



**2018-19**

# **ANNUAL REPORT ON STATE FINANCES**



**SEPTEMBER 2019**



**2018-19**

# **Annual Report on State Finances**

SEPTEMBER 2019

2018-19 Annual Report on State Finances ©  
Government of Western Australia 2019

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# 2018-19

## Annual Report on State Finances

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# Foreword

This *Annual Report on State Finances* (ARSF) provides detail on the State's public sector financial results for 2018-19. It includes disclosure of material differences between these outcomes and estimated outcomes contained in the recent 2019-20 Budget and in the original 2018-19 Budget.

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

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

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

This ARSF contains information on the Western Australian whole-of-government (and its sub-sectors) for:

- the actual outturn for 2018-19, which is the focus of this report;
- movements in the 2018-19 outturn relative to the 2018-19 estimated outturn contained in the 2019-20 Budget, presented to the Legislative Assembly on 9 May 2019 (in the *Financial Results* chapter)<sup>1</sup>;
- movements in the 2018-19 outturn relative to the 2018-19 Budget estimates, presented to the Legislative Assembly on 10 May 2018 (detailed in Appendix 4);

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<sup>1</sup> The estimated outturn for 2018-19 contained in the 2019-20 Budget was backcast to reflect the estimated impact of new accounting standards that took effect for reporting periods that commenced on or after 1 January 2019. The estimated outturn for 2018-19 in the Budget excluding the estimated impact of new accounting standards was shown in Note 9 to the financial statement projections contained in Appendix 1 of the 2019-20 Budget Paper No. 3: *Economic and Fiscal Outlook*. That is, the estimated outturn in Note 9 of Appendix 1 of Budget Paper No. 3 was prepared in accordance with the accounting standards on which the final outcome for 2018-19 in this *Annual Report on State Finances* was prepared, and forms the basis of the variations discussed in the *Financial Results* chapter of this report.

- material Special Purpose Accounts (Appendix 5);
- quarterly results for June 2019, completing the State's quarterly reporting series for 2018-19 (Appendix 6); and
- the Public Ledger outcomes for the year ending 30 June 2019, which includes the Consolidated Account, the Treasurer's Advance Account, and the Treasurer's Special Purpose Accounts (Appendix 7).

General government sector salary outcomes and expense limit outcomes under Resource Agreements for appropriation-funded agencies are also included in Appendices 8 and 9 respectively.

## Statement of Responsibility

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

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

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

- fairly represents the operating results and cash flows of the Government of Western Australia for the year ended 30 June 2019, and the public sector's financial position at 30 June 2019; and
- has been prepared in accordance with Australian Accounting Standard AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, other applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and complies with statistical standards promulgated by the ABS.

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



MICHAEL BARNES  
UNDER TREASURER



MAGDALENA WITTEK  
MANAGER  
FINANCIAL REPORTING

19 September 2019

## Opinion of the Auditor General



Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### ANNUAL REPORT ON STATE FINANCES – GOVERNMENT OF WESTERN AUSTRALIA

#### *Opinion*

I have audited the financial statements of the Government of Western Australia for the year ended 30 June 2019, which comprise an Operating Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement for General Government, Public Non-Financial Corporations, Total Non-Financial Public Sector, Public Financial Corporations and Total Public Sector, and Notes comprising a summary of significant accounting policies and other explanatory information (Appendix 1), the Comparison of Final Outcomes to Original Budget for the Year Ended 30 June 2019 for the General Government Sector and Total Public Sector (Appendix 4), and the Public Ledger (Appendix 7).

In my opinion, the financial statements

- (i) have been properly drawn up so as to present fairly, in all material respects, the operating results and cash flows of the Government of Western Australia for the year ended 30 June 2019 and the financial position at the end of that year; and
- (ii) have been prepared in accordance with Australian Accounting Standard AASB 1049 "Whole of Government and General Government Sector Financial Reporting", other applicable Australian Accounting Standards and the *Government Financial Responsibility Act 2000*.

#### *Basis for Opinion*

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Government of Western Australia in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Other Information*

The Under Treasurer is responsible for the other information. Other information comprises the information in the Annual Report on State Finances, but does not include the financial statements as defined above and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard for the year ended 30 June 2019.

**Responsibility of the Under Treasurer for the Financial Statements**

The Under Treasurer is responsible for the preparation and fair presentation of the Annual Report on State Finances that includes the preparation of the financial statements in accordance with Australian Accounting Standard AASB 1049 "Whole of Government and General Government Sector Financial Reporting", other applicable Australian Accounting Standards and the *Government Financial Responsibility Act 2000*, and for such internal control as the Under Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Under Treasurer is also responsible for disclosing matters related to going concern, if applicable, and using the going concern basis of accounting, unless this is assessed as not appropriate.

**Auditor's Responsibility for the Audit of the Financial Statements**

As required by the *Government Financial Responsibility Act 2000*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Under Treasurer.
- Conclude on the appropriateness of the Under Treasurer's use of the going concern basis of accounting.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the agencies or business activities within the Western Australian Government to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit on State Finances. I remain solely responsible for my audit opinion.

I communicate with the Under Treasurer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

***Matters Relating to the Electronic Publication of the Audited Financial Statements***

This auditor's report relates to the financial statements of the Government of Western Australia for the year ended 30 June 2019 included on the Department of Treasury's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
20 September 2019



# Financial Results

## HIGHLIGHTS

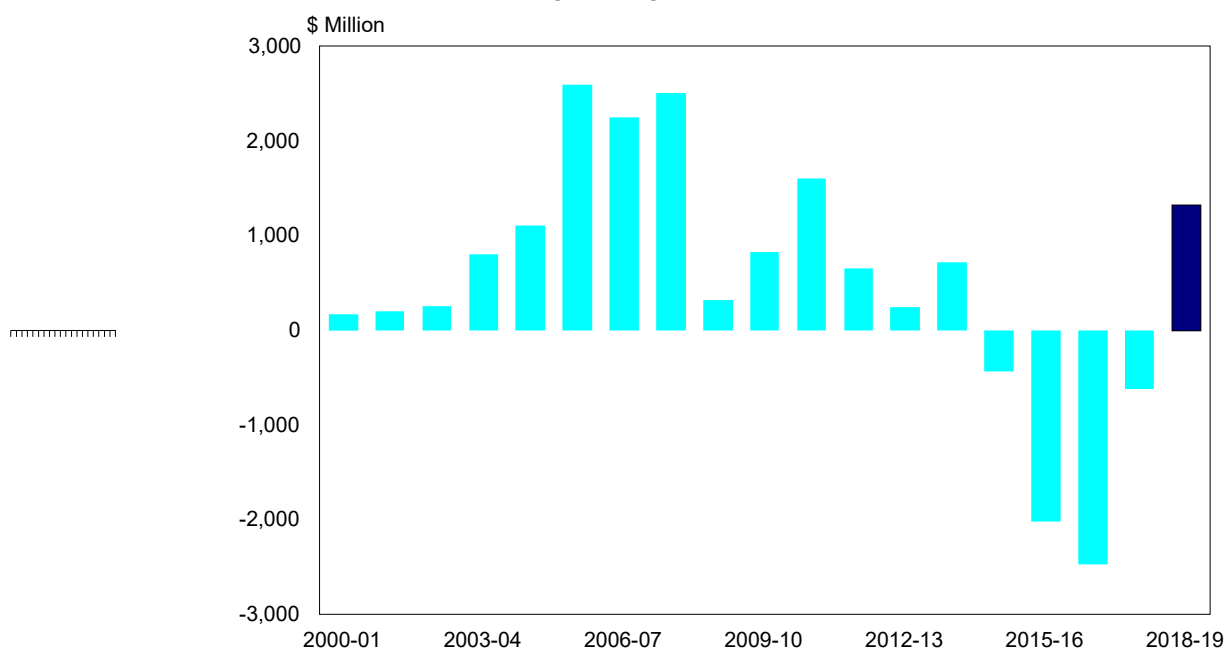
- A general government sector operating surplus of \$1.3 billion was recorded for 2018-19. This:
  - is \$851 million higher than the estimated surplus of \$466 million in the 2019-20 Budget;
  - follows an operating deficit outcome of \$618 million in 2017-18; and
  - is the first operating surplus since 2013-14.
- The stronger surplus outcome primarily reflects:
  - lower recurrent expenditure, which was \$316 million lower than estimated in the 2019-20 Budget. General government expenses grew by 2.5% in 2018-19, following growth of just 1.9% in 2017-18. Abstracting from the impact of Commonwealth funding decisions that flowed through to State spending, underlying expense growth in 2018-19 was 2.1%;
  - higher iron ore prices during the June quarter 2019, partially offset by lower than expected export volumes; and
  - settlement with BHP over the payment of past royalties (\$250 million).
- Total public sector net debt at 30 June 2019 was \$35.5 billion, \$819 million lower than estimated in the 2019-20 Budget. Relative to 30 June 2018, net debt increased by \$856 million over 2018-19. This is the lowest annual increase since 2007-08, indicating that the level of net debt is rapidly approaching a peak.

## Introduction<sup>1</sup>

The general government sector recorded an operating surplus of \$1.3 billion in 2018-19, a significant turnaround from the \$618 million operating deficit in 2017-18, and the first surplus outcome since 2013-14 (see following chart).

Figure 1

### NET OPERATING BALANCE General Government Sector



Whilst a welcome turnaround, it is important to note that:

- the \$1.3 billion operating surplus for 2018-19 represents 4.1% of general government revenue (\$32 billion), which is a modest 'buffer' given the inherent volatility in the State's revenue base; and
- after taking account of capital spending on infrastructure, the total public sector still recorded a cash deficit (of \$924 million) in 2018-19.

<sup>1</sup> This chapter mainly focuses on variations in outcomes between the estimated outturn published in the State's 2019-20 Budget and the final outcomes for 2018-19 and, where important, comparisons to the previous financial year (2017-18). Comparisons to the original 2018-19 Budget projections (presented to the Legislative Assembly on 10 May 2018) are available in Appendix 4: *Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2019*.

Relative to the \$466 million operating surplus for 2018-19 estimated in the 2019-20 Budget, the stronger surplus outcome largely reflects:

- a one-off \$250 million royalty backpayment from BHP, settled in June 2019 (the Government allocated \$230 million of this towards the construction of a new women's and babies hospital at the QEII site, with the remaining \$20 million allocated to upgrades and repairs at Hedland Senior High School (\$15 million) and additional upgrades at Newman Hospital (\$5 million));
- higher than expected iron ore prices in the June 2019 quarter; and
- \$316 million from lower than expected spending by general government agencies.

At \$5 billion, capital spending on infrastructure in 2018-19 was largely unchanged from 2017-18. However, this level of capital spending is \$554 million lower than the 2019-20 Budget estimate, which has contributed to a lower than expected cash deficit for the total public sector (\$924 million, down from \$1.7 billion estimated in the 2019-20 Budget). This is the lowest cash deficit result since 2007-08.

The lower cash deficit has significantly slowed the rate of growth in net debt. Total public sector net debt was \$35.5 billion at 30 June 2019, an increase of \$856 million on 30 June 2018 — the lowest annual increase since 2007-08.

The following table summarises the key financial outcomes for 2018-19.

KEY BUDGET AGGREGATES Western Australia					
Table 1					
	2017-18	2018-19			
	Actual	Budget Estimate	MYR Revision	Estimated Outturn <sup>(a)</sup>	Actual
<b>GENERAL GOVERNMENT SECTOR</b>					
<b>Net Operating Balance (\$m)</b>	<b>-618</b>	<b>-906</b>	<b>-674</b>	<b>466</b>	<b>1,317</b>
Revenue (\$m)	29,332	29,572	30,010	31,471	32,006
Revenue Growth (%) <sup>(b)</sup>	9.0	2.4	2.3	7.3	9.1
Expenses (\$m)	29,949	30,478	30,684	31,005	30,689
Expense Growth (%) <sup>(b)</sup>	1.9	0.9	2.5	3.5	2.5
Net Debt at 30 June (\$m)	21,737	25,891	24,341	23,404	22,990
General Government Net Debt as a Share of Total Public Sector Net Debt (%)	62.8	66.2	65.4	64.5	64.8
<b>TOTAL PUBLIC SECTOR</b>					
Net Debt at 30 June (\$m)	34,606	39,103	37,203	36,281	35,462
Asset Investment Program (\$m)	5,052	6,248	5,835	5,519	4,965
Cash Surplus/Deficit (\$m)	-3,007	-2,961	-2,582	-1,720	-924
<p>(a) Excludes 2019-20 Budget estimates of the impact of new accounting standards which take effect for reporting periods commencing on or after 1 January 2019. See note 9 in Appendix 1 of the 2019-20 Budget Paper No. 3: <i>Economic and Fiscal Outlook</i>, available at <a href="http://www.ourstatebudget.wa.gov.au">www.ourstatebudget.wa.gov.au</a>, and Appendix 3 of this ARSF.</p> <p>(b) Abstracting from the impact of Commonwealth funding decisions that in some cases flowed through to State spending, growth in revenue and expenses in 2018-19 was 6.8% and 2.1% respectively in underlying terms.</p> <p>Note: Columns/rows may not add due to rounding.</p>					

Key economic parameters for 2018-19 are summarised in the following table.

### KEY ECONOMIC PARAMETERS

#### Western Australia

Table 2

	2017-18	2018-19			Actual
	Actual	Budget Estimate	MYR Revision	Estimated Outturn	
<b>Demand and Output (%)</b> <sup>(a)(b)</sup>					
Household Consumption	1.4	2.25	1.5	0.75	0.7
Dwelling Investment	-2.5	4.75	-4.0	-1.75	-3.9
Business Investment	-0.6	-14.0	-11.0	-10.0	-8.7
Government Consumption	1.7	1.75	2.75	2.75	2.0
Government Investment	-1.3	6.0	4.0	3.0	0.7
State Final Demand	0.7	-0.25	-0.5	-1.0	-1.1
Merchandise Exports	4.9	7.5	7.0	4.25	0.8
Merchandise Imports	-4.8	-2.75	-2.5	-4.0	n.a.
Net Exports <sup>(c)</sup>	8.5	12.5	10.75	8.0	n.a.
Gross State Product <sup>(d)</sup>	1.9	3.25	3.0	2.0	n.a.
<b>Labour Market (%)</b>					
Population <sup>(a)(e)</sup>	0.7	1.2	1.2	1.0	n.a.
Employment <sup>(a)</sup>	2.2	1.5	1.8	1.0	0.9
Unemployment Rate <sup>(f)</sup>	6.1	5.75	6.0	6.25	6.1
Participation Rate <sup>(f)</sup>	68.3	68.4	68.6	68.4	68.3
<b>Prices (%)</b> <sup>(a)</sup>					
Consumer Price Index	0.9	1.5	1.5	1.25	1.3
Wage Price Index	1.5	1.75	1.75	1.75	1.6
Perth Median House Price <sup>(g)</sup>	-1.1	1.4	-0.9	-2.2	-2.5
<b>Other Key Parameters</b> <sup>(f)</sup>					
Exchange Rate \$US/\$A (cents)	77.5	77.0	72.7	71.8	71.5
Iron Ore Price (\$US/t) (CFR)	68.8	61.9	66.1	76.5	80.4
Iron Ore Volumes (million dry tonnes)	839	822	828	799	794
Crude Oil Price (\$US/barrel)	63.7	66.0	67.0	68.5	68.6
<b>Interest Rate Assumptions (%)</b> <sup>(f)</sup>					
Public Bank Account Earnings	2.1	2.0	2.2	2.2	2.2
Consolidated Account Borrowings	3.0	3.2	3.1	3.1	3.0

(a) Annual growth.

(b) Based on 2017-18 annual State Accounts, updated with State Final Demand data published for the June quarter 2019. Actual data for 2018-19 for Gross State Product, merchandise imports, and net exports is not available from the Australian Bureau of Statistics (ABS) until 15 November 2019.

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

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

(e) Actual population growth for 2018-19 is not available from the ABS until 20 December 2019.

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

(g) 2018-19 actual based on preliminary data from the Real Estate Institute of Western Australia and is subject to revision.

Note: Statistical outcomes sourced from the ABS are subject to periodic revision by that organisation.

## Results Compared to Estimated Outturn

### General Government Sector

#### Operating Statement

The general government sector recorded an operating surplus of \$1.3 billion in 2018-19, a turnaround of \$1.9 billion on the operating deficit recorded in 2017-18 and the first surplus since 2013-14. The 2018-19 outcome was \$851 million stronger than estimated in the 2019-20 Budget, reflecting higher than estimated revenue (up \$535 million) and lower expenses (down \$316 million).

#### GENERAL GOVERNMENT Operating Statement

Table 3

	2017-18	2018-19				Variation on EOT \$m (5)=(4)-(3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn <sup>(a)</sup> \$m (3)	Actual \$m (4)	
<b>REVENUE</b>						
Taxation	8,540	8,794	8,689	8,681	8,616	-65
Current grants and subsidies	8,529	9,552	9,542	10,348	10,210	-138
Capital grants	1,263	936	856	825	873	49
Sales of goods and services	2,516	2,614	2,628	2,660	2,734	74
Interest income	170	146	169	175	168	-7
Revenue from public corporations						
Dividends	1,718	1,229	1,314	1,289	1,350	61
Tax equivalent income	677	636	655	662	642	-20
Royalty income	5,231	5,057	5,549	6,226	6,713	487
Other	688	607	608	606	701	95
<b>Total</b>	<b>29,332</b>	<b>29,572</b>	<b>30,010</b>	<b>31,471</b>	<b>32,006</b>	<b>535</b>
<b>EXPENSES</b>						
Salaries	12,193	12,214	12,245	12,322	12,269	-53
Superannuation						
Concurrent costs	1,199	1,224	1,206	1,213	1,213	-1
Superannuation interest cost	177	206	189	133	135	3
Other employee costs	359	356	379	379	447	67
Depreciation and amortisation	1,343	1,493	1,504	1,497	1,445	-52
Services and contracts	2,432	2,632	2,624	2,588	2,538	-50
Other gross operating expenses	5,852	5,620	5,705	5,932	5,645	-287
Interest						
Interest on leases	73	93	92	92	89	-4
Other interest	818	916	867	861	859	-2
Current transfers	5,061	5,305	5,366	5,298	5,426	127
Capital transfers	442	418	506	689	625	-64
<b>Total</b>	<b>29,949</b>	<b>30,478</b>	<b>30,684</b>	<b>31,005</b>	<b>30,689</b>	<b>-316</b>
<b>NET OPERATING BALANCE</b>	<b>-618</b>	<b>-906</b>	<b>-674</b>	<b>466</b>	<b>1,317</b>	<b>851</b>

(a) Excludes 2019-20 Budget estimates of the impact of new accounting standards which take effect for reporting periods commencing on or after 1 January 2019. See note 9 in Appendix 1 of the 2019-20 Budget Paper No. 3: *Economic and Fiscal Outlook*, available at [www.ourstatebudget.wa.gov.au](http://www.ourstatebudget.wa.gov.au), and Appendix 3 of this ARSF.

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

The following table details key changes to the general government sector operating surplus for 2018-19 relative to the estimated outturn in the 2019-20 Budget (detail of key movements between the original 2018-19 Budget and the final outcome is available in Appendix 4 of this report).

Table 4

# SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE VARIATIONS SINCE THE 2019 - 20 BUDGET ESTIMATED OUTTURN

	\$m
<b>NET OPERATING BALANCE - ESTIMATED OUTTURN (2019-20 BUDGET)<sup>(a)</sup></b>	<b>466</b>
<b>Revenue</b>	
Taxation, comprising:	
- Total duty on transfers	-76.0
- All other taxes	11.3
<i>Sub-Total</i>	<i>-64.7</i>
Commonwealth grants, comprising:	
- North West Shelf grants/condensate compensation	-55.3
- Provision for Myalup-Wellington Water Project	-46.7
- All other grants	12.3
<i>Sub-Total</i>	<i>-89.7</i>
Road assets transferred in from external parties	108.3
Sales of goods and services	74.2
Revenue from public corporations	40.9
Royalty income, comprising:	
- Iron ore backpayment settlement	250.0
- Other iron ore royalties	288.4
- All other royalty income	-51.1
<i>Sub-Total</i>	<i>487.3</i>
All other revenue	-21.0
<b>TOTAL REVENUE</b>	<b>535.2</b>
<b>Expenses</b>	
Education	-115.0
Main Roads	-56.4
Primary Industries and Regional Development	-37.3
Western Australia Police Force	-36.5
Mines, Industry Regulation and Safety (including administered functions)	-36.4
Transport	-34.4
Transfers to the Western Australian Land Authority <sup>(b)</sup>	-18.1
Western Australia Land Information Authority	-18.1
Communities	
- Commonwealth-administered National Disability Insurance Scheme	-54.6
- State-administered disability services	114.7
WA Health	60.6
Provision for Myalup-Wellington Water Project	-46.7
Tax refunds	-17.4
All other expenses	-20.7
<b>TOTAL EXPENSES</b>	<b>-316.3</b>
<b>TOTAL VARIANCE</b>	<b>851.5</b>
<b>NET OPERATING BALANCE - 2018-19 ANNUAL REPORT ON STATE FINANCES</b>	<b>1,317</b>

(a) Excludes 2019-20 Budget estimates of the impact of new accounting standards which take effect for reporting periods commencing on or after 1 January 2019. See note 9 in Appendix 1 of the 2019-20 Budget Paper No. 3: *Economic and Fiscal Outlook*, available at [www.ourstatebudget.wa.gov.au](http://www.ourstatebudget.wa.gov.au), and Appendix 3 of this ARSF.

(b) Reflected in general government expenses as grants and subsidies, sourced from the Consolidated Account and administered by the Department of Treasury.

Note: Column may not add due to rounding.

## Revenue

General government revenue for 2018-19 was \$535 million (or 1.7%) higher than the estimated outturn in the 2019-20 Budget. This increase mainly reflects higher iron ore prices during the June quarter partially offset by lower than expected export volumes (with a net increase of \$288 million), and settlement of a \$250 million royalty backpayment from BHP in June 2019. Iron ore price volatility is discussed in more detail in a feature box later in this chapter.

Other material changes since the release of the 2019-20 Budget include:

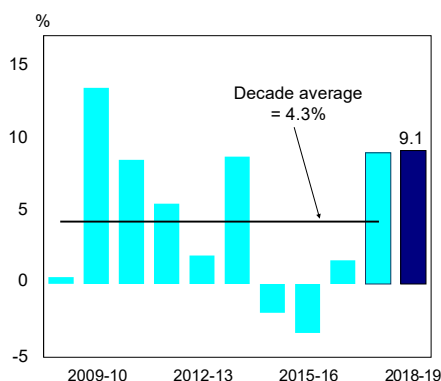
- higher than anticipated road transfers from resource companies and other external parties (up \$108 million);
- lower recurrent and capital grants from the Commonwealth (down \$90 million), largely reflecting:
  - the inclusion in the Budget of a provision for the receipt of Commonwealth funding in 2018-19 for the Myalup-Wellington Water Project, which is now expected to be received in a later year (subject to finalisation of a Commonwealth/State Agreement); and
  - lower North West Shelf grants, including Commonwealth compensation for crude oil excise arrangements (down \$55 million), as a result of lower than forecast volumes, which more than offset the impact of higher than projected prices and a slightly lower \$US/\$A exchange rate;
- lower taxation revenue (down \$65 million), mainly due to the value of large one-off commercial transactions being lower than estimated in the 2019-20 Budget. The number and/or value of these commercial transactions tend to be volatile within and between years;
- higher agency revenue from the sale of goods and services (up \$74 million), largely for:
  - WA Health (up \$48 million), primarily reflecting an increase in inpatient and outpatient services and charges, and revenue for cross-border health services (following an accounting change to reflect the gross revenue and expense position rather than the net position recorded in prior years); and
  - Education (up \$23 million), mainly due to higher revenue following a RiskCover Workers' Compensation adjustment based on historical agency performance, and higher than forecast revenue generated by schools; and
- higher revenue from public corporations (up \$41 million), largely driven by higher dividend payments from the Pilbara Ports Authority (up \$32 million), reflecting the recognition of benefits from commercial dredging service arrangements in 2017-18 (which increased the 2017-18 final dividend paid in 2018-19).

Relative to 2017-18, general government revenue increased by 9.1% (or \$2.7 billion). The year-on-year increase primarily reflects higher GST grants (up \$951 million) as the State's GST relativity slowly recovers from historical lows, a \$434 million pre-payment of Western Australia's GST top-up grant for 2019-20, and higher iron ore royalty income (up \$1.4 billion), reflecting a higher iron ore price and a lower \$US/\$A exchange rate.

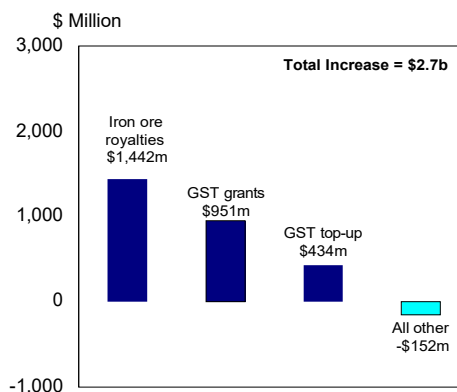
Figure 2

### GENERAL GOVERNMENT REVENUE

Annual Growth  
2008-09 to 2018-19

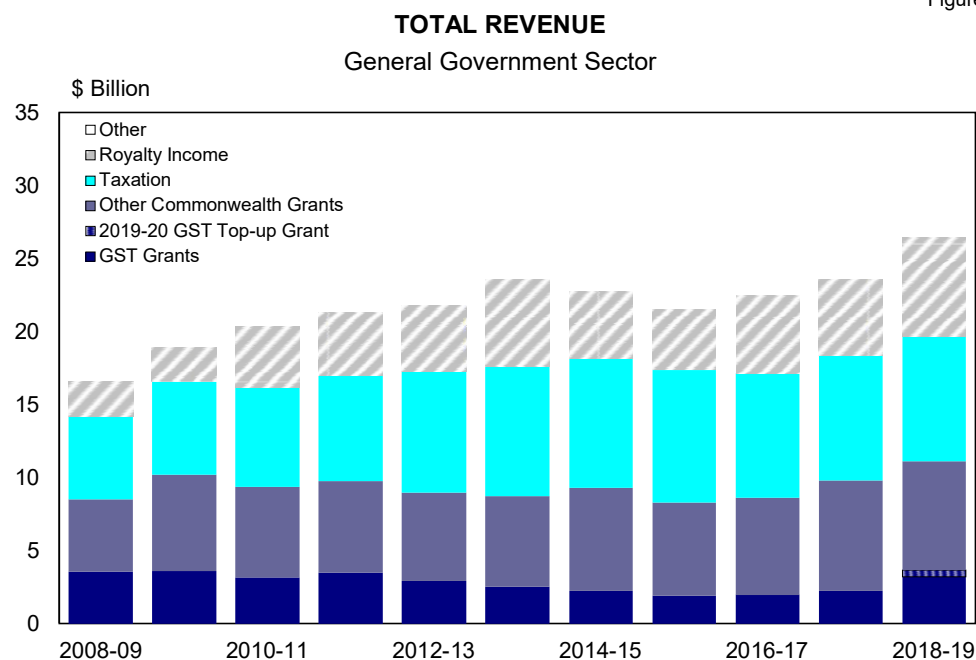


Components of Growth  
2018-19 relative to 2017-18



The State's own-source revenue (i.e. revenue excluding Commonwealth grants) accounted for almost two thirds of general government revenue in 2018-19. Taxation and royalty income represented 26.9% and 21% respectively of total revenue for the sector in 2018-19, while the State's GST grant (excluding the one-off 2019-20 GST top-up funding) accounted for 10% (up from 7.7% in 2017-18).

Figure 3



### Iron Ore Price Volatility

The Western Australian Budget is heavily reliant on iron ore royalties, which in 2018-19 totalled \$5.9 billion or 18.6% of total general government revenue. This royalty revenue is a function of the \$US price, freight (and other) deductions, volumes, and the \$US/\$A exchange rate.

The iron ore price averaged \$US80.4 per tonne over 2018-19, \$US3.9 above the 2019-20 Budget estimate of \$US76.5 per tonne. Strong demand from China's steel industry and the continuing impact of supply disruptions maintained upward pressure on prices following release of the 2019-20 Budget.

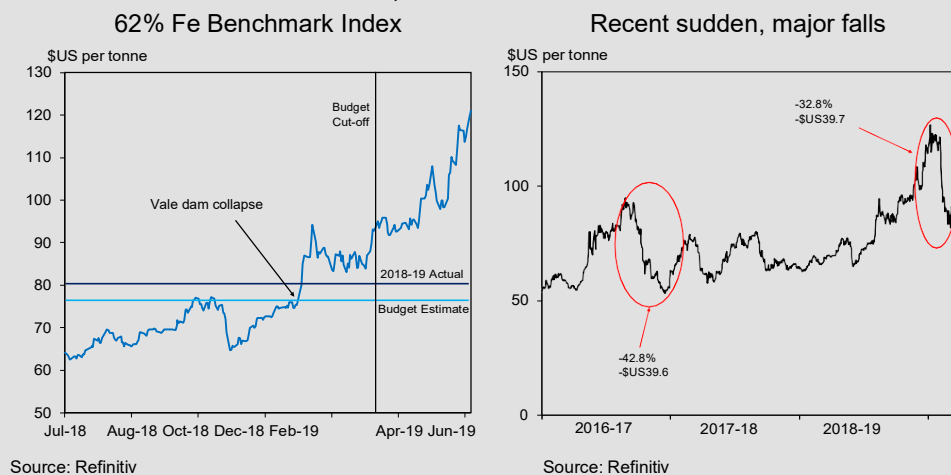
During 2018-19, the iron ore price fluctuated significantly between a low of \$US62.5 per tonne and a high of \$US118 per tonne. After being relatively stable up to January 2019, prices increased markedly in the second half of 2018-19 following the January collapse of a tailings dam at a Vale iron ore mine in Brazil, which significantly curtailed Brazilian iron ore supply. This coincided with stronger than expected demand from China following Government stimulus measures and robust steel output. The subsequent deficit in the iron ore market saw the benchmark price rise from \$US75 per tonne to \$US118 per tonne by the end of the financial year (chart below, left-hand panel).

The iron ore price is inherently volatile and can decline sharply in very short periods of time (chart below, right-hand panel). For example, following the end of the financial year, the price fell by 32.8% in a thirty-day period across July and August 2019 due to heightened global economic uncertainty and a partial recovery of seaborne iron ore supply.

This volatility underlines the need for conservative commodity price forecasts, and for budgeted operating surpluses of sufficient magnitude to provide a reasonable ‘buffer’ against such price movements.

Figure 4

### IRON ORE PRICE MOVEMENTS, 2018-19 IRON ORE BENCHMARK PRICE



## Expenses

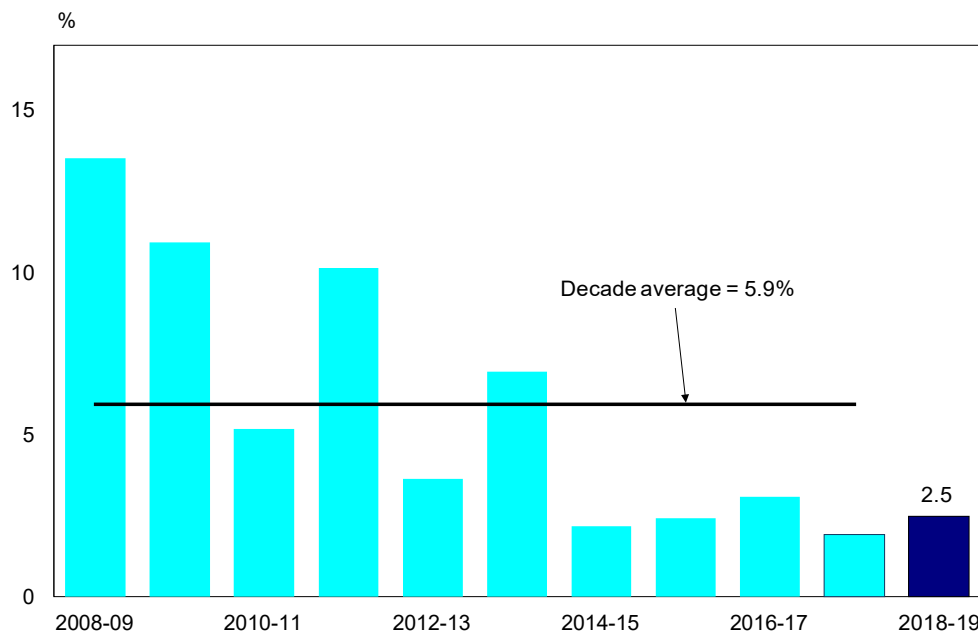
At \$30.7 billion, general government expenses were \$316 million (or 1%) lower than the estimated outturn in the 2019-20 Budget.

In year-on-year terms, general government expenses grew by 2.5% in 2018-19, down from an estimated 3.5% at the time of the 2019-20 Budget. Following growth of 1.9% in 2017-18, this reflects the Government’s continued commitment to containing expenditure growth as the key part of its Budget repair strategy.

Figure 5

### EXPENSE GROWTH

General Government Sector



Key movements contributing to the lower than expected expense outcome in 2018-19 include:

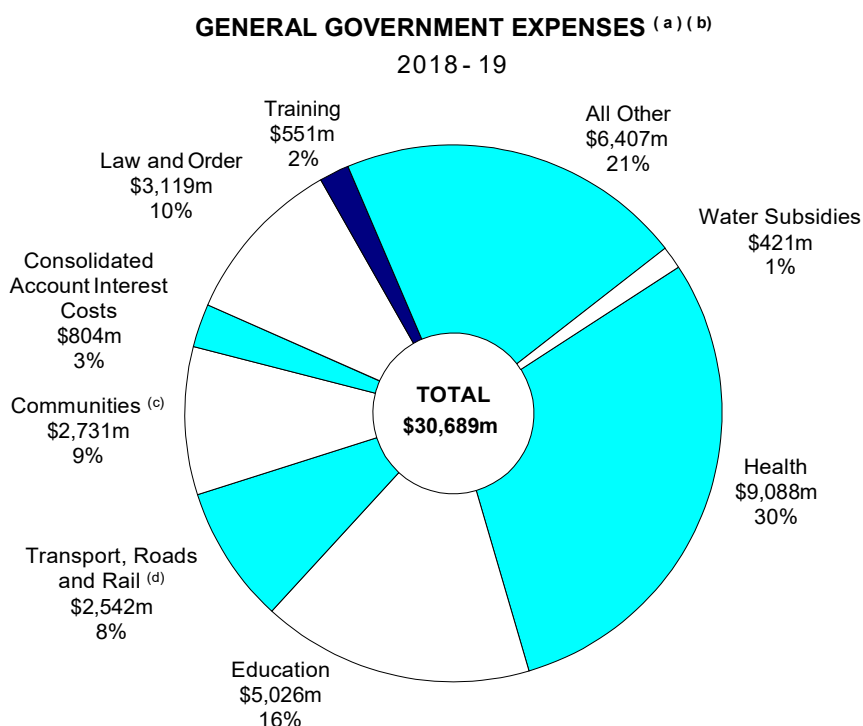
- Education (down \$115 million), primarily reflecting the capitalisation of some schools spending on minor works, a slower than expected rollout of the Kimberley Schools Project, and lower depreciation expenses (driven by underspends and timing changes in the Asset Investment Program);
- Main Roads (down \$56 million), mainly reflecting the reclassification of maintenance expenditure from recurrent spending to capital investment;
- lower payments to the National Disability Insurance Agency (NDIA) for the Commonwealth-administered National Disability Insurance Scheme (NDIS, down \$55 million, reflected in the Department of Communities). This includes the net impact of the scheme's slower-than-expected rollout on 2018-19 contributions and payment of 2017-18 contributions in May 2019, following a delay in the issuing of invoices by the NDIA;
- lower expenses relating to delays in the Myalup-Wellington Water Project (down \$47 million), discussed earlier in this chapter in the context of Commonwealth funding;
- Primary Industries and Regional Development (down \$37 million), largely due to lower than expected spending in various Royalties for Regions projects, together with lower salaries expenses (pending finalisation of the Department's Capability Review);

- Western Australia Police Force (down \$37 million), mainly reflecting the timing of grants from the Road Trauma Trust Account and the capitalisation of some maintenance spending;
- Mines, Industry Regulation and Safety, including administered spending (down \$36 million), mainly due to operational delays as systems and processes continue to be merged following Machinery of Government changes implemented from 2017-18, lower than expected Home Indemnity Insurance claims, and reduced mining tenement refunds;
- Transport (down \$34 million), largely due to timing issues with various grant programs and services and contracts expenditure;
- lower transfers to the Western Australian Land Authority (down \$18 million), reflecting the timing of various regional projects, mainly Transform Peel, Moonamang Road, and Transforming Bunbury Waterfront;
- Western Australia Land Information Authority (down \$18 million), mainly reflecting lower salaries expense due to lower than expected staff movements, and lower services and contracts expense due to delays in invoicing for projects; and
- lower than forecast taxation refunds (down \$17 million), reflecting the volatility of the number and average value of refund claims, which vary significantly from year to year.

Partially offsetting these lower outcomes was higher than anticipated spending for:

- State-administered disability services (up \$115 million, reflected in the Department of Communities) as a result of the continued provision of State-administered services to clients prior to their transition to the NDIS; and
- WA Health (up \$61 million), mainly due to the expense impact of the accounting change to cross-border health services (noted earlier) and higher accrued leave entitlements (of note, however, WA Health expenses increased by just 1.2% in 2018-19, with this low outcome reflecting the impact of moving to the Commonwealth-administered NDIS and the associated cessation of Home and Community Care spending from 2018-19).

Figure 6



(a) Segments may not add due to rounding.

(b) Excludes valuation decrement expenses brought to account in some agencies. Valuation decrements represent the accounting remeasurement of assets on the balance sheet and are not a recurrent cost of providing services or a component of general government expense transactions.

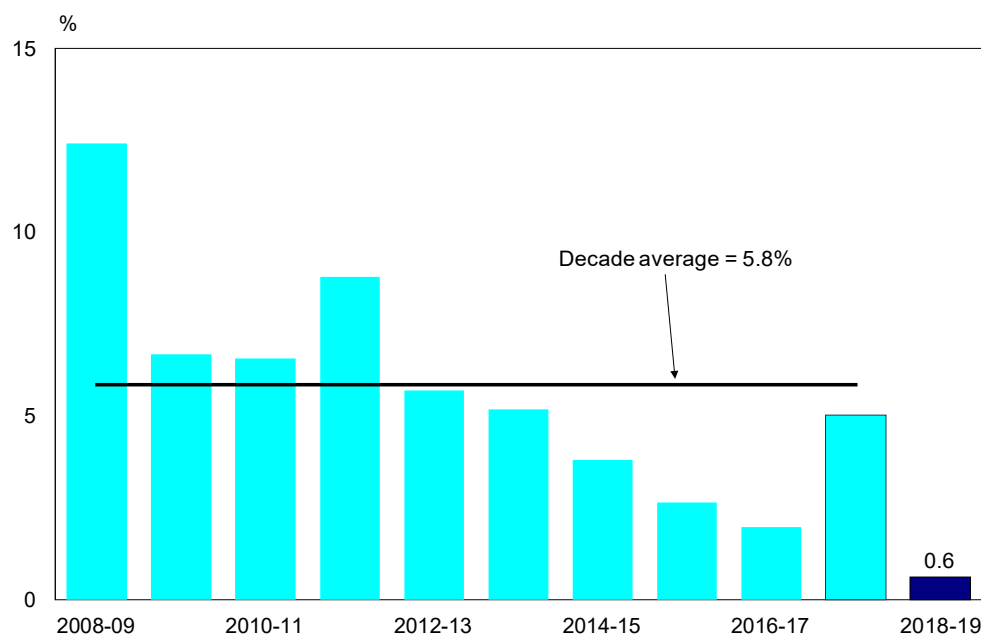
(c) The \$2.7 billion for the Department of Communities in this chart represents the general government portion of the Department's recurrent spending (with some expenditure from the former Housing Authority remaining within the public non-financial corporations sector for the purpose of whole-of government reporting).

(d) Rail component reflects operating subsidies paid to the Public Transport Authority.

Salaries expenditure remains the single largest component of general government recurrent spending in 2018-19, accounting for 40% of total operating expenses for the sector. In headline terms, growth in salaries expenditure in 2018-19 was just 0.6%. Adjusting for the impact of Voluntary Targeted Separation Scheme payments in 2017-18 (\$280 million) and 2018-19 (\$33 million for Western Australia Police Force and Education), underlying salaries growth was 2.7% in 2018-19, less than half the average growth of 5.8% per annum over the last decade.

Figure 7

### SALARIES GROWTH General Government Sector



### Balance Sheet

At \$100.6 billion, the net worth<sup>2</sup> of the general government sector (i.e. the value of total assets less total liabilities) decreased by \$2.6 billion between 30 June 2018 and 30 June 2019. While the value of the sector's non-financial assets (mainly land and physical assets) was maintained in aggregate terms, the equity interest in public corporations declined by \$1 billion over 2018-19 (mainly due to movements in non-debt liabilities such as payables), and Public Bank Account investments moved lower in response to the cash requirements of the Consolidated Account.

The \$100.6 billion outcome at 30 June 2019 was \$2.4 billion lower than anticipated at the time of the 2019-20 Budget, mainly reflecting the net impact of:

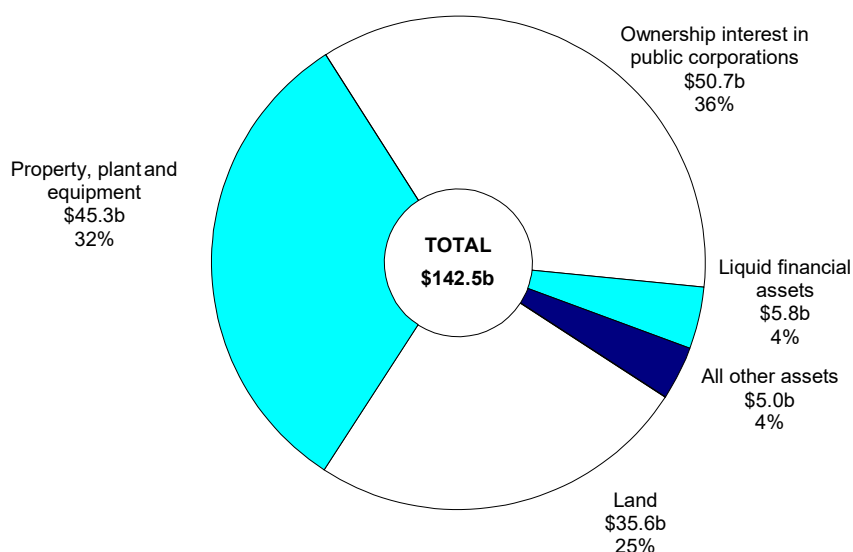
- a weaker net asset position for the general government sector's ownership interest in the public non-financial corporations sector (down \$1.3 billion), mainly driven by lower than anticipated end of year valuations of property, plant and equipment (down \$569 million) and land holdings (down \$438 million) across the sector;

<sup>2</sup> Net worth represents the difference between total assets and total liabilities. Net worth of the total public sector is equivalent to general government sector net worth. This is because the net worth of the public corporations sectors is recorded as an asset on the general government sector balance sheet.

- lower general government sector holdings of non-financial assets (down \$1.5 billion), mainly land (down \$519 million, due largely to lower than forecast valuations of land under roads), and property, plant and equipment (down \$817 million, mainly reflecting lower than estimated values for buildings held by the Department of Education and road infrastructure, and lower than expected Asset Investment Program spending across the sector); and
- higher holdings of liquid financial assets (up \$542 million), largely reflecting the impact on liquid investments of the stronger than expected operating outcome (noted earlier).

Figure 8

**ASSETS AT 30 JUNE 2019**  
General Government Sector

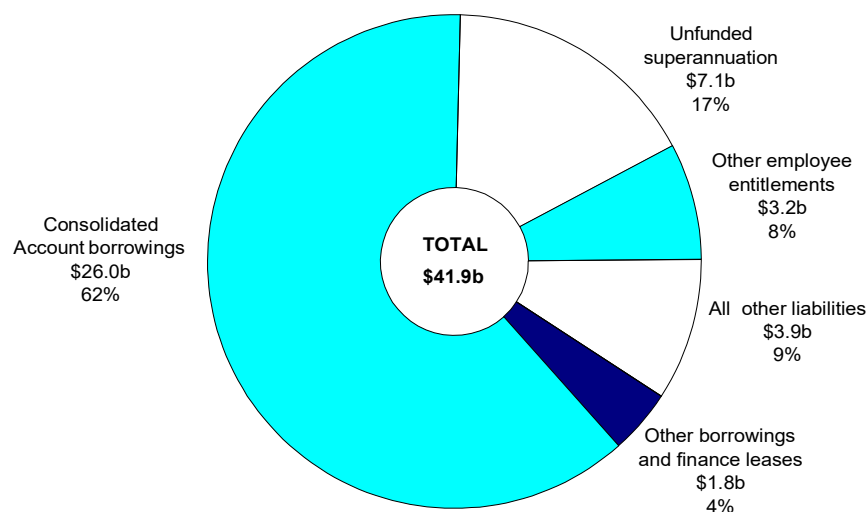


Note: Segments may not add due to rounding.

