



2009-10

Government Mid-year Financial Projections Statement

December 2009



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**Government
Mid-Year Financial
Projections Statement**

DECEMBER 2009

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Foreword

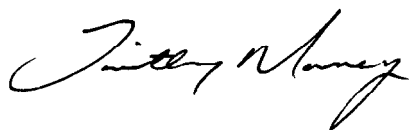
This *Government Mid-year Financial Projections Statement* (mid-year review) outlines developments in the State's economic and financial outlook since finalisation of the 2009-10 Budget, which was presented to Parliament on 14 May 2009.

It has been prepared under my instruction, and is based upon Government decisions I was aware of, or that were made available to me by the Treasurer, by close of business on the mid-year review cut-off date of 30 November 2009. The mid-year review does not include the impact of any decisions that may have been taken, or other issues arising, after the cut-off date.

The financial projections are informed by the economic assumptions outlined in Chapter 3: *The Western Australian Economy*, which were also finalised on 30 November 2009.

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

Financial data for 2008-09 included in this publication (for comparative purposes) are consistent with final audited data contained in the *2008-09 Annual Report on State Finances*, released on 24 September 2009.



Timothy Marney
UNDER TREASURER

December 2009

Financial Projections

Overview

The outlook for the Western Australian economy has improved since the 2009-10 Budget, with growth of 2.25% now forecast for 2009-10, compared to an expected contraction of 1.25% at budget-time. This mainly reflects a much less severe reduction in business investment than previously forecast, underpinned by sustained activity and growth prospects in the State's major trading partners, particularly China.

However, this improved economic outlook is not immediately flowing through to the State's finances. Indeed, the general government sector operating surplus for 2009-10 has been revised down from an estimated \$409 million at the time of the 2009-10 Budget, to \$51 million.

General government revenue has been revised up by \$184 million in 2009-10 relative to budget-time. However, this includes higher Commonwealth grants passed through the State as part of national stimulus initiatives (including \$80 million for extension of the First Home Owners' Boost and \$313 million for non-government schools).

Abstracting from these on-passed Commonwealth grants (which increase both revenue and expenses), the lower surplus estimate for 2009-10 primarily reflects:

- lower revenue from mining royalties and North West Shelf petroleum grants, in turn reflecting a substantial appreciation of the \$US/\$A exchange rate since budget-time, a larger than expected decline in contract iron ore prices, and lower commodity production volumes; and
- continuing expense pressures, with projected expense growth in 2009-10 revised up from 6.6% at budget-time to 9.0%, largely due to salaries growth and the impact of on-passed Commonwealth grants.

In light of these pressures, the Government has implemented further corrective measures as part of this mid-year review, totalling almost \$600 million¹. These are outlined in the following table, and include:

- delayed implementation of two previously announced tax relief measures; and
- deferral of spending on a number of election commitments, including the *Royalties for Regions* program.

The new measures assist in offsetting some of the post-budget deterioration in the general government operating outlook for 2009-10 in particular, and bring to \$1.4 billion the total value of corrective measures implemented in 2009-10 alone.

Table 1

CORRECTIVE MEASURES						
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<i>2009-10 Mid-year Review Measures</i>						
Transfer Duty - Defer Abolition of Duty on Non-Real Property	-	-	-96	-124	-135	-355
Payroll Tax – Defer Harmonisation of Grouping Provisions	-	-48	-52	-56	-	-156
<i>Royalties for Regions</i> Deferral	-	-130	48	42	40	-
Seniors Cost of Living Rebate - Timing Change	-	-26	-	-	-	-26
Friend in Need Emergency Scheme Deferral	-	-8	8	-	-	-
TOTAL 2009-10 MID-YEAR REVIEW MEASURES	-	-211	-93	-138	-95	-537
<i>Previous Measures ^(a)</i>						
Capital Works Audit Savings	-215	-347	-431	-901	-1,272	-3,166
Efficiency Dividend Savings	-156	-381	-391	-404	-423	-1,755
Economic Audit Savings (Stage 1)	-1	-152	-269	-300	-290	-1,011
Electricity Tariff Changes	-	-153	-262	-201	-126	-742
Election Commitment Savings	-25	-49	-43	-86	-49	-252
Provision for Land Sales	-	-21	-54	-75	-100	-250
Lower Tax Relief Measures	-	-67	20	-85	5	-127
Capping the First Home Owners' Grant	-	-1	-1	-1	-1	-4
TOTAL PREVIOUS MEASURES	-397	-1,170	-1,431	-2,052	-2,257	-7,307
TOTAL MEASURES	-397	-1,381	-1,524	-2,190	-2,352	-7,844
<i>Interest Savings on Above Measures</i>	-	-21	-105	-207	-350	-683
GRAND TOTAL	-397	-1,402	-1,629	-2,397	-2,701	-8,527

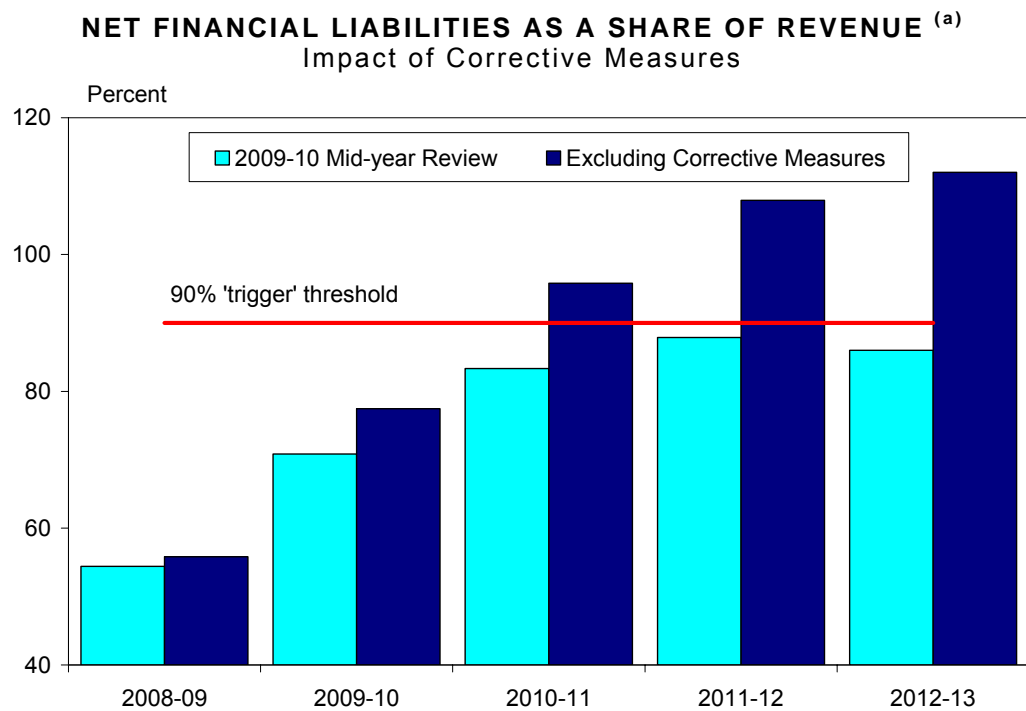
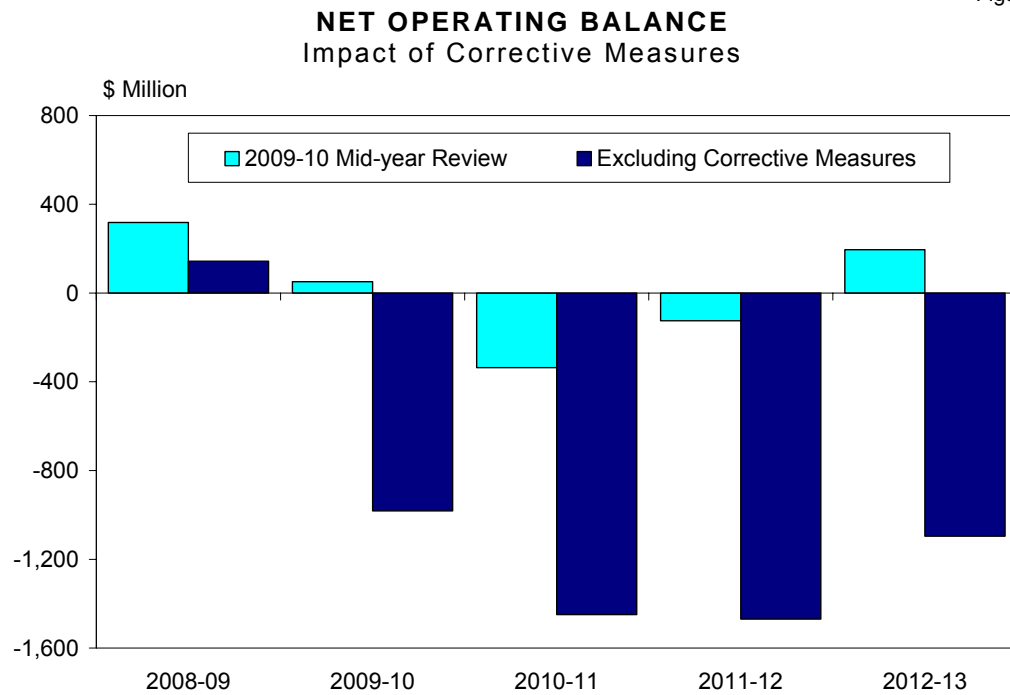
(a) The financial impact of these corrective measures includes the impact of parameter changes to a number of initiatives since they were disclosed in the 2009-10 Budget (e.g. changes to electricity sector subsidies, changes in interest rates, etc.).

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

These corrective measures are significant in achieving the projections outlined in this mid-year review, as illustrated in the following charts.

¹ Comprises \$537 million in direct savings and a further \$60 million in interest savings.

Figure 1



(a) Standard and Poor's basis. See *Net Debt and Net Financial Liabilities* later in this chapter.

Notwithstanding the total \$8.5 billion worth of corrective measures across the forward estimates, operating deficits are currently projected for 2010-11 (\$336 million) and 2011-12 (\$125 million), before a return to surplus in 2012-13. This represents an improvement in the medium-term outlook relative to the 2009-10 Budget projections. Net debt and financial liabilities are forecast to remain at levels consistent with the State's triple-A credit rating.

KEY BUDGET AGGREGATES
Western Australia

Table 2

	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
	Actual	Budget Estimate	Mid-Year Revision	Forward Estimate	Forward Estimate	Forward Estimate
GENERAL GOVERNMENT SECTOR						
Net Operating Balance (\$m)	318	409	51	-336	-125	196
Revenue (\$m)	19,435	20,700	20,884	21,006	22,080	23,419
Revenue Growth (%)	0.5	5.2	7.5	0.6	5.1	6.1
Expenses (\$m)	19,117	20,291	20,834	21,342	22,205	23,223
Expense Growth (%)	13.5	6.6	9.0	2.4	4.0	4.6
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	6,688	12,364	11,921	15,602	18,305	19,751
Asset Investment Program (\$m)	5,795	8,272	7,649	6,434	5,308	5,169
KEY FINANCIAL RATIOS ^(a)						
Net Interest Cost to Revenue (%)	1.3	2.3	2.2	3.3	4.1	4.0
Net Debt to Revenue (%)	27.6	46.3	45.4	57.7	63.4	63.1
Net Financial Liabilities ^(b) to Revenue	54.4	73.6	70.8	83.3	87.9	86.0

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

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

The major economic parameters underlying the mid-year review financial projections are outlined in the following table. Further discussion on the economic outlook is provided in Chapter 3: *The Western Australian Economy*.

Table 3

MAJOR ECONOMIC PARAMETERS
Western Australia

	2008-09 Actual	2009-10 Budget Estimate	2009-10 Mid-Year Revision	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	%	%	%	%	%	%
Real Gross State Product Growth ^{(a), (b)}	3.25	-1.25	2.25	2.75	4.0	4.75
Real State Final Demand Growth ^(b)	5.2	-3.5	1.0	2.0	5.25	5.5
Employment Growth	3.2	-2.0	-0.75	1.5	2.25	2.5
Unemployment Rate	3.7	5.75	5.5	5.5	5.25	5.0
Wage Price Index Growth ^(c)	5.2	3.0	3.25	3.25	3.5	4.0
Average Weekly Earnings Growth ^(c)	5.9	1.5	4.25	3.5	3.75	4.5
Oil Price (\$US per barrel)	74.4	55.8	78.4 ^(d)	82.7	85.1	86.4
\$US/\$A (cents)	74.6	68.5	90.5 ^(d)	86.5	81.5	76.5
Population Growth ^(e)	3.0	2.4	2.4	2.1	2.0	2.0

(a) Estimated actual for 2008-09.

(b) Real Gross State Product (GSP) growth is estimated on the basis of production side data. State Final Demand (SFD) data are based on Australian National Accounts: National Income, Expenditure and Product, June 2009, released by the Australian Bureau of Statistics (ABS) on 2 September 2009 (ABS Catalogue Number 5206.0); all other data are based on other various ABS data sources.

(c) Unlike Average Weekly Earnings, the Wage Price Index abstracts from changes in the composition of the workforce and hence is a better measure of underlying wages growth.

(d) Estimated average for the remainder of 2009-10.

(e) Department of Treasury and Finance estimates.

General Government Sector

Operating Statement

The operating outlook for the general government sector for 2009-10 and 2010-11 has deteriorated since the 2009-10 Budget was released on 14 May 2009.

However, across the forward estimates period to 2012-13, an aggregate \$325 million improvement in the operating balance is in prospect.

An operating surplus of \$51 million is now forecast for 2009-10, down from the \$409 million forecast at budget-time. For 2010-11, a projected \$336 million deficit is a \$358 million turnaround on the \$23 million surplus projection in the budget.

However, a smaller deficit projected for 2011-12, and a return to surplus by 2012-13 (compared to a budget-time deficit forecast), is expected to more than offset the weaker results for 2009-10 and 2010-11. In part, this is driven by a change in forecasting methodology relating to the exchange rate. The change is aimed at ensuring future year budget forecasts (and in turn, current policy formulation) are not distorted by extreme and potentially short-term deviations in the exchange rate from its long-run average (see *Exchange Rate Forecasting Assumptions* later in this chapter).

The following table summarises the variances in general government revenue and expenses, including a breakdown of policy decisions and parameter movements², since the 2009-10 Budget projections were finalised on 16 April 2009. Further detail is provided later in this chapter.

² Parameter changes include movements due to issues not subject to policy decisions, such as variations in Commonwealth grants, cost escalation, movements in interest and depreciation, etc.

Table 4

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2009-10 BUDGET**

	2009-10	2010-11	2011-12	2012-13	Total
	\$m	\$m	\$m	\$m	\$m
2009-10 Budget - Net Operating Balance	409	23	-513	-458	
Changes between the 2009-10 Budget and the 2009-10 Mid-year Review					
Revenue					
<i>Policy Decisions</i>					
Deferral of the abolition of duty on non-real non-residential property	-	95.6	124.0	135.0	354.6
Deferral of harmonisation of payroll tax grouping provisions	48.0	52.2	56.0	-	156.2
Betting tax ^(a)	-	0.9	1.9	2.6	5.3
All other ^(b)	10.5	26.7	33.6	35.7	106.6
<i>Total Policy</i>	<i>58.5</i>	<i>175.4</i>	<i>215.5</i>	<i>173.3</i>	<i>622.7</i>
<i>Parameter</i>					
Taxation	222.6	88.6	168.8	191.1	671.2
- Payroll tax	63.0	79.6	79.3	83.5	305.4
- Total duty on transfers	121.8	-13.7	34.1	25.0	167.2
- Motor vehicle taxes	29.3	19.9	25.0	31.1	105.4
- Insurance duty	12.8	13.9	15.5	17.9	60.1
- Land tax/MRIT	-5.8	-10.6	18.3	35.9	37.8
- All other taxes	1.5	-0.6	-3.3	-2.3	-4.7
Commonwealth grants	451.1	365.2	511.5	690.3	2,018.0
- GST grants	83.1	196.2	358.5	470.4	1,108.2
- Commonwealth-funded projects ^(c)	37.6	99.3	182.8	264.4	584.1
- Nation Building and Jobs Plan - non-government schools	313.2	191.3	16.8	-	521.3
- First Home Owners' Boost	80.0	-	-	-	80.0
- North West Shelf grants/Compensation for Condensate Excise	-149.6	-114.2	-87.4	-40.7	-391.9
- All other	86.9	-7.4	40.7	-3.8	116.3
Royalty income	-577.3	-232.8	82.0	12.6	-715.5
- Iron Ore	-548.3	-221.6	67.9	-1.3	-703.3
- Alumina	-25.5	-27.0	-12.2	-7.0	-71.7
- Gold	-25.5	-15.0	-0.9	12.3	-29.1
- Nickel	26.5	29.6	22.6	4.0	82.7
- All other royalties	-4.5	1.2	4.6	4.6	5.9
Goods and services revenue	-113.7	-101.8	-123.7	-142.6	-481.9
- Landfill levy	-30.0	-6.0	-8.0	-10.0	-54.0
- Other	-83.7	-95.8	-115.7	-132.6	-427.9
Revenue from public corporations	124.0	-10.3	26.0	23.6	163.3
Other	18.9	-16.3	-26.4	-23.1	-46.8
<i>Total Parameter</i>	<i>125.6</i>	<i>92.7</i>	<i>638.3</i>	<i>751.8</i>	<i>1,608.3</i>
TOTAL REVENUE	184.1	268.0	853.7	925.1	2,231.0

(a) Reflecting tax paid by VIP clients, which is partly offset by an accompanying increase in rebates (policy expenses).

(b) Includes the introduction of a cost recovery regime for the mining industry and expansion of recreational fishing licence fees.

(c) Contributions to the Hub (Northbridge Link), Swan Hospital, and the Fiona Stanley Hospital Rehabilitation Centre.

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

Table 4 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2009-10 BUDGET**

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m
Expenses					
<i>Policy Decisions</i> ^(d)	-118.7	106.7	88.1	88.4	164.5
<i>Parameter</i>					
Employee costs (excluding policy decisions)	341.1	392.7	418.7	431.7	1,584.2
Subsidies to public corporations	-107.8	-117.5	-17.1	-18.8	-261.3
First Home Owner Grants	120.0	-14.3	-15.0	-5.8	84.9
Interest	27.4	103.4	106.2	19.5	256.4
Depreciation	8.3	21.0	41.9	46.2	117.4
Nation Building and Jobs Plan - non-government schools	313.2	191.3	16.8	-	521.3
Agency spending funded by own-source revenue	-83.7	-95.8	-115.7	-132.6	-427.9
Nominal superannuation interest	76.3	66.1	73.7	38.0	254.1
Other	-33.4	-26.8	-132.0	-195.4	-387.6
<i>Total Parameter</i>	661.2	520.1	377.5	182.8	1,741.7
TOTAL EXPENSES	542.6	626.8	465.6	271.2	1,906.2
TOTAL VARIANCE	-358.5	-358.8	388.1	654.0	324.8
2009-10 Mid-year Review - Net Operating Balance	51	-336	-125	196	

(d) An agency listing of the expense policy decisions taken since the 2009-10 Budget is provided in Appendix 3: *Policy Decisions Affecting Spending*.

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

Revenue

An improved economic outlook since the 2009-10 Budget has resulted in a modest improvement in the taxation and GST revenue estimates. However, these changes have been more than offset by a substantial downward revision to the royalty income estimates in 2009-10, mainly due to the rapid appreciation of the Australian dollar, a larger than expected decline in contract iron ore prices and lower production volumes.

The Government has implemented temporary corrective measures as part of this mid-year review to address short-term weakness in the outlook for general government revenue.

Corrective Measures - Revenue

Payroll Tax

A three year deferral (from 1 July 2009 to 1 July 2012) of the harmonisation of payroll tax grouping provisions with those adopted by other States, will add around \$48 million to estimated revenue in 2009-10 and \$156 million over the forward estimates period to 2012-13.

Until July 2012, businesses will continue to be grouped for payroll tax purposes under the current arrangements in Western Australia. This means that firms which are commonly owned but operate substantially independently of each other will continue to be grouped, with access to the payroll tax exemption threshold limited to the group as a whole (rather than separate access to the individual firms making up the group).

*Duty on Non-Real Property*³

A three year deferral (from 1 July 2010 to 1 July 2013) of the abolition of duty on non-real property, is expected to add \$355 million to revenue over the forward estimates period to 2012-13.

The deferral is consistent with the final date for the abolition of certain State taxes specified in the *Intergovernmental Agreement on Federal Financial Relations*. A number of other States (New South Wales, Queensland and South Australia) have also announced deferrals of the abolition of duty on non-real property.

2009-10

General government operating revenue in 2009-10 is estimated at \$20.9 billion, which represents an increase of \$184 million or 0.9% relative to the 2009-10 Budget forecast.

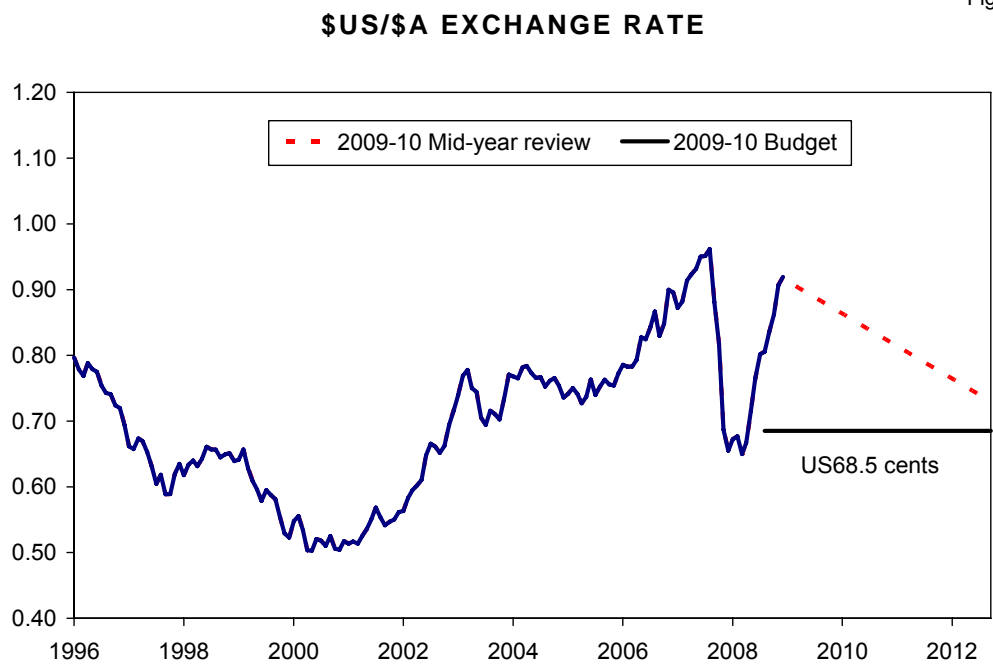
A key factor underpinning this change is a \$313 million increase in grants on-passed from the Commonwealth for non-government schools, which was previously assumed to be provided directly to recipients by the Commonwealth (i.e. by-passing the State). Abstracting from this change (as well as an additional \$80 million in Commonwealth funding for the extended First Home Owners' Boost), underlying revenue has been revised down by \$209 million in 2009-10.

The major drivers of this change are outlined below (with further detail available in Appendix 2: *General Government Operating Revenue*).

³ Examples of non-real property include goodwill, intellectual property and statutory licences (such as commercial fishing licences, taxi licences and liquor licences).

- Royalty income has been revised down by \$577 million in 2009-10, reflecting the net impact of:
 - a substantially higher \$US/\$A exchange rate, which is projected to average US90.5 cents over the remainder of 2009-10, compared with a budget assumption of US68.5 cents. The effect of this change alone (holding other factors constant) has been to reduce royalty income estimates by \$560 million in 2009-10;

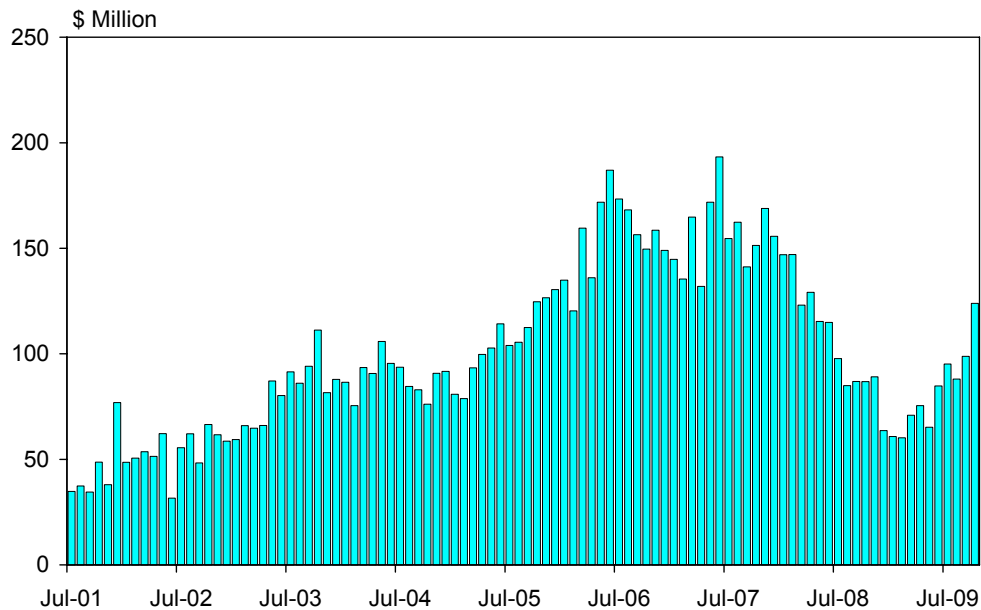
Figure 2



- a lower iron ore contract price outcome than was assumed in the 2009-10 Budget (i.e. a weighted average decrease of 37% in the 2009-10 Japanese fiscal year compared with the budget assumption of a 30% price cut). This has been partly offset by a subsequent rebound in spot prices for iron ore, as well as an upward revision to contract price estimates for the 2010-11 Japanese fiscal year beginning on 1 April 2010; and
- higher \$US prices for other commodities, including crude oil, nickel and gold.
- Taxation revenue has been revised up by \$271 million in 2009-10, incorporating upward revisions to:
 - transfer duty (up \$122 million), due to a faster than expected recovery in Western Australia’s housing market and revenue from a small number of large ‘one-off’ business transactions. Residential property prices are now forecast to grow by 2.2% in 2009-10, compared with an estimated contraction of 1.8% in the 2009-10 Budget; and

Figure 3

UNDERLYING TRANSFER DUTY COLLECTIONS



- payroll tax (up \$111 million), arising from a less severe reduction in employment and stronger growth in wages than anticipated at budget-time (\$63 million), as well as the deferred harmonisation of grouping provisions outlined earlier.
- Revenue from public corporations has been revised up by \$124 million, with higher tax equivalents from the Insurance Commission of Western Australia and higher dividends from Synergy, the Water Corporation and Western Power the major factors. These upward revisions reflect forecast improvements in profitability for these entities due to the stronger economic outlook than at budget-time.
- Agency sales of goods and services have been revised down by \$103 million, with \$30 million of this related to delays in legislative changes associated with the increase in the landfill levy and the expected decline in demand for landfill⁴. The remaining reduction stems from the flow-on effect of the lower than estimated outturn for 2008-09, with agency sales of goods and services growing by just 0.2% in 2008-09 compared with the budget estimate of 5.5% (and long-run growth of 5%).
- GST revenue grants have been revised up by \$83 million, mainly due to an increase in the Commonwealth's forecast of national GST collections in its recent 2009-10 *Mid-Year Economic and Fiscal Outlook*.

2010-11 to 2012-13

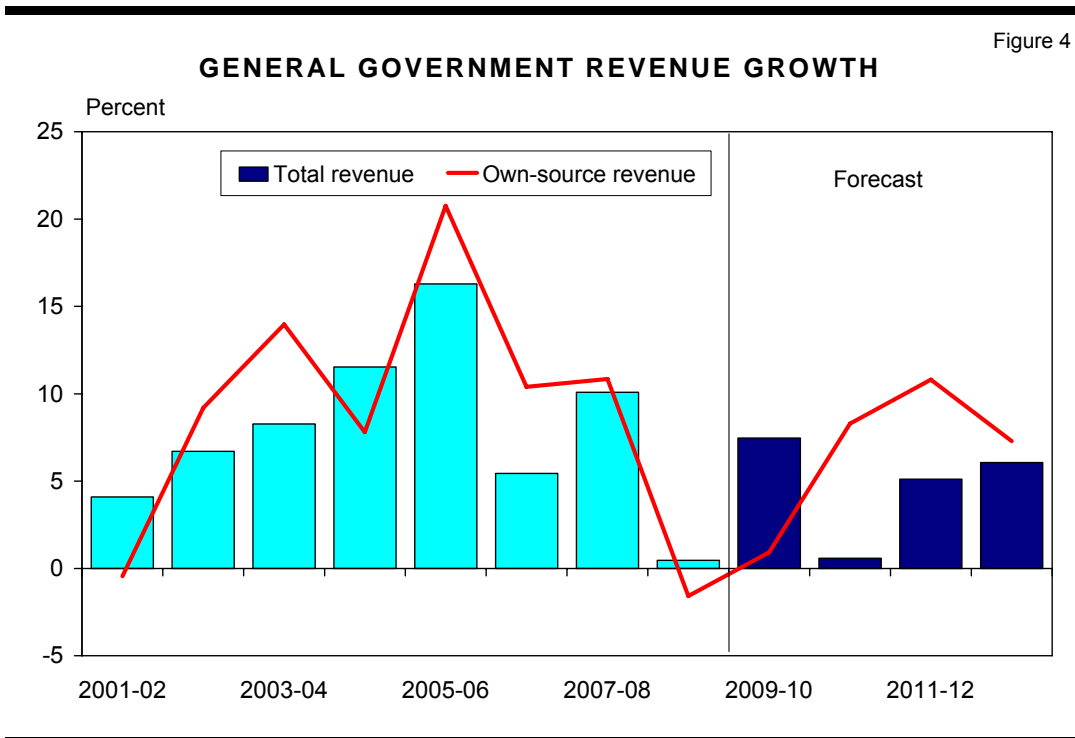
Across the outyears, general government revenue has been revised up by a total of \$2,047 million (or 3.2%). This reflects the net impact of:

- the deferred harmonisation of payroll tax grouping provisions and the deferred abolition of duty on non-real property (\$463 million);

⁴ Parliament passed supporting legislation for the levy on 1 December 2009.

- an upward revision to the taxation revenue forecasts (\$449 million, excluding the impact of policy decisions), which reflects the general improvement in the State’s medium-term economic outlook relative to the budget projections;
- higher Commonwealth grants (\$1,567 million), mainly reflecting:
 - GST grants (up \$1,025 million), due to an upward revision to the Commonwealth’s projections of national GST collections, and the Commonwealth Grants Commission impact on the State’s future share of national GST revenue due to the forecast reduction in royalty income in 2009-10 and 2010-11; and
 - Commonwealth funding for the Hub (Northbridge Link), Swan Hospital, and Fiona Stanley Hospital Rehabilitation Centre projects (\$546 million); and
- lower agency sales of goods and services (down \$272 million), mainly reflecting the flow-through effect of the lower estimate for 2009-10 discussed earlier.

Despite the overall increase in the outyear revenue estimates, revenue growth is expected to remain relatively subdued by historical standards (average growth of 3.9% per annum compared with the long-run average of 7.3% a year). This is due in large part to the Commonwealth Grants Commission process, which is expected to result in Western Australia’s GST share declining from 8.1% in 2009-10 to a forecast 6.4% in 2012-13, and the phasing out of Commonwealth stimulus funding. Excluding Commonwealth grants, the State’s ‘own-source’ revenue is forecast to increase at an average annual 8.8% over the forward estimates period.



The following table summarises the impact of major changes to the general government revenue projections since the time of the 2009-10 Budget.

Table 5

**MAJOR FACTORS AFFECTING THE REVENUE ESTIMATES
SINCE THE 2009-10 BUDGET**

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m
\$US/\$A exchange rate ^(a)	-791.4	-793.5	-631.3	-427.8	-2,644.0
Iron ore price	-107.7	181.2	327.6	132.8	534.0
Oil price	122.4	115.0	98.5	89.9	425.8
All other commodity prices	96.3	139.0	121.8	77.9	435.0
Volume and other changes to commodities	-46.6	11.2	78.0	99.1	141.8
GST grants	83.1	196.2	358.5	470.4	1,108.2
Non-government schools stimulus	313.2	191.3	16.8	-	521.3
Commonwealth-funded projects ^(b)	37.6	99.3	182.8	264.4	584.1
First Home Owners' Boost	80.0	-	-	-	80.0
Duty on transfers ^(c)	121.8	81.9	158.1	160.0	521.8
Payroll tax ^(d)	111.0	131.8	135.3	83.5	461.6
Agency goods and services revenue	-103.2	-75.1	-90.1	-106.9	-375.3
All other	267.5	-10.4	97.8	81.8	436.7
TOTAL	184.1	268.0	853.7	925.1	2,231.0

(a) Impact on both royalty income and North West Shelf grants.

(b) Contributions to the Hub (Northbridge Link), Swan Hospital, and the Fiona Stanley Hospital Rehabilitation Centre.

(c) Includes impact of deferred abolition of duty on non-real property.

(d) Includes impact of deferred harmonisation of payroll tax grouping provisions.

Note: Columns may not add due to rounding.

Exchange Rate Forecasting Assumptions

The mid-year review royalty income and North West Shelf grant estimates are based on a new method of projecting the \$US/\$A exchange rate.

Previously, the exchange rate projections were based on the prevailing six week average, with this value being held fixed over the budget year and the outyears. The exchange rate projections are now derived by assuming that the current exchange rate returns to the long-run average (US72 cents) in a linear fashion over the budget period. This change is based on a detailed assessment of various exchange rate forecasting techniques, released for public comment on 22 October 2009. The Department of Treasury and Finance's analysis of these techniques is available at www.dtf.wa.gov.au.

