

Item 4: Net Amount Appropriated to Deliver Services (\$0.3 million) for implementation of the child deaths review function.

Premier and Cabinet

Item 5: **Net Amount Appropriated to Deliver Services** (\$8.6 million).

The following table summarises the range of issues contributing to supplementary funding of the department's appropriation in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.6
Premier and Cabinet		
	\$m	
Unplanned Election Costs	8.5	
Ravensthorpe Nickel Closure	3.0	
PSGA Salary Increases	1.8	
Donation – Victorian Bushfire Appeal	1.0	
Donations and Grant Funding	0.6	
SES Redeployees	0.4	
Albany ANZAC Peace Park	0.4	
London Office	0.3	
Provision of Research Assistance to Parliamentarians	0.2	
Sir Charles Court Memorial Statue	0.1	
Media and Marketing, Consultants and Advertising savings	-0.2	
Spending delayed beyond 2008-09	-0.5	
3% Efficiency Dividend	-1.9	
Movement in Actuarially Assessed – Leave Liabilities	-2.4	
Election Commitment – Reduction in staff	-2.7	
TOTAL	8.6	

Note: Columns may not add due to rounding.

Public Sector Commission

New Item: **Net Amount Appropriated to Deliver Services** (\$0.3 million) to cover salaries and related costs for redeployed Senior Executive Service officers.

Office of the Public Sector Standards Commissioner

Item 7: **Net Amount Appropriated to Deliver Services** (\$0.1 million), mainly for higher salaries for employees covered by the PSGA.

Treasury and Finance

Item 9: **Net Amount Appropriated to Deliver Services** (\$6.1 million), primarily for the legal costs incurred in a dispute before the State Administrative Tribunal, Building Management and Works depreciation costs, the establishment of the Economic Audit Committee and increased salaries for employees covered by the PSGA.

Item 13: **Water Corporation of Western Australia** (\$0.1 million) for additional Community Service Obligation funding for the construction of a storage tank to support increased water demand in Toodyay.

Item 15: **Aerial Shark Surveillance Program** (\$0.1 million) for the continuation of aerial shark surveillance patrols until 28 February 2009.

Item 22: **First Home Owners' Assistance** (\$140.7 million), due mainly to the impact of the Commonwealth's First Home Owners' Boost stimulus package, announced on 14 October 2008.

Item 25: **Office of Health Review** (\$0.1 million) for higher salaries for employees covered by the PSGA, and higher office rental costs.

Item 30: **Refund of Past Years Revenue Collections – Public Corporations** (\$20.0 million), for refunds of overpaid tax equivalent instalments by Bunbury Port Authority, Synergy and Western Power.

Item 31: **Refunds of Past Years Revenue Collections – All Other** (\$95.8 million) for the payment of higher than expected tax refunds following successful taxpayer appeals.

Item 33: **State Property – Emergency Services Levy** (\$0.4 million) for increase in the Emergency Services Levy assessed on State owned property.

Item 38: **All Other Grants, Subsidies and Transfer Payments** (\$2.2 million) was approved for interest payments on higher than expected participating trust account balances of agencies. Only \$0.5 million of this was subsequently drawn, reflecting lower costs for other payments, particularly on-road diesel subsidies.

New Item: **Royalties for Regions Fund - Recurrent** (\$272.1 million) for the recurrent portion of the *Royalties for Regions* program. The annual contribution for the *Royalties for Regions* program is set at 25% of the annual royalty income projection. The original allocation of \$337 million was calculated as 25% of the projection for royalty income contained in the 2008-09 *Pre-election Financial Projections Statement*, adjusted for the half-year operation of the program in 2008-09. The final allocation for 2008-09 was revised down to \$334 million, reflecting lower than forecast royalty projections for the year. This total amount is shared between recurrent (\$269.1 million) and capital (\$64.9 million) purposes.

New Item: **Royalties for Regions Fund – Capital** (\$64.9 million) for the capital portion of the *Royalties for Regions* program.

Item 126: **Forest Products Commission** (\$15.0 million), mainly for bush fire damage to State-owned pine plantations in February 2009.

Office of the Auditor General

Item 40: **Net Amount Appropriated to Deliver Services** (\$0.7 million) to cover the cost of additional audit work associated with the June 2009 audit cycle.

Mines and Petroleum

Item 43: **Net Amount Appropriated to Deliver Services** (\$9.4 million), mainly to meet additional expenditure commitments (\$5.5 million), higher PSGA salaries costs (\$2.2 million) and the purchase of the Boolgardie Lease to facilitate the Square Kilometre Array project (\$1.7 million).