The vast majority of the general government sector's liabilities are held in the form of Consolidated Account borrowings, which decreased by \$437 million through the year to total \$26 billion at 30 June 2019. Importantly, no new central borrowings were undertaken during the year, reflecting the improved operating outcome and management of available cash resources held in the Public Bank Account.

Figure 9

**LIABILITIES AT 30 JUNE 2019**  
General Government Sector



Note: Segments may not add due to rounding.

Further information on the general government sector balance sheet position relative to the original 2018-19 Budget forecasts can be found in Appendix 4: *Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2019*.

### Cash Flow Statement

The general government sector recorded a cash deficit of \$426 million in 2018-19, a significant \$678 million improvement compared with the \$1.1 billion cash deficit estimated in the 2019-20 Budget. This improved cash result primarily reflects higher net cash from operating activities (up \$634 million)<sup>3</sup>, representing the impact on cash of the stronger operating surplus discussed earlier in this chapter.

<sup>3</sup> The net cash flow from operating activities is the cash equivalent of the operating balance on the operating statement discussed earlier in this chapter. This cash flow aggregate is based on cash information only while the accrual operating balance includes non-cash transactions such as depreciation charges, and recognises costs (expenses) and benefits (revenue) as they occur rather than when cash is paid or received.

## Total Public Sector <sup>4</sup>

### Summary

The total public sector recorded a \$716 million operating surplus for 2018-19, a \$551 million improvement on the \$165 million surplus estimated in the 2019-20 Budget. This represents a substantial \$2.3 billion turnaround on the operating deficit outcome recorded in 2017-18, and primarily reflects stronger than expected results for the general government sector (discussed earlier in this chapter).

Total public sector net debt stood at \$35.5 billion at 30 June 2019, \$819 million lower than the 2019-20 Budget estimate. The lower outcome primarily reflects the combined cash impact of the stronger than anticipated operating result (up \$317 million) and lower than expected infrastructure spending (down \$554 million).

TOTAL PUBLIC SECTOR						
Summary Financial Aggregates						
	2017-18	2018-19				
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (5)=(4)-(3)
<b>OPERATING STATEMENT</b>						
Revenue	45,819	47,856	47,760	50,243	51,214	971
Expenses	47,442	49,073	48,771	50,078	50,498	420
<b>Net Operating Balance</b>	<b>-1,623</b>	<b>-1,217</b>	<b>-1,010</b>	<b>165</b>	<b>716</b>	<b>551</b>
<b>BALANCE SHEET</b>						
Assets	183,521	190,465	184,724	183,721	186,610	2,889
Liabilities	80,285	87,717	82,358	80,721	86,017	5,296
<b>Net Worth</b>	<b>103,236</b>	<b>102,748</b>	<b>102,367</b>	<b>103,000</b>	<b>100,593</b>	<b>-2,407</b>
<b>CASH FLOW STATEMENT</b>						
Change in net cash held	-446	-1,703	-1,867	-2,370	-1,863	507
Cash surplus/-deficit	-3,007	-2,961	-2,582	-1,720	-924	796
<b>Memorandum Item: Net Debt</b>	<b>34,606</b>	<b>39,103</b>	<b>37,203</b>	<b>36,281</b>	<b>35,462</b>	<b>-819</b>

Note: Columns may not add due to rounding.

### Net Operating Balance

A \$716 million operating surplus was recorded by the total public sector in 2018-19, which is \$551 million stronger than the surplus estimated in the 2019-20 Budget. The majority of this improvement reflects the general government outcome detailed earlier, partly offset by a lower than expected surplus in the public non-financial corporations sector (see below). The operating outcome in the public financial corporations sector was broadly similar to the 2019-20 Budget estimate.

<sup>4</sup> The total public sector consolidates the general government, public non-financial corporations and public financial corporations sectors. The total public sector is also known as the whole-of-government. Detailed financial disclosures for each of these sectors are contained in Appendix 1: *Financial Statements*.

Table 6

**TOTAL PUBLIC SECTOR OPERATING BALANCE**  
By Sector

	2017-18	2018-19				
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (5)=(4)-(3)
<b>Net Operating Balance</b>						
General government sector	-618	-906	-674	466	1,317	851
Public non-financial corporations sector	458	674	743	882	648	-234
Public financial corporations sector	320	315	291	166	161	-5
<i>less</i>						
General government dividend revenue	1,718	1,229	1,314	1,289	1,350	61
Public non-financial corporations dividend revenue <sup>(a)</sup>	64	71	57	60	61	1
<b>Total public sector net operating balance</b>	<b>-1,623</b>	<b>-1,217</b>	<b>-1,010</b>	<b>165</b>	<b>716</b>	<b>551</b>

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

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

***Public Non-Financial Corporations (PNFCs)***

The PNFC sector recorded a \$648 million operating surplus in 2018-19, \$234 million lower than expected in the 2019-20 Budget. The lower outcome reflects higher expenses (up \$756 million) more than offsetting higher revenue (up \$523 million). Material movements across the sector are primarily driven by:

- broadly equivalent increases in both revenue and expenses for the Gold Corporation (mainly due to higher than forecast prices for gold);
- lower revenue (down \$134 million) and expenses (down \$170 million) for the Department of Communities (Housing Services) as a result of:
  - lower sales mainly from the Affordable Housing Program, broadly matched by an equivalent reduction in related expenses, due to softening market conditions;
  - lower rent revenue reflecting a decline in market rents across the State; and
  - movements in remote communities spending;
- lower revenue (down \$125 million) and higher expenses (up \$163 million) for Synergy, mainly due to:
  - reclassification of development fee revenue for the Warradarge Wind Farm (the reclassified revenue is now recorded as profit on disposal of fixed assets which is counted as a net gain on an asset and does not impact the operating balance); and
  - the recognition of a provision for onerous contracts in respect of Synergy's gas supply agreements (reflecting the difference between the expected revenue from the use or sale of gas and the cost to meet these supply arrangements);

- higher revenue (up \$91 million) and expenses (up \$62 million) for Lotterywest, primarily due to higher sales and associated increases in prize and statutory grant distributions;
- lower revenue (down \$61 million) and expenses (down \$62 million) for the Water Corporation, largely reflecting:
  - lower developer contributions due to lower than forecast development activity;
  - the impact on revenue from lower water consumption across most regions (particularly the Perth region which had higher than forecast average rainfall);
  - lower operating expenses driven by lower corrective maintenance across all regions; and
  - lower income tax equivalent expenditure as a result of the lower than forecast customer revenue and developer contributions noted above;
- lower revenue (down \$40 million) and expenses (down \$46 million) for Racing and Wagering Western Australia, primarily reflecting lower betting turnover, which is broadly matched by lower betting dividend payouts and other direct costs of sales; and
- lower revenue (down \$39 million) and expenses (down \$88 million) for Western Power, mainly due to:
  - lower energy sales volumes than originally forecast, primarily driven by the residential customer segment as a result of milder summer temperatures and a later than usual start to winter conditions;
  - lower interest expenses as a result of lower interest rates for new borrowings; and
  - lower spending on Supervisory Control and Data Acquisition relating to Advanced Metering Infrastructure.

### ***Public Financial Corporations***

The PFC sector recorded a \$161 million operating surplus in 2018-19, broadly in line with the \$166 million surplus estimated in the 2019-20 Budget. Net movements contributing to this minor change are primarily due to:

- lower revenue (down \$80 million) and expenses (down \$141 million) for the Western Australian Treasury Corporation, mainly due to the interest revenue and expense impact of lower interest rates and an overall reduction in the Corporation's borrowing program (on the back of the stronger operating surplus for the general government sector); and
- higher expenses (up \$49 million) for the Insurance Commission of Western Australia, largely due to a higher number and value of insurance claims to 30 June 2019.

## Asset Investment

The total public sector invested \$5 billion in infrastructure in 2018-19, \$554 million lower than estimated in the 2019-20 Budget, but broadly in line with the annual average infrastructure spend of \$5.1 billion over the three prior years.

Investment in road and rail (\$1.7 billion) accounted for more than one third of the overall spend (34%), with significant levels of investment also in the key areas of electricity (\$822 million), water (\$658 million), and schools (\$417 million).

Figure 10

### ASSET INVESTMENT PROGRAM

Total Public Sector

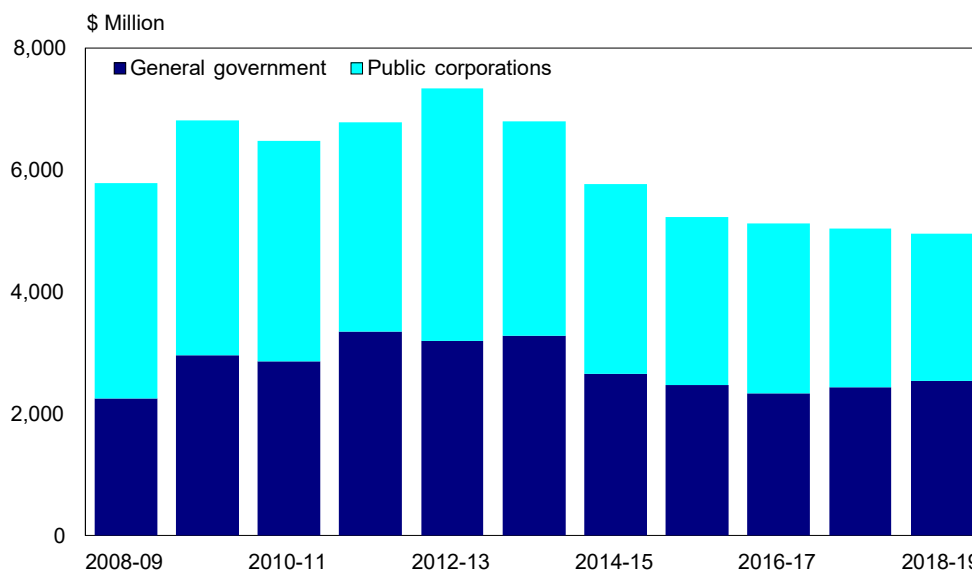
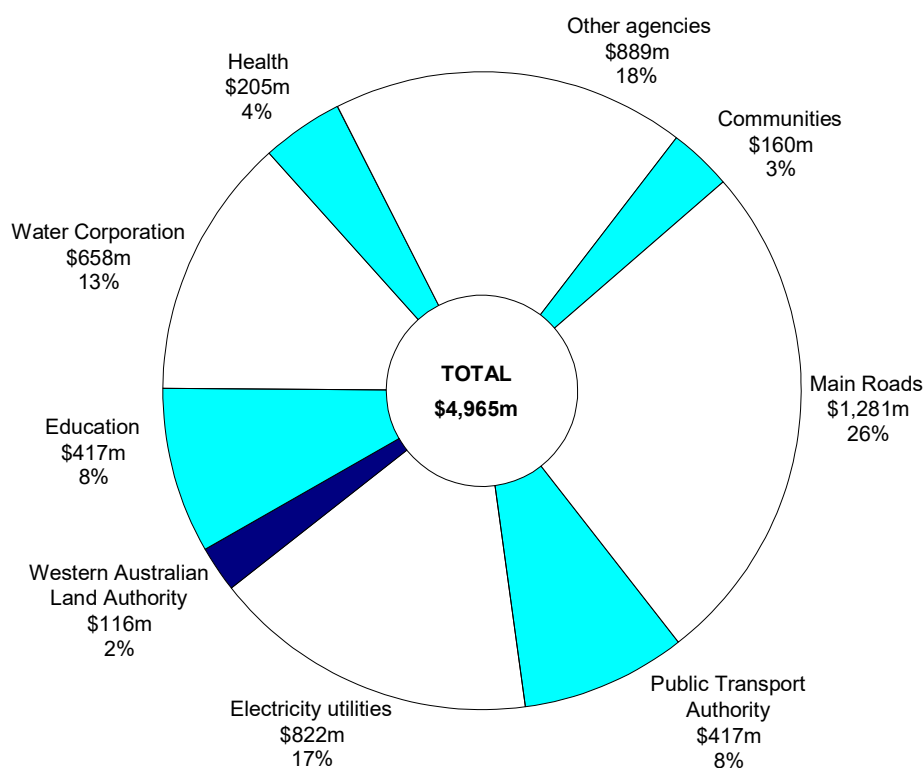


Figure 11

**2018 - 19 ASSET INVESTMENT PROGRAM**

Total Public Sector



Note: Segments may not add due to rounding.

The lower than expected infrastructure spend in 2018-19 largely reflects the following outcomes:

- Western Australian Land Authority (down \$105 million), driven by delays in various projects, reduced demand for land, re-timed land acquisition (to beyond 2018-19) and re-scoping and re-tendering of projects to achieve cost reductions across the regional, metropolitan and industrial programs;
- Public Transport Authority (down \$67 million), primarily reflecting slower than expected progress with the Smartrider System Asset Replacement and Technology Update procurement, a delay in preliminary and detailed design of the Radio Systems Replacement project, and schedule changes across a range of other projects;
- Education (down \$66 million), due to changes in the timing of key projects including the land acquisition program for future school sites, new Primary School construction projects, and projects approved from Commonwealth Universal Access funding;

- Communities (Housing Services), down \$55 million, due to continued subdued market conditions which have impacted the agency's land and housing development activities and shared equity expenditure;
- Water Corporation (down \$48 million), mainly due to favourable contract prices, project delays, the timing of environmental approvals and granting of contracts. The lower outcome applies to various wastewater and water supply projects across the State;
- Western Power (down \$45 million), largely due to delays with business support and information technology projects, delays with the State Underground Power Program, and minor underspends in transmission capacity expansion;
- WA Health (down \$40 million), mainly due to timing changes (in relation to the Medical Equipment Replacement Program, Fiona Stanley Hospital – Facilities Management Services Contract Asset Solution, Perth Children's Hospital Information Communication Technology, and HealthNext) and reclassification of some capital costs to recurrent expenditure for the Karratha Health Campus Development Project;
- Fremantle Port Authority (down \$37 million), mainly reflecting a change in the timing of payments for the Kwinana Bulk Terminal Land Acquisition (\$12 million) and Land Acquisition North Quay (\$18 million);
- Finance (down \$29 million), mainly resulting from lower State fleet vehicle purchases and delayed expenditure across a range of office accommodation fit-out projects; and
- Main Roads (up \$59 million), mainly due to the capitalisation of some spending previously expected to be expensed.

The following table summarises the material agency movements in infrastructure investment for 2018-19 across the total public sector.

Table 7

## INFRASTRUCTURE INVESTMENT

	2017-18	2018-19				
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (5)=(4)-(3)
<i>General Government</i>						
Main Roads	1,054	1,333	1,313	1,222	1,281	59
Education	378	469	514	483	417	-66
WA Health	357	354	334	245	205	-40
Local Government, Sport and Cultural Industries	135	171	159	159	136	-22
Finance	123	118	126	122	93	-29
Royalties for Regions underspending provision	-	-45	-24	-23	-	23
All Other	392	431	446	450	407	-42
<b>Total General Government</b>	<b>2,438</b>	<b>2,830</b>	<b>2,868</b>	<b>2,658</b>	<b>2,540</b>	<b>-118</b>
<i>Public Corporations</i>						
Western Power	607	889	888	717	672	-45
Water Corporation	785	738	716	706	658	-48
Public Transport Authority	558	1,160	737	483	417	-67
Port Authorities	94	326	341	277	204	-74
Communities (Housing Services)	179	223	251	209	154	-55
Western Australian Land Authority	109	288	208	221	116	-105
Provision for Asset Investment Program Slippage	-	-500	-500	-	-	-
All Other	292	294	325	276	228	-47
<b>Total Public Corporations</b>	<b>2,624</b>	<b>3,418</b>	<b>2,967</b>	<b>2,889</b>	<b>2,448</b>	<b>-441</b>
Internal purchases between sectors	-10	-	-	-28	-24	5
<b>TOTAL PUBLIC SECTOR</b>	<b>5,052</b>	<b>6,248</b>	<b>5,835</b>	<b>5,519</b>	<b>4,965</b>	<b>-554</b>

## Balance Sheet

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

## Cash Flow Statement

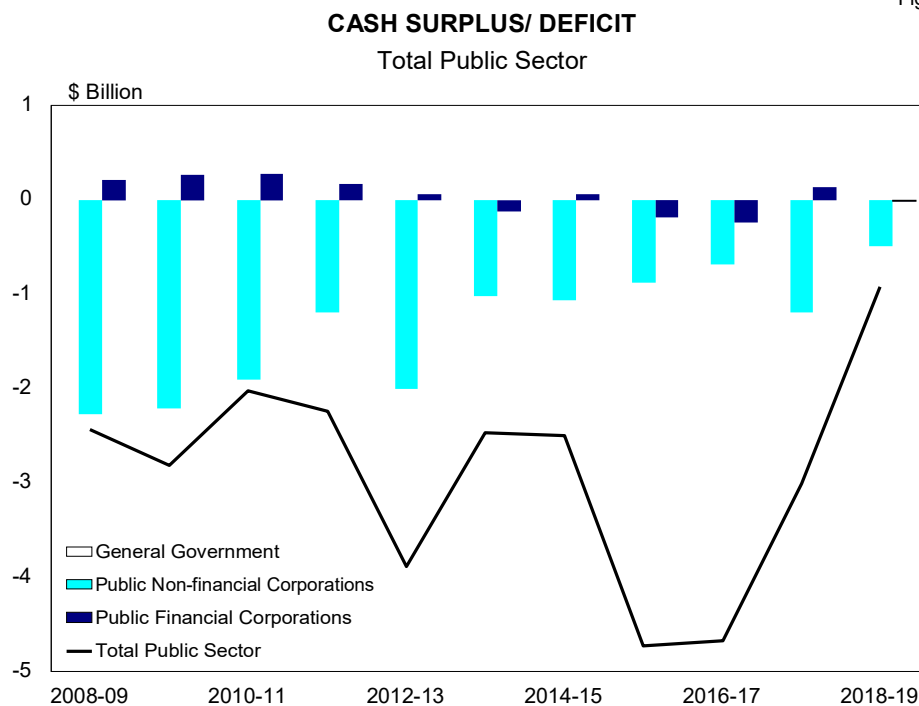
A cash deficit of \$924 million was recorded for the total public sector in 2018-19. This represents a \$796 million improvement relative to the \$1.7 billion deficit estimated in the 2019-20 Budget, and is a substantial \$2.1 billion improvement on the \$3 billion cash deficit outcome recorded in 2017-18.

At \$3.4 billion, net cash flows from operating activities (representing the cash impact of the operating balance discussed earlier) were \$317 million higher than forecast in the estimated outturn. This reflects the stronger than expected operating outcomes for the general government sector, partly offset by lower cash outcomes in the PFC sector (down \$292 million).

Net cash flows from infrastructure spending stood at \$4.3 billion, \$479 million lower than anticipated, with \$554 million in lower than expected asset investment spending partly offset by lower sales of non-financial assets (down \$75 million, mainly lower land sales reflecting property market conditions).

The following chart highlights the significant improvement in the cash deficit. The \$924 million cash deficit recorded in 2018-19 is the lowest cash deficit outcome since 2007-08.

Figure 12



## Net Debt <sup>5</sup>

Reflecting the cash impact of the improved general government sector operating surplus and the lower than expected Asset Investment Program, total public sector net debt at 30 June 2019 (\$35.5 billion) was \$819 million lower than estimated in the 2019-20 Budget.

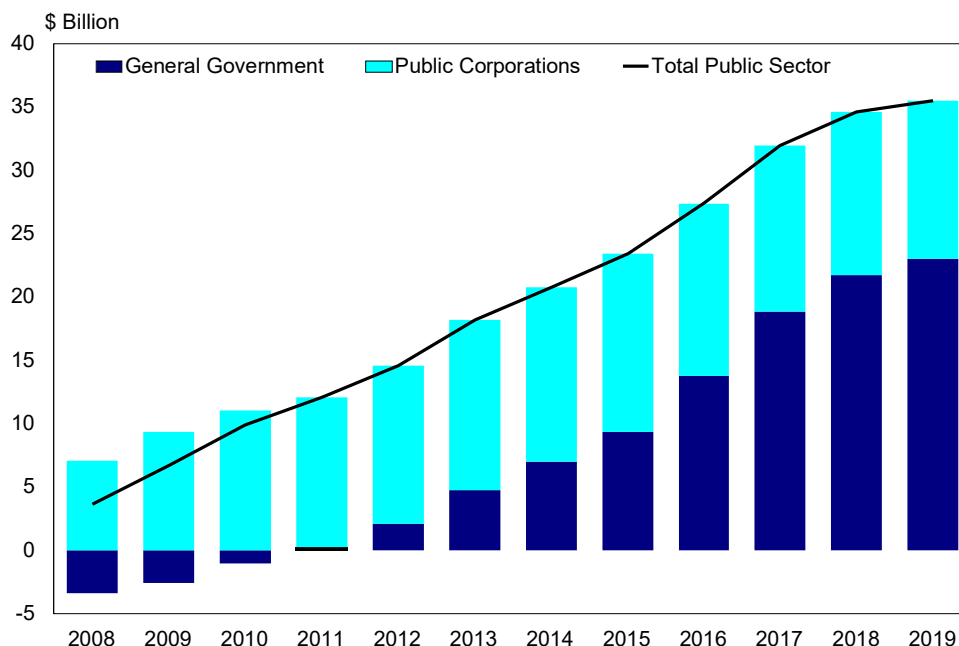
Relative to 30 June 2018, net debt increased by \$856 million over 2018-19, which is the lowest annual rise in net debt levels since 2007-08. This indicates that net debt is rapidly approaching a peak.

<sup>5</sup> Net debt consists of the State's gross debt liabilities (including borrowings, deposits held, finance leases, etc.), less cash and other liquid assets (cash holdings and investments, loans and advances by government to other sectors, etc.).

Figure 13

**NET DEBT AT 30 JUNE**

Total Public Sector



General government sector net debt increased by \$1.3 billion during 2018-19, while net debt for the public corporations sectors decreased by a combined \$397 million. The proportion of net debt held by the general government sector increased from 62.8% at 30 June 2018 to 64.8% at 30 June 2019.

State borrowings held by the Consolidated Account reduced during 2018-19, with \$437 million repaid through the Debt Reduction Account. Funds for this repayment were sourced from a large, one-off duty assessment on a commercial transaction issued in 2016-17 (\$195 million), surplus funds returned to the Consolidated Account by RiskCover (\$162 million), and \$79 million of excess agency cash returned to the Consolidated Account prior to 30 June 2018.

Table 8

**TOTAL PUBLIC SECTOR NET DEBT**

At 30 June

	2018	2019
	\$m	\$m
Consolidated Account borrowings	26,403	25,966
Other Public Bank Account net assets <sup>(a)</sup>	-5,209	-3,466
Western Power	7,208	7,383
Water Corporation	6,115	6,177
Public Transport Authority	2,040	1,924
Horizon Power	886	934
Housing Authority	818	639
Public financial corporations <sup>(b)</sup>	-4,141	-4,340
All other	485	245
<b>Total Public Sector Net Debt at 30 June</b>	<b>34,606</b>	<b>35,462</b>

(a) Consists mainly of Special Purpose Accounts (such as the Royalties for Regions Fund and the Western Australian Future Fund) and other cash investments.

(b) Includes the Insurance Commission of Western Australia which holds significant liquid financial assets for the future payment of non-debt insurance claims.

The table below reconciles movements in net debt at 30 June 2019 since the 2019-20 Budget.

Table 9

**SUMMARY OF TOTAL PUBLIC SECTOR NET DEBT VARIATIONS SINCE  
THE 2019 - 20 BUDGET**

	\$m
<b>NET DEBT AT 30 JUNE 2019 - 2019-20 BUDGET</b>	<b>36,281</b>
<i>Less change in net cash flows from operating activities and dividends paid</i>	
- General government	634.3
- Public non-financial corporations	-30.8
- Public financial corporations	-286.1
<i>Total Public Sector</i>	<i>317.4</i>
<i>Plus purchases of non-financial assets</i>	
Western Australian Land Authority	-104.7
Port Authorities	-73.7
Public Transport Authority	-66.8
Education	-66.0
Communities	-51.7
Water Corporation	-48.1
Western Power	-44.9
WA Health	-39.7
Finance	-29.0
Main Roads	59.0
All other	-88.2
<i>Total purchases of non-financial assets</i>	<i>-553.9</i>
<i>Less proceeds from sale of non-financial assets</i>	<i>-75.3</i>
<i>Plus: all other financing transactions <sup>(a)</sup></i>	<i>-23.5</i>
<i>Cumulative impact on net debt at 30 June</i>	<i>-819</i>
<b>NET DEBT AT 30 JUNE 2019 - 2018-19 ANNUAL REPORT ON STATE FINANCES</b>	<b>35,462</b>

(a) Includes other valuation changes to applicable assets and liabilities, movements in nature of asset classes (which includes changes in the mix of assets that contribute to the calculation of net debt and asset classes outside the debt calculation), restatement of agency net debt assets/liabilities, net acquisition of financial assets for liquidity purposes, etc. These transactions have no associated cashflow reflected in other items in this table.

Note: Column may not add due to rounding.

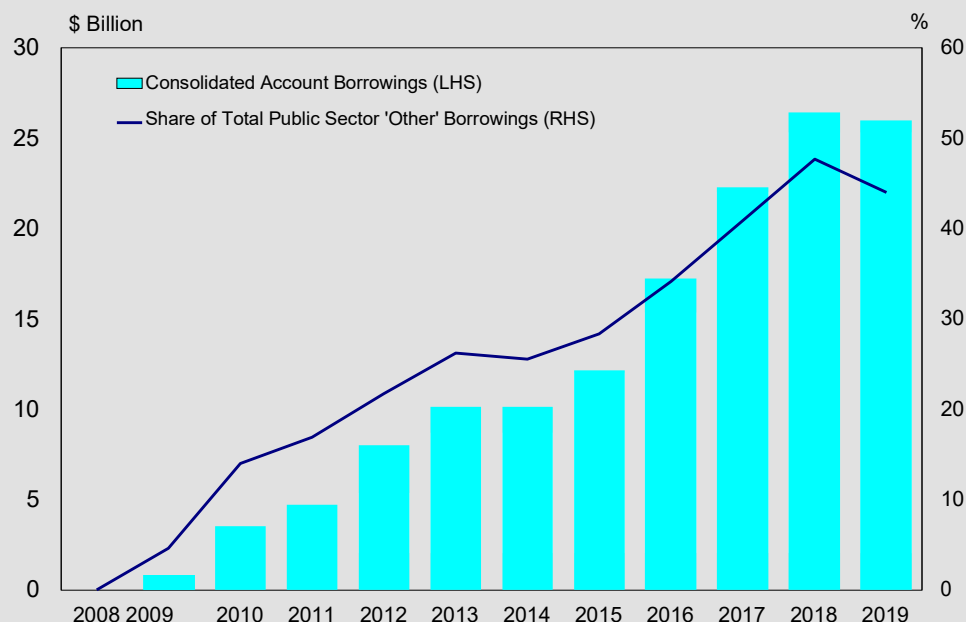
### Debt Management and Credit Rating Improvements in 2018-19

Increases in total public sector net debt over the last decade have been dominated by the general government sector, which moved from a net asset position (i.e. an excess of liquid cash holdings over borrowings and other debt such as finance leases) to a net debt position in 2010-11. The rise in the level of general government sector net debt has, in turn, been underpinned by the recommencement of State borrowings by the Consolidated Account, commonly referred to as centrally-held borrowings (and which account for over 98% of general government borrowings).

Over the decade to 30 June 2018, centrally-held borrowings rose from zero to \$26.4 billion. Over the four years to 30 June 2018 alone, centrally-held debt rose by an average \$4.1 billion per annum.

Figure 14

#### CONSOLIDATED ACCOUNT BORROWINGS



The 2018-19 financial year was the first year since 2013-14 that no new centrally-held borrowings were undertaken. At the same time, \$437 million of debt repayments were undertaken through the Debt Reduction Account. As a result, the outstanding level of centrally-held debt declined from \$26.4 billion at 30 June 2018 to \$26 billion at 30 June 2019, the first reduction since 2006-07.

This reduction contrasts with expectations at the time the original Budget was presented to Parliament in May 2018, at which time a net \$1.8 billion increase in centrally-held debt was forecast. This turnaround is due to the improvement in financial conditions explained elsewhere in this report.

One of the more immediate effects of the lower than anticipated level of State debt is a slowing in the rate of growth in interest costs. In this regard, following three consecutive years where general government sector interest costs rose by an average \$100 million per annum, interest costs were \$41 million higher in 2018-19 than the previous year, the lowest annual increase in a decade. Interest expenses for the Consolidated Account represented 2.6% of general government expenses in 2018-19.

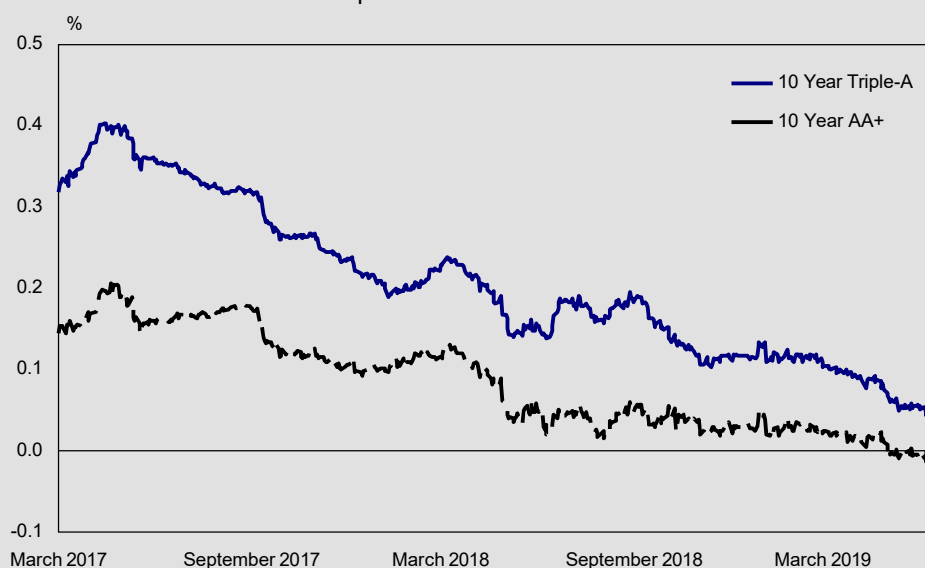
The lack of borrowing by the Consolidated Account in 2018-19, combined with the repayment of \$437 million of centrally-held debt, demonstrate the Government's continuing progress with Budget repair. This in turn has resulted in a number of positive credit rating announcements in 2018-19.

S&P Global lifted the outlook on the State's AA+ credit rating from 'negative' to 'stable' in October 2018, the first positive ratings action since the loss of the State's triple-A credit ratings in 2013 and 2014. In June 2019, Moody's upgraded the State's credit rating to Aa1 from Aa2 and changed the outlook from 'positive' to 'stable'. These credit ratings are just one 'notch' below the highest triple-A rating for each of the credit rating agencies, and represent a very strong level of credit confidence in Western Australia.

The improved credit rating for Western Australia is contributing to lower interest costs on the State's borrowing program, with the State's borrowing costs relative to other jurisdictions (i.e. interest rate spreads) having narrowed. The State is now paying rates that are much closer to the triple-A rated counterparts of New South Wales and Victoria (see following chart).

Figure 15

#### WESTERN AUSTRALIAN TREASURY CORPORATION 10 YEAR DEBT Spreads to Peer Issuers



## Financial Targets

The *Government Financial Responsibility Act 2000* requires that the Government report on performance against its medium-term financial targets each year in the *Annual Report on State Finances*.

The targets set out in the Government's 2018-19 Budget were to:

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

The significant improvement in the general government operating balance, driven by stronger than expected revenue collections and continued restraint in spending growth, has supported the Government's achievement of four out of the five financial targets in 2018-19.

As expected at the time of the 2019-20 Budget, the target to reduce the proportion of total public sector net debt held by the general government sector was not met in 2018-19. Maintaining operating surpluses for the general government sector is critical to meeting this target, as this will drive a return to cash surpluses that will, in turn, ensure general government net debt reduces over time. The turnaround from an operating deficit in 2017-18 to an operating surplus in 2018-19 demonstrates significant progress towards meeting this target.

The following table summarises outcomes for the Government's financial targets in 2018-19, with further detail in the section below.

## 2018 - 19 FINANCIAL TARGETS

Table 10

## Compliance

	Budget	Estimated Outturn <sup>(a)</sup>	Actual
Progress towards a net operating surplus for the general government sector			
- General government net operating balance (\$m)	-906	466	1,317
- <b>Compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Progress towards a cash surplus for the total public sector			
- Total public sector cash surplus/deficit (\$m)	-2,961	-1,720	-924
- <b>Compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Maintain disciplined general government expense management through:			
- delivering public sector wages outcomes in line with Government wages policy			
- <b>Compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
- ensuring key service delivery agency recurrent spending outcomes are in line with budgeted expense limits			
- <b>Compliance</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>
Reduce the proportion of total public sector net debt held by the general government sector			
- General government net debt as a share of TPS net debt (%)	66.2	64.5	64.8
- <b>Compliance</b>	<b>No</b>	<b>No</b>	<b>No</b>
(a) Excludes 2019-20 Budget estimates of the impact of new accounting standards which take effect for reporting periods commencing on or after 1 January 2019. See note 9 in Appendix 1 of the 2019-20 Budget Paper No. 3: <i>Economic and Fiscal Outlook</i> , available at <a href="http://www.ourstatebudget.wa.gov.au">www.ourstatebudget.wa.gov.au</a> , and Appendix 3 of this ARSF.			

## Performance Against Financial Targets

## Progress Towards a Net Operating Surplus for the General Government Sector

This target was met in 2018-19, with achievement of the first general government operating surplus since 2013-14.

The net operating balance is an accrual-based measure of the day-to-day operations of the general government sector (excluding capital spending on infrastructure). An operating surplus indicates that the Government can deliver day-to-day services sustainably, financing them using revenue generated in that financial year.

An operating surplus of \$1.3 billion was recorded in 2018-19, a substantial turnaround of \$2.2 billion on the \$906 million deficit forecast in the 2018-19 Budget, and an increase of \$851 million relative to the estimated surplus in the recent 2019-20 Budget.

The turnaround to a surplus in 2018-19 largely reflects additional royalty income from a higher than forecast iron ore price following the tailings dam disaster in Brazil, the \$250 million royalty settlement with BHP, the partial bring-forward of Western Australia's 2019-20 GST top-up payment into 2018-19 (\$434 million), and continued low expense growth across the general government sector (2.5%).

## Progress Towards a Cash Surplus for the Total Public Sector

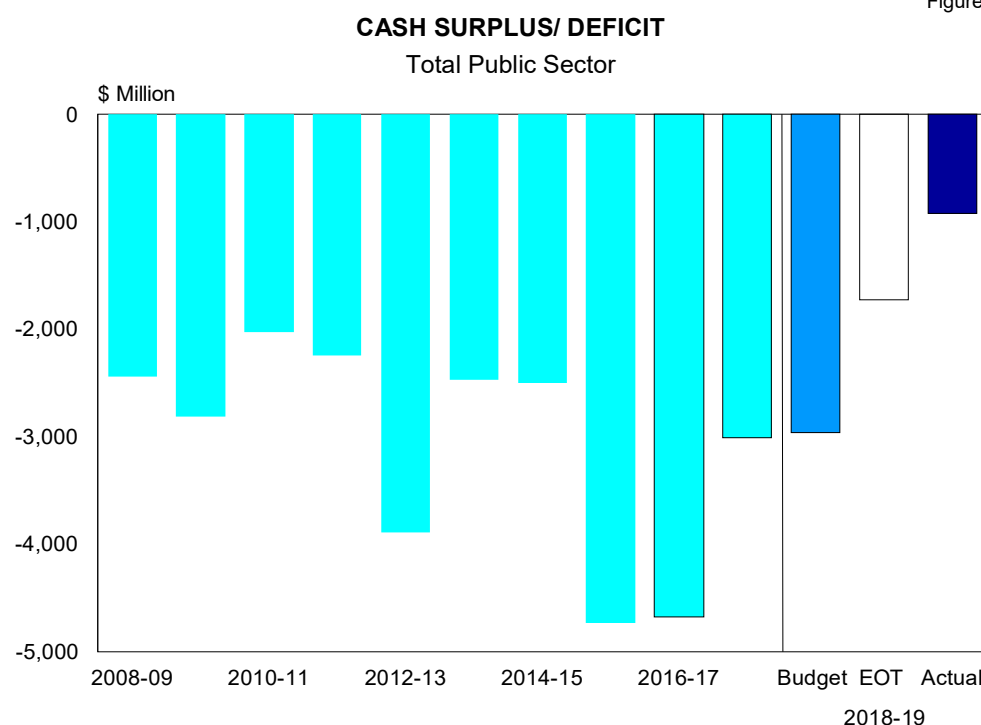
This target was met in 2018-19.

The cash surplus/deficit of the total public sector is a broad measure of financial performance, taking into account the impact of both operating and investing activities across all sectors of government. It provides a comprehensive indication of the public sector's borrowing requirement.

The total public sector recorded a cash deficit of \$924 million in 2018-19, significantly lower than: expected at the time of the 2018-19 Budget (\$3 billion); the estimated outturn in the 2019-20 Budget (\$1.7 billion); and the 2017-18 result (\$3 billion). This better than expected outcome mainly reflects the improved general government operating outcome (discussed above), and lower than expected asset investment across the sector. It is the lowest cash deficit outcome since 2007-08.

The significant improvement in the cash deficit coincides with the credit rating agencies upgrading the State's rating outlook. On 25 October 2018, S&P Global announced the State's rating outlook had improved from AA+ 'negative' to 'stable'. Moody's upgraded the State's credit rating from Aa2 'positive' outlook to Aa1 'stable' outlook on 6 June 2019.

Figure 16



## Maintain Disciplined General Government Expense Management

This target was met in 2018-19, as measured by compliance with the Government's wages policy for individual agreements finalised during the year, and recurrent costs of agencies being maintained within 2% of budgeted expense limits.

### *Deliver public sector wages outcomes in line with Government wages policy*

Although a number of agreements that expired in 2018-19 remain under negotiation, those agreements settled or agreed in-principle in the year to 30 June 2019 were all in line with the Government's wages policy (limiting annual increases in wages to \$1,000).

**INDUSTRIAL AGREEMENTS (a)(b)**

Table 11

Agreement	Employees	Expiry Date	Status
<b>Expired in 2017-18</b>			
TAFE Lecturers	2,762	15 Dec 2017	Agreement registered in Sept 2018
Prison Officers	2,275	10 Jun 2018	Agreement registered in Feb 2019
Health Professional, Administrative, Clerical, Technical and Supervisory	15,858	30 Jun 2018	Agreement registered in Sept 2018
<b>Expired in 2018-19</b>			
Enrolled Nurses	2,100	6 Oct 2018	Agreement registered in Jul 2019
Registered Nurses	15,470	11 Oct 2018	Agreement registered in Apr 2019
PTA Salaried Officers	770	25 Oct 2018	Agreement registered in Feb 2019
Education Assistants	10,605	31 Dec 2018	Agreement registered in Feb 2019
Government Services (Miscellaneous)	4,572	31 Dec 2018	Agreement registered in Feb 2019
VenuesWest General Agreement	455	31 Dec 2018	Agreement registered in Mar 2019
Perth Theatre Trust Venues Management	300	31 Dec 2018	Agreement registered in May 2019
Australian Workers' Union <sup>(c)</sup>	500	25 Apr 2019	Awaiting Registration
Public Service and General Government Officers	31,845	12 Jun 2019	Agreed in-principle in June 2019
School Support Officers	4,212	12 Jun 2019	Under Negotiation at 30 June 2019
Disability Services Social Trainers	564	12 Jun 2019	Under Negotiation at 30 June 2019
Insurance Commission (Government Officers)	360	12 Jun 2019	Under Negotiation at 30 June 2019
Western Australia Police Officers	6,442	30 Jun 2019	Under Negotiation at 30 June 2019

(a) Employee numbers sourced from each current agreement.

(b) Agreements covering 300 or more employees.

(c) Covers multiple employee groups across a number of agencies.

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

This target was met in 2018-19.

The 15 largest appropriation-funded agencies remained within 2% of their approved expense limits in 2018-19, with a number of these agencies achieving spending outcomes significantly below the approved Resource Agreement levels. In particular, the Departments of Mines, Industry Regulation and Safety, Finance, and Transport achieved significantly lower costs of service provision than the budgeted levels (down 9.8%, 8.2% and 7.3% respectively), demonstrating the success of the Government's measures to restrict spending growth across the public sector.

At \$30.7 billion, recurrent spending by the general government sector was \$211 million (or just 0.7%) higher than forecast in the 2018-19 Budget and \$316 million lower than the estimated outturn at the time of the 2019-20 Budget. Relative to 2017-18, general government expenses grew by 2.5% in 2018-19, well below the decade average of 5.9%

Table 12

**AGENCY RECURRENT SPENDING OUTCOMES <sup>(a)</sup>**

2018 - 19

	Approved Resource Agreement \$m	Functional Transfers Since Approved Limit <sup>(b)</sup> \$m	Revised Limit \$m (1)	Unadjusted Agency Outturn \$m	Less Remeasurements and Costs Transferred to the Treasurer <sup>(c)</sup> \$m	Outcome for Target \$m (2)	Variance % (3)=(2)/(1)
WA Health	8,994	-	8,994	9,113	24.4	9,088	1.0
Education	5,139	-	5,138	5,494	468.5	5,026	-2.2
Communities	3,433	-	3,436	3,313	2.1	3,311	-3.6
Western Australia Police Force	1,557	-	1,557	1,531	-	1,531	-1.7
Justice	1,485	0.3	1,486	1,636	147.4	1,488	0.1
Public Transport Authority	1,479	-	1,479	1,477	-	1,477	-0.2
Finance	1,380	-	1,381	1,268	-	1,268	-8.2
Commissioner of Main Roads	1,347	-	1,347	1,300	-	1,300	-3.5
Mental Health Commission	918	-	918	918	<sup>(d)</sup>	918	-0.1
Training and Workforce Development	555	-	556	551	-	551	-0.9
Primary Industries and Regional Development	468	-	469	451	4.9	447	-4.8
Biodiversity, Conservation and Attractions	393	-	393	395	-	395	0.4
Transport	444	-	445	412	-	412	-7.3
Fire and Emergency Services	432	-	432	435	-	435	0.8
Mines, Industry Regulation and Safety	286	-	285	257	-	257	-9.8

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

(b) Included in Appendix 7: *Public Ledger*.

(c) Excludes accounting remeasurement expenses brought to account in some agencies. Valuation decrements represent the accounting remeasurement of assets on the balance sheet and are not a recurrent cost of providing services or a component of general government expenses. Also excludes non-cash costs for Judges' superannuation recorded in the Department of Justice's operating statement but which are transferred to the Treasurer (on behalf of the State) for payment (and also recorded as an administered cost of the Department of Treasury).

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

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

Consistent with expectations in both the 2018-19 and 2019-20 Budgets, this target was not met in 2018-19.

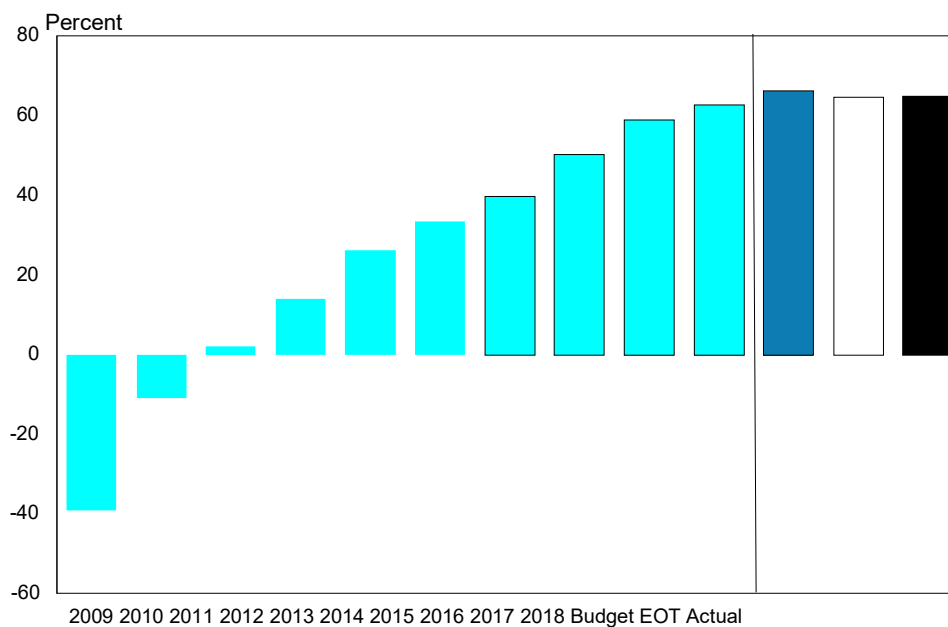
Net debt for the general government sector was \$23 billion at 30 June 2019, representing 64.8% of the net debt held by the total public sector. Although this result is lower than forecast in the 2018-19 Budget, it is an increase relative to the prior year (up from 62.8%). Importantly though, this is the lowest annual increase in general government sector net debt in a decade, with growth in general government net debt slowing as the cash deficit narrows.