It is expected that the new approach will, on average, provide more accurate exchange rate projections over the budget period, and should also reduce the volatility of the mining revenue estimates significantly. This in turn should reduce the risk of 'over-shooting' policy responses in circumstances where exchange rate volatility causes rapid and substantial increases or decreases in revenue.

The revenue impact of the new approach (relative to the six week average) is to increase the royalty income and North West Shelf grant estimates by \$35 million in 2009-10, and a total of \$1.5 billion over the budget period.

COMPARISON OF EXCHANGE RATE FORECASTING ASSUMPTIONS

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
\$US/\$A – six week average (previous methodology)	0.92	0.92	0.92	0.92
\$US/\$A – long run average (new methodology)	0.905	0.865	0.815	0.765
Revenue impact (\$m)	35	211	484	786

Expenses

2009-10

General government expenses in 2009-10 are estimated to be \$20.8 billion, \$543 million (or 2.7%) higher than budget. Growth in expenses in 2009-10 is now estimated at 9.0%, up from the budget estimate of 6.6%.

This increase reflects parameter changes, with post-budget policy decisions expected to reduce expenses by a total of \$119 million in 2009-10, including the following corrective measures:

- \$130 million of *Royalties for Regions* spending will be deferred from 2009-10 to the following three outyears (see Appendix 6: *Royalties for Regions* for further detail);

- the Seniors' Cost of Living Rebate is to be paid in July each year, reducing expenses by \$26 million in 2009-10; and
- spending of \$7.6 million on the Friend-in-Need Emergency program will be deferred from 2009-10 to 2010-11.

A full disclosure of policy decisions by agency since the 2009-10 Budget can be found in Appendix 3: *Policy Decisions Affecting Spending*.

Other significant expense changes in 2009-10 since budget include:

- higher employee costs⁵, which are \$341 million (or 3.8%) higher relative to the budget forecast, largely due to the flow-on effect of the higher than expected outcome for 2008-09 (as published in the 2008-09 *Annual Report on State Finances*);
- an increase in First Home Owner Grants (up \$120 million), due to the extension of the Commonwealth's First Home Owners' Boost, which was announced after the State's budget was finalised on 16 April 2009, and the indirect impact on first home owner demand for the existing grant program;
- higher superannuation interest costs (up \$76 million), as a result of increases in the ten-year government bond rate used to value unfunded superannuation liabilities; and
- an increase in grants on-passed from the Commonwealth for non-government schools (up \$313 million), which was previously assumed to be provided direct to recipients rather than through the State⁶.

Partially offsetting the above increases are:

- a decrease in subsidy payments for the State's public non-financial corporations (down \$108 million), largely due to delays in regulatory approvals resulting in lower than budgeted network tariff increases (the resulting lower costs reduce the required subsidy); and
- lower agency spending on day-to-day items (largely funded by sales of goods and services by agencies), reflecting the lower levels of demand evident in the 2008-09 outturn.

2010-11 to 2012-13

Across the outyears, expenses are between \$271 million and \$627 million per annum higher relative to the budget projections.

The impact of post-budget policy decisions in these years (which total \$283 million) is discussed in Appendix 3, and include the reallocation of \$130 million of *Royalties for Regions* spending deferred from 2009-10.

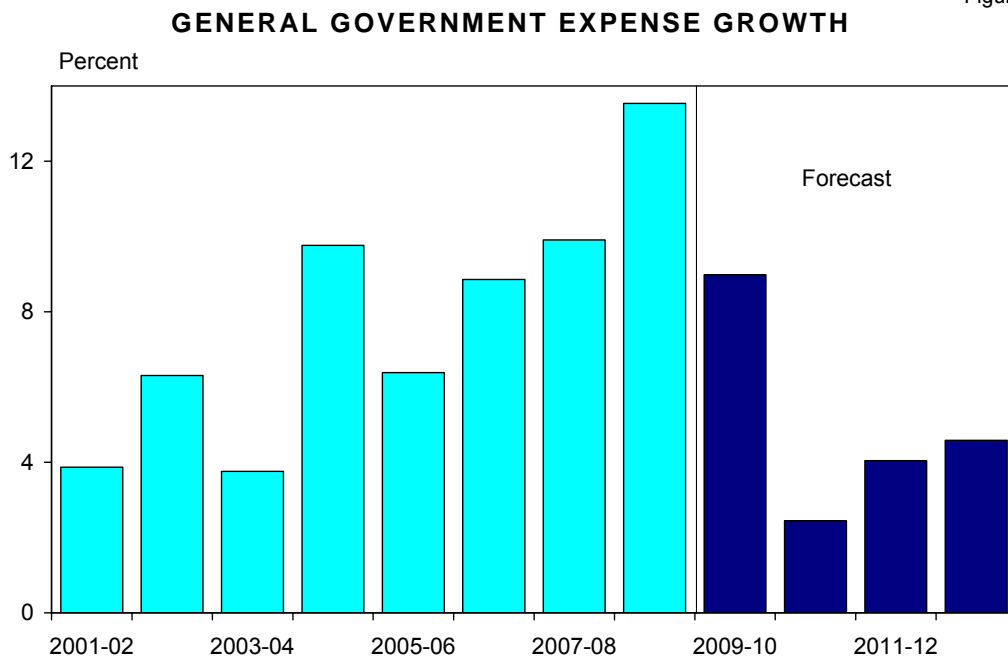
⁵ Comprises salaries, concurrent superannuation, and other employee costs such as subsidised housing expenses. Employee costs account for 45% of general government sector expenses in 2009-10.

⁶ This increase is fully funded by the Commonwealth through grants paid to the State.

Other major drivers of expense growth across the outyears include:

- salaries, which are projected to increase by between \$338 million and \$375 million per annum relative to the budget estimates, mainly reflecting the base impact of the higher than expected 2008-09 outturn noted earlier. Across the outyears, salary costs are expected to grow by between 5.25% and 6.0% per annum (down slightly on the 6.3% growth expected in 2009-10);
- the outyear impact of higher on-passed Commonwealth grants to non-government schools (up \$208 million);
- lower public corporation subsidy payments (down \$153 million), reflecting the outyear impact of the issues discussed earlier;
- higher nominal superannuation interest costs (up \$178 million) and depreciation costs (up \$109 million); and
- higher debt servicing costs, up an estimated \$229 million, mainly due to the impact of recent interest rate rises.

Figure 5



Reconciling the 2009-10 Operating Surplus with Year-to-Date Outcomes

This mid-year review forecasts a \$51 million operating surplus for the 2009-10 financial year. The October 2009 *Monthly Report of General Government Finances* (see Appendix 7) shows that a \$970 million operating deficit was recorded for the four months to 31 October 2009.

While these outcomes may appear contradictory, they are consistent when some significant timing issues are taken into account (particularly for certain revenue items and the effect of on-passed Commonwealth stimulus grants).

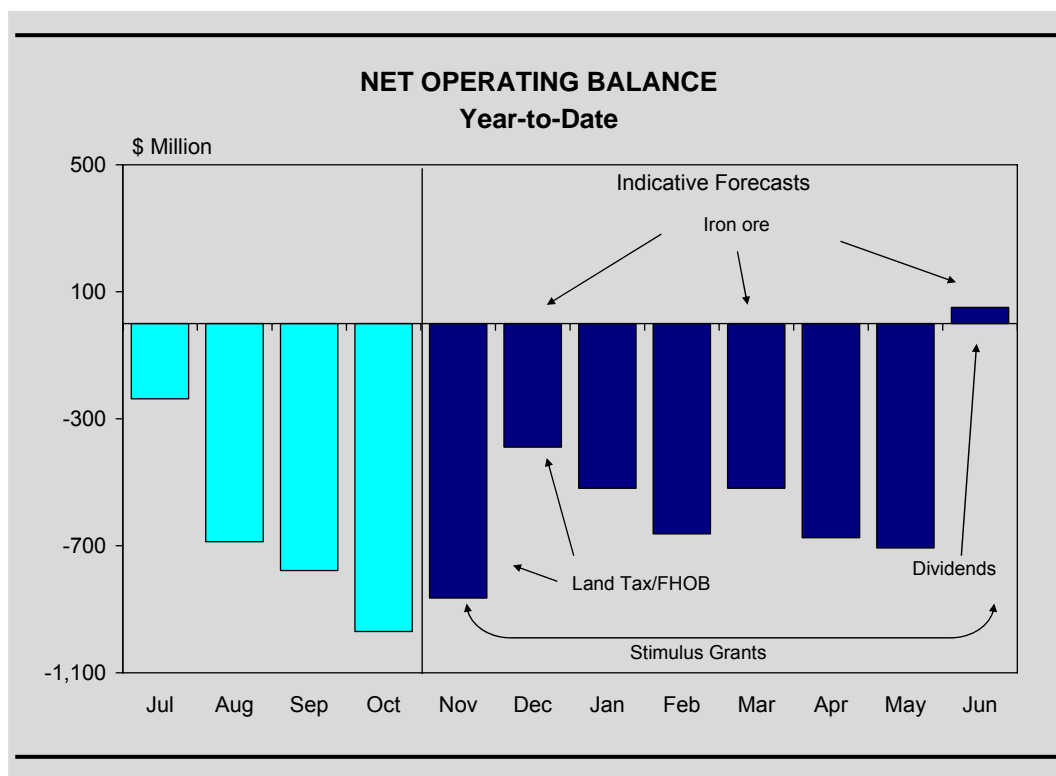
During the remaining eight months of 2009-10, the general government sector will need to run an aggregate \$1,021 million surplus to move from the October deficit outcome to the projected \$51 million full-year surplus. This will include the receipt of:

- much of the Commonwealth's outstanding stimulus funding (e.g. only \$51 million of a total \$1 billion in *Nation Building and Jobs Plan* infrastructure funding was received by 31 October 2009);
- FHOB grants, which the State is paying out in advance of reimbursement by the Commonwealth (to 31 October 2009 the State had not received any of the expected \$111 million Commonwealth contribution for this scheme);
- most of the year's dividend income from public corporations, which is generally not received until May/June each year; and
- land tax/MRIT receipts, which did not begin to be issued until November this year (meaning that the estimated full-year revenue of \$620 million will only start accruing from November).

At the same time, the October results show that after the first third of the year, around 40% of current and capital transfers (mainly grants) had been paid out. This includes the early payment of Commonwealth stimulus initiatives, including the effect on expenses of extending the FHOB scheme to 31 December 2009. These grants are factored into the full-year estimates and are expected to ease in the second half of 2009-10.

By and large, most other revenue and expense items are at or around a third of the full-year projection at the end of the first four months of the year.

As shown in the following chart, a year-to-date deficit is likely in coming monthly reports until the remaining dividend revenue (worth around \$0.5 billion) is received at year-end.



Capital Investment

2009-10

General government sector infrastructure investment for 2009-10 is expected to be \$3.6 billion. This is \$293 million lower than the budget-time forecast. Post-budget policy decisions increase spending by around \$49 million, while parameter variations (mainly timing changes) account for a \$342 million decline in spending.

The majority of this decline is due to a factoring in of underspending across the investment program that will inevitably emerge over the remainder of the year (based on historical trends) but is not yet clear on a specific project basis. At \$350 million, this provision represents around 9% of the budgeted general government Asset Investment Program for 2009-10.

Major post-budget changes to capital investment by agencies in 2009-10 include:

- Health (down \$40 million), due mainly to a change in the timing of spending on the Fiona Stanley Hospital and revised funding arrangements for two joint Commonwealth/State projects (GP Super Clinics and Wiluna Health Clinic)⁷;
- Western Australian Planning Commission (up \$33 million), due to delays in the settlement of land acquisition for the Northern Railway Extension in 2008-09 (resulting in a carryover into 2009-10);
- Corrective Services (up \$33 million), providing additional prison accommodation, including 640 demountable beds, and an increase in training capacity; and

⁷ These projects will now be managed by the Commonwealth with the State making a grant payment contribution.

- Culture and the Arts (up \$19 million), primarily due to the effect of design complexity on the State Theatre Centre, and the impact of inclement weather (which delayed some works scheduled for 2008-09).

2010-11 to 2012-13

Across the outyears, asset investment is expected to be \$596 million higher than forecast in the 2009-10 Budget. Parameter increases (worth an estimated \$631 million) are partially offset by policy decisions (down \$35 million). Significant movements include:

- Commonwealth budget announcements (which were not known at the time the State budget was finalised on 16 April 2009), including the Fiona Stanley Hospital Rehabilitation Unit and Swan Hospital (\$358 million);
- other Health infrastructure spending (up \$177 million), reflecting rescheduled works on the Fiona Stanley Hospital (which includes a bring forward of spending previously beyond 2012-13); and
- Sports Centre Trust (up \$88 million), reflecting delays in the construction of the Perth Arena (noted in the 2008-09 *Annual Report on State Finances*).

The outyears also include a \$35 million reduction in infrastructure spending through the *Royalties for Regions* program. This reflects the impact of lower projected royalty income, with 25% of the lower projections reflected in reduced *Royalties for Regions* funding from 2010-11.

Land sales for the general government sector are largely unchanged from budget. Of note, proceeds from the sale of identified surplus and under-utilised general government sector land are projected to achieve the Government's 2009-10 Budget target of \$250 million (in net debt terms) over the budget and forward estimates period.

Balance Sheet

General government sector net worth is forecast to rise from \$107.2 billion at 30 June 2009, to \$119.3 billion by 30 June 2013. This is significantly higher than forecast in the 2009-10 Budget, primarily reflecting the flow-on impacts of a higher outcome for 30 June 2009⁸.

⁸ Discussed in the 2008-09 *Annual Report on State Finance*, released on 24 September 2009.

Table 6

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2009	2010	2011	2012	2013
	\$m	\$m	\$m	\$m	\$m
2009-10 MID-YEAR REVIEW					
Assets	120,624	126,656	131,588	136,450	141,182
Liabilities	13,462	16,673	19,032	20,799	21,921
Net Worth	107,162	109,983	112,557	115,651	119,261
<i>Net Debt</i>	-2,618	686	3,180	5,006	6,076
<i>Net Financial Liabilities ^(a)</i>	5,265	8,429	11,107	13,105	14,327
2009-10 Budget					
Assets	106,901	112,721	117,870	122,237	126,804
Liabilities	13,591	16,188	18,088	20,155	21,348
Net Worth	93,310	96,533	99,782	102,082	105,456
<i>Net Debt</i>	-2,461	747	2,799	4,725	6,190
<i>Net Financial Liabilities ^(a)</i>	6,094	8,933	10,660	12,779	13,897
VARIANCE					
Assets	13,722	13,934	13,718	14,214	14,377
Liabilities	-130	484	944	644	573
Net Worth	13,852	13,450	12,775	13,569	13,804
<i>Net Debt</i>	-156	-61	381	281	-115
<i>Net Financial Liabilities ^(a)</i>	-830	-505	447	326	430

(a) As defined by Standard and Poor's for the purpose of credit rating assessments.

Note: Columns may not add due to rounding.

Relative to budget, general government assets are projected to be \$14.4 billion higher by 30 June 2013. This mainly reflects:

- a \$2.3 billion increase in the value of land and other fixed assets, mainly due to:
 - the flow-on impact of higher valuations at the end of 2008-09 (\$1.9 billion); and
 - higher spending on infrastructure over the forward estimates, detailed earlier in this chapter (\$0.3 billion);
- a \$12.1 billion increase in the value of equity in public corporations (mainly due to the impact of better than expected outcomes for 2008-09, partially offset by a deterioration in the operating outlook for the public non-financial corporations sector detailed later in this chapter); and
- a \$0.4 billion reduction in general government cash and liquid assets over the forward estimates, reflecting movements in cash flows across the forward estimates period.

General government liabilities are projected to increase by \$0.6 billion over the forward estimates period compared to budget. Lower levels of borrowings (down \$0.5 billion) are expected due to the better operating outlook over the medium term. However, the impact of lower investment assets associated with financial market conditions over the last year is expected to yield a modest increase in unfunded superannuation liabilities (up \$0.5 billion by 30 June 2013). Other employee entitlements (mainly leave) are projected to be \$0.1 billion higher, due mainly to the flow-on effect of higher salaries. Payables and other liabilities are also expected to be higher (up \$0.4 billion), reflecting changes in the timing of the payment of accounts.

Net debt and net financial liabilities of the general government sector are discussed later in this chapter.

Cash Flow Statement

As forecast in the 2009-10 Budget, general government cash deficits are expected across each year of the forward estimates period. A cash deficit of \$2.3 billion is forecast for 2009-10. Deficits with a declining magnitude are forecast across the outyears, decreasing to \$599 million by 2012-13.

These deficits are due to the significant levels of infrastructure investment in the sector. Importantly, the general government sector is forecast to record cash surpluses from operating activities in all years.

Total Public Sector⁹

Summary

The operating outlook for the total public sector is dominated by trends in the general government sector. A surplus is projected in 2009-10 (albeit lower than the budget forecast), and operating deficits are forecast for the following two years, before a return to surplus by 2012-13.

At \$24.6 billion, the State's four-year Asset Investment Program is around \$0.8 billion higher than budget. This increase incorporates a number of strategic projects, some of which are either fully or partly-funded by the Commonwealth. These include the State's share of the Oakajee Port development (\$339 million), the impact of the Hub (Northbridge Link) project that falls within the current forward estimates period (\$224 million), the North Country Line Reinforcement project (\$300 million), and health-related infrastructure (\$367 million).

In total, the continuing high levels of infrastructure spending, along with changes to the operating outlook, result in a rise in total public sector net debt, from \$6.7 billion at 30 June 2009, to an estimated \$19.8 billion by 30 June 2013. This is \$619 million higher than the \$19.1 billion forecast contained in the 2009-10 Budget. The outlook for net debt and net financial liabilities is discussed later in this chapter. The following sections outline developments in the operating outlook and the Government's Asset Investment Program.

Operating Statement

An operating surplus of \$70 million is forecast for 2009-10, a \$486 million deterioration from the budget estimate. This deterioration largely reflects changes to the general government operating outlook (discussed earlier in this chapter).

⁹ The total public sector consolidates the general government sector (discussed above), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State's ports, and the electricity and water utilities), and the public financial corporations sector (which includes agencies such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

Public Non-Financial Corporations (PNCs)

A \$175 million deficit is forecast for this sector in 2009-10, a \$252 million turnaround on the surplus projection at the time of the budget. A return to surplus is in prospect for 2012-13. These revised forecasts represent a turnaround from the budget-time forecasts for surpluses in each year. However, the deterioration since budget primarily reflects the flow-on impact from the first time recognition in the 2008-09 *Annual Report on State Finances* of accounting changes associated with the first year of reporting on an AASB 1049 basis¹⁰.

Abstracting from this accounting change, the PNC sector would be in surplus across all years.

Other significant changes in the financial outlook for the sector include:

- a \$200 million reduction in revenue and expenses for the Gold Corporation in 2009-10, and a \$750 million reduction in 2010-11 and 2011-12. While precious metal prices have increased significantly (particularly gold prices), trading volumes are expected to ease at a faster rate than forecast in the budget; and
- lower central government grants to Synergy, in the form of subsidy payments (down \$87 million in 2009-10 and \$95 million in 2010-11), due to the delayed regulatory approval of network tariff increases noted earlier.

Public Financial Corporations (PFCs)

The PFC sector is forecast to record a \$194 million surplus in 2009-10, up from \$69 million in the 2009-10 Budget. Across the outyears, the budget-time surpluses of around \$55 million per annum have been revised up to around \$145 million per annum.

The projected strengthening in the operating outlook largely reflects an improvement in forecast profitability of the Insurance Commission of Western Australia (ICWA). A faster than expected recovery in global financial markets is expected to result in an improvement in investment returns for ICWA, which has substantial investment assets in support of the claims liabilities it manages.

Capital Investment

The Asset Investment Program (AIP) is forecast to be \$7.6 billion in 2009-10 and a total \$24.6 billion across the four years to 2012-13. This follows record spending of \$5.8 billion in 2008-09.

¹⁰ Australian Accounting Standards AASB 1049: *Whole of Government and General Government Sector Financial Reporting* applies to all reporting periods for public sector finances from 1 July 2008. While all of Western Australia's public sector disclosures have been on this basis since the presentation of the 2008-09 Budget on 8 May 2008, the impact of some end of year valuation issues was not known until preparation of final year accounts for 2008-09. In particular, the application of AASB 1049 required application of fair value to some classes of assets previously valued on a cost basis. This included property, plant and equipment assets for ports, water and electricity entities. Fair value accounting of these assets added around \$9.5 billion to the State's depreciable asset base. As a result, the forward estimates have been adjusted for this change, adding to the net worth of the public sector balance sheet (discussed earlier) and an additional \$342 million in non-cash depreciation costs annually to the PNC sector.

2009-10

The AIP is expected to total \$7.6 billion in 2009-10, down \$623 million on the \$8.3 billion estimate in the 2009-10 Budget. This downward revision largely reflects an anticipated underspend of \$750 million across the total AIP, which is in line with historical performance on the timing of infrastructure investment. In line with previous practice, the expected underspend in 2009-10 is not allocated to specific projects at this stage.

Other changes to the AIP in 2009-10 since budget include spending by:

- the Port Hedland Port Authority (up \$33 million), due to construction delays for 2008-09 works for the Multi User Panamax Berth at Utah Point;
- the Esperance Port Authority (up \$32 million), mainly for upgrades of existing port facilities for the export of bulk nickel concentrates through the port, including 2008-09 works delayed to 2009-10; and
- the Public Transport Authority on the Hub (Northbridge Link) project (\$14 million).

2010-11 to 2012-13

Relative to the 2009-10 Budget, the total public sector AIP is expected to be around \$1.4 billion higher across the outyears. Of this, \$596 million was outlined in the general government sector commentary earlier in this chapter, with the remaining \$829 million including:

- State spending of \$339 million for Common User Infrastructure at Oakajee Port¹¹ – a one-off payment is expected to be paid on completion of the facility (currently forecast for 2012-13);
- an additional \$326 million to be spent by the Public Transport Authority, largely reflecting:
 - \$210 million for the Hub (Northbridge Link) project;
 - the extension of the Bus Replacement Program (\$85 million); and
 - other public transport spending including a delay in commencement of the North Greenbushes Project (\$18 million) from 2009-10 to 2010-11, and \$10 million on a Bus Depot Acquisition Program;
- a \$300 million commitment to Stage 1 of the North Country Line Reinforcement Project, to be undertaken by the electricity sector¹²; and

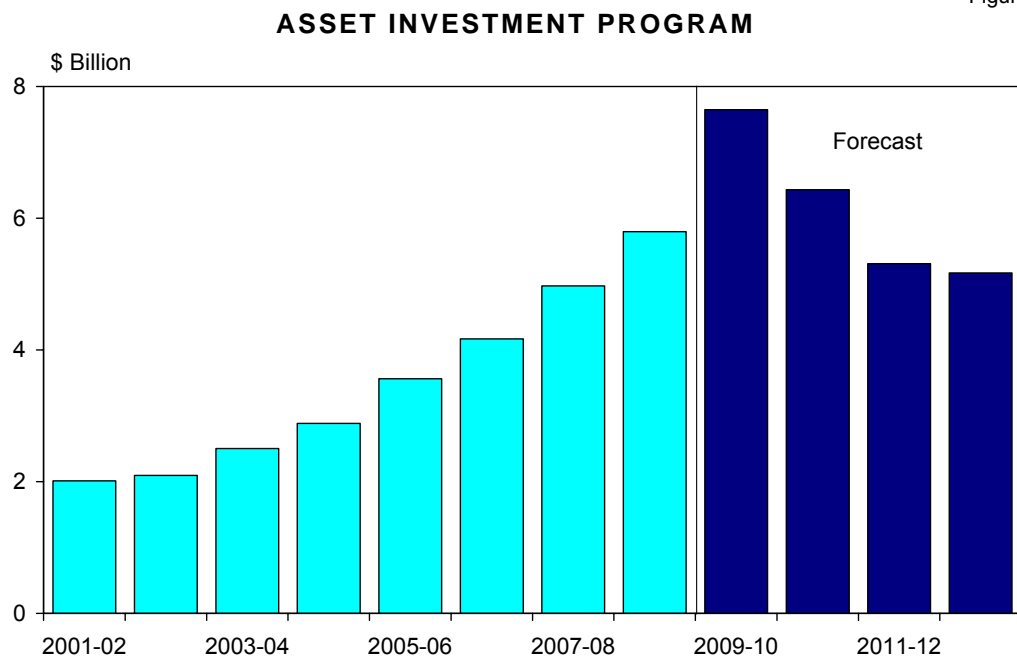
¹¹ The Commonwealth has also agreed to contribute \$339 million to the Oakajee Port project, subject to further assessment by Infrastructure Australia. The Commonwealth's funding and associated spending is not reflected in the State's estimates as it is currently assumed to be paid direct to the project proponents.

¹² Finalisation of commitments to this project depend on a satisfactory business case being presented to Government, including a number of commercial conditions likely to be imposed on customers of the proposed transmission line.

- lower fixed asset spending by the Housing Authority across the forward estimates (down \$186 million), primarily reflecting current projections of market conditions and turnover (and associated revenue from land and property sales).

Of note, other PNC sector land and property sales are expected to be \$192 million lower than budget across the forward estimates period, largely reflecting lower projected sales by the East Perth Redevelopment Authority (down \$188 million as a result of projected market conditions).

Figure 6



Balance Sheet

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

A discussion of net debt and net financial liabilities is provided later in this chapter.

Cash Flow Statement

A total public sector cash deficit of \$5.1 billion is forecast for 2009-10. This represents a \$255 million improvement on the \$5.4 billion cash deficit projected in the budget.

Across the forward estimates period, the total public sector cash deficit is forecast to decline to \$1.3 billion by 2012-13. This trend, which remains broadly unchanged from the budget, is due to both an expected improvement in the operating outlook (see earlier discussion) and a return to more normal levels of infrastructure investment from the current record high level. Importantly, the public sector as a whole is projecting a cash surplus on operating activities in each year of the estimates.

Net Debt¹³ and Net Financial Liabilities¹⁴

Total public sector net debt is projected to rise to \$19.8 billion by 30 June 2013, \$619 million higher than the budget estimate. This increase mainly reflects:

- the better than expected outturn at 30 June 2009 (\$271 million, relative to the estimated outturn at the time of the 2009-10 Budget);
- a net \$0.8 billion increase in the Government's infrastructure program (discussed above);
- lower sales of non-financial assets (down \$0.5 billion relative to budget forecasts); and
- the overall improvement in the operating outlook over the period to 2012-13 (worth an aggregate \$0.4 billion).

The increase in net debt compared to budget has been contained by the introduction of further corrective measures since the time of the 2009-10 Budget. Including interest benefits, these new measures reduce net debt by around \$600 million.

At \$686 million, general government sector net debt at 30 June 2010 is broadly unchanged from the 2009-10 Budget estimate, with the weaker operating position for 2009-10 offset by an expectation of lower infrastructure investment. Across the outyears, the sector is forecast to record higher levels of net debt, rising each year to stand at \$6.1 billion by 30 June 2013. This is similar to the projections contained in the budget, and mainly reflects high levels of infrastructure spending, particularly by the Departments of Education, Health and Corrective Services, and Main Roads.

The PNC sector holds the majority of the State's net debt, which is raised to deliver essential economic infrastructure related to power, water and port services. Importantly, this sector largely meets debt servicing costs through commercial operations and user charges.

¹³ Net debt is a balance sheet indicator based on Government Finance Statistics concepts. It is calculated as the difference between liquid financial assets (including loans made by governments) and financial liabilities that attract a debt servicing cost. Net debt is an important indicator of the strength of the public sector's financial position and the sustainability of the future call on public sector cash.

¹⁴ 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. This measure takes account of net debt and unfunded superannuation liabilities. This differs from the net financial liabilities disclosed in Appendix 1 of this mid-year review, as the Standard and Poor's calculation excludes some liabilities that are included in the Uniform Presentation Framework measure (e.g. accounts payable are not included in the Standard and Poor's measure).

Across the forward estimates period, PNC net debt is projected to be around \$798 million higher than at budget-time, largely reflecting the change in the operating outlook, higher infrastructure spending and lower projected asset sales discussed earlier in this chapter.

The PFC sector is expected to be net debt-free over the forward estimates period. The sector's net asset position is forecast to strengthen by \$620 million between 30 June 2009 and 30 June 2013, up from the \$364 million improvement forecast in the budget. This largely reflects recent improvements on global financial markets and a corresponding improvement in investment asset values, mainly for ICWA.

The following table summarises changes in the projected level of total public sector net debt since the 2009-10 Budget.

Table 7

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2010	2011	2012	2013
	\$m	\$m	\$m	\$m
2009-10 Budget - Total Public Sector Net Debt	12,364	15,039	17,658	19,132
<i>Plus</i> improvement from 2008-09 outturn	-271.5	-	-	-
<i>Less</i> change in net cash flows from operating activities				
- general government	-266.2	-293.0	529.3	802.6
- public non-financial corporations	-107.8	42.4	-227.2	-125.3
- public financial corporations	-3.1	11.1	20.1	16.8
Total public sector	-377.1	-239.6	322.2	694.2
<i>Plus</i> purchases of non-financial assets				
<i>Policy decisions</i> ^(a)	80.2	170.8	239.7	478.6
<i>Parameter movements</i>				
- Estimated underspend - general government	-350.0	-	-	-
- Estimated underspend - public non-financial corporations	-400.0	-	-	-
- Commonwealth-funded Health Projects	9.5	42.3	125.5	189.8
- <i>Royalties for Regions</i> spending	-	-58.0	20.0	3.0
- Health	-39.9	32.1	104.5	40.8
- WA Sports Centre Trust	0.6	88.3	-	-
- Housing Authority	-7.6	110.1	-158.7	-137.5
- Culture and Arts	19.1	16.5	-	-
- WA Planning Commission	33.2	-0.5	3.2	5.5
- Port Hedland Port Authority	33.0	-	-	-
- Esperance Port Authority	26.7	-	-	-
- Water Corporation	-1.2	163.0	-41.6	-105.3
- Public Transport Authority	-19.2	56.3	-20.2	-5.7
- Western Australia Police	-23.7	5.4	37.1	-12.0
- All other	16.3	-8.9	21.9	19.2
<i>Total parameter</i>	-703.3	446.6	91.7	-2.3
<i>Total purchases of non-financial assets</i>	-623.1	617.4	331.4	476.4
<i>Less</i> proceeds from sale of non-financial assets				
- East Perth Redevelopment Authority	-6.2	-66.8	-34.4	-80.8
- Housing Authority	1.9	-124.0	-99.7	-99.0
- Subiaco Redevelopment Authority	8.6	-19.9	29.4	-18.7
- All other	4.3	-8.6	-3.8	7.3
<i>Total proceeds from sale of non-financial assets</i>	8.6	-219.3	-108.6	-191.1
<i>Plus</i> all other financing				
- All other ^(b)	83.3	-69.8	-34.9	-0.5
<i>Cumulative impact on net debt at 30 June</i>	-442.9	563.6	646.5	619.4
2009-10 Mid-year Review - Total Public Sector Net Debt	11,921	15,602	18,305	19,751

(a) Further information on policy decisions impacting fixed asset spending is provided in Appendix 3: *Policy Decisions Affecting Spending*.

(b) Includes revaluations of investment assets, net acquisitions of financial assets for liquidity purposes, etc.

Note: Columns may not add due to rounding.

Net debt remains affordable when measured in terms of a number of key financial ratios:

- total non-financial public sector (TNPS)¹⁵ net interest costs as a share of revenue, one of the Government's financial targets, are projected to rise to 4.0% by 2012-13, well below the Government's 5% financial target limit (and lower than the 4.2% forecast at budget-time). Further detail on this target is provided in Chapter 2: *Financial Strategy*; and
- the ratio of TNPS net financial liabilities as a share of revenue (used by Standard and Poor's in their credit rating assessments of all Australian State, Territory and Commonwealth jurisdictions) is projected to rise to 87.9% by 2011-12, before declining to 86.0% in 2012-13. This remains consistent with the State's triple-A credit rating assessment¹⁶.

¹⁵ The TNPS 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).

¹⁶ Standard and Poor's has set a trigger threshold of 90% for Western Australia. All other factors being equal, a breach in this threshold could trigger a re-assessment of risk ratings.

Statement of Risks

Revenue Estimates

The revenue estimates are sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore and crude oil), employment and wages growth. For example, for each US1 cent *increase* in the \$US/\$A exchange rate, revenue will *decrease* by an estimated \$39 million annually. Conversely, a US1 cent *decrease* in the exchange rate will increase revenue by \$39 million per year. The sensitivity of the estimates to changes in these parameters, which changes from each round of forecasts depending on the level of the parameter, is outlined in the following table.

Table 8

APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES

	Variability ^(a)	Details
	\$m	
Royalty income and North West Shelf grants	±39	For each US1 cent decrease/increase in the \$US/\$A exchange rate
Iron ore royalties	±15	For each percentage point increase/decrease in the growth rate of benchmark iron ore prices
Petroleum royalties	±5	For each \$US1 increase/decrease in the price of a barrel of crude oil
Payroll tax	±23	For each one percentage point increase/decrease in wages or employment
Transfer duty	±18	For each one percentage point increase/decrease in average property prices

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

In addition to the above sensitivities, specific factors that represent a potential risk to the revenue estimates are discussed below.

Revenue from the Commonwealth

GST Grants

Western Australia's GST revenue grants are a function of the Commonwealth's national GST collections and the Commonwealth Grants Commission's (CGC) recommended distribution of GST revenue among the States and Territories.

Forecasts of the national GST pool are based on the Commonwealth Government's 2009-10 *Mid-year Economic and Fiscal Outlook*. While risks to the economic outlook have stabilised over the last half year or so, there remains a considerable degree of uncertainty surrounding the national outlook and hence the Commonwealth's projections of GST pool growth.