Item 44: **Amount provided for Administered Grants, Subsidies and Other Transfer Payments** (\$39.0 million) for the repayment of royalties collections and refund of fees on mining tenements.

State Development

New Item: **Net Amount Appropriated to Deliver Services** (\$4.4 million) to carry out surveys and assessments to secure the James Price Point site and confirm its suitability for the Kimberley LNG precinct.

Mid West Development Commission

Item 48: **Net Amount Appropriated to Deliver Services** for higher PSGA salaries costs (\$36,000).

Wheatbelt Development Commission

Item 49: **Net Amount Appropriated to Deliver Services** for higher PSGA salaries costs (\$28,000).

Great Southern Development Commission

Item 50: **Net Amount Appropriated to Deliver Services** for higher PSGA salaries costs (\$29,000).

Racing, Gaming and Liquor

Item 54: **Amount Provided for Administered Grants, Subsidies and Other Transfer Payments** (\$5.6 million), funding higher than expected GST gambling rebates (\$4.4 million) and support for the Equine Influenza Assistance Package (1.2 million).

Goldfields-Esperance Development Commission

Item 55: **Net Amount Appropriated to Deliver Services** for higher PSGA salaries costs (\$27,000).

Western Australia Police

Item 56: **Net Amount Appropriated to Deliver Services** (\$6.4 million).

The following table summarises the key movements contributing to supplementary funding of the Western Australia Police's appropriation in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.7
Western Australia Police		
	\$m	
Movement in Actuarially Assessed Leave Liabilities	4.6	
Post-Separation Medical Benefits	1.5	
Depreciation of Property Management Facilities	0.3	
Media and Marketing, Consultants and Advertising Savings	-0.1	
TOTAL	6.4	

Note: Columns may not add due to rounding.

Fire and Emergency Services Authority of Western Australia

Item 57: **Net Amount Appropriated to Deliver Services** (\$15.9 million), mainly for expenditure under the Western Australian Natural Disaster Relief and Recovery Arrangements, which provides support for personal hardship and distress claims and costs relating to damage caused by cyclones, fires and floods (\$13.0 million), and additional bush fire suppression costs (\$3.2 million).

Water

Item 58: **Net Amount Appropriated to Deliver Services** (\$4.5 million), primarily for the lower than expected revenue from the Water Licence Administration Fee (\$3.2 million) and higher PSGA salaries costs (\$1.4 million).

Western Australian Sports Centre Trust

Item 62: **Net Amount Appropriated to Deliver Services** (\$2.2 million), mainly for the provision of working capital to provide management responsibilities related to the new Perth Arena project and the new athletics and basketball stadiums at AK Reserve.

Item 148: **Capital Contribution** (\$0.1 million) for additional costs associated with the Trust's management of the Perth Arena project.

Commissioner for Equal Opportunity

Item 64: **Net Amount Appropriated to Deliver Services** (\$0.1 million) for higher PSGA salaries costs.

Corruption and Crime Commission

Item 65: **Net Amount Appropriated to Deliver Services** (\$0.2 million), mainly for higher PSGA salaries costs.

Office of the Director of Public Prosecutions

Item 68: **Net Amount Appropriated to Deliver Services** (\$0.1 million) for higher PSGA salaries costs.

Office of the Information Commissioner

Item 70: **Net Amount Appropriated to Deliver Services** (\$0.1 million) for higher PSGA costs.

Health

Item 71: **Net Amount Appropriated to Deliver Services** (\$42.2 million).

The following table summarises the key movements contributing to supplementary funding of the department's service delivery appropriation in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.8
Health		
	\$m	
Higher Hospital Activity and Pilbara Region Cost Growth	33.0	
Royal Flying Doctor Service	12.5	
Election Commitments		
Friend in Need – Emergency Scheme	3.0	
Grants to After Hour General Practices	0.1	
PSGA Salary Increases	2.3	
Debt Servicing Costs – Peel Health Campus	1.7	
Review of Mental Health Services	0.1	
Media and Marketing Consultants and Advertising Savings	-0.1	
3% Efficiency Dividend	-10.3	
TOTAL	42.2	

Note: Columns may not add due to rounding.

Item 72: **Contribution to Hospital Fund** (\$145.7 million).