The largest component of general government sector net debt is State borrowings held by the Consolidated Account. Consolidated Account borrowings were \$437 million lower at 30 June 2019 compared with a year earlier, with no new central borrowings raised during the year and repayments of debt made through the Debt Reduction Account.

Figure 17

### GENERAL GOVERNMENT NET DEBT AS A PERCENT AGE OF TOTAL PUBLIC SECTOR NET DEBT

At 30 June



2019

# Financial Statements

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## **Introduction**

Financial information presented in this appendix has been prepared in accordance with Australian Accounting Standards and pronouncements, in particular AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, and requirements under section 14A(3) of the *Government Financial Responsibility Act 2000*. The formats used in this report are the same as those used in 2019-20 Budget Papers presented to the Legislative Assembly on 9 May 2019, facilitating comparisons between estimates and outturns.

These financial statements (Operating Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement) also comply with Uniform Presentation Framework (UPF) disclosure requirements by reporting the finances of all sub-sectors of government. These sub-sectors are:

- the general government sector;
- the public non-financial corporations sector;
- the total non-financial public sector, representing the consolidation of the general government sector and the public non-financial corporations sector;
- the public financial corporations sector; and
- the total public sector (or whole-of-government).

Other UPF disclosure requirements are included in the notes to the financial statements, and in Appendices 2 and 3 of this report.

**GENERAL GOVERNMENT <sup>(a)</sup>**  
**Operating Statement**

Table 1.1

		2017-18	2018-19				
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (4) - (3)
RESULTS FROM TRANSACTIONS							
REVENUE							
Taxation		8,540	8,794	8,689	8,681	8,616	-65
Current grants and subsidies		8,529	9,552	9,542	10,348	10,210	-138
Capital grants		1,263	936	856	825	873	49
Sales of goods and services		2,516	2,614	2,628	2,660	2,734	74
Interest income		170	146	169	175	168	-7
Revenue from public corporations							
Dividends from other sectors		1,718	1,229	1,314	1,289	1,350	61
Tax equivalent income		677	636	655	662	642	-20
Royalty income		5,231	5,057	5,549	6,226	6,713	487
Other		688	607	608	606	701	95
Total	5	29,332	29,572	30,010	31,471	32,006	535
EXPENSES							
Salaries		12,193	12,214	12,245	12,322	12,269	-53
Superannuation							
Concurrent costs		1,199	1,224	1,206	1,213	1,213	-1
Superannuation interest cost		177	206	189	133	135	3
Other employee costs		359	356	379	379	447	67
Depreciation and amortisation	6	1,343	1,493	1,504	1,497	1,445	-52
Services and contracts		2,432	2,632	2,624	2,588	2,538	-50
Other gross operating expenses	7	5,852	5,620	5,705	5,932	5,645	-287
Interest	8						
Interest on leases		73	93	92	92	89	-4
Other interest		818	916	867	861	859	-2
Current transfers	9	5,061	5,305	5,366	5,298	5,426	127
Capital transfers	9	442	418	506	689	625	-64
Total		29,949	30,478	30,684	31,005	30,689	-316
NET OPERATING BALANCE <sup>(b)</sup>	10	-618	-906	-674	466	1,317	851
Other economic flows - included in the operating result							
Net gains on assets/liabilities		-132	16	137	130	59	-71
Provision for doubtful debts		-51	-14	-14	-12	2	14
Changes in accounting policy/adjustment of prior periods		-47	-	-	-	-172	-172
Total other economic flows		-230	2	124	118	-111	-229
OPERATING RESULT		-848	-903	-550	584	1,206	623
All other movements in equity							
Items that will not be reclassified to operating result							
Revaluations		-713	662	42	13	-1,374	-1,387
Net actuarial gains/-loss - superannuation		211	-165	-262	-800	-814	-13
Gains recognised directly in equity		-3	-	-	-	-	1
Change in net worth of the public corporations sectors		-1,638	-234	-98	-32	-1,661	-1,630
All other		-	-	-	-	-	-
Total all other movements in equity		-2,143	262	-319	-819	-3,849	-3,030
TOTAL CHANGE IN NET WORTH <sup>(c)</sup>	10	-2,991	-642	-869	-236	-2,642	-2,407
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE							
Less Net acquisition of non-financial assets		-618	-906	-674	466	1,317	851
Purchase of non-financial assets		2,438	2,830	2,868	2,658	2,540	-118
Changes in inventories		-3	-	-1	-1	-	1
Other movement in non-financial assets		513	55	55	-5	146	151
less:							
Sales of non-financial assets		82	173	174	174	100	-74
Depreciation		1,343	1,493	1,504	1,497	1,445	-52
Total net acquisition of non-financial assets		1,524	1,219	1,244	982	1,142	161
NET LENDING/-BORROWING	10	-2,141	-2,124	-1,918	-516	175	691

(a) The accompanying notes form part of these financial statements.

(b) Also known as the 'Net Result from Transactions'.

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

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

Table 1.2

**GENERAL GOVERNMENT (a)****Balance Sheet at 30 June**

		2018	2019				
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (4) - (3)
ASSETS							
Financial assets							
Cash and deposits		862	793	865	851	601	-250
Advances paid		741	746	758	758	713	-45
Investments, loans and placements		5,682	3,530	4,183	3,633	4,470	836
Receivables	11	3,212	2,906	2,997	3,519	3,999	480
Shares and other equity							
Investments in other public sector entities - equity method		42,406	42,836	42,308	42,375	40,745	-1,630
Investments in other public sector entities - direct injections		9,377	10,161	9,861	9,745	10,000	254
Investments in other entities		48	50	15	15	20	5
Other financial assets		8	8	8	8	8	-
Total financial assets		62,337	61,030	60,995	60,905	60,556	-349
Non-financial assets							
Land	12	36,406	36,667	36,122	36,120	35,600	-519
Property, plant and equipment	13,14	44,709	47,456	46,401	46,162	45,344	-817
Biological assets	16	3	4	3	3	3	-
Inventories	17						
Land inventories		-	10	-	-	-	-
Other inventories		70	73	70	69	71	1
Intangibles	18	627	668	607	610	626	17
Assets classified as held for sale	19	125	88	40	40	43	3
Investment property	20	7	-	7	7	7	-
Other		248	246	388	382	245	-137
Total non-financial assets		82,196	85,212	83,638	83,394	81,940	-1,454
TOTAL ASSETS		144,532	146,242	144,634	144,299	142,496	-1,803
LIABILITIES							
Deposits held		553	765	587	620	686	66
Advances received		360	368	368	368	343	-25
Borrowings	21						
Lease liabilities		1,184	1,149	1,167	1,167	1,156	-11
Other borrowings		26,924	28,678	28,025	26,491	26,589	98
Superannuation	22	6,541	6,812	6,452	6,938	7,062	124
Other employee benefits	23	3,033	2,999	3,076	3,064	3,197	133
Payables		1,277	1,433	1,285	1,289	1,425	136
Other liabilities	24	1,425	1,290	1,307	1,361	1,445	84
TOTAL LIABILITIES		41,297	43,494	42,267	41,299	41,903	604
NET ASSETS		103,236	102,748	102,367	103,000	100,593	-2,407
Of which:							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		5,626	3,904	1,911	6,207	6,850	642
Other reserves		97,610	98,844	100,456	96,793	93,743	-3,049
NET WORTH	10	103,236	102,748	102,367	103,000	100,593	-2,407
MEMORANDUM ITEMS							
Net financial worth		21,040	17,536	18,728	19,606	18,653	-953
Net financial liabilities		30,744	35,462	33,441	32,514	32,091	-423
Net debt							
Gross debt liabilities		29,022	30,960	30,146	28,646	28,774	128
less: liquid financial assets		7,285	5,069	5,806	5,242	5,784	542
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		21,737	25,891	24,341	23,404	22,990	-414

(a) The accompanying notes form part of these financial statements.

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

Table 1.3

**GENERAL GOVERNMENT**  
Statement of Changes in Equity

	Asset Revaluation Surplus \$m	Accumulated net gain on equity investments in other sector entities \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2017</i>	55,699	44,044	6,483	106,226
Operating result	-	-	-848	-848
All other movements in equity	-496	-1,638	-9	-2,143
<i>Total change in net worth</i>	-496	-1,638	-857	-2,991
<b>Balance at 30 June 2018</b>	<b>55,203</b>	<b>42,406</b>	<b>5,626</b>	<b>103,236</b>
<i>Balance at 1 July 2018</i>	55,203	42,406	5,626	103,236
Operating result	-	-	1,206	1,206
All other movements in equity	-2,205	-1,661	18	-3,849
<i>Total change in net worth</i>	-2,205	-1,661	1,224	-2,642
<b>Balance at 30 June 2019</b>	<b>52,998</b>	<b>40,745</b>	<b>6,850</b>	<b>100,593</b>

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

Table 1.4

**GENERAL GOVERNMENT (a)**  
Cash Flow Statement

		2017-18	2018-19				
	Notes	Actual	Budget	MYR	Estimated	Actual	Variation
		\$m	Estimate	Revision	Outturn	\$m	on EOT
			(1)	(2)	(3)	(4)	\$m
							(4) - (3)
CASH FLOWS FROM OPERATING ACTIVITES							
Cash received							
Taxes received		8,506	8,978	8,875	8,866	8,911	45
Grants and subsidies received		9,773	10,500	10,418	11,158	11,082	-75
Receipts from sales of goods and services		2,723	2,627	2,642	2,678	2,599	-79
Interest receipts		158	142	161	168	173	6
Dividends and tax equivalents		2,280	1,853	2,035	2,009	2,092	83
Other		7,230	6,892	7,396	7,586	7,659	73
Total cash received		30,670	30,992	31,527	32,465	32,517	53
Cash Paid							
Wages, salaries and supplements, and superannuation		-13,801	-13,891	-13,972	-14,048	-13,766	281
Payments for goods and services		-8,759	-8,657	-8,698	-8,903	-8,473	430
Interest paid		-860	-979	-948	-947	-950	-3
Grants and subsidies paid		-5,125	-5,285	-5,464	-5,640	-5,635	6
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,727	-1,594	-1,607	-1,547	-1,679	-133
Total cash paid		-30,271	-30,407	-30,689	-31,084	-30,503	582
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	399	585	838	1,380	2,014	634
CASH FLOWS FROM INVESTING ACTIVITES							
Cash flows from investments in non-financial assets							
Purchase of non-financial assets		-2,438	-2,830	-2,868	-2,658	-2,540	118
Sales of non-financial assets		82	173	174	174	100	-74
Total cash flows from investments in non-financial assets		-2,357	-2,657	-2,694	-2,484	-2,441	44
Cash flows from investments in financial assets							
Cash received							
For policy purposes		13	30	23	23	33	11
For liquidity purposes		76	28	231	236	308	72
Cash paid							
For policy purposes		-573	-1,391	-923	-810	-790	20
For liquidity purposes		-57	-	-9	-10	-66	-57
Total cash flows from investments in financial assets		-541	-1,332	-680	-561	-516	46
NET CASH FLOWS FROM INVESTING ACTIVITIES		-2,898	-3,989	-3,374	-3,046	-2,956	89
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash received							
Advances received		16	17	17	17	17	-
Borrow ings		4,318	2,176	1,629	121	61	-60
Deposits received		-	-	-	-	-	-
Other financing receipts		156	190	231	235	253	18
Total cash receipts from financing activities		4,490	2,382	1,877	373	330	-42
Cash paid							
Advances paid		-16	-17	-17	-17	-17	-
Borrow ings repaid		-182	-431	-527	-552	-513	39
Deposits paid		-	-	-	-	-	-
Other financing payments		-271	-301	-289	-223	-214	9
Total payments for financing activities		-469	-749	-832	-792	-744	48
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,020	1,633	1,045	-419	-414	5
Net increase in cash and cash equivalents		1,521	-1,770	-1,491	-2,084	-1,355	729
Cash and cash equivalents at the beginning of the year		4,839	5,745	6,360	6,360	6,360	-
Cash and cash equivalents at the end of the year	26	6,360	3,974	4,870	4,276	5,005	729
KEY FISCAL AGGREGATES							
Net cash flow s from operating activities		399	585	838	1,380	2,014	634
Net cash flow s from investing in non-financial assets		-2,357	-2,657	-2,694	-2,484	-2,441	44
Cash surplus/-deficit		-1,958	-2,072	-1,856	-1,104	-426	678

(a) The accompanying notes form part of these financial statements.

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

Table 1.5

**PUBLIC NON- FINANCIAL CORPORATIONS**  
**Operating Statement**

		2017-18	2018-19				
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (4) - (3)
RESULTS FROM TRANSACTIONS							
REVENUE							
Current grants and subsidies		1,891	1,899	1,920	1,865	1,824	-41
Capital grants		151	64	239	370	338	-32
Sales of goods and services		18,311	19,289	18,877	19,994	20,591	596
Interest Income		139	154	166	164	181	17
Other		446	547	503	496	478	-18
Total		20,938	21,953	21,705	22,889	23,412	523
EXPENSES							
Salaries		1,044	1,099	1,105	1,178	1,056	-122
Superannuation							
Concurrent costs		99	110	109	116	104	-12
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		39	30	30	24	39	15
Depreciation and amortisation		2,015	2,164	2,074	2,038	1,982	-57
Services and contracts		848	588	641	669	764	95
Other gross operating expenses		13,908	14,678	14,385	15,388	16,313	925
Interest							
Interest on leases		88	84	85	85	85	-
Other interest		691	756	723	731	691	-40
Tax equivalents		560	587	608	604	577	-27
Current transfers		1,120	1,181	1,196	1,167	1,134	-33
Capital transfers		67	1	5	7	19	12
Total		20,480	21,279	20,962	22,007	22,764	756
NET OPERATING BALANCE <sup>(a)</sup>	10	458	674	743	882	648	-234
Other economic flows - included in the operating result							
Net gains on assets/liabilities		47	104	82	7	47	40
Provision for doubtful debts		-15	-36	-35	-35	-18	17
Changes in accounting policy/adjustment of prior periods		95	-	-	-	-145	-145
Total other economic flows		128	68	46	-28	-116	-88
OPERATING RESULT		586	742	789	853	532	-321
Other non-owner movements in equity							
Items that will not be reclassified to operating result							
Revaluations		-957	-1,009	180	164	-1,070	-1,234
Net actuarial gains/-loss - superannuation		-6	2	1	-10	-38	-29
Gains recognised directly in equity		5	1,015	5	3	8	5
All other		-	-	-	-	-	-
Total other non-owner movements in equity		-959	9	186	157	-1,100	-1,258
Movements in owner equity							
Dividends		-1,560	-1,141	-1,191	-1,162	-1,229	-67
Capital injections		444	1,307	529	416	758	342
Total movements in owner equity		-1,116	166	-662	-746	-471	275
TOTAL CHANGE IN NET WORTH <sup>(b)</sup>	10	-1,489	916	313	265	-1,039	-1,304
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE							
Less Net acquisition of non-financial assets		458	674	743	882	648	-234
Purchase of non-financial assets		2,621	3,409	2,957	2,879	2,441	-438
Changes in inventories		-319	516	525	67	614	547
Other movement in non-financial assets		84	175	176	171	127	-45
less:							
Sales of non-financial assets		495	680	696	584	578	-6
Depreciation		2,015	2,164	2,074	2,038	1,982	-57
Total net acquisition of non-financial assets		-124	1,255	887	495	622	127
NET LENDING/-BORROWING	10	582	-581	-144	387	26	-361

(a) Also known as the 'Net Result from Transactions'.

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

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

Table 1.6

**PUBLIC NON- FINANCIAL CORPORATIONS****Balance Sheet at 30 June**

		2018	2019				
	Notes	Actual	Budget	MYR	Estimated		Variation
		\$m	Estimate	Revision	Outturn	Actual	on EOT
			\$m	\$m	\$m	\$m	\$m
			(1)	(2)	(3)	(4)	(4) - (3)
ASSETS							
Financial assets							
Cash and deposits		1,441	1,258	1,110	1,296	1,391	94
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,648	5,036	5,077	4,955	5,003	48
Receivables		1,825	1,225	1,910	1,969	1,804	-165
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		-	37	23	6	3	-3
Other financial assets		743	620	641	673	673	-
Total financial assets		8,656	8,175	8,762	8,900	8,874	-26
Non-financial assets							
Land		9,102	12,533	8,647	8,647	8,209	-438
Property, plant and equipment		55,582	57,217	56,368	56,318	55,749	-569
Biological assets		329	309	321	321	342	20
Inventories							
Land inventories		1,902	2,250	2,005	1,987	1,852	-135
Other inventories		3,661	4,644	4,185	3,727	4,275	547
Intangibles		451	412	408	397	395	-2
Assets classified as held for sale		59	23	59	59	16	-43
Investment property		70	100	60	60	60	-
Other		158	107	171	124	134	10
Total non-financial assets		71,313	77,595	72,224	71,641	71,032	-610
TOTAL ASSETS		79,969	85,771	80,986	80,541	79,906	-635
LIABILITIES							
Deposits held		-	-	-	-	-	-
Advances received		372	343	343	343	343	-
Borrow ings							
Lease liabilities		787	742	747	747	746	-1
Other borrow ings		21,940	22,421	22,204	22,262	22,116	-146
Superannuation		90	53	57	83	98	15
Other employee benefits		354	354	359	359	368	9
Payables		5,277	5,583	5,825	5,387	5,875	488
Other liabilities		1,586	1,601	1,573	1,531	1,835	304
TOTAL LIABILITIES		30,406	31,097	31,110	30,712	31,381	669
NET ASSETS		49,563	54,674	49,876	49,829	48,525	-1,304
Of which:							
Contributed equity		9,477	10,398	10,006	9,894	10,235	342
Accumulated surplus		18,069	20,720	18,721	18,783	17,390	-1,393
Other reserves		22,017	23,556	21,148	21,152	20,900	-253
NET WORTH	10	49,563	54,674	49,876	49,829	48,525	-1,304
MEMORANDUM ITEMS							
Net financial worth		-21,749	-22,921	-22,348	-21,813	-22,507	-694
Net debt							
Gross debt liabilities		23,099	23,506	23,295	23,353	23,205	-147
less: liquid financial assets		6,089	6,294	6,187	6,251	6,393	142
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		17,010	17,212	17,107	17,102	16,812	-290

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

Table 1.7

**PUBLIC NON- FINANCIAL CORPORATIONS**  
Statement of Changes in Equity

	Contributed Equity \$m	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2017</i>	9,033	22,978	19,041	51,052
Operating result	-	-	586	586
All other movements in equity	-	-961	2	-959
<i>Total change in net worth</i>	-	-961	588	-373
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	444	-	-	444
Dividends	-	-	-1,560	-1,560
<i>Total</i>	444	-	-1,560	-1,116
<b>Balance at 30 June 2018</b>	<b>9,477</b>	<b>22,017</b>	<b>18,069</b>	<b>49,563</b>
<i>Balance at 1 July 2018</i>	9,477	22,017	18,069	49,563
Operating result	-	-	532	532
All other movements in equity	-	-1,118	17	-1,100
<i>Total change in net worth</i>	-	-1,118	550	-568
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	758	-	-	758
Dividends	-	-	-1,229	-1,229
<i>Total</i>	758	-	-1,229	-471
<b>Balance at 30 June 2019</b>	<b>10,235</b>	<b>20,900</b>	<b>17,390</b>	<b>48,525</b>

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

Table 1.8

**PUBLIC NON- FINANCIAL CORPORATIONS**  
Cash Flow Statement

	2017-18		2018-19				
Notes	Actual	Budget	MYR	Estimated	Actual	Variation	
	\$m	Estimate	Revision	Outturn	on EOT		
		\$m	\$m	\$m	\$m	\$m	
		(1)	(2)	(3)	(4)	(4) - (3)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received	2,048	1,966	2,154	2,226	2,171	-55	
Receipts from sales of goods and services	18,366	19,513	18,798	20,018	20,786	768	
Interest receipts	135	155	169	163	166	3	
Dividends and tax equivalents	78	64	64	64	64	-	
Other	1,453	1,005	1,234	1,199	1,424	225	
<i>Total cash received</i>	<i>22,078</i>	<i>22,704</i>	<i>22,419</i>	<i>23,669</i>	<i>24,611</i>	<i>941</i>	
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation	-1,234	-1,241	-1,247	-1,321	-1,235	86	
Payments for goods and services	-13,210	-13,802	-13,376	-14,400	-15,377	-976	
Interest paid	-756	-787	-789	-793	-772	21	
Grants and subsidies paid	-663	-711	-717	-698	-689	9	
Tax equivalents	-516	-551	-604	-606	-614	-8	
Other payments	-3,202	-3,036	-3,256	-3,282	-3,319	-37	
<i>Total cash paid</i>	<i>-19,581</i>	<i>-20,128</i>	<i>-19,989</i>	<i>-21,101</i>	<i>-22,006</i>	<i>-906</i>	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,497</b>	<b>2,576</b>	<b>2,430</b>	<b>2,569</b>	<b>2,604</b>	<b>36</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-2,621	-3,409	-2,957	-2,879	-2,441	438	
Sales of non-financial assets	495	680	696	584	578	-6	
<i>Total cash flows from investments in non-financial assets</i>	<i>-2,126</i>	<i>-2,729</i>	<i>-2,261</i>	<i>-2,295</i>	<i>-1,863</i>	<i>432</i>	
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes	-	-	-	-	-	-	
For liquidity purposes	100	26	30	30	11	-19	
<i>Cash paid</i>							
For policy purposes	-21	-20	-5	-5	-	5	
For liquidity purposes	-19	-66	-64	-50	-61	-11	
<i>Total cash flows from investments in financial assets</i>	<i>60</i>	<i>-60</i>	<i>-40</i>	<i>-25</i>	<i>-50</i>	<i>-25</i>	
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-2,065</b>	<b>-2,789</b>	<b>-2,301</b>	<b>-2,320</b>	<b>-1,913</b>	<b>407</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received	13	-	-	-	-	-	
Borrow ings	12,475	8,641	5,239	5,179	4,301	-878	
Deposits received	-	-	-	-	-	-	
Other financing receipts	623	1,503	1,015	870	849	-21	
<i>Total cash received</i>	<i>13,110</i>	<i>10,145</i>	<i>6,254</i>	<i>6,049</i>	<i>5,150</i>	<i>-898</i>	
<i>Cash paid</i>							
Advances paid	-16	-37	-29	-29	-29	-	
Borrow ings repaid	-12,201	-8,667	-5,428	-5,247	-4,583	664	
Deposits paid	-	-	-	-	-	-	
Other financing payments	-51	-65	-65	-65	-71	-6	
Dividends paid	-1,560	-1,141	-1,191	-1,162	-1,229	-67	
<i>Total cash paid</i>	<i>-13,827</i>	<i>-9,910</i>	<i>-6,713</i>	<i>-6,503</i>	<i>-5,912</i>	<i>591</i>	
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-717</b>	<b>235</b>	<b>-459</b>	<b>-454</b>	<b>-762</b>	<b>-308</b>	
<b>Net increase in cash and cash equivalents</b>	<b>-285</b>	<b>22</b>	<b>-330</b>	<b>-206</b>	<b>-71</b>	<b>135</b>	
Cash and cash equivalents at the beginning of the year	2,174	1,577	1,889	1,889	1,889	-	
Cash and cash equivalents at the end of the year	1,889	1,599	1,559	1,683	1,818	135	
<b>KEY FISCAL AGGREGATES</b>							
Net cash flow s from operating activities	2,497	2,576	2,430	2,569	2,604	36	
Net cash flow s from investing in non-financial assets	-2,126	-2,729	-2,261	-2,295	-1,863	432	
Dividends paid	-1,560	-1,141	-1,191	-1,162	-1,229	-67	
<b>Cash surplus/-deficit</b>	<b>-1,188</b>	<b>-1,294</b>	<b>-1,022</b>	<b>-889</b>	<b>-487</b>	<b>402</b>	

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

Table 1.9

**TOTAL NON- FINANCIAL PUBLIC SECTOR**  
**Operating Statement**

		2017-18	2018-19				
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (4) - (3)
RESULTS FROM TRANSACTIONS							
REVENUE							
Taxation		8,057	8,270	8,161	8,173	8,100	-72
Current grants and subsidies		8,529	9,552	9,542	10,348	10,210	-138
Capital grants		1,263	936	856	825	873	49
Sales of goods and services		20,239	21,338	20,937	22,081	22,714	633
Interest Income		284	277	310	314	323	8
Royalty income		5,231	5,057	5,549	6,226	6,713	487
Dividends and tax equivalents		340	208	227	244	246	2
Other		1,032	1,052	1,020	1,010	1,079	69
Total		44,974	46,690	46,602	49,220	50,258	1,038
EXPENSES							
Salaries		13,237	13,313	13,350	13,500	13,325	-175
Superannuation							
Concurrent costs		1,299	1,334	1,315	1,329	1,317	-12
Superannuation interest cost		177	206	189	133	135	3
Other employee costs		261	233	258	252	348	96
Depreciation and amortisation		3,358	3,658	3,578	3,535	3,426	-109
Services and contracts		3,274	3,223	3,269	3,261	3,295	34
Other gross operating expenses		19,113	19,654	19,441	20,685	21,261	576
Interest							
Interest on leases		162	177	177	177	174	-4
Other interest		1,484	1,649	1,565	1,567	1,524	-43
Other property expenses		-	-	-	-	-	-
Current transfers		3,975	4,260	4,313	4,274	4,410	136
Capital transfers		354	355	268	321	305	-15
Total		46,693	48,063	47,724	49,035	49,522	487
NET OPERATING BALANCE <sup>(a)</sup>	10	-1,720	-1,373	-1,122	186	737	551
Other economic flows - included in the operating result							
Net gains on assets/liabilities		-85	120	219	137	107	-30
Provision for doubtful debts		-66	-49	-49	-48	-16	31
Changes in accounting policy/adjustment of prior periods		220	-	-	-	-46	-46
Total other economic flows		69	70	170	89	44	-45
OPERATING RESULT		-1,650	-1,303	-952	275	781	506
All other movements in equity							
Items that will not be reclassified to operating result							
Revaluations		-1,670	-285	312	274	-2,444	-2,718
Net actuarial gains/-loss - superannuation		204	-163	-261	-810	-852	-42
Gains recognised directly in equity		2	1,015	5	3	8	6
Change in net worth of the public corporations sectors		123	95	27	23	-136	-159
All other		-	-	-	-	-	-
Total all other movements in equity		-1,341	661	83	-511	-3,424	-2,913
TOTAL CHANGE IN NET WORTH <sup>(b)</sup>	10	-2,991	-642	-869	-236	-2,642	-2,407
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE							
Less Net acquisition of non-financial assets		-1,720	-1,373	-1,122	186	737	551
Purchase of non-financial assets		5,049	6,239	5,825	5,509	4,957	-551
Changes in inventories		-321	516	524	66	614	548
Other movement in non-financial assets		596	230	231	166	273	107
less:							
Sales of non-financial assets		566	853	869	729	654	-75
Depreciation		3,358	3,658	3,578	3,535	3,426	-109
Total net acquisition of non-financial assets		1,400	2,474	2,132	1,477	1,765	288
NET LENDING/-BORROWING	10	-3,119	-3,847	-3,254	-1,291	-1,028	263

(a) Also known as the 'Net Result from Transactions'.

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

Note: Columns/rows may not add due torounding.

Table 1.10

**TOTAL NON- FINANCIAL PUBLIC SECTOR**  
Balance Sheet at 30 June

		2018	2019				
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (4) - (3)
ASSETS							
Financial assets							
Cash and deposits		1,777	1,316	1,404	1,542	1,321	-221
Advances paid		368	403	415	415	370	-45
Investments, loans and placements		10,327	8,562	9,256	8,585	9,470	885
Receivables		4,907	4,036	4,762	5,343	5,661	318
Shares and other equity							
Investments in other public sector entities - equity method		2,221	2,187	2,293	2,292	2,220	-72
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		48	87	38	21	23	2
Other financial assets		8	8	8	8	8	-
Total financial assets		19,657	16,600	18,177	18,207	19,074	867
Non-financial assets							
Land		45,508	45,336	44,768	44,767	43,809	-957
Property, plant and equipment		100,291	104,673	102,769	102,480	101,093	-1,387
Biological assets		332	313	324	324	345	21
Inventories							
Land inventories		1,902	2,261	2,005	1,987	1,852	-135
Other inventories		3,731	4,717	4,255	3,797	4,345	548
Intangibles		1,079	1,080	1,015	1,007	1,022	15
Assets classified as held for sale		183	111	99	99	59	-40
Investment property		77	100	67	67	67	-
Other		405	353	559	506	378	-129
Total non-financial assets		153,508	158,943	155,862	155,035	152,971	-2,065
TOTAL ASSETS		173,165	175,544	174,039	173,242	172,045	-1,197
LIABILITIES							
Deposits held		24	27	12	12	13	1
Advances received		360	368	368	368	343	-25
Borrow ings							
Lease liabilities		1,971	1,890	1,914	1,914	1,902	-12
Other borrow ings		48,864	51,099	50,229	48,753	48,705	-48
Superannuation		6,631	6,865	6,509	7,021	7,160	139
Other employee benefits		3,386	3,353	3,435	3,423	3,564	141
Payables		6,427	6,926	6,966	6,534	7,161	627
Other liabilities		2,266	2,268	2,237	2,217	2,603	386
TOTAL LIABILITIES		69,929	72,796	71,672	70,242	71,452	1,209
NET ASSETS		103,236	102,748	102,367	103,000	100,593	-2,407
Of which:							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		23,701	24,631	20,639	24,997	24,247	-750
Other reserves		79,534	78,117	81,727	78,003	76,346	-1,656
NET WORTH	10	103,236	102,748	102,367	103,000	100,593	-2,407
MEMORANDUM ITEMS							
Net financial worth		-50,273	-56,195	-53,495	-52,035	-52,377	-342
Net financial liabilities		52,493	58,383	55,789	54,327	54,598	271
Net debt							
Gross debt liabilities		51,219	53,385	52,524	51,048	50,963	-84
less: liquid financial assets		12,473	10,281	11,076	10,542	11,161	619
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		38,746	43,103	41,448	40,505	39,802	-703

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

**TOTAL NON- FINANCIAL PUBLIC SECTOR**  
Statement of Changes in Equity

Table 1.11

	Asset Revaluation Surplus \$m	Accumulated net gain on equity investments in other sector entities \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2017</i>	78,684	2,011	25,531	106,226
Operating result	-	-	-1,650	-1,650
All other movements in equity	-1,371	209	-179	-1,341
<i>Total change in net worth</i>	-1,371	209	-1,829	-2,991
<b>Balance at 30 June 2018</b>	<b>77,314</b>	<b>2,221</b>	<b>23,701</b>	<b>103,236</b>
<i>Balance at 1 July 2018</i>	77,314	2,221	23,701	103,236
Operating result	-	-	781	781
All other movements in equity	-3,187	-	-236	-3,424
<i>Total change in net worth</i>	-3,187	-	545	-2,642
<b>Balance at 30 June 2019</b>	<b>74,126</b>	<b>2,220</b>	<b>24,247</b>	<b>100,593</b>

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

Table 1.12

**TOTAL NON- FINANCIAL PUBLIC SECTOR**  
Cash Flow Statement

	2017-18	2018-19				
Notes	Actual	Budget	MYR	Estimated		
	\$m	Estimate	Revision	Outturn	Actual	Variation
		\$m	\$m	\$m	\$m	on EOT
		(1)	(2)	(3)	(4)	\$m
						(4) - (3)
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received						
Taxes received	8,020	8,442	8,334	8,349	8,395	46
Grants and subsidies received	9,773	10,500	10,418	11,158	11,082	-75
Receipts from sales of goods and services	20,471	21,571	20,870	22,120	22,790	670
Interest receipts	267	273	305	305	314	9
Dividends and tax equivalents	282	225	304	305	313	8
Other	8,315	7,476	8,208	8,367	8,658	291
Total cash received	47,128	48,488	48,439	50,604	51,553	950
Cash paid						
Wages, salaries and supplements, and superannuation	-15,035	-15,132	-15,219	-15,369	-15,002	368
Payments for goods and services	-21,016	-21,493	-21,106	-22,331	-22,858	-528
Interest paid	-1,591	-1,742	-1,713	-1,715	-1,697	18
Grants and subsidies paid	-3,711	-4,007	-4,004	-4,091	-4,129	-37
Dividends and tax equivalents	-	-	-	-	-	-
Other payments	-4,439	-4,094	-4,320	-4,311	-4,478	-166
Total cash paid	-45,792	-46,468	-46,362	-47,817	-48,163	-346
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,336	2,020	2,077	2,787	3,390	603
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash flows from investments in non-financial assets						
Purchase of non-financial assets	-5,049	-6,239	-5,825	-5,509	-4,957	551
Sales of non-financial assets	566	853	869	729	654	-75
Total cash flows from investments in non-financial assets	-4,482	-5,386	-4,955	-4,780	-4,304	476
Cash flows from investments in financial assets						
Cash received						
For policy purposes	13	10	10	10	21	11
For liquidity purposes	175	54	260	266	318	53
Cash paid						
For policy purposes	-16	-10	-10	-10	-19	-9
For liquidity purposes	-76	-66	-74	-60	-128	-68
Total cash flows from investments in financial assets	96	-12	187	206	193	-13
NET CASH FLOWS FROM INVESTING ACTIVITIES	-4,386	-5,398	-4,769	-4,573	-4,111	463
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash received						
Advances received	-	-	-	-	-	-
Borrow ings	16,793	10,817	6,868	5,300	4,362	-938
Deposits received	-	-	-	-	-	-
Other financing receipts	156	170	226	230	261	31
Total cash received	16,949	10,988	7,094	5,530	4,623	-907
Cash paid						
Advances paid	-16	-17	-17	-17	-17	-
Borrow ings repaid	-12,383	-9,099	-5,955	-5,799	-5,097	703
Deposits paid	-	-	-	-	-	-
Other financing payments	-264	-243	-252	-218	-215	3
Total cash paid	-12,663	-9,358	-6,223	-6,034	-5,329	705
NET CASH FLOWS FROM FINANCING ACTIVITIES	4,286	1,629	871	-504	-706	-202
Net increase in cash and cash equivalents	1,236	-1,748	-1,821	-2,291	-1,426	864
Cash and cash equivalents at the beginning of the year	7,012	7,321	8,248	8,248	8,248	-
Cash and cash equivalents at the end of the year	8,248	5,573	6,428	5,958	6,822	864
KEY FISCAL AGGREGATES						
Net cash flow s from operating activities	1,336	2,020	2,077	2,787	3,390	603
Net cash flow s from investing in non-financial assets	-4,482	-5,386	-4,955	-4,780	-4,304	476
Cash surplus/-deficit	-3,146	-3,366	-2,878	-1,993	-913	1,079

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

Table 1.13

**PUBLIC FINANCIAL CORPORATIONS**  
Operating Statement

		2017-18	2018-19				
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (4) - (3)
RESULTS FROM TRANSACTIONS							
REVENUE							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		1,231	1,385	1,374	1,157	1,136	-22
Interest Income		1,799	2,184	1,971	1,964	1,882	-82
Other		10	1	1	89	113	24
Total		3,040	3,570	3,346	3,210	3,130	-80
EXPENSES							
Salaries		59	58	58	56	57	1
Superannuation							
Concurrent costs		6	5	6	6	6	-
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	3	3	3	2	-
Depreciation and amortisation		4	5	5	4	4	-
Services and contracts		10	11	11	11	11	-
Other gross operating expenses		966	1,145	1,145	1,126	1,182	56
Interest							
Interest on leases		-	-	-	-	-	-
Other interest		1,540	1,966	1,767	1,768	1,623	-145
Tax equivalents		117	50	48	58	65	7
Current transfers		4	5	5	4	4	-
Capital transfers		11	8	8	8	14	6
Total		2,721	3,256	3,055	3,045	2,969	-76
NET OPERATING BALANCE <sup>(a)</sup>	10	320	315	291	166	161	-5
Other economic flows - included in the operating result							
Net gains on assets/liabilities		196	-	-	134	147	13
Provision for doubtful debts		-	-	-	-	-	-
Changes in accounting policy/adjustment of prior periods		-	-	-	-	7	7
Total other economic flows		196	-	-	134	155	21
OPERATING RESULT		516	315	291	300	315	16
Other non-owner movements in equity							
Items that will not be reclassified to operating result							
Revaluations		1	-86	6	6	-	-6
Net actuarial gains/-loss - superannuation		2	2	-	-	1	2
Gains recognised directly in equity		-1	85	-	-	-	-
All other		-	-	-	-	-	-
Total other non-owner movements in equity		2	1	7	6	1	-5
Movements in owner equity							
Dividends		-223	-159	-179	-186	-181	5
Capital injections		-86	-31	-46	-48	-136	-87
Total movements in owner equity		-309	-190	-225	-235	-317	-83
TOTAL CHANGE IN NET WORTH <sup>(b)</sup>	10	209	126	73	71	-	-72
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE							
Less Net acquisition of non-financial assets		320	315	291	166	161	-5
Purchase of non-financial assets		3	9	10	10	7	-2
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
less:							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		4	5	5	4	4	-
Total net acquisition of non-financial assets		-2	4	5	5	3	-2
NET LENDING/-BORROWING	10	321	311	286	160	158	-2

(a) Also known as the 'Net Result from Transactions'.

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

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

Table 1.14

**PUBLIC FINANCIAL CORPORATIONS**

## Balance Sheet at 30 June

	2018	2019				
Notes	Actual	Budget	MYR	Estimated	Actual	Variation
	\$m	Estimate	Revision	Outturn	\$m	on EOT
		\$m	\$m	\$m	\$m	\$m
		(1)	(2)	(3)	(4)	(4) - (3)
ASSETS						
Financial assets						
Cash and deposits	303	202	289	271	198	-73
Advances paid	3,980	4,473	4,437	4,397	4,415	18
Investments, loans and placements	59,075	65,193	60,574	58,906	62,777	3,871
Receivables	705	666	723	720	690	-30
Shares and other equity						
Investments in other public sector entities - equity method	-	-	-	-	-	-
Investments in other public sector entities - direct injections	-	-	-	-	-	-
Investments in other entities	1,806	2,395	1,909	1,901	1,897	-4
Other financial assets	5	6	5	5	5	-
Total financial assets	65,874	72,935	67,936	66,200	69,982	3,782
Non-financial assets						
Land	-	-	-	-	-	-
Property, plant and equipment	3	8	7	7	5	-1
Biological assets	-	-	-	-	-	-
Inventories						
Land inventories	-	-	-	-	-	-
Other inventories	-	-	-	-	-	-
Intangibles	6	9	8	9	7	-2
Assets classified as held for sale	-	-	-	-	-	-
Investment property	-	-	-	-	-	-
Other	3	2	3	10	3	-8
Total non-financial assets	12	19	18	25	15	-10
TOTAL ASSETS	65,886	72,954	67,954	66,226	69,997	3,771
LIABILITIES						
Deposits held	-	-	-	-	-	-
Advances received	3	3	2	2	3	1
Borrowings						
Lease liabilities	-	-	-	-	-	-
Other borrowings	59,214	65,865	61,052	59,349	63,047	3,698
Superannuation	5	7	6	7	5	-2
Other employee benefits	11	13	12	12	13	1
Payables	234	274	81	100	129	29
Other liabilities	4,198	4,606	4,507	4,464	4,580	115
TOTAL LIABILITIES	63,665	70,767	65,660	63,934	67,776	3,843
NET ASSETS	2,221	2,187	2,293	2,292	2,220	-72
Of which:						
Contributed equity	-100	-236	-145	-148	-236	-87
Accumulated surplus	2,292	2,575	2,395	2,402	2,426	24
Other reserves	28	-152	43	38	30	-8
NET WORTH	10	2,221	2,187	2,293	2,292	-72
MEMORANDUM ITEMS						
Net financial worth	2,208	2,168	2,276	2,266	2,205	-61
Net debt						
Gross debt liabilities	59,217	65,868	61,054	59,351	63,050	3,699
less: liquid financial assets	63,358	69,868	65,300	63,575	67,390	3,815
less: convergence differences impacting net debt		-	-	-	-	-
Net debt	-4,141	-4,000	-4,246	-4,224	-4,340	-116

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

**PUBLIC FINANCIAL CORPORATIONS**  
Statement of Changes in Equity

Table 1.15

	Contributed Equity \$m	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2017</i>	-14	25	2,000	2,011
Operating result	-	-	516	516
All other movements in equity	-	3	-1	2
<i>Total change in net worth</i>	-	3	515	518
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	-86	-	-	-86
Dividends	-	-	-223	-223
<i>Total</i>	-86	-	-223	-309
<b>Balance at 30 June 2018</b>	<b>-100</b>	<b>28</b>	<b>2,292</b>	<b>2,221</b>
<i>Balance at 1 July 2018</i>	-100	28	2,292	2,221
Operating result	-	-	315	315
All other movements in equity	-	2	-	1
<i>Total change in net worth</i>	-	2	315	317
<i>Transactions with owners in their capacity as owners</i>				
Contributed Capital	-136	-	-	-136
Dividends	-	-	-181	-181
<i>Total</i>	-136	-	-181	-317
<b>Balance at 30 June 2019</b>	<b>-236</b>	<b>30</b>	<b>2,426</b>	<b>2,220</b>

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

Table 1.16

**PUBLIC FINANCIAL CORPORATIONS**  
Cash Flow Statement

	2017-18		2018-19				
Notes	Actual	Budget	MYR	Estimated	Actual	Variation	
	\$m	Estimate	Revision	Outturn	\$m	on EOT	
		(1)	(2)	(3)	(4)	\$m	
						(4) - (3)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received	-	5	5	5	-	-5	
Receipts from sales of goods and services	1,216	1,317	1,306	1,308	1,196	-111	
Interest receipts	1,797	2,184	1,971	1,964	1,901	-62	
Dividends and tax equivalents	-	-	-	-	-	-	
Other	149	153	152	157	155	-2	
<i>Total cash received</i>	<i>3,162</i>	<i>3,660</i>	<i>3,435</i>	<i>3,434</i>	<i>3,253</i>	<i>-181</i>	
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation	-66	-62	-62	-60	-60	-	
Payments for goods and services	-753	-834	-834	-860	-857	3	
Interest paid	-1,769	-1,966	-1,771	-1,767	-1,874	-107	
Grants and subsidies paid	-	-	-	-	-	-	
Tax equivalents	-46	-74	-117	-114	-128	-14	
Other payments	-150	-159	-158	-159	-152	6	
<i>Total cash paid</i>	<i>-2,784</i>	<i>-3,095</i>	<i>-2,942</i>	<i>-2,961</i>	<i>-3,072</i>	<i>-111</i>	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>378</b>	<b>565</b>	<b>493</b>	<b>473</b>	<b>181</b>	<b>-292</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets	-3	-9	-10	-10	-7	2	
Sales of non-financial assets	-	-	-	-	-	-	
<i>Total cash flows from investments in non-financial assets</i>	<i>-3</i>	<i>-9</i>	<i>-10</i>	<i>-10</i>	<i>-7</i>	<i>3</i>	
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes	-	-	-	-	-	-	
For liquidity purposes	6,014	6,480	6,433	6,541	6,177	-365	
<i>Cash paid</i>							
For policy purposes	-99	-108	-163	-164	-164	-	
For liquidity purposes	-7,173	-7,188	-7,079	-7,132	-8,656	-1,524	
<i>Total cash flows from investments in financial assets</i>	<i>-1,258</i>	<i>-815</i>	<i>-810</i>	<i>-754</i>	<i>-2,643</i>	<i>-1,889</i>	
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-1,260</b>	<b>-824</b>	<b>-820</b>	<b>-764</b>	<b>-2,650</b>	<b>-1,886</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received	-	-	-	-	-	-	
Borrow ings	30,393	28,206	27,431	25,727	26,539	812	
Deposits received	-	-	-	-	-	-	
Other financing receipts	13	31	31	31	28	-3	
<i>Total cash received</i>	<i>30,406</i>	<i>28,237</i>	<i>27,461</i>	<i>25,758</i>	<i>26,567</i>	<i>810</i>	
<i>Cash paid</i>							
Advances paid	-	-	-	-	-	-	
Borrow ings repaid	-30,969	-27,781	-26,994	-25,356	-24,350	1,006	
Deposits paid	-	-	-	-	-	-	
Other financing payments	-	-	-	-	-	-	
Dividends paid	-236	-152	-187	-191	-185	6	
<i>Total cash paid</i>	<i>-31,205</i>	<i>-27,933</i>	<i>-27,181</i>	<i>-25,547</i>	<i>-24,535</i>	<i>1,011</i>	
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-799</b>	<b>304</b>	<b>281</b>	<b>211</b>	<b>2,032</b>	<b>1,821</b>	
<b>Net increase in cash and cash equivalents</b>	<b>-1,682</b>	<b>45</b>	<b>-46</b>	<b>-79</b>	<b>-437</b>	<b>-357</b>	
Cash and cash equivalents at the beginning of the year	4,008	4,042	2,326	2,326	2,326	-	
Cash and cash equivalents at the end of the year	2,326	4,087	2,280	2,247	1,890	-357	
<b>KEY FISCAL AGGREGATES</b>							
Net cash flow s from operating activities	378	565	493	473	181	-292	
Net cash flow s from investing in non-financial assets	-3	-9	-10	-10	-7	3	
Dividends paid	-236	-152	-187	-191	-185	6	
<b>Cash surplus/-deficit</b>	<b>139</b>	<b>405</b>	<b>296</b>	<b>273</b>	<b>-11</b>	<b>-283</b>	

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

Table 1.17

**TOTAL PUBLIC SECTOR (a)**  
**Operating Statement**

		2017-18	2018-19				
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (4) - (3)
RESULTS FROM TRANSACTIONS							
REVENUE							
Taxation		8,053	8,266	8,157	8,169	8,097	-72
Current grants and subsidies		8,529	9,552	9,542	10,348	10,210	-138
Capital grants		1,263	936	856	825	873	49
Sales of goods and services		21,128	22,408	21,993	22,920	23,488	569
Interest income		585	586	644	657	639	-18
Royalty income		5,231	5,057	5,549	6,226	6,713	487
Other		1,031	1,051	1,019	1,098	1,193	95
Total	5	45,819	47,856	47,760	50,243	51,214	971
EXPENSES							
Salaries		13,297	13,371	13,408	13,556	13,382	-174
Superannuation							
Concurrent costs		1,305	1,340	1,320	1,335	1,323	-12
Superannuation interest cost		177	206	189	133	135	3
Other employee costs		263	236	261	255	350	95
Depreciation and amortisation	6	3,362	3,663	3,583	3,539	3,431	-109
Services and contracts		3,285	3,223	3,269	3,261	3,306	45
Other gross operating expenses	7	19,726	20,493	20,278	21,503	22,084	580
Interest	8						
Interest on leases		162	177	177	177	174	-4
Other interest		1,526	1,740	1,696	1,715	1,583	-132
Other property expenses		-	-	-	-	-	-
Current transfers	9	3,975	4,261	4,313	4,274	4,411	136
Capital transfers	9	365	363	276	329	319	-9
Total		47,442	49,073	48,771	50,078	50,498	420
NET OPERATING BALANCE <sup>(b)</sup>	10	-1,623	-1,217	-1,010	165	716	551
Other economic flows - included in the operating result							
Net gains on assets/liabilities		111	120	219	271	254	-17
Provision for doubtful debts		-66	-49	-49	-48	-16	31
Changes in accounting policy/adjustment of prior periods		48	-	-	-	-310	-310
Total other economic flows		94	70	170	223	-72	-296
OPERATING RESULT		-1,529	-1,147	-841	388	644	256
All other movements in equity							
Items that will not be reclassified to operating result							
Revaluations		-1,669	-433	228	184	-2,444	-2,628
Net actuarial gains/-loss - superannuation		206	-162	-261	-810	-850	-40
Gains recognised directly in equity		1	1,100	5	3	8	5
All other		-	-	-	-	-	-
Total all other movements in equity		-1,462	505	-28	-624	-3,286	-2,663
TOTAL CHANGE IN NET WORTH <sup>(c)</sup>	10	-2,991	-642	-869	-236	-2,642	-2,407
KEY FISCAL AGGREGATES							
NET OPERATING BALANCE							
Less Net acquisition of non-financial assets		-1,623	-1,217	-1,010	165	716	551
Purchase of non-financial assets		5,052	6,248	5,835	5,519	4,965	-554
Changes in inventories		-321	516	524	66	614	548
Other movement in non-financial assets		596	230	231	166	273	107
less:							
Sales of non-financial assets		567	853	870	730	654	-75
Depreciation		3,362	3,663	3,583	3,539	3,431	-109
Total net acquisition of non-financial assets		1,398	2,478	2,136	1,482	1,767	285
NET LENDING/-BORROWING	10	-3,021	-3,695	-3,147	-1,317	-1,051	266

(a) The accompanying notes form part of these financial statements.