For 2009-10, the GST revenue estimates also incorporate the CGC's approved recommendation that Western Australia receive an 8.1% share of the national GST pool. However, the GST revenue estimates for 2010-11 and beyond incorporate Department of Treasury and Finance projections of Western Australia's GST share (7.2% in 2010-11, 6.7% in 2011-12 and 6.4% in 2012-13), which requires complex and uncertain estimates to be made of future movements in all States' relative revenue raising capacities and costs of providing services.

The CGC is in the concluding stages of a major review of its methods. The results of this review will be reported in February 2010, and will apply from 2010-11. The GST revenue grant estimates for 2010-11 to 2012-13 assume no net financial impact from this method review. However, the review is a major source of uncertainty, which could move Western Australia's grant share significantly.

Other Commonwealth Grants

The State expects to receive significant funds from the Commonwealth in support of a range of spending initiatives including grants on-passed to third parties, programs that the State undertakes to deliver on behalf of the Commonwealth (e.g. the First Home Owners' Boost and Nation Building projects), and for programs where the State co-contributes to achieve agreed outcomes.

Under these arrangements, some payments to the State are subject to unilateral control by the Commonwealth while others may be paid on the basis of achieving certain milestones.

The timing of such grants is not within the State's control and hence represents a risk to the estimates.

Mining Royalties

Estimating Assumptions

Estimates of royalty income are particularly sensitive to movements in the \$US/\$A exchange rate and \$US commodity prices. These have changed significantly since the 2009-10 Budget estimates were finalised. For example:

- the \$US/\$A exchange rate traded between US69.9 cents and US93.7 cents between April 2009 and November 2009; and
- the oil price (Tapis) ranged from a low of \$US52 per barrel to a high of \$US83 per barrel over the same period.

The mid-year review estimates are based on an assumption that the exchange rate will return toward the long-run average (US72 cents) by the end of the forward estimates period (see table of Major Economic Parameters earlier in this chapter – the US76.5 cents estimate for 2012-13 includes monthly exchange rate projections that exceed the long-run average during the early months of the year). This represents a departure from the previous approach to setting the exchange rate assumptions, in which the \$US/\$A exchange rate (based on the latest six week average) was fixed in the budget year and each outyear. Based on a detailed forecasting review, the new approach is expected to yield more accurate exchange rate projections. Nevertheless, there is risk that the Australian dollar will be stronger than projected. If unaccompanied by an offsetting increase in \$US commodity prices, this could result in lower royalties than currently assumed.

The royalty income estimates are also highly sensitive to the iron ore contract price assumptions. These mid-year review estimates assume that iron ore contract prices will increase by 10% in the 2010-11 Japanese fiscal year (beginning on 1 April 2010). There is a possibility that contract prices could exceed this forecast (especially having regard to current spot prices), but there is also a risk that the price outcome could be less favourable.

Iron Ore Royalty Rates

Consistent with the 2009-10 Budget estimates, it is assumed that royalty concessions for the production of fine grade iron ore will be phased out over the forward estimates period (providing an additional \$187 million in royalty income from 2010-11 to 2012-13). However, these changes have not yet been legislated, and negotiations with the major iron ore producers on royalty issues are still proceeding. There are risks to the estimates (both upside and downside) until the current negotiations conclude and any agreed changes to State Agreements are legislated.

Revenue from Public Corporations

The Economic Regulation Authority (ERA) is in the process of finalising a review of Western Power's Access Arrangement. The Authority released a Final Decision on 4 December 2009, after the mid-year review cut-off date of 30 November 2009. Western Power has until 6 January 2010 to respond to the ERA's Final Decision and as the regulatory process is still proceeding, there remains some uncertainty as to the final outcome. Budgetary risks include the size and timing of network tariff changes and the extent to which these are passed through to consumers. An assessment of the budgetary impacts will be finalised at the time the regulatory process is completed and decisions are made by Government regarding the level of investment by Western Power and the associated retail tariff impacts.

Expenses

Health Sector Expenses

Over recent years, the health system has experienced double-digit expense growth. Given this trend, the single-digit expense growth projected for 2009-10 and the forward estimates period presents significant risks to the estimates, particularly in the absence of clear service delivery and budgetary controls to enable mitigation strategies.

Innovative solutions, including the pursuit of productivity improvements and demand management strategies, are required to address increasing demands on the health sector, particularly arising from strong population growth, an ageing population and the rising incidence of chronic disease in the community. These challenges are compounded by longer-term workforce trends. In this regard, it is envisaged that the current Value for Money Audit of the health sector will assist in identifying strategies to improve the efficiency and effectiveness of health service delivery over the immediate, medium and longer term.

As part of this mid-year review, the Department of Health requested a cash injection of \$110 million in 2009-10 to enable it to pay its debts as they fall due. The Government has approved this substantial injection of funds. The Department has also indicated a further potential budget risk in the vicinity of \$250 million for 2009-10, based on actual results in the first quarter of the year. However, increased funding and expense capacity has not been sought from either the Department of Health or Minister for Health. The Government's current policy setting, as communicated to the Under Treasurer, is that remedial strategies are being implemented to enable the Department to fully manage its cash and budget pressures.

As is historical practice, where substantial risks to the budget aggregates are identified over the forward estimates period, those risks are managed through central contingency provisions being incorporated within the aggregates. A contingency allocation has been made to ensure this risk can be managed without adversely impacting the budget aggregates, in particular, the net operating balance.

Operational costs associated with the health system's significant infrastructure development, coupled with associated transition costs, will also place significant pressure on the financial sustainability of the health system going forward. These costs are currently being identified by the Department of Health and are yet to be considered by Government.

Education Expenses

The Department of Education has to date identified a number of specific initiatives and is considering further strategies to achieve the required savings from the 3% efficiency dividend. However, some savings measures may not be fully realised in this financial year. As a result, there is a risk that the Department's 2009-10 expense limit may be exceeded. This risk is being managed through the current Value for Money Audit, together with a strong commitment to achieve the targeted level of savings.

Infrastructure Investment

Princess Margaret Hospital (PMH) Replacement

The replacement of PMH to be built on the Queen Elizabeth II medical centre site is one of the Government's 2008 election commitments. Planning continues to progress with appropriate consideration of budget, scope, timing and risk assessment factors. The current approved budget for this project in the Department of Health's Asset Investment Program is \$117 million, which only represents forward works on the project. The full costs of the development will be considered by Government on the presentation of a comprehensive business case in 2010.

Royal Perth Hospital (RPH)

The financial impact of the Government's 2008 election commitment to retain RPH as a 400-bed tertiary hospital and trauma facility is yet to be considered in full by the Government. Current approved funding of \$10 million in the Department of Health's Asset Investment Program is for upfront planning purposes only.

Medical Equipment Replacement Program

A review of medical equipment replacement needs has indicated that a significant backlog in replacing medical equipment has accumulated across the health system over several years. A business case addressing clear procurement options is to be submitted by the Department of Health for Government consideration.

Perth Waterfront Redevelopment

The Government recently announced approval of a master plan for the redevelopment of the Perth waterfront (following a decision that was past the mid-year review cut-off date). A business case is now being developed to clearly define the scope, cost and funding sources for the project (e.g. State, Commonwealth, private sector).

The cost, or State contribution to, the project will be incorporated in the State's financial aggregates once the business case has been completed.

Contingent Liabilities

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

Details of the quantified contingent liabilities of the State at 30 June 2009 are provided in the 2008-09 *Annual Report on State Finances*, released on 24 September 2009, which showed that quantified guarantees, indemnities and sureties totalled \$1.4 billion at the end of 2008-09. No material change to that disclosure has been noted to date.

Financial Strategy

Overview

The Government's fiscal strategy was detailed in Budget Paper No. 3: *Economic and Fiscal Outlook*, presented to Parliament as part of the 2009-10 Budget on 14 May 2009. It includes a series of medium-term financial targets. These targets are to:

- maintain or increase the real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- maintain the ratio of total non-financial public sector net interest costs as a share of revenue at or below 5%;
- ensure that real-per capita own-purpose general government expenses do not increase; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

The following table summarises compliance with these targets, with the remainder of this chapter providing a detailed assessment of the mid-year review financial projections against these financial targets (as required by the *Government Financial Responsibility Act 2000*).

Table 1

2009-10 MID-YEAR REVIEW - FINANCIAL TARGET COMPLIANCE

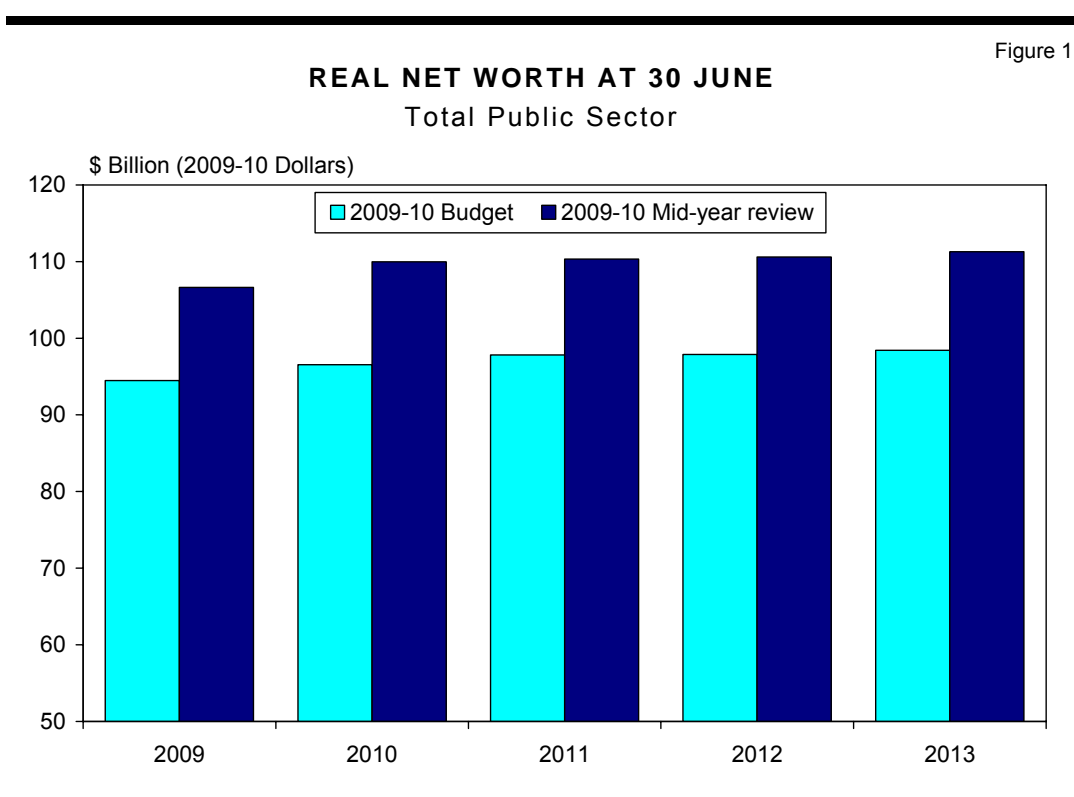
	2009-10	2010-11	2011-12	2012-13
Maintain or increase real net worth	Yes	Yes	Yes	Yes
Achieve a general government operating surplus	Yes	No	No	Yes
Maintain net interest costs as a share of revenue below 5%	Yes	Yes	Yes	Yes
Ensure real per capita own-purpose expenses do not increase	No	Yes	Yes	Yes
Maintain the State's tax competitiveness	Yes	Yes	Yes	Yes

Financial Targets

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

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

In nominal terms, net worth is forecast to grow by an average \$3.0 billion (or 2.7%) per annum across the forward estimates period. In real terms, this equates to modest, but positive, growth across each year in the forecast period.

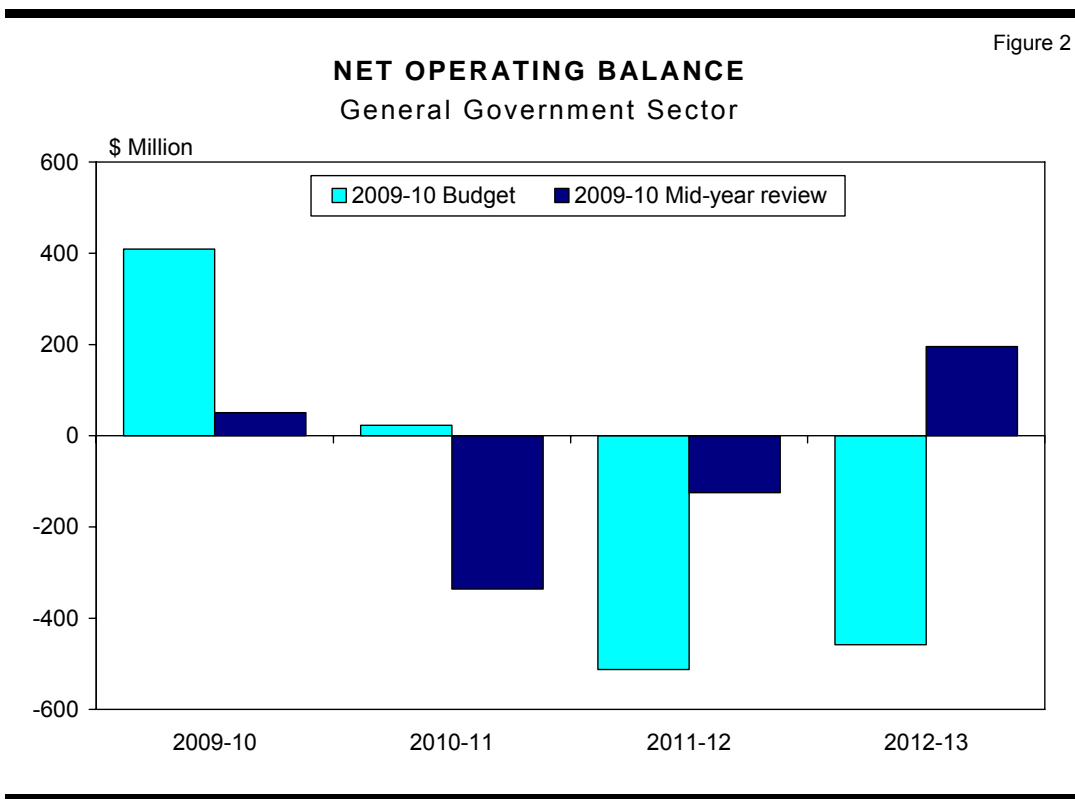


The higher levels of net worth relative to the 2009-10 Budget mainly reflect the flow-on impact of higher year-end results at 30 June 2009, as detailed in the *2008-09 Annual Report on State Finances*. This included the first-time reporting of property, plant and equipment on a fair value basis by a number of the State's public corporations, adding around \$9.5 billion to the value of the public sector balance sheet.

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

This target is forecast to be met in 2009-10. On the basis of these mid-year review forecasts, operating deficits are currently in prospect in 2010-11 and 2011-12, before a turnaround to surplus by 2012-13.

As shown in the following chart, the net operating balance is forecast to be weaker in 2009-10 and 2010-11 relative to budget-time projections. Upward revisions to revenue (up \$452 million across these two years) are more than offset by higher expenses (up \$1,169 million).



The forecast net operating balance outcomes for 2011-12 and 2012-13 represent an improvement relative to budget. Revenue estimates for these two years are up \$1.8 billion, while expenses have been revised up \$737 million.

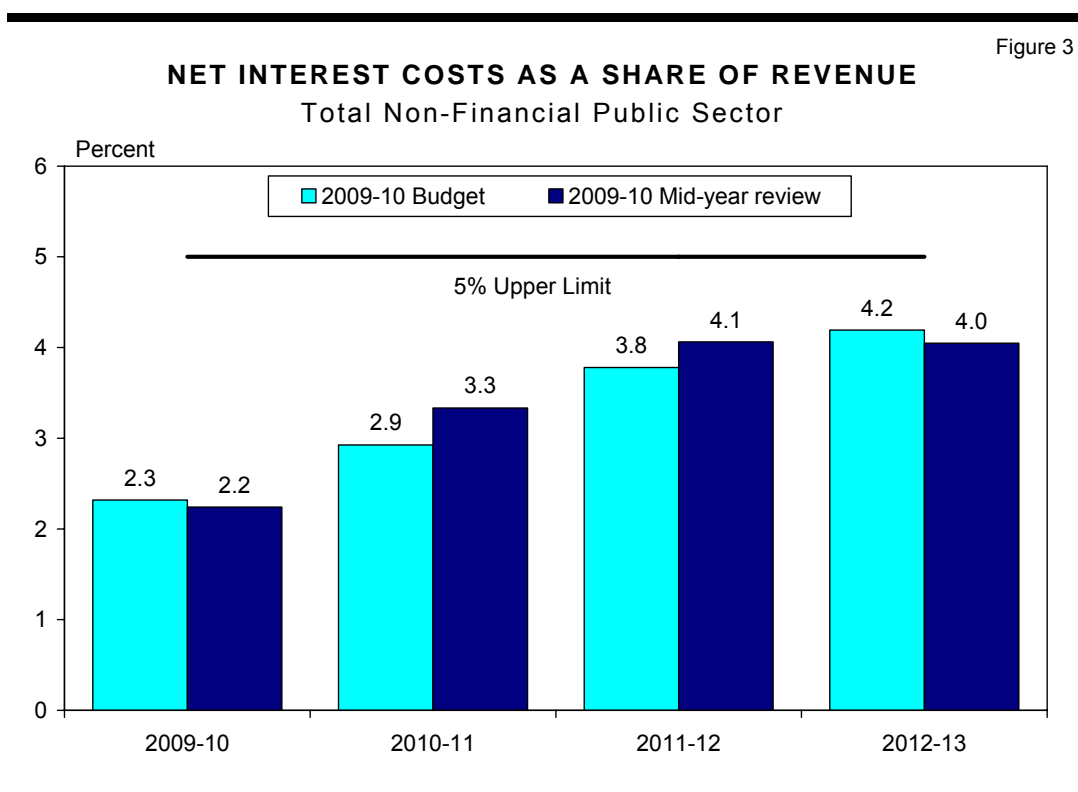
Details on the revenue and expense revisions since budget are provided in Chapter 1: *Financial Projections*.

As evidenced by the further round of corrective measures implemented in this mid-year review (worth around \$600 million across the forward estimates period), the Government remains committed to delivering budget surpluses. A key focus of the 2010-11 Budget process will be the identification of further efficiencies in the operation of the public sector. This will be informed by the report of the Economic Audit Committee and the Value for Money Audits currently underway in the Departments of Health, Education, Environment and Conservation, and Commerce.

Net Debt Affordability: Maintain Net Interest Costs as a Share of Revenue Below 5%

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

The target ratio is forecast to increase from 2.2% in 2009-10 to 4.1% in 2011-12, before dropping to 4.0% in 2012-13. This is well below the Government's 5% upper target limit.



The ratio is forecast to reach a maximum 4.1% in 2011-12, which is lower than the 4.2% ratio forecast for 2012-13 at the time of the budget. This largely reflects the impact on the ratio of both changes in net interest costs and higher revenue projections.

Relative to the 2009-10 Budget, net interest costs for the total non-financial public sector are forecast to be higher across the four years to 2012-13. Higher interest expenses mainly reflect the impact of rises in interest rates since budget-time and the impact of changes in the timing of borrowings. This is partially offset by higher interest revenue, primarily due to the flow-on impact of higher interest rates applicable to housing loans.

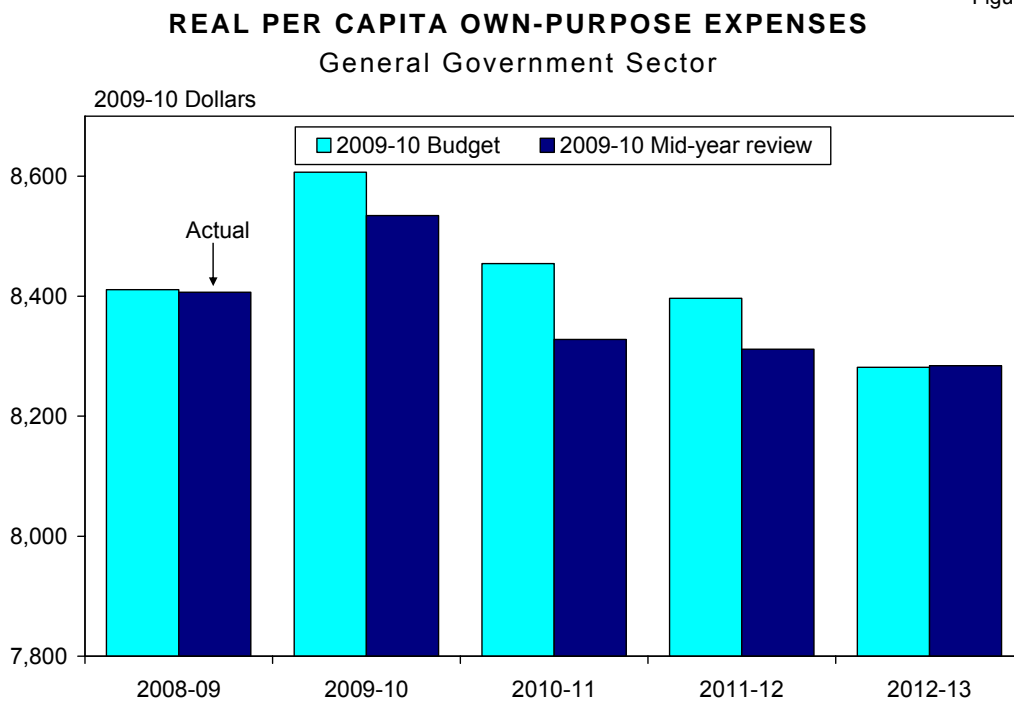
Ensure That Real Per Capita Own-Purpose Expenses for the General Government Sector do not Increase

As forecast at the time of the 2009-10 Budget, this target is not expected to be met in 2009-10, but is expected to be met across each of the outyears.

General government expenses are forecast to grow by 9.0% in 2009-10, up from the 6.6% budget estimate. Part of this increase reflects the impact of Commonwealth grants on-passed by the State, including \$313 million in Commonwealth stimulus grants to non-government schools (which in the budget were assumed to by-pass the State) and an additional \$80 million for the extension of the First Home Owners’ Boost.

Abstracting from Commonwealth grants passed through the State, ‘own-purpose’ expenses are estimated to grow by 8.2% in 2009-10. In this regard, own-purpose expense growth above 5.6% is inconsistent with meeting the target in 2009-10.

Figure 4



Forecast slowing in expense growth across the outyears reflects the impact on State government spending from the unwinding of Commonwealth stimulus initiatives, more moderate growth in the public sector wages bill in line with the Government’s wages policy and FTE ceiling, and the impact of the Government’s corrective measures to limit expense growth.

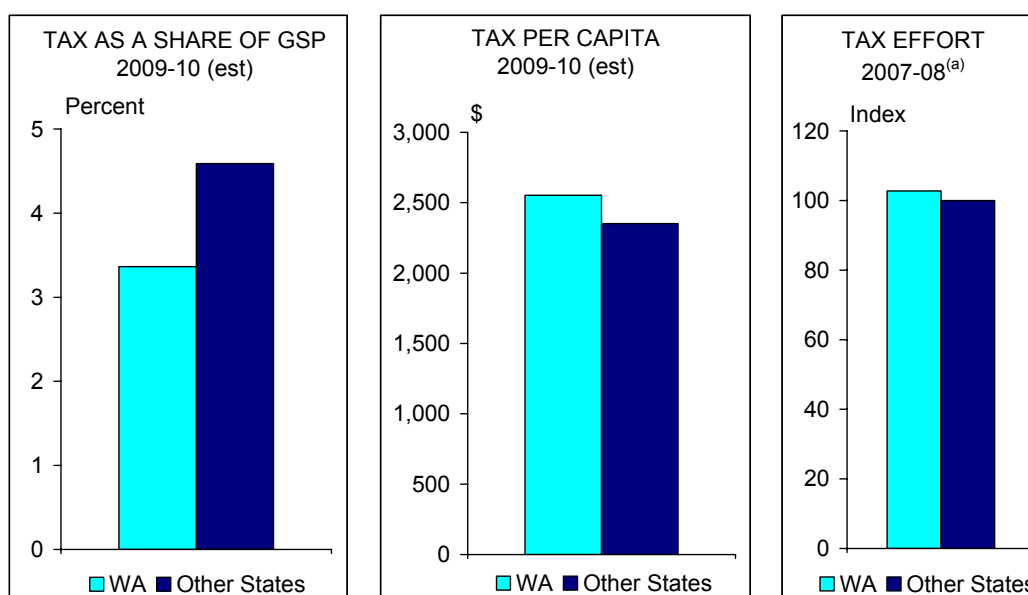
Tax Competitiveness: Provide a Fair and Efficient Tax System that is Competitive with Other States

One of the Government's fiscal objectives is to provide a fair and efficient taxation system, which is competitive with other States and raises sufficient revenue to meet the infrastructure and service delivery needs of the Western Australian community.

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

Figure 5

TAX COMPETITIVENESS Various Measures



(a) Latest available data.

Based on the internationally recognised measure of tax as a share of GSP, the tax burden in Western Australia is much lower than the average of other States.

However, Western Australia's per capita tax ranking is higher than the national average. This mainly reflects the relative strength of the State economy (i.e. per capita economic output is higher and so, in turn, is per capita taxation). To the extent that Western Australia has a higher per capita tax base than other jurisdictions, this reduces the State's share of national GST revenue (holding other factors constant) under the Grants Commission process.

According to the Grants Commission, Western Australia's tax 'effort' (i.e. average tax rate) was 2.8% higher than the national average in 2007-08 (latest available data).

The Western Australian Economy

Overview

The economic outlook for Western Australia has improved since the 2009-10 Budget was released in May 2009. The global recession appears to be ending, which is reflected in strong growth in Asian economies, particularly China, and a stabilisation or modest recovery elsewhere. However, the pace of the global economic recovery is slow, and activity is still below levels prior to the global financial crisis.

The economies of both Western Australia and Australia fared far better than most developed countries in 2008-09, due to sustained demand from key Asian export markets, stable banking and financial systems, and the impact of fiscal and monetary stimulus.

The Western Australian economy is now forecast to grow by 2.25% in 2009-10, compared to a forecast contraction of 1.25% at budget-time.

Business investment is expected to fare much better than previously forecast, with activity in the resources sector proving more resilient than was expected at budget-time. This also reflects the legacy of longer-term projects such as the \$12 billion Pluto Liquefied Natural Gas (LNG) development currently underway, which is now around two thirds complete, as well as several major iron ore projects and expansions.

Business investment is expected to rebound strongly in 2011-12 and 2012-13, due to the Gorgon LNG project reaching its construction peak and the global economic recovery gathering strength from 2010. Growth in the Western Australian economy is forecast to accelerate to 4.0% in 2011-12 and 4.75% in 2012-13, which compares to long-run average growth of 4.4%.

Table 1

MAJOR ECONOMIC AGGREGATES, WESTERN AUSTRALIA
(2009-10 Budget forecasts shown in brackets)

	2008-09 Estimated Actual %	2009-10 Mid-year Revision %	2010-11 Forward Estimate %	2011-12 Forward Estimate %	2012-13 Forward Estimate %
Real Gross State Product Growth ^(a)	3.25	2.25 (-1.25)	2.75 (-0.5)	4.0 (3.75)	4.75 (3.75)
Real State Final Demand Growth ^(a)	5.2	1.0 (-3.5)	2.0 (-3.75)	5.25 (4.75)	5.5 (4.5)
Employment Growth	3.2	-0.75 (-2.0)	1.5 (0.0)	2.25 (2.0)	2.5 (2.5)
Unemployment Rate	3.7	5.5 (5.75)	5.5 (6.75)	5.25 (6.0)	5.0 (5.25)
Wage Price Index Growth ^(b)	5.2	3.25 (3.0)	3.25 (2.75)	3.5 (3.25)	4.0 (4.0)
Average Weekly Earnings Growth ^(b)	5.9	4.25 (1.5)	3.5 (2.75)	3.75 (3.75)	4.5 (4.0)
Consumer Price Index Growth	3.0	2.25 (2.5)	2.5 (2.5)	2.75 (3.0)	3.0 (3.0)

(a) Real Gross State Product (GSP) growth is estimated on the basis of production side data. State Final Demand (SFD) data are based on Australian National Accounts: National Income, Expenditure and Product, June 2009, released by the ABS on 2 September 2009 (ABS Catalogue Number 5206.0); all other data are based on other various ABS data sources. 2008-09 Annual State Accounts are scheduled to be published by the ABS in mid to late December 2009 (ABS Catalogue Number 5220.0).

(b) The Wage Price Index is a better measure of underlying wages growth than Average Weekly Earnings, as it is designed to measure wage changes rather than levels, and is not influenced by changes in the composition of the workforce (unlike Average Weekly Earnings).

Other forecasting notes: All data are annual averages. The forecasts assume no changes in Commonwealth policy settings.

Of note, the mid-year review economic analysis and forecasts do not include 2008-09 Annual State Accounts information due to later release of ABS data this year. 2008-09 State Accounts data, which provide estimates of GSP growth in 2008-09 and other detailed information on the State's economy, are scheduled to be published by the ABS in mid to late December 2009.

Table 2

COMPONENTS OF GROSS STATE PRODUCT
Western Australia

	2008-09 Estimated Actual ^(a) %	2009-10 Budget Estimate %	2009-10 Mid-Year Revision %	2010-11 Forward Estimate %	2011-12 Forward Estimate %	2012-13 Forward Estimate %
Annual Average Growth ^(b)						
Private						
Household Consumption	4.6	2.0	2.75	3.5	4.5	4.25
Business Investment	10.4	-17.5	-4.0	-0.25	10.0	9.0
Dwelling Investment ^(c)	-6.5	-2.0	-4.75	7.25	4.25	5.5
Public						
Consumption	3.5	3.0	2.5	-0.75	2.25	2.0
Investment	14.9	26.0	22.0	-3.0	-6.75	4.25
STATE FINAL DEMAND	5.2	-3.5	1.0	2.0	5.25	5.5
External Sector						
Merchandise Exports	3.1	-0.75	1.0	6.5	5.75	5.5
Merchandise Imports	5.1	-8.75	-5.5	9.0	14.5	10.5
Net Exports ^(d)	11.0	6.75	7.0	5.0	0.25	1.75
Balancing Item ^(e)	26.5	-1.25	2.25	2.75	4.0	4.75
GROSS STATE PRODUCT	3.25	-1.25	2.25	2.75	4.0	4.75
Contributions To Growth ^(f)						
Private						
Household Consumption	1.9	0.8	1.2	1.5	1.9	1.8
Business Investment	2.7	-5.3	-1.1	-0.1	2.5	2.4
Dwelling Investment	-0.5	-0.1	-0.3	0.4	0.3	0.3
Public						
Consumption	0.4	0.3	0.3	-0.1	0.3	0.2
Investment	0.5	1.0	0.9	-0.1	-0.3	0.2
STATE FINAL DEMAND	4.8	-3.2	1.1	1.8	4.8	5.0
External Sector						
Merchandise Exports	1.3	-0.3	0.4	2.8	2.6	2.5
Merchandise Imports	-0.9	1.6	1.0	-1.5	-2.6	-2.0
Net Exports ^(d)	2.3	1.6	1.9	1.4	0.0	0.4
Balancing Item ^(e)	-3.9	0.3	-0.5	-0.5	-0.8	-0.9
GROSS STATE PRODUCT	3.25	-1.25	2.25	2.75	4.0	4.75

(a) Real Gross State Product (GSP) growth is estimated on the basis of production side data. State Final Demand (SFD) data are based on Australian National Accounts: National Income, Expenditure and Product, June 2009, released by the ABS on 2 September 2009 (ABS Catalogue Number 5206.0); all other data are based on other various ABS data sources. 2008-09 Annual State Accounts are scheduled to be published by the ABS in mid to late December 2009 (ABS Catalogue Number 5220.0).

(b) Growth rate forecasts for ownership transfer costs, international trade in services exports and imports, and the statistical discrepancy components of the State Accounts are not reported.

(c) Dwelling investment excludes ownership transfer costs.

(d) Net exports refer to international trade in both merchandise and services.

(e) The balancing item includes interstate trade and changes in stocks. Given the balancing item's significant size (over the past few years it has fluctuated between 15% and 17% of GSP), the forecasts above include an estimation of the balancing item. However, given the difficulty of forecasting individual components of the balancing item, for any given forecast year the estimation is based on a fixed ratio of GSP (based on the balancing item's proportion of the domestic economy and net exports from the previous year). In 2008-09, a preliminary DTF production side estimate of GSP is used to derive the balancing item.

(f) The contribution to growth of ownership transfer costs, international trade in services, and the statistical discrepancy of the State Accounts are not reported.

Note: Columns may not add due to rounding and also omission of some line items – see point (f) above.

International Conditions

Since early 2009, government interventions have succeeded in stabilising financial markets. Industrial production and trade have picked up in some key economies since the second quarter of 2009. China's economy, in particular, rebounded strongly in the September quarter 2009.