The following table summarises the key movements contributing to supplementary funding requirements for the Hospital Fund in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.9
Health		
	\$m	
Council of Australian Governments Initiatives	82.8	
Higher Hospital Activity and Pilbara Region Cost Growth	77.0	
Health Services Salaried Officers EBA Outcome	27.2	
Election Commitments		
Elective Surgery Waitlist	10.0	
Assistance for Palliative and Cancer Patients	0.5	
Doctor Internship Supervision	0.5	
Nurses Scholarship	1.0	
SolarisCare	1.5	
Dental Workforce – Restructure and Retain Strategy	5.1	
Debt Servicing Costs	1.0	
WA Suicide Prevention Strategy	0.5	
Media and Marketing Consultants and Advertising Savings	-0.6	
Deferral of Election Commitment - Savings Measures	-5.0	
Mental Health Strategy Funds	-6.2	
3% Efficiency Dividend	-49.6	
TOTAL	145.7	

Note: Columns may not add due to rounding.

Western Australian Electoral Commission

Item 73: **Net Amount Appropriated to Deliver Services** (\$4.4 million), for the cost of the State General Election and the Daylight Saving Referendum.

Housing Authority

Item 75: **Net Amount Appropriated to Deliver Services** (\$60.0 million) for an increase in recurrent funding for the Housing Authority to offset declines in land sales revenue, and to meet debt servicing costs and other operational commitments.

Item 155: **Capital Contribution** (\$30.0 million) to partly offset the shortfall in the Housing Authority's construction program as a result of the decline in land sales revenue.

Western Australian Land Information Authority

Item 79: **Net Amount Appropriated to Deliver Services** (\$3.2 million) to meet higher PSGA salaries costs.

Planning and Infrastructure

Item 80: **Net Amount Appropriated to Deliver Services** (\$10.8 million).

The following summarises the key movements contributing to supplementary funding of the department's appropriation in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.10
Planning and Infrastructure		
	\$m	
PSGA Salary Increases	4.7	
Liquefied Petroleum Gas (LPG) Subsidy Scheme	4.4	
Fremantle Port Rail Service	3.5	
Office Accommodation Rental	3.2	
Wanneroo Town Revitalisation	1.5	
Esperance Lead and Nickel Cleanup	1.1	
Property Asset Clearing House	0.3	
Media and Marketing, Consultants and Advertising Savings	-0.2	
Licensing Business Unit Accommodation	-0.2	
Deferral of the Owner Drivers Program	-0.4	
Regional Accommodation/Communications	-0.8	
Transfers From Recurrent to Asset Investment Program	-1.2	
Deferral of the North Greenbushes Railway Project	-1.3	
3% Efficiency Dividend	-3.8	
TOTAL	10.8	

Note: Columns may not add due to rounding.

*Public Transport Authority of Western Australia***Item 83: Net Amount Appropriated to Deliver Services** (\$21.3 million).

The following table summarises the key movements contributing to supplementary funding of the Authority's recurrent appropriation in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.11
Public Transport Authority		
	\$m	
Revised Depreciation Costs	20.2	
Fuel Price Increases	13.6	
EBA's (Various Employee Groups)	6.7	
New Metro Rail Project	4.7	
Energy Contract Costs	2.4	
Election Commitments		
20 Year Transport Plan	0.5	
Free Travel Entitlements to Seniors and Pensioners	1.7	
North Greenbushes Railway Project	0.3	
Better Transport System (300 car bays)	0.2	
Transfer between recurrent and capital appropriations	2.0	
Mesothelioma Disease and Workers' Compensation Payments	0.7	
Other Adjustments	0.5	
Media and Marketing, Advertising and Consultants Savings	-0.2	
Contractual Payments for Transperth Bus Service Contracts	-2.4	
3% Efficiency Dividend	-4.0	
Impact of Higher Than Expected Fare Revenue	-7.8	
Debt Servicing Costs	-17.3	
TOTAL	21.3	

Note: Columns may not add due to rounding.

Item 159: **Capital Contribution** (\$28.0 million).

The following table summarises the key movements contributing to supplementary funding of the Authority's capital appropriation in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.12
Public Transport Authority Capital		
	\$m	
New Metro Rail Project	30.9	
Land Rationalisation Program	2.7	
Adjustments	1.1	
Deferred School Bus Replacement Program	-6.7	
TOTAL	28.0	

Note: Columns may not add due to rounding.

Disability Services Commission

Item 85: **Net Amount Appropriated to Deliver Services** (\$28.1 million), primarily for higher wage costs (\$13.5 million) and the new Disability Services Package (\$10.0 million).

Education and Training

Item 92: **Net Amount Appropriated to Deliver Services** (\$23.2 million).

The following table summarises the key movements contributing to supplementary funding of the department's appropriation in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.13
Education and Training		
	\$m	
Expensed capital transferred from the asset investment program to the recurrent budget	21.2	
Increased Rental Expense for the Government Regional Officers Housing Function and Head Office Accommodation	19.7	
Depreciation Costs	12.8	
Salary Agreements	9.6	
Election Commitments	0.6	
Deferred Spending	-15.0	
3% Efficiency Dividend	-26.0	
TOTAL	23.2	

Note: Columns may not add due to rounding.