(b) Also known as the 'Net Result from Transactions'.

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

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

Table 1.18

**TOTAL PUBLIC SECTOR (a)**  
Balance Sheet at 30 June

		2018	2019				
	Notes	Actual	Budget	MYR	Estimated		Variation
		\$m	Estimate	Revision	Outturn	Actual	on EOT
			(1)	(2)	(3)	(4)	\$m
							(4) - (3)
ASSETS							
Financial assets							
Cash and deposits		2,079	1,517	1,692	1,813	1,517	-295
Advances paid		4,345	4,873	4,850	4,810	4,782	-28
Investments, loans and placements		16,733	18,462	15,358	14,558	19,567	5,009
Receivables	11	4,976	4,154	4,984	5,545	5,825	280
Equity - Investments in other entities		1,854	2,481	1,947	1,922	1,920	-2
Other financial assets		13	15	13	13	13	-
Total financial assets		30,001	31,503	28,845	28,661	33,624	4,964
Non-financial assets							
Land	12	45,508	45,336	44,768	44,767	43,809	-957
Property, plant and equipment	13, 14	100,294	104,681	102,775	102,487	101,099	-1,388
Biological assets	16	332	313	324	324	345	21
Inventories	17						
Land inventories		1,902	2,261	2,005	1,987	1,852	-135
Other inventories		3,731	4,717	4,255	3,797	4,345	548
Intangibles	18	1,085	1,089	1,023	1,016	1,028	13
Assets classified as held for sale	19	183	111	99	99	59	-40
Investment property	20	77	100	67	67	67	-
Other		408	355	562	517	381	-136
Total non-financial assets		153,520	158,963	155,880	155,061	152,985	-2,075
TOTAL ASSETS		183,521	190,465	184,724	183,721	186,610	2,889
LIABILITIES							
Deposits held		23	26	11	11	11	-
Advances received		360	368	368	368	343	-25
Borrowings	21						
Lease liabilities		1,971	1,890	1,914	1,914	1,902	-12
Other borrowings		55,408	61,671	56,809	55,168	59,072	3,904
Superannuation	22	6,636	6,872	6,516	7,028	7,165	137
Other employee benefits	23	3,398	3,366	3,447	3,435	3,577	142
Payables		6,473	7,063	6,930	6,504	7,211	707
Other liabilities	24	6,016	6,461	6,362	6,293	6,736	443
TOTAL LIABILITIES		80,285	87,717	82,358	80,721	86,017	5,296
NET ASSETS		103,236	102,748	102,367	103,000	100,593	-2,407
Of which:							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		25,994	27,206	23,035	27,399	26,673	-726
Other reserves		77,242	75,542	79,332	75,600	73,920	-1,680
NET WORTH	10	103,236	102,748	102,367	103,000	100,593	-2,407
MEMORANDUM ITEMS							
Net financial worth		-50,285	-56,215	-53,513	-52,061	-52,392	-332
Net financial liabilities		50,285	56,215	53,513	52,061	52,392	332
Net debt							
Gross debt liabilities		57,763	63,955	59,103	57,462	61,329	3,866
less: liquid financial assets		23,157	24,852	21,900	21,181	25,867	4,686
less: convergence differences impacting net debt		-	-	-	-	-	-
Net debt		34,606	39,103	37,203	36,281	35,462	-819

(a) The accompanying notes form part of these financial statements.

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

**TOTAL PUBLIC SECTOR**  
Statement of Changes in Equity

Table 1.19

	Asset Revaluation Surplus \$m	Accumulated Surplus/deficit \$m	Total Equity \$m
<i>Balance at 1 July 2017</i>	78,695	27,531	106,226
Operating result	-	-1,529	-1,529
All other movements in equity	-1,454	-8	-1,462
<i>Total change in net worth</i>	-1,454	-1,537	-2,991
<b>Balance at 30 June 2018</b>	<b>77,242</b>	<b>25,994</b>	<b>103,236</b>
<i>Balance at 1 July 2018</i>	77,242	25,994	103,236
Operating result	-	644	644
All other movements in equity	-3,321	35	-3,286
<i>Total change in net worth</i>	-3,321	679	-2,642
<b>Balance at 30 June 2019</b>	<b>73,920</b>	<b>26,673</b>	<b>100,593</b>

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

Table 1.20

**TOTAL PUBLIC SECTOR <sup>(a)</sup>**  
**Cash Flow Statement**

		2017-18	2018-19				
	Notes	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	Variation on EOT \$m (4) - (3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		8,017	8,433	8,325	8,340	8,392	51
Grants and subsidies received		9,773	10,500	10,418	11,158	11,082	-75
Receipts from sales of goods and services		21,407	22,573	21,858	23,110	23,693	583
Interest receipts		604	645	671	685	661	-24
Dividends and tax equivalents		-	-	-	-	-	-
Other		8,460	7,626	8,357	8,517	8,807	290
<i>Total cash received</i>		<i>48,260</i>	<i>49,777</i>	<i>49,629</i>	<i>51,810</i>	<i>52,635</i>	<i>825</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-15,101	-15,194	-15,281	-15,429	-15,062	367
Payments for goods and services		-21,489	-22,011	-21,622	-22,872	-23,421	-549
Interest paid		-1,899	-1,896	-1,879	-1,898	-2,017	-119
Grants and subsidies paid		-3,712	-4,002	-3,999	-4,087	-4,129	-42
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,581	-4,240	-4,466	-4,455	-4,620	-165
<i>Total cash paid</i>		<i>-46,782</i>	<i>-47,344</i>	<i>-47,246</i>	<i>-48,741</i>	<i>-49,248</i>	<i>-507</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	25	<b>1,478</b>	<b>2,433</b>	<b>2,382</b>	<b>3,069</b>	<b>3,386</b>	<b>317</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,052	-6,248	-5,835	-5,519	-4,965	554
Sales of non-financial assets		567	853	870	730	654	-75
<i>Total cash flows from investments in non-financial assets</i>		<i>-4,485</i>	<i>-5,394</i>	<i>-4,965</i>	<i>-4,789</i>	<i>-4,310</i>	<i>479</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		13	10	10	10	21	11
For liquidity purposes		6,189	6,534	6,693	6,807	6,495	-312
<i>Cash paid</i>							
For policy purposes		-16	-10	-10	-10	-19	-9
For liquidity purposes		-7,249	-7,253	-7,153	-7,191	-8,784	-1,592
<i>Total cash flows from investments in financial assets</i>		<i>-1,063</i>	<i>-719</i>	<i>-460</i>	<i>-384</i>	<i>-2,286</i>	<i>-1,902</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-5,548</b>	<b>-6,114</b>	<b>-5,425</b>	<b>-5,173</b>	<b>-6,597</b>	<b>-1,424</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrow ings		18,015	19,109	21,478	19,929	21,444	1,515
Deposits received		-	-	-	-	-	-
Other financing receipts		57	62	63	66	98	31
<i>Total cash received</i>		<i>18,072</i>	<i>19,171</i>	<i>21,540</i>	<i>19,996</i>	<i>21,542</i>	<i>1,546</i>
<i>Cash paid</i>							
Advances paid		-16	-17	-17	-17	-17	-
Borrow ings repaid		-14,181	-16,965	-20,127	-20,058	-19,990	68
Deposits paid		-	-	-	-	-	-
Other financing payments		-251	-212	-221	-187	-188	-
<i>Total cash paid</i>		<i>-14,448</i>	<i>-17,194</i>	<i>-20,365</i>	<i>-20,261</i>	<i>-20,194</i>	<i>67</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>3,624</b>	<b>1,977</b>	<b>1,175</b>	<b>-266</b>	<b>1,348</b>	<b>1,613</b>
<b>Net increase in cash and cash equivalents</b>		<b>-446</b>	<b>-1,703</b>	<b>-1,867</b>	<b>-2,370</b>	<b>-1,863</b>	<b>507</b>
Cash and cash equivalents at the beginning of the period		11,019	11,361	10,573	10,573	10,573	-
Cash and cash equivalents at the end of the period	26	10,573	9,658	8,706	8,203	8,710	507
<b>KEY FISCAL AGGREGATES</b>							
Net cash flow s from operating activities		1,478	2,433	2,382	3,069	3,386	317
Net cash flow s from investing in non-financial assets		-4,485	-5,394	-4,965	-4,789	-4,310	479
<b>Cash surplus/-deficit</b>		<b>-3,007</b>	<b>-2,961</b>	<b>-2,582</b>	<b>-1,720</b>	<b>-924</b>	<b>796</b>

(a) The accompanying notes form part of these financial statements.

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

## Notes to the Financial Statements

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### NOTE 1: MISSION STATEMENT THE GOVERNMENT OF WESTERN AUSTRALIA

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

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

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

The Government’s mission comprises four key goals, to:

- achieve sustainable finances, including responsible financial management and better public sector service delivery;
- grow and diversify the economy, create jobs and support skills development;
- promote strong and safe communities, and support for families; and
- ensure that Western Australia has liveable and affordable communities, and that the environment is protected and enhanced.

A new set of financial targets was detailed in the 2017-18 Budget (see Budget Paper No. 3: *Economic and Fiscal Outlook*, page 54), as part of the Government’s objective to return the State’s finances to sustainable position. The targets remain unchanged for 2018-19 and include a focus on reducing the general government sector operating deficit reducing the proportion of total public sector net debt held by the general government sector, constraining growth in expenses and easing pressure on the rate of growth of net debt by reducing the size of the total public sector cash deficit. In line with section 14A (3)(bb) of the *Government Financial Responsibility Act 2000*, performance against the 2018-19 Budget financial targets for the year ending 30 June 2019 is discussed in the *Financial Results* chapter of this report.

The public sector is a not-for-profit entity funded primarily through Commonwealth grants, State taxation, territorial revenue (i.e. mining royalties, user charges and other own-source revenue).

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## NOTE 2: STATEMENT OF COMPLIANCE

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### Compliance Framework

The financial statements of the general government sector and the total public sector for the year ended 30 June 2019 have been prepared in accordance with applicable Australian Accounting Standards (AASs) and Interpretations, in particular AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

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

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

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## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### (a) General Statement

The whole-of-government financial statements of the Government of Western Australia constitute general purpose financial statements.

The financial statements presented in this *Annual Report on State Finances* are required under section 14A(3) of the *Government Financial Responsibility Act 2000* and the regulations of that Act.

### (b) Reporting Entity

The reporting entities are the Government of Western Australia (also referred to as the total public sector and/or whole-of-government) and the general government sector, and include entities under their control.

The general government sector is a component of the total public sector reporting entity. The purpose of the general government sector financial statements is to provide users with information about the Government's stewardship of central government, and accountability for the resources entrusted to it. The statements also provide information about the financial position, changes in net assets/liabilities, performance and cash flows of the general government sector.

The statistical framework classifies the sub-sectors in accordance with the principles and rules contained in the ABS' *Australian System of Government Finance Statistics: Concepts, Sources and Methods, Australia 2015* (ABS GFS Manual). The entities forming part of each sector are referred to as agencies in these financial statements and Note 36: *Composition of sectors* contains a full list of agencies forming each of the sectors listed below.

### ***General government sector***

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

### ***Public non-financial corporation sector***

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

### ***Public financial corporation sector***

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

### ***Control***

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

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

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

Specific details of agencies controlled by the Government and consolidated in the public sector are shown in Note 36: *Composition of sectors*. A detailed list of other entities nominally referred to as public sector agencies that are not included in the consolidated financial statements, is also shown in Note 36. Exclusion of these agencies is based on the criteria of control noted above.

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

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

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

### **(c) Basis of Preparation**

The financial statements of the total public sector and the general government sector have been prepared in accordance with AASB 1049, the Framework and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

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

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

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

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

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

### **(d) Accounting Judgements, Estimates and Assumptions**

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

On an ongoing basis, the public sector and its controlled entities evaluate estimates and judgements in relation to assets, liabilities, contingent assets and liabilities, revenue and expenses, based on historical experience and various other factors (such as discount rates used in estimating provisions and estimating the useful life of key assets) that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements about the carrying values of assets and liabilities. Actual results may differ from these estimates.

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

Judgements, estimates and assumptions that have significant effects on the financial statements are disclosed in the notes to the financial statements. These judgements and assumptions relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 15: *Fair value measurements*);
- superannuation expense and liability (refer to Note 22: *Unfunded superannuation*);
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 23: *Other employee benefits*); and
- provisions for outstanding insurance claims (refer Note 24: *Other liabilities*).

### **(e) Presentation and Rounding of Amounts**

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

### **(f) Foreign Currency**

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

In order to hedge its exposure to certain foreign exchange risks, the public sector enters into forward contracts and options (see Note 31: *Financial instruments* for details of the public sector accounting policies in respect of such derivative financial instruments).

### **(g) Basis of Consolidation**

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

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

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

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

### **(h) Revenue Recognition**

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

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

#### ***Taxation revenue***

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

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

#### ***Grants and subsidies revenue***

With the exception of North West Shelf royalty grants and Commonwealth Condensate Compensation grants (which are subject to lags between production, assessment and cash payments), revenue from the Commonwealth and other grant contributions, whether for recurrent operational or for capital purposes, are recognised as revenue in the period in which the public sector gains control over the assets, which is usually when cash is received.

#### ***Sale of goods and services***

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

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

### ***Interest income***

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

### ***Revenue from public corporations***

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

### ***Royalty income***

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

## **(i) Expense Recognition**

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

### ***Salaries***

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

### ***Superannuation***

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

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

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

### ***Superannuation interest cost***

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

### ***Depreciation and amortisation***

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

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

### ***Other interest***

Interest costs include interest charges, finance lease charges and borrowing costs. Interest costs are expensed in the period in which they are incurred. Interest expense is recognised as it accrues and includes items of a similar nature realised in managing portfolios. Borrowing costs are recognised immediately as an expense, even when they are directly attributable to the acquisition, construction or production of a qualifying asset.

### ***Current and capital transfers***

Current and capital transfers include grants and subsidies and other payments made to other sectors of government and to non-government organisations for the delivery of services. They are recognised as an expense to the extent when the grantee meets conditions such as grant eligibility criteria, or has provided the service or facilities required under the grant agreement.

### **(j) Other Economic Flows**

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

### **Net gains on assets/liabilities**

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

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

#### ***Impairment – non-financial assets***

Impairment losses are recognised as a non-transaction cost when an asset's carrying amount exceeds its recoverable amount.

### **Net actuarial gains (or losses) – Superannuation**

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

## **(k) Land, and Other Property, Plant and Equipment**

### ***Initial recognition and measurement***

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

### ***Subsequent recognition and measurement***

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

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

### ***Revaluations***

Non-financial physical assets are revalued with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from its fair value at the end of the reporting period.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation movements are recognised in 'all other movements in equity' and accumulated in equity under the asset revaluation surplus.

### ***Land***

The fair value attributed to the land component of government owned non-current real estate assets (excluding land under roads) for financial reporting purposes is determined on the basis of highest and best use taking into consideration the legal, physical and economic restrictions affecting the sites ability to realise that potential.

Fair value is defined in AASB 116: *Property, Plant and Equipment* as the amount for which an asset could be exchanged, between knowledgeable parties in an 'arm's length' transaction. There is a going concern presumption and it is assumed that an asset is exchanged after an adequate period of marketing.

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

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

### ***Buildings***

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

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

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

### ***Infrastructure***

The fair value of Infrastructure - Road Network, has been determined by reference to the current depreciated replacement cost (existing use basis) as the assets are specialised and no market evidence of value is available. The replacement cost is determined by Main Roads every three years by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost Index) to ensure asset values do not materially differ from fair value. The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2019 is based on the current depreciated replacement cost determined at 30 June 2019 by Main Roads and the ABS Road and Bridge Construction Cost Index has been applied to ensure asset values do not materially differ from fair value. When Infrastructure – Road Network is revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

### ***Plant, equipment and other assets***

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

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

### ***Depreciation***

All property, plant and equipment assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

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

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

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

<b>Class of Asset</b>	<b>Depreciation (Years)</b>
<i>Buildings</i>	20 – 80 years
<i>Infrastructure – Road network</i>	
Seals	12 – 19 years
Pavements and drainage	15 – 50 years
Road furniture	25 – 40 years
Bridges	60 – 100 years
Earthworks	Up to 173 years
<i>Infrastructure – Water, storage and distribution</i>	
Pipelines and fittings	30 – 110 years
Drains and channels	20 – 150 years
Dams and reservoirs	50 – 120 years
<i>Infrastructure – Electricity generation and transmission</i>	2 – 50 years
<i>Infrastructure – Other</i>	
Public transport	5 – 75 years
Harbour and ports	10 – 100 years
<i>Plant, equipment and other</i>	3 – 100 years

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

### ***Disposal***

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

Where an asset that has been previously revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is retained in the asset revaluation surplus.

### **(l) Infrastructure Assets Financed by the Private Sector**

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

These Public Private Partnerships are recognised as a leased asset with a finance lease liability on achievement of commercial acceptance of each phase of works.

### **(m) Biological Assets**

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

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

Gains or losses arising from changes in the fair value of standing trees, are taken to account as gains or losses in the Operating Statement.

### **(n) Investment Properties**

#### ***Initial recognition and measurement***

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

#### ***Subsequent recognition and measurement***

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

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

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

#### **(o) Intangible Assets**

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

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

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

Expected useful lives for all classes of intangible asset are assumed to be between 3 to 5 years.

#### **(p) Assets Held for Sale**

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

#### **(q) Impairment of Assets**

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

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

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

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

**(r) Leases**

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

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

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

Operating leases are expensed over the lease term as this represents the pattern of benefits derived from the leased assets.

**(s) Inventories**

Inventories, other than inventories held for distribution, are measured at the lower of cost and net realisable value. Costs are assigned using the weighted average cost or the 'first in first out' method.

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

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

**(t) Cash and Cash Equivalents**

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

## **(u) Financial Instruments**

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

- cash and deposits;
- receivables/payables;
- investments, loans and placements;
- advances paid/received;
- shares and other equity;
- deposits held;
- borrowings;
- other employee benefits; and
- other financial assets/liabilities.

Financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is based on two criteria: the business model for managing the assets; and whether the assets' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The following are the classification of financial assets and liabilities:

- Financial assets are measured at amortised cost if they are held to collect the contractual cash flows and those cash flows are solely payments of principal and interest.
- Financial assets are measured at fair value through other comprehensive income:
  - (a) For debt instruments – if the assets are held both to collect contractual cash flows, comprising solely payments of principal and interest, and to sell the financial assets.
  - (b) For equity instruments – if they have been irrevocably elected to be measured at fair value through other comprehensive income.
- other financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or fair value through other comprehensive income as explained above.
- payables are recognised when the public sector becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are usually settled within 30 days. Payables are measured at either amortised cost or at fair value through profit or loss.

- borrowings are initially recognised at the fair value of the net proceeds received. Subsequent fair value measurements are calculated using current lending rates for similar borrowings with remaining maturities consistent with the debt being valued. Unrealised gains or losses arising from changes in fair value are recognised in the Operating Statement. With the exclusion of finance leases, borrowings are predominantly conducted by the Western Australian Treasury Corporation, which operates within the capital markets as the central borrowing authority of the public sector. Borrowings are measured at either amortised cost, at fair value through profit or loss, or at fair value through other comprehensive income.
- derivative financial instruments are recognised in the Balance Sheet and measured at fair value. The fair values for derivative financial instruments are obtained from quoted market prices. Application of hedge accounting will only be available where specific designation and effectiveness criteria are satisfied. Where hedge accounting cannot be achieved for ongoing risk mitigation activity, the changes in the fair value of derivative financial instruments are recognised in the Operating Statement as they arise. Derivative financial instruments are measured at fair value through profit or loss.

#### **(v) Provisions**

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

#### ***Superannuation***

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

In accordance with legislative requirements, the Government Employees Superannuation Board (GESB) administers, the following State public sector plans:

- Defined Benefit Plans:
  - Pension Scheme, which was closed to new members on 15 August 1986; and
  - Gold State Superannuation (GSS) Scheme, which was closed to new members on 29 December 1995; and
- Defined Contribution Plans:
  - West State Superannuation (WSS) Scheme which was closed to new members on 16 April 2007; and
  - GESB Super Scheme which commenced on 16 April 2007.

From 30 March 2012, existing members of the WSS, GESB Super Scheme and new employees have been able to choose their preferred superannuation fund provider. Agencies make contributions to GESB or other fund providers on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish agency liabilities for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

The expected future payments are discounted to present value using market yields at the reporting date on Commonwealth government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses of the defined benefits superannuation plans are immediately recognised in the Operating Statement.

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

The value of unfunded liabilities reported in the ARSF will differ to the liabilities reported by GESB due to the application of different accounting standards which result in the application of different measurement methodologies<sup>1</sup>.

The defined contribution plans are superannuation plans in which the employer pays a defined contribution amount into a separate fund. Contributions to defined contribution plans are charged to the Operating Statement as incurred. The public sector has no further obligation to the plans as scheme members assume the investment risk. The unfunded portion of the WSS scheme, left over after full-funding arrangements were put in place in 2001, is being amortised over the period to 2021.

See also Note 3(i): *Expense Recognition*.

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<sup>1</sup> Since 2016-17, GESB has valued and reported unfunded superannuation liabilities in accordance with the requirements of AASB 1056: *Superannuation Entities*, while for the purposes of the *Annual Report on State Finances*, the liabilities will continue to be valued in line with AASB 119: *Employee Benefits*. The two standards allow for the use of different discount factors which will result in a different valuation for the two entities. In addition, GESB reports an employer-sponsored receivable (being the difference between the defined benefit liability and the assets available to meet the liability). The employer sponsored receivable is not reciprocated in a separately identifiable payable in the *Annual Report on State Finances*.

### ***Other employee benefits***

#### *Annual Leave and Long Service Leave*

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

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

The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match as closely as possible the estimated future cash payments.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the public sector does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### *Other compensated absences*

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past experience indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the Operating Statement for this leave as it is taken.

### ***Other provisions***

#### *Employment On-costs*

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

#### *Decommissioning, Restoration and Rehabilitation*

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

### (w) Future Impact of Australian Accounting Standards Not Yet Operative

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

- AASB 15: *Revenue from Contracts with Customers*. This Standard establishes the principles that shall be applied to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cashflows arising from a contract with a customer. The mandatory application date of the Standard is currently 1 January 2019 after being amended by AASB 2016-7. The 2019-20 Budget estimated the impact of this Standard across the forward estimates period (see feature box page 31–34 of the 2019-20 Budget Paper No. 3: *Economic and Fiscal Outlook*). The full impact of this Standard continues to be assessed.
- AASB 16: *Leases*. This Standard applies from reporting periods beginning on or after 1 January 2019 and introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Whilst the full impact of this Standard is still being assessed, the total public sector currently has commitments for \$2 billion worth of non-cancellable operating leases which will mostly be brought onto the Balance Sheet (refer to Note 29: *Expenditure Commitments*). Interest and depreciation expense will increase, offset by a decrease in rental expense for the year ending 30 June 2020 and beyond. The 2019-20 Budget estimated the impact of this Standard across the forward estimates period (see feature box page 31–34 of the 2019-20 Budget Paper No. 3: *Economic and Fiscal Outlook*). The full impact of this Standard continues to be assessed.

The above assessment is based on the following accounting policy positions:

- Option 2 of the modified retrospective approach on transition;
- the ‘low value asset’ threshold set at AUD \$5,000 (unless Government Regional Officer Housing (GROH), Government Office Accommodations (GOA) or State Fleet);
- for leases classified as ‘short term’ (12 months or less), these are not recognised under AASB 16 (unless GROH, GOA or State Fleet);
- land, buildings and investment property ROU assets are measured under the fair value model, subsequent to initial recognition; and
- discount rates are sourced from Western Australian Treasury Corporation.

The public sector and general government sector will adopt the modified retrospective approach on transition to AASB 16. No comparative information will be restated under this approach, and the public sector and general government sector will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/-deficit at the date of initial application.

- AASB 1058: *Income of Not-for-Profit Entities*. This Standard applies from reporting periods beginning on or after 1 January 2019 and clarifies and simplifies the income recognition requirements that apply to not-for-profit entities, more closely reflecting the economic reality of not-for-profit entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an agency. The full impact of this Standard is still being assessed.
- AASB 1059: *Service Concession Arrangements: Grantors*. This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. The mandatory effective date of this Standard is currently 1 January 2020 following amendment by AASB 2018-5. No public private partnerships within scope of the Standard have been identified.
- AASB 2018-5: *Amendments to Australian Accounting Standards – Deferral of AASB 1059*. This Standard amends the mandatory effective date of AASB 1059 so that AASB 1059 is required to be applied for annual reporting periods beginning on or after 1 January 2020 instead of 1 January 2019. There is no financial impact.
- AASB 2016–8: *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for Profit Entities [AASB 9 and AASB 15]*. This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact from the application of this Standard.
- AASB 2018-4: *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for Profit Public Sector Licensors*. This Standard amends AASB 15 to add requirements and authoritative implementation guidance for application by non-for-profit public sector licensors to transactions involving the issue of licences. The full impact of this amendment is still being assessed.
- AASB 2018-7: *Amendments to the Australian Accounting Standards – Definition of Material*. This standard clarifies the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. There is no financial impact.
- AASB 2018-8: *Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit Entities*. This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. The financial impact of this standard is not material.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable or have no material impact on the total public sector or the general government sector.

**(x) Comparative Figures**

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

## NOTE 4: CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT

The following allocation of expenses and assets is consistent with the ABS' Classification of the Functions of Government (COFOG). A more detailed dissection of general government expenses, consistent with the Uniform Presentation Framework requirements, is contained in Appendix 3: *Other Uniform Presentation Framework Information*.

### CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT

#### General Government

	2019	2018
	\$m	\$m
<b>EXPENSES</b>		
General public services	1,510	1,624
Public order and safety	3,585	3,425
Economic affairs	1,104	1,313
Environmental protection	387	392
Housing and community amenities	1,441	1,167
Health	9,013	8,917
Recreation, culture and religion	767	700
Education	7,601	7,460
Social protection	2,855	2,636
Transport	2,425	2,316
<b>TOTAL EXPENSES</b>	<b>30,689</b>	<b>29,949</b>
<b>ASSETS AT 30 JUNE</b>		
General public services	6,181	8,235
Public order and safety	3,900	3,859
Economic affairs	2,828	1,766
Environmental protection	3,299	3,921
Housing and community amenities	5,074	4,685
Health	8,126	8,378
Recreation, culture and religion	3,684	3,618
Education	13,021	13,217
Social protection	228	233
Transport	45,410	44,835
plus Investments in other public sector entities	50,745	51,784
<b>TOTAL ASSETS</b>	<b>142,496</b>	<b>144,532</b>

Note: Columns may not add due to rounding.

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**CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT**


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Total Public Sector

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	2019	2018
	\$m	\$m
<b>EXPENSES</b>		
General public services	1,909	2,020
Public order and safety	3,502	3,345
Economic affairs	15,783	13,242
Environmental protection	382	387
Housing and community amenities	2,309	2,965
Health	8,941	8,860
Recreation, culture and religion	3,502	3,401
Education	7,416	7,276
Social protection	3,310	2,612
Transport	3,443	3,333
<b>TOTAL EXPENSES</b>	<b>50,498</b>	<b>47,442</b>
<b>ASSETS AT 30 JUNE</b>		
General public services	16,418	14,473
Public order and safety	3,899	3,859
Economic affairs	30,322	31,720
Environmental protection	3,299	3,921
Housing and community amenities	30,259	47,120
Health	8,140	8,390
Recreation, culture and religion	4,212	4,096
Education	13,021	13,217
Social protection	17,977	232
Transport	59,062	56,492
<b>TOTAL ASSETS</b>	<b>186,610</b>	<b>183,521</b>

Note: Columns may not add due to rounding.

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## NOTE 5: OPERATING REVENUE

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

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## NOTE 6: DEPRECIATION AND AMORTISATION EXPENSE

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### General Government

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	2019	2018
	\$m	\$m
<i>Depreciation</i>		
Buildings	548	518
Infrastructure	415	388
Plant, equipment and other	369	343
<i>Total</i>	<b>1,332</b>	<b>1,249</b>
<i>Amortisation</i>		
Intangible assets	113	94
<i>Total</i>	<b>113</b>	<b>94</b>
<b>Total depreciation and amortisation expenses</b>	<b>1,445</b>	<b>1,343</b>

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### Total Public Sector

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	2019	2018
	\$m	\$m
<i>Depreciation</i>		
Buildings	713	687
Infrastructure	1,638	1,654
Plant, equipment and other	854	813
<i>Total</i>	<b>3,205</b>	<b>3,154</b>
<i>Amortisation</i>		
Intangible assets	225	208
<i>Total</i>	<b>225</b>	<b>208</b>
<b>Total depreciation and amortisation expenses</b>	<b>3,431</b>	<b>3,362</b>

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Note: Columns may not add due to rounding.

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## NOTE 7: OTHER GROSS OPERATING EXPENSES

### General Government

	2019	2018
	\$m	\$m
Services purchased from non-government agencies	1,794	2,026
Health sector specific expenses	1,380	1,339
Other	1,215	1,263
Education sector specific expenses	687	657
Operating leases	569	567
<b>Total</b>	<b>5,645</b>	<b>5,852</b>

### Total Public Sector

	2019	2018
	\$m	\$m
Gold Corporation inventories	11,018	8,785
Other	2,233	2,308
Services purchased from non-government agencies	1,807	2,039
Betting dividends payouts	1,680	1,717
Health sector specific expenses	1,380	1,339
Electricity, gas and other direct costs	1,628	1,443
Insurance claims expenses	1,056	850
Education sector specific expenses	687	657
Operating leases	594	588
<b>Total</b>	<b>22,084</b>	<b>19,726</b>

Note: Columns may not add due to rounding.

## NOTE 8: OTHER INTEREST

### General Government

	2019	2018
	\$m	\$m
Interest on borrow ings	859	818
Finance charges on finance leases	89	73
<b>Total</b>	<b>948</b>	<b>891</b>
Less: Capitalised interest on borrow ings	-	-
<b>Total other interest</b>	<b>948</b>	<b>891</b>

### Total Public Sector

	2019	2018
	\$m	\$m
Interest on borrow ings	1,583	1,526
Finance charges on finance leases	174	162
<b>Total</b>	<b>1,756</b>	<b>1,688</b>
Less: Capitalised interest on borrow ings	-	-
<b>Total other interest</b>	<b>1,756</b>	<b>1,688</b>

Note: Columns may not add due to rounding.

## NOTE 9: TRANSFER EXPENSES

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

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

<b>TRANSFER EXPENSES ( a)</b>		
General Government		
	2019	2018
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	384	356
Local government on-passing	181	169
Private and not-for-profit sector	1,377	1,381
Private and not-for-profit sector on-passing	1,323	1,233
Other sectors of government	2,161	1,922
<b>Total Current Transfers</b>	<b>5,426</b>	<b>5,061</b>
<i>CAPITAL TRANSFERS</i>		
Local government	64	55
Local government on-passing	118	113
Private and not-for-profit sector	87	107
Private and not-for-profit sector on-passing	18	17
Other sectors of government	338	151
<b>Total Capital Transfers</b>	<b>625</b>	<b>442</b>
Total Public Sector		
	2019	2018
	\$m	\$m
<i>CURRENT TRANSFERS</i>		
Local government	385	365
Local government on-passing	181	169
Private and not-for-profit sector	2,185	2,177
Private and not-for-profit sector on-passing	1,323	1,233
Other sectors of government	337	31
<b>Total Current Transfers</b>	<b>4,411</b>	<b>3,975</b>
<i>CAPITAL TRANSFERS</i>		
Local government	65	56
Local government on-passing	118	113
Private and not-for-profit sector	119	178
Private and not-for-profit sector on-passing	18	17
<b>Total Capital Transfers</b>	<b>319</b>	<b>365</b>

(a) Includes grants, subsidies and other transfer expenses.  
Note: Columns may not add due to rounding.

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**NOTE 10: CONVERGENCE DIFFERENCES**


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

The following tables detail convergence differences reflected in the 30 June 2019 results.

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**AASB 1049 TO GFS CONVERGENCE DIFFERENCES**


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**Net Operating Balance**

	2019	2018
	\$m	\$m
<b>General government</b>		
<i>AASB 1049 net operating balance</i>	1,317	-618
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>	-	-
<i>Total GFS expense adjustments</i>	-	-
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-	-
<b>GFS net operating balance</b>	<b>1,317</b>	<b>-618</b>
<b>Public non-financial sector</b>		
<i>AASB 1049 net operating balance</i>	648	458
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Capitalised interest	-	-
Dividends	1,229	1,560
<i>Total GFS expense adjustments</i>	1,229	1,560
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-1,229	-1,560
<b>GFS net operating balance</b>	<b>-508</b>	<b>-1,102</b>
<b>Total non-financial public sector</b>		
<i>AASB 1049 net operating balance</i>	737	-1,720
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Capitalised interest	-	-
<i>Total GFS expense adjustments</i>	-	-
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-	-
<b>GFS net operating balance</b>	<b>737</b>	<b>-1,720</b>

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**AASB 1049 TO GFS CONVERGENCE DIFFERENCES**
**Net Operating Balance ( cont.)**


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	2019	2018
	\$m	\$m
<b>Public financial sector</b>		
<i>AASB 1049 net operating balance</i>	161	320
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Dividends	181	223
<i>Total GFS expense adjustments</i>	181	223
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-181	-223
<b>GFS net operating balance</b>	<b>-21</b>	<b>97</b>
 <b>Total public sector</b>		
<i>AASB 1049 net operating balance</i>	716	-1,623
<i>Plus GFS revenue adjustments</i>	-	-
<i>Less GFS expense adjustments</i>		
Capitalised interest	-	-
<i>Total GFS expense adjustments</i>	-	-
<i>Total GFS adjustments to AASB 1049 net operating balance</i>	-	-
<b>GFS net operating balance</b>	<b>716</b>	<b>-1,623</b>

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**AASB 1049 TO GFS CONVERGENCE DIFFERENCES**
**Net Lending/- Borrowing**


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	2019	2018
	\$m	\$m
<b>General government</b>		
<i>AASB 1049 net lending/-borrowing</i>	175	-2,141
<i>Plus Net operating balance convergence differences (noted above)</i>	-	-
<b>GFS net lending/-borrowing</b>	<b>175</b>	<b>-2,141</b>
<b>Public non-financial corporations</b>		
<i>AASB 1049 net lending/-borrowing</i>	26	582
<i>Plus Net operating balance convergence differences (noted above)</i>	-1,229	-1,560
<b>GFS net lending/-borrowing</b>	<b>-1,202</b>	<b>-978</b>
<b>Total non-financial public sector</b>		
<i>AASB 1049 net lending/-borrowing</i>	-1,028	-3,119
<i>Plus Net operating balance convergence differences (noted above)</i>	-	-
<b>GFS net lending/-borrowing</b>	<b>-1,028</b>	<b>-3,119</b>
<b>Public financial corporations</b>		
<i>AASB 1049 net lending/-borrowing</i>	158	321
<i>Plus Net operating balance convergence differences (noted above)</i>	-181	-223
<b>GFS net lending/-borrowing</b>	<b>-23</b>	<b>99</b>
<b>Total public sector</b>		
<i>AASB 1049 net lending/-borrowing</i>	-1,051	-3,021
<i>Plus Net operating balance convergence differences (noted above)</i>	-	-
<b>GFS net lending/-borrowing</b>	<b>-1,051</b>	<b>-3,021</b>

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**AASB 1049 TO GFS CONVERGENCE DIFFERENCES**

Net Worth

	2019 \$m	2018 \$m
<b>General government</b>		
<i>AASB 1049 net worth</i>	100,593	103,236
<i>Plus</i>		
Provision for doubtful debts		
General government sector	196	265
Impact on public corporations net worth	96	87
<i>Total GFS net worth adjustments</i>	293	352
<b>GFS net worth</b>	<b>100,886</b>	<b>103,588</b>
<b>Public non-financial corporations</b>		
<i>AASB 1049 net worth</i>	48,525	49,563
<i>Plus</i>		
Impact of general government equity injections	-9,724	-8,959
Provision for doubtful debts	96	87
<i>Total GFS net worth adjustments</i>	-9,628	-8,872
<b>GFS net worth</b>	<b>38,897</b>	<b>40,691</b>
<b>Total non-financial public sector</b>		
<i>AASB 1049 net worth</i>	100,593	103,236
<i>Plus</i>		
Provision for doubtful debts		
Total non-financial public sector	293	352
Impact on public corporations net worth	-	-
<i>Total GFS net worth adjustments</i>	293	352
<b>GFS net worth</b>	<b>100,886</b>	<b>103,587</b>
<b>Public financial corporations</b>		
<i>AASB 1049 net worth</i>	2,220	2,221
<i>Plus</i>		
Impact of general government equity injections	-	-
<i>Total GFS net worth adjustments</i>	-	-
<b>GFS net worth</b>	<b>2,220</b>	<b>2,221</b>
<b>Total public sector</b>		
<i>AASB 1049 net worth</i>	100,593	103,236
<i>Plus</i>		
Provision for doubtful debts	293	352
<i>Total GFS net worth adjustments</i>	293	352
<b>GFS net worth</b>	<b>100,886</b>	<b>103,587</b>

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**AASB 1049 TO GFS CONVERGENCE DIFFERENCES**

Change in Net Worth

	2019 \$m	2018 \$m
<b>General government</b>		
<i>AASB 1049 change in net worth</i>	-2,642	-2,991
<i>Plus change in:</i>		
Provision for doubtful debts		
General government sector	-69	-1
Impact on public corporations net worth	10	3
<i>Total GFS change in net worth adjustments</i>	-59	2
<b>GFS change in net worth</b>	<b>-2,701</b>	<b>-2,989</b>
<b>Public non-financial corporations</b>		
<i>AASB 1049 change in net worth</i>	-1,039	-1,489
<i>Plus change in:</i>		
Impact of general government equity injections	-765	-472
Provision for doubtful debts	10	3
<i>Total GFS change in net worth adjustments</i>	-755	-469
<b>GFS change in net worth</b>	<b>-1,794</b>	<b>-1,958</b>
<b>Total non-financial public sector</b>		
<i>AASB 1049 change in net worth</i>	-2,642	-2,991
<i>Plus change in:</i>		
Provision for doubtful debts		
Total non-financial public sector	-59	2
Impact of public corporations net worth	-	-
<i>Total GFS change in net worth adjustments</i>	-59	2
<b>GFS change in net worth</b>	<b>-2,701</b>	<b>-2,989</b>
<b>Public financial corporations</b>		
<i>AASB 1049 change in net worth</i>	-	209
<i>Plus change in:</i>		
Provision for doubtful debts	-	-
<i>Total GFS change in net worth adjustments</i>	-	-
<b>GFS change in net worth</b>	<b>-</b>	<b>209</b>
<b>Total public sector</b>		
<i>AASB 1049 change in net worth</i>	-2,642	-2,991
<i>Plus change in:</i>		
Provision for doubtful debts	-59	2
<i>Total GFS change in net worth adjustments</i>	-59	2
<b>GFS change in net worth</b>	<b>-2,701</b>	<b>-2,989</b>

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**NOTE 11: RECEIVABLES**


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General Government

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	2019	2018
	\$m	\$m
Receivables	4,195	3,477
Provision for impairment of receivables	-196	-265
<b>Total receivables</b>	<b>3,999</b>	<b>3,212</b>
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	265	266
Doubtful debts expense recognised in the income statement	-	51
Expected credit losses expense	-2	-
Amounts written off during the year	-61	-52
Amounts recovered during the year	-6	-
<b>Balance at the end of year</b>	<b>196</b>	<b>265</b>

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Total Public Sector

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	2019	2018
	\$m	\$m
Receivables	6,117	5,328
Provision for impairment of receivables	-293	-352
<b>Total receivables</b>	<b>5,825</b>	<b>4,976</b>
<i>Reconciliation of changes in the allowance for impairment of receivables:</i>		
<i>Balance at start of year</i>	352	350
Doubtful debts expense recognised in the income statement	-	66
Expected credit losses expense	16	-
Amounts written off during the year	-82	-64
Amounts recovered during the year	7	-
<b>Balance at the end of year</b>	<b>293</b>	<b>352</b>

Note: Columns may not add due to rounding.

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**NOTE 12: LAND**


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**General Government**


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	2019	2018
	\$m	\$m
Land, at fair value <sup>(a)</sup>	12,424	12,866
Land under roads, at fair value <sup>(b)</sup>	23,177	23,540
<b>Total</b>	<b>35,600</b>	<b>36,406</b>

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**Total Public Sector**


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	2019	2018
	\$m	\$m
Land, at fair value <sup>(a)</sup>	20,633	21,967
Land under roads, at fair value <sup>(b)</sup>	23,177	23,540
<b>Total</b>	<b>43,809</b>	<b>45,508</b>

(a) Land valuations are provided by the Western Australian Land Information Authority (Valuation Services) each financial year with an effective date of 1 July. The valuation is based on information on the stock of land at 30 June 2018. Land vested in local authorities of \$1,976 million (2018: \$2,000 million) is not recognised in the consolidated Balance Sheet, as it is not under State public sector control.

(b) Land under roads valuations are provided by the Western Australian Land Information Authority (Valuation Services) each financial year with an effective date of 1 July. The valuation is based on information on the stock of land at 30 June 2018.

Note: Columns may not add due to rounding.