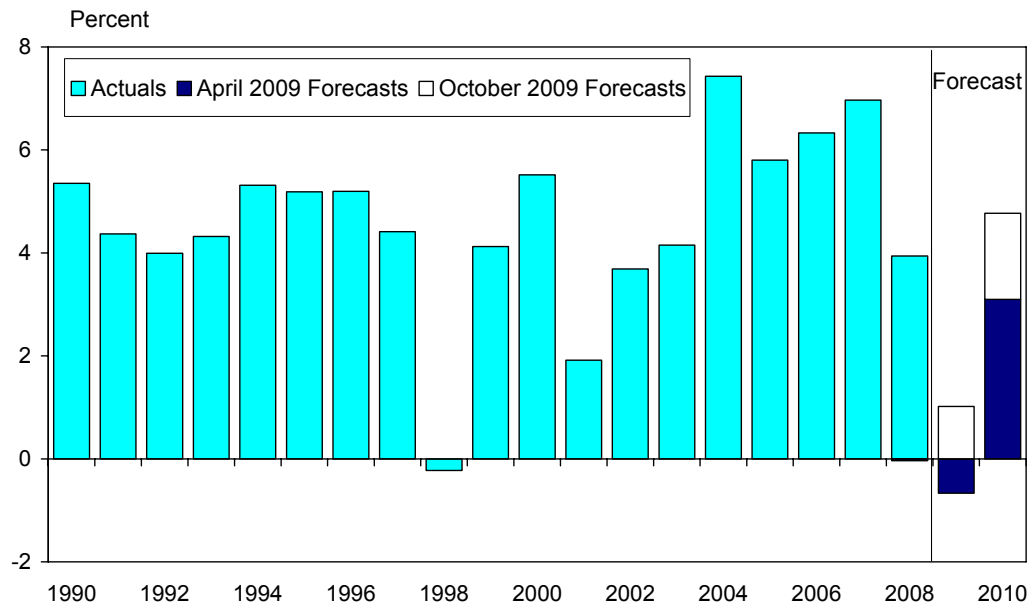
Nevertheless, trade, output and industrial production are still well below levels a year ago in most developed and many developing economies. The world economy is expected to contract in 2009 for the first time since World War II. However, since its April 2009 World Economic Outlook issue, the IMF (in October 2009) has revised its global growth forecasts up for both 2009 and 2010, to a contraction of 1.1% in 2009 and 3.1% growth in 2010. This is just above the 3% growth benchmark it typically uses to indicate a global recession.

Importantly, the economic outlook for Western Australia's main export markets has also improved. Based on the IMF forecasts, the weighted average economic output¹ of the State's key export markets in 2009 will grow by 1.0%, rather than contract by 0.7% as projected at budget-time (see following chart). This growth is forecast to rise to 4.8% in 2010. However, there is still uncertainty about China's outlook and the success of efforts by Chinese authorities to rebalance its economic activity away from export-led growth towards domestic demand. Nonetheless, the IMF's growth forecasts for China have been revised up from 6.5% to 8.5% for 2009 and from 7.5% to 9.0% for 2010.

As global economic conditions have improved, commodity prices have recovered from the lows reached earlier this year.

¹ A Department of Treasury and Finance measure used to gauge the growth in Western Australia's export market. The indicator is calculated as the weighted average economic growth of the top 13 export markets - China, Japan, South Korea, India, the UK, Singapore, the United Arab Emirates, the USA, Thailand, Taiwan, New Zealand, Indonesia and Italy. These accounted for 90% of total exports from Western Australia over 2009. The weights are based on the percentage share of each country in Western Australia's exports over the year.

Figure 1
GROWTH IN WESTERN AUSTRALIA'S KEY EXPORT MARKETS^(a)



(a) Weighted average economic growth, percentage change.

Source: International Monetary Fund, *World Economic Outlook*, October 2009, and Department of Treasury and Finance.

Western Australia's Domestic Activity

Household Consumption

Since the 2009-10 Budget, there has been a marked improvement in factors influencing household consumption, which is forecast to increase gradually from 2009-10. In particular, the outlook for the labour market has improved since budget-time, while wages growth has remained robust so far. Additionally, the S&P/ASX 200 index has rebounded almost 50% since its March 2009 low and consumer confidence has strengthened.

However, with the unwinding of the Commonwealth's fiscal stimulus measures, recent rises in interest rates and moderating wage growth, household consumption is forecast to grow by a relatively modest 2.0% in 2009-10, following an estimated 4.6% increase in 2008-09.

As domestic economic conditions in the State improve in 2010-11, stronger household consumption growth is forecast at 3.5%. Further improvements in the labour market, combined with increasing wages growth, are expected to support household consumption in 2011-12 and 2012-13, which is forecast to grow by 4.5% and 4.25% respectively.

Housing Construction Activity²

Spending on housing construction is forecast to contract in 2009-10 (by 4.75%). Leading indicators such as building approvals and dwelling commencements have remained low through the first half of 2009-10.

While there are signs that the housing market is beginning to recover relative to 2008-09, building approvals are still well below levels a year ago. This low level of activity, combined with the steep decline in activity through 2008-09, mean that any improvement will take time to flow through.

In addition, an expected unwinding of historically low interest rates and the phasing out of the First Home Owners' Boost will subdue the market. This is despite recent improvements in the availability of credit. A contraction in annual average growth for 2009-10 is therefore likely.

However, dwelling investment is forecast to rebound strongly in 2010-11, growing at 7.25% as the economy improves. Continued growth is expected through the outyears, with forecast increases of 4.25% in 2011-12 and 5.5% in 2012-13.

Business Investment

Business investment is expected to fare much better in 2009-10 and 2010-11 relative to the budget forecasts, although small declines are still in prospect. Investment is now forecast to grow by 10.0% in 2011-12 and 9.0% in 2012-13, and will be a key contributor to economic growth.

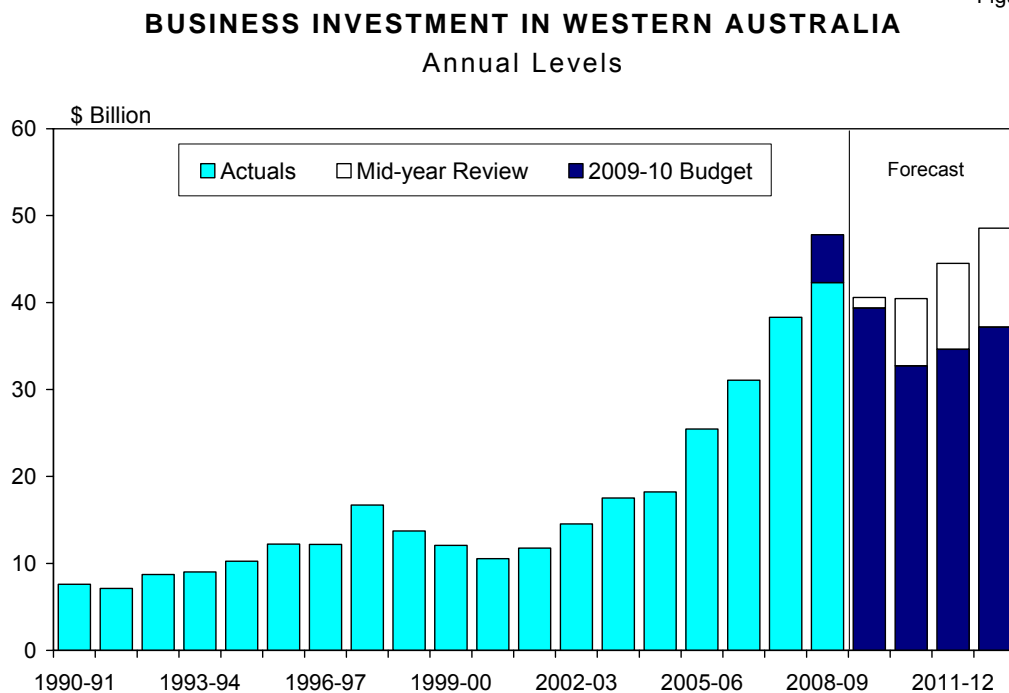
Around the time of the 2009-10 Budget, investment decisions that had been made in the preceding years of the resource boom meant there was a sizeable pipeline of work still to be done on resource projects in the State. However, the much weaker economic and commodity outlook at budget-time led to an expectation that as projects underway in the State were completed, fewer new ones would come on stream to take their place.

Business confidence and investment expectations have also improved in recent months, also reflected in the ABS national survey of mining industry investment expectations for 2009-10³.

² Dwelling Investment consists of new dwelling construction, residential alterations and additions, and ownership transfer costs. Ownership transfer costs (which typically comprise around a quarter of total dwelling investment for Western Australia) include fees and charges paid to lawyers, real estate agents and auctioneers; as well as various government charges/taxes related to residential, and commercial property transactions (such as stamp duty, title office charges and local government charges).

³ Source: Private New Capital Expenditure and Expected Expenditure, Australia, September 2009, ABS Catalogue Number 5625.0.

Figure 2



Source: ABS Cat. 5220 and DTF forecast.

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

Since the 2009-10 Budget, commodity prices have recovered, conditions for raising capital have improved, and the global economic outlook is stronger than expected, particularly in Western Australia's major export markets.

Activity in the State's resource sector has not slowed down to the extent feared at budget-time. The number of mine closures, investment deferrals and redundancies has dropped significantly since high-profile announcements in 2008-09 such as the closure of BHP's Ravensthorpe Nickel mine.

This has led to an upward revision of business investment growth, as shown in the chart above. Activity in the State over the next year or so will be supported by the current pipeline of work, including projects such as BHP Billiton's \$6.7 billion iron ore Rapid Growth Project 5, CITIC Pacific's \$5.2 billion Sino iron ore development, the North West Shelf Consortium's \$5.0 billion North Rankin 2 gas redevelopment project, BHP Billiton's \$2.6 billion Rapid Growth Project 4, and Woodside's \$12 billion Pluto LNG project.

Over the longer term, the \$43 billion Gorgon LNG project (see feature box below), which is expected to reach peak construction during 2012-13, will underpin activity.

Business investment outside the resources sector comprises only a small proportion of total business investment, but is expected to be fairly weak. Building approvals data suggest that non-residential contribution will contract sharply once the significant number of current office building projects are completed.

Gorgon LNG Project

The final investment decision for the Gorgon LNG project was made in September 2009. The project is a joint venture of Australian subsidiaries of Chevron, ExxonMobil and Shell, three leading companies in the global oil and gas industry. Total capital expenditure of \$43 billion is for the period 2008-09 to 2042-43, and the project is expected to create around 10,000 jobs during the peak construction phase. While preliminary site works have already started, major construction activity will begin in the second half of 2010. The first LNG is expected to be produced in 2014.

The mid-year review incorporates analysis of the expected economic effects of the Gorgon project based on the distribution of a typical large resource project in the Western Australian gas sector.

The direct short-term effect of the Gorgon project on the Western Australian economy is likely to be minimal, because the project is expected to take some time to ramp up to peak investment and employment, which is expected to occur in 2012-13. Over the current forward estimates period (2009-10 to 2012-13), the Gorgon project is estimated to have a direct impact on the State's payroll tax revenue of \$137 million.

Imports are also expected to peak in 2012-13, as a significant level of investment will involve imported components.

Modelling results show that higher State Final Demand growth over the current forward estimates period is likely due to the increase in business investment. The Gorgon project is expected to add 1.25 percentage points to final demand in 2010-11 and 3.25 percentage points in both 2011-12 and 2012-13. However, the effect of the Gorgon project on Gross State Product growth from 2010-11 to 2012-13 (ranging between 0.25 and 0.5 percentage points) is not as large as the effect on domestic economic growth, because much of the increase in investment is offset by higher imports. Exports are expected to rise substantially once gas production starts, but this occurs beyond the current forward estimates period.

The Commonwealth will collect all of the royalties generated by this project, under its Petroleum Resource Rent Tax (PRRT) regime. However, the Commonwealth has given an undertaking to allocate 25% of Gorgon PRRT revenue, or up to \$100 million per annum, to a Western Australian infrastructure fund. While accurate forecasts of Commonwealth collections are not available, Chevron have estimated PRRT revenue may be as high as \$19 billion over the life of the project.

Public Expenditure

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

In addition to the State's record infrastructure program, Commonwealth fiscal stimulus measures also contributed to public investment growth of close to 15% in 2008-09, helping offset the moderation in business investment growth over the past year.

Another strong year of public investment is expected in 2009-10, with forecast growth of 22.0%. However, the Commonwealth's stimulus is expected to decline after this, with public investment contracting by 3.0% in 2010-11 and 6.75% in 2011-12, before returning to around long term growth of 4.25% in 2012-13.

Public consumption expenditure grew by 3.5% in 2008-09, slightly higher than its long-run average of 3.25%. Growth is forecast to slow to 2.5% in 2009-10, before contracting slightly in 2010-11 (-0.75%) due to the Commonwealth stimulus unwinding. Public consumption is forecast to recover in the outyears and grow by 2.25% in 2011-12 and 2.0% in 2012-13.

Trade Balance

The State's international trade outlook depends on the economic performance of its major Asian export markets and demand for commodities, as well as new capital put in place by recent business investment programs. In this regard, emerging and developing economies are projected to have regained growth momentum during the second half of 2009, although with notable regional differences⁴.

As global economic conditions have improved, commodity prices have recovered from the lows reached in early 2009, but have rebounded ahead of the recovery. The IMF notes that a rally this strong at such an early stage in the recovery of global industrial production contrasts with past global downturns, with prices typically still falling into the early phases of recovery or rising at rates far below the increases recorded in recent months. In particular, metal prices are believed to have been buoyed by restocking in China⁵.

Growth in both export and import volumes is forecast to slow in 2009-10. While the weak global economic and trade activity is expected to result in only modest merchandise export growth of 1.0% for 2009-10 (albeit revised upwards from a contraction of 0.75% at budget-time), the contraction in business investment and slower growth in household consumption spending mean that merchandise imports are expected to fall by 5.5%.

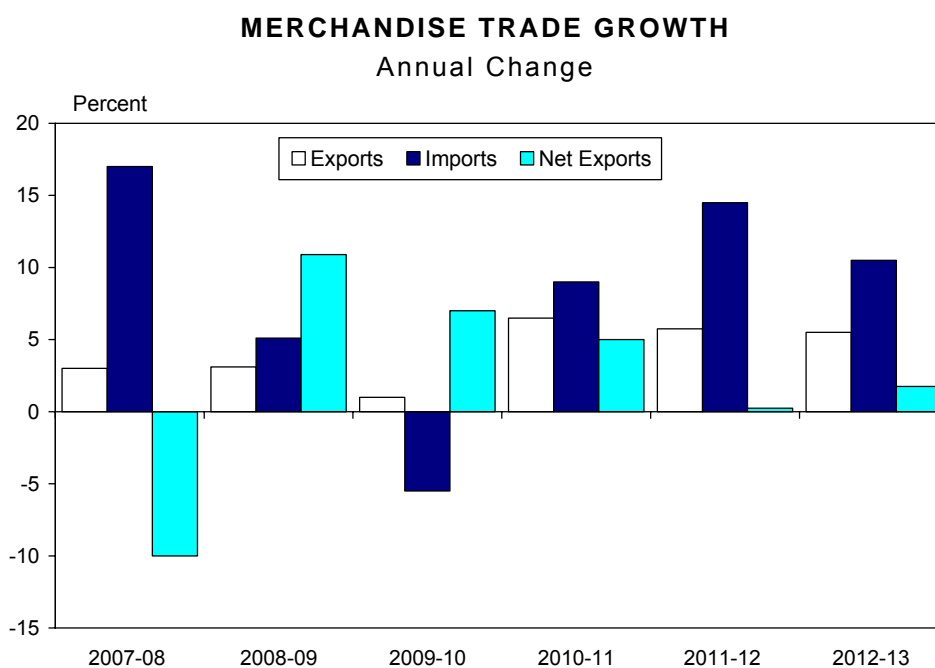
The global economy and international commodity demand are forecast to strengthen further in 2010-11. Consequently, net exports (exports less imports) are forecast to grow by 5.0% and contribute 1.4 percentage points of the State's economic growth. Merchandise exports are forecast to grow by 6.5% in the year (off a higher base than imports as the State runs a substantial trade surplus), outweighing forecast merchandise imports growth of 9.0%.

Strong investment growth in the resources sector and the expected global recovery starting in 2010 are forecast to raise merchandise exports by 5.75% and 5.5% in 2011-12 and 2012-13 respectively. However, imports of consumer goods, and plant and equipment are also forecast to grow due to the expected recoveries in business investment and household consumption.

⁴ Source: International Monetary Fund, *World Economic Outlook*, October 2009.

⁵ Source: Ibid.

Figure 3



Labour Market

Employment

Despite an improved economic outlook, employment has declined sharply over the first part of 2009-10. This is expected as employment usually lags behind economic activity. Nevertheless, a slightly shallower contraction in employment for 2009-10 than forecast at budget-time is expected, and employment growth has been revised up from -2.0% to -0.75%.

Employment growth is forecast to pick up in the medium term. However, a recent shift towards increasing employee hours rather than increasing the number of staff is likely to provide for a slower recovery in jobs than economic conditions might indicate. Essentially, it will take some time for the reduction in hours during the downturn to be unwound. Overall, employment is forecast to grow by 1.5% in 2010-11, and pick up to over 2% from 2011-12.

Unemployment and Participation Rates

Western Australia's unemployment rate reached 5.0% in October 2009, up from the low of 2.3% unemployment rate of October 2008⁶. The State's forecast unemployment rate, at 5.5% in 2009-10, is in line with overall weak labour market expectations, but is slightly lower than the budget-time estimate of 5.75%.

⁶ The October 2009 outcome was significantly lower than the seasonally adjusted 5.8% recorded in September 2009. The significant fall in October may be largely due to volatility in the monthly labour force series.

The State's participation rate reached a record high of 69.5% in May 2009, but is assumed to continue to decline slowly into 2009-10 and again in 2010-11. The rate of growth in the adult population is forecast to slow in both 2009-10 and 2010-11, although this rate is still slightly faster than assumed at budget-time.

Reflecting these factors, the expected decline in the unemployment rate in the medium term is gradual.

Prices

Consumer Price Index

Inflationary pressures have eased over the past year, reflecting the weakening in economic activity. Perth's rate of inflation halved over the past year, from an annual average of 4.2% in the year to September 2008, to 2.1% in the year to September 2009. This slowdown was broadly consistent with national consumer price trends.

The rate of inflation is forecast to pick up in 2009-10, as spare capacity is reduced with the expected improvement in economic activity in the State, as well as across the forward estimates period.

Offsetting this, the Reserve Bank of Australia (RBA) raised interest rates by 25 basis points in each of its past three meetings in a bid to restrain consumer prices growth at the national level. The RBA has adopted a tightening bias with respect to interest rates, indicating that 'a further gradual lessening of monetary stimulus is likely to be required over time if the economy evolves broadly as expected'⁷. This scenario of additional interest rate rises, if played out, will act to moderate growth in Perth's consumer prices.

Overall, Perth's Consumer Price Index is forecast to increase by 2.25% in 2009-10 and by 2.5% in 2010-11.

Wages

Wage pressures are expected to ease in the near term as a delayed impact from the slowdown in the State's economy in 2008-09. Additionally, Western Australia's Wage Price Index rose by 5.2% over 2008-09, creating a high base level for wages growth in 2009-10.

Slower growth in domestic demand in 2009-10 is forecast to dampen annual wages pressures during the year. In addition, wage agreements signed during the peak of economic activity are expected to decline in significance during 2009-10, and the State's Wage Price Index is subsequently forecast to grow by 3.25% in 2009-10.

As the State's domestic economy recovers in 2010-11, the Wage Price Index is forecast to grow by 3.25%, and then 3.5% in 2011-12. With further improvement in domestic demand, the Wage Price Index is forecast to grow by 4.0% in 2012-13 (around its long-run average rate of growth).

⁷ Reserve Bank of Australia, *Statement on Monetary Policy*, November 2009.

Average Weekly Earnings grew by 5.9% over 2008-09 and, like the Wage Price Index, created an exceptionally high base level for earnings growth in 2009-10. Average weekly earnings in 2009-10 are forecast to grow by 4.25%, as the lagged and current effects of weak labour demand and comparatively poor economic conditions moderate wage increases. Nevertheless, the shift towards increased hours mentioned above will ensure that Average Weekly Earnings will grow faster than the Wage Price Index.

However, these compositional shifts⁸ in the labour market are expected to reduce and result in moderate earnings growth by 2010-11. As the domestic economy improves, Average Weekly Earnings are forecast to increase by 3.5% in 2010-11, 3.75% in 2011-12 and 4.5% in 2012-13.

Risks to the Outlook

Global Risks

The State's forecast economic outlook is underpinned by major global forecasters' assumptions of future global economic activity and commodity prices. These include the IMF, the Organisation for Economic Cooperation and Development, Consensus Forecasts and the World Bank.

These mid-year review forecasts have been prepared against improving international and national conditions compared to the 2009-10 Budget forecasts. While downside risks to the outlook are receding gradually, the IMF⁹ notes that they remain a concern.

Commodity demand and prices could weaken if China's growth is lower than expected and if global commodity supply increases due to recent strong resources sector investment. This could impact on Western Australia's future business investment profile. Furthermore, there is still uncertainty about the success of efforts by Chinese authorities to rebalance its economic activity.

Additionally, there are still large imbalances in the world economy, such as the US trade deficit with China, the associated purchase by China of US (mainly) government debt and political uncertainty regarding China's currency peg with the US dollar. Many financial markets are still not functioning at full capacity, while the impact of the unwinding of current fiscal stimulus packages is also uncertain.

Australian dollar currency movements are both a positive and negative risk to the outlook. However, since mid-2009 the currency has appreciated against most major currencies, and if sustained this could put renewed pressure on exporters' competitiveness and revenue (including State royalty income – see Chapter 1: *Financial Projections* for detail).

⁸ Compositional effects that can influence average weekly earnings growth include variations over time in the occupational distribution within and across industries; variations in the distribution of employment between industries; variations in the proportion of male and female employees; and variations over time in the proportions of full-time, part-time and casual workers. For this reason, the Wage Price Index is the preferred measure of underlying wage pressures, as it is designed to measure changes for a fixed quantity and quality of labour.

⁹ Source: International Monetary Fund, *World Economic Outlook*, October 2009.

Domestic Risks

The economic forecasts in this mid-year review assume no change in Commonwealth or institutional policy settings, and are based on data available at the forecasting cut-off date of 30 November 2009.

National factors, such as higher interest rates and the unwinding of the fiscal stimulus, remain key risks to the domestic outlook.

The unpredictable nature of resource investment, particularly in terms of timing, could mean that actual investment patterns are significantly different to those assumed.

Most of the major projects in the State are medium term and have not yet received a final investment decision, with the Gorgon project being the key exception. Such projects represent material upside and downside risks to business investment growth forecasts, and the likelihood of these projects proceeding is largely unclear. Also, some of the projects may be competing with each other in the same markets for labour and capital.

A likely increase in prices and interest rates provide a short-to-medium term risk to new dwelling construction and established housing turnover. Prospective house buyers may defer purchases in the expectation of lower house prices in future as interest rates rise. If the temporary increase in grants to first home owners has pulled forward significant activity, this could lead to a further downturn in activity in 2009-10 and into 2010-11.

The main risk to the labour market forecasts is population growth, where the labour estimates assume an easing in population growth from current high trend growth.

In addition, the employment and unemployment forecasts have included assumptions about structural shifts, such as increased hours worked, which are expected to slowly unwind over the forecast period. However, it is possible given a change in these compositional factors, that employment may pick up quicker than expected.

This year's later than usual release of 2008-09 State Accounts by the ABS in mid to late December 2009 presents an additional risk to the State's economic forecasts. The ABS data could show the State's economic growth for 2008-09 different from the growth estimate included in this mid-year review, leading to changes in the flow-through effects to the 2009-10 and forward estimate projections.

Detailed Financial Projections

This appendix contains detailed financial projections for the Western Australian public sector and its sub-sectors. The tables in this section satisfy Uniform Presentation Framework (UPF) requirements, and are consistent with Australian Accounting Standards and the presentation of whole-of-government financial projections contained in the 2009-10 Budget.

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		5,706	5,775	6,046	6,392	7,038	7,604
Current grants and subsidies		8,089	7,838	8,230	7,976	8,156	8,449
Capital grants		411	1,560	1,620	1,080	683	763
Sales of goods and services		1,410	1,627	1,523	1,641	1,724	1,804
Interest Income		285	144	153	162	213	227
Revenue from public corporations							
Dividends from other sector entities		466	536	592	544	607	718
Tax equivalent income		355	319	387	381	427	574
Royalty income		2,348	2,577	2,000	2,451	2,840	2,885
Other		364	324	334	379	392	395
<i>Total</i>	3	19,435	20,700	20,884	21,006	22,080	23,419
EXPENSES							
Salaries		7,764	7,953	8,254	8,687	9,165	9,714
Superannuation							
Concurrent costs		746	760	791	831	875	926
Superannuation interest cost		330	349	425	417	429	440
Other employee costs		326	311	334	337	344	349
Depreciation and amortisation		764	839	847	910	973	1,004
Services and contracts		2,216	1,458	1,464	1,394	1,452	1,461
Other gross operating expenses		1,698	3,007	2,874	2,784	2,974	3,029
Other interest		118	128	156	367	532	618
Other property expenses		-	-	-	-	-	-
Current transfers	4	4,554	5,078	5,090	5,192	5,063	5,247
Capital transfers	4	600	408	598	422	398	432
<i>Total</i>	5	19,117	20,291	20,834	21,342	22,205	23,223
NET OPERATING BALANCE	6	318	409	51	-336	-125	196
<i>Other economic flows</i>							
Net gains on assets/liabilities		52	263	283	116	67	97
Net actuarial gains - superannuation		-1,277	303	204	-161	-162	-163
Provision for doubtful debts		24	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		-1,201	566	486	-45	-95	-67
OPERATING RESULT		-883	975	537	-381	-220	129
<i>All other movements in equity</i>							
Revaluations		3,563	1,294	1,212	1,815	2,011	2,001
Gains recognised directly in equity		6	18	18	-1	-1	-1
Changes in accounting policy/correction of prior period errors		-204	-	-179	-68	-3	-30
Change in net worth of the public corporations sectors		11,901	935	1,233	1,208	1,308	1,510
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		15,266	2,248	2,285	2,954	3,315	3,481
TOTAL CHANGE IN NET WORTH		14,382	3,223	2,821	2,573	3,094	3,610
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	318	409	51	-336	-125	196
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,255	3,912	3,619	2,929	2,648	2,112
Changes in inventories		13	-	-	-	-	-
Other movement in non-financial assets		-36	-3	3	5	2	-
<i>less:</i>							
Sales of non-financial assets		164	243	247	307	232	222
Depreciation		764	839	847	910	973	1,004
<i>Total net acquisition of non-financial assets</i>		1,305	2,827	2,527	1,716	1,445	887
NET LENDING/-BORROWING	6	-987	-2,418	-2,477	-2,052	-1,570	-691

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	Note	2009	2010	2010	2011	2012	2013
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		380	533	544	514	520	493
Advances paid		716	688	704	689	674	660
Investments, loans and placements		4,168	2,998	3,452	2,873	2,385	2,075
Receivables		1,549	1,578	1,509	1,720	1,901	2,127
Investment property		8	9	8	8	8	8
Shares and other equity							
Investments in other public sector entities - equity method		40,952	30,414	42,185	43,393	44,701	46,211
Investments in other public sector entities - direct injections		3,164	4,212	4,139	4,764	5,090	5,461
Investments in other entities		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
Total financial assets		50,937	40,432	52,541	53,960	55,278	57,035
<i>Non-financial assets</i>							
Land		39,389	38,698	39,986	40,650	41,531	42,370
Property, plant and equipment		29,657	33,092	33,486	36,384	39,067	41,236
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		96	88	101	99	98	96
Other inventories		72	68	72	72	72	72
Intangibles		336	259	313	293	279	250
Non-current assets held for sale		18	31	37	17	17	17
Other		117	51	118	111	108	104
Total non-financial assets		69,686	72,289	74,115	77,629	81,173	84,147
TOTAL ASSETS		120,624	112,721	126,656	131,588	136,450	141,182
LIABILITIES							
Deposits held		391	228	535	260	239	261
Advances received		496	491	487	477	468	458
Borrowings		1,847	4,335	4,452	6,606	7,966	8,673
Unfunded superannuation		7,086	7,420	6,959	7,158	7,344	7,511
Other employee benefits		2,072	2,071	2,157	2,252	2,350	2,439
Payables		481	472	730	733	738	742
Other liabilities		1,088	1,172	1,353	1,545	1,694	1,837
TOTAL LIABILITIES		13,462	16,188	16,673	19,032	20,799	21,921
NET ASSETS		107,162	96,533	109,983	112,557	115,651	119,261
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		8,516	8,601	12,670	12,288	12,068	12,196
Other reserves		98,646	87,932	97,313	100,268	103,583	107,065
NET WORTH	6	107,162	96,533	109,983	112,557	115,651	119,261
MEMORANDUM ITEMS							
<i>Net financial worth</i>		37,476	24,244	35,868	34,928	34,478	35,114
<i>Net financial liabilities</i>		6,641	10,383	10,456	13,229	15,313	16,558
<i>Net debt</i>							
Gross debt liabilities		2,734	5,053	5,474	7,344	8,673	9,392
less: liquid financial assets		5,264	4,219	4,700	4,075	3,579	3,228
less: convergence differences impacting net debt		88	88	88	88	88	88
Net debt		-2,618	747	686	3,180	5,006	6,076

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		5,865	5,743	6,050	6,393	7,039	7,605
Grants and subsidies received		8,538	9,369	9,816	9,023	8,827	9,201
Receipts from sales of goods and services		1,556	1,663	1,549	1,670	1,771	1,844
Interest receipts		295	131	140	149	197	209
Dividends and tax equivalents		877	871	973	890	1,045	1,199
Other receipts		3,692	3,873	3,303	3,840	4,224	4,354
<i>Total cash received</i>		20,822	21,650	21,833	21,965	23,103	24,413
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-8,595	-8,958	-9,246	-9,742	-10,281	-10,920
Payments for goods and services		-4,441	-4,791	-4,722	-4,565	-4,813	-4,876
Interest paid		-131	-119	-102	-301	-478	-581
Grants and subsidies paid		-4,650	-5,092	-5,225	-5,285	-5,124	-5,329
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,289	-1,329	-1,443	-1,348	-1,385	-1,416
<i>Total cash paid</i>		-19,106	-20,289	-20,739	-21,240	-22,081	-23,121
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,717	1,361	1,095	725	1,023	1,292
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,255	-3,912	-3,619	-2,929	-2,648	-2,112
Sales of non-financial assets		164	243	247	307	232	222
<i>Total cash flows from investments in non-financial assets</i>		-2,091	-3,669	-3,371	-2,622	-2,416	-1,891
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		1	-	-	-	-	-
For liquidity purposes		25	-	2	-	-	-
<i>Cash paid</i>							
For policy purposes		-368	-931	-847	-624	-317	-381
For liquidity purposes		-3	-2	-2	-1	-2	-
<i>Total cash flows from investments in financial assets</i>		-345	-934	-848	-625	-318	-381
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,437	-4,603	-4,219	-3,247	-2,734	-2,272
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		14	10	10	10	10	10
Borrowings		1,012	2,934	2,824	2,217	1,409	750
Deposits received		-	-	-	-	-	-
Other financing receipts		30	31	30	31	30	29
<i>Total cash receipts from financing activities</i>		1,056	2,975	2,864	2,258	1,449	790
<i>Cash paid</i>							
Advances paid		-14	-9	-9	-10	-10	-10
Borrowings repaid		-182	-189	-169	-45	-46	-40
Deposits paid		-	-	-	-	-	-
Other financing payments		-43	-45	-69	-67	-111	-115
<i>Total payments for financing activities</i>		-239	-244	-247	-122	-166	-165
NET CASH FLOWS FROM FINANCING ACTIVITIES		818	2,732	2,616	2,136	1,283	625
Net increase in cash and cash equivalents		98	-511	-508	-385	-428	-355
Cash and cash equivalents at the beginning of the year		4,236	3,919	4,334	3,826	3,441	3,012
Cash and cash equivalents at the end of the year		4,334	3,408	3,826	3,441	3,012	2,657
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		1,717	1,361	1,095	725	1,023	1,292
Net cash flows from investing in non-financial assets		-2,091	-3,669	-3,371	-2,622	-2,416	-1,891
Cash surplus/-deficit	6	-375	-2,308	-2,277	-1,896	-1,393	-599

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		1,628	1,932	1,854	1,648	1,715	1,763
Capital grants		46	93	142	113	114	120
Sales of goods and services		9,186	9,457	8,894	9,288	10,099	11,591
Interest Income		163	149	165	231	300	387
Other		580	368	463	288	348	396
<i>Total</i>		<i>11,604</i>	<i>11,998</i>	<i>11,518</i>	<i>11,567</i>	<i>12,577</i>	<i>14,256</i>
EXPENSES							
Salaries		835	852	895	883	903	917
Superannuation							
Concurrent costs		80	81	86	84	86	87
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		39	28	26	26	26	26
Depreciation and amortisation		1,310	1,024	1,311	1,442	1,549	1,573
Services and contracts		557	464	490	517	486	518
Other gross operating expenses		6,791	6,833	6,340	6,089	6,510	7,560
Other interest		707	841	809	1,005	1,250	1,368
Dividend and tax equivalents		808	842	925	886	996	1,249
Current transfers		682	948	794	848	960	903
Capital transfers		17	7	16	5	-	-
<i>Total</i>		<i>11,826</i>	<i>11,921</i>	<i>11,693</i>	<i>11,784</i>	<i>12,766</i>	<i>14,201</i>
NET OPERATING BALANCE	6	-222	78	-175	-217	-189	55
<i>Other economic flows</i>							
Net gains on assets/liabilities		124	150	178	279	281	347
Net actuarial gains - superannuation		-23	-	-27	-	-	-
Provision for doubtful debts		-19	-9	-9	-10	-11	-12
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>81</i>	<i>140</i>	<i>142</i>	<i>269</i>	<i>271</i>	<i>335</i>
OPERATING RESULT		-141	218	-32	52	81	390
<i>All other movements in equity</i>							
Revaluations		12,184	677	982	1,004	1,090	969
Gains recognised directly in equity		316	-45	-50	-33	-50	-60
Changes in accounting policy/correction of prior period errors		-156	-	-	39	37	40
Capital injections from general government		367	927	975	624	327	371
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>12,711</i>	<i>1,559</i>	<i>1,907</i>	<i>1,635</i>	<i>1,403</i>	<i>1,320</i>
TOTAL CHANGE IN NET WORTH		12,570	1,777	1,875	1,687	1,485	1,710
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-222	78	-175	-217	-189	55
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,566	4,386	4,052	3,557	2,651	3,052
Changes in inventories		700	-29	216	-298	4	5
Other movement in non-financial assets		-43	97	100	-27	484	-16
<i>less:</i>							
Sales of non-financial assets		444	610	614	704	870	860
Depreciation		1,310	1,024	1,311	1,442	1,549	1,573
<i>Total net acquisition of non-financial assets</i>		<i>2,470</i>	<i>2,820</i>	<i>2,444</i>	<i>1,085</i>	<i>720</i>	<i>608</i>
NET LENDING-/BORROWING	6	-2,692	-2,743	-2,618	-1,302	-910	-552