Country High School Hostels Authority

Item 93: **Net Amount Appropriated to Deliver Services**, mainly for higher PSGA salaries costs (\$17,000).

Curriculum Council

Item 94: **Net Amount Appropriated to Deliver Services** (\$2.2 million), mainly for the Senior Schools Reform Program.

South West Development Commission

Item 97: **Net Amount Appropriated to Deliver Services** (\$5.0 million), due largely to the Busselton Jetty Refurbishment Project.

Commerce

Item 100: **Net Amount Appropriated to Deliver Services** (\$5.0 million), primarily for higher PSGA salaries costs (\$2.6 million), Cardoso Proprietary Limited business exit assistance (\$2.3 million) and drafting of the *Co-operative Bill* (\$0.1 million) which regulates the formation, registration and operation of co-operatives in Western Australia.

Fisheries

Item 102: **Net Amount Appropriated to Deliver Services** (\$1.7 million), mainly for higher PSGA salaries costs (\$0.8 million) and marine biosecurity functions (\$0.2 million).

Item 174: **Capital Contribution** (\$1.0 million) to complete works associated with the Mandurah Marine Operations Centre.

Kimberley Development Commission

Item 103: **Net Amount Appropriated to Deliver Services** for higher PSGA salaries costs (\$24,000).

Pilbara Development Commission

Item 104: **Net Amount Appropriated to Deliver Services** for higher PSGA salaries costs (\$23,000).

Corrective Services

Item 106: **Net Amount Appropriated to Deliver Services** (\$19.0 million).

The following table summarises the key movements contributing to supplementary funding of the department's appropriation in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.14
Corrective Services		
	\$m	
Prison System Daily Average Population Funding	10.5	
Increase in Prison Population	5.2	
PSGA Salary Increases	5.0	
Government Regional Officers Housing Rental Costs	4.4	
Salaried Medical Officers Increase	1.1	
Other	0.5	
Secure Vehicle Fleet	0.1	
Media and Marketing, Consultants and Advertising Savings	-0.2	
3% Efficiency Dividend	-7.6	
TOTAL	19.0	

Note: Columns may not add due to rounding.

Office of the Inspector of Custodial Services

Item 107: **Net Amount Appropriated to Deliver Services** (\$0.4 million), mainly for an operational shortfall in funding in 2007-08 and 2008-09 (\$0.3 million), and higher PSGA salaries costs (\$45,000).

Small Business Development Corporation

Item 108: **Net Amount Appropriated to Deliver Services** (\$0.1 million) for higher PSGA salaries costs.

Peel Development Commission

Item 114: **Net Amount Appropriated to Deliver Services** for higher PSGA salaries costs (\$23,000).

Child Protection

Item 115: **Net Amount Appropriated to Deliver Services** (\$12.2 million).

The following table summarises the key movements contributing to supplementary funding of the department's appropriation in 2008-09.

SUPPLEMENTARY FUNDING		Table 7.15
Child Protection		
	\$m	
High Cost Fee-for-Service Placements	8.0	
PSGA Salary Increases	4.4	
Government Regional Officers Housing Rental Costs	1.9	
Depreciation Costs	1.4	
Working with Children	0.9	
A Place to Call Home Initiative	0.2	
Hardship Utility Grants Scheme	0.1	
Other	-4.7	
TOTAL	12.2	

Note: Columns may not add due to rounding.

Communities

Item 116: **Net Amount Appropriated to Deliver Services** (\$27.9 million) for the continuation of the Integrated Services Centres and the Seniors Cost of living rebate (\$26.5 million), with the remainder meeting higher PSGA salaries costs, higher depreciation costs and the Non-Government Human Services Sector Indexation Policy (\$1.4 million).

Acronyms

<i>Acronym</i>	<i>Meaning</i>
AASB	Australian Accounting Standards Board
AAS	Australian Accounting Standards
ABS	Australian Bureau of Statistics
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
ARSF	Annual Report on State Finances
CFS	Consolidated Financial Statements
CWP	Capital Works Program
FMA	<i>Financial Management Act 2006</i>
GFS	Government Finance Statistics
GSP	Gross State Product
GFRA	<i>Government Financial Responsibility Act 2000</i>
IASB	International Accounting Standards Board
LCA	Loan Council Allocations
nec	Not elsewhere classified
UIG	Urgent Issues Group
UPF	Uniform Presentation Framework