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## NOTE 13: OTHER PROPERTY, PLANT AND EQUIPMENT

General Government		
	2019	2018
	\$m	\$m
Buildings, at fair value <sup>(a)</sup>	19,843	19,857
Accumulated Depreciation and impairment losses	-473	-280
<b>Total</b>	<b>19,369</b>	<b>19,576</b>
Electricity generation and transmission, at fair value <sup>(b)</sup>	1	1
Accumulated Depreciation	-1	-
<b>Total</b>	<b>-</b>	<b>1</b>
Road networks, at fair value <sup>(c)</sup>	30,519	29,849
Accumulated Depreciation	-11,421	-11,219
<b>Total</b>	<b>19,098</b>	<b>18,630</b>
Other infrastructure, at fair value	1,545	1,491
Accumulated Depreciation	-267	-239
<b>Total</b>	<b>1,278</b>	<b>1,252</b>
Plant, equipment and other, at fair value	4,511	4,403
Accumulated Depreciation and impairment losses	-1,825	-1,596
<b>Total</b>	<b>2,685</b>	<b>2,806</b>
Fixed Assets under construction	2,914	2,444
<b>Total Property, Plant and Equipment</b>	<b>45,344</b>	<b>44,709</b>
Total Public Sector		
	2019	2018
	\$m	\$m
Buildings, at fair value <sup>(a)</sup>	27,619	27,429
Accumulated Depreciation and impairment losses	-1,381	-1,028
<b>Total</b>	<b>26,238</b>	<b>26,401</b>
Electricity generation and transmission, at fair value <sup>(b)</sup>	19,924	20,253
Accumulated Depreciation	-6,929	-5,103
<b>Total</b>	<b>12,995</b>	<b>15,150</b>
Road networks, at fair value <sup>(c)</sup>	30,519	29,849
Accumulated Depreciation	-11,421	-11,219
<b>Total</b>	<b>19,098</b>	<b>18,630</b>
Water storage and distribution, at fair value <sup>(d)</sup>	30,443	29,930
Accumulated Depreciation	-12,134	-11,715
<b>Total</b>	<b>18,309</b>	<b>18,215</b>
Other infrastructure, at fair value	23,501	17,495
Accumulated Depreciation	-14,815	-9,790
<b>Total</b>	<b>8,686</b>	<b>7,705</b>
Plant, equipment and other, at fair value	18,363	16,247
Accumulated Depreciation and impairment losses	-8,726	-7,407
<b>Total</b>	<b>9,637</b>	<b>8,839</b>
Fixed Assets under construction	6,136	5,353
<b>Total Property, Plant and Equipment</b>	<b>101,099</b>	<b>100,294</b>
<p>(a) Building valuations are provided by Western Australian Land Information Authority (Valuation Services) and by other independent professional valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from fair value at reporting date.</p> <p>(b) Electricity generation and transmission includes the cost of decommissioning of property, plant and equipment including the cost of dismantling and removing the asset and restoring the site on which it is located, to the extent that these costs are also recognised as a provision.</p> <p>(c) Road infrastructure comprising roads, bridges and road furniture was valued at fair value by the Commissioner of Main Roads' Engineer at 30 June 2019.</p> <p>(d) Water storage and distribution, comprising pipelines, outfalls and fittings, dams, reservoirs, bores and tanks, ocean outfalls, pump stations and treatment plants, drains and channels and other structures, are reported at deemed cost being a revalued amount prior to transition that approximates the fair value as at date of valuation.</p>		
Note: Columns may not add due to rounding.		

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**NOTE 14: RECONCILIATION OF LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT (a)**


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General Government

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	Land	Land under Roads	Buildings	Electricity generation and transmission	Road netw orks	Other Infra- structure	Plant, equip & other	Fixed Assets under Construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>30 June 2019</b>									
<i>Carrying amount at beginning of year</i>	12,866	23,540	19,576	1	18,630	1,252	2,806	2,444	81,115
Assets classified as held for sale	69	-	-	-	-	-	-	-	69
Additions	127	-	157	-	-	4	246	2,101	2,635
Disposals	-93	-	-16	-	-86	-5	-38	-1	-240
Transfers in/-out	-5	22	673	-	914	55	37	-1,630	67
Revaluation increments/-decrements	-538	-386	-456	-1	14	14	2	-	-1,352
Depreciation	-	-	-548	-	-367	-48	-369	-	-1,332
Other	-2	-	-17	-	-7	6	1	1	-18
<b>Carrying amount at end of year</b>	<b>12,424</b>	<b>23,177</b>	<b>19,369</b>	<b>-</b>	<b>19,098</b>	<b>1,278</b>	<b>2,685</b>	<b>2,914</b>	<b>80,945</b>
<b>30 June 2018</b>									
<i>Carrying amount at beginning of year</i>	13,448	23,821	18,194	1	18,155	616	2,510	3,164	79,909
Assets classified as held for sale	-33	-	-4	-	-	-	-	-	-37
Additions	59	-	542	-	-	53	272	1,994	2,921
Disposals	-62	-	-9	-	-51	-1	-46	-6	-176
Transfers in/-out	158	30	1,646	-	571	628	400	-2,679	753
Revaluation increments/-decrements	-707	-310	-268	-	298	1	12	-	-974
Depreciation	-	-	-518	-	-344	-44	-343	-	-1,249
Other	2	-	-6	-	-	-	1	-29	-32
<b>Carrying amount at end of year</b>	<b>12,866</b>	<b>23,540</b>	<b>19,576</b>	<b>1</b>	<b>18,630</b>	<b>1,252</b>	<b>2,806</b>	<b>2,444</b>	<b>81,115</b>

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**NOTE 14: RECONCILIATION OF LAND AND OTHER PROPERTY, PLANT AND EQUIPMENT (a)**  
**(CONT.)**

Total Public Sector

	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road netw orks \$m	Water storage and distribution \$m	Other Infra- structure \$m	Plant, equip & other \$m	Fixed Assets under Construction \$m	Total \$m
<b>30 June 2019</b>										
<i>Carrying amount at beginning of year</i>	21,967	23,540	26,401	15,150	18,630	18,215	7,705	8,839	5,353	145,802
Assets classified as held for sale	65	-	-1	-	-	-	-	-	-	64
Additions	144	-	204	15	-	73	24	377	4,243	5,080
Disposals	-173	-	-50	-13	-86	-4	-8	-54	-1	-389
Transfers in/-out	-546	22	1,334	692	914	372	157	487	-3,448	-15
Revaluation increments/-decrements	-823	-386	-921	-2,366	14	49	1,162	840	-	-2,431
Depreciation	-	-	-713	-513	-367	-397	-361	-854	-	-3,205
Impairment losses	-	-	-	-	-	-	-	-	-12	-12
Other	-2	-	-16	31	-7	-	6	2	1	14
<b>Carrying amount at end of year</b>	<b>20,633</b>	<b>23,177</b>	<b>26,238</b>	<b>12,995</b>	<b>19,098</b>	<b>18,309</b>	<b>8,686</b>	<b>9,637</b>	<b>6,136</b>	<b>144,908</b>
<b>30 June 2018</b>										
<i>Carrying amount at beginning of year</i>	23,185	23,821	25,344	15,421	18,155	18,218	7,016	8,633	5,746	145,540
Assets classified as held for sale	-33	-	-31	-32	-	-	-	-	-	-97
Additions	91	-	576	29	-	70	67	323	4,351	5,506
Disposals	-219	-	-191	-21	-51	-6	-2	-90	-6	-587
Transfers in/-out	72	30	1,743	647	571	396	844	758	-4,708	353
Revaluation increments/-decrements	-1,128	-310	-346	-373	298	-41	144	28	-	-1,729
Depreciation	-	-	-687	-526	-344	-421	-364	-813	-	-3,154
Other	-1	-	-6	5	-	-	-	2	-29	-29
<b>Carrying amount at end of year</b>	<b>21,967</b>	<b>23,540</b>	<b>26,401</b>	<b>15,150</b>	<b>18,630</b>	<b>18,215</b>	<b>7,705</b>	<b>8,839</b>	<b>5,353</b>	<b>145,802</b>

(a) Information on fair value measurements is provided in Note 15.

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

## NOTE 15: FAIR VALUE MEASUREMENTS

### General Government

#### Assets measured at fair value

	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>	Fair value at end of period
	\$m	\$m	\$m	\$m
<b>30 June 2019</b>				
Assets classified as held for sale (Note 19)	-	33	10	43
Land (Note 12,14)	24	2,843	9,557	12,424
Land under roads (Note 12,14)	-	-	23,177	23,177
Buildings (Note 13,14)	53	454	18,862	19,369
Electricity generation and transmission (Note 13,14)	-	-	-	-
Road networks (Note 13,14)	-	-	19,098	19,098
Other infrastructure (Note 13,14)	-	166	1,112	1,278
Plant, equipment and other (Note 13,14)	-	374	2,311	2,685
Biological assets (Note 16)	-	2	1	3
Investment property (Note 20)	-	7	-	7
<b>Total</b>	<b>78</b>	<b>3,879</b>	<b>74,128</b>	<b>78,084</b>

	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>	Fair value at end of period
	\$m	\$m	\$m	\$m
<b>30 June 2018</b>				
Assets classified as held for sale (Note 19)	-	34	91	125
Land (Note 12,14)	9	4,245	8,613	12,866
Land under roads (Note 12,14)	-	-	23,540	23,540
Buildings (Note 13,14)	38	562	18,977	19,576
Electricity generation and transmission (Note 13,14)	-	-	1	1
Road networks (Note 13,14)	-	-	18,630	18,630
Other infrastructure (Note 13,14)	-	-	1,252	1,252
Plant, equipment and other (Note 13,14)	-	370	2,437	2,806
Biological assets (Note 16)	-	2	1	3
Investment property (Note 20)	-	7	-	7
<b>Total</b>	<b>46</b>	<b>5,219</b>	<b>73,542</b>	<b>78,807</b>

(a) Assets valued using quoted prices (unadjusted) in active markets for identical assets.

(b) Assets valued using inputs based on observable market data (either directly or indirectly).

(c) Assets valued using inputs not based on observable market data.

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

### Measurement of fair values

#### *Transfers between Level 1, 2 and 3*

The following transfers between fair value hierarchy levels have been identified for agencies with significant asset values within the general government sector for the period ending 30 June 2019.

- The Department of Planning, Lands and Heritage transferred \$1,439 million of land assets from Level 2 to Level 3 in 2018-19.

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## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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- The Department of Local Government, Sport and Cultural Industries transferred \$149 million of buildings from Level 2 to Level 3 in 2018-19.

There were no material transfers between fair value hierarchy levels for agencies with significant asset values within the general government sector for the period ending 30 June 2018.

### *Valuation techniques to derive Level 2 fair values*

There were no significant changes in valuation techniques during the period.

The following valuation techniques to derive Level 2 fair values have been identified for agencies with significant asset values within the general government sector.

- Level 2 fair values of assets classified as held for sale, land, buildings, other infrastructure, and investment property are derived using the market approach. Market evidence of sales prices of comparable assets is used to determine price per square metre for land and buildings, with adjustments made for differences in key attributes.
- Level 2 fair values of biological assets are derived using the market rates less costs to sell.
- Assets held for sale have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.
- The fair values of Level 2 plant, equipment and 'other' are derived using market-based evidence of comparable assets. These assets include works of art collection, owned by the Art Gallery of Western Australia. As these assets are specialised, market-based evidence of value is not readily available, the methodology uses certain criteria to determine fair value.

## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

### General Government

#### Fair value measurements using significant unobservable inputs (Level 3) <sup>(a)</sup> <sup>(b)</sup>

	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
<b>30 June 2019</b>										
<i>Fair value at start of period</i>	91	8,613	23,540	18,977	1	18,630	1,252	2,437	1	-
Additions	-	21	22	694	-	950	51	286	-	-
Revaluation increments/-decrements recognised in All other movements in equity	-	-536	-386	-441	-1	14	10	-1	-	-
Transfers from/-to Level 2	-	1,458	-	155	-	-	-162	-2	-	-
Transfers between asset classes	-84	53	-	32	-	-	-	-	-	-
Disposals	-1	-49	-	-20	-	-122	-	-38	-	-
Depreciation	-	-	-	-521	-	-373	-44	-369	-	-
Other	4	-3	-	-14	-	-	5	-2	-	-
<b>Fair value at end of period</b>	<b>10</b>	<b>9,557</b>	<b>23,177</b>	<b>18,862</b>	<b>-</b>	<b>19,098</b>	<b>1,112</b>	<b>2,311</b>	<b>1</b>	<b>-</b>

	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
<b>30 June 2018</b>										
<i>Fair value at start of period</i>	85	9,031	23,821	17,724	1	18,155	616	2,146	-	-
Additions	5	287	30	2,707	-	575	168	675	-	-
Revaluation increments/-decrements recognised in All other movements in equity	-	-575	-310	-274	-	298	1	6	-	-
Transfers from/-to Level 2	-	-38	-	-2	-	-	-	2	1	-
Transfers between asset classes	1	4	-	-518	-	-	513	-	-	-
Disposals	-1	-42	-	-31	-	-56	-1	-46	-	-
Depreciation	-	-	-	-501	-	-344	-44	-344	-	-
Other	1	-54	-	-127	-	-	-	-1	-	-
<b>Fair value at end of period</b>	<b>91</b>	<b>8,613</b>	<b>23,540</b>	<b>18,977</b>	<b>1</b>	<b>18,630</b>	<b>1,252</b>	<b>2,437</b>	<b>1</b>	<b>-</b>

(a) There were no gains or losses for the period included in Operating Result for assets held at the end of the reporting period, under 'Net gains on assets/liabilities'.

(b) There was no change in unrealised gains or loss for the period included in the Operating Result for assets held at the end of the reporting period.

Note: Columns may not add due to rounding.

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## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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### Valuation processes

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as assets held for sale as the State's Treasurer's Instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

### Valuation techniques to derive Level 3 fair values

There were no significant changes in valuation methodologies within the general government sector for the period ending 30 June 2019.

The following valuation techniques have been identified for agencies with significant Level 3 asset values within the general government sector, reflecting the accounting policy of the agencies with such assets.

- Fair value for restricted-use land is based on comparison with market evidence for land with low level utility (high restricted-use land). The relevant comparators of land with low level utility is selected by Valuation Services and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.
- Fair value for current-use land assets, is measured firstly by establishing the opportunity cost of public purpose land, which is termed the hypothetical alternate land use value. This approach assumes unencumbered land use based upon potential highest and best alternative use as represented by surrounding land uses and market analysis. Fair value of the land is then determined on the assumption that the site is rehabilitated to a vacant marketable condition. This requires costs associated with rehabilitation to be deducted from the hypothetical alternate land use value of the land. Costs may include building demolition, clearing, planning approvals and time allowances associated with realising that potential. In some instances the legal, physical, economic and socio political restrictions on a land results in a minimal or negative current use land value. In this situation the land value adopted is the higher of the calculated rehabilitation amount or the amount determined on the basis of comparison to market corroborated evidence of land with low level utility. Land of low level utility is considered to be grazing land on the urban fringe of the metropolitan area with no economic farming potential or foreseeable development or redevelopment potential at the measurement date.

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**NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**


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- Fair value for existing use specialised buildings, other infrastructure, road networks, and plant, equipment and 'other' is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. the current replacement cost). Current replacement cost is the current cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.
- Current replacement cost for road networks is determined every three years by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost index or rates obtained by professional estimators specialising in road infrastructure works) to ensure asset values do not materially differ from fair value.
- Fair value for assets classified as held for sale or for distribution to owners has been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

The Level 3 inputs used are derived and evaluated as follows.

***Selection of land with similar approximate utility***

Fair value for restricted-use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by Valuation Services.

***Difference between hypothetical alternate land use value and current-use land value***

For current-use land assets, fair value is measured firstly by establishing the opportunity cost of public purpose land, which is termed the hypothetical alternate land use value.

***Selection of land adjoining road reserve***

The fair value of road infrastructure comprising of land under roads is determined by comparison with the unimproved land values for land tax purposes maintained by Valuation Services.

***Consumed economic benefit/obsolescence of assets***

This is estimated by Valuation Services and applies to the majority of the asset classes.

***Effective age***

The effective age is determined by Valuation Services for buildings and by the Department of Education's valuer for its building sub-classes, after taking into account factors such as planned routine maintenance, building improvements and upgrades.

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## **NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**

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### ***Percentage rate of add-on cost – buildings and building sub-classes***

Valuation Services has determined that the costs relating to contingencies, headworks, demolition costs, professional and project fees are inherent in the building valuations and therefore should not be added to its valuations. This also applies to the building sub-classes.

### ***Average installation costs – transportable***

The cost of transportation and connection of services is determined by a quantity surveyor.

### ***Residual value of 25% of current replacement cost***

The straight line method of depreciation is applied to derive the depreciated replacement cost, assuming a uniform pattern of consumption over the initial 37 years of asset life (up to 75% of current replacement costs). All specialised buildings are assumed to have a residual value of 25% of their current replacement costs.

### ***Historical cost per cubic metre – Road networks***

The fair value of road infrastructure comprising of earthworks, pavements (including drainage and seals), bridges and road furniture is calculated using construction unit rates determined by a professional quantity surveying firm and multiplying these by the units that form the infrastructure asset.

The fair value of road infrastructure comprising of principal shared paths and certain road furniture are extracted from financial records of the Commissioner of Main Roads and indexed by movements in the ABS Road and Bridge Construction cost index.

### ***Application of a cost construction index to historical cost***

The application of a construction index for some buildings and infrastructure is applied to the construction cost to derive fair value.

### ***Historical cost per library and artwork collection***

The cost approach is based on the principle that the price that a buyer in the market would pay no more for an asset than the cost to obtain an asset of equal utility or similar characteristics, whether by purchase, by construction or by fieldwork. The cost of works of art and fieldworks for collections is extracted from financial records of the State Library of Western Australia and the Western Australian Museum.

## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

### Information about significant unobservable inputs (Level 3) in fair value measurements

The following table shows the valuation techniques used in measuring Level 3 fair values for significant asset classes, including the significant unobservable inputs used.

General Government <sup>(a)</sup>		
Asset Measured at Fair Value	Valuation Technique(s)	Unobservable inputs
Assets classified as held for sale	Current Replacement Cost	Consumed economic benefit/obsolescence of asset
	Market Approach	Selection of land with similar approximate utility
Land	Market Approach	Selection of land with similar approximate utility Selection of land with restricted utility
	Value in Use	Difference between hypothetical alternate land use value and current use land value
Land under roads	Market Approach	Selection of land adjoining road reserve
Buildings	Current Replacement Cost	Effective Age Percentage rate add-on cost Average installation costs Residual value of 25% of current replacement cost Consumed economic benefit/obsolescence of asset
Road networks	Current Replacement Cost	Historical cost per cubic metre (m <sup>3</sup> )
Other infrastructure	Current Replacement Cost	Consumed economic benefit/obsolescence of asset Application of a cost of construction index to historical cost
Plant, equipment and other	Current Replacement Cost	Historical cost per library and artwork collection

(a) Reconciliations of the opening and closing balances are provided in Notes 14, 16, 19 and 20.

### Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on the use and disposal of these assets when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

### Total Public Sector

#### Assets measured at fair value

	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>	Fair value at end of period
	\$m	\$m	\$m	\$m
<b>30 June 2019</b>				
Assets classified as held for sale (Note 19)	-	49	10	59
Land (Note 12,14)	45	8,827	11,760	20,633
Land under roads (Note 12,14)	-	-	23,177	23,177
Buildings (Note 13,14)	64	6,385	19,788	26,238
Electricity generation and transmission (Note 13,14)	-	-	12,995	12,995
Road networks (Note 13,14)	-	-	19,098	19,098
Water storage and distribution (Note 13,14)	-	-	18,309	18,309
Other infrastructure (Note 13,14)	-	166	8,520	8,686
Plant, equipment and other (Note 13,14)	-	1,697	7,940	9,637
Biological assets (Note 16)	-	2	343	345
Investment property (Note 20)	-	67	-	67
<b>Total</b>	<b>111</b>	<b>17,193</b>	<b>121,939</b>	<b>139,243</b>

	Level 1 <sup>(a)</sup>	Level 2 <sup>(b)</sup>	Level 3 <sup>(c)</sup>	Fair value at end of period
	\$m	\$m	\$m	\$m
<b>30 June 2018</b>				
Assets classified as held for sale (Note 19)	-	92	91	183
Land (Note 12,14)	9	10,999	10,960	21,967
Land under roads (Note 12,14)	-	-	23,540	23,540
Buildings (Note 13,14)	38	6,245	19,788	26,401
Electricity generation and transmission (Note 13,14)	-	-	15,150	15,150
Road networks (Note 13,14)	-	-	18,630	18,630
Water storage and distribution (Note 13,14)	-	-	18,215	18,215
Other infrastructure (Note 13,14)	-	-	7,705	7,705
Plant, equipment and other (Note 13,14)	-	1,540	7,299	8,839
Biological assets (Note 16)	-	2	330	332
Investment property (Note 20)	-	77	-	77
<b>Total</b>	<b>46</b>	<b>18,956</b>	<b>122,039</b>	<b>141,042</b>

(a) Assets valued using quoted prices (unadjusted) in active markets for identical assets.

(b) Assets valued using inputs based on observable market data (either directly or indirectly).

(c) Assets valued using inputs not based on observable market data.

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

## Measurement of fair values

### *Transfers between Level 1, 2 and 3*

All significant transfers that apply to the total public sector for the periods ending 30 June 2019 and 30 June 2018 have been disclosed in the general government sector above.

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## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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### *Valuation techniques to derive Level 2 fair values*

There were no significant changes in valuation techniques during the period.

The valuation techniques to derive Level 2 fair values disclosed in the general government sector above also applies to the total public sector. In addition, the disclosure below is specific to the total public sector.

- The fair values of Level 2 plant, equipment and 'other' are derived using the market approach. These assets include rollingstock and buses, which are owned by the Public Transport Authority. Market evidence of sales prices of rollingstock and bus contracts held by the Public Transport Authority are used to determine price per railcar and bus respectively. It should be noted that rollingstock is classified as both Level 2 and Level 3 on the fair value hierarchy as market information is available for urban railcars. However, regional rollingstock has been valued by an independent third party as no observable inputs are available.

## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

Fair value measurements using significant unobservable inputs (Level 3) (a) (b)

	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Water storage and distribution \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
<b>30 June 2019</b>											
<i>Fair value at start of period</i>	91	10,960	23,540	20,118	15,150	18,630	18,215	7,705	7,299	330	-
Additions	-	54	22	771	707	950	445	174	729	6	-
Revaluation increments/-decrements recognised in All other movements in equity	-	-704	-386	-685	-2,366	14	49	1,159	838	7	-
Transfers from/-to Level 2	-	1,466	-	156	-	-	-	-162	-115	-	-
Transfers between asset classes	-84	53	-	32	-	-	-	-	-	-	-
Disposals	-1	-67	-	-21	-13	-122	-4	-3	-53	-	-
Depreciation	-	-	-	-570	-513	-373	-397	-358	-758	-	-
Other	4	-3	-	-13	31	-	-	6	-	-	-
<b>Fair value at end of period</b>	<b>10</b>	<b>11,760</b>	<b>23,177</b>	<b>19,788</b>	<b>12,995</b>	<b>19,098</b>	<b>18,309</b>	<b>8,520</b>	<b>7,940</b>	<b>343</b>	<b>-</b>
	Assets classified as held for sale \$m	Land \$m	Land under Roads \$m	Buildings \$m	Electricity generation and transmission \$m	Road networks \$m	Water storage and distribution \$m	Other Infra- structure \$m	Plant, equip & other \$m	Biological assets \$m	Investment property \$m
<b>30 June 2018</b>											
<i>Fair value at start of period</i>	85	11,336	23,821	18,934	15,421	18,155	18,218	7,016	7,084	326	196
Additions	5	204	30	2,686	676	575	466	397	998	-	-
Revaluation increments/-decrements recognised in All other movements in equity	-	-442	-310	-247	-373	298	-41	144	23	3	-
Lease incentives paid	-	-	-	-	-	-	-	-	-	-	4
Transfers from/-to Level 2	-	-38	-	-2	-	-	-	-	2	1	-
Proceeds from sale of Investment property	-	-	-	-	-	-	-	-	-	-	-216
Transfers between asset classes	1	4	-	-519	-	-	-	514	-	-	-
Disposals	-1	-47	-	-63	-21	-56	-6	-2	-89	-	-
Realised gain on disposal of Investment property	-	-	-	-	-	-	-	-	-	-	16
Depreciation	-	-	-	-548	-526	-344	-421	-364	-719	-	-
Other	1	-56	-	-123	-27	-	-	-	-	-	-
<b>Fair value at end of period</b>	<b>91</b>	<b>10,960</b>	<b>23,540</b>	<b>20,118</b>	<b>15,150</b>	<b>18,630</b>	<b>18,215</b>	<b>7,705</b>	<b>7,299</b>	<b>330</b>	<b>-</b>

(a) There was no change in unrealised gains or loss for the period included in the Operating Result for assets held at the end of the reporting period.

(b) Represents gains or losses for the period included in the Operating Result for assets held at the end of the reporting period, under 'Net gains on assets/liabilities'.

Note: Columns may not add due to rounding.

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## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

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### Valuation processes

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as the State's Treasurer's Instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

### Valuation techniques to derive Level 3 fair values

There were no significant changes in valuation techniques during the period. In addition, the following valuation techniques have been identified for public corporations with significant Level 3 asset values within the total public sector.

- Fair value for restricted-use land is based on comparison with market evidence for land with low level utility (high restricted-use land). The relevant comparators of land with low level utility is selected by Valuation Services and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.
- Fair value for existing use specialised buildings, electricity generation and transmission, water storage and distribution, other infrastructure, road networks, and plant, equipment and 'other' is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. the current replacement cost). Current replacement cost is the current cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.
- Fair value for existing use specialised infrastructure assets is calculated by reference to the historical cost indexed by a combination of the following price indices as published by the ABS:
  - Producer Price Index for building construction in Western Australia (approximately 81% weighting).
  - Labour Price Index for total hourly rates of pay excluding bonuses using the index covering Australia; private industry; electricity, gas, water and waste supply; and all occupations (approximately 15% weighting).
  - Consumer Price Index for all groups in Perth (approximately 4% weighting).

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**NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**


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- Fair value for biological assets is determined using the discounted cash flow method to measure fair values of standing timber and plantations. The valuation model for standing timber considers the present value of the net cash flows to be generated from the forest. The cash flows projections include specific estimates for Sandalwood Plantations of 19 years, standing timber Plantations of 38 years, and for Esperance pine Plantations 23 years. The expected net cash flows are discounted using a risk adjusted discounted rate, including for standing timber Sandalwood the Order in Council period.

The Level 3 inputs disclosed in the general government sector above also applies to the total public sector. In addition, the disclosures below are specific to the total public sector.

***Historical cost of electricity infrastructure per square kilometre***

Historical cost of electricity infrastructure per square kilometre is extracted from the financial records of Western Power, then indexed by a combination of observable price indices for electricity related goods and services. That is, electricity infrastructure equates to plant and equipment, communications equipment, lines, sub-stations, transformers and switch yards.

***Freight, Railway and Bus Infrastructure***

Independent valuations were obtained by the Public Transport Authority for the following unobservable inputs.

<b>Unobservable input</b>	<b>Input from independent valuation report obtained in</b>
Replacement cost per kilometre of rail network	2019
Replacement cost per cubic metre of railway ballast	2019
Replacement cost per sleeper (other rail)	2016
Replacement cost per sleeper (freight)	2019
Replacement cost per kilometre of overhead railway traction wiring	2016
Railway station replacement cost per square metre floor area	2016
Replacement cost per kilometre of rail line (freight)	2016
Replacement cost per kilometre of rail line (other rail)	2016
Replacement cost per railway signalling system	2016
Railway tunnel replacement cost per metre	2016
Replacement cost per square metre floor area (bus stations)	2018
Replacement cost per individual bus infrastructure items	2018
Replacement cost per individual systems infrastructure items	2017
Replacement cost per kilometre of systems infrastructure cabling	2017

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**NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**

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*Estimated variables associated with biological assets*

The unobservable variables are mainly represented by estimated future timber market price per cubic metre and estimated average volume per annum, discounted at the rate for 2018 provided by an independent valuation obtained by the Forest Products Commission.

**Information about significant unobservable inputs (Level 3) in fair value measurements**

The following table shows the valuation techniques used in measuring Level 3 fair values, for significant asset classes, including the significant unobservable inputs used.

## NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)

### Total Public Sector <sup>(a)</sup>

Asset Measured at Fair Value	Valuation Technique(s)	Unobservable inputs
Assets classified as held for sale	Current Replacement Cost	Consumed economic benefit/obsolescence of asset
	Market Approach	Selection of land with similar approximate utility
Land	Market Approach	Selection of land with similar approximate utility Selection of land with restricted utility
	Value in Use	Difference between hypothetical alternate land use value and current use land value
Land under roads	Market Approach	Selection of land adjoining road reserve
Buildings	Current Replacement Cost	Effective Age Percentage rate add-on cost Average installation costs Residual value of 25% of current replacement cost Application of a cost of construction index to historical cost Consumed economic benefit/obsolescence for asset
Electricity generation and transmission	Current Replacement Cost	Consumed economic benefit/obsolescence of electricity infrastructure Historical cost of electricity infrastructure per km <sup>2</sup>
Road networks	Current Replacement Cost	Historical cost per cubic metre (m <sup>3</sup> )
Water storage and distribution	Current Replacement Cost	Consumed economic benefit/obsolescence of asset
Other infrastructure	Freight Network Infrastructure - Current Replacement Cost	Consumed economic benefit/obsolescence of asset Replacement cost per kilometre of network Replacement cost per kilometre of rail Replacement cost per cubic metres of ballast Replacement cost per sleeper
	Railway Infrastructure - Current Replacement Cost	Consumed economic benefit/obsolescence of asset Replacement cost per individual tunnel Replacement cost per station structure Replacement cost per kilometre of rail line Replacement cost per signal Replacement cost per sleeper Replacement cost per kilometre of overhead traction wiring
	Systems Infrastructure - Current Replacement Cost	Consumed economic benefit/obsolescence of asset Replacement cost per individual items Replacement cost per kilometre of cabling
	Bus Infrastructure- Current Replacement Cost	Consumed economic benefit/obsolescence of asset Replacement cost per square metre floor area (m <sup>2</sup> ) Replacement cost per individual items
Plant, equipment and other	Current Replacement Cost	Consumed economic benefit/obsolescence of asset

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**NOTE 15: FAIR VALUE MEASUREMENTS (CONT.)**


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**Total Public Sector <sup>(a)</sup> ( Cont.)**


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<b>Asset Measured at Fair Value</b>	<b>Valuation Technique(s)</b>	<b>Unobservable inputs</b>
Biological assets	Standing Timber (Native Forests) - Discounted Cash Flow	Estimated future timber market prices (gross profit) per cubic metre Estimated average volume per annum Estimated management costs per cubic metre to sell the volume
	Standing Timber (Sandlewood) - Discounted Cash Flow	Estimated future timber market prices based on \$US/\$A forward exchange rates provided by Western Australian Treasury Corporation Weighted average price for products Estimated average volume per annum Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon
	Standing Timber (Plantations) - Discounted Cash Flow	The area stocked Estimated future timber market prices per cubic metre Future wood flow projections
	Sandalwood Plantations - Discounted Cash Flow	Estimated future timber market prices based on \$US/\$A forward exchange rates to 2037 provided by Western Australian Treasury Corporation The weighted average price for products Estimated average volume per annum Estimated cost per tonne to harvest, produce and sell the volume over the forecast horizon
	Esperance Pine Plantations - Discounted Cash Flow	The area stocked Estimated future timber average market prices per hectare Estimated average volume per annum Estimated cost per hectare to harvest, produce and sell the volume over the forecast horizon

(a) Reconciliations of the opening and closing balances are provided in Notes 14, 16, 19 and 20.

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**Basis of valuation**

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on the use and disposal of these assets when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

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**NOTE 16: BIOLOGICAL ASSETS (a )**


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General Government

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	2019	2018
	\$m	\$m
Livestock and other	3	3
<b>Total Biological Assets</b>	<b>3</b>	<b>3</b>

**Reconciliation of Biological Assets**

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

<b>30 June 2019</b>	<b>Standing Trees</b>	<b>Livestock and Other</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<i>Carrying amount at beginning of year</i>	-	3	3
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	-	-
<b>Carrying amount at end of year</b>	<b>-</b>	<b>3</b>	<b>3</b>
 <b>30 June 2018</b>	 <b>Standing Trees</b>	 <b>Livestock and Other</b>	 <b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<i>Carrying amount at beginning of year</i>	-	8	8
Gain/-loss from changes in fair value	-	-	-
Purchases	-	-	-
Other	-	-4	-4
<b>Carrying amount at end of year</b>	<b>-</b>	<b>3</b>	<b>3</b>

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**NOTE 16: BIOLOGICAL ASSETS <sup>(a)</sup> ( CONT.)**


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**Total Public Sector**


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	2019	2018
	\$m	\$m
Native and plantation standing trees <sup>(b)</sup>	342	329
Livestock and other	3	3
<b>Total Biological Assets</b>	<b>345</b>	<b>332</b>

**Reconciliation of Biological Assets**

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

<b>30 June 2019</b>	<b>Standing Trees</b>	<b>Livestock and Other</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<i>Carrying amount at beginning of year</i>	329	3	332
Gain/-loss from changes in fair value	3	-	3
Purchases	6	-	6
Other	4	-	4
<b>Carrying amount at end of year</b>	<b>342</b>	<b>3</b>	<b>345</b>

<b>30 June 2018</b>	<b>Standing Trees</b>	<b>Livestock and Other</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<i>Carrying amount at beginning of year</i>	326	8	334
Gain/-loss from changes in fair value	-2	-	-2
Purchases	6	-	6
Other	-1	-4	-6
<b>Carrying amount at end of year</b>	<b>329</b>	<b>3</b>	<b>332</b>

(a) Information on fair value measurements is provided in Note 15.

(b) Native and plantation standing trees consist of mature and maturing standing trees stated at fair value less estimated selling costs, based on discounted cash flow models using a pre-tax weighted average cost of capital, supported by market evidence.

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

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**NOTE 17: INVENTORIES**


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General Government

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	2019	2018
	\$m	\$m
<i>Other Inventories</i>		
Other materials and stores	61	63
Other	10	8
<i>Total Other inventories</i>	<i>71</i>	<i>70</i>
<b>Total Inventories</b>	<b>71</b>	<b>70</b>

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Total Public Sector

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	2019	2018
	\$m	\$m
<i>Land Inventories</i>		
Land acquisition and development	1,852	1,902
<i>Total Land inventories</i>	<i>1,852</i>	<i>1,902</i>
<i>Other Inventories</i>		
Precious metals	3,913	3,336
Power station fuel stocks	119	101
Other materials and stores	282	265
Other	31	29
<i>Total Other inventories</i>	<i>4,345</i>	<i>3,731</i>
<b>Total Inventories</b>	<b>6,197</b>	<b>5,633</b>

Note: Columns may not add due to rounding.

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**NOTE 18: INTANGIBLE ASSETS**


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General Government

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	2019	2018
	\$m	\$m
Computer software	1,265	1,216
Accumulated amortisation and impairment losses	-818	-734
<i>Total</i>	<i>446</i>	<i>482</i>
Software in progress	93	62
Other	156	146
Accumulated amortisation and impairment losses	-70	-63
<i>Total</i>	<i>87</i>	<i>83</i>
<b>Total Intangible Assets</b>	<b>626</b>	<b>627</b>

**Reconciliation of Intangibles**

	Computer Software in progress		Other	Total
30 June 2019	\$m	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	<i>482</i>	<i>62</i>	<i>83</i>	<i>627</i>
Additions	19	57	1	77
Disposals	-10	-2	-	-12
Transfers in/-out	51	-22	12	41
Amortisation	-104	-	-8	-113
Accumulated amortisation written back	8	-	-	8
Other	-	-1	-	-2
<b>Carrying amount at end of year</b>	<b>446</b>	<b>93</b>	<b>87</b>	<b>626</b>

	Computer Software in progress		Other	Total
30 June 2018	\$m	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	<i>360</i>	<i>172</i>	<i>148</i>	<i>680</i>
Additions	34	52	3	89
Disposals	-8	-	-	-9
Transfers in/-out	188	-161	-63	-36
Impairment losses	-3	-	-	-3
Amortisation	-87	-	-7	-94
Accumulated amortisation written back	4	-	2	6
Other	-4	-	-	-4
<b>Carrying amount at end of year</b>	<b>482</b>	<b>62</b>	<b>83</b>	<b>627</b>

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

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## NOTE 18: INTANGIBLES ASSETS ( CONT.)

Total Public Sector		
	2019	2018
	\$m	\$m
Computer softw are	2,530	2,385
Accumulated amortisation and impairment losses	-1,782	-1,574
<i>Total</i>	<i>748</i>	<i>811</i>
Softw are in progress	110	80
Renew able Energy Certificates	31	49
Other	235	253
Accumulated amortisation and impairment losses	-96	-109
<i>Total</i>	<i>139</i>	<i>145</i>
<b>Total Intangible Assets</b>	<b>1,028</b>	<b>1,085</b>

### Reconciliation of Intangibles

	Computer Softw are	Softw are in progress	Renew able Energy Certificate	Other	Total
	\$m	\$m	\$m	\$m	\$m
<b>30 June 2019</b>					
<i>Carrying amount at beginning of year</i>	<i>811</i>	<i>80</i>	<i>49</i>	<i>145</i>	<i>1,085</i>
Additions	41	58	134	30	263
Disposals	-14	-2	-152	-61	-229
Transfers in/-out	130	-24	-	14	119
Impairment losses	-21	-	-	-	-21
Amortisation	-210	-	-	-15	-225
Accumulated amortisation w ritten back	8	-	-	27	35
Other	3	-2	-	-	1
<b>Carrying amount at end of year</b>	<b>748</b>	<b>110</b>	<b>31</b>	<b>139</b>	<b>1,028</b>

	Computer Softw are	Softw are in progress	Renew able Energy Certificate	Other	Total
	\$m	\$m	\$m	\$m	\$m
<b>30 June 2018</b>					
<i>Carrying amount at beginning of year</i>	<i>667</i>	<i>182</i>	<i>30</i>	<i>240</i>	<i>1,119</i>
Additions	59	62	123	3	247
Disposals	-17	-	-105	-24	-146
Transfers in/-out	294	-163	-	-61	70
Impairment losses	-3	-	-	-	-3
Amortisation	-192	-	-	-16	-208
Accumulated amortisation w ritten back	8	-	-	3	11
Other	-4	-	-	-	-4
<b>Carrying amount at end of year</b>	<b>811</b>	<b>80</b>	<b>49</b>	<b>145</b>	<b>1,085</b>

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

**NOTE 19: ASSETS CLASSIFIED AS HELD FOR SALE (a)****General Government**

	2019	2018
	\$m	\$m
Land	30	113
Other	13	12
<b>Total</b>	<b>43</b>	<b>125</b>

Assets held for sale primarily relates to: the Department of Primary Industries and Regional Development (\$84 million land held for sale reclassified as property, plant and equipment), the Department of Planning, Lands and Heritage (\$19 million land held for sale), the Department of Transport (\$8 million property, plant and equipment held for sale, relating to the Welshpool Vehicle Examination Centre), the Commissioner of Main Roads (\$7 million land and buildings held for sale and \$8 million of land and buildings sold during the year), and Mental Health Commission (\$4 million land and buildings held for sale).

**Reconciliation of Assets classified as held for sale**

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

<b>30 June 2019</b>	<b>Land</b>	<b>Other</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<i>Carrying amount at beginning of year</i>	113	12	125
Assets reclassified as held for sale	-73	3	-69
Assets sold	-8	-1	-9
Transfers out/other	-2	-	-2
<b>Carrying amount at end of year</b>	<b>30</b>	<b>13</b>	<b>43</b>
 <b>30 June 2018</b>	 <b>Land</b>	 <b>Other</b>	 <b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<i>Carrying amount at beginning of year</i>	94	18	111
Assets reclassified as held for sale	26	11	37
Assets sold	-14	-15	-29
Impairment losses	-2	-	-2
Transfers out/other	9	-2	7
<b>Carrying amount at end of year</b>	<b>113</b>	<b>12</b>	<b>125</b>

(a) Information on fair value measurements is provided in Note 15.

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

## NOTE 19: ASSETS CLASSIFIED AS HELD FOR SALE ( CONT.) ( a)

Total Public Sector		
	2019	2018
	\$m	\$m
Land	36	116
Other	23	68
<b>Total</b>	<b>59</b>	<b>183</b>

In addition to those disclosed for the general government sector, assets held for sale by the total public sector primarily comprise of: Synergy (\$34 million assets sold, relating to its Albany and Grasmere wind farm assets), the Department of Communities (Housing Authority, \$8 million rental properties held for sale, during the year there was \$13 million sold), and the Lotteries Commission (\$4 million land held for sale).

### Reconciliation of Assets classified as held for sale

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

30 June 2019	Land	Other	Total
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	116	68	183
Assets reclassified as held for sale	-69	5	-64
Write Down less cost to sell	-	-	-1
Assets sold	-8	-48	-56
Impairment losses	-	-1	-1
Transfers out/other	-2	-1	-2
<b>Carrying amount at end of year</b>	<b>36</b>	<b>23</b>	<b>59</b>

30 June 2018	Land	Other	Total
	\$m	\$m	\$m
<i>Carrying amount at beginning of year</i>	94	41	135
Assets reclassified as held for sale	26	71	97
Write Down less cost to sell	-	-3	-3
Assets sold	-15	-43	-57
Impairment losses	-2	-	-2
Transfers out/other	12	1	13
<b>Carrying amount at end of year</b>	<b>116</b>	<b>68</b>	<b>183</b>

(a) Information on fair value measurements is provided in Note 15.

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

**NOTE 20: INVESTMENT PROPERTIES (a)****General Government**

	2019	2018
	\$m	\$m
<i>Carrying amount at beginning of year</i>	7	7
Revaluation increments/-decrements	-	-
<b>Carrying amount at end of year</b>	<b>7</b>	<b>7</b>

**Total Public Sector**

	2019	2018
	\$m	\$m
<i>Carrying amount at beginning of year</i>	77	262
Additions	1	39
Revaluation increments/-decrements	-	-23
Transfers to property held for sale /-disposals	-10	-207
Transfers to Buildings	-2	2
Other	-	4
<b>Carrying amount at end of year</b>	<b>67</b>	<b>77</b>

(a) Information on fair value measurements is provided in Note 15.

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

## NOTE 21: BORROWINGS

### General Government

	2019	2018
	\$m	\$m
Finance leases - secured <sup>(a)</sup>	1,156	1,184
Domestic and foreign borrowings <sup>(b)</sup>	26,589	26,924
<b>Total <sup>(c)</sup></b>	<b>27,745</b>	<b>28,109</b>

(a) Finance Leases - lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Amounts payable under finance leases are as follows.

	2019	2018
	\$m	\$m
Minimum lease payments due:		
- not later than one year	89	100
- later than one year and not later than five years	217	248
- later than five years	863	858
Minimum lease payments	<b>1,170</b>	<b>1,206</b>
Future finance charges	-14	-22
<b>Total finance lease liabilities</b>	<b>1,156</b>	<b>1,184</b>
Amounts expected to be settled:		
- not later than one year	84	92
- later than one year	1,072	1,092
<b>Total</b>	<b>1,156</b>	<b>1,184</b>

(b) Foreign currency borrowings - the general government sector had no foreign currency borrowings at the reporting date or at the same time last year.

(c) Borrowings - maturity profile

	2019	2018
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	5,093	3,556
- later than one year and not later than five years	13,214	14,952
- later than five years	9,439	9,601
<b>Total</b>	<b>27,745</b>	<b>28,109</b>

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**NOTE 21: BORROWINGS ( CONT.)**


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**Total Public Sector**


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	2019	2018
	\$m	\$m
Finance leases - secured <sup>(a)</sup>	1,902	1,971
Domestic and foreign borrowings <sup>(b)</sup>	59,072	55,408
<b>Total <sup>(c)</sup></b>	<b>60,974</b>	<b>57,379</b>

(a) Finance Leases - lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Amounts payable under finance leases are as follows.

	2019	2018
	\$m	\$m
Minimum lease payments due:		
- not later than one year	133	140
- later than one year and not later than five years	398	528
- later than five years	1,386	1,325
Minimum lease payments	<b>1,916</b>	<b>1,993</b>
Future finance charges	-14	-22
<b>Total finance lease liabilities</b>	<b>1,902</b>	<b>1,971</b>
Amounts expected to be settled:		
- not later than one year	127	133
- later than one year	1,775	1,838
<b>Total</b>	<b>1,902</b>	<b>1,971</b>

(b) Foreign currency borrowings - at 30 June 2019, the total public sector did not have any foreign currency loans. At the reporting date, any foreign currency loans are either economically hedged, swapped or covered forward specifically or invested in the foreign currency. Consequently, any gain or loss on the translation of the overseas borrowing is matched by a corresponding loss or gain made on the foreign currency contract, the overseas investment of the back to back lending and the net exchange gain or loss is therefore zero.

(c) Borrowings - maturity profile

	2019	2018
	\$m	\$m
The maturity profile of borrowings, at fair value is as follows:		
- not later than one year	17,875	17,343
- later than one year and not later than five years	23,007	22,595
- later than five years	20,089	17,441
<b>Total</b>	<b>60,971</b>	<b>57,379</b>

Note: Columns may not add due to rounding.