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2009	2010	2010	2011	2012	2013
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		774	402	808	625	702	829
Advances paid		-	-	-	-	-	-
Investments, loans and placements		3,089	3,496	3,957	4,443	4,957	5,561
Receivables		1,423	1,971	1,809	1,756	1,882	2,008
Investment property		20	-	24	22	22	21
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		14	81	11	2	46	-
Other financial assets		579	735	741	910	1,039	1,172
Total financial assets		5,898	6,686	7,350	7,758	8,649	9,591
<i>Non-financial assets</i>							
Land		13,438	11,171	13,867	14,686	15,391	16,007
Property, plant and equipment		39,003	33,947	41,957	43,764	45,334	46,789
Biological assets		362	379	376	377	378	379
Inventories							
Land inventories		1,387	1,459	1,429	1,591	1,569	1,592
Other inventories		1,700	1,092	1,916	1,617	1,621	1,626
Intangibles		234	185	202	209	220	234
Non-current assets held for sale		1	8	1	1	1	1
Other		85	35	67	93	85	87
Total non-financial assets		56,209	48,276	59,814	62,339	64,600	66,715
TOTAL ASSETS		62,107	54,962	67,165	70,097	73,249	76,306
LIABILITIES							
Deposits held		8	1	2	2	2	2
Advances received		496	491	487	477	468	458
Borrowings		13,692	16,349	16,706	18,344	19,968	21,252
Unfunded superannuation		124	99	117	82	45	6
Other employee benefits		302	273	324	316	314	323
Payables		3,068	2,778	3,320	2,937	2,978	3,137
Other liabilities		1,310	1,399	1,227	1,270	1,320	1,264
TOTAL LIABILITIES		19,000	21,390	22,182	23,428	25,095	26,442
NET ASSETS		43,108	33,571	44,982	46,669	48,154	49,864
<i>Of which:</i>							
Contributed equity		3,164	4,212	4,139	4,764	5,090	5,461
Accumulated surplus		17,783	20,772	18,368	18,344	18,339	18,625
Other reserves		22,160	8,587	22,475	23,562	24,725	25,778
NET WORTH	6	43,108	33,571	44,982	46,669	48,154	49,864
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-56,209	-48,276	-59,814	-62,339	-64,600	-66,715
<i>Net debt</i>							
Gross debt liabilities		14,196	16,841	17,195	18,823	20,438	21,712
less: liquid financial assets		3,863	3,898	4,766	5,068	5,659	6,390
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		10,333	12,943	12,429	13,755	14,779	15,322

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		1,531	1,860	1,836	1,591	1,658	1,709
Receipts from sales of goods and services		10,108	9,560	8,907	9,241	9,967	11,535
Interest receipts		168	147	162	229	298	383
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		815	734	649	753	820	749
<i>Total cash received</i>		12,622	12,300	11,554	11,814	12,743	14,376
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-885	-1,105	-1,161	-1,184	-1,218	-1,256
Payments for goods and services		-7,676	-7,040	-6,299	-5,832	-6,349	-7,098
Interest paid		-722	-855	-826	-1,063	-1,180	-1,309
Grants and subsidies paid		-550	-855	-707	-752	-853	-796
Dividends and tax equivalents		-800	-867	-969	-886	-1,009	-1,160
Other payments		-1,142	-1,051	-1,173	-1,350	-1,386	-1,443
<i>Total cash paid</i>		-11,775	-11,772	-11,133	-11,067	-11,996	-13,062
NET CASH FLOWS FROM OPERATING ACTIVITIES		847	528	420	748	748	1,314
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,566	-4,386	-4,052	-3,557	-2,651	-3,052
Sales of non-financial assets		444	610	614	704	870	860
<i>Total cash flows from investments in non-financial assets</i>		-3,122	-3,776	-3,438	-2,854	-1,781	-2,191
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		260	9	19	10	5	-
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-193	-55	-30	-17	-13	-134
<i>Total cash flows from investments in financial assets</i>		68	-46	-12	-7	-8	-134
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,054	-3,822	-3,449	-2,860	-1,788	-2,325
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		19,229	7,855	48,270	49,296	47,692	48,315
Deposits received		-	-	-	-	-	-
Other financing receipts		329	760	688	503	236	253
<i>Total cash received</i>		19,557	8,616	48,959	49,799	47,928	48,567
<i>Cash paid</i>							
Advances paid		-14	-9	-9	-10	-10	-10
Borrowings repaid		-17,068	-5,668	-46,276	-48,148	-47,041	-47,511
Deposits paid		-	-	-	-	-	-
Other financing payments		-	137	135	66	67	121
<i>Total cash paid</i>		-17,082	-5,541	-46,150	-48,091	-46,984	-47,400
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,476	3,075	2,809	1,708	944	1,168
Net increase in cash and cash equivalents		268	-220	-221	-405	-97	156
Cash and cash equivalents at the beginning of the year		812	995	1,080	859	455	358
Cash and cash equivalents at the end of the year		1,080	775	859	455	358	514
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		847	528	420	748	748	1,314
Net cash flows from investing in non-financial assets		-3,122	-3,776	-3,438	-2,854	-1,781	-2,191
Cash surplus/-deficit	6	-2,275	-3,248	-3,018	-2,106	-1,033	-877

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		5,433	5,518	5,791	6,124	6,761	7,320
Current grants and subsidies		8,089	7,838	8,230	7,976	8,156	8,449
Capital grants		411	1,560	1,620	1,080	683	763
Sales of goods and services		10,322	10,735	10,105	10,628	11,521	13,085
Interest Income		416	278	303	379	496	594
Royalty income		2,348	2,577	2,000	2,451	2,840	2,885
Other		939	691	837	697	774	830
<i>Total</i>		<i>27,960</i>	<i>29,196</i>	<i>28,885</i>	<i>29,335</i>	<i>31,230</i>	<i>33,927</i>
EXPENSES							
Salaries		8,600	8,805	9,149	9,570	10,068	10,632
Superannuation							
Concurrent costs		826	842	877	916	962	1,014
Superannuation interest cost		330	349	425	417	429	440
Other employee costs		246	211	213	219	226	232
Depreciation and amortisation		2,074	1,863	2,158	2,353	2,522	2,577
Services and contracts		2,763	1,922	1,943	1,900	1,927	1,968
Other gross operating expenses		8,177	9,482	8,898	8,559	9,161	10,254
Other interest		794	955	950	1,357	1,764	1,968
Other property expenses		-	-	-	-	-	-
Current transfers		3,484	3,960	3,932	4,287	4,201	4,279
Capital transfers		570	322	462	309	284	313
<i>Total</i>		<i>27,864</i>	<i>28,709</i>	<i>29,009</i>	<i>29,887</i>	<i>31,544</i>	<i>33,676</i>
NET OPERATING BALANCE	6	96	487	-124	-553	-314	251
<i>Other economic flows</i>							
Net gains on assets/liabilities		176	413	461	395	348	443
Net actuarial gains - superannuation		-1,301	303	177	-161	-162	-163
Provision for doubtful debts		5	-10	-9	-10	-11	-12
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>-1,120</i>	<i>707</i>	<i>628</i>	<i>224</i>	<i>175</i>	<i>268</i>
OPERATING RESULT		-1,024	1,193	504	-328	-139	519
<i>All other movements in equity</i>							
Revaluations		15,747	1,971	2,194	2,819	3,100	2,971
Gains recognised directly in equity		322	-27	-31	-33	-51	-60
Changes in accounting policy/correction of prior period errors		-360	-	-179	-29	34	10
Change in net worth of the PFC sector		-302	85	333	145	150	171
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>15,407</i>	<i>2,030</i>	<i>2,317</i>	<i>2,902</i>	<i>3,233</i>	<i>3,091</i>
TOTAL CHANGE IN NET WORTH		14,382	3,223	2,821	2,573	3,094	3,610
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	96	487	-124	-553	-314	251
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,786	8,266	7,638	6,426	5,298	5,164
Changes in inventories		714	-29	217	-299	4	5
Other movement in non-financial assets		-79	94	103	-23	486	-16
<i>less:</i>							
Sales of non-financial assets		573	821	829	950	1,102	1,082
Depreciation		2,074	1,863	2,158	2,353	2,522	2,577
<i>Total net acquisition of non-financial assets</i>		<i>3,774</i>	<i>5,648</i>	<i>4,971</i>	<i>2,801</i>	<i>2,165</i>	<i>1,494</i>
NET LENDING/-BORROWING	6	-3,679	-5,161	-5,095	-3,354	-2,479	-1,243

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2009	2010	2010	2011	2012	2013
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		897	840	974	1,035	1,138	1,217
Advances paid		220	374	217	211	207	202
Investments, loans and placements		7,257	6,484	7,398	7,305	7,332	7,626
Receivables		2,783	3,437	3,194	3,334	3,640	3,870
Investment property		27	9	31	30	30	29
Shares and other equity							
Investments in other public sector entities - equity method		1,009	1,055	1,342	1,487	1,637	1,808
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		14	62	16	11	2	46
Other financial assets		-	-	-	-	-	-
Total financial assets		12,207	12,261	13,173	13,414	13,985	14,798
<i>Non-financial assets</i>							
Land		52,826	49,868	53,853	55,336	56,922	58,378
Property, plant and equipment		68,660	67,040	75,442	80,148	84,401	88,025
Biological assets		364	381	378	379	380	381
Inventories							
Land inventories		1,483	1,547	1,530	1,690	1,667	1,688
Other inventories		1,771	1,160	1,988	1,689	1,693	1,698
Intangibles		570	444	515	502	498	483
Non-current assets held for sale		19	39	39	19	19	19
Other		201	86	184	203	192	190
Total non-financial assets		125,894	120,566	133,928	139,966	145,771	150,861
TOTAL ASSETS		138,101	132,826	147,101	153,380	159,756	165,659
LIABILITIES							
Deposits held		142	124	148	148	148	148
Advances received		496	491	487	477	468	458
Borrowings		15,539	20,684	21,158	24,950	27,934	29,925
Unfunded superannuation		7,210	7,519	7,076	7,240	7,389	7,517
Other employee benefits		2,374	2,345	2,481	2,567	2,664	2,762
Payables		3,361	3,159	3,928	3,532	3,577	3,619
Other liabilities		1,817	1,972	1,841	1,910	1,926	1,969
TOTAL LIABILITIES		30,939	36,293	37,118	40,824	44,105	46,398
NET ASSETS		107,162	96,533	109,983	112,557	115,651	119,261
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		26,299	29,374	31,038	30,632	30,407	30,821
Other reserves		80,863	67,159	78,945	81,924	85,244	88,440
NET WORTH	6	107,162	96,533	109,983	112,557	115,651	119,261
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-18,732	-24,033	-23,945	-27,410	-30,120	-31,600
<i>Net financial liabilities</i>		19,755	25,149	25,303	28,908	31,759	33,454
<i>Net debt</i>							
Gross debt liabilities		16,177	21,299	21,793	25,575	28,550	30,531
less: liquid financial assets		8,374	7,697	8,590	8,552	8,677	9,045
less: convergence differences impacting net debt		88	88	88	88	88	88
Net debt		7,715	13,514	13,115	16,935	19,785	21,398

Note: Columns may not add due to rounding.

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		5,603	5,492	5,801	6,130	6,768	7,326
Grants and subsidies received		8,538	9,369	9,816	9,023	8,827	9,201
Receipts from sales of goods and services		11,403	10,870	10,141	10,606	11,431	13,066
Interest receipts		430	263	288	363	477	575
Dividends and tax equivalents		77	4	4	4	36	39
Other receipts		4,347	4,595	3,937	4,582	5,038	5,097
<i>Total cash received</i>		30,397	30,594	29,987	30,709	32,577	35,304
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-9,479	-10,062	-10,407	-10,926	-11,498	-12,175
Payments for goods and services		-11,712	-11,478	-10,706	-10,091	-10,854	-11,661
Interest paid		-822	-959	-913	-1,349	-1,640	-1,872
Grants and subsidies paid		-3,657	-4,055	-4,085	-4,441	-4,320	-4,416
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-2,164	-2,151	-2,361	-2,430	-2,494	-2,574
<i>Total cash paid</i>		-27,834	-28,705	-28,472	-29,236	-30,806	-32,699
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,564	1,889	1,515	1,473	1,770	2,606
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,786	-8,266	-7,638	-6,426	-5,298	-5,164
Sales of non-financial assets		573	821	829	950	1,102	1,082
<i>Total cash flows from investments in non-financial assets</i>		-5,213	-7,445	-6,809	-5,475	-4,197	-4,082
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		1	-	-	-	-	-
For liquidity purposes		286	9	21	10	5	-
<i>Cash paid</i>							
For policy purposes		-1	-	-2	-	-	-
For liquidity purposes		-196	-58	-33	-18	-14	-134
<i>Total cash flows from investments in financial assets</i>		90	-48	-14	-7	-9	-134
NET CASH FLOWS FROM INVESTING ACTIVITIES		-5,124	-7,493	-6,823	-5,482	-4,206	-4,216
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	1	1	1	1	1
Borrowings		20,241	10,789	51,094	51,513	49,101	49,065
Deposits received		-	-	-	-	-	-
Other financing receipts		47	40	53	34	33	37
<i>Total cash received</i>		20,288	10,830	51,148	51,548	49,134	49,103
<i>Cash paid</i>							
Advances paid		-14	-9	-9	-10	-10	-10
Borrowings repaid		-17,250	-5,857	-46,444	-48,193	-47,086	-47,551
Deposits paid		-	-	-	-	-	-
Other financing payments		-98	-88	-114	-126	-128	-130
<i>Total cash paid</i>		-17,362	-5,955	-46,568	-48,328	-47,224	-47,691
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,926	4,875	4,580	3,220	1,910	1,411
Net increase in cash and cash equivalents		366	-730	-729	-790	-525	-199
Cash and cash equivalents at the beginning of the year		5,048	4,914	5,414	4,686	3,896	3,371
Cash and cash equivalents at the end of the year		5,414	4,184	4,686	3,896	3,371	3,172
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,564	1,889	1,515	1,473	1,770	2,606
Net cash flows from investing in non-financial assets		-5,213	-7,445	-6,809	-5,475	-4,197	-4,082
Cash surplus/-deficit	6	-2,649	-5,556	-5,294	-4,002	-2,427	-1,477

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		719	693	853	786	837	891
Interest Income		994	1,177	1,275	1,702	1,986	2,180
Other		8	-	2	-	-	-
<i>Total</i>		1,722	1,870	2,129	2,488	2,823	3,071
EXPENSES							
Salaries		35	37	38	39	40	42
Superannuation							
Concurrent costs		3	4	4	4	4	4
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		14	15	17	17	18	16
Services and contracts		3	10	12	13	14	16
Other gross operating expenses		689	652	644	667	725	768
Other interest		969	1,064	1,160	1,570	1,836	2,014
Dividends and tax equivalents		13	13	54	40	39	43
Current transfers		3	3	3	3	3	3
Capital transfers		-	1	2	1	1	1
<i>Total</i>		1,730	1,801	1,935	2,355	2,681	2,908
NET OPERATING BALANCE	6	-9	69	194	132	142	163
<i>Other economic flows</i>							
Net gains on assets/liabilities		-298	-	-	-	-	-
Net actuarial gains - superannuation		-	-	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		-300	-	-	-	-	-
OPERATING RESULT		-308	69	194	132	142	163
<i>All other movements in equity</i>							
Revaluations		-24	16	89	8	8	8
Gains recognised directly in equity		130	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-101	-	50	5	-	-
Capital injections from general government		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		6	16	139	13	8	8
TOTAL CHANGE IN NET WORTH		-302	85	333	145	150	171
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	-9	69	194	132	142	163
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		8	6	10	9	10	5
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		14	15	17	17	18	16
<i>Total net acquisition of non-financial assets</i>		-6	-9	-6	-9	-8	-12
NET LENDING-/BORROWING	6	-2	78	200	141	150	174

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	Note	2009	2010	2010	2011	2012	2013
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		20	26	21	21	22	22
Advances paid		2,654	2,711	3,553	4,099	4,659	5,241
Investments, loans and placements		19,552	20,675	25,443	28,904	31,010	32,516
Receivables		702	507	715	717	721	726
Investment property		359	357	408	449	488	529
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		990	959	1,143	1,266	1,381	1,505
Other financial assets		26	11	26	26	26	26
Total financial assets		24,302	25,246	31,309	35,482	38,307	40,565
<i>Non-financial assets</i>							
Land		24	42	31	32	33	34
Property, plant and equipment		261	260	246	244	241	239
Biological assets		-	8	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		10	8	11	11	13	11
Non-current assets held for sale		-	-	-	-	-	-
Other		3	1	32	31	31	30
Total non-financial assets		298	319	319	318	317	313
TOTAL ASSETS		24,600	25,565	31,628	35,800	38,624	40,878
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		3	-	1	1	1	1
Borrowings		21,195	22,086	27,823	31,691	34,210	36,131
Unfunded superannuation		11	11	11	12	12	12
Other employee benefits		8	7	7	7	7	7
Payables		54	13	55	104	122	145
Other liabilities		2,320	2,393	2,388	2,499	2,635	2,774
TOTAL LIABILITIES		23,591	24,510	30,286	34,313	36,987	39,071
NET ASSETS		1,009	1,055	1,342	1,487	1,637	1,808
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		894	651	1,086	1,219	1,361	1,523
Other reserves		115	404	256	268	276	284
NET WORTH	6	1,009	1,055	1,342	1,487	1,637	1,808
MEMORANDUM ITEMS							
<i>Net financial worth</i>		-298	-319	-319	-318	-317	-313
<i>Net debt</i>							
Gross debt liabilities		21,199	22,086	27,824	31,691	34,211	36,132
less: liquid financial assets		22,226	23,412	29,018	33,024	35,691	37,779
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		-1,027	-1,326	-1,194	-1,333	-1,480	-1,647

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Grants and subsidies received		-	-	-	-	-	-
Receipts from sales of goods and services		756	709	731	742	800	839
Interest receipts		1,098	1,177	1,275	1,702	1,986	2,180
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		90	71	101	78	81	85
Total cash received		1,944	1,957	2,106	2,522	2,866	3,104
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-37	-40	-41	-42	-44	-45
Payments for goods and services		-592	-551	-607	-580	-614	-657
Interest paid		-892	-1,061	-1,157	-1,569	-1,834	-2,012
Grants and subsidies paid		-1	-1	-	-	-	-
Dividends and tax equivalents		-77	-4	-4	-4	-36	-39
Other payments		-129	-113	-111	-116	-122	-130
Total cash paid		-1,727	-1,769	-1,921	-2,311	-2,650	-2,883
NET CASH FLOWS FROM OPERATING ACTIVITIES		218	189	186	211	216	220
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-8	-6	-10	-9	-10	-5
Sales of non-financial assets		-	-	-	-	-	-
Total cash flows from investments in non-financial assets		-8	-6	-10	-9	-10	-5
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		3,966	1,168	1,689	1,713	1,773	1,830
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-5,215	-1,387	-2,737	-2,417	-2,482	-2,559
Total cash flows from investments in financial assets		-1,249	-220	-1,048	-703	-709	-729
NET CASH FLOWS FROM INVESTING ACTIVITIES		-1,257	-226	-1,059	-712	-718	-734
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		33,437	24,336	69,094	67,814	65,814	65,824
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
Total cash received		33,437	24,336	69,094	67,814	65,814	65,824
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-32,429	-24,297	-68,188	-67,307	-65,305	-65,305
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-1	-5	-2	-2	-2
Total cash paid		-32,429	-24,298	-68,193	-67,309	-65,307	-65,307
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,008	39	901	505	507	517
Net increase in cash and cash equivalents		-32	1	27	4	5	4
Cash and cash equivalents at the beginning of the year		1,604	1,683	1,572	1,600	1,604	1,609
Cash and cash equivalents at the end of the year		1,572	1,684	1,600	1,604	1,609	1,612
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		218	189	186	211	216	220
Net cash flows from investing in non-financial assets		-8	-6	-10	-9	-10	-5
Cash surplus/-deficit	6	210	183	175	202	207	215
Note: Columns may not add due to rounding.							

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
REVENUE							
Taxation		5,432	5,516	5,789	6,121	6,759	7,317
Current grants and subsidies		8,089	7,838	8,230	7,976	8,156	8,449
Capital grants		411	1,560	1,620	1,080	683	763
Sales of goods and services		10,797	11,221	10,738	11,213	12,144	13,753
Interest Income		648	534	645	696	727	748
Royalty income		2,348	2,577	2,000	2,451	2,840	2,885
Other		926	677	782	657	735	787
<i>Total</i>		<i>28,651</i>	<i>29,923</i>	<i>29,803</i>	<i>30,195</i>	<i>32,044</i>	<i>34,702</i>
EXPENSES							
Salaries		8,634	8,842	9,187	9,609	10,108	10,674
Superannuation							
Concurrent costs		829	845	881	919	965	1,018
Superannuation interest cost		330	349	425	417	429	440
Other employee costs		248	213	215	221	228	234
Depreciation and amortisation		2,088	1,878	2,174	2,370	2,539	2,593
Services and contracts		2,766	1,932	1,955	1,913	1,942	1,984
Other gross operating expenses		8,621	9,928	9,321	9,025	9,673	10,799
Other interest		1,000	1,097	1,177	1,543	1,845	1,955
Other property expenses		-	-	-	-	-	-
Current transfers		3,477	3,960	3,932	4,287	4,201	4,279
Capital transfers		570	323	465	310	285	314
<i>Total</i>		<i>28,564</i>	<i>29,367</i>	<i>29,733</i>	<i>30,615</i>	<i>32,216</i>	<i>34,289</i>
NET OPERATING BALANCE	6	87	556	70	-420	-172	414
<i>Other economic flows</i>							
Net gains on assets/liabilities		-122	413	461	395	348	443
Net actuarial gains - superannuation		-1,301	303	177	-161	-162	-163
Provision for doubtful debts		3	-10	-9	-10	-11	-12
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>-1,420</i>	<i>707</i>	<i>628</i>	<i>224</i>	<i>175</i>	<i>268</i>
OPERATING RESULT		-1,332	1,262	698	-196	3	682
<i>All other movements in equity</i>							
Revaluations		15,724	1,988	2,283	2,827	3,108	2,979
Gains recognised directly in equity		452	-27	-31	-33	-51	-60
Changes in accounting policy/correction of prior period errors		-461	-	-129	-24	34	10
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>15,715</i>	<i>1,961</i>	<i>2,123</i>	<i>2,769</i>	<i>3,092</i>	<i>2,928</i>
TOTAL CHANGE IN NET WORTH		14,382	3,223	2,821	2,573	3,094	3,610
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE	6	87	556	70	-420	-172	414
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,795	8,272	7,649	6,434	5,308	5,169
Changes in inventories		714	-29	217	-299	4	5
Other movement in non-financial assets		-79	94	103	-23	486	-16
<i>less:</i>							
Sales of non-financial assets		574	821	829	950	1,102	1,082
Depreciation		2,088	1,878	2,174	2,370	2,539	2,593
<i>Total net acquisition of non-financial assets</i>		<i>3,768</i>	<i>5,638</i>	<i>4,965</i>	<i>2,793</i>	<i>2,157</i>	<i>1,483</i>
NET LENDING/-BORROWING	6	-3,681	-5,083	-4,895	-3,213	-2,330	-1,069

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	Note	2009	2010	2010	2011	2012	2013
		Actual	Budget Estimate	Mid-year Revision	Mid-year Revision	Mid-year Revision	Mid-year Revision
		\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
<i>Financial assets</i>							
Cash and deposits		916	865	994	1,055	1,159	1,238
Advances paid		2,871	2,909	3,769	4,309	4,865	5,442
Investments, loans and placements		9,528	4,612	8,512	7,724	7,136	6,888
Receivables		3,293	3,658	3,717	3,789	4,075	4,299
Investment property		386	366	439	479	517	558
Equity - Investments in other entities		1,004	1,021	1,158	1,277	1,383	1,552
Other financial assets		26	12	26	26	26	26
<i>Total financial assets</i>		<i>18,024</i>	<i>13,443</i>	<i>18,616</i>	<i>18,659</i>	<i>19,162</i>	<i>20,003</i>
<i>Non-financial assets</i>							
Land		52,850	49,910	53,883	55,368	56,955	58,411
Property, plant and equipment		68,921	67,308	75,688	80,392	84,642	88,264
Biological assets		364	381	378	379	380	381
Inventories							
Land inventories		1,483	1,547	1,530	1,690	1,667	1,688
Other inventories		1,771	1,160	1,988	1,689	1,693	1,698
Intangibles		580	452	526	513	511	494
Non-current assets held for sale		19	39	39	19	19	19
Other		204	86	215	234	222	220
<i>Total non-financial assets</i>		<i>126,192</i>	<i>120,885</i>	<i>134,247</i>	<i>140,284</i>	<i>146,089</i>	<i>151,174</i>
TOTAL ASSETS		144,216	134,327	152,863	158,943	165,251	171,176
LIABILITIES							
Deposits held		141	123	147	147	147	147
Advances received		496	491	487	477	468	458
Borrowings		19,453	20,223	24,651	28,155	30,938	32,802
Unfunded superannuation		7,221	7,530	7,087	7,252	7,401	7,529
Other employee benefits		2,382	2,351	2,488	2,575	2,671	2,769
Payables		3,387	3,162	3,975	3,598	3,659	3,720
Other liabilities		3,973	3,914	4,044	4,184	4,315	4,490
TOTAL LIABILITIES		37,054	37,794	42,879	46,387	49,600	51,916
NET ASSETS		107,162	96,533	109,983	112,557	115,651	119,261
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		27,194	27,645	32,125	31,851	31,767	32,344
Other reserves		79,968	68,888	77,859	80,706	83,884	86,916
NET WORTH	6	107,162	96,533	109,983	112,557	115,651	119,261
MEMORANDUM ITEMS							
<i>Net financial worth</i>		<i>-19,030</i>	<i>-24,352</i>	<i>-24,264</i>	<i>-27,728</i>	<i>-30,438</i>	<i>-31,913</i>
<i>Net financial liabilities</i>		<i>20,034</i>	<i>25,372</i>	<i>25,422</i>	<i>29,005</i>	<i>31,821</i>	<i>33,465</i>
<i>Net debt</i>							
Gross debt liabilities		20,091	20,837	25,285	28,779	31,553	33,407
less: liquid financial assets		13,315	8,385	13,275	13,088	13,160	13,568
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		<i>6,688</i>	<i>12,364</i>	<i>11,921</i>	<i>15,602</i>	<i>18,305</i>	<i>19,751</i>
Note: Columns may not add due to rounding.							

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	Note	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received		5,559	5,446	5,757	6,084	6,719	7,275
Grants and subsidies received		8,538	9,369	9,816	9,023	8,827	9,201
Receipts from sales of goods and services		11,978	11,380	10,657	11,129	12,001	13,664
Interest receipts		729	486	623	645	703	695
Dividends and tax equivalents		-	-	-	-	-	-
Other		4,431	4,662	4,031	4,653	5,113	5,175
<i>Total cash received</i>		31,234	31,343	30,885	31,536	33,363	36,010
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-9,516	-10,102	-10,448	-10,968	-11,542	-12,220
Payments for goods and services		-12,122	-11,829	-11,099	-10,452	-11,240	-12,078
Interest paid		-914	-1,066	-1,131	-1,498	-1,714	-1,824
Grants and subsidies paid		-3,658	-4,055	-4,085	-4,441	-4,320	-4,416
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-2,243	-2,213	-2,422	-2,493	-2,561	-2,646
<i>Total cash paid</i>		-28,453	-29,266	-29,185	-29,852	-31,377	-33,185
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,782	2,077	1,700	1,684	1,987	2,826
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,795	-8,272	-7,649	-6,434	-5,308	-5,169
Sales of non-financial assets		574	821	829	950	1,102	1,082
<i>Total cash flows from investments in non-financial assets</i>		-5,221	-7,451	-6,819	-5,484	-4,207	-4,087
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		1	-9	-	-	-	-
For liquidity purposes		4,242	1,177	1,709	1,724	1,778	1,830
<i>Cash paid</i>							
For policy purposes		-1	-	-2	-	-	-
For liquidity purposes		-5,402	-1,445	-2,769	-2,434	-2,496	-2,693
<i>Total cash flows from investments in financial assets</i>		-1,160	-277	-1,062	-710	-718	-863
NET CASH FLOWS FROM INVESTING ACTIVITIES		-6,381	-7,728	-7,882	-6,195	-4,924	-4,950
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received		-	1	1	1	1	1
Borrowings		16,230	18,396	22,051	19,784	19,021	18,756
Deposits received		-	-	-	-	-	-
Other financing receipts		47	40	53	34	33	37
<i>Total cash received</i>		16,277	18,437	22,105	19,818	19,054	18,794
<i>Cash paid</i>							
Advances paid		-14	-9	-9	-10	-10	-10
Borrowings repaid		-12,231	-13,425	-16,496	-15,956	-16,498	-16,724
Deposits paid		-	-	-	-	-	-
Other financing payments		-98	-89	-119	-127	-130	-132
<i>Total cash paid</i>		-12,343	-13,524	-16,624	-16,093	-16,637	-16,866
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,934	4,913	5,480	3,725	2,417	1,929
Net increase in cash and cash equivalents		335	-738	-701	-785	-521	-195
Cash and cash equivalents at the beginning of the year		6,652	6,569	6,987	6,285	5,500	4,979
Cash and cash equivalents at the end of the year		6,987	5,831	6,285	5,500	4,979	4,784
KEY FISCAL AGGREGATES							
Net cash flows from operating activities		2,782	2,077	1,700	1,684	1,987	2,826
Net cash flows from investing in non-financial assets		-5,221	-7,451	-6,819	-5,484	-4,207	-4,087
Cash surplus/-deficit	6	-2,439	-5,374	-5,119	-3,800	-2,220	-1,261
Note: Columns may not add due to rounding.							

NOTE 1: STATEMENT OF COMPLIANCE

The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*.

The presentation in this appendix is consistent with AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, applying to all reporting periods from 1 July 2008.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial projections are a requirement of the *Government Financial Responsibility Act 2000*.

(a) *The reporting entity*

The reporting entity is the *Government of Western Australia* (the public sector) and includes entities under its control.

(b) *Basis of preparation*

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the *2008-09 Annual Report on State Finances (ARSF)*, which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2008-09 ARSF.

The projections are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m).

(c) *Unaudited data*

These financial projections are not subject to audit.

(d) *Comparative figures*

Comparative information for 2008-09 are based on the audited actual data presented in the 2008-09 ARSF.

NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

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

NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

Transfer expenses are defined as the provision of something of value for no specific return or consideration and include grants, subsidies, donations, transfers of assets free of charge, etc.

The following table provides detail of current and capital transfer expenses of the general government sector, in line with Uniform Presentation Framework disclosure requirements.

TRANSFER EXPENSES ^(a)
General Government

	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local Government	216	221	218	183	181	193
Local Government on-passing	132	137	137	143	150	157
Private and Not-for-profit sector	1,792	2,075	1,887	2,199	2,219	2,298
Private and Not-for-profit sector on-passing	751	654	967	887	766	805
Other sectors of Government	1,663	1,992	1,883	1,780	1,747	1,794
<i>Total Current Transfers</i>	<i>4,554</i>	<i>5,078</i>	<i>5,090</i>	<i>5,192</i>	<i>5,063</i>	<i>5,247</i>
<i>CAPITAL TRANSFERS</i>						
Local Government	171	85	81	89	77	93
Local Government on-passing	89	92	92	95	99	103
Private and Not-for-profit sector	276	139	279	125	107	116
Private and Not-for-profit sector on-passing	18	-	-	-	-	-
Other sectors of Government	46	93	146	113	114	120
<i>Total Capital Transfers</i>	<i>600</i>	<i>408</i>	<i>598</i>	<i>422</i>	<i>398</i>	<i>432</i>

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

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

	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	500	648	684	737	833	959
Public order and safety	2,187	2,201	2,354	2,460	2,535	2,630
Education	4,884	5,188	5,544	5,557	5,634	5,736
Health	4,722	4,914	4,883	5,157	5,451	5,811
Social security and welfare	1,127	1,292	1,256	1,377	1,422	1,469
Housing and community amenities	1,866	1,726	1,716	1,583	1,605	1,636
Recreation and culture	620	559	593	620	624	629
Fuel and energy	120	365	311	181	179	189
Agriculture, forestry, fishing and hunting	418	421	377	347	342	346
Mining and mineral resources other than fuels; manufacturing; and construction	237	166	174	185	186	182
Transport and communications	1,476	1,738	1,716	1,695	1,782	1,923
Other economic affairs	380	596	510	517	502	498
Other purposes	581	477	717	927	1,112	1,215
Total General Government Expenses	19,117	20,291	20,834	21,342	22,205	23,223
<i>Purchases of new non-financial assets</i>						
General public services	270	226	265	231	218	213
Public order and safety	176	424	441	292	249	154
Education	301	1,098	1,106	757	345	211
Health	347	552	523	678	944	725
Social security and welfare	39	46	61	53	51	28
Housing and community amenities	184	280	219	82	181	187
Recreation and culture	70	238	265	198	42	22
Fuel and energy	3	2	2	2	4	1
Agriculture, forestry, fishing and hunting	16	25	20	16	36	94
Mining and mineral resources other than fuels; manufacturing; and construction	6	1	1	1	1	1
Transport and communications	790	661	705	522	498	463
Other economic affairs	54	358	359	97	78	12
Other purposes	-	-	-350	-	-	-
Total Purchases of Non-financial Assets	2,255	3,912	3,619	2,929	2,648	2,112

(a) Data in this table are for consolidated general government aggregates and exclude internal transactions within the sector. In relation to purchases of non-financial assets, the information in this table represents spending by function on fixed assets by general government agencies, which has a different sectoral coverage to the Asset Investment Program.