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## NOTE 22: UNFUNDED SUPERANNUATION

### General Government

	2019	2018
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,013	1,964
Gold State Super Scheme	4,153	3,748
Judges' Pension Scheme	569	469
Parliamentary Superannuation Scheme	212	191
<i>Total Defined Benefit superannuation schemes</i>	<i>6,947</i>	<i>6,372</i>
Defined contribution superannuation scheme: West State Superannuation Scheme	115	169
<b>Total</b>	<b>7,062</b>	<b>6,541</b>

The superannuation liability for the general government sector at 30 June 2019 was \$7,062 million (30 June 2018: \$6,541 million). The liability represents 98.6% (30 June 2018: 98.6%) of the whole-of-government total superannuation liability of \$7,166 million at 30 June 2019 (30 June 2018: \$6,637 million).

The disclosure information included in the total public sector note below also applies to the general government sector.

### Total Public Sector

	2019	2018
	\$m	\$m
Defined Benefit superannuation schemes:		
Pension Scheme	2,116	2,060
Gold State Super Scheme	4,154	3,748
Judges' Pension Scheme	569	469
Parliamentary Superannuation Scheme	212	191
<i>Total Defined Benefit superannuation schemes</i>	<i>7,051</i>	<i>6,468</i>
Defined contribution superannuation scheme: West State Superannuation Scheme	115	169
<b>Total</b>	<b>7,166</b>	<b>6,637</b>

The Government Employee Superannuation Board (GESB) administers a range of defined benefit superannuation schemes (see Note 3 (Superannuation)).

Note: Columns may not add due to rounding.

## NOTE 22: UNFUNDED SUPERANNUATION (CONT.)

The actuary has applied the following principal assumptions in assessing the defined benefit superannuation liabilities at the reporting date and for following year expense.

	2019	2018
	%	%
Discount rate (gross of tax) <sup>(a)</sup>	1.3	2.6
Salary rate <sup>(b)</sup>	4.2	4.2
Inflation (pensions)	2.5	2.5

(a) The discount rate is based on the average term of liabilities.

(b) Assumed rate of salary inflation is 1.5% per annum for the first two years and 4.2% per annum thereafter.

Major categories of defined benefit plan assets as a percentage of total fund assets are as follows <sup>(c)</sup>.

	Class 1 <sup>(d)</sup> 2019	Class 2 <sup>(e)</sup> 2019	Class 3 <sup>(f)</sup> 2019	Total 2019
	%	%	%	%
Equities	58	-	-	58
Cash and Investment funds	6	3	-	9
Others	-	31	2	33

	Class 1 <sup>(d)</sup> 2018	Class 2 <sup>(e)</sup> 2018	Class 3 <sup>(f)</sup> 2018	Total 2018
	%	%	%	%
Equities	54	-	-	54
Cash and Investment funds	9	4	-	13
Others	-	28	5	33

(c) Only the Pension Scheme and Gold State Super Scheme have plan assets. The Judges' Pension and Parliamentary Superannuation Schemes are unfunded with no employer/employee contributions.

(d) Quoted in active markets.

(e) Significant observable inputs.

(f) Unobservable inputs.

Movement in net liability.

	2019 \$m	2018 \$m
Net liability/-asset in balance sheet at end of prior year	6,468	6,944
Expense recognised in profit and loss	318	368
Employer contributions	-586	-637
Remeasurements	852	-207
<b>Net liability/-asset in balance sheet at end of year</b>	<b>7,051</b>	<b>6,468</b>

The net liability of defined benefit plans recognised in the balance sheet is as follows.

	2019 \$m	2018 \$m
Total defined benefit obligations	10,014	9,425
Scheme assets	-2,963	-2,957
<b>Net liability<sup>(g)</sup></b>	<b>7,051</b>	<b>6,468</b>

(g) Based on the actuarial valuation, the net liabilities fall due with the following profile.

	2019	2018
Not later than one year	25	25
Later than one year	7,026	6,443
<b>Total</b>	<b>7,051</b>	<b>6,468</b>

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

## NOTE 22: UNFUNDED SUPERANNUATION (CONT.)

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

	Pension Scheme 2019 \$m	Gold State Super Scheme 2019 \$m	Judges' Pension Scheme 2019 \$m	Parliamentary Superannuation Scheme 2019 \$m	Total 2019 \$m
Gross accrued benefits	2,210	7,023	569	212	10,014
Net market value of plan assets	-94	-2,869	-	-	-2,963
<b>Net liability</b>	<b>2,116</b>	<b>4,154</b>	<b>569</b>	<b>212</b>	<b>7,051</b>

	Pension Scheme 2018 \$m	Gold State Super Scheme 2018 \$m	Judges' Pension Scheme 2018 \$m	Parliamentary Superannuation Scheme 2018 \$m	Total 2018 \$m
Gross accrued benefits	2,152	6,613	469	191	9,425
Net market value of plan assets	-92	-2,865	-	-	-2,957
<b>Net liability</b>	<b>2,060</b>	<b>3,748</b>	<b>469</b>	<b>191</b>	<b>6,468</b>

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

The amounts recognised in the operating statement in respect of the defined benefit plans are as follows.

	2019 \$m	2018 \$m
Total employer current service cost	180	196
Net interest cost	134	172
Recognised actuarial -gains/losses	852	-207
<b>Total</b>	<b>1,165</b>	<b>161</b>

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

	2019 \$m	2018 \$m
Fair value plan assets at beginning of year	2,957	2,917
Employer contributions	586	637
Actual participant contributions	9	10
Actual benefit payments	-789	-859
Interest income	74	72
<i>Expected plan assets at end of year</i>	<i>2,836</i>	<i>2,778</i>
Return in excess of interest income	125	179
<b>Fair value of plan assets at end of year</b>	<b>2,962</b>	<b>2,957</b>

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

## NOTE 22: UNFUNDED SUPERANNUATION (CONT.)

Reconciliation of the fair value of defined benefit superannuation obligations at the beginning and at the end of the year are set out in the following table.

	2019	2018
	\$m	\$m
Defined benefit obligation at beginning of year	9,425	9,861
Employer service cost plus operating costs	178	194
Interest cost	207	246
Actual participant contributions	9	10
Actual benefit payments	-789	-859
<i>Expected defined benefit obligations at end of year</i>	<i>9,030</i>	<i>9,452</i>
Actuarial -gain/loss on liabilities	984	-28
<b>Defined benefit obligation at end of year</b>	<b>10,014</b>	<b>9,425</b>

Reconciliation of actuarial -gain/loss on assets and liabilities are set out below.

	2019	2018
	\$m	\$m
Actuarial -gain/loss due to demographic assumptions	-72	-
Actuarial -gain/loss due to financial assumptions	1,138	87
Actuarial -gain/loss arising from experience	-88	-115
Return in excess of interest income	-126	-179
<b>Amount recognised during year in 'other changes in equity'</b>	<b>852</b>	<b>-207</b>

Liabilities for defined benefit scheme at 30 June for the last five years are as follows.

	2019	2018	2017	2016	2015
	\$m	\$m	\$m	\$m	\$m
Total defined benefit obligations	10,014	9,425	9,861	10,647	10,325
Actual assets	-2,963	-2,957	-2,917	-2,857	-2,936
<b>Deficit/-surplus</b>	<b>7,051</b>	<b>6,468</b>	<b>6,944</b>	<b>7,790</b>	<b>7,389</b>

Sensitivity analysis for the defined benefit obligation is presented on the following scenarios <sup>(b)</sup>.

<i>Sensitivity to discount rate</i>	2019	2019
	+1.0	-1.0
	percentage	percentage
	point	point
	discount	discount
	rate	rate
Discount rate (%)	2.3	0.3
Defined benefit obligation (\$m)	9,149	10,930
Changes in obligation (\$m)	-820	961
Percentage changes in obligation (%)	-8.0	10.0
<i>Sensitivity to discount rate</i>	2018	2018
	+1.0	-1.0
	percentage	percentage
	point	point
	discount	discount
	rate	rate
Discount rate (%)	3.6	1.6
Defined benefit obligation (\$m)	8,678	10,200
Changes in obligation (\$m)	-703	819
Percentage changes in obligation (%)	-8.0	9.0

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

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**NOTE 22: UNFUNDED SUPERANNUATION (CONT.)**


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<i>Sensitivity to future salary increase</i>	2019	2019
	+1.0% future salary increase rate	-1.0% future salary increase rate
Future salary increases	2.5% for the first two years and 5.2% thereafter	0.5% for the first two years and 3.2% thereafter
Defined benefit obligation (\$m)	10,406	9,584
Changes in obligation (\$m)	437	-385
Percentage changes in obligation (%)	4.0	-4.0
<i>Sensitivity to future salary increase</i>	2018	2018
	+1.0% future salary increase rate	-1.0% future salary increase rate
Future salary increases	2.5% for the first four years and 5.2% thereafter	0.5% for the first four years and 3.2% thereafter
Defined benefit obligation (\$m)	9,738	9,064
Changes in obligation (\$m)	357	-317
Percentage changes in obligation (%)	4.0	-3.0
<i>Sensitivity to pension indexation rate</i>	2019	2019
	+1.0% pension indexation rate	-1.0% pension indexation rate
Pension increases (%)	3.5	1.5
Defined benefit obligation (\$m)	10,562	9,459
Changes in obligation (\$m)	593	-510
Percentage changes in obligation (%)	6.0	-5.0
<i>Sensitivity to pension indexation rate</i>	2018	2018
	+1.0% pension indexation rate	-1.0% pension indexation rate
Pension increases (%)	3.5	1.5
Defined benefit obligation (\$m)	9,908	8,928
Changes in obligation (\$m)	527	-454
Percentage changes in obligation (%)	6.0	-5.0
<i>Sensitivity to mortality</i>	2019	2019
	1 year increase in future life expectancy	1 year decrease in future life expectancy
Defined benefit obligation (\$m)	10,153	9,816
Changes in obligation (\$m)	184	-153
Percentage changes in obligation (%)	2.0	-2.0
<i>Sensitivity to mortality</i>	2018	2018
	1 year increase in future life expectancy	1 year decrease in future life expectancy
Defined benefit obligation (\$m)	9,545	9,244
Changes in obligation (\$m)	163	-138
Percentage changes in obligation (%)	2.0	-1.0

(h) Sensitivity figures do not include Gold State Super Scheme reserves amounting to \$45 million (30 June 2018 \$44 million).

Note: Columns may not add due to rounding.

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**NOTE 23: OTHER EMPLOYEE BENEFITS**


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General Government

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	2019	2018
	\$m	\$m
Annual leave	928	890
Long service leave	1,795	1,678
Other	473	465
<b>Total</b>	<b>3,197</b>	<b>3,033</b>

Assessments indicate that actual settlement of the annual leave liabilities is expected to occur as follow s.

	2019	2018
	\$m	\$m
Within 12 months of reporting date	626	641
More than 12 months after reporting date	302	249
<b>Total</b>	<b>928</b>	<b>890</b>

Assessments indicate that actual settlement of the long service leave liabilities is expected to occur as follow s.

	2019	2018
	\$m	\$m
Within 12 months of reporting date	600	608
More than 12 months after reporting date	1,195	1,070
<b>Total</b>	<b>1,795</b>	<b>1,678</b>

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Total Public Sector

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	2019	2018
	\$m	\$m
Annual leave	1,064	1,022
Long service leave	2,002	1,873
Other	511	503
<b>Total</b>	<b>3,577</b>	<b>3,398</b>

Assessments indicate that actual settlement of the annual leave liabilities is expected to occur as follow s.

	2019	2018
	\$m	\$m
Within 12 months of reporting date	741	744
More than 12 months after reporting date	323	278
<b>Total</b>	<b>1,064</b>	<b>1,022</b>

Assessments indicate that actual settlement of the long service leave liabilities is expected to occur as follow s.

	2019	2018
	\$m	\$m
Within 12 months of reporting date	699	706
More than 12 months after reporting date	1,303	1,167
<b>Total</b>	<b>2,002</b>	<b>1,873</b>

Note: Columns may not add due to rounding.

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**NOTE 24: OTHER LIABILITIES**


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General Government

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	2019	2018
	\$m	\$m
<b>Total</b>		
Insurance claims	25	18
Interest payable	172	169
Other provisions	45	50
Other liabilities	1,203	1,188
<b>Total Other Liabilities</b>	<b>1,445</b>	<b>1,425</b>

**Reconciliation of Other Provisions**
**30 June 2019**

	Employment on-costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	19	4	27	50
Additional provisions recognised	3	2	1	6
Amounts used	-3	-2	1	-4
Unused amounts reversed	-	-	-	-
Unwinding of the discount	-	-	-	-
Other	-7	-	1	-6
<b>Carrying amount at end of year</b>	<b>12</b>	<b>4</b>	<b>29</b>	<b>45</b>

**30 June 2018**

	Employment on-costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	17	8	28	52
Additional provisions recognised	11	2	1	14
Amounts used	-3	-6	-	-8
Unused amounts reversed	-	-	-	-
Unwinding of the discount	-	-	-	-
Other	-6	-	-2	-8
<b>Carrying amount at end of year</b>	<b>19</b>	<b>4</b>	<b>27</b>	<b>50</b>

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

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## NOTE 24: OTHER LIABILITIES (CONT.)

### Total Public Sector

	2019	2018
	\$m	\$m
<b>Total</b>		
Insurance claims <sup>(a)</sup>	3,604	3,258
Interest payable	576	541
Other provisions	989	799
Other liabilities	1,566	1,417
<b>Total Other Liabilities</b>	<b>6,736</b>	<b>6,016</b>

### Reconciliation of Other Provisions

30 June 2019

	Employment on-costs	Decommissioni ng costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	25	328	50	395	798
Additional provisions recognised	6	6	19	408	439
Amounts used	-5	-21	-10	-240	-277
Unused amounts reversed	-	-	-9	-2	-12
Unwinding of the discount	-	8	-	7	16
Other	-6	31	-	-	25
<b>Carrying amount at end of year</b>	<b>19</b>	<b>351</b>	<b>50</b>	<b>568</b>	<b>989</b>

30 June 2018

	Employment on-costs	Decommissioni ng costs	Restoration costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	27	336	52	395	810
Additional provisions recognised	14	1	14	250	279
Amounts used	-5	-18	-16	-218	-257
Unused amounts reversed	-1	-4	-1	-42	-49
Unwinding of the discount	-	-	-	9	9
Other	-9	12	-	2	5
<b>Carrying amount at end of year</b>	<b>25</b>	<b>328</b>	<b>50</b>	<b>395</b>	<b>799</b>

(a) Insurance claims

The liabilities for outstanding insurance claims comprise:

	2019	2018
	\$m	\$m
Third Party Insurance Fund	2,412	2,274
Government Insurance Fund	71	47
RiskCover	561	533
Motor Vehicle (Catastrophic Injuries) Fund	451	303
Other	108	102
<b>Total</b>	<b>3,604</b>	<b>3,258</b>
Liability for outstanding claims (undiscounted)	4,039	3,912
Discount to present value	-435	-654
<b>Total Liability for outstanding claims (discounted)</b>	<b>3,604</b>	<b>3,258</b>

	2019	2018
	%	%
Claims expected to be paid:		
Not later than one year		
Inflation rate	2.30	1.72
Discount rate	1.00	1.90
Later than one year		
Inflation rate	2.79	2.56
Discount rate	0.90	2.10

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

## NOTE 25: RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING SURPLUS FOR THE PERIOD

General Government		
	2019	2018
	\$m	\$m
Surplus /-deficit for period	1,317	-618
Non-cash movements		
Depreciation	1,445	1,343
Increase/-decrease in accrual in employees benefits	-152	-232
-Increase/decrease in inventories	-1	3
-Increase/decrease in receivables	-718	-118
-Increase/decrease in prepayments and other assets	3	-2
Increase/-decrease in payables	148	-17
Increase/-decrease in other liabilities and accruals	16	45
Net GST receipts/-payments	19	47
Other non-cash net asset transfers	11	8
Adjustment for other non-cash items	-74	-61
<b>Net cash flow s from operating activities as show n in the Cash Flow Statement</b>	<b>2,014</b>	<b>399</b>
Total Public Sector		
	2019	2018
	\$m	\$m
Surplus /-deficit for period	716	-1,623
Non-cash movements		
Depreciation	3,431	3,362
Premium discount amortisation	-254	-255
Increase/-decrease in accrual in employees benefits	-227	-322
-Increase/decrease in inventories	-614	321
-Increase/decrease in receivables	-773	-818
-Increase/decrease in prepayments and other assets	14	-20
Increase/-decrease in payables	738	238
Increase/-decrease in other liabilities and accruals	716	400
Net GST receipts/-payments	-54	73
Other non-cash net asset transfers	-62	-11
Adjustment for other non-cash items	-245	133
<b>Net cash flow s from operating activities as show n in the Cash Flow Statement</b>	<b>3,386</b>	<b>1,478</b>
Note: Columns may not add due to rounding.		

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**NOTE 26: CLOSING CASH BALANCES**


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

Cash for the purposes of the Cash Flow Statement is defined differently to 'Cash' for the purposes of the consolidated Balance Sheet (which only includes cash holdings at the balance date and not other liquid assets included in the Cash Flow Statement). As a result, the Cash reported on the Cash Flow Statement does not equal 'Cash' in the Balance Sheet.

General Government		
	2019	2018
	\$m	\$m
Cash assets as per the Balance Sheet	601	862
Investments included as cash on the Cash Flow Statement	4,404	5,498
<b>Total closing cash balance</b>	<b>5,005</b>	<b>6,360</b>
Total Public Sector		
	2019	2018
	\$m	\$m
Cash assets as per the Balance Sheet	1,517	2,079
Investments included as cash on the Cash Flow Statement	7,193	8,494
<b>Total closing cash balance</b>	<b>8,710</b>	<b>10,573</b>

Note: Columns may not add due to rounding.

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**NOTE 27: RESTRICTED FINANCIAL ASSETS**


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There are restrictions on the uses of specific purpose Commonwealth grants. Funding received and not yet spent total \$109 million (2018: \$191 million).

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**NOTE 28: MONEYS HELD IN TRUST**


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Moneys held in a trustee capacity are not controlled by the State and are excluded from assets and liabilities. An amount of \$455 million was held as at 30 June 2019, compared with \$434 million at 30 June 2018.

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## NOTE 29: EXPENDITURE COMMITMENTS

### General Government

#### Capital expenditure commitments <sup>(a)</sup>

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

	2019	2018
	\$m	\$m
Not later than one year	1,074	1,195
Later than one year and not later than five years	415	552
Later than five years	49	52
<b>Total</b>	<b>1,538</b>	<b>1,799</b>

#### Operating leases expenditure commitments

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

	2019	2018
	\$m	\$m
Not later than one year	171	146
Later than one year and not later than five years	402	311
Later than five years	199	171
<b>Total</b>	<b>772</b>	<b>627</b>

Operating lease expenses for the year amounted to \$687 million (2018: \$681 million).

#### Other commitments

The public sector has commitments with private sector contractors for the provision of various services including health services, rail and bus operations. These commitments are payable as follows.

	2019	2018
	\$m	\$m
Not later than one year	3,274	2,833
Later than one year and not later than five years	6,440	6,377
Later than five years	9,924	8,966
<b>Total</b>	<b>19,637</b>	<b>18,176</b>

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

- major health infrastructure totalling \$53 million (2018: \$173 million) including spending for the HealthNext Project, PathWest Laboratory Information System, medical imaging equipment, dental equipment, information and communication technology upgrades, the relocation of Fremantle Dental Clinic to Fremantle Hospital and the medical equipment replacement program across the Health entities;
- school infrastructure of \$458 million (2018: \$529 million) for the building of new schools, and additions and improvements to primary and high schools;
- road infrastructure spending of \$716 million (2018: \$652 million), including the design and construction of the Armadale Road Bridge over Kwinana Freeway (\$142 million), Roe 8 replacement projects (\$61 million), a grade separated interchange for Roe Highway and Kalamunda Road (\$50 million), Reid Highway Altona to West Swan (Dual Carriageway, \$33 million), Wanneroo Road Ocean Reef Road Interchange Grade Separation (\$29 million), Great Northern Highway – Ord River North (\$29 million), construction of Onslow Road (M049) Upgrade Phase 2 (\$28 million), Mitchell Freeway Southbound Widening – Cedric Street to Vincent Street (\$27 million), Wanneroo Road/Joondalup Drive Interchange – Grade Separation (\$24 million), and Kwinana Freeway Northbound Widening – Russell Road to the Freight Rail line (\$21 million);
- spending on the New State Museum \$149 million (2018: \$271 million); and
- spending on the Eastern Goldfields Regional Prison Lease and CBD Courts Complex Lease \$61 million (2018: \$71 million).

Note: Columns may not add due to rounding.

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**NOTE 29: EXPENDITURE COMMITMENTS (CONT.)**


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**Total Public Sector**


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**Capital expenditure commitments <sup>(b)</sup>**

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

	2019	2018
	\$m	\$m
Not later than one year	2,103	2,158
Later than one year and not later than five years	1,189	1,185
Later than five years	357	109
<b>Total</b>	<b>3,649</b>	<b>3,452</b>

**Operating leases expenditure commitments**

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

	2019	2018
	\$m	\$m
Not later than one year	358	336
Later than one year and not later than five years	1,014	913
Later than five years	709	811
<b>Total</b>	<b>2,081</b>	<b>2,061</b>

Operating lease expenses for the year amounted to \$800 million (2018: \$786 million).

**Other commitments**

The public sector has commitments with private sector contractors for the provision of various services including health services, rail, bus operations and loan advance commitments. These commitments are payable as follows.

	2019	2018
	\$m	\$m
Not later than one year	5,163	4,681
Later than one year and not later than five years	12,304	12,028
Later than five years	20,999	20,355
<b>Total</b>	<b>38,465</b>	<b>37,064</b>

(b) In addition to the major commitments for the general government sector disclosed above, the following material commitments are included for the total public sector:

- rail and bus infrastructure of \$1.3 billion (2018: \$786 million), including additional purchases of buses, coaches and railcars (\$727 million), the Forrestfield Airport Link (\$446 million) and miscellaneous projects;
- waste and wastewater projects of \$230 million (2018: \$280 million) including the Neerabup Groundwater Scheme Expansion;
- housing infrastructure of \$119 million (2018: \$95 million), including dwelling construction and upgrades, land development and redevelopment, crisis accommodation program, joint venture land development, new living and affordable housing; and
- transmission and distribution capital expenditure by Western Power associated with customer-funded work, asset replacements, undergrounding and information technology initiatives – \$285 million (2018: \$155 million).

Note: Columns may not add due to rounding.

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## NOTE 30: CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities represent potential benefits and costs that could materialise in future under certain conditions. The consolidated financial statements do not contain any provision in respect of the material quantifiable or unquantifiable contingent assets and liabilities noted below.

More information on the contingencies identified in this section can be found in the annual reports of the associated agencies.

### 1. Quantifiable Contingent Assets and Liabilities at 30 June

The following material contingent assets and liabilities have been identified across the public sector.

#### QUANTIFIABLE CONTINGENT ASSETS AND LIABILITIES AT 30 JUNE

	2019	2018
	\$m	\$m
<i>Contingent Assets</i>		
General government <sup>(a)</sup>	27	22
Public non-financial corporations <sup>(b)</sup>	18	20
<b>Total</b>	<b>45</b>	<b>42</b>
<i>Contingent Liabilities</i>		
Contingent liabilities under guarantees, warranties, indemnities and sureties <sup>(c)</sup>	368	311
Other contingent liabilities <sup>(d)</sup>	500	562
Contingent liabilities in relation to public universities' superannuation liabilities <sup>(e)</sup>	81	82
<b>Total</b>	<b>949</b>	<b>955</b>

Note: Columns may not add due to rounding.

### (a) Quantifiable Contingent Assets – General Government Sector

Material contingent assets have been identified for the following agencies:

- WA Health has contingent assets of \$12 million (2018: \$4 million) which mainly comprises interstate patients transferred to hospitals in Western Australia; and
- the Department of Water and Environmental Regulation has contingent assets of \$8 million (2018: \$4 million) which primarily relates to the benefit potentially receivable from the State's claim for outstanding waste levies involving the City of Armadale.

Other smaller contingent assets make up the residual \$7 million (2018: \$14 million).

**(b) Quantifiable Contingent Assets – Public Non-financial Corporations Sector**

Synergy (Electricity Generation and Retail Corporation) has contingent assets of \$18 million (30 June 2018: \$18 million), attributed to a contractual dispute with a supplier where the resolution of the dispute is expected to be favourable.

**(c) Contingent Liabilities Under Guarantees, Warranties, Indemnities and Sureties**

***Public Trustee Common Fund***

Deposits in the Public Trustee's Common Fund include balances held on behalf of third parties at 30 June each year. Guarantees for balances held in the Common Fund at 30 June 2019 totalled \$356 million (30 June 2018: \$299 million).

***Water Corporation***

The Water Corporation issues bank guarantees in the normal course of business to guarantee the performance of the Water Corporation under contracts. At 30 June 2019, the value of these guarantees was \$12 million (30 June 2018: \$12 million).

**(d) Other Contingent Liabilities**

***Asbestos Injuries Compensation Fund***

On 16 October 2015, the Commonwealth Treasurer and all State and Territory Treasurers agreed on an approach for sharing the default risk of the Asbestos Injuries Compensation Fund (AICF). Each State's and Territory's share of the total default risk will reflect the proportion of claims paid in each jurisdiction since the inception of the Fund (after the Commonwealth takes responsibility for one-third of the default risk as it has agreed to do). According to the latest actuarial assessment, in the 12 months to 31 March 2019, approximately 13% of all filed claims were in Western Australia, which equates to an estimated contingent liability of \$27.9 million. The arrangement for sharing the default risk will not have an immediate financial impact and a loan default scenario would only occur if James Hardie Pty Ltd, which is directly responsible for the AICF, went into receivership and was no longer able to contribute to the Fund to pay for compensation claims.

***Commissioner of Main Roads***

Claims have been lodged by owners of property acquired for road construction purposes and services provided under roadwork contracts. A contingent liability of \$294 million at 30 June 2019 (30 June 2018: \$250 million) reflects the difference between the owners' claims and estimated settlement prices determined by Main Roads in accordance with independent valuations, and also includes claims that have been submitted by contractors in relation to services provided under roadwork contracts.

### ***Western Australian Planning Commission***

Under the operation of the Metropolitan, Peel and Greater Bunbury Region Schemes, reservations exist on properties that may result in compensation being paid to the landholder or the property being acquired for the Western Australian Planning Commission's (WAPC) estate. The Commission sets such compensation and acquisition priorities on an annual basis. In some cases, the landholder disputes the compensation offered by the WAPC, either through arbitration or through Court action. Resolving such disputes forms part of the ordinary business of the WAPC and any additional payments that arise are managed within the resources of the Metropolitan Region Improvement Fund and the Regional Land Acquisition appropriation. The current estimate of this contingent liability is approximately \$74 million (30 June 2018: \$85 million).

### ***WA Health***

WA Health has contingent liabilities of \$44 million (30 June 2018: \$37 million), which mainly comprises the Department's interstate patients transferred to hospitals outside of Western Australia (\$21 million), South Metropolitan Health Service's facilities management matters (\$17 million), and pending litigation for the Western Australian Country Health Service that is not recoverable from Riskcover (\$3 million).

### ***Home Indemnity Insurance***

The contingent liability for Home Indemnity Insurance (HII) is administered by the Department of Mines, Industry Regulation and Safety. Future claims liability (FCL) of the HII have been actuarially assessed as at 30 June 2019. The FCL is an estimation of the future claims costs which may arise as a result of events which may occur in the future for currently in-force HII policies. The FCL has been assessed at an approximate value of \$20 million (2018: \$20 million). An unquantifiable contingent liability for HII is also disclosed later in this note.

### ***Synergy (Electricity Generation and Retail Corporation)***

Synergy is currently in a contractual dispute with a supplier, and the timing until resolution and the financial impacts of the dispute are uncertain. As such, a contingent liability of \$8 million (30 June 2018: \$12 million) is disclosed, representing the Corporation's estimated exposure from the dispute at 30 June 2019.

### ***Various Agencies***

Other quantifiable contingent liabilities include various legal and contractual claims against individual agencies totalling \$27 million (30 June 2018: \$114 million), as reported in the annual reports of those agencies. The reduction in contingent liabilities over the last year mainly reflects changes for the Department of Justice.

**(e) Contingent Liabilities in Relation to Public Universities' Superannuation Liabilities**

The *State Superannuation Act 2000* (SSA) repealed the *Government Employees Superannuation Act 1987* and the *Superannuation and Family Benefits Act 1938*. The schemes operating under those Acts continue under the SSA. The State guarantees the benefits payable under those schemes. Entitlements for State government employees under this guarantee are recognised as part of unfunded superannuation liabilities on the face of the balance sheet. However, public university employees are not employees of the State for the purposes of this *Annual Report on State Finances* (in recognition of the national control of higher education institutions exercised by the Commonwealth).

The guarantee for public universities' superannuation liabilities is \$81 million based on the actuarially assessed value of these entitlements at 30 June 2019 (30 June 2018: \$82 million).

**2. Non-quantifiable Contingent Assets**

***Bell Recovery Action***

The Insurance Commission of Western Australia considers that it has a contingent asset that will eventually materialise from the Bell Liquidation distribution process. The total amount of the recoveries that may ultimately be received cannot yet be ascertained.

The Commission also has a potential exposure to cost of litigation and indemnities associated with funding the Liquidator's action. Due to the uncertainty of litigation outcomes, it is not practical to estimate the potential financial effect of these indemnities upon the Commission at the end of the reporting period.

***Other – litigation in progress***

A number of government agencies are currently involved with different legal proceedings, all at varying stages. Due to the wide variety and nature of the claims and the uncertainty around the likely outcomes of these cases, it is not possible to reliably quantify the potential benefits that may flow to agencies should favourable outcomes emerge.

### 3. Non-quantifiable Contingent Liabilities

#### *Contaminated Sites*

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

#### *Forest Products Commission (FPC)*

The FPC has identified a potential shortfall of current pine resources that would be available to meet future contracted supply commitments. For the year ending 30 June 2019, there is a high degree of uncertainty regarding the likelihood, timing and amount of any potential shortfall and the Commission is therefore unable to determine a reliable estimate of the magnitude of any potential obligation that may arise in the future. The Commission is undertaking further analysis to develop and implement mitigation strategies.

#### *WA Health*

Due to an inconsistent interpretation of employee industrial awards and configuration of the payroll system, the Health Support Services (HSS) has identified incorrect calculations of public holiday time off in lieu (TOIL) leave for the East Metropolitan Health Service. A system resolution has been implemented for the nursing cohort. HSS is working through other employment classes that also earn TOIL. The cost of this recalculation cannot be reliably estimated at this time.

#### *Home Indemnity Insurance*

In addition to the quantified HII contingent liability noted earlier, the State, through the then Minister for Commerce, previously entered into Deeds of Indemnity with private insurers QBE and Calliden (now Great Lakes Australia) that provided cover for large losses under the HII scheme resulting from the death, insolvency or disappearance of a builder or building group.

The Heads of Agreements with private insurers covering the previous HII arrangement, where the State reinsured private sector insurers for losses against any builder failure exceeding \$10 million, expired on 30 June 2013. These were subsequently extended until 31 October 2013 to allow the Government to consider long-term options.

Since 1 November 2013, the State has wholly underwritten the provision of new HII policies to provide cover on an emerging cost basis for financial loss resulting from the death, insolvency or disappearance of a builder or building group. This arrangement was extended until 30 June 2020 to provide additional time to develop a longer-term market-based HII solution. From 1 July 2015, premiums for HII policies have been paid into the Home Indemnity Insurance Reinsurance Account administered by the Department of Mines, Industry Regulation and Safety, with any claims arising from these policies being met from the Account rather than on an emerging cost basis.

### ***Investigation by the Economic Regulatory Authority***

In April 2019, the Economic Regulation Authority (ERA) concluded its investigations of Synergy's pricing in balancing submissions made in the Western Australian Wholesale Electricity Market (WEM) between March 2016 and July 2017. The ERA considered that Synergy had breached a provision in the WEM rules prohibiting a market participant from offering prices in its balancing submissions that are above its reasonable expectation of the short run marginal cost of generating electricity, when such behaviour relates to market power. The ERA has referred Synergy to the Electricity Review Board (ERB) to establish whether Synergy has breached the WEM Rules and, if so, to seek orders for monetary penalties.

Synergy denies any wrongdoing or liability in this regard, and intends to defend the ERA's claims before the ERB. In the event the ERB finds that Synergy has breached the Market Rules, the ERB has a wide discretion as to the amount of any penalty so it is not possible at this stage to estimate any potential liability.

### ***James Point Proprietary Limited***

James Point Proprietary Limited (JPPL) has initiated legal action in the Supreme Court of Western Australia against the State in relation to a claimed breach of agreement to which JPPL was to construct, own and operate a multi-function port, and provide port services at the James Point port.

### ***Native Title claims***

The *Commonwealth Native Title Act 1993*, as amended, creates a liability for the States for any compensation in regards to loss or impairment of native title rights and interests that occurred after 31 October 1975. There are 85 native title applications currently outstanding.

### ***Perth Airport Pty Ltd***

In April 2016, the Public Transport Authority granted an indemnity to Perth Airport Pty Ltd for any loss or liability it suffers or incurs due to personal injury, third-party property damage and consequential losses arising in connection with the construction of the Forrestfield-Airport Link project on and underneath Perth Airport. The Authority has put in place insurance to reduce the State's exposure to claims under the indemnity.

### ***Southern Ports Authority Bulk Loader***

The Southern Ports Authority has a contract to load bulk nickel for BHP Billiton Nickel West. BHP Billiton Nickel West currently does not export its bulk nickel from Esperance. However, this situation may change. The status of the Authority's obligations is not determined and insufficient information is currently available to determine the financial impact, if any, in the event of a claim under the contract arrangements.

### ***Synergy (Electricity Generation and Retail Corporation)***

Synergy operates a portfolio of thermal power stations that utilised asbestos for its insulation and fire resistant qualities prior to the awareness of the dangers of this material. Synergy has a current asbestos management process in place and addresses these risks on an ongoing basis. However, diseases which emanate from asbestos, such as asbestosis, may take many years to develop. As such, Synergy may have a liability to those workers and other contractors who came in contact with asbestos at one of its power stations in the past. Workers' compensation insurance and public liability insurance does not cover all of this potential liability. Accordingly, a contingent liability arises for undiagnosed illnesses which may emerge from exposure to asbestos at one of Synergy's sites. The magnitude of this liability is extremely uncertain and cannot be quantified with any accuracy.

### ***Removal of Statutory Limitation Periods for Civil Litigation by Victims of Child Sexual Abuse – the Civil Liability Legislation Amendment (Child Sexual Abuse Actions) Act 2018***

The *Civil Liability Legislation Amendment (Child Sexual Abuse Actions) Act 2018* to remove statutory limitation periods for victims of historical child sexual abuse came into operation on 1 July 2018. The removal of statutory limitation periods potentially exposes organisations in which abuse occurred (including State-based institutions) to claims for damages and compensation. The implementation of this reform represents an unquantified liability to the State that will be assessed and funded on an emerging basis, in line with the settlement of resulting claims. The State Government has also established an account to hold funds for any future claims under the National Redress Scheme for Institutional Child Sexual Abuse (see Appendix 5 of this ARSF), which is separate to any potential civil liabilities arising from this contingent liability.

### ***State-wide Building Cladding Audit***

In September 2017, the Department of Mines, Industry Regulation and Safety contacted all government departments and agencies regarding the risk presented by combustible building cladding and requested that they undertake audits of their respective portfolios. The latest published results are that of the buildings within scope that were reviewed, 50 buildings have been cleared after detailed risk assessment, 14 buildings require remedial action and remedial action has been completed for 2 buildings. The nature and costs of any remediation are uncertain and cannot be quantified at this time.

***Other Litigation***

A number of government agencies are currently involved with different legal proceedings, all at varying stages. Due to the wide variety and nature of the claims and uncertainty around the likely outcomes of these cases, it is not possible to reliably quantify the potential impact should the State be found liable.

***Other Contingent Liabilities***

Contingent liabilities may arise from time to time under certain conditions under various statutes. The circumstances for such potential future liabilities are varied and may be subject to quantification and further detail if and when provisions under an Act give rise to a potential obligation.

There may be claims that arise in relation to works or activities associated with infrastructure projects that have reached or are reaching completion. Claims will generally be subject to a period of negotiation and may either be withdrawn, subsequently settled (at a value agreed between the two parties), or proceed to some alternative process for resolution such as through legal action. Where costs are negotiated and claims settled, these are reflected in the financial statements.

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## NOTE 31: FINANCIAL INSTRUMENTS

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### (a) Financial Risk Management Objectives and Policies

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

#### *Credit risk*

Credit risk in relation to financial assets is the risk that a third party will not meet its obligation in accordance with agreed terms. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Balance Sheet. Credit risk in relation to cash assets and fixed interest securities is mitigated by investing in counter-parties that have acceptable credit ratings. Credit risk concentration is minimised in relation to financial assets and hedging instruments, and public sector agencies do not have significant exposures to any concentrations of credit risk. Generally, agencies exposures are to a large number of customers or highly rated counter-parties and their credit risks are very low. There is a high degree of geographically-based concentrations of recognised financial assets in Australia. Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 11: *Receivables*.

#### *Liquidity risk*

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

#### *Currency risk*

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

#### *Market risk*

Exposure to market risk for changes in interest rates relates primarily to long-term debt obligations. The risk is managed by WATC through portfolio diversification and maturity spread.

***Interest rate risk***

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The interest rate risk by class of recognised financial asset and financial liability at 30 June 2018 is shown in the tables below. The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets or liabilities. For ‘floating’ instruments, the rate is the current market rate. The bands reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

**(b) Fair Value of Financial Assets and Liabilities**

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

**(c) Derivative Financial Instruments**

The public sector limits dealings in derivatives to only those counter-parties that are recognised financial intermediaries and possess a credit rating of ‘A’ or better. The public sector does not have a material exposure to any individual counter-party. The following table provides details of outstanding derivatives used for hedging purposes at 30 June 2019.

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**NOTE 31: FINANCIAL INSTRUMENTS (CONT.)**


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**General Government**


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*Categories of Financial Instruments*

The carrying amounts of each of the following categories of financial assets and financial liabilities at balance date are as follows.

	2019
	\$m
<b>Financial Assets at amortised cost</b>	
Cash and deposits	601
Receivables	3,775
Investments, loans and placements	4,470
Advances paid	713
Shares and other equity	50,765
Other financial assets	8
<b>Financial Liabilities at amortised cost</b>	
<i>at amortised cost</i>	
Deposits held	686
Advances received	343
Borrowings	27,746
Payables	1,438
Other employee benefits	146
Other financial liabilities	903
	2018
	\$m
<b>Financial Assets</b>	
Cash and deposits	862
Receivables	2,868
Investments, loans and placements	5,682
Advances paid	741
Shares and other equity	51,832
Other financial assets	8
<b>Financial Liabilities</b>	
Deposits held	553
Advances received	360
Borrowings	28,109
Payables	1,277
Other employee benefits	125
Other financial liabilities	967

Note: Columns may not add due to rounding.

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**NOTE 31: FINANCIAL INSTRUMENTS (CONT.)**


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**Total Public Sector**


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*Categories of Financial Instruments*

The carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows.

	2019
	\$m
<b>Financial assets at amortised cost</b>	
Cash and deposits	1,517
Receivables	5,110
Investments, loans and placements	9,288
Advances paid	4,782
Shares and other equity	23
Other financial assets	8
<b>Financial assets at fair value through profit or loss</b>	
Receivables	536
Investments, loans and placements	10,302
Shares and other equity	1,897
Other financial assets	
<b>Financial Liabilities at amortised cost</b>	
Deposits held	11
Advances received	343
Borrowings	3,189
Payables	3,993
Guarantees	368
Other employee benefits	168
Other financial liabilities	4,182
<b>Financial liabilities at fair value through profit or loss</b>	
Borrowings	57,713
Payables	3,228
<b>Financial liabilities at fair value through other comprehensive income</b>	
Borrowings	69
	2018
	\$m
<b>Financial Assets</b>	
Cash and deposits	2,079
Receivables	4,813
Investments, loans and placements	16,733
Advances paid	4,345
Shares and other equity	1,854
Other financial assets	8
<b>Financial Liabilities</b>	
Deposits held	23
Advances received	360
Borrowings	57,379
Payables	6,470
Guarantees	311
Other employee benefits	146
Other financial liabilities	3,886

Note: Columns may not add due to rounding.

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**NOTE 31: FINANCIAL INSTRUMENTS (CONT.)**


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**General Government**


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Financial assets and liabilities exclude GST receivable/payable to the Australian Taxation Office and National Tax Equivalent arrangements.

<i>Fair Values</i>	Notional face Value	Net fair Value	Credit Exposure
	2019	2019	2019
	\$m	\$m	\$m
Interest rate contracts	-	-	-
Forw ard exchange contracts	-	-	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
<b>Total</b>	-	-	-

<i>Fair Values</i>	Notional face Value	Net fair Value	Credit Exposure
	2018	2018	2018
	\$m	\$m	\$m
Interest rate contracts	-	-	-
Forw ard exchange contracts	2	-	-
Futures contracts	-	-	-
Commodity contracts	-	-	-
<b>Total</b>	<b>2</b>	-	-

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**Total Public Sector**


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<i>Fair Values</i>	Notional face Value	Net fair Value	Credit Exposure
	2019	2019	2019
	\$m	\$m	\$m
Interest rate contracts	12,661	520	754
Forw ard exchange contracts	3	3	-
Futures contracts	-	-42	-
Commodity contracts	486	-	-
<b>Total</b>	<b>13,150</b>	<b>481</b>	<b>754</b>

<i>Fair Values</i>	Notional face Value	Net fair Value	Credit Exposure
	2018	2018	2018
	\$m	\$m	\$m
Interest rate contracts	13,687	355	581
Forw ard exchange contracts	13	9	-
Futures contracts	-	-	-
Commodity contracts	269	69	2
<b>Total</b>	<b>13,970</b>	<b>433</b>	<b>584</b>

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## NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

## General Government

*Interest rate exposure*

The general government sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability are shown below.

30 June 2019

	Fixed Interest Maturing in								Weighted average effective interest rate
	Floating interest rate	up to 3 months	3 to 12 months	1 year to 5 years	Over 5 years	Total Fixed interest rate	Non-interest bearing	Total carrying amount	
	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	%
<b>Financial assets</b>									
Cash and deposits	290	98	19	25	-	141	169	601	1.3
Receivables <sup>(a)</sup>	1	-	-	-	-	1	3,775	3,777	2.2
Investments, loans and placements	25	2,021	939	1,094	362	4,415	29	4,470	3.4
Advances paid:									
Non-government schools	-	8	24	131	148	311	-	311	5.3
Other advances	-	7	5	12	5	29	373	402	4.0
Shares and other equity	-	-	-	5	-	5	50,760	50,765	2.5
Other financial assets	-	-	-	-	-	-	8	8	-
<b>Total financial assets <sup>(c)</sup></b>	<b>317</b>	<b>2,134</b>	<b>988</b>	<b>1,267</b>	<b>515</b>	<b>4,903</b>	<b>55,114</b>	<b>60,334</b>	
<b>Financial liabilities</b>									
Deposits held	1	313	135	170	57	675	11	686	3.2
Advances received	-	-	-	-	-	-	343	343	-
Borrowings	1,006	560	3,514	13,214	9,439	26,727	12	27,746	3.2
Payables <sup>(b)</sup>	-	-	-	-	-	-	1,438	1,438	-
Other employee benefits	-	-	-	-	-	-	146	146	-
Other financial liabilities	-	4	-	-	-	4	899	903	2.2
<b>Total financial liabilities <sup>(c)</sup></b>	<b>1,007</b>	<b>877</b>	<b>3,650</b>	<b>13,384</b>	<b>9,495</b>	<b>27,407</b>	<b>2,849</b>	<b>31,263</b>	

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable) and National Tax Equivalent Regimes.

(b) The amount of payables excludes GST payable to the Australian Taxation Office (statutory payable).

(c) Excludes non-financial assets and liabilities that are reported on the face of the balance sheet.

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

General Government

30 June 2018

Fixed Interest Maturing in

	Floa ting inte re st ra te	up to 3 months	3 to 12 months	1 ye a r to 5 ye a rs	Ove r 5 ye a rs	Tota l Fixe d inte re st ra te	Non- inte rest be a ring	Tota l c a r r y i n g a m o u n t	We igh te d a ve ra ge e ffe ctive inte re st ra te
	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	%
<b>Finan c ia l a s s e t s</b>									
Cash and deposits	328	105	6	37	-	148	386	862	1.5
Receivables <sup>(a)</sup>	4	-	-	-	-	1	2,868	2,872	0.4
Investments, loans and placements	26	2,148	1,272	1,811	398	5,628	28	5,682	2.1
Advances paid:									
Non- government schools	-	8	23	124	145	299	-	299	5.5
Other advances	-	-	7	18	12	37	404	441	4.4
Shares and other equity	-	-	-	-	-	-	51,832	51,832	-
Other financial assets	-	-	-	-	-	-	8	8	-
<b>Tota l finan c ia l a s s e t s <sup>(c)</sup></b>	<b>3 5 8</b>	<b>2 , 2 6 1</b>	<b>1 , 3 0 8</b>	<b>1 , 9 9 0</b>	<b>5 5 5</b>	<b>6 , 1 1 4</b>	<b>5 5 , 5 2 6</b>	<b>6 1 , 9 9 7</b>	
<b>Finan c ia l lia bilitie s</b>									
Deposits held	-	219	119	157	35	530	23	553	1.9
Advances received	-	-	-	-	-	-	360	360	-
Borrowings	620	21	2,904	14,952	9,601	27,478	10	28,109	3.3
Payables <sup>(b)</sup>	-	-	-	-	-	-	1,277	1,277	-
Other employee benefits	-	-	-	-	-	-	125	125	-
Other financial liabilities	-	-	-	-	-	-	967	967	-
<b>Tota l finan c ia l lia bilitie s <sup>(c)</sup></b>	<b>6 2 0</b>	<b>2 4 0</b>	<b>3 , 0 2 3</b>	<b>1 5 , 1 0 8</b>	<b>9 , 6 3 6</b>	<b>2 8 , 0 0 8</b>	<b>2 , 7 6 2</b>	<b>3 1 , 3 9 1</b>	

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable) and National Tax Equivalent Regimes.

(b) The amount of payables excludes GST payable to the Australian Taxation Office (statutory payable).

(c) Excludes non-financial assets and liabilities that are reported on the face of the balance sheet.

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

## NOTE 3: FINANCIAL INSTRUMENTS (CONT.)

### Total Public Sector

#### Interest rate risk exposure

The total public sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability are shown below.

30 June 2019

	Fixed Interest Maturing in							Total carrying amount \$ m	Weighted average effective interest rate %
	Floating interest rate \$ m	up to 3 months \$ m	3 to 12 months \$ m	1 year to 5 years \$ m	Over 5 years \$ m	Total Fixed interest rate \$ m	Non-interest bearing \$ m		
<b>Financial assets</b>									
Cash and deposits	1,106	178	19	25	-	221	190	1,517	1.6
Receivables <sup>(a)</sup>	1	333	-	-	-	333	5,312	5,646	1.4
Investments, loans and placements	692	5,190	5,200	3,508	1,946	15,845	3,053	19,590	2.7
Advances paid:									
Homebuyers	4,415	-	-	-	-	-	-	4,415	5.0
Non-government schools	-	8	24	131	148	311	-	311	5.3
Other	-	7	5	12	5	29	27	56	4.0
Shares and other equity	-	-	-	5	-	5	1,915	1,920	5.0
Other financial assets	-	-	-	-	-	-	8	8	-
<b>Total financial assets<sup>(d)</sup></b>	<b>6,214</b>	<b>5,716</b>	<b>5,249</b>	<b>3,681</b>	<b>2,099</b>	<b>16,744</b>	<b>10,505</b>	<b>33,464</b>	
<b>Financial liabilities</b>									
Deposits held	1	-	-	-	-	-	11	11	2.0
Advances received	-	-	17	71	256	343	-	343	4.8
Borrowings	1,591	10,847	5,184	23,007	20,089	59,126	253	60,971	2.9
Payables <sup>(b)</sup>	-	1,226	-	-	-	1,226	5,994	7,221	0.3
Guarantees <sup>(c)</sup>	-	-	-	-	-	-	368	368	-
Other employee benefits	-	-	-	-	-	-	168	168	-
Other financial liabilities	-	2	-	-	-	2	4,181	4,182	2.2
<b>Total financial liabilities<sup>(d)</sup></b>	<b>1,591</b>	<b>12,074</b>	<b>5,201</b>	<b>23,077</b>	<b>20,344</b>	<b>60,697</b>	<b>10,975</b>	<b>73,263</b>	

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

(b) The amount of payables excludes GST payable to the Australian Taxation Office (statutory payable).

(c) Includes guarantees warranties, indemnities and sureties. See Note 30: *Contingent Assets and Liabilities*.

(d) Excludes non-financial assets and liabilities that are reported on the face of the balance sheet.

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

Total Public Sector

30 June 2018

Fixed Interest Maturing in

	Floa ting inte re st ra te	up to 3 months	3 to 12 months	1 ye a r to 5 ye a rs	Ove r 5 ye a rs	Tota l Fixe d inte re st ra te	Non- inte rest be a ring	Tota l c a r r y i n g a m o u n t	We igh te d a v e r a g e e f f e c t i v e inte re st ra te
	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	%
<b>Finan c ia l a s s e t s</b>									
Cash and deposits	1,366	258	6	37	-	315	399	2,079	1.8
Receivables <sup>(a)</sup>	4	168	1	-	-	169	4,640	4,813	1.6
Investments, loans and placements	677	4,744	3,792	3,495	1,198	13,229	2,827	16,733	2.2
Advances paid:									
Homebuyers	3,980	-	-	-	-	-	-	3,980	4.7
Non- government schools	-	8	23	124	145	299	-	299	5.5
Other	-	-	7	18	12	37	29	66	4.4
Shares and other equity	-	-	-	-	-	-	1,854	1,854	-
Other financial assets	-	-	-	-	-	-	8	8	-
<b>Total finan c ia l a s s e t s <sup>( d )</sup></b>	<b>6,026</b>	<b>5,177</b>	<b>3,829</b>	<b>3,673</b>	<b>1,369</b>	<b>14,049</b>	<b>9,757</b>	<b>29,832</b>	
<b>Finan c ia l lia bilitie s</b>									
Deposits held	-	-	-	-	-	-	23	23	-
Advances received	-	-	17	70	273	360	-	360	4.6
Borrowings	644	10,939	5,134	22,595	17,441	56,109	627	57,379	2.8
Payables <sup>(b)</sup>	10	950	-	-	-	950	5,510	6,470	0.3
Guarantees <sup>(c)</sup>	-	-	-	-	-	-	311	311	-
Other employee benefits	-	-	-	-	-	-	146	146	-
Other financial liabilities	-	-	-	-	-	-	3,886	3,886	-
<b>Total finan c ia l lia bilitie s <sup>( d )</sup></b>	<b>654</b>	<b>11,889</b>	<b>5,150</b>	<b>22,665</b>	<b>17,714</b>	<b>57,419</b>	<b>10,503</b>	<b>68,576</b>	

(a) The amount of receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

(b) The amount of payables excludes GST payable to the Australian Taxation Office (statutory payable).

(c) Includes guarantees, warranties, indemnities and sureties. See Note 30: *Contingent Assets and Liabilities*.

(d) Excludes non-financial assets and liabilities that are reported on the face of the balance sheet.

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

## NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

### NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

#### General Government

	30 June 2019					30 June 2018				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets</b>										
Cash and deposits	388	-4	-4	4	4	433	-4	-4	4	4
Receivables	1	-	-	-	-	4	-	-	-	-
Investments, loans and placements	2,046	-20	-20	20	20	2,174	-22	-22	22	22
Advances paid	15	-	-	-	-	8	-	-	-	-
<b>Financial Liabilities</b>										
Deposits held	313	3	3	-3	-3	219	2	2	-2	-2
Borrowings	1,566	16	16	-16	-16	641	6	6	-6	-6
<b>Total Increase/-Decrease</b>		<b>-6</b>	<b>-6</b>	<b>6</b>	<b>10</b>		<b>-18</b>	<b>-18</b>	<b>18</b>	<b>18</b>

#### Total Public Sector

	30 June 2019					30 June 2018				
	Carrying amount	-1% change		+1% change		Carrying amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
<i>Interest rate sensitivity analysis</i>	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets</b>										
Cash and deposits	1,284	-13	-13	13	13	1,623	-16	-16	16	16
Receivables	334	-3	-3	3	3	172	-2	-2	2	2
Investments, loans and placements	5,883	-59	-59	59	59	5,420	-54	-54	54	54
Advances paid	4,430	-44	-44	44	44	3,987	-40	-40	40	40
<b>Financial Liabilities</b>										
Borrowings	12,437	124	124	-124	-124	11,583	116	116	-116	-116
Payables	1,226	12	12	-12	-12	960	10	10	-10	-10
<b>Total Increase/-Decrease</b>		<b>17</b>	<b>17</b>	<b>-17</b>	<b>-17</b>		<b>13</b>	<b>13</b>	<b>-13</b>	<b>-13</b>

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

## NOTE 31: FINANCIAL INSTRUMENTS (CONT.)

### General Government

	Carrying amount as at 30 June 2019 \$m	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(a)</sup> \$m	Level 2 <sup>(b)</sup> \$m	Level 3 <sup>(c)</sup> \$m
<b>Financial Assets</b>				
Investments, loans and placements	4,454	140	4,282	32
Shares and other equity	50,765	17	-	50,747
Other financial assets	8	-	-	8
<b>Financial Liabilities</b>				
Borrow ings	57	-	-	57
	Carrying amount as at 30 June 2018 \$m	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(a)</sup> \$m	Level 2 <sup>(b)</sup> \$m	Level 3 <sup>(c)</sup> \$m
<b>Financial Assets</b>				
Investments, loans and placements	5,667	930	4,720	17
Shares and other equity	51,346	16	-	51,330
Other financial assets	8	-	-	8
<b>Financial Liabilities</b>				
Borrow ings	55	-	-	55

### Total Public Sector

	Carrying amount as at 30 June 2019 \$m	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(a)</sup> \$m	Level 2 <sup>(b)</sup> \$m	Level 3 <sup>(c)</sup> \$m
<b>Financial Assets</b>				
Investments, loans and placements	14,950	3,647	10,318	985
Shares and other equity	1,920	1,894	23	3
Other financial assets	8	-	-	8
<b>Financial Liabilities</b>				
Borrow ings	57,782	45,763	12,019	-
Payables	4,454	4,454	-	-
	Carrying amount as at 30 June 2018 \$m	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(a)</sup> \$m	Level 2 <sup>(b)</sup> \$m	Level 3 <sup>(c)</sup> \$m
<b>Financial Assets</b>				
Investments, loans and placements	14,137	3,464	9,714	959
Shares and other equity	1,857	1,808	18	32
Other financial assets	8	-	-	8
<b>Financial Liabilities</b>				
Borrow ings	54,687	43,147	11,540	-
Payables	3,907	3,907	-	-

(a) Assets/liabilities valued using quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Assets/liabilities valued using inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Assets/liabilities valued using inputs not based on observable market data.

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

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### **NOTE 32: OTHER DISAGGREGATED INFORMATION**

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The total public sector (or whole-of-government) includes agencies classified into general government, public non-financial corporation and public financial corporation sectors in accordance with the Australian Bureau of Statistics' (ABS') coverage for Government Finance Statistics purposes. Details of the classification of State agencies are provided in Note 35: *Composition of Sectors*.

Revenue, expenses, assets and liabilities that are reliably attributable to each of the above sectors are set out in the following tables. For the purpose of this disclosure, effects of transactions and balances between sectors have not been eliminated, but those between agencies within each sector have been eliminated.

### **NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)**

## 2018 - 19 Annual Report on State Finances

### Operating Statement for the year ended 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>RESULTS FROM TRANSACTIONS</b>										
<b>REVENUE</b>										
Taxation	8,616	8,540	-	-	-	-	-520	-487	8,097	8,053
Current grants and subsidies	10,210	8,529	1,824	1,891	-	-	-1,824	-1,891	10,210	8,529
Capital grants	873	1,263	338	151	-	-	-338	-151	873	1,263
Sales of goods and services	2,734	2,516	20,591	18,311	1,136	1,231	-972	-931	23,488	21,128
Interest Income	168	170	181	139	1,882	1,799	-1,591	-1,523	639	585
Revenue from public corporations	-	-							-	-
Dividends	1,350	1,718			-	-	-1,350	-1,718	-	-
Tax equivalent income	642	677			-	-	-642	-677	-	-
Royalty income	6,713	5,231			-	-	-	-	6,713	5,231
Other	701	688	478	446	113	10	-99	-113	1,193	1,031
<b>Total</b>	<b>32,006</b>	<b>29,332</b>	<b>23,412</b>	<b>20,938</b>	<b>3,130</b>	<b>3,040</b>	<b>-7,335</b>	<b>-7,491</b>	<b>51,214</b>	<b>45,819</b>
<b>EXPENSES</b>										
Salaries	12,269	12,193	1,056	1,044	57	59	-	-	13,382	13,297
Superannuation										
Concurrent costs	1,213	1,199	104	99	6	6	-	-	1,323	1,305
Superannuation interest cost	135	177	-	-	-	-	-	-	135	177
Other employee costs	447	359	39	39	2	2	-138	-137	350	263
Depreciation and amortisation	1,445	1,343	1,982	2,015	4	4	0	-0	3,431	3,362
Services and contracts	2,538	2,432	764	848	11	10	-7	-6	3,306	3,285
Other gross operating expenses	5,645	5,852	16,313	13,908	1,182	966	-1,056	-1,000	22,084	19,726
Interest										
Interest on leases	89	73	85	88	-	-	-	-	174	162
Other interest	859	818	691	691	1,623	1,540	-1,591	-1,523	1,583	1,526
Tax equivalents	-	-	577	560	65	117	-642	-677	-	-
Current transfers	5,426	5,061	1,134	1,120	4	4	-2,153	-2,210	4,411	3,975
Capital transfers	625	442	19	67	14	11	-338	-155	319	365
<b>Total</b>	<b>30,689</b>	<b>29,949</b>	<b>22,764</b>	<b>20,480</b>	<b>2,969</b>	<b>2,721</b>	<b>-5,924</b>	<b>-5,708</b>	<b>50,498</b>	<b>47,442</b>
<b>NET OPERATING BALANCE</b>	<b>1,317</b>	<b>-618</b>	<b>648</b>	<b>458</b>	<b>161</b>	<b>320</b>	<b>-1,410</b>	<b>-1,782</b>	<b>716</b>	<b>-1,623</b>

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

## NOTE 32: OTHER DISAGGREGATED INFORMATION ( CONT.)

Operating Statement for the year ended 30 June ( cont.)

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>Other economic flows - included in the operating result</i>										
Net gains on assets/liabilities	59	-132	47	47	147	196	-	-	254	111
Provision for doubtful debts	2	-51	-18	-15	-	-	-	-	-16	-66
Changes in accounting policy/adjustment of prior periods	-172	-47	-145	95	7	-	-	-	-310	48
<i>Total other economic flows</i>	-111	-230	-116	128	155	196	-	-	-72	94
<b>OPERATING RESULT</b>	<b>1,206</b>	<b>-848</b>	<b>532</b>	<b>586</b>	<b>315</b>	<b>516</b>	<b>-1,410</b>	<b>-1,782</b>	<b>644</b>	<b>-1,529</b>
<i>All other movements in equity</i>										
<i>Items that will not be reclassified to operating result</i>										
Revaluations	-1,374	-713	-1,070	-957	-	1	-	-	-2,444	-1,669
Net actuarial gains - superannuation	-814	211	-38	-6	1	2	-	-	-850	206
Gains recognised directly in equity	-	-3	8	5	-	-1	-	-	8	1
Change in net worth of the public corporations sectors	-1,661	-1,638	-	-	-	-	1,661	1,638	-	-
All other	-	-	-	-	-	-	-	-	-	-
<i>Total all other movements in equity</i>	<b>-3,849</b>	<b>-2,143</b>	<b>-1,100</b>	<b>-959</b>	<b>1</b>	<b>2</b>	<b>1,661</b>	<b>1,638</b>	<b>-3,286</b>	<b>-1,462</b>
<i>Movements in owner equity</i>										
Dividends	-	-	-1,229	-1,560	-181	-223	1,410	1,782	-	-
Capital injections	-	-	758	444	-136	-86	-622	-358	-	-
<i>Total movements in owner equity</i>	<b>-</b>	<b>-</b>	<b>529</b>	<b>-1,116</b>	<b>-317</b>	<b>-309</b>	<b>788</b>	<b>1,424</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN NET WORTH</b>	<b>-2,642</b>	<b>-2,991</b>	<b>-1,039</b>	<b>-1,489</b>	<b>-</b>	<b>209</b>	<b>1,039</b>	<b>1,280</b>	<b>-2,642</b>	<b>-2,991</b>

## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

### KEY FISCAL AGGREGATES

<b>NET OPERATING BALANCE</b>	<b>1,317</b>	<b>-618</b>	<b>648</b>	<b>458</b>	<b>161</b>	<b>320</b>	<b>-1,410</b>	<b>-1,782</b>	<b>716</b>	<b>-1,623</b>
<i>Less Net acquisition of non-financial assets</i>										
Purchase of non-financial assets	2,540	2,438	2,441	2,621	7	3	-24	-10	4,965	5,052
Changes in inventories	0	-3	614	-319	-	-	-	-	614	-321
Other movement in non-financial assets	146	513	127	84	-	-	-	-	273	596
<i>less:</i>										
Sales of non-financial assets	100	82	578	495	-	-	-23	-10	654	567
Depreciation	1,445	1,343	1,982	2,015	4	4	-	-	3,431	3,362
<i>Total net acquisition of non-financial assets</i>	<b>1,142</b>	<b>1,524</b>	<b>622</b>	<b>-124</b>	<b>3</b>	<b>-2</b>	<b>-</b>	<b>-</b>	<b>1,767</b>	<b>1,398</b>
<b>NET LENDING/-BORROWING</b>	<b>175</b>	<b>-2,141</b>	<b>26</b>	<b>582</b>	<b>158</b>	<b>321</b>	<b>-1,410</b>	<b>-1,782</b>	<b>-1,051</b>	<b>-3,021</b>

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

# Balance Sheet as at 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>										
<i>Financial assets</i>										
Cash and deposits	601	862	1,391	1,441	198	303	-672	-527	1,517	2,079
Advances paid	713	741	-	-	4,415	3,980	-346	-375	4,782	4,345
Investments, loans and placements	4,470	5,682	5,003	4,648	62,777	59,075	-52,683	-52,673	19,567	16,733
Receivables	3,999	3,212	1,804	1,825	690	705	-668	-765	5,825	4,976
Shares and other equity										
Investments in other public sector entities - equity method	40,745	42,406	-	-	-	-	-40,745	-42,406	-	-
Investments in other public sector entities - direct injections	10,000	9,377	-	-	-	-	-10,000	-9,377	-	-
Investments in other entities	20	48	3	-	1,897	1,806	0	-	1,920	1,854
Other financial assets	8	8	673	743	5	5	-673	-743	13	13
<i>Total financial assets</i>	<i>60,556</i>	<i>62,337</i>	<i>8,874</i>	<i>8,656</i>	<i>69,982</i>	<i>65,874</i>	<i>-105,788</i>	<i>-106,867</i>	<i>33,624</i>	<i>30,001</i>
<i>Non-financial assets</i>										
Land	35,600	36,406	8,209	9,102	-	-	-	-	43,809	45,508
Property, plant and equipment	45,344	44,709	55,749	55,582	5	3	-	-	101,099	100,294
Biological assets	3	3	342	329	-	-	-	-	345	332
Inventories										
Land inventories	-	-	1,852	1,902	-	-	-	-	1,852	1,902
Other inventories	71	70	4,275	3,661	-	-	-	-	4,345	3,731
Intangibles	626	627	395	451	7	6	-	-	1,028	1,085
Assets held for sale	43	125	16	59	-	-	-	-	59	183
Investment property	7	7	60	70	-	-	-	-	67	77
Other	245	248	134	158	3	3	-	-	381	408
<i>Total non-financial assets</i>	<i>81,940</i>	<i>82,196</i>	<i>71,032</i>	<i>71,313</i>	<i>15</i>	<i>12</i>	<i>-</i>	<i>-</i>	<i>152,985</i>	<i>153,520</i>
<b>TOTAL ASSETS</b>	<b>142,496</b>	<b>144,532</b>	<b>79,906</b>	<b>79,969</b>	<b>69,997</b>	<b>65,886</b>	<b>-105,788</b>	<b>-106,867</b>	<b>186,610</b>	<b>183,521</b>

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

## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

Balance Sheet as at 30 June (cont.)

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>LIABILITIES</b>										
Deposits held	686	553	-	-	-	-	-675	-530	11	23
Advances received	343	360	343	372	3	3	-346	-375	343	360
Borrow ings							-	-		
Lease Liabilities	1,156	1,184	746	787	-	-	-	-	1,902	1,971
Other borrow ings	26,589	26,924	22,116	21,940	63,047	59,214	-52,680	-52,670	59,072	55,408
Superannuation	7,062	6,541	98	90	5	5	-	-	7,165	6,636
Other employee benefits	3,197	3,033	368	354	13	11	-	-	3,577	3,398
Payables	1,425	1,277	5,875	5,277	129	234	-219	-315	7,211	6,473
Other liabilities	1,445	1,425	1,835	1,586	4,580	4,198	-1,124	-1,193	6,736	6,016
<b>TOTAL LIABILITIES</b>	<b>41,903</b>	<b>41,297</b>	<b>31,381</b>	<b>30,406</b>	<b>67,776</b>	<b>63,665</b>	<b>-55,044</b>	<b>-55,083</b>	<b>86,017</b>	<b>80,285</b>
<b>NET ASSETS</b>	<b>100,593</b>	<b>103,236</b>	<b>48,525</b>	<b>49,563</b>	<b>2,220</b>	<b>2,221</b>	<b>-50,745</b>	<b>-51,784</b>	<b>100,593</b>	<b>103,236</b>
<i>Of which:</i>										
Contributed equity	-	-	10,235	9,477	-236	-100	-10,000	-9,377	-	-
Accumulated surplus	6,850	5,626	17,390	18,069	2,426	2,292	7	7	26,673	25,994
Other reserves	93,743	97,610	20,900	22,017	30	28	-40,752	-42,414	73,920	77,242
<b>NET WORTH</b>	<b>100,593</b>	<b>103,236</b>	<b>48,525</b>	<b>49,563</b>	<b>2,220</b>	<b>2,221</b>	<b>-50,745</b>	<b>-51,784</b>	<b>100,593</b>	<b>103,236</b>

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

# Statement of Changes in Equity for the year ended 30 June

	Restated Equity at 1 July 2018 \$m	Change in net worth \$m	Contributed capital \$m	Dividends \$m	Other \$m	Equity at 30 June 2019 \$m
<b>General Government Sector</b>						
Accumulated surplus/(deficit)	5,626	1,206	-	-	18	6,850
Reserves	55,203	-2,188	-	-	-18	52,998
Accumulated net gain on equity investments in other sector entities	42,406	-1,661	-	-	-	40,745
<b>Total</b>	<b>103,236</b>	<b>-2,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,593</b>
<b>Public Non Financial Corporations sector</b>						
Accumulated surplus/(deficit)	18,069	532	-	-1,229	17	17,390
Contributed equity	9,477	-	758	-	-	10,235
Reserves	22,017	-1,108	-	-	-10	20,900
<b>Total</b>	<b>49,563</b>	<b>-576</b>	<b>758</b>	<b>-1,229</b>	<b>7</b>	<b>48,525</b>
<b>Public Financial Corporations sector</b>						
Accumulated surplus/(deficit)	2,292	315	-	-181	-	2,426
Contributed Equity	-100	-	-136	-	-	-236
Reserves	28	-	-	-	1	30
<b>Total</b>	<b>2,221</b>	<b>315</b>	<b>-136</b>	<b>-181</b>	<b>1</b>	<b>2,220</b>
<b>Inter-sector eliminations</b>						
Accumulated surplus/(deficit)	7	-1,410	-	1,410	-	7
Contributed Equity	-9,377	-	-622	-	-	-10,000
Reserves	-7	-	-	-	-	-7
Accumulated net gain on equity investments in other sector entities	-42,406	1,661	-	-	-	40,745
<b>Total</b>	<b>-51,784</b>	<b>251</b>	<b>-622</b>	<b>1,410</b>	<b>-</b>	<b>-50,745</b>
<b>Total Public Sector</b>						
Accumulated surplus/(deficit)	25,994	644	-	-	35	26,673
Contributed Equity	-	-	-	-	-	-
Reserves	77,242	-3,294	-	-	-27	73,920
<b>Total</b>	<b>103,236</b>	<b>-2,650</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>100,593</b>

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

## NOTE 32: OTHER DISAGGREGATED INFORMATION (CONT.)

### Cash Flow Statement for the year ended 30 June

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<i>Cash received</i>										
Taxes received	8,911	8,506	-	-	-	-	-520	-490	8,392	8,017
Grants and subsidies received	11,082	9,773	2,171	2,048	-	-	-2,171	-2,048	11,082	9,773
Receipts from sales of goods and services	2,599	2,723	20,786	18,366	1,196	1,216	-889	-898	23,693	21,407
Interest receipts	173	158	166	135	1,901	1,797	-1,580	-1,486	661	604
Dividends and tax equivalents	2,092	2,280	64	78	-	-	-2,156	-2,357	-	-
Other	7,659	7,230	1,424	1,453	155	149	-432	-371	8,807	8,460
<b>Total cash received</b>	<b>32,517</b>	<b>30,670</b>	<b>24,611</b>	<b>22,078</b>	<b>3,253</b>	<b>3,162</b>	<b>-7,746</b>	<b>-7,650</b>	<b>52,635</b>	<b>48,260</b>
<i>Cash Paid</i>										
Wages, salaries and supplements, and superannuation	-13,766	-13,801	-1,235	-1,234	-60	-66	-	-	-15,062	-15,101
Payments for goods and services	-8,473	-8,759	-15,377	-13,210	-857	-753	1,285	1,232	-23,421	-21,489
Interest paid	-950	-860	-772	-756	-1,874	-1,769	1,580	1,486	-2,017	-1,899
Grants and subsidies paid	-5,635	-5,125	-689	-663	-0	-0	2,195	2,076	-4,129	-3,712
Dividends and tax equivalents	-	-	-614	-516	-128	-46	742	562	-	-
Other payments	-1,679	-1,727	-3,319	-3,202	-152	-150	531	498	-4,620	-4,581
<b>Total cash paid</b>	<b>-30,503</b>	<b>-30,271</b>	<b>-22,006</b>	<b>-19,581</b>	<b>-3,072</b>	<b>-2,784</b>	<b>6,333</b>	<b>5,854</b>	<b>-49,248</b>	<b>-46,782</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,014</b>	<b>399</b>	<b>2,604</b>	<b>2,497</b>	<b>181</b>	<b>378</b>	<b>-1,414</b>	<b>-1,796</b>	<b>3,386</b>	<b>1,478</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Cash flow s from investments in non-financial assets										
Purchase of non-financial assets	-2,540	-2,438	-2,441	-2,621	-7	-3	24	10	-4,965	-5,052
Sales of non-financial assets	100	82	578	495	-	-	-23	-10	654	567
<b>Total cash flows from investments in non-financial assets</b>	<b>-2,441</b>	<b>-2,357</b>	<b>-1,863</b>	<b>-2,126</b>	<b>-7</b>	<b>-3</b>	<b>-</b>	<b>-</b>	<b>-4,310</b>	<b>-4,485</b>
Cash flow s from investments in financial assets										
<i>Cash received</i>										
For policy purposes	33	13	-	-	-	-	-13	-	21	13
For liquidity purposes	308	76	11	100	6,177	6,014	-	-	6,495	6,189
<i>Cash paid</i>										
For policy purposes	-790	-573	-	-21	-164	-99	935	676	-19	-16
For liquidity purposes	-66	-57	-61	-19	-8,656	-7,173	-	-	-8,784	-7,249
<b>Total cash flows from investments in financial assets</b>	<b>-516</b>	<b>-541</b>	<b>-50</b>	<b>60</b>	<b>-2,643</b>	<b>-1,258</b>	<b>922</b>	<b>676</b>	<b>-2,286</b>	<b>-1,063</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-2,956</b>	<b>-2,898</b>	<b>-1,913</b>	<b>-2,065</b>	<b>-2,650</b>	<b>-1,260</b>	<b>922</b>	<b>676</b>	<b>-6,597</b>	<b>-5,548</b>

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

# Cash Flow Statement for the year ended 30 June ( cont.)

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Total Public Sector	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<i>Cash received</i>										
Advances received	17	16	-	13	-	-	-17	-29	-	-
Borrow ings	61	4,318	4,301	12,475	26,539	30,393	-9,457	-29,170	21,444	18,015
Deposits received	-	-	-	-	-	-	-	-	-	-
Other financing receipts	253	156	849	623	28	13	-1,032	-734	98	57
<i>Total cash receipts from financing activities</i>	<i>330</i>	<i>4,490</i>	<i>5,150</i>	<i>13,110</i>	<i>26,567</i>	<i>30,406</i>	<i>-10,506</i>	<i>-29,933</i>	<i>21,542</i>	<i>18,072</i>
<i>Cash paid</i>										
Advances paid	-17	-16	-29	-16	-	-	29	16	-17	-16
Borrow ings repaid	-513	-182	-4,583	-12,201	-24,350	-30,969	9,457	29,170	-19,990	-14,181
Deposits paid	-	-	-	-	-	-	-	-	-	-
Other financing payments	-214	-271	-71	-51	-	0	97	71	-188	-251
Dividends paid	-	-	-1,229	-1,560	-185	-236	1,414	1,796	-	-
<i>Total payments for financing activities</i>	<i>-744</i>	<i>-469</i>	<i>-5,912</i>	<i>-13,827</i>	<i>-24,535</i>	<i>-31,205</i>	<i>10,997</i>	<i>31,053</i>	<i>-20,194</i>	<i>-14,448</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-414</b>	<b>4,020</b>	<b>-762</b>	<b>-717</b>	<b>2,032</b>	<b>-799</b>	<b>491</b>	<b>1,120</b>	<b>1,348</b>	<b>3,624</b>
<b>Net increase in cash and cash equivalents</b>	<b>-1,355</b>	<b>1,521</b>	<b>-71</b>	<b>-285</b>	<b>-437</b>	<b>-1,682</b>	<b>-</b>	<b>-</b>	<b>-1,863</b>	<b>-446</b>
Cash and cash equivalents at the beginning of the year	6,360	4,839	1,889	2,174	2,326	4,008	-2	-2	10,573	11,019
Cash and cash equivalents at the end of the year	5,005	6,360	1,818	1,889	1,890	2,326	-2	-2	8,710	10,573
<hr/>										
Net cash flow s from operating activities	2,014	399	2,604	2,497	181	378	-1,414	-1,796	3,386	1,478
Net cash flow s from investing in non-financial assets	-2,441	-2,357	-1,863	-2,126	-7	-3	-	-	-4,310	-4,485
Dividends paid	-	-	-1,229	-1,560	-185	-236	1,414	1,796	-	-
<b>Cash surplus/-deficit</b>	<b>-426</b>	<b>-1,958</b>	<b>-487</b>	<b>-1,188</b>	<b>-11</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>-924</b>	<b>-3,007</b>

Note: Columns/rows may not add due to rounding



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## **NOTE 33: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

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### **Landgate Partial Commercialisation**

On 10 September 2019, the Treasurer and Minister for Lands announced the appointment of Land Services WA as the Service Provider for the Landgate Partial Commercialisation.

Land Services WA is a consortium comprising Macquarie Infrastructure and Real Assets, and Australian industry superannuation funds Sunsuper and HESTA.

Once operational, Land Services WA is expected to deliver, improve and maintain Landgate's automated titling services. These services include the processing of property transactions and searches of the title register.

The appointment realised \$1.41 billion in upfront proceeds, as well as ongoing revenue for the State.

The Treasurer and Minister also announced that the upfront proceeds will allow the Government to meet Western Australia's ongoing funding requirements for the National Redress Scheme for Institutional Child Sexual Abuse, and the costs of lifting the statute of limitations for historical sexual abuse.

### **TAB Disposal Bill**

On 4 September 2019, the TAB (Disposal) Bill 2019 was passed by the Western Australian Parliament. The passing of this Bill provides the appropriate legislative framework to negotiate the sale of the Western Australian TAB.

### **Land Agency Merger**

Western Australia's land development agencies, the Western Australian Land Authority and the Metropolitan Redevelopment Authority, will be merged progressively over a number of years as part of the State Government's ongoing bid to drive efficiencies and improve outcomes for land development and housing affordability.

The new agency will focus on strengthening metropolitan and regional communities through increased housing choice, better transport connectivity, creating places for businesses and industry to create jobs for Western Australians, and balancing this with enhancing the built and natural environment.

An administrative merger will continue throughout 2019-20. Any necessary legislative changes will follow.

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## NOTE 34: INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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AASB 9: *Financial Instruments* replaces AASB 139 *Financial instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018. The new standard brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

AASB 9 has been applied prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, comparative information has not been restated and continues to be reported under AASB 139. The effect of adopting AASB 9 as at 1 July 2018 was assessed as not material and therefore no adjustment was required to be recognised directly in Accumulated surplus/-deficit.

### Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is based on two criteria: the business model for managing the assets; and whether the assets' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The assessment of the business model was made as of the date of initial application, 1 July 2018. The assessment of the contractual cash flow characteristics of the financial assets was made based on the facts and circumstances at the time of initial recognition of the financial assets.

The classification and measurement requirements of AASB 9 did not have a material impact. The following are the changes in the classification of financial assets:

- Financial assets are measured at amortised cost if they are held to collect the contractual cash flows and those cash flows are solely payments of principal and interest.
- Financial assets are measured at fair value through other comprehensive income:
  - (a) For debt instruments – if the assets are held both to collect contractual cash flows, comprising solely payments of principal and interest, and to sell the financial assets.
  - (b) For equity instruments – if they have been irrevocably elected to be measured at fair value through other comprehensive income.
- Other financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or fair value through other comprehensive income as explained above.

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### NOTE 34: INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS ( CONT.)

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In summary, upon the adoption of AASB 9, the following reclassifications occurred at 1 July 2018.

		AASB 9 category		
		Amortised	Fair value	Fair value
		Cost	through OCI	through P/L
	\$m	\$m	\$m	\$m
<b>Financial Assets</b>				
Cash and deposits	2,079	2,079	-	-
Receivables	4,813	4,187	-	626
Investments, loans and placements	16,733	7,461	-	9,272
Advances paid	4,345	4,345	-	-
Shares and other equity	1,854	66	-	1,788
Other financial assets	8	8	-	-
<b>Financial Liabilities</b>				
Deposits held	23	23	-	-
Advances received	360	360	-	-
Borrow ings	57,379	2,080	23	55,276
Payables	6,470	3,514	-	2,956
Guarantees	311	311	-	-
Other employee benefits	146	146	-	-
Other financial liabilities	3,886	3,886	-	-

### Impairment

The adoption of AASB 9 has fundamentally changed the accounting for impairment losses for financial assets by replacing the incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires recognition of an allowance for ECLs for all financial assets not held at fair value through profit or loss.

Upon adoption of AASB 9, the effect was not considered to be material and therefore no adjustment was made.

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### NOTE 35: RELATED PARTY DISCLOSURES

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#### General Government

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### Parent and controlling entity

The general government sector comprises public sector agencies that are wholly-owned and controlled by the Government of Western Australia and which are largely funded by centrally collected revenue such as taxes, royalties and Commonwealth grants. The agencies are engaged mainly in the provision of services outside the normal market mechanism, or that provide for the transfer of income for public policy purposes. Related parties of the general government sector include:

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**NOTE 35: RELATED PARTY DISCLOSURES ( CONT.)**


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- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all public non-financial and public financial corporations, included in Note 36: *Composition of sectors*;
- all associates and joint ventures; and
- the Government Employees Superannuation Board (GESB).

**Key Management Personnel (KMP)*****KMP Compensation***

KMP are those people having authority and responsibility for planning, directing and controlling the activities of the State. As the Western Australian Cabinet is the decision making body for the State, all State Cabinet Ministers are considered to be KMP of the State.

Compensation of all Ministers is disclosed later in this note.

**Significant transactions with government-related entities**

Transactions between general government agencies are eliminated on consolidation and are not included in this disclosure. The transactions below represent those between the general government sector and public corporations.

Significant transactions and balances include:

- taxation revenue:
  - (a) loan guarantee fees (\$145 million, 2018: \$135 million);
  - (b) payroll tax (\$86 million, 2018: \$85 million);
  - (c) land tax (\$62 million, 2018: \$65 million);
  - (d) betting tax revenue (\$25 million, 2018: \$41 million); and
  - (e) point of consumption betting tax (\$17 million, 2018: nil);
- current grants and subsidies revenue (\$26 million, 2018: \$24 million);
- sales of goods and services:
  - (a) services rendered (\$34 million, 2018: \$29 million);
  - (b) service delivery agreement (\$191 million, 2018: \$185 million); and
  - (c) other revenue (\$48 million, 2018: \$37 million);
- dividend revenue (\$1,494 million, 2018: \$1,724 million);
- Tax Equivalent Regime revenue (\$672 million, 2018: \$657 million);

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**NOTE 35: RELATED PARTY DISCLOSURES ( CONT.)**


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- current transfers:
  - (a) operating subsidies (\$1,442 million, 2018: \$1,538 million);
  - (b) Royalties for Regions grants (\$25 million, 2018: \$38 million); and
  - (c) recurrent transfers (\$166 million, 2018: \$158 million);
- capital appropriations (\$477 million, 2018: \$425 million);
- Government Regional Officer Housing expenses (\$138 million, 2018: \$137 million);
- Public Bank Account interest expense (\$10 million, 2018: \$8 million);
- capital transfers (\$45 million, 2018: \$57 million);
- insurance premiums (\$263 million, 2018: \$257 million);
- water and electricity expenses (\$236 million, 2018: \$224 million); and
- borrowings (\$26 billion, 2018: \$27 billion).

**Material transactions with other related parties**

General government agencies make superannuation contributions for their staff to GESB. In 2018-19, these payments totalled \$1 billion (2018: \$1 billion).

The Department of Primary Industries and Regional Development has entered into a number of joint venture arrangements. Further details of these arrangements can be found in the Department's annual report.

There were no other related party transactions (including general citizen-type transactions<sup>1</sup>) with Ministers or their close family members or their controlled (or jointly controlled) entities that are material for disclosure.

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Total Public Sector

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**Parent and controlling entity**

The total public sector (or whole-of-government) includes agencies across the general government, public non-financial and financial corporations sectors. These agencies are wholly owned or controlled by the Government of Western Australia and are consolidated to form the total public sector financial statements contained in this report. Details of agencies controlled by the Government and consolidated in the total public sector are shown in Note 36: *Composition of sectors*.

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<sup>1</sup> General citizen-type transactions are transactions where Ministers/senior officers or their close family members interact with a public sector entity under the same terms and conditions as a public citizen, such as paying taxes, levies or other statutory fees/charges and using public services such as hospitals, schools or public transport.

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### NOTE 35: RELATED PARTY DISCLOSURES ( CONT.)

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Related parties of the total public sector include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all associates and joint ventures; and
- GESB.

#### **Significant transactions with government-related entities**

Transactions between public sector agencies are eliminated on consolidation and are not included in this disclosure. The significant transactions below represent transactions between public sector agencies and their associates and joint ventures.

#### **Material transactions with other related parties**

A number of government agencies procured legal services from a service provider totalling approximately \$0.8 million during the financial year. The KMP of the service provider is related to a Minister, who was not the Minister responsible for the agencies. This entity also provided services to the agencies in prior years.

During the financial year, Synergy purchased goods and services from its associate to the value of \$137 million (2018: \$160 million) and sold goods and services to related parties to the value of \$189 million (2018: \$18 million).

#### ***Government Employees Superannuation Board***

Public sector agencies make superannuation contributions for their staff to GESB. In 2018-19, these payments totalled \$1.1 billion (2018: \$1.1 billion).

There were no other related party transactions (including general citizen-type transactions) with Ministers or their close family members or their controlled (or jointly controlled) entities that are material for disclosure.

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**NOTE 35: RELATED PARTY DISCLOSURES ( CONT.)**


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**KMP Compensation**

Total public sector KMP include all Ministers. Total compensation for the State's KMP for the reporting period is presented in the following bands.

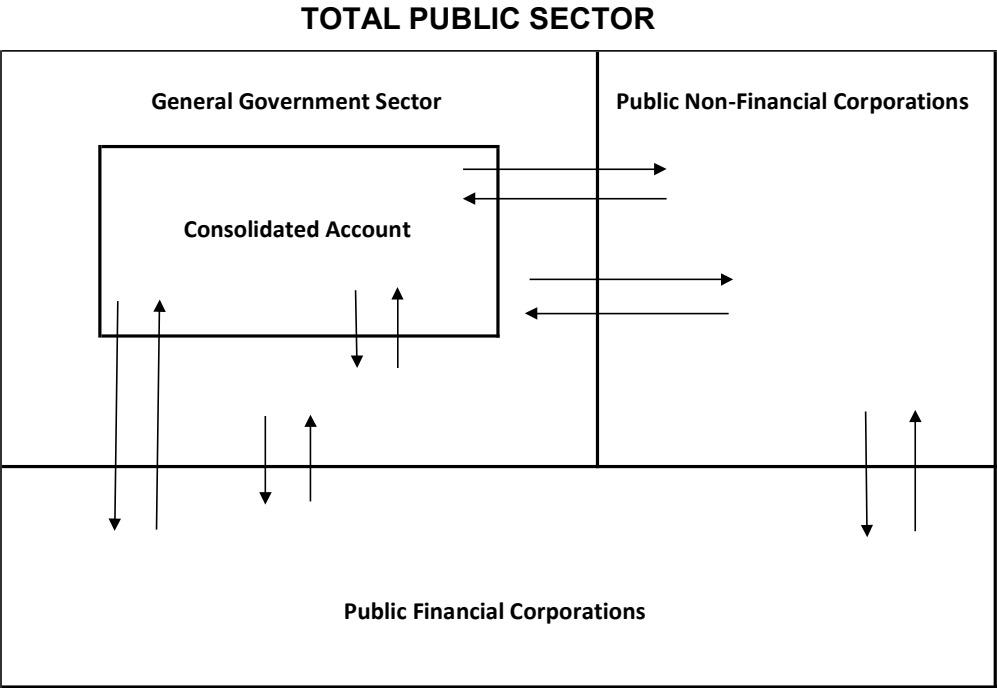
	2018-19 (number)	2017-18 (number)
<b>Remuneration (\$)</b>		
350,000-400,000	2	1
400,000-450,000	10	10
450,000-500,000	4	3
500,000-550,000	1	3
	2018-19	2017-18
	\$m	\$m
Short-term employee benefits <sup>(a)</sup>	6.9	7.0
Post-employment benefits	0.6	0.6
<b>Total compensation of Ministers</b>	<b>7.5</b>	<b>7.6</b>

(a) Short-term employee benefits include salaries, electorate allowances, motor vehicle allowances and accommodation allowances paid to Ministers.

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NOTE 36: COMPOSITION OF SECTORS

The following diagram shows the financial relationship between sectors within which agencies are classified using the Australian Bureau of Statistics’ GFS manual, which are included in the consolidated financial statements and described in Note 3 to these financial statements.



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

The agencies included within each sector are listed below and are wholly-owned or controlled by the Government of Western Australia.