NOTE 6: CONVERGENCE DIFFERENCES

Where possible, AASB 1049 harmonises GFS and accounting concepts into a single presentation. Where harmonisation cannot be achieved (e.g. the recognition of a doubtful debts provision is excluded from GFS net worth), a convergence difference arises.

The following tables detail all convergence differences in the forward estimates.

AASB 1049 TO GFS CONVERGENCE DIFFERENCES

Net Operating Balance

	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net operating balance	318	409	51	-336	-125	196
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	199	83	3	-	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	199	83	3	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	199	83	3	-	-	-
GFS net operating balance	517	492	53	-336	-125	196
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	-222	78	-175	-217	-189	55
<i>Less GFS expense adjustments</i>						
Capitalised interest	43	32	29	27	15	16
Total GFS expense adjustments	43	32	29	27	15	16
Total GFS adjustments to AASB 1049 net operating balance	-43	-32	-29	-27	-15	-16
GFS net operating balance	-265	46	-204	-244	-205	39
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	96	487	-124	-553	-314	251
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	199	83	3	-	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	199	83	3	-	-	-
<i>Less GFS expense adjustments</i>						
Capitalised interest	43	32	29	27	15	16
Total GFS expense adjustments	43	32	29	27	15	16
Total GFS adjustments to AASB 1049 net operating balance	157	51	-26	-27	-15	-16
GFS net operating balance	252	538	-150	-580	-329	235
<u>Public financial corporations</u>						
AASB1049 net operating balance	-9	69	194	132	142	163
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-	-	-
GFS net operating balance	-9	69	194	132	142	163
<u>Total public sector</u>						
AASB1049 net operating balance	87	556	70	-420	-172	414
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	199	83	3	-	-	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	199	83	3	-	-	-
<i>Less GFS expense adjustments</i>						
Capitalised interest	43	32	29	27	15	16
Total GFS expense adjustments	43	32	29	27	15	16
Total GFS adjustments to AASB 1049 net operating balance	157	51	-26	-27	-15	-16
GFS net operating balance	244	607	44	-448	-187	398

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Lending/-Borrowing

	2008-09 Actual \$m	2009-10 Budget Estimate \$m	2009-10 Mid-year Revision \$m	2010-11 Mid-year Revision \$m	2011-12 Mid-year Revision \$m	2012-13 Mid-year Revision \$m
<u>General government</u>						
AASB1049 net lending/-borrowing	-987	-2,418	-2,477	-2,052	-1,570	-691
Plus Net operating balance convergence difference (noted above)	199	83	3	-	-	-
GFS net lending/-borrowing	-787	-2,335	-2,474	-2,052	-1,570	-691
<u>Public non-financial corporations</u>						
AASB1049 net lending/-borrowing	-2,692	-2,743	-2,618	-1,302	-910	-552
Plus Net operating balance convergence difference (noted above)	-43	-32	-29	-27	-15	-16
GFS net lending/-borrowing	-2,735	-2,775	-2,647	-1,330	-925	-568
<u>Total non-financial public sector</u>						
AASB1049 net lending/-borrowing	-3,679	-5,161	-5,095	-3,354	-2,479	-1,243
Plus Net operating balance convergence difference (noted above)	157	51	-26	-27	-15	-16
GFS net lending/-borrowing	-3,522	-5,110	-5,121	-3,381	-2,495	-1,259
<u>Public financial corporations</u>						
AASB1049 net lending/-borrowing	-2	78	200	141	150	174
Plus Net operating balance convergence difference (noted above)	-	-	-	-	-	-
GFS net lending/-borrowing	-2	78	200	141	150	174
<u>Total public sector</u>						
AASB1049 net lending/-borrowing	-3,681	-5,083	-4,895	-3,213	-2,330	-1,069
Plus Net operating balance convergence difference (noted above)	157	51	-26	-27	-15	-16
GFS net lending/-borrowing	-3,524	-5,032	-4,921	-3,240	-2,345	-1,085

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Net Worth at 30 June

	2009	2010	2010	2011	2012	2013
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net worth	107,162	96,533	109,983	112,557	115,651	119,261
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
General government sector	158	184	158	158	158	158
Impact on public corporations net worth	29	11	7	10	9	12
Impact of AusLink Road grants prepayments	-72	-7	-	-	-	-
Total GFS net worth adjustments	204	276	253	256	255	258
GFS net worth	107,366	96,809	110,236	112,812	115,906	119,518
<u>Public non-financial corporations</u>						
AASB1049 net worth	43,108	33,571	44,982	46,669	48,154	49,864
<i>Plus</i>						
Impact of general government equity injections	-3,164	-4,212	-4,139	-4,764	-5,090	-5,461
Provision for doubtful debts	29	10	7	10	9	11
Total GFS net worth adjustments	-3,136	-4,202	-4,132	-4,754	-5,082	-5,450
GFS net worth	39,972	29,369	40,850	41,915	43,072	44,414
<u>Total non-financial public sector</u>						
AASB1049 net worth	107,162	96,533	109,983	112,557	115,651	119,261
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
Total non-financial public sector	187	194	165	167	166	169
Impact on public corporations net worth	-	1	-	-	-	-
Impact of AusLink Road grants prepayments	-72	-7	-	-	-	-
Total GFS net worth adjustments	204	276	253	256	255	258
GFS net worth	107,366	96,809	110,236	112,812	115,906	119,518
<u>Public financial corporations</u>						
AASB1049 net worth	1,009	1,055	1,342	1,487	1,637	1,808
<i>Plus</i>						
Provision for doubtful debts	-	1	-	-	-	-
Total GFS net worth adjustments	-	1	-	-	-	-
GFS net worth	1,009	1,056	1,342	1,488	1,637	1,808
<u>Total public sector</u>						
AASB1049 net worth	107,162	96,533	109,983	112,557	115,651	119,261
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts	187	194	165	168	167	170
Impact of AusLink Road grants prepayments	-72	-7	-	-	-	-
Total GFS net worth adjustments	204	276	253	256	255	258
GFS net worth	107,366	96,809	110,236	112,812	115,906	119,518

AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

Cash Surplus/-Deficit

	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	\$m	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	-375	-2,308	-2,277	-1,896	-1,393	-599
Less Acquisitions under finance leases and similar arrangements	7	1	5	2	2	-
GFS cash surplus/-deficit	-382	-2,309	-2,281	-1,899	-1,395	-599
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-2,275	-3,248	-3,018	-2,106	-1,033	-877
Less Acquisitions under finance leases and similar arrangements	-	129	132	-	499	-
GFS cash surplus/-deficit	-2,275	-3,377	-3,149	-2,106	-1,532	-877
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-2,649	-5,556	-5,294	-4,002	-2,427	-1,477
Less Acquisitions under finance leases and similar arrangements	7	130	136	3	501	-
GFS cash surplus/-deficit	-2,657	-5,687	-5,430	-4,005	-2,928	-1,477
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	210	183	175	202	207	215
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
GFS cash surplus/-deficit	210	183	175	202	207	215
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-2,439	-5,374	-5,119	-3,800	-2,220	-1,261
Less Acquisitions under finance leases and similar arrangements	7	130	136	3	501	-
GFS cash surplus/-deficit	-2,447	-5,504	-5,255	-3,803	-2,721	-1,261

NOTE 7: LOAN COUNCIL ALLOCATION

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

An LCA deficit of \$5,939 million is forecast for 2009-10, up from the budget-time projection of \$5,332 million. This \$607 million increase largely reflects higher Keystart home lending activity (up \$825 million) due to the impact of the First Home Owners' Boost, and the tighter lending conditions imposed by private institutions following the global financial turmoil during the last year. Partly offsetting this change is a lower than expected deficit for the public non-financial corporations sector (down \$230 million), due to lower than anticipated capital spending and an improvement in the operating outlook². The estimated outturn exceeds the \$549 million tolerance limit on the original \$2,820 million LCA deficit nomination included in the 2008-09 mid-year review.

An LCA deficit of \$4,162 million is forecast for 2010-11. The lower deficit compared to 2009-10 reflects lower cash deficits for both the general government and public non-financial corporations sectors (down a combined \$1,292 million), and a moderation in Keystart home lending activity (down \$353 million).

LOAN COUNCIL ALLOCATIONS

Western Australia

	2009-10		2010-11 Nomination \$m
	Budget Estimate \$m	Mid-year Revision \$m	
General government cash surplus/deficit	2,308	2,277	1,896
Public non-financial Corporations sector cash surplus/deficit	3,248	3,018	2,106
<i>Total non-financial public sector cash surplus/deficit</i>	<i>5,556</i>	<i>5,294</i>	<i>4,002</i>
Acquisitions under finance leases and similar arrangements	130	136	3
<i>GFS cash surplus/deficit</i>	<i>5,687</i>	<i>5,430</i>	<i>4,005</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	2	-
Plus: Memorandum items ^(a)	-355	509	157
Loan Council Allocation	5,332	5,939	4,162
<i>Tolerance Limit ^(b)</i>			<i>600</i>

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

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

Note: Columns may not add due to rounding.

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

² See details earlier in this chapter.

APPENDIX 2

General Government Operating Revenue

This appendix contains general government revenue estimates prepared on an accrual basis consistent with Australian Accounting Standards and Government Finance Statistics frameworks.

Table 2.1

OPERATING REVENUE						
General Government						
	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	2,246	2,216	2,327	2,484	2,724	2,955
Property taxes						
<i>Land tax</i>	568	547	541	460	483	531
Transfer Duty	1,102	1,186	1,293	1,474	1,726	1,868
Landholder Duty	24	37	52	46	53	58
<i>Total duty on transfers</i>	1,126	1,223	1,345	1,520	1,780	1,926
Mortgages	4	-	-	-	-	-
Other stamp duties	1	1	1	1	1	1
Metropolitan Region Improvement Tax	82	81	81	69	72	80
Emergency Services Levy	157	168	168	180	185	199
Loan guarantee fees	19	26	25	28	30	31
<i>Total other property taxes</i>	264	275	274	277	287	310
Taxes on provision of goods and services						
Lotteries Commission	134	126	126	131	135	139
Video lottery terminals	-	1	-	1	1	1
Casino Tax	91	84	90	92	94	96
Betting tax	32	37	34	36	39	41
<i>Total taxes on gambling</i>	257	248	251	259	268	276
Insurance Duty	377	388	401	431	463	499
Other	21	18	18	20	20	20
<i>Total taxes on insurance</i>	397	407	419	451	483	518
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	318	323	328	353	395	442
Permits - Oversize Vehicles and Loads	4	4	4	4	4	4
Motor Vehicle recording fee	40	41	41	43	45	46
Motor Vehicle registrations	486	490	515	541	569	595
<i>Total motor vehicle taxes</i>	848	859	888	941	1,013	1,088
Total Taxation	5,706	5,775	6,046	6,392	7,038	7,604

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE
General Government

	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST Revenue grants	3,529	3,332	3,415	3,257	3,227	3,289
North West Shelf grants	844	930	746	958	1,027	1,094
Compensation for Crude Oil Excise Condensate	23	60	94	57	57	57
<i>Grants Through the State</i>						
Schools assistance – non-government schools	751	654	967	887	766	805
Local government financial assistance grants	132	137	137	143	150	157
Local government roads	89	92	92	95	99	103
First Home Owners' Boost	100	31	111	-	-	-
Other	-	25	25	25	25	25
<i>National Specific Purpose Payment Agreement Grants ^(a)</i>						
National Health Care Agreement	1,056	1,136	1,136	1,228	1,333	1,444
National Education Agreement	318	329	329	352	377	409
National Agreement for Skills and Workforce Development	131	132	132	135	138	142
National Disability Agreement	75	78	78	94	112	122
National Affordable Housing Agreement	122	125	125	127	129	132
<i>Nation Building and Jobs Plan</i>						
Schools	78	77	77	6	-	-
Housing	22	40	20	-	-	-
Transport	15	10	9	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	29	127	11	16	15	15
Roads	38	52	52	50	51	50
Other	737	474	675	546	651	605
Total Current Grants and Subsidies	8,089	7,838	8,230	7,976	8,156	8,449
CAPITAL GRANTS						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	18	-	-	-	-	-
<i>Nation Building and Jobs Plan</i>						
Schools	-	628	629	431	41	-
Housing	4	387	368	155	20	-
Transport	10	5	7	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	40	87	188	85	101	135
Roads	229	198	198	209	253	307
Other	111	255	230	200	267	322
Total Capital Grants	411	1,560	1,620	1,080	683	763

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

OPERATING REVENUE						
General Government						
	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
Department of Transport	142	160	143	154	168	176
Department of Health	340	350	339	358	378	400
Department of Education	170	197	186	198	196	202
TAFE Colleges	100	102	111	116	122	126
Land Information Authority	81	103	101	120	119	128
Department of the Attorney General	69	83	82	91	90	92
Department of Corrective Services	21	19	19	21	23	23
Department of Environment and Conservation	69	107	77	104	105	106
Department of Commerce	41	41	44	47	45	45
Department of Fisheries	24	25	27	28	29	29
Department of Culture and the Arts	24	21	27	27	28	28
Western Australia Police	28	26	26	27	28	28
All Other	300	391	341	351	393	420
Total Sale of Goods and Services	1,410	1,627	1,523	1,641	1,724	1,804
INTEREST INCOME	285	144	153	162	213	227
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	466	536	592	544	607	718
Tax Equivalent Regime	355	319	387	381	427	574
Total Revenue from Public Corporations	821	855	979	926	1,034	1,292
ROYALTY INCOME	2,348	2,577	2,000	2,451	2,840	2,885
OTHER						
Lease Rentals	65	64	64	66	67	69
Fines	138	129	129	186	207	209
Revenue not elsewhere counted	161	130	140	127	117	118
Total Other	364	324	334	379	392	395
TOTAL REVENUE	19,435	20,700	20,884	21,006	22,080	23,419

(a) SPP figures for 2008-09 have been derived to show grants on a consistent basis over time.

Note: Columns may not add due to rounding.

Policy Decisions Affecting Spending

This appendix provides details of the changes in general government expenses and total public sector infrastructure spending due to policy decisions made between the cut-off date for the 2009-10 Budget (16 April 2009) and the cut-off date for this mid-year review (30 November 2009).

Table 3.1

SUMMARY OF SPENDING DECISIONS SINCE THE 2009-10 BUDGET

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
GENERAL GOVERNMENT SECTOR EXPENSES				
Attorney General	0.3	0.2	0.2	0.2
Child Protection	1.4	4.6	8.2	8.5
Communities	-24.9	0.4	0.4	0.4
Culture and the Arts	-	1.0	-	-
Education	2.0	2.0	0.8	0.8
Education Services	1.5	-	-	-
Fisheries	3.3	3.9	3.9	3.9
Housing Authority ^(a)	0.6	0.6	0.6	0.6
Indigenous Affairs	1.9	1.9	1.9	1.9
Mines and Petroleum	8.0	14.5	16.7	18.9
Office of Energy	-	2.0	2.0	2.0
Premier and Cabinet	0.3	-	-	-
Public Transport Authority ^(a)	0.7	0.4	0.1	0.2
Racing and Wagering Western Australia ^(a)	-	0.7	1.6	2.2
Regional Development and Lands	5.0	5.2	5.4	5.7
<i>Royalties for Regions</i> – Regional and State-wide Initiatives	-130.0	48.0	42.0	40.0
State Development	0.5	-	-	-
Training and Workforce Development	0.2	0.3	0.3	0.4
Transport	8.5	5.4	-	-
Treasury and Finance	0.4	-	-	-
WA Health	-4.7	9.5	2.1	0.8
Water	3.9	4.5	0.4	0.4
Western Australian Planning Commission	0.7	-0.1	-0.1	-0.1
Western Australian Sports Centre Trust	1.8	1.7	1.6	1.8
TOTAL EXPENSES	-118.7	106.7	88.1	88.4
TOTAL PUBLIC SECTOR PURCHASE OF NON-FINANCIAL ASSETS				
Child Protection	24.9	23.7	4.4	2.7
Corrective Services	32.8	16.0	-20.0	-40.0
Esperance Port Authority	5.8	-	-	-
Lotteries Commission	0.4	-	-	-
Public Transport Authority	15.3	21.2	121.8	152.3
<i>Royalties for Regions</i> – Regional and State-wide Initiatives	-9.0	-10.1	-6.4	-5.4
Oakajee Port Project	-	-	-	339.0
North Country Line Reinforcement	10.0	120.0	140.0	30.0
TOTAL PURCHASE OF NON-FINANCIAL ASSETS	80.2	170.8	239.7	478.6

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

Note: Columns may not add due to rounding.

Attorney General

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Office of the Public Advocate – <i>Acts Amendment (Consent to Medical Treatment) Act 2008</i>	0.3	0.2	0.2	0.2
Total expenses	0.3	0.2	0.2	0.2

Expenses

- A total of \$1 million will be spent over four years by the Office of the Public Advocate to provide training to key service providers and information to the public on Enduring Powers of Guardianship, following Cabinet approval to implement the *Acts Amendment (Consent to Medical Treatment) Act 2008*.

Child Protection

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Homelessness National Partnership Agreement	0.6	1.2	1.2	1.2
Continuation of Bereavement Assistance Program	0.8	0.8	0.8	0.8
Reform and Expansion of Residential Care	-	2.6	6.2	6.4
Total expenses	1.4	4.6	8.2	8.5
Purchase of non-financial assets				
Reform and Expansion of Residential Care	24.9	23.7	4.4	2.7
Total purchase of non-financial assets	24.9	23.7	4.4	2.7

Expenses

- Under the Homelessness National Partnership Agreement, the State will spend \$4.2 million over four years as part of its matching funding requirements on homelessness support services.
- \$785,000 per annum will be spent on the continuation of the Bereavement Assistance Program, to provide financial assistance for funeral expenses to eligible Western Australian families who are unable to meet these costs due to genuine financial hardship.
- Consistent with the recommendations of the 2007 Ford Review, an additional \$15.3 million has been allocated over three years to reform and expand residential care services to improve the quality of statutory services provided to children in care, including better targeted and more appropriate therapeutic treatment. Additional infrastructure costs as part of this decision are noted below.

Purchase of Non-Financial Assets

- A total of \$55.7 million will be spent on infrastructure as part of the above decision to expand residential care services.

Communities

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
National Partnership – Indigenous Economic Participation	0.4	0.4	0.4	0.4
Seniors' Cost of Living Rebate – Timing Change	-25.8	-	-	-
Leeuwin Ocean Adventure Foundation	0.5	-	-	-
Total expenses	-24.9	0.4	0.4	0.4

Expenses

- As part of the Indigenous Economic Participation National Partnership Agreement, the Department for Communities will spend a total of \$1.5 million over four years to enable conversion of the Commonwealth's Community Development Employment Program positions to State public sector positions.
- As part of the Government's package of mid-year review corrective measures, payments relating to the Seniors' Cost of Living Rebate are to be paid in July of each calendar year (compared with the previous March payment schedule). Importantly, this is still consistent with the Government's election commitment.
- An amount of \$500,000 will be provided to the Leeuwin Ocean Adventure Foundation, with funding coming from the Gaming Community Trust.

Corrective Services

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Purchase of non-financial assets				
Additional Prisoner Accommodation	32.0	16.0	-20.0	-40.0
Expansion of Capacity at Training Academy	0.8	-	-	-
Total purchase of non-financial assets	32.8	16.0	-20.0	-40.0

Purchase of Non-Financial Assets

- An urgent requirement to provide 640 additional prison beds has arisen from the implementation of the Government's law and order policies and the tightening of parole conditions by the Prisoner Review Board. The \$48 million cost will be funded through the allocation of funds from the existing Custodial Infrastructure Program. The flow-on recurrent cost of this decision is estimated at \$41 million in 2009-10 and \$169 million over the four years to 2012-13. This flow-on cost is treated as a parameter change for mid-year review disclosure purposes.

- The high level of growth in the prisoner population requires staff to be recruited over and above normal levels. The physical capacity of the Corrective Services Training Academy is to be expanded to provide for the additional training required. A total of \$750,000 will be spent in 2009-10 to create this additional capacity.

Culture and the Arts

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Berlin Philharmonic Orchestra	-	1.0	-	-
Total expenses	-	1.0	-	-

Expenses

- \$960,000 will be spent to host the Berlin Philharmonic Orchestra at the Perth Concert Hall in November 2010. \$300,000 of the cost will be met by the State, with the remainder to be funded through revenue and private sponsorship.

Education

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
National Partnership – Indigenous Economic Participation	0.8	0.8	0.8	0.8
Resourcing Small Secondary Schools for the Half Cohort	1.2	1.2	-	-
Total expenses	2.0	2.0	0.8	0.8

Expenses

- As part of the Indigenous Economic Participation National Partnership Agreement, the Department of Education will spend a total of \$3.3 million over four years to enable the conversion of positions that were formerly part of the Commonwealth's Community Development Employment Program.
- Due to a legislated change in the school starting age, children turning six after 30 June 2003 were not admitted into Year 1 until 2004, causing the 2003 Year 1 intake to be around half its normal size. This student group (known as the half-cohort) will enter Year 8 in 2010. Additional expenditure of \$2.5 million has been approved to enable small secondary schools to provide an adequate curriculum range to Year 8 students in 2010. Without this support, such schools would potentially incur staff reductions due to the enrolment-based staffing formula.

Education Services

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Expanded UWA Facility in Albany	1.5	-	-	-
Total expenses	1.5	-	-	-

Expenses

- The University of Western Australia will receive \$1.5 million to expand its Albany campus, including the establishment of an Albany Sciences Building.

Esperance Port Authority

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Purchase of non-financial assets				
Nickel Concentrate Circuit Upgrade	5.8	-	-	-
Total purchase of non-financial asset	5.8	-	-	-

Purchase of Non-Financial Assets

- In May 2009, the Government approved additional expenditure of \$26.2 million in 2008-09 and \$5.8 million in 2009-10 for the Esperance Port Authority to undertake the urgent upgrade of existing facilities for the export of bulk nickel concentrate.

Fisheries

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Revised Recreational Fishing Arrangements	3.3	3.9	3.9	3.9
Total expenses	3.3	3.9	3.9	3.9

Expenses

- \$15 million will be spent over four years to fund additional positions to carry out compliance and education functions under the recently approved management arrangements for recreational fishing in Western Australia. This spending is to be funded from a combination of appropriation by Government and revenue collected from new recreational licence fee arrangements.

Housing Authority

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
National Partnership – Indigenous Economic Participation	0.6	0.6	0.6	0.6
Total expenses	0.6	0.6	0.6	0.6

Expenses

- As part of the Indigenous Economic Participation National Partnership Agreement, the Housing Authority will spend a total of \$2.3 million over four years to enable the conversion of Commonwealth Community Development Employment Program positions to State public sector positions.

Indigenous Affairs

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
National Partnership – Indigenous Economic Participation	1.9	1.9	1.9	1.9
Total expenses	1.9	1.9	1.9	1.9

Expenses

- As part of the Indigenous Economic Participation National Partnership Agreement, the Department of Indigenous Affairs will spend a total of \$7.4 million over four years to convert Commonwealth Community Development Employment Program positions to permanent, paid positions within Aboriginal Community Patrols provided through non-government organisations.

Lotteries Commission

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Purchase of non-financial assets				
Sale of Lotterywest Products via the Internet	0.4	-	-	-
Total purchase of non-financial assets	0.4	-	-	-

Purchase of Non-Financial Assets

- \$440,000 will be spent in 2009-10 on the development of an online sales channel for Lotterywest products. This will address a potential ongoing loss of sales to internet gaming providers.

Mines and Petroleum

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Delivering Best Practice Safety Regulation for the Western Australian Resources Industry	8.0	14.5	16.7	18.9
Total expenses	8.0	14.5	16.7	18.9

Expenses

- \$58.1 million will be spent over four years to enhance the administration of occupational safety and health legislation covering Western Australia's resources industry. These costs will be funded by the phased introduction of a cost recovery regime.

Office of Energy

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Solar Water Heater Subsidy Scheme	-	2.0	2.0	2.0
Total expenses	-	2.0	2.0	2.0

Expenses

- \$2 million per annum will be spent on the continuation of the Solar Water Heater Subsidy Scheme over the period 2010-11 to 2012-13.

Premier and Cabinet

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Red Cross Appeal (Indonesia and Samoa)	0.3	-	-	-
Total expenses	0.3	-	-	-

Expenses

- A donation of \$250,000 was paid in 2009-10 to the Red Cross Appeal for the earthquake disasters in Indonesia and Samoa.

Public Transport Authority

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Student Conveyance Allowance	-	0.1	0.1	0.2
The Hub (Northbridge Link)	0.5	0.4	-	-
Bus Security Program	0.2	-	-	-
Total expenses	0.7	0.4	0.1	0.2
Purchase of non-financial assets				
Bus Replacement Program	-	-	41.5	43.5
The Hub (Northbridge Link)	13.8	21.2	80.3	108.8
Bus Security Program	1.5	-	-	-
Total purchase of non-financial assets	15.3	21.2	121.8	152.3

Expenses

- A student conveyance allowance is to be paid to eligible students in regional areas following the decision to increase Kindergarten attendance hours in Western Australia.
- The Authority will provide temporary timetable and passenger updates for existing services that will change during the staged construction of the Hub project.
- \$155,000 will be spent in 2009-10 on the installation of duress alarms in 736 buses as part of the Government's Bus Security Plan to improve safety on public transport.

Purchase of Non-Financial Assets

- The Government has extended the Metropolitan Bus Replacement Program from 2011-12 for a 10 year period, replacing 65 buses per annum.
- Works on the Hub project are anticipated to commence in 2009-10, with \$224.1 million planned to be spent over the period to 2012-13.
- \$1.5 million will be spent in 2009-10 on the installation of security cabs in buses to improve the safety of bus drivers as part of the Government's Bus Security Plan.

Racing and Wagering Western Australia

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Tax Concession Rebate	-	0.7	1.6	2.2
Total expenses	-	0.7	1.6	2.2

Expenses

- \$4.5 million will be spent over three years to provide a tax concession rebate for electronic pari-mutuel wagering by professional punters equivalent to 10% of gross wagering revenue. The scheme applies only to professional punters who are on contract with Racing and Wagering Western Australia and who achieve annual wagering turnover of at least \$500,000.

Regional Development and Lands

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Royalties for Regions - Major Regional Projects Division	4.8	5.0	5.2	5.4
Director of Lands Division	0.2	0.3	0.3	0.3
Total expenses	5.0	5.2	5.4	5.7

Expenses

- Approximately \$5.0 million per annum will be spent over four years from the Royalties for Regions Fund to establish the Major Regional Projects Division and to establish and administer the Western Australian Regional Development Trust within the Department of Regional Development and Lands. This Division will be responsible for implementation of the *Royalties for Regions* program and includes the costs of an additional 22 staff.
- Around \$0.3 million per annum will be spent over four years for the establishment of a Director of Lands position in the Department. The Director will be responsible for overseeing major reform in the administration of State land, and its integration with regional development initiatives, as well as the overall effective management of the Lands function of the Department. This will be funded from within the agency's current resources.

Royalties for Regions – Regional and State-wide Initiatives

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Mid-Year Review Corrective Measures	-130.0	48.0	42.0	40.0
Total Expense	-130.0	48.0	42.0	40.0
Purchase of non-financial assets				
Department of Water - Gascoyne Irrigation Pipeline	-3.5	-4.1	-	-
Department of Health - Medical Jet Service	-0.8	-1.0	-1.3	-
Department of Regional Development and Lands – Major Regional Projects Division	-4.8	-5.0	-5.2	-5.4
Total purchase of non-financial assets	-9.0	-10.1	-6.4	-5.4

Expenses

- As part of the Government's mid-year review corrective measures, \$130 million of expenditure under the *Royalties for Regions* program has been deferred from 2009-10 into the outyears. The main deferrals relate to the Country Local Government Fund (\$90 million), the Regional Grants Scheme (\$19 million) and the Northern Towns Development Fund (\$10 million). Further detail on the *Royalties for Regions* program is available in Appendix 6.

Purchase of Non-Financial Assets

- Funding from the Regional and State-wide Initiatives program has been allocated to the Department of Water, the Department of Health and the Department of Regional Development and Lands for the Gascoyne Irrigation Pipeline project, the Royal Flying Doctor Service Medical Jet pilot program and the establishment of the Major Regional Projects Division. See the Department of Water, the Department of Health and Department of Regional Development and Lands sections in this appendix for further details. Further details of the *Royalties for Region* program are available in Appendix 6.

State Development

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Ashburton North Strategic Industrial Area	0.5	-	-	-
Total expenses	0.5	-	-	-

Expenses

- \$500,000 will be spent in 2009-10 for legal, commercial and engineering technical advice to support the negotiation of the Development Agreement for the Ashburton North Strategic Industrial Area, near Onslow.

Training and Workforce Development

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Salaries and Allowances Tribunal Determination of Director General Position	0.2	0.3	0.3	0.4
Total expenses	0.2	0.3	0.3	0.4

Expenses

- Following approval to establish the new Department of Training and Workforce Development, the Salaries and Allowances Tribunal has determined the classification of the new Director General position. Funding has been provided in accordance with that determination.

Transport

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Esperance Lead and Nickel Clean-up	8.5	5.4	-	-
Total expenses	8.5	5.4	-	-

Expenses

- \$14 million will be spent over two years to clean-up lead and nickel contamination in the town of Esperance. The clean-up will involve sampling of potentially contaminated homes and thorough cleaning of homes identified as being contaminated.

Treasury and Finance

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Consumer Utilities Program	0.2	-	-	-
Aerial Shark Patrols	0.2	-	-	-
Total expenses	0.4	-	-	-

Expenses

- In 2006-07, the Western Australian Council of Social Services was provided annual funding of \$170,000 for three years for the Consumer Utilities Program (CUP). The CUP has been extended for a further year at a cost of \$170,000 in 2009-10, and now falls under the Consumer Essential Services Project (CESP). The key objective of the CESP is to represent and support the needs of energy, water and transport consumers through a variety of mechanisms including assisting the non-government social services sector through policy development and education activities.
- An additional \$206,000 will be spent in 2009-10 to increase aerial shark patrols to include weekdays during the period 14 December 2009 to 28 February 2010. These payments are administered by the department.

WA Health

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Saint John Ambulance – 2009-10 Inquiry	1.0	-	-	-
Grant to Australian Medical Procedures Research Foundation	0.3	-	-	-
Implement the Acts Amendment (<i>Consent to Medical Treatment</i>) Act 2008	0.1	0.1	0.1	0.1
National Partnership – Indigenous Economic Participation	0.8	0.8	0.8	0.8
Friend in Need-Emergency – Corrective Measure	-7.6	7.6	-	-
<i>Royalties for Regions</i> – Medical Jet Service	0.8	1.0	1.3	-
Total expenses	-4.7	9.5	2.1	0.8

Expenses

- In response to the Saint John Ambulance inquiry, an additional \$1 million will be spent in 2009-10 for the employment of 26 patient transport officers, 10 communication officers and a community paramedic in Karratha. Funding beyond 2009-10 is to be considered as part of the 2010-11 Budget process.
- A grant of \$250,000 will be spent in 2009-10 by the Australian Medical Procedures Research Foundation to facilitate the ongoing treatment of heroin addicted patients in Western Australia.
- \$356,000 will be spent over four years for training and support to health professionals and key service providers to implement the *Acts Amendment (Consent to Medical Treatment) Act 2008*.
- As part of the Indigenous Economic Participation National Partnership Agreement, the Department of Health will spend a total of \$3 million over four years to convert Commonwealth Community Development Employment Program positions to State public sector positions.
- As part of the Government's mid-year review corrective measures, spending of \$7.6 million on the Friend In Need-Emergency program has been deferred from 2009-10 to 2010-11.
- An additional grant of \$3 million over three years has been provided to the Royal Flying Doctor Service from the *Royalties for Regions* program as the State's contribution to a pilot program for a new medical jet service being established for the North West of Western Australia.

Health Financing

- A \$110 million cash injection is to be made during 2009-10 to enable the Department of Health to address liquidity problems (see *Health Sector Expenses* in the *Statement of Risks* in Chapter 1: *Financial Projections*). This includes funds to address a run-down in cash and other liquid assets prior to 30 June 2009, with the Department using these funds for higher than approved spending in 2008-09. This injection is required to restore the Department's cash reserves to a level sufficient to meet day-to-day payments.

Water

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
National Partnership – Indigenous Economic Participation	0.4	0.4	0.4	0.4
Royalties for Regions - Gascoyne Irrigation Pipeline	3.5	4.1	-	-
Total expenses	3.9	4.5	0.4	0.4

Expenses

- As part of the Indigenous Economic Participation National Partnership Agreement, the Department of Water will spend a total of \$1.6 million over four years to convert Commonwealth Community Development Employment Program positions to State public sector positions.
- \$7.6 million will be spent over two years from the *Royalties for Regions* program as the State's contribution towards the \$20 million Gascoyne Irrigation Pipeline project. The key objective of this project is to replace the existing asbestos pipeline with a high-pressure irrigation water delivery system throughout the Carnarvon Irrigation Area.

Western Australian Planning Commission

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
Stirling City Redevelopment Project	0.7	-	-	-
Reduction in Planning Committees	-	-0.1	-0.1	-0.1
Total expenses	0.7	-0.1	-0.1	-0.1

Expenses

- The Western Australian Planning Commission will spend \$700,000 to assist in the planning and preparation of a business case associated with the Stirling City Redevelopment project.

- The Commission is expected to save around \$0.1 million per year from 2010-11 by reducing the number of planning committees. This reflects the Government's commitment to review and remove unnecessary boards and committees.

Western Australian Sports Centre Trust

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Expenses				
AK Reserve Facilities	1.8	1.7	1.6	1.8
Total expenses	1.8	1.7	1.6	1.8

Expenses

- An additional \$6.9 million will be spent over four years to meet the revised operating costs of the new athletics and basketball stadiums constructed on AK Reserve at Perry Lakes.

Oakajee Port Project

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Purchase of non-financial assets				
Oakajee Port State Infrastructure	-	-	-	339.0
Total purchase of non-financial assets	-	-	-	339.0

Purchase of Non-Financial Assets

- In March 2009, the Government signed an Oakajee State Development Agreement with Oakajee Port and Rail Pty Ltd (OPR), endorsing OPR as the infrastructure provider for the development of the Oakajee deep water port near Geraldton. Subject to the negotiation of an Implementation Agreement between the Government and OPR, and the successful completion by OPR of a Bankable Feasibility Study, the State will make a contribution of \$339 million to the project, being half the estimated cost of the Common User Infrastructure at the port. The mid-year review assumes a single payment toward the end of the construction period.

The Commonwealth has also agreed to contribute \$339 million to the project, subject to further assessment of the project by Infrastructure Australia. The mid-year review assumes the Commonwealth's contribution will be paid direct to OPR.

North Country Line Reinforcement

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Purchase of non-financial assets				
North Country Line Reinforcement	10.0	120.0	140.0	30.0
Total purchase of non-financial assets	10.0	120.0	140.0	30.0

Purchase of Non-Financial Assets

- The mid-year review includes a \$300 million provision for Stage 1 of the North Country Line Reinforcement project which has been endorsed by Government in concept. This commitment is dependent on a satisfactory business case being presented to the Government for consideration which will need to include commercial conditions that are likely to be imposed on customers of the proposed transmission line.

The Treasurer's Advance

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

Unless the limit is adjusted by a *Treasurer's Advance Authorisation Act*, the total amount drawn against unrecouped balances, excesses and new items for 2009-10 must remain within the limit of \$469.2 million authorised by the FMA.

Based on mid-year review estimates, the expected outturn for the 2009-10 Treasurer's Advance is \$461 million. However, other issues will almost certainly arise during the remainder of 2009-10 and take this estimate beyond the current limit. Accordingly, the Government will likely be seeking Parliamentary approval for an increased limit prior to 30 June 2010.

Table 4.1 shows the estimated position of the Treasurer's Advance for 2009-10. This projection is consistent with the agency data underlying these mid-year review projections.

TREASURER'S ADVANCE

Table 4.1

	2008-09 Actual ^(a) \$m	2009-10 Projection ^(b) \$m
AUTHORISED LIMIT	1,200.0	469.2
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	<i>1,146.0</i>	<i>460.6</i>
Comprising:		
Net recoverable advances as at 30 June	5.2	15.0
Excesses and New Items		
- recurrent	1,001.8	251.9
- capital	139.0	193.7

(a) The final audited outcome for 2008-09 is detailed in the 2008-09 *Annual Report on State Finances*.

(b) Detailed disclosure of the final audited outcome for 2009-10 will be available in the 2009-10 *Annual Report on State Finances*, to be released by 28 September 2010.

Note: Columns may not add due to rounding.

Transfers, Excesses and New Items

Table 4.2 details excesses and/or new items that are projected to occur during 2009-10 and the expected impact of these on the Treasurer's Advance under the authority of section 27 of the FMA.

The projections shown in Table 4.2 are subject to movements in agencies' appropriations through the remainder of 2009-10. Funding in excess of budget for appropriation items shown in the table will only occur if management responses do not achieve compensating shortfalls in other spending supported by these items prior to 30 June 2010.

Section 25 of the FMA allows appropriations originally allocated in the 2009-10 Budget to be transferred to other agencies for the provision of an appropriation-funded service that is now to be delivered by the other agency. These transfers have no impact on the Treasurer's Advance.

Nine section 25 appropriation transfers have occurred since presentation of the 2009-10 Budget:

- \$48.6 million from the Department of Planning to the Department of Transport associated with the transfer of responsibility for coastal infrastructure, transport planning, and support of the National Transport Commission.
- \$2.5 million from the Department of Treasury and Finance (DTF) to the Department of Commerce for costs associated with the establishment of the Building Commission as a division of the Department of Commerce.
- \$1.8 million from the Department for Communities to the Department for Child Protection for the transfer of the Family and Domestic Violence Policy and Coordination Unit, following the recommendations outlined in the Simpson Report (2008).
- \$0.7 million from the Department of Health to DTF for costs associated with the transfer of the Information and Communication Health Procurement function.
- \$0.1 million from the Public Sector Commission to the Department of Local Government to meet accommodation costs at Dumas House.
- \$0.1 million from the Department of State Development (DSD) to DTF for costs associated with the employment of a Procurement Manager to provide strategic procurement advice and guidance to support forthcoming DSD projects.
- \$0.1 million from Western Australia Police to DTF for costs associated with procurement management.
- \$0.1 million from the Department of Agriculture and Food to DTF for costs associated with procurement management.
- \$40,000 from the Legislative Council to the Parliamentary Services Department for costs associated with a records management software license.

TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2

Item	Appropriation	Transfers ^(a) \$m	Treasurer's Advance		Draw on Treasurer's Advance to date ^(b) \$m
			New Items \$m	Excesses \$m	
Recurrent Appropriations					
Legislative Council					
1	Delivery of services	_(c)	-	-	-
Parliamentary Services					
3	Delivery of services	_(c)	-	-	-
Parliamentary Commissioner for Administrative Investigations					
4	Delivery of services	-	-	0.2	-
Public Sector Commission					
6	Delivery of services	-0.1	-	-	-
State Development					
12	Delivery of services	-0.1	-	0.5	-
WA Health					
14	Delivery of services	-0.7	-	-	-
Indigenous Affairs					
16	Delivery of services	-	-	2.6	-
Fisheries					
20	Delivery of services	-	-	1.2	-
Mid West Development Commission					
23	Delivery of services	-	-	_(c)	-
Kimberley Development Commission					
27	Delivery of services	-	-	0.5	-
South West Development Commission					
30	Delivery of services	-	-	4.6	-
Transport					
39	Delivery of services	36.9	-	10.0	-
Disability Services Commission					
42	Delivery of services	-	-	6.7	-
Treasury and Finance					
43	Delivery of services	-1.6	-	-	-
49	Aerial Shark Surveillance Program	-	-	0.2	-
53	First Home Owners' Assistance	-	-	120.0	54.2
55	Office of Health Review	-	-	0.3	-
58	Provision for Unfunded Liabilities in the Government Insurance Fund	-	-	1.8	-
60	Refund of Past Years Revenue Collections – All Other	-	-	8.6	-
67	All Other Grants, Subsidies and Transfer Payments	-	-	0.3	-
Commerce					
70	Delivery of services	2.5	-	-	-
Western Australia Police					
74	Delivery of services	-0.1	-	13.7	-
Sport and Recreation					
76	Delivery of services	-	-	0.5	-
Western Australian Sports Centre Trust					
78	Delivery of services	-	-	2.2	-
Racing, Gaming and Liquor					
79	Delivery of services	-	-	_(c)	-
Administered Grants, Subsidies and Other Transfer					
80	Payments	-	-	7.1	-
Planning					
81	Delivery of services	-36.9	-	0.7	-
Culture and the Arts					
84	Delivery of services	-	-	1.0	-

Table 4.2 (cont.)

		TRANSFERS, EXCESSES AND NEW ITEMS			Draw on Treasurer's Advance to date ^(b) \$m
		Transfers ^(a) \$m	New Items \$m	Excesses \$m	
Item	Appropriation				
Attorney General					
90	Delivery of services	-	-	6.7	-
Office of the Director of Public Prosecutions					
93	Delivery of services	-	-	0.1	-
Corrective Services					
96	Delivery of services	-	-	39.5	-
Child Protection					
98	Delivery of services	1.8	-	2.0	-
Communities					
99	Delivery of services	-1.8	-	-	-
Water					
101	Delivery of services	-	-	0.2	-
Local Government					
103	Delivery of services	0.1	-	-	-
Agriculture and Food					
107	Delivery of services	-0.1	-	-	-
Environment and Conservation					
110	Delivery of services	-	-	20.8	-
Total Recurrent		-	-	251.9	54.2
Capital Appropriations					
Parliamentary Services					
114	Capital Contribution	-	-	0.2	-
WA Health					
116	Capital Contribution	-	-	130.5	-
Great Southern Development Commission					
123	Capital Contribution	-	-	3.4	-
Transport					
130	Capital Contribution	11.8	-	0.1	-
Commissioner of Main Roads					
131	Capital Contribution	-	-	1.1	-
Public Transport Authority of Western Australia					
132	Capital Contribution	-	-	2.0	-
Treasury and Finance					
140	Government Equity Contribution – Forest Products Commission	-	-	0.1	-
Planning					
156	Capital Contribution	-11.8	-	-	-
Culture and the Arts					
160	Library Board of Western Australia	-	-	-(c)	-
161	Perth Theatre Trust	-	-	0.4	-
Corrective Services					
166	Capital Contribution	-	-	32.8	-
Child Protection					
168	Capital Contribution	-	-	23.2	-
Total Capital		-	-	193.7	-
TOTAL		-	-	445.6	54.2

(a) Authorised under section 25 of the FMA.

(b) Mid-year review cut-off date, 30 November 2009.

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

Note: Columns may not add due to rounding.

Implementation of Corrective Measures

In the 2009-10 Budget, the Government approved a range of corrective measures which were estimated at the time to reduce pressure on net debt by \$7.6 billion over the forward estimates period.

As part of this mid-year review, the Government has approved a further suite of corrective measures. Including the interest benefit from lower debt, these measures are worth an aggregate \$600 million over the forward estimates period.

Implementation Progress

The following table provides details of the Government's corrective measures, including the implementation status of each¹. The table shows that on current estimates, the Government's corrective measures are worth a total \$8.5 billion across the forward estimates period.

A small number of measures have not achieved the full savings target included in the 2009-10 Budget:

- the Government has identified savings in grant programs totalling \$145 million over the forward estimates period (see Table 5.2), compared to the budget-time target of \$200 million;
- legislative delays and updated estimates related to the increase in the landfill levy have reduced the additional revenue from this measure by \$54 million over the four years to 2012-13; and

¹ The financial impact of these corrective measures in Table 5.1 includes the impact of parameter changes to a number of measures since they were disclosed in the 2009-10 Budget (e.g. changes to electricity sector subsidies, changes in interest rates, etc.). The "implemented" status in Table 5.1 generally means that the savings have been harvested from agency budgets. There remains a risk that some agencies may not implement measures to fully realise these savings, particularly in the short-term, although the Value for Money Audit process currently underway is expected to mitigate this risk. The "in progress" status in Table 5.1 covers situations where, for example, legislative or regulatory amendments are not yet finalised, business cases are being finalised, and/or consultation with stakeholders is continuing.

- in light of national reforms to childcare licensing, the Government has decided not to proceed with State-based licence fees, reducing revenue by \$1 million over the forward estimates period.

In aggregate, these items are worth \$110 million – or just over 1% of the total package of corrective measures implemented by the Government.

Table 5.1

IMPLEMENTATION OF CORRECTIVE MEASURES

	Agency	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m	Status
CORRECTIVE MEASURES								
<i>Capital Works Audit</i>								
- Agriculture Headquarters and Biosecurity Relocation	Agriculture and Food	-1.1	-16.9	-57.6	-25.6	59.8	-41.3	Implemented
- Agriculture Research Western Australia Phase 1	Agriculture and Food	_(a)	-5.3	-21.7	-13.0	21.7	-18.3	Implemented
- Kalgoorlie Court Upgrade	Attorney General	-10.2	-17.0	10.2	17.0	-	-	Implemented
- Carnarvon Police and Justice Complex	Attorney General	-8.5	-17.0	-	-	-	-25.6	Implemented
- Fremantle Outer Harbour	Commissioner of Main Roads	-	-	-1.9	-7.2	-44.8	-53.8	Implemented
- Wiluna to Meekatharra - construct and seal (Goldfields Highway)	Commissioner of Main Roads	-	-	-	-3.7	-20.7	-24.5	Implemented
- Fremantle Outer Harbour Rail	Commissioner of Main Roads	-	-	-1.5	-3.0	-17.6	-22.1	Implemented
- Minor Works 2012-13	Commissioner of Main Roads	-	-	-	-	-19.8	-19.8	Implemented
- Esperance Port Access	Commissioner of Main Roads	-0.1	-2.6	-4.1	-3.6	-41.1	-51.6	Implemented
- Minor Works 2011-12	Commissioner of Main Roads	-	-	-	-18.0	-	-18.0	Implemented
- Minor Works 2010-11	Commissioner of Main Roads	-	-	-16.7	-	-	-16.7	Implemented
- Minor Works 2009-10	Commissioner of Main Roads	-	-19.0	-	-	-	-19.0	Implemented
- High Street Improvement	Commissioner of Main Roads	-	-1.3	-2.3	-0.2	-12.2	-16.0	Implemented
- Kewdale Road Interchange	Commissioner of Main Roads	-	-0.7	-0.8	-1.2	-22.1	-24.8	Implemented
- Alexander Drive Interchange	Commissioner of Main Roads	-0.9	-35.0	0.3	35.6	-	-	Implemented
- Leach Highway to Roe Highway	Commissioner of Main Roads	-0.3	0.3	-0.7	-3.5	-6.4	-10.5	Implemented
- Coongan Gorge - construct realignment (Marble Bar Road)	Commissioner of Main Roads	-	-	-	-8.9	-0.4	-9.3	Implemented
- Coalfields Hwy Project	Commissioner of Main Roads	-	-10.0	-15.0	-	-	-25.0	Implemented
- New Museum	Culture and the Arts	-2.0	3.0	-10.0	-38.0	-122.0	-169.0	Implemented
- Additional Out of Home Respite Facilities	Disability Services Commission	-5.0	-4.3	4.3	2.4	2.6	-	Implemented
- Bulk Handling Equipment	Fremantle Port Authority	-	-14.5	-18.4	14.5	18.4	-	Implemented
- Sir Charles Gairdner Hospital (SCGH) Diagnostic and Treatment Centre	Health	1.1	-13.0	-15.1	-10.7	-70.3	-107.9	Implemented
- Osborne Park Hospital - Reconfiguration Stage 1	Health	-3.4	-12.3	11.3	13.2	-12.9	-4.1	Implemented
- Equipment Replacement Program	Health	-	6.0	-3.0	-19.5	-28.2	-44.6	Implemented
- Southern Tertiary Hospital - New Stage 1	Health	-	-5.0	-5.0	-40.0	-	-50.0	Implemented

Table 5.1 (cont.)

IMPLEMENTATION OF CORRECTIVE MEASURES

	Agency	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m	Status
CORRECTIVE MEASURES								
<i>Capital Works Audit (cont.)</i>								
- WACHS & SWAHS Rural Various - 12 year program for allocation	Health	-	-	-4.9	-9.5	-2.3	-16.7	Implemented
- Royal Perth Hospital - New	Health	0.5	2.5	-5.5	-7.5	-	-10.0	Implemented
- Carnarvon Integrated District Health Services - Redevelopment Stage 2	Health	-	-	-0.2	-0.8	-4.2	-5.2	Implemented
- Esperance Integrated District Health Services - Redevelopment	Health	-	-0.9	-3.6	-3.5	6.4	-1.6	Implemented
- Harvey Hospital - Redevelopment	Health	-	-	-0.1	-0.6	-5.0	-5.6	Implemented
- New Swan Health Campus (Buildings)	Health	-5.9	-8.5	-56.0	-7.1	5.7	-71.8	Implemented
- Busselton Integrated District Health Services - Replacement	Health	-8.4	-15.5	-27.8	-17.3	34.0	-35.0	Implemented
- Albany Regional Resource Centre - Development Stage 1	Health	-5.7	-34.1	-9.2	20.3	14.9	-13.9	Implemented
- Swan District Hospital - Obstetrics Unit	Health	_(a)	-	-	-	-	_(a)	Implemented
- PMH Holding - Ward 5A upgrade	Health	-0.6	-0.9	-	-	-	-1.5	Implemented
- Minor Building Works	Health	18.4	0.5	6.5	-3.1	-28.5	-6.2	Implemented
- WA Comprehensive Cancer Centre - Central Campus Stage 2 (WACCC)	Health	-0.9	-22.8	-9.9	19.6	10.0	-4.0	Implemented
- Graylands Hospital - Development Stage 1	Health	-	-0.8	-1.9	-7.7	-3.0	-13.4	Implemented
- Fremantle Hospital Reconfiguration Stage 1	Health	-	-	-0.5	-1.5	-6.8	-8.8	Implemented
- Bentley Hospital - Development	Health	-	-	-0.3	-2.5	-2.1	-4.8	Implemented
- Wiluna Health Clinic	Health	0.2	3.3	0.9	-	-	4.4	Implemented
- Asset Replacement	Horizon Power	-	-	-	-2.4	-	-2.4	Implemented
- Network Enhancement	Horizon Power	-14.8	15.4	-13.1	-8.0	13.8	-6.7	Implemented
- New Connections - Customer Driven, New Capacity	Horizon Power	-	-2.2	-1.7	-2.1	-	-6.0	Implemented
- Other	Horizon Power	-5.6	0.6	-	-	-	-5.0	Implemented
- Carnarvon Power Station Development	Horizon Power	-1.0	-	-	-5.0	5.0	-1.0	Implemented
- Electronic Land Development Program (eLDP)	Planning	-1.0	-6.2	-3.3	-2.0	-8.7	-21.3	Implemented
- Midland Station	Public Transport Authority	-	-0.4	-3.1	-4.0	-15.0	-22.5	Implemented

Table 5.1 (cont.)

IMPLEMENTATION OF CORRECTIVE MEASURES

	Agency	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m	Status
CORRECTIVE MEASURES								
<i>Capital Works Audit (cont.)</i>								
- South Perth Station	Public Transport Authority	-0.2	-0.5	-1.9	-18.7	-7.7	-29.0	Implemented
- Ellenbrook Railway Line	Public Transport Authority	-0.3	-	-16.1	-52.6	10.0	-58.9	Implemented
- Major Stadium Development	Sport and Recreation	-63.4	-11.6	-6.1	-229.3	-279.8	-590.1	Implemented
- Major Stadium Development - Planning Office	Sport and Recreation	-11.9	-3.0	-3.0	-3.0	-3.0	-23.9	Implemented
- Regional Land Acquisition and Development	WA Land Authority	9.0	-32.8	15.0	-23.4	-75.6	-107.8	Implemented
- Perth and Peel Land Acquisition and Development	WA Land Authority	-1.5	-2.8	5.2	-5.6	-15.2	-19.9	Implemented
- Industry and Infrastructure Acquisition and Development	WA Land Authority	-27.1	18.8	-22.6	-8.7	-3.7	-43.3	Implemented
- Perth Waterfront - Stage 1	WA Land Authority	-0.4	0.3	-0.2	-37.1	-103.4	-140.8	Implemented
- Bunbury Waterfront	WA Land Authority	-0.1	-0.3	-0.2	^(a)	^(a)	-0.5	In Progress
- Albany Waterfront Development	WA Land Authority	-4.7	-1.0	5.4	0.2	-	-0.1	Implemented
- Various Projects	Water Corporation	-	-95.0	-40.0	-165.0	-260.8	-560.8	Implemented
- ICT Continuity and Development Program	Western Australia Police	-	-5.0	5.0	-	-	-	Implemented
- South Metropolitan Region Police Station	Western Australia Police	-5.0	-5.0	5.0	5.0	-	-	Implemented
- South West Bulk Reinforcement	Western Power	-57.0	-61.9	-42.7	-3.3	-	-164.9	Implemented
- North Country Reinforcement	Western Power	-70.0	-121.1	-78.7	-15.5	-	-285.3	Implemented
- Grange Resources	Western Power	-4.0	-37.2	-72.2	-63.6	-2.4	-179.4	Implemented
- Plant, Motor Vehicle and IT Replacement	Western Power	20.7	43.3	0.7	-0.9	7.9	71.7	Implemented
- Transmission Works	Western Power	-11.9	154.5	44.8	-177.6	-163.0	-153.2	Implemented
- Distribution Works	Western Power	67.9	48.3	52.5	56.3	-73.9	151.1	Implemented
<i>Total Capital Works Audit</i>		<i>-214.9</i>	<i>-346.6</i>	<i>-431.4</i>	<i>-901.1</i>	<i>-1,272.3</i>	<i>-3,166.2</i>	
<i>Economic Audit Stage 1</i>								
- Biosecurity - Industry Levies	Agriculture and Food	-	-	-	-2.0	-2.0	-4.0	Implemented
- Food and Industry Development	Agriculture and Food	-	-	-4.5	-4.5	-4.5	-13.5	Implemented
- Natural Resource Management	Agriculture and Food	-	-11.0	-26.0	-26.0	-26.0	-89.0	Implemented
- Transfer of AED Function - Indigenous Landholder Services	Agriculture and Food	-	0.3	0.3	0.3	0.3	1.2	Implemented
- Increase Civil Court Fees	Attorney General	-	-1.5	-3.0	-3.0	-3.0	-10.5	In Progress

Table 5.1 (cont.)

IMPLEMENTATION OF CORRECTIVE MEASURES

	Agency	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m	Status
CORRECTIVE MEASURES								
<i>Economic Audit Stage 1 (cont.)</i>								
- Recoup of Costs from Rental Accommodation Account	Attorney General	-	-0.5	-0.5	-0.5	-0.5	-2.0	Implemented
- Confiscation Proceeds Account (Admin)	Attorney General	-	-	-3.0	-3.0	-3.0	-9.0	In Progress
- Discontinuation and transfer of the Aboriginal Economic Development (AED) Function	Commerce	-	-4.5	-3.0	-2.1	-2.1	-11.7	Implemented
- Rationalisation of Structure	Communities	-	-0.6	-0.6	-0.4	-0.4	-2.0	Implemented
- Child Care Licensing Fees	Communities	-	-0.1	-0.3	-0.1	-0.3	-0.8	Not Proceeding
- Increased Efficiency in Portfolio Administration	Culture and the Arts	-	-0.5	-0.8	-0.8	-0.8	-2.9	Implemented
- Rationalisation of Funding Arrangements	Culture and the Arts	-	-	-	-	-1.2	-1.2	Implemented
- Waste Management Landfill Levy	Environment and Conservation	-	-9.0	-33.0	-31.0	-29.0	-102.0	Implemented
- Transfer of Funding for the AED Program from Commerce	Small Business Development Corporation	-	0.3	0.3	0.3	0.3	1.2	Implemented
- Cessation of Liquefied Petroleum Gas (LPG) Subsidy Scheme	Transport	-	-11.9	-12.3	-12.7	-12.7	-49.5	Implemented
- Licensing Business Unit Efficiency Gains	Transport	-	-1.9	-3.3	-6.0	-6.0	-17.1	In Progress
- Increase in Perth Parking Levy	Transport	-	-16.4	-16.4	-16.4	-16.4	-65.6	Implemented
- Advertising Revenue	Transport	-	-2.5	-5.0	-10.0	-10.0	-27.5	In Progress
- Reduce Reliance on Consultants	Water	-	-0.3	-0.4	-0.4	-0.4	-1.5	Implemented
- Rationalise Operating Costs	Water	-	-0.4	-0.4	-0.4	-0.4	-1.5	Implemented
- Rationalise Reporting	Water	-	-0.1	-0.1	-0.1	-0.1	-0.4	Implemented
- Regional Cost Savings	Water	-	-	_(a)	_(a)	_(a)	-0.1	Implemented
- Workforce Mobility and Flexibility	Water	-	-0.1	-0.1	-0.1	-0.1	-0.4	Implemented
- Cost Recovery from Police Presence at Special Events	Western Australia Police	-	-0.6	-0.6	-0.7	-0.7	-2.6	In Progress
- Reduction in Community Engagement	Western Australia Police	-	-0.4	-0.4	-0.4	-0.4	-1.5	Implemented
- Outsourcing Traffic Infringement Processing	Western Australia Police	-	30.0	-52.8	-72.8	-72.8	-168.4	In Progress
- External Integrity Checks for Government Regulatory Bodies	Western Australia Police	-	-0.7	-0.8	-0.8	-0.9	-3.2	In Progress

Table 5.1 (cont.)

IMPLEMENTATION OF CORRECTIVE MEASURES

	Agency	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m	Status
CORRECTIVE MEASURES								
<i>Economic Audit Stage 1 (cont.)</i>								
Other								
- General provision for procurement savings	Various	-	-59.8	-59.8	-59.8	-59.8	-239.2	Implemented
- Reduction in Grant Programs	Various	-0.8	-54.8	-32.7	-32.8	-24.3	-145.3	Implemented
- State Fleet reductions	Various	-	-5.1	-10.3	-13.4	-13.4	-42.2	Implemented
<i>Total Economic Audit Stage 1</i>		<i>-0.8</i>	<i>-151.9</i>	<i>-269.0</i>	<i>-299.5</i>	<i>-290.1</i>	<i>-1,011.4</i>	
<i>Electricity Tariff Changes</i>		-	-153.0	-261.8	-200.8	-126.0	-741.6	Implemented
<i>Provision for Land Sales</i>		-	-21.0	-54.0	-75.0	-100.0	-250.0	In Progress
<i>Election Commitments</i>								
- Reduction In Ministerial Office Staffing	Premier and Cabinet	-2.1	-4.1	-4.1	-4.1	-4.1	-18.5	Implemented
- Reduction In Policy Office And Government Media Office Staffing	Premier and Cabinet	-0.7	-1.3	-1.3	-1.3	-1.3	-6.0	Implemented
- Media and Marketing, Advertising and Consultants Savings	Various	-6.1	-16.1	-17.4	-17.4	-17.5	-74.5	Implemented
<i>Recashflowing of Election Commitments:</i>								
- Various Initiatives	Department of Health	-5.0	-	-	-	-	-5.0	Implemented
- Behaviour Management	Education and Training	-5.0	-	-	-	-	-5.0	Implemented
- Investing in Schools Program	Education and Training	-	-	-	-	-9.5	-9.5	Implemented
- WA Community Crime Prevention Program	Western Australia Police	-	-	-	-	-1.5	-1.5	Implemented
- Custodial Infrastructure Program	Corrective Services	-6.5	-2.1	4.7	-38.3	9.9	-32.3	Implemented
- <i>Royalties for Regions</i>		-	-25.0	-25.0	-25.0	-25.0	-100.0	Implemented
<i>Total Election Commitments</i>		<i>-25.3</i>	<i>-48.7</i>	<i>-43.1</i>	<i>-86.2</i>	<i>-49.0</i>	<i>-252.3</i>	
<i>Lower Tax Relief Measures</i>		-	-67.0	20.0	-85.0	5.0	-127.0	Implemented
<i>Capping the First Home Owners' Grant</i>		-	-0.5	-1.0	-1.0	-1.0	-3.5	In Progress

Table 5.1 (cont.)

IMPLEMENTATION OF CORRECTIVE MEASURES

Agency	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m	Status
CORRECTIVE MEASURES							
<i>3% Efficiency Dividend</i>							
- Agriculture and Food	-2.7	-5.0	-5.0	-5.2	-5.4	-23.3	Implemented
- Agriculture Protection Board of WA	-0.2	-0.5	-0.5	-0.5	-0.5	-2.2	Implemented
- Attorney General	-4.5	-9.2	-9.5	-9.5	-9.7	-42.3	Implemented
- Botanic Gardens and Parks Authority	-0.2	-0.5	-0.5	-0.5	-0.6	-2.2	Implemented
- Chemistry Centre (WA)	-0.2	-0.4	-0.4	-0.4	-0.5	-2.0	Implemented
- Child Protection	-4.2	-6.2	-6.3	-6.2	-6.4	-29.3	Implemented
- Commerce	-1.5	-3.6	-3.6	-3.7	-3.8	-16.3	Implemented
- Commissioner of Main Roads	-4.8	-11.2	-11.7	-12.7	-13.7	-54.1	Implemented
- Communities	-0.7	-1.6	-1.4	-1.3	-1.4	-6.4	Implemented
- Corrective Services	-7.6	-15.5	-15.8	-16.4	-17.0	-72.4	Implemented
- Corruption and Crime Commission	-0.3	-0.7	-0.8	-0.9	-0.9	-3.7	Implemented
- Country High School Hostels Authority	-0.2	-0.4	-0.4	-0.4	-0.4	-1.7	Implemented
- Culture and the Arts	-1.2	-2.6	-2.7	-2.7	-2.8	-12.0	Implemented
- Curriculum Council	-0.3	-0.5	-0.6	-0.6	-0.6	-2.6	Implemented
- Disability Services Commission	-2.1	-3.2	-2.2	-1.1	-1.8	-10.5	Implemented
- Economic Regulation Authority	-0.1	-0.3	-0.3	-0.3	-0.3	-1.4	Implemented
- Education and Training	-22.0	-93.6	-96.3	-99.3	-104.7	-416.0	In Progress
- Education Services	-0.5	-1.1	-1.1	-1.1	-1.1	-4.9	Implemented
- Environment and Conservation	-4.0	-7.7	-7.7	-7.7	-8.2	-35.3	Implemented
- Fire and Emergency Services Authority	-4.4	-5.4	-5.4	-5.3	-5.6	-26.2	Implemented
- Fisheries	-0.8	-1.5	-1.5	-1.6	-1.6	-6.9	Implemented
- Health	-59.9	-126.2	-132.5	-139.5	-148.0	-606.0	In Progress
- Housing Authority	-2.0	-3.4	-2.8	-0.7	-0.5	-9.4	Implemented
- Indigenous Affairs	-0.4	-0.7	-0.7	-0.7	-0.7	-3.3	Implemented
- Local Government	-0.2	-0.4	-0.4	-0.4	-0.5	-1.9	Implemented
- Mines and Petroleum	-1.6	-3.0	-3.2	-3.1	-3.2	-13.9	Implemented
- Office of Energy	-0.4	-0.6	-0.5	-0.5	-0.5	-2.5	Implemented
- Office of the Auditor General	-0.2	-0.5	-0.5	-0.5	-0.6	-2.4	Implemented
- Office of the Director of Public Prosecutions	-0.4	-0.9	-0.9	-0.9	-1.0	-4.1	Implemented
- Planning	-0.8	-1.7	-1.7	-1.7	-1.7	-7.4	Implemented
- Premier and Cabinet	-1.8	-3.8	-3.4	-3.5	-3.5	-16.0	Implemented

Table 5.1 (cont.)

IMPLEMENTATION OF CORRECTIVE MEASURES

Agency	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m	Status
CORRECTIVE MEASURES							
<i>3% Efficiency Dividend</i>							
- Public Sector Commission	-0.2	-0.5	-0.4	-0.4	-0.4	-2.0	Implemented
- Public Transport Authority of Western Australia	-4.0	-8.3	-8.5	-9.2	-9.5	-39.6	Implemented
- Racing, Gaming and Liquor	-0.1	-0.3	-0.3	-0.3	-0.3	-1.2	Implemented
- Regional Development and Lands	_(a)	-0.5	-0.5	-0.5	-0.5	-2.1	Implemented
- Registrar, Western Australian Industrial Relations Commission	-0.2	-0.3	-0.3	-0.3	-0.4	-1.5	Implemented
- Small Business Development Corporation	-0.1	-0.3	-0.3	-0.2	-0.2	-1.1	Implemented
- Sport and Recreation	-0.3	-0.6	-0.6	-0.6	-0.6	-2.6	Implemented
- State Development	-0.3	-0.8	-0.3	-0.3	-0.3	-2.0	Implemented
- Swan River Trust	-0.1	-0.3	-0.3	-0.3	-0.4	-1.5	Implemented
- TAFE Colleges	-4.0	-8.1	-8.2	-8.2	-9.8	-38.3	Implemented
- Transport	-3.0	-5.6	-5.6	-5.8	-5.7	-25.8	Implemented
- Treasury and Finance	-3.2	-6.5	-6.6	-7.0	-7.3	-30.7	Implemented
- WA Sports Centre Trust	-0.3	-0.7	-0.7	-0.7	-0.7	-3.1	Implemented
- Water	-1.2	-2.2	-2.1	-2.1	-1.8	-9.5	Implemented
- Western Australia Police	-4.7	-27.3	-28.8	-31.5	-30.9	-123.2	Implemented
- Western Australian Electoral Commission	-0.3	-0.3	-0.2	-0.3	-0.4	-1.5	Implemented
- Western Australian Land Information Authority	-1.6	-3.3	-3.5	-3.6	-3.7	-15.7	Implemented
- Western Australian Planning Commission	-0.5	-1.1	-1.2	-1.2	-1.3	-5.3	Implemented
- Western Australian Tourism Commission	-0.9	-1.6	-1.7	-1.6	-1.5	-7.2	Implemented
- Zoological Parks Authority	-0.2	-0.5	-0.5	-0.5	-0.6	-2.4	Implemented
<i>Total 3% Efficiency Dividend</i>	<i>-155.9</i>	<i>-381.0</i>	<i>-390.9</i>	<i>-403.8</i>	<i>-423.4</i>	<i>-1,755.0</i>	

Table 5.1 (cont.)

IMPLEMENTATION OF CORRECTIVE MEASURES

Agency	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m	Status
CORRECTIVE MEASURES							
<i>2009-10 Mid-year Review Measures</i>							
- Transfer Duty – Defer Abolition of Duty on Non-real Property	-	-	-96.0	-124.0	-135.0	-355.0	In Progress
- Payroll tax – Defer Harmonisation of Grouping Provisions	-	-48.0	-52.2	-56.0	-	-156.2	In Progress
- <i>Royalties for Regions</i> Deferral	-	-130.0	48.0	42.0	40.0	-	In Progress
- Seniors Cost of Living Rebate – Timing Change	-	-25.8	-	-	-	-25.8	Implemented
- Friend in Need Emergency Scheme Deferral	-	-7.6	7.6	-	-	-	Implemented
<i>Total Mid-year Review Measures</i>	-	-211.4	-93.6	-139.3	-96.4	-540.7	
SAVINGS ON INITIATIVES^(b)	-396.9	-1,381.0	-1,523.8	-2,190.3	-2,351.8	-7,844.0	
<i>Interest impact^(c)</i>	-	-21.3	-105.3	-207.0	-349.5	-683.1	
TOTAL SAVINGS FROM CORRECTIVE MEASURES	-396.9	-1,402.4	-1,629.1	-2,397.3	-2,701.4	-8,527.1	

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

(b) Excludes items 'Not Proceeding'.

(c) Based on current projections for interest rates.

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

Allocation of 2009-10 Budget Global Savings Measures

The 2009-10 Budget included a number of global or sector-wide measures identified as part of the Economic Audit process (i.e. grants, procurement, and vehicle fleet savings) and a provision for sales of surplus or under-utilised land. The following information outlines progress in achieving these global savings measures.

Economic Audit Savings

Grants Savings

The 2009-10 Budget included a targeted reduction in grants spending of \$200 million over four years. This mid-year review includes savings of \$145 million in agency-level grant programs.

The process for achieving reductions in grant spending excluded grants that are worth less than \$100,000 per annum, Commonwealth funded payments, grants subject to compensation agreements (e.g. native title), grants subject to legislation that would require amendment, and grants subject to contractual arrangements. The remaining grants were then assessed against a defined set of criteria to determine suitability for rationalisation. Following consultation with key public sector stakeholders, various grants were identified for rationalisation. The following table summarises the endorsed grant savings reflecting in this mid-year review.

SUMMARY OF GRANT SAVINGS BY AGENCY

Table 5.2

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m
GRANT SAVINGS						
Commerce						
- Science and Innovation Initiatives/Innovate WA/Centres of Excellence (reduction)	-	3.5	4.0	4.0	5.0	16.5
Communities						
- WA Grants for Women (cessation)	-	0.1	0.1	0.1	0.1	0.3
- Youth Grants WA (reduction)	-	-	0.2	0.2	0.2	0.5
- Western Australian Family Foundation (reduction)	-	0.2	0.2	0.2	0.2	0.7
Culture and the Arts						
- International Showcase Arts Events (cessation)	-	-	1.5	-	-	1.5
- Various Arts Grants (cessation)	-	-	-	-	3.3	3.3

Table 5.2 (cont.)

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	Total \$m
GRANT SAVINGS						
Culture and the Arts						
- WA Commission Series (cessation)	-	-	-	0.8	-	0.8
Environment and Conservation						
- Contaminated Sites Management Account (reduction)	-	-	0.3	0.3	0.3	0.9
- Low Emissions Energy Development Fund (reduction)	-	0.1	0.4	1.3	1.0	2.9
Housing Authority						
- Community Housing Grants (reduction)	-	4.3	7.2	-	-	11.5
- Community Housing Grants (deferral)	-	32.0	7.0	-39.0	-	-
Local Government						
- Outer Metropolitan Community Fund ^(a) (cessation)	0.8	-	-	-	-	0.8
- Community Grants Program (cessation)	-	0.5	0.5	0.5	0.5	2.0
Office of Energy						
- Sustainable Energy Development Grants (cessation)	-	0.6	0.4	0.4	0.4	1.7
- Energy Smart Government Facilitation Grants (cessation)	-	0.5	0.4	0.4	0.4	1.7
- Energy Smart Enterprise Initiative (reduction)	-	1.4	1.3	1.2	-	3.8
Planning						
- Planning and Transport Research Centre (cessation)	-	0.1	0.1	0.1	0.1	0.6
- Maddington Kenwick Sustainable Communities (deferral)	-	1.5	-1.5	-	-	-
- Perry Lakes (deferral)	-	-	-	50.0	-	50.0
Regional Development and Lands						
- Regional Investment Fund (cessation)	-	1.1	3.5	-	-	4.6
Sport and Recreation						
- Debt Assistance (cessation)	-	-	0.6	0.6	0.6	1.8
- Community Sporting and Recreation Facilities Fund (deferral)	-	5.0	-5.0	-	-	-
- State Sporting Infrastructure Fund (reduction)	-	0.6	0.6	0.6	0.6	2.4
State Development						
- State Development Initiatives (cessation)	-	0.6	0.6	0.6	0.6	2.2
Transport						
- Travelsmart Pedestrian Projects (cessation)	-	0.1	0.1	0.1	0.1	0.6
Treasury and Finance						
- On-road Diesel Subsidy (cessation)	-	2.5	9.7	10.0	10.3	32.5
Western Australian Planning Commission						
- Area Assistance Scheme (reduction)	-	-	0.5	0.6	0.7	1.7
TOTAL GRANT SAVINGS	0.8	54.8	32.7	32.8	24.3	145.3
Global budget provision (2009-10 Budget)	-	65.0	55.0	40.0	40.0	200.0
Variance against 2009-10 Budget provision	0.8	-10.2	-22.3	-7.2	-15.7	-54.7

(a) The reduction in grant spending identified for the Outer Metropolitan Community Fund represents amounts not spent in 2008-09 and subsequently withdrawn.

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

Procurement Savings

At the time of the 2009-10 Budget, the Economic Audit Committee had noted faster trend growth in agency spending on goods and services relative to growth in total agency expenses. Opportunities for further savings in agency procurement were identified, particularly where there were no whole-of-government (or common use) arrangements in place. In these areas, substantial opportunity remains to aggregate, simplify and standardise buying, as well as to ensure associated savings are not consumed by increased volumes purchased.

As part of the budget, the Government committed to reduce agency procurement costs by \$60 million per annum (\$240 million over the forward estimates period). A total \$239.2 million (or 99.7%) of this target has been allocated to individual agency budgets as part of this mid-year review.

Vehicle Fleet Savings

The 2009-10 Budget reflected the Government's decision to reduce the cost of the State's vehicle fleet by \$42.2 million across the forward estimates period (2009-10 to 2012-13). This saving equates to a 10% reduction in the size of the fleet as at April 2009. These savings have been achieved by allocating fleet savings across agencies.

Land Sales

Revenue from the sale of identified surplus and under-utilised land is projected to achieve the Government's 2009-10 Budget target of \$250 million (in net debt terms) over the forward estimates period.

General government sector land sales account for 91% of the total while the remaining 9% relates to public corporations. During the due diligence phase further consultation will occur with agencies and other stakeholders as the individual parcels of land are progressed for sale.

Royalties for Regions

The following table provides an update of the *Royalties for Regions* program. Notable changes to the program since the 2009-10 Budget was presented on 14 May 2009 include:

- the deferral of \$130 million of spending from 2009-10 as part of the Government's mid-year review corrective measures. The main deferrals relate to the:
 - Country Local Government Fund (\$90 million);
 - Regional Grants Scheme (\$19 million); and
 - Northern Towns Development Fund (\$10 million);
- new initiatives funded from the Regional and State-wide Initiatives program (including the Gascoyne Irrigation Pipeline project, the Royal Flying Doctor Service Medical Jet program and the administration of the *Royalties for Regions* Fund, and the establishment and administration of the Western Australian Regional Development Trust, within the Department of Regional Development and Lands – see Appendix 3: *Policy Decisions Affecting Spending* for further details); and
- lower allocations to the *Royalties for Regions* program flowing from the revised outlook for royalty income (down \$35 million) – discussed in more detail in Chapter 1: *Financial Projections*.

Table 6.1

ROYALTIES FOR REGIONS

	2008-09	2009-10	2009-10	2010-11	2011-12	2012-13	Total
	Actual	Budget	Mid-Year	Forward	Forward	Forward	
	\$m	\$m	Revision	Estimate	Estimate	Estimate	\$m
			\$m	\$m	\$m	\$m	
COUNTRY LOCAL GOVERNMENT FUND							
Local Government - Local Infrastructure Asset Renewal and New Assets	97.5	62.5	-	48.8	48.8	48.8	243.8
Regional Organisations of Councils - New Regional Infrastructure Assets	-	35.0	-	48.8	48.8	48.8	146.3
Capacity Building - Regional Governance Services and Asset Management Tools ^(a)	0.8	2.5	10.0	4.2	2.5	2.5	20.0
TOTAL	98.3	100.0	10.0	101.7	100.0	100.0	410.0
REGIONAL COMMUNITY SERVICES FUND							
Country Age Pension Fuel Card	1.3	12.5	18.5	20.2	20.0	20.0	80.0
Bushchange Housing Grant	-	10.0	-	36.6	27.3	38.5	102.4
Royal Flying Doctor Service	5.7	9.2	10.2	9.3	3.9	3.9	32.9
Patient Assisted Travel Scheme	4.2	8.7	8.7	9.0	8.9	9.3	40.1
Regional Workers Incentives	-	4.7	-	25.0	25.0	25.0	75.0
Boarding Away From Home	-	1.8	1.8	1.9	2.0	2.5	8.1
Community Resource Centres	2.1	11.0	9.0	15.9	13.0	14.0	54.0
TOTAL	13.3	57.8	48.2	117.9	100.0	113.2	392.5
REGIONAL INFRASTRUCTURE AND HEADWORKS FUND							
Pilbara Revitalisation Plan	80.0	60.0	103.6	56.4	60.0	-	300.0
Housing for Workers	20.0	180.0	111.0	110.2	115.2	169.5	526.0
Ord - East Kimberley Expansion Project	1.1	86.0	31.7	127.3	60.0	-	220.0
Exploration Incentive Scheme	1.9	16.1	16.1	21.9	23.3	16.8	80.0
Bunbury to Albany Gas Pipeline	-	-	-	-	10.0	10.0	20.0
Regional Airport Scheme	0.5	5.5	5.5	5.5	5.5	5.0	22.0
South Hedland Town Centre Revitalisation	0.1	11.0	7.7	15.5	-	-	23.3
Northern Town Development Fund	-	10.5	-	21.0	10.0	9.0	40.0
Pre- Feasibility Pilbara / Gascoyne	0.2	-	0.3	-	-	-	0.5
Regional Grants Scheme	1.2	63.0	48.9	94.9	105.0	105.0	355.0
Regional Grants Scheme - Strategic Reserve	-	10.0	4.7	32.7	26.7	45.0	109.1
Nickol Bay Hospital	0.4	3.6	3.6	3.0	3.0	-	10.0
Kalgoorlie Hospital ^(b)	-	-	-	10.0	2.0	3.4	15.5
Albany Hospital	-	-	-	20.3	20.3	20.3	60.9
Gascoyne Irrigation Pipeline	-	-	3.5	4.1	-	-	7.6
TOTAL	105.3	445.7	336.5	522.8	441.1	384.0	1,789.7
NEW REGIONAL AND STATE-WIDE INITIATIVES							
New Regional and State-Wide Initiatives	-	15.5	89.6	26.9	79.1	149.0	344.5
Administering the Royalties for Regions Fund	-	-	4.8	5.0	5.2	5.4	20.3
TOTAL	-	15.5	94.4	31.8	84.3	154.4	364.8
Global reduction - Revised royalty estimates	-	-	-	-58.0	20.0	3.0	-35.0
SPENDING ON ROYALTIES FOR REGIONS PROGRAMS							
	216.8	619.0	489.0	716.3	745.3	754.6	2,922.0
2009-10 Budget - Savings Contribution	-	25.0	25.0	25.0	25.0	25.0	100.0
TOTAL ROYALTIES FOR REGIONS FUND	216.8	644.0	514.0	741.3	770.3	779.6	3,022.0

(a) The Country Local Government Fund allows for planning and priority projects within the scheme guidelines.

(b) The total commitment for the Kalgoorlie Hospital is \$15.8 million, of which \$0.3 million is set aside for 2013-14.

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

Source: Department of Regional Development and Lands.

Monthly Report of General Government Finances – October 2009

Introduction

This appendix provides a summary of the Western Australian general government sector's finances for the month of October 2009. The general government sector is responsible for the delivery of key community services such as health, education and law and order, and for the collection of central revenue such as Commonwealth grants, taxation and mining royalties. It is the focus of the 'headline' budget measure (the general government net operating balance). Care should be taken in interpreting monthly results, which can vary significantly from month to month due to various seasonal and other timing factors, as illustrated in the charts below.

Month of October 2009

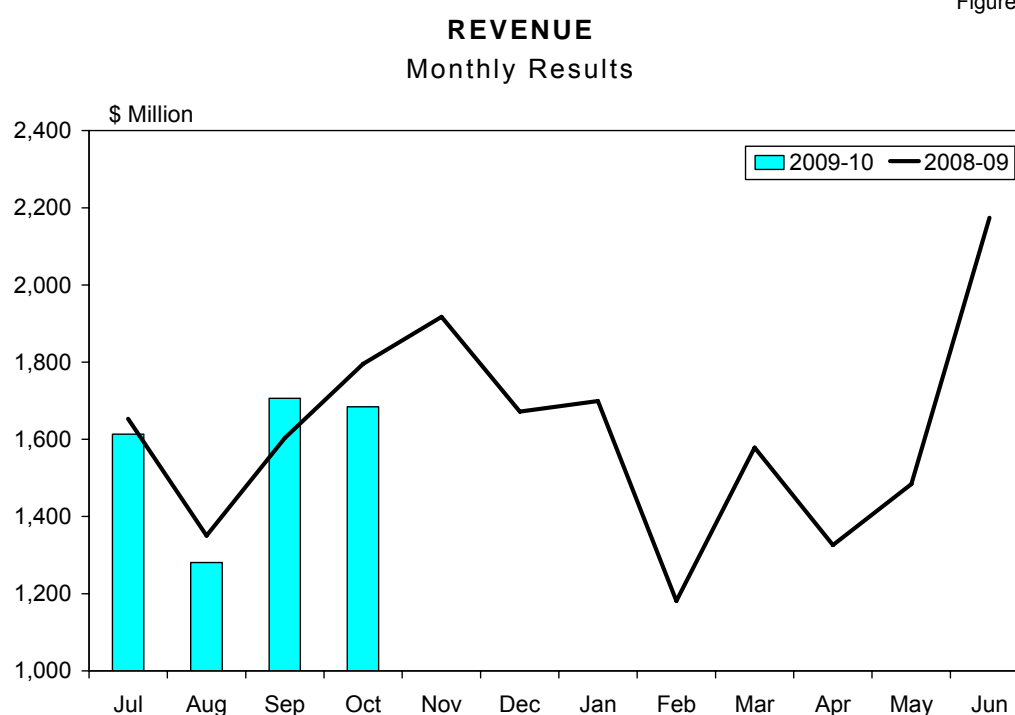
The general government sector recorded a \$191 million operating deficit for the month of October 2009, compared with a \$17 million deficit recorded in October 2008. This outcome reflects the flat monthly trend in revenue that has been evident in recent monthly reports, and the impact of unusually high expense growth in early 2009-10.

Revenue in October 2009 totalled \$1,684 million, \$111 million (or 6.2%) lower than the same month the previous year. The decrease primarily reflects the net impact of:

- lower Commonwealth grants (down \$125 million), mainly due to:
 - the State's lower share of national collections and the timing of GST grants (down \$194 million);
 - lower North West Shelf petroleum grants (down \$22 million), reflecting lower energy prices and production volumes;

- lower capital grants (down \$48 million), due largely to the completion of the New Perth-Bunbury Highway earlier this year; and
- higher funding for the education sector (up \$94 million), principally for the National Schools Program, National Skills and Workforce Development Program and better TAFE facilities;
- higher taxation revenue (up \$61 million), mainly due to stronger collections of duty on transfers (reflecting property market activity), and changes in the size of assessments and the timing of Emergency Services Levy (ESL) collections; and
- lower interest income (down \$22 million), as a result of lower interest rates compared with the month of October 2008, and lower holdings of interest earning assets.

Figure 7.1

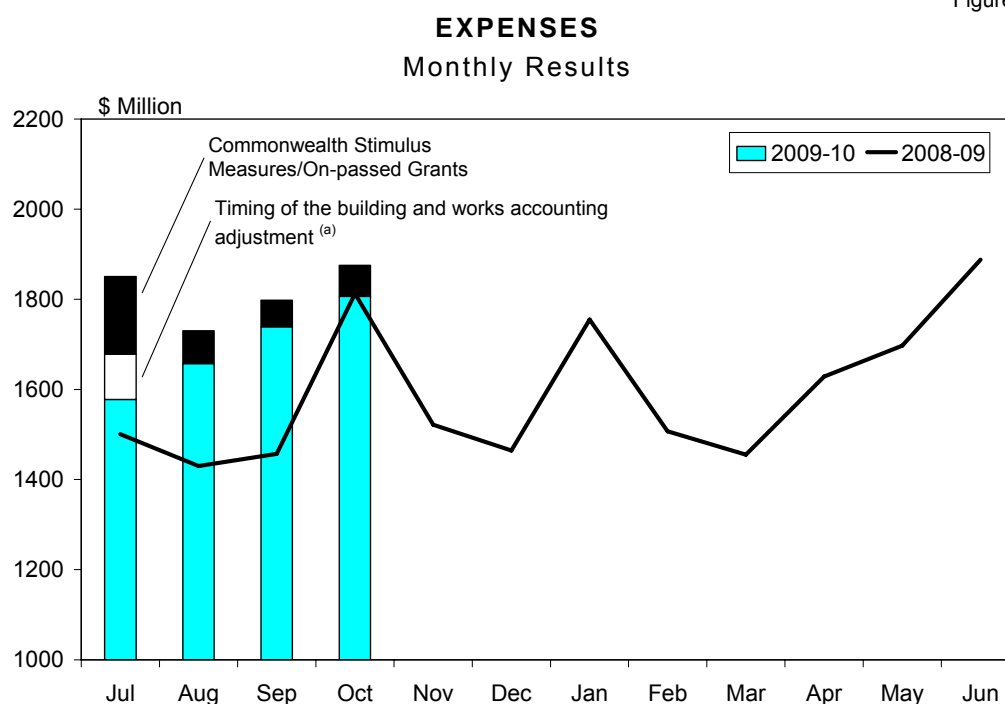


Totalling \$1,876 million, expenses in October 2009 were \$64 million (or 3.5%) higher than in October 2008. This increase is primarily due to:

- higher current and capital transfers (up \$100 million), due mainly to:
 - higher subsidy payments to public corporations (up \$30 million), mainly for tariff adjustments and energy rebates for electricity utilities; and
 - higher First Home Owners' Grants (up \$28 million), reflecting the impact of the Commonwealth's Boost stimulus initiative;
- higher salaries costs (up \$30 million or 4.4%), driven by higher employee numbers and wage rates, particularly in the health, education, and law and order sectors; and

- lower services and contracts expense and 'other' gross operating expenses (down \$69 million), mainly reflecting the completion (or near completion) of several major road works projects, such as the New Perth-Bunbury Highway.

Figure 7.2



(a) See July 2009 monthly report.

A cash deficit of \$330 million was recorded in the month of October 2009. This compares with a cash deficit of \$112 million in October 2008. This outcome reflects the impact on cash of the operating issues outlined earlier.

Four Months Ended 31 October 2009

A general government operating deficit of \$970 million was recorded for the first four months of 2009-10, compared to the \$203 million surplus recorded for the same period in 2008-09.

Revenue in the period totalled \$6,285 million, \$118 million (or 1.8%) lower than the same period last year. This primarily reflects the net impact of:

- lower grants and subsidies from the Commonwealth (down \$97 million), mainly due to:
 - higher funding for the education sector (up \$281 million), as a result of the monthly factors noted above, and higher funding for non-government schools (up \$106 million), reflecting Commonwealth stimulus, indexation and higher enrolment numbers;

- lower GST grants (down \$248 million), reflecting Western Australia’s lower share of national GST collections and the timing of GST grants;
- lower North West Shelf petroleum grants (down \$168 million);
- higher funding for social housing and the National Affordable Housing program (up \$117 million); and
- lower capital grants (down \$59 million), mainly due to completion of the New Perth-Bunbury Highway with an end to grants supporting this project;
- lower interest income (down \$70 million), as noted in the monthly discussion above;
- lower royalty income (down \$62 million), due primarily to lower prices and volumes for iron ore and nickel, which were partially offset by higher prices and volumes for gold;
- higher dividends (up \$52 million), mainly due to the timing of the declaration of Synergy’s final dividend for the 2008-09 financial year; and
- higher taxation revenue (up \$50 million), mainly due to higher ESL and insurance duty collections, partially offset by lower vehicle license duty due to weaker market activity.

Expenses for the four months ended 31 October 2009 totalled \$7,254 million. This was a 17.0% increase on spending in the first four months of 2008-09. As with the preceding three months, the October results include a range of significant extraordinary spending effects which impact headline expense growth. These are summarised in the following table.

EXTRAORDINARY EXPENSE GROWTH 2009-10		Table 7.1
Four Months to 31 October		
		\$m
Commonwealth spending (stimulus, grants on-passed to local governments and non-governments schools, etc.)		382
Community Service Obligation payment to Synergy		86
Extraordinary expenses		468

Abstracting from these factors, expenses increased by \$586 million (or 9.5%) relative to the first four months of 2008-09.

For the four months to 31 October 2009, higher expenses include:

- higher current and capital transfers (up \$581 million), due mainly to:
 - higher Commonwealth funding to the Housing Authority (up \$111 million), for Social Housing, Remote Indigenous Housing and the National Affordable Housing Agreement;

- higher subsidies to public corporations, mainly due to payments to Synergy for tariff adjustments and energy rebates (up \$86 million), and the Water Corporation (up \$18 million) for country water, sewerage and drainage operations;
- higher First Home Owners' Grants (up \$106 million), as outlined in the monthly discussion;
- higher general purpose funding from the Commonwealth for local governments (up \$44 million); and
- higher Commonwealth grants for government and non-government schools (up \$167 million), mainly due to growth in student enrolment numbers and indexation as well as funding for Building the Education Revolution;
- higher salaries costs (up \$251 million, or 10.2%), continuing the trend discussed in previous monthly reports this year and reflecting employee numbers and pay rates in the health, education and law and order sectors (which account for 67.6% of the total increase), and around \$45 million of the total \$48 million annual provision for voluntary severance approved during the first four months of 2009-10. Abstracting from voluntary severance costs, salaries increased by 8.3% during the first four months of the year, well below the 12.4% recorded for the full-year in 2008-09; and
- higher 'other' gross operating expenses (up \$173 million), due mainly to increased spending on maintenance for schools, higher property and workers' compensation insurance costs and higher consumable health spending.

The cash deficit for the four months to 31 October 2009 was \$1,373 million, \$1,329 million higher than the cash deficit in the same period last year. This primarily reflects the cash impact of the year to date operating deficit outlined above.

Net cash outflows for infrastructure spending totalled \$700 million, up \$110 million from the same period in 2008-09. This increase was mainly for spending on land acquisitions by the State Planning Commission, and for spending on the new Fiona Stanley Hospital and other health infrastructure.

Table 7.2

GENERAL GOVERNMENT
Operating Statement

	2009-10				2008-09		
	Month of Sept \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
Results from Transactions							
<i>REVENUE</i>							
Taxation	471	514	1,888	6,046	453	1,838	5,706
Current grants and subsidies	576	816	2,768	8,230	894	2,807	8,089
Capital grants	42	15	113	1,620	64	172	411
Sales of goods and services	130	123	520	1,523	133	505	1,410
Interest Income	22	9	56	153	32	126	285
Dividends from other sector entities	89	-	89	592	-	37	466
Tax equivalent income	20	30	103	387	30	109	355
Royalty income	326	142	623	2,000	157	685	2,348
Other	31	35	124	334	34	125	364
<i>Total</i>	<i>1,706</i>	<i>1,684</i>	<i>6,285</i>	<i>20,884</i>	<i>1,796</i>	<i>6,403</i>	<i>19,435</i>
<i>EXPENSES</i>							
Salaries	678	703	2,722	8,254	673	2,471	7,764
Superannuation							
Concurrent costs	65	67	260	791	66	240	746
Superannuation interest cost	29	29	116	425	26	103	330
Other employee costs	29	31	105	334	25	94	326
Depreciation and amortisation	65	69	268	847	66	253	764
Services and contracts	95	114	413	1,464	140	420	1,339
Other gross operating expenses	284	219	1,042	2,874	262	869	2,575
Other interest	16	12	50	156	24	51	118
Other property expenses	-	-	-	-	-	-	-
Current transfers	436	573	1,971	5,090	499	1,573	4,554
Capital transfers	101	57	308	598	31	125	600
<i>Total</i>	<i>1,798</i>	<i>1,876</i>	<i>7,254</i>	<i>20,834</i>	<i>1,812</i>	<i>6,200</i>	<i>19,117</i>
NET OPERATING BALANCE	-92	-191	-970	51	-17	203	318

(a) Mid-year review estimates.

(b) Consistent with the 2008-09 *Annual Report on State Finances*, released 24 September 2009.

Note: Columns may not add due to rounding.

Table 7.3

GENERAL GOVERNMENT
Cash Flow Statement

	2009-10				2008-09		
	Month of Sept \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
CASH FLOWS FROM OPERATING ACTIVITIES							
<i>Cash received</i>							
Taxes received	439	457	1,790	6,050	451	1,944	5,865
Grants and subsidies received	607	833	2,831	9,816	966	2,983	8,538
Receipts from sales of goods and services	151	119	544	1,549	147	582	1,566
Interest receipts	14	19	55	140	33	120	295
Dividends and tax equivalents	-4	154	208	973	139	218	877
Other receipts	464	250	1,117	3,303	245	1,133	3,692
<i>Total cash received</i>	<i>1,671</i>	<i>1,832</i>	<i>6,544</i>	<i>21,833</i>	<i>1,978</i>	<i>6,980</i>	<i>20,822</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation	-697	-948	-3,058	-9,246	-906	-2,878	-8,595
Payments for goods and services	-509	-289	-1,776	-4,722	-412	-1,656	-4,441
Interest paid	-8	-25	-53	-102	-30	-55	-131
Grants and subsidies paid	-346	-578	-1,792	-5,225	-478	-1,449	-4,650
Dividends and tax equivalents	-	-	-	-	-	-	-
Other payments	-160	-127	-537	-1,443	-78	-395	-1,289
<i>Total cash paid</i>	<i>-1,719</i>	<i>-1,965</i>	<i>-7,217</i>	<i>-20,739</i>	<i>-1,905</i>	<i>-6,434</i>	<i>-19,106</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	-47	-133	-673	1,095	74	546	1,717
CASH FLOWS FROM INVESTING ACTIVITIES							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-195	-211	-734	-3,619	-198	-665	-2,255
Sales of non-financial assets	-5	15	34	247	13	75	164
<i>Total cash flows from investments in non-financial assets</i>	<i>-200</i>	<i>-197</i>	<i>-700</i>	<i>-3,371</i>	<i>-186</i>	<i>-590</i>	<i>-2,091</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes	-	1	2	-	-	-	1
For liquidity purposes	19	13	60	2	-	24	25
<i>Cash paid</i>							
For policy purposes	-56	-98	-254	-847	-75	-127	-368
For liquidity purposes	-	-	-	-2	-1	-5	-3
<i>Total cash flows from investments in financial assets</i>	<i>-36</i>	<i>-85</i>	<i>-192</i>	<i>-848</i>	<i>-68</i>	<i>-108</i>	<i>-345</i>
NET CASH FLOWS FROM INVESTING ACTIVITIES	-237	-281	-892	-4,219	-254	-698	-2,437
CASH FLOWS FROM FINANCING ACTIVITIES							
<i>Cash received</i>							
Advances received	-2	1	1	10	1	1	14
Borrowings	-366	156	147	2,824	-133	-	1,012
Deposits received	-	-	-	-	-	-	-
Other financing receipts	6	-	8	30	1	6	30
<i>Total cash received</i>	<i>-361</i>	<i>157</i>	<i>156</i>	<i>2,864</i>	<i>-131</i>	<i>8</i>	<i>1,056</i>
<i>Cash paid</i>							
Advances paid	2	-1	-1	-9	-5	-5	-14
Borrowings repaid	-121	101	-124	-169	12	-140	-182
Deposits paid	-	-	-	-	-	-	-
Other financing payments	-4	-	-20	-69	-5	-16	-43
<i>Total cash paid</i>	<i>-123</i>	<i>99</i>	<i>-145</i>	<i>-247</i>	<i>2</i>	<i>-161</i>	<i>-239</i>
NET CASH FLOWS FROM FINANCING ACTIVITIES	-485	256	11	2,616	-129	-153	818
Net increase in cash and cash equivalents	-769	-158	-1,554	-508	-309	-305	98
Cash and cash equivalents - opening balance	3,708	2,938	4,334	4,334	4,240	4,236	4,236
Cash and cash equivalents - closing balance	2,938	2,780	2,780	3,826	3,931	3,931	4,334
KEY FISCAL AGGREGATES							
Net cash flows from operating activities	-47	-133	-673	1,095	74	546	1,717
Net cash flows from investing in non-financial assets	-200	-197	-700	-3,371	-186	-590	-2,091
Cash surplus/-deficit	-248	-330	-1,373	-2,277	-112	-44	-375

(a) Mid-year review estimates.

(b) Consistent with the 2008-09 *Annual Report on State Finances*, released 24 September 2009.

Note: Columns may not add due to rounding.

Table 7.4

GENERAL GOVERNMENT Operating Revenue

	2009-10				2008-09		
	Month of Sept \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
TAXATION							
Taxes on employers' payroll and labour force							
<i>Payroll tax</i>	179	192	783	2,327	201	785	2,246
Property taxes							
<i>Land tax</i>	-	-	1	541	1	-	568
Transfer Duty	102	134	453	1,293	105	462	1,102
Landholder Duty	7	34	40	52	-	-	24
<i>Total duty on transfers</i>	109	168	493	1,345	105	462	1,126
Mortgages	-	-	-	-	-	4	4
Other stamp duties	-	-	-	1	1	-	1
Metropolitan Region Improvement Tax	-	-	-	81	-	-	82
Emergency Services Levy	52	21	79	168	1	59	157
Loan guarantee fees	2	6	11	25	2	6	19
<i>Total other property taxes</i>	54	27	90	274	4	70	264
Taxes on provision of goods and services							
Lotteries Commission	11	11	42	126	10	38	134
Video lottery terminals	-	-	-	-	-	-	-
Casino Tax	10	8	33	90	9	29	91
Betting tax	2	2	10	34	-	10	32
<i>Total taxes on gambling</i>	23	21	86	251	24	78	257
Insurance Duty	33	33	144	401	33	130	377
Other	3	2	8	18	1	7	21
<i>Total taxes on insurance</i>	36	35	151	419	34	137	397
Taxes on use of goods and performance of activities							
Vehicle Licence Duty	26	25	100	328	38	124	318
Permits - Oversize Vehicles and Loads	-	-	1	4	-	1	4
Motor Vehicle recording fee	3	3	14	41	3	14	40
Motor Vehicle registrations	41	42	168	515	42	165	486
<i>Total motor vehicle taxes</i>	71	71	283	888	83	304	848
Total Taxation	471	514	1,888	6,046	453	1,838	5,706
CURRENT GRANTS AND SUBSIDIES							
General Purpose Grants							
GST Revenue grants	277	278	1,111	3,415	471	1,358	3,529
North West Shelf grants	47	66	210	746	88	378	844
Compensation for Crude Oil Excise Condensate	4	5	15	94	-	9	23
Grants through the State							
Schools assistance – non-government schools	53	198	412	967	185	333	751
Local government financial assistance grants	-	-	60	137	-	33	132
Local government roads	-	-	39	92	-	22	89
First Home Owners' Boost	-	-	-	111	-	-	100
Other	-	1	1	25	-	-	-
National Specific Purpose Payment Agreement Grants							
National Health Care Agreement	95	95	379	1,136	75	337	1,056
National Education Agreement	27	27	110	329	12	74	318
National Agreement for Skills and Workforce Development	11	11	44	132	-	24	131
National Disability Agreement	6	6	26	78	10	24	75
National Affordable Housing Agreement	10	10	42	125	8	28	122
Nation Building and Jobs Plan							
Schools	-	-	14	77	-	-	78
Housing	-	-	2	20	-	-	15
Transport	-	15	15	9	-	-	15
Other Grants/National Partnerships							
Housing	17	-	34	11	-	-	26
Roads	-	-	-	52	1	10	53
Other	27	104	256	675	44	177	732
Total Current Grants and Subsidies	576	816	2,768	8,230	894	2,807	8,089

Note: Columns may not add due to rounding.

Table 7.4 (cont.)

GENERAL GOVERNMENT
Operating Revenue

	2009-10				2008-09		
	Month of Sept \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Annual Estimate ^(a) \$m	Month of Oct \$m	Four Months to 31 Oct \$m	Actual ^(b) \$m
CAPITAL GRANTS							
Grants through the State							
Schools assistance – non-government schools	-	1	33	-	2	2	18
Nation Building and Jobs Plan							
Schools	-	1	1	629	-	-	-
Housing	9	-	25	368	-	-	4
Transport	-	1	19	7	-	-	-
Other Grants/National Partnerships							
Housing	15	11	14	188	7	31	39
Roads	-	-	-	198	49	109	238
Other	17	2	20	230	6	25	112
Total Capital Grants	42	15	113	1,620	64	172	411
SALES OF GOODS AND SERVICES	130	123	520	1,523	133	505	1,410
INTEREST INCOME	22	9	56	153	32	126	285
REVENUE FROM PUBLIC CORPORATIONS							
Dividends	89	-	89	592	-	37	466
Tax Equivalent Regime	20	30	103	387	30	109	355
Total Revenue from Public Corporations	109	30	193	979	30	146	821
ROYALTY INCOME	326	142	623	2,000	157	685	2,348
OTHER							
Lease Rentals	6	6	26	64	5	23	65
Fines	11	11	45	129	11	45	138
Revenue not elsewhere counted	13	17	53	140	18	57	161
Total Other	31	35	124	334	34	125	364
GRAND TOTAL	1,706	1,684	6,285	20,884	1,796	6,403	19,435

(a) Mid-year review estimates.

(b) Consistent with the 2008-09 *Annual Report on State Finances*, released 24 September 2009.

Note: Columns may not add due to rounding.