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**NOTE 36: COMPOSITION OF SECTORS ( CONT.)**


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**General Government**

Agricultural Produce Commission	North Metropolitan TAFE
Building and Construction Industry Training Board	North Metropolitan Health Service
Botanical Gardens and Parks Authority	North Regional TAFE
Central Regional TAFE	Office of the Auditor General
Chemistry Centre (WA)	Office of the Director of Public Prosecutions
Child and Adolescent Health Service	Office of the Information Commissioner
Combat Sports Commission	Office of the Inspector of Custodial Services
Commissioner for Children and Young People	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Commissioner for Equal Opportunity	Parliamentary Commissioner for Administrative Investigations
Commissioner of Main Roads	Parliamentary Services Department
Corruption and Crime Commission	Peel Development Commission
Department of Biodiversity Conservation and Attractions	Perth Theatre Trust
Department of Community Services	Pilbara Development Commission
Department of Education	Professional Standards Council
Department of Finance	Public Sector Commission
Department of Fire and Emergency Services	Quadriplegic Centre Board
Department of Health (including public hospitals)	Racing Penalties Appeal Tribunal of Western Australia
Department of Jobs, Tourism, Science and Innovation	Rural Business Development Corporation
Department of Justice	Salaries and Allowances Tribunal
Department of Local Government, Sport and Cultural Industries	School Curriculum and Standards Authority
Department of Mines, Industry Regulation and Safety	ScreenWest Inc.
Department of Planning, Lands and Heritage	Small Business Development Corporation
Department of Primary Industries and Regional Development	South Metropolitan TAFE
Department of Training and Workforce Development	South Metropolitan Health Service
Department of Transport	South Regional TAFE
Department of Treasury	South West Development Commission
Department of the Legislative Assembly	The Aboriginal Affairs Planning Authority
Department of the Legislative Council	The ANZAC Day Trust
Department of the Premier and Cabinet	The Board of the Art Gallery of Western Australia
Department of the Registrar, Western Australian Industrial Relations Commission	The Burswood Park Board
Department of Water and Environmental Regulation	The Coal Miners' Welfare Board of Western Australia
Disability Services Commission	The Library Board of Western Australia
East Metropolitan Health Service	The National Trust of Australia (W.A.)
Economic Regulation Authority	The Queen Elizabeth II Medical Centre Trust
Gascoyne Development Commission	The Western Australia Museum
Gaming and Wagering Commission of Western Australia	Trustees of the Public Education Endowment
Goldfields Development Commission	Western Australia Police Force
Governor's Establishment	Western Australian Country Health Service
Great Southern Development Commission	Western Australian Building Management Authority
Health and Disability Services Complaints Office	Western Australian Electoral Commission
Health Support Services	Western Australian Energy Disputes Arbitrator
Heritage Council of Western Australia	Western Australian Greyhound Racing Association
Keep Australia Beautiful Council (W.A.)	Western Australian Health Promotion Foundation
Kimberley Development Commission	Western Australian Institute of Sport
Law Reform Commission of Western Australia	Western Australian Land Information Authority
Legal Aid Commission of Western Australia	Western Australian Meat Industry Authority
Legal Costs Committee	Western Australian Planning Commission
Local Health Authorities Analytical Committee	Western Australian Sports Centre Trust
Mental Health Commission	WorkCover Western Australia Authority
Mid-West Development Commission	Wheatbelt Development Commission
Minerals Research Institute of Western Australia	Zoological Parks Authority

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**NOTE 36: COMPOSITION OF SECTORS ( CONT.)**


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**Public Non- Financial Corporations**

Animal Resources Authority	Metropolitan Redevelopment Authority
Bunbury Water Corporation	Mid West Ports Authority
Busselton Water Corporation	Pilbara Ports Authority
Electricity Networks Corporation (Western Power)	Public Transport Authority of Western Australia
Electricity Generation and Retail Corporation (Synergy)	Racing and Wagering Western Australia
Forest Products Commission	Regional Power Corporation (Horizon Power)
Fremantle Port Authority	Rottne Island Authority
Gold Corporation and its subsidiaries	Southern Ports Authority <sup>1</sup>
Housing Authority	Water Corporation
Kimberly Ports Authority	Western Australian Coastal Shipping Commission
Lotteries Commission	Western Australian Land Authority
Metropolitan Cemeteries Board	

**Public Financial Corporations**

Country Housing Authority	RiskCover
Insurance Commission of Western Australia	Western Australian Treasury Corporation
Keystart Housing Scheme, comprising	
Keystart Bonds Ltd	
Keystart Loans Ltd	
Keystart Support Pty Ltd	
Keystart Support (Subsidiary) Pty Ltd	
Keystart Housing Scheme Trust	
Keystart Support Trust	

**Agencies outside the State Public Sector**

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

Construction Industry Long Service Leave Payments Board	Legal Contribution Trust
Curtin University and its subsidiaries	Murdoch University and its subsidiaries
Edith Cowan University	Public Trustee
Fire and Emergency Services Superannuation Board	Parliamentary Superannuation Board
Government Employees Superannuation Board	The University of Western Australia and its subsidiaries

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**NOTE 37: BUDGETARY INFORMATION – COMPARISON OF FINAL  
OUTCOMES TO ORIGINAL BUDGET**

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Explanations of significant variances between actual results for 2018-19 and the original Budget (presented to the Legislative Assembly on 10 May 2018) for the general government sector and the total public sector are included in Appendix 4 of this report. For the purposes of these financial statements, and the associated notes to the financial statements, the discussion in Appendix 4 meets the requirements of paragraphs 59(f) and 61 of AASB 1049: *Whole of Government and General Government Financial Reporting*.

The *Financial Results* chapter of this report details variations from the estimated outturn contained in the 2019-20 Budget, presented to the Legislative Assembly on 9 May 2019.



## Operating Revenue

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

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

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

Table 2.1

# **OPERATING REVENUE** **General Government**

	2017-18	2018-19				Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
<b>Taxation</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,279	3,460	3,511	3,561	3,565	4
Property taxes						
<i>Land tax</i>	840	803	798	798	807	8
Transfer Duty	1,223	1,331	1,120	1,120	1,073	-47
Landholder Duty	234	101	101	61	32	-29
<i>Total duty on transfers</i>	1,457	1,432	1,221	1,181	1,105	-76
Metropolitan Region Improvement Tax	93	85	91	90	89	-1
Perth Parking Levy	58	58	58	58	59	1
Emergency Services Levy	338	372	372	372	374	2
Loan guarantee fees	143	155	155	154	152	-2
Building and Construction Industry Training Fund Levy	25	35	33	33	27	-6
<i>Total other property taxes</i>	658	704	709	707	702	-5
Taxes on provision of goods and services						
Lotteries Commission	156	160	160	164	180	16
Casino Tax	61	71	71	71	59	-12
Betting tax	41	64	64	22	25	3
Point of Consumption tax	-	-	-	31	30	-1
<i>Total taxes on gambling</i>	258	295	295	288	294	6
Insurance Duty	625	645	647	647	645	-2
Other	20	17	17	17	17	-
<i>Total taxes on insurance</i>	645	662	664	664	662	-2
<i>On-demand Transport Levy</i>	-	3	3	3	5	2
Taxes on use of goods and performance of activities <sup>(a)</sup>						
Vehicle Licence Duty	355	360	379	368	363	-5
Permits - Oversize Vehicles and Loads	7	8	8	8	8	-
Motor Vehicle registrations	937	956	991	991	995	4
<i>Total motor vehicle taxes <sup>(a)</sup></i>	1,299	1,325	1,377	1,366	1,367	1
<i>Mining Rehabilitation Levy</i>	29	28	28	30	31	1
<i>Landfill Levy</i>	75	83	83	83	79	-4
<b>Total Taxation <sup>(a)</sup></b>	<b>8,540</b>	<b>8,794</b>	<b>8,689</b>	<b>8,681</b>	<b>8,616</b>	<b>-65</b>

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

# **OPERATING REVENUE** General Government

Table 2.1 (cont.)

	2017-18	2018-19				Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
<b>Current Grants and Subsidies</b>						
<i>General Purpose Grants</i>						
GST grants	2,249	3,255	3,290	3,200	3,200	-
Commonw ealth-funded 70% floor	-	-	-	434	434	-
North West Shelf grants	695	801	909	921	886	-35
Commonw ealth compensation for changed crude oil excise arrangements	28	44	50	51	30	-21
<i>Grants through the State</i>						
Schools assistance – non-government schools	1,233	1,301	1,288	1,318	1,323	5
Local government financial assistance grants	169	181	89	180	181	1
Local government roads	113	113	58	118	118	-
<i>National Specific Purpose Payment Agreement Grants</i>						
National Agreement for Skills and Workforce Development	152	159	157	157	157	-
National Disability Services	158	88	88	171	167	-4
National Affordable Housing	140	145	164	164	164	-
<i>Students First</i>	660	737	743	740	739	-1
<i>National Health Reform</i>	2,174	2,252	2,234	2,267	2,269	2
<i>National Partnerships/Other Grants</i>						
Health	386	122	125	188	194	6
Housing	14	5	-	4	-	-4
Transport	74	91	95	102	54	-48
Disability Services	96	35	35	76	55	-21
Other	187	224	218	259	239	-20
<b>Total Current Grants and Subsidies</b>	<b>8,529</b>	<b>9,552</b>	<b>9,542</b>	<b>10,348</b>	<b>10,210</b>	<b>-138</b>
<b>Capital Grants</b>						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	17	18	18	18	18	-
<i>National Partnerships/Other Grants</i>						
Housing	48	-	130	251	251	-
Transport	990	908	686	538	593	55
Other	208	10	22	17	11	-6
<b>Total Capital Grants</b>	<b>1,263</b>	<b>936</b>	<b>856</b>	<b>825</b>	<b>873</b>	<b>48</b>

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

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2017-18	2018-19				Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
<b>Sales of Goods and Services</b>						
WA Health	694	736	736	736	784	48
Department of Transport <sup>(a)</sup>	217	332	228	229	221	-8
Department of Education	202	187	187	186	209	23
State Training Providers/TAFE Colleges	114	126	116	116	115	-1
Department of Training and Workforce Development	40	42	34	34	32	-2
Western Australian Land Information Authority	104	119	101	101	99	-2
Department of Biodiversity, Conservation and Attractions	101	101	101	105	109	4
Department of Justice	136	136	136	135	140	5
Department of Mines, Industry Regulation and Safety	153	157	157	159	148	-11
All Other	756	678	832	857	875	18
<b>Total Sales of Goods and Services <sup>(a)</sup></b>	<b>2,516</b>	<b>2,614</b>	<b>2,628</b>	<b>2,660</b>	<b>2,734</b>	<b>74</b>
<b>Interest Income</b>	<b>170</b>	<b>146</b>	<b>169</b>	<b>175</b>	<b>168</b>	<b>-7</b>
<b>Revenue from Public Corporations</b>						
Dividends	1,718	1,229	1,314	1,289	1,350	61
Tax Equivalent Regime	677	636	655	662	642	-20
<b>Total Revenue from Public Corporations</b>	<b>2,395</b>	<b>1,865</b>	<b>1,969</b>	<b>1,950</b>	<b>1,991</b>	<b>41</b>
<b>Royalty Income</b>	<b>5,231</b>	<b>5,057</b>	<b>5,549</b>	<b>6,226</b>	<b>6,713</b>	<b>487</b>
<b>Other</b>						
Lease Rentals	105	99	99	102	107	5
Fines	206	198	202	227	224	-3
Revenue not elsew here counted	376	310	307	277	370	93
<b>Total Other</b>	<b>688</b>	<b>607</b>	<b>608</b>	<b>606</b>	<b>701</b>	<b>95</b>
<b>TOTAL REVENUE</b>	<b>29,332</b>	<b>29,572</b>	<b>30,010</b>	<b>31,471</b>	<b>32,006</b>	<b>535</b>

(a) The motor vehicle recording fee has been reclassified from taxation revenue to sales of goods and services on advice from the Australian Bureau of Statistics. Prior periods have been restated for comparability purposes.

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

Table 2.2

# **OPERATING REVENUE** **Total Public Sector**

	2017-18	2018-19			<i>Actual \$m (4)</i>	<i>Variation on EOT \$m (4) - (3)</i>
	<i>Actual \$m</i>	<i>Budget Estimate \$m (1)</i>	<i>MYR Revision \$m (2)</i>	<i>Estimated Outturn \$m (3)</i>		
<b>Taxation</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,194	3,377	3,423	3,472	3,479	7
Property taxes						
<i>Land tax</i>	775	732	730	731	744	13
Transfer Duty	1,223	1,331	1,120	1,120	1,073	-47
Landholder Duty	234	101	101	61	32	-29
<i>Total duty on transfers</i>	1,457	1,432	1,221	1,181	1,105	-76
Metropolitan Region Improvement Tax	93	85	91	90	89	-
Perth Parking Levy	58	58	58	58	59	-
Emergency Services Levy	334	367	367	367	369	2
Loan guarantee fees	8	8	7	7	8	-
Building and Construction Industry Training Fund Levy	25	35	33	33	27	-6
<i>Total other property taxes</i>	518	553	556	555	552	-3
Taxes on provision of goods and services						
Lotteries Commission	-	-	-	-	-	-
Casino Tax	61	71	71	71	59	-12
Betting tax	-	-	-	-	-	-
Point of Consumption tax	-	-	-	13	13	-
<i>Total taxes on gambling</i>	61	71	71	84	73	-11
Insurance Duty	625	645	647	647	645	-2
Other	20	17	17	17	17	-
<i>Total taxes on insurance</i>	645	662	664	664	662	-2
<i>On-demand Transport Levy</i>	-	3	3	3	5	3
Taxes on use of goods and performance of activities <sup>(a)</sup>						
Vehicle Licence Duty	355	360	379	368	363	-4
Permits - Oversize Vehicles and Loads	7	8	8	8	8	-
Motor Vehicle registrations	937	956	991	991	995	5
<i>Total motor vehicle taxes <sup>(a)</sup></i>	1,299	1,324	1,377	1,366	1,367	1
<i>Mining Rehabilitation Levy</i>	29	28	28	30	31	1
<i>Landfill Levy</i>	75	83	83	83	79	-4
<b>Total Taxation <sup>(a)</sup></b>	<b>8,053</b>	<b>8,265</b>	<b>8,157</b>	<b>8,169</b>	<b>8,097</b>	<b>-72</b>

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

Table 2.2 (cont.)

**OPERATING REVENUE****Total Public Sector**

	2017-18	2018-19				
	Actual	Budget Estimate	MYR Revision	Estimated Outturn	Actual	Variation
	\$m	\$m	\$m	\$m	\$m	on EOT \$m
		(1)	(2)	(3)	(4)	(4) - (3)
Current Grants and Subsidies						
General Purpose Grants						
GST grants	2,249	3,255	3,290	3,200	3,200	-
Commonw ealth-funded 70% floor	-	-	-	434	434	
North West Shelf grants	695	801	909	921	886	-35
Commonwealth compensation for changed crude oil excise arrangements	28	44	50	51	30	-21
Grants through the State						
Schools assistance – non-government schools	1,233	1,301	1,288	1,318	1,323	5
Local government financial assistance grants	169	181	89	180	181	-
Local government roads	113	113	58	118	118	-
National Specific Purpose Payment Agreement Grants						
National Agreement for Skills and Workforce Development	152	159	157	157	157	-
National Disability Services	158	88	88	171	167	-3
National Affordable Housing	140	145	164	164	164	-
Students First	660	737	743	740	739	-
National Health Ref orm	2,174	2,252	2,234	2,267	2,269	2
National Partnerships/Other Grants						
Health	386	122	125	188	194	7
Housing	14	5	-	4	-	-4
Transport	74	91	95	102	54	-48
Disability Services	96	35	35	76	55	-21
Other	187	224	218	259	239	-20
Total Current Grants and Subsidies	8,529	9,553	9,542	10,348	10,210	-138
Capital Grants						
Grants Through the State						
Schools assistance – non-government schools	17	18	18	18	18	-
National Partnerships/Other Grants						
Housing	48	-	130	251	251	-
Transport	990	908	686	538	593	55
Other	208	10	22	17	11	-6
Total Capital Grants	1,263	936	856	825	873	49
Sales of Goods and Services <sup>(a)</sup>	21,128	22,408	21,993	22,920	23,488	569
Interest Income	585	586	644	657	639	-18
Royalty Incom e	5,231	5,057	5,549	6,226	6,713	487
Other						
Lease Rentals	105	99	99	102	107	5
Fines	207	198	202	227	224	-3
Revenue not elsw here counted	720	754	718	769	862	93
Total Other	1,031	1,051	1,019	1,098	1,193	95
TOTAL REVENUE	45,820	47,856	47,760	50,243	51,214	971

(a) The motor vehicle recording fee has been reclassified from taxation revenue to sales of goods and services on advice from the Australian Bureau of Statistics. Prior periods have been restated for comparability purposes.

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

## Other Uniform Presentation Framework Information

Under an intergovernmental agreement between the States, Territories and the Commonwealth in the early 1990s, all jurisdictions release whole-of-government and other public sector financial information in a consistent format. This Uniform Presentation Framework (UPF) supports transparency and interjurisdictional comparisons.

Western Australia's whole-of-government financial disclosures, found in its annual Budget Papers, Mid-year Review, *Pre-election Financial Projections Statements* and quarterly and annual outturn reporting, including this *Annual Report on State Finances* (ARSF), are consistent with the UPF disclosure requirements.

In particular, UPF information in this ARSF includes:

- financial statements by sector of government and for the consolidated total public sector (see Appendix 1: *Financial Statements*);
- information on grants and transfer payments which are available in the notes to the financial statements (see Notes to the Financial Statements, Appendix 1);
- detailed operating revenue information (disclosed in Appendix 2: *Operating Revenue*); and
- detailed general government expenses and purchases of non-financial assets by function (detailed in this appendix)<sup>1</sup>.

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<sup>1</sup> In line with international statistical developments, the Australian Bureau of Statistics (ABS) introduced a revised Classification of the Functions of Government Australia Framework (COFOG), effective from 1 July 2017. The COFOG supersedes the previous Government Purpose Classification (GPC) framework. This appendix discloses general government sector expenses and non-financial asset investment on both the GPC basis that was included in the original 2018-19 Budget, and on the new COFOG basis, consistent with the new ABS framework. The disclosure of GPC-based information will cease following this publication.

Table 3.1

**SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION**  
General Government

	2017-18	2018-19			Actual \$m	Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)		
<b>EXPENSES</b>						
<i>General public services</i>	374	318	307	303	249	-55
Government superannuation benefits	86				17	
Other general public services	288				232	
<i>Public order and safety</i>	3,397	3,438	3,470	3,456	3,549	93
Police and fire protection services	1,611				1,686	
Police services	1,215				1,251	
Fire protection services	397				435	
Law courts and legal services	848				980	
Prisons and corrective services	894				855	
Other public order and safety	44				28	
<i>Education</i>	7,245	7,433	7,446	7,492	7,392	-99
Primary and secondary education	6,045				6,177	
Primary education	3,259				3,225	
Secondary education	2,786				2,953	
Primary and secondary education nec.	-				-	
Tertiary education	528				521	
University education	10				10	
Technical and further education	518				511	
Tertiary education nec.	-				-	
Pre-school education and education not definable by level	542				565	
Pre-school education	257				272	
Special education	278				286	
Other education not definable by level	7				7	
Transportation of students	129				129	
Transportation of non-urban school students	126				128	
Transportation of other students	3				1	
Education nec.	-				-	
<i>Health</i>	8,917	9,058	9,090	9,247	9,010	-237
Acute care institutions	5,714				5,774	
Admitted patient services in acute care institutions	3,967				4,003	
Non-admitted patient services in acute care institutions	1,747				1,771	
Mental health institutions	325				325	
Nursing homes for the aged	119				117	
Community health services	1,233				1,254	
Community mental health services	491				504	
Patient transport	255				262	
Other community health services	486				488	
Public health services	258				253	
Pharmaceuticals, medical aids and appliances	668				678	
Health research	36				36	
Health administration nec.	566				572	

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

Table 3.1 (cont.)

**SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION**  
General Government

	2017-18	2018-19				Variation on EOT
	Actual \$m	Budget Estimate \$m	MYR Revision \$m	Estimated Outturn \$m	Actual \$m	
		(1)	(2)	(3)	(4)	(4) - (3)
<i>Social security and welfare</i>	2,225	2,244	2,058	2,143	2,466	323
Social security	-				-	
Welfare services	2,225				2,466	
Family and child welfare services	623				655	
Welfare services for the aged	462				475	
Welfare services for people with a disability	1,059				1,266	
Welfare services nec.	82				70	
Social security and welfare nec.	-				-	
<i>Housing and community amenities</i>	1,787	1,619	1,977	2,027	2,045	18
Housing and community development	1,086				1,345	
Housing	588				792	
Aboriginal community development	15				18	
Other community development	482				534	
Water supply	506				508	
Sanitation and protection of the environment	173				174	
Other community amenities	23				18	
<i>Recreation and culture</i>	875	881	957	947	893	-55
Recreation facilities and services	603				638	
National parks and wildlife	124				122	
Recreation facilities and services nec.	479				517	
Cultural facilities and services	225				206	
Broadcasting and film production	3				6	
Recreation and culture nec.	44				42	
<i>Fuel and energy</i>	306	179	186	186	174	-12
Fuel affairs and services	-				-	
Gas	-				-	
Fuel affairs and services nec.	-				-	
Electricity and other energy	279				147	
Electricity	263				125	
Other energy	16				22	
Fuel and energy nec.	27				27	
<i>Agriculture, forestry, fishing and hunting</i>	380	446	444	391	315	-76
Agriculture	233				122	
Forestry, fishing and hunting	147				193	
<i>Mining and mineral resources other than fuels; manufacturing; and construction</i>	242	211	291	309	273	-37
Mining and mineral resources other than fuels	220				251	
Manufacturing	-				-	
Construction	22				22	

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

Table 3.1 (cont.)

**SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION**  
General Government

	2017-18	2018-19				Variation on EOT \$m
	Actual \$m	Budget Estimate \$m	MYR Revision \$m	Estimated Outturn \$m	Actual \$m	
		(1)	(2)	(3)	(4)	(4) - (3)
<i>Transport and communications</i>	2,343	2,517	2,539	2,563	2,451	-112
Road transport	1,604				1,673	
Road maintenance	891				900	
Road rehabilitation/Aboriginal community road transport services	76				77	
Road construction	275				341	
Road transport nec.	361				355	
Water transport	41				60	
Urban water transport services	-				-	
Other water transport services	41				60	
Rail transport	45				44	
Urban rail transport services	3				1	
Non-urban rail transport freight services	8				8	
Non-urban rail transport passenger services	34				35	
Air transport	5				10	
Pipelines	-				-	
Other transport	647				664	
Multi-mode urban transport	647				664	
Other transport nec.	-				-	
Communications	-				-	
<i>Other economic affairs</i>	609	744	681	673	608	-65
Storage, saleyards and markets	6				5	
Tourism and area promotion	103				120	
Labour and employment affairs	280				278	
Vocational training	189				186	
Other labour and employment affairs	91				92	
Other economic affairs	220				205	
<i>Other purposes</i>	1,249	1,395	1,237	1,267	1,264	-3
Public debt transactions	1,068				1,083	
General purpose inter-government transactions	181				181	
Natural disaster relief	1				1	
Other purposes nec.	-				-	
<i>Other <sup>(a)</sup></i>	-	-6	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>29,949</b>	<b>30,478</b>	<b>30,684</b>	<b>31,005</b>	<b>30,689</b>	<b>-316</b>
<b>PURCHASES OF NON-FINANCIAL ASSETS</b>						
General public services	130	122	140	136	108	-28
Public order and safety	140	188	185	172	162	-10
Education	384	476	526	496	426	-69
Health	346	356	336	246	199	-47
Social security and welfare	18	3	3	3	13	9
Housing and community amenities	101	53	77	96	115	19
Recreation and culture	174	193	191	193	168	-25
Fuel and energy	2	1	3	3	3	-
Agriculture, forestry, fishing and hunting	18	37	29	26	19	-7
Mining and mineral resources other than fuels; manufacturing; and construction	4	2	3	3	-(b)	-2
Transport and communications	1,083	1,372	1,351	1,262	1,308	46
Other economic affairs	38	26	25	24	20	-4
Other purposes <sup>(a)</sup>	-	-	-	-	-	-
<b>TOTAL PURCHASE OF NON-FINANCIAL ASSETS</b>	<b>2,438</b>	<b>2,830</b>	<b>2,868</b>	<b>2,658</b>	<b>2,540</b>	<b>-118</b>

(a) Budget provisions.

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

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

Table 3.2

**CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT (a)**  
General Government

	2017-18	2018-19				Variation on EOT \$m (4) - (3)
	Actual \$m	Budget Estimate \$m (1)	MYR Revision \$m (2)	Estimated Outturn \$m (3)	Actual \$m (4)	
<b>EXPENSES</b>						
<i>General public services</i>	1,624	1,715	1,544	1,577	1,510	-67
Executive and legislative organs, financial and fiscal affairs, external affairs	329				215	
General services	32				23	
Public debt transactions	1,068				1,083	
Transfers of a general character between different levels of government	181				181	
General public services n.e.c.	14				9	
<i>Public order and safety</i>	3,425	3,473	3,506	3,468	3,585	117
Police services	1,215				1,251	
Civil and fire protection services	397				435	
Law courts	859				989	
Prisons	894				855	
Research and development — public order and safety	27				27	
Public order and safety n.e.c.	33				27	
<i>Economic Affairs</i>	1,313	1,334	1,395	1,338	1,104	-233
General economic, commercial and labour affairs	320				317	
General economic and commercial affairs	234				226	
General labour affairs	85				90	
Agriculture, forestry, fishing and hunting	315				159	
Agriculture	232				83	
Forestry	18				20	
Fishing and hunting	65				57	
Fuel and energy	279				147	
Electricity	262				125	
Fuel and energy n.e.c.	17				22	
Mining, manufacturing and construction	242				273	
Mining of mineral resources and other than mineral fuels	216				246	
Construction	26				27	
Other industries	106				115	
Distributive trades, storage and warehousing	6				5	
Hotel and restaurants	11				11	
Tourism	89				99	
Research and development — agriculture, forestry, fishing and hunting	24				67	
Research and development — mining, manufacturing and construction	27				27	
<i>Environmental protection</i>	392	397	396	393	387	-6
Pollution abatement	2				2	
Protection of biodiversity and landscape	319				306	
Environmental protection n.e.c.	72				79	
<i>Housing and community amenities</i>	1,167	1,143	1,383	1,453	1,441	-12
Housing development	65				53	
Community development	596				880	
Indigenous community development	114				345	
Community development n.e.c.	482				535	
Water supply	506				508	

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

Table 3.2 (cont.)

**CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT <sup>(a)</sup>**  
**General Government**

	2017-18	2018-19			Actual \$m (4)	(4) - (3)
	Actual \$m (1)	Budget Estimate \$m (2)	MYR Revision \$m (3)	Estimated Outturn \$m (3)		
<i>Health</i>	8,917	9,058	9,090	9,245	9,013	-233
Medical products, appliances and equipment	668				625	
Pharmaceutical products	371				331	
Other medical products	172				170	
Therapeutic appliances and equipment	125				124	
Outpatient services	1,747				1,862	
General medical services	24				26	
Specialised medical services	1,326				1,460	
Dental services	5				6	
Paramedical services	391				370	
Hospital services	4,085				4,166	
General hospital services	3,570				3,648	
Specialised hospital services	397				383	
Nursing and convalescent home services	119				135	
Mental health institutions	325				336	
Community health services	1,233				1,212	
Community mental health services	491				532	
Patient transport	255				260	
Community health services n.e.c.	486				420	
Public health services	258				271	
Research and development — health	36				35	
Health n.e.c.	566				506	
<i>Recreation, culture and religion</i>	700	721	765	756	767	11
Recreational and sporting services	465				544	
Cultural services	235				223	
Film production services	3				9	
Cultural services n.e.c.	232				214	
<i>Education</i>	7,460	7,646	7,655	7,704	7,601	-103
Pre-primary and primary education	3,508				3,497	
Government pre-primary education	243				257	
Non-government pre-primary education	13				15	
Government primary education	2,513				2,436	
Non-government primary education	739				788	
Secondary education	2,795				2,953	
Government secondary education	1,838				1,930	
Non-government secondary education	956				1,023	
Tertiary education	708				696	
University education	10				10	
Vocational education and training (excl apprenticeships and traineeships)	698				686	
Education not definable by level	16				14	
Apprenticeships and traineeships	9				7	
Education not definable by level n.e.c.	7				7	
Subsidiary services to education	155				155	
Transportation of non-urban school students	104				103	
Transportation of other students	51				52	
Special education	278				286	

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

Table 3.2 (cont.)

**CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT (a)**  
General Government

	2017-18	2018-19			Actual \$m	(4) - (3)
	Actual \$m	Budget Estimate \$m	MYR Revision \$m	Estimated Outturn \$m		
		(1)	(2)	(3)	(4)	
<i>Social protection</i>	2,636	2,508	2,436	2,531	2,855	325
Sickness and disability	1,063				1,269	
Old age	462				472	
Family and children	657				695	
Housing	336				312	
Social exclusion n.e.c.	45				54	
Research and development — social protection	3				3	
Social protection n.e.c.	70				50	
Natural disaster relief	13				4	
Social protection n.e.c.	58				46	
<i>Transport</i>	2,316	2,488	2,512	2,541	2,425	-116
Road transport	1,604				1,673	
Road maintenance	891				900	
Road rehabilitation	76				77	
Road construction	275				341	
Road transport n.e.c.	361				355	
Bus transport	390				386	
Urban bus transport	356				351	
Non-urban bus transport	34				35	
Water transport	42				61	
Urban water transport passenger services	-				1	
Non-urban water transport services	41				60	
Railway transport	275				296	
Urban railway transport services	251				271	
Non-urban railway transport freight services	8				8	
Non-urban railway transport passenger services	16				17	
Air transport	5				10	
<i>Other<sup>(b)</sup></i>	-	-6	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>29,949</b>	<b>30,478</b>	<b>30,684</b>	<b>31,005</b>	<b>30,689</b>	<b>-316</b>
<b>PURCHASES OF NON-FINANCIAL ASSETS</b>						
General public services	137	130	147	143	113	-30
Public order and safety	143	190	188	173	165	-8
Economic affairs	24	47	36	33	19	-14
Environmental protection	37	38	42	39	38	-1
Housing and community amenities	74	25	48	69	89	20
Health	346	356	336	246	199	-47
Recreation, culture and religion	158	176	171	174	152	-21
Education	419	494	546	515	443	-71
Social protection	17	3	3	4	13	9
Transport	1,083	1,372	1,351	1,262	1,308	46
<b>TOTAL PURCHASE OF NON-FINANCIAL ASSETS</b>	<b>2,438</b>	<b>2,830</b>	<b>2,868</b>	<b>2,658</b>	<b>2,540</b>	<b>-118</b>

(a) The original 2018-19 Budget COFOG estimates were unpublished in the 2018-19 Budget Papers. However, they were stated for comparative purposes in the 2018-19 Mid-year Review (Appendix 1, Note 5).

(b) Budget provisions.



## **Comparison of Final Outcomes to Original Budget for the Year Ending 30 June 2019**

This appendix contains explanations for material variations in general government and total public sector financial aggregates compared to the original 2018-19 Budget presented to the Legislative Assembly on 10 May 2018, in line with the requirements of AASB 1055: *Budgetary Reporting*<sup>1</sup>.

For the general government operating statement, explanations are provided in this appendix for the three largest revenue sources (taxation, Commonwealth grants and royalties) and the three largest categories of expense (salaries, transfers and ‘other gross operating expenses’). Explanations are also provided for other revenue and expense items where the variance since the 2018-19 Budget is greater than or equal to \$10 million and 10%, and for key line items that appear on the face of the operating statement.

High level explanations are also provided for the other financial statements (the general government balance sheet and cash flow statement, and the three financial statements for the total public sector).

Detailed explanations of key variations to the estimates for 2018-19 can also be reviewed as these emerged in:

- the 2018-19 *Government Mid-year Financial Projections Statement* (or Mid-year Review, released in December 2018), describing changes since the original Budget during the first half of 2018-19;

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<sup>1</sup> Paragraph 6(f) of this standard indicates that major variances between the original Budget estimates and outcomes need to be explained in the financial statements. Paragraph 9 indicates that the original Budget is the first Budget presented to Parliament in respect of the reporting period.

- the 2019-20 Budget Paper No. 3: *Economic and Fiscal Outlook* (presented to the Legislative Assembly on 9 May 2019), describing changes since the Mid-year Review and up to the 8 April 2019 cut-off date for the 2019-20 Budget; and
- Chapter 1 of this report (detailing final outcomes since the 2019-20 Budget estimates were finalised on the 8 April 2019 cut-off date).

Each of these publications can be accessed through the Treasury website ([www.treasury.wa.gov.au](http://www.treasury.wa.gov.au)).

Following restatement in the 2017-18 *Annual Report on State Finances*, 2018-19 Budget land values have been restated for amended historical values that apply across back-years of the whole-of-government financial data series. The restated land values, totalling \$3.9 billion (of which \$3.8 billion applies to the public non-financial corporations sector), impact on the original 2018-19 Budget forecasts used in this appendix as the original Budget forecasts were prepared in May 2018 prior to the restatement in September 2018. The restatements flow through to general government and total public sector financial statements.

Table 4.1

# **GENERAL GOVERNMENT** **Operating Statement**

		2018-19			
	Notes	Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
RESULTS FROM TRANSACTIONS					
REVENUE					
Taxation	a	8,794	8,616	-178	-2.0
Current grants and subsidies	b	9,552	10,210	658	6.9
Capital grants	b	936	873	-63	-6.7
Sales of goods and services		2,614	2,734	119	4.6
Interest Income	c	146	168	21	14.5
Revenue from public corporations					
Dividends from other sectors		1,229	1,350	121	9.8
Tax equivalent income		636	642	5	0.8
Royalty income	d	5,057	6,713	1,656	32.7
Other	e	607	701	94	15.5
Total		29,572	32,006	2,434	8.2
EXPENSES					
Salaries	f	12,214	12,269	55	0.5
Superannuation					
Concurrent costs		1,224	1,213	-11	-0.9
Superannuation interest cost	g	206	135	-70	-34.1
Other employee costs	h	356	447	90	25.3
Depreciation and amortisation		1,493	1,445	-49	-3.3
Services and contracts		2,632	2,538	-94	-3.6
Other gross operating expenses	i	5,620	5,645	24	0.4
Interest					
Interest on leases		93	89	-4	-4.8
Other interest		916	859	-57	-6.2
Current transfers	j	5,305	5,426	120	2.3
Capital transfers	j	418	625	207	49.4
Total		30,478	30,689	211	0.7
NET OPERATING BALANCE	k	-906	1,317	2,223	-245.5
Other economic flows - included in the operating result					
Net gains on assets/liabilities		16	59	44	278.8
Provision for doubtful debts		-14	2	15	-113.3
Changes in accounting policy/adjustment of prior periods		-	-172	-172	-
Total other economic flows	l	2	-111	-113	-5,402.8
OPERATING RESULT		-903	1,206	2,110	-233.5
All other movements in equity					
Items that will not be reclassified to operating result					
Revaluations		662	-1,374	-2,036	-307.7
Net actuarial gains - superannuation		-165	-814	-649	393.4
Gains recognised directly in equity		-	-	-	-
Change in net worth of the public corporations sectors		-234	-1,661	-1,427	609.2
All other		-	-	-	-
Total all other movements in equity	m	262	-3,849	-4,111	-1,569.3
TOTAL CHANGE IN NET WORTH	n	-642	-2,642	-2,001	311.9
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE		-906	1,317	2,223	-245.5
Less Net acquisition of non-financial assets					
Purchase of non-financial assets		2,830	2,540	-290	-10.2
Changes in inventories		-	-	-	-
Other movement in non-financial assets		55	146	91	164.6
less:					
Sales of non-financial assets		173	100	-74	-42.5
Depreciation		1,493	1,445	-49	-3.3
Total net acquisition of non-financial assets		1,219	1,142	-76	-6.3
NET LENDING/-BORROWING	o	-2,124	175	2,299	-108.2

## General Government Sector Operating Statement

- (a) Taxation revenue was \$178 million (or 2%) lower than budgeted, with:
- transfer duty, down \$258 million (or 19.4%), primarily reflecting weaker than expected demand in the housing market, in part due to a tightening in residential lending criteria over the course of 2018 and early 2019;
  - landholder duty, down \$69 million (or 68.3%), reflecting fewer than anticipated very high value commercial landholder transactions. The number and value of these high value commercial transactions are infrequent and volatile within and between years;
  - payroll tax, up \$105 million (or 3%), due to stronger than anticipated growth in collections from a number of higher taxpaying industries, including mining and professional services. This coincides with stronger than expected employment growth in these industries during 2018-19;
  - motor vehicle taxes, up \$42 million (or 3.2%), largely due to higher motor vehicle registration collections (up \$39 million) following an increase in the number of registration for both light and heavy vehicles (and the flow-on effect to revenue); and
  - a net increase of \$1 million (or 0.1%) across all other taxes.
- (b) Current and capital grants from the Commonwealth were \$595 million (or 5.7%) lower than budgeted, driven by net changes to a range of grants including:
- a partial bring-forward into 2018-19 of the 2019-20 Commonwealth-funded 70% 'top-up' grant for Western Australia (\$434 million);
  - GST grants, down \$55 million (or 1.7%), reflecting lower than expected national GST collections and Western Australia's lower actual share of the national population;
  - North West Shelf grants, including Commonwealth compensation for crude oil excise arrangements, up \$71 million (or 8.4%), primarily due to a lower than assumed \$US/\$A exchange rate (US71.5 cents, relative to the US77.0 cents forecast for 2018-19) and crude oil prices averaging \$US68.6 per barrel compared with the 2018-19 Budget price assumption of \$US66.0 per barrel;
  - transport-related capital grants, down \$315 million (or 34.7%), largely due to the retiming from 2018-19 to later years of road project funding (reflecting updated project schedules, including for Northlink WA, Great Northern Highway – Muchea to Wubin, Reid Highway – Altone Road to West Swan Road), and the Commonwealth's decision to amend the timing and allocation of funding between METRONET projects (principally reallocating funds received in 2017-18 for 'projects under development' to the Thornlie-Cockburn Link and Yanchep Rail Extension, which reduced the funding to be received for these projects in 2018-19);

- housing-related capital grants, up \$251 million (compared with an expectation of no funding in the original Budget), reflecting a delay in receipt of the State's final National Partnership on Remote Housing payment from 2017-18 (\$130 million) and the signing of an agreement in December 2018, for a finite, once-off payment from the Commonwealth for \$121 million towards remote housing;
  - National Disability Services Agreement grants, up \$79 million (or 90.6%), reflecting the continued provision of all Commonwealth grant funding to Western Australia (including the portion to be on-paid to the Commonwealth's National Disability Insurance Agency for participants that transition to the Commonwealth-administered National Disability Insurance Scheme);
  - health-related grants, up \$72 million (or 59.1%), primarily reflecting an increase in Commonwealth funding paid to Health Service Providers for the delivery of various health services, and funding for health services provided to the eligible veteran population of Australia (including war veterans, members of the Australian Defence Force and the Australian Federal Police), along with the post-budget signing of a number of new agreements with the Commonwealth; and
  - a net increase of \$57 million (or 1.1%) across all other Commonwealth grants.
- (c) Interest income was \$21 million (or 14.5%) higher than budgeted. This reflects higher than budgeted earnings for the Public Bank Account (PBA) arising from the timing of transactions in and out of the PBA compared with 2018-19 Budget assumptions (which in turn affect average balances held in the PBA during the year, and overall management of the PBA cash holdings).
- (d) Royalty income was \$1,656 million (or 32.7%) higher relative to the 2018-19 Budget forecast. This was primarily due to higher projected iron ore royalties, which were \$1,722 million (or 40.8%) higher than budget, reflecting the combination of:
- the iron ore price averaging \$US80.4 per tonne through the year, 29.9% above the 2018-19 Budget price assumption of \$US61.9 per tonne;
  - a lower than expected average \$US/\$A exchange rate of US71.5 cents relative to the 2018-19 Budget forecast of US77.0 cents; and
  - a one-off \$250 million royalty backpayment from BHP, settled in June 2019.

In addition to iron ore, material variances were also recorded for alumina (up \$32 million), lithium (down \$44 million), gold (down \$21 million), and 'other' minerals (down \$23 million). A number of factors drive these variances, in particular: alumina prices were higher than assumed, gold prices were lower than assumed, and lithium royalties were down as a result of lower than anticipated direct shipping ore exports, as miners decided to retain ore for (under construction) concentrating facilities.

- (e) 'Other' revenue was \$94 million (or 15.5%) higher than budgeted, which reflects the impact of a range of 'lumpy', and often unbudgeted, transactions including net assets transferred to the general government sector such as land, bridges and roads from local governments and private organisations (such as developers and resources companies), higher than anticipated fines and penalties, and higher mining-related lease rental revenue.
- (f) Salaries expenses were \$55 million (or 0.5%) higher than budgeted. The largest increase was in WA Health (\$44 million, mainly due to an increase in accrued leave entitlements) with net movements (both up and down) across the rest of the sector.
- (g) Superannuation interest costs were \$70 million (or 34.1%) lower than budgeted, reflecting the impact on the whole-of-government superannuation liability of a lower than expected discount rate used by the actuary to value unfunded superannuation entitlements (down from the Budget estimate of 2.8% to 1.3%). The lower discount rate results in a significant increase in the value of superannuation liabilities at 30 June 2019, but also reduces the carrying cost (or notional interest charge) for the liability, which is recorded in this line item.
- (h) Other employee costs were \$90 million (or 25.3%) higher than budgeted, largely due to the reclassification of \$70 million of these costs by WA Health from 'other gross operating expenses'.
- (i) 'Other gross operating expenses' (largely made up of the day-to-day non-salaries operating costs of agencies, such as office accommodation costs, building and maintenance costs, electricity and water costs, and administration costs, along with services purchased from non-government organisations) were \$24 million (or 0.4%) higher than budgeted. This was largely due to the following net movements:
- lower (net) spending in this category by the Department of Communities (Disability Services, down \$127 million), with increased expenditure on disability services purchased from non-government organisations (up \$244 million) as a result of the continued provision of State-administered services to clients prior to their transition to the Commonwealth-administered National Disability Insurance Scheme (NDIS), which is being rolled out at a slower than expected rate, more than offset by the reclassification (to transfer expenses) of \$379 million related to State-funded NDIS spending;
  - higher than budgeted spending by WA Health (up a net \$65 million), including for electricity and water, equipment repairs and maintenance expenditure, offset by reduced direct patient support costs, including lower drug supplies, medical and surgical instruments, and prosthesis costs, along with the reclassification of \$70 million of expenses from this line item into other employee costs; and
  - the inclusion in the original budget of a \$73 million Royalties for Regions underspend provision in anticipation of lower spending that would emerge across the general government sector by 30 June 2019.

(j) Transfer expenses (mainly current and capital grant payments) were \$327 million (or 5.7%) higher than budgeted, with both higher current and capital transfers (up \$120 million and \$207 million respectively). Grants programs are typically volatile due to changes in timing of grants on-passed on behalf of the Commonwealth, milestones in grant agreements, funding parameters, and other such issues. Material changes impacting 2018-19 outcomes include:

- Grants paid by the Department of Communities (Disability Services) to the NDIS (up \$325 million), reflecting the reclassification noted earlier;
- higher grants by Main Roads to the local government sector (up \$85 million), mainly due to higher payments under the Disaster Recovery Funding Arrangements Western Australia for repairs to local roads following flooding events;
- lower grants paid by the Department of Transport (down \$13 million), mainly due to the deferral of the Busselton Margaret River Regional Airport Upgrade project (\$10 million), and underspends related to the Country Age Pension Fuel Card Subsidy (\$4 million). These were partly offset by an increase in payments made through the Taxi User Subsidy Scheme (\$2 million);
- lower than budgeted grant expenses by WA Health (down \$34 million), largely reflecting classification and timing issues;
- higher than budgeted grants paid by the Department of Mines, Industry Regulation and Safety (up \$46 million) to the resources sector. This was mainly due to higher than budgeted royalty rebates paid under the Magnetite Financial Assistance Program to magnetite producers (up \$37 million), resulting from higher iron ore prices (and higher royalties paid), and the post-budget decision (detailed in the 2018-19 Mid-year Review) to provide royalty rebates to the operators of the Koolyanobbing Iron Ore mine (\$17 million). This was partially offset by reduced Mining Tenement Refunds (down \$8 million) reflecting lower tenement activity in the resources sector;
- lower than budgeted grants paid by the Department of Primary Industries and Regional Development (down \$48 million), mainly due to spending being deferred into 2019-20 and future years for various Royalties for Regions and agricultural projects such as the Regional Telecommunication Project, Agricultural Telecommunications Infrastructure Fund, Regional Aged Care Accommodation Program, Regional Development Leverage Unit, and Agriculture Research Grants, along with the termination of the Albany Wave Energy Project;
- lower than budgeted State grants administered by the Department of Jobs, Tourism, Science and Innovation (down \$27 million), due to the Water Corporation's revised schedule to deliver the Onslow Water Supply Upgrade project;
- lower than budgeted grants paid by the Department of Fire and Emergency Services to local governments (down \$16 million), mainly reflecting delays in the negotiation of the contracts for local government grant scheme facilities and fire appliances;

- the inclusion in the original budget of a \$60 million provision for costs associated with resolution of Native Title in the South West of Western Australia, with these costs now expected to be incurred in 2019-20;
  - the inclusion in the original Budget of a \$47 million provision for spending on the Myalup-Wellington Water Project (funded by the Commonwealth). This is now expected to be received in a subsequent financial year, and is subject to the finalisation of the Commonwealth-State Agreement for this project;
  - higher on-passed Commonwealth grants to the Department of Communities (Housing Services<sup>2</sup>, up \$251 million), reflecting the higher remote housing grants discussed earlier under revenue;
  - lower Royalties for Regions grants to the Western Australian Land Authority (a public corporation, down \$43 million), due to a number of regional projects not commencing as forecast, including Transform Peel Phase 1 (\$22 million), the Moonamang Road (\$13 million) and Transforming Bunbury's Waterfront Stage 2 (\$5 million);
  - lower operating subsidies to the State's public corporations (down \$14 million), predominantly to the Water Corporation (down \$44 million), largely due to the finalisation of a lower subsidy requirement for 2017-18 (reflecting a reduction in total cost of service in country regions as a result of lower than expected infrastructure maintenance and changes in scheduling for country projects), and for lower subsidised costs in 2018-19, a reallocation of country operating expenses to metropolitan projects and a reduction in country revenue following cooler and wetter than average weather conditions impacting customer demand during the year. Partly offsetting the lower Water Corporation subsidy was higher than budgeted operating subsidies to the Western Australian Land Authority (up \$20 million), primarily due to payments for the Mangles Bay Tourist Precinct (\$7 million), Subiaco Oval Demolition (\$5 million) and Forrestdale Business Park West (\$8 million); and
  - lower than budgeted First Home Owner Scheme grants by the Department of Finance (down \$20 million), primarily reflecting weaker than anticipated demand in the first home buyer housing market, in part due to a tightening in residential lending criteria over the course of 2018 and in early 2019.
- (k) The net operating balance in 2018-19 was in a \$1.3 billion surplus position at 30 June 2019, a \$2.2 billion turnaround from the Budget projection for a \$906 million deficit. Revenue was \$2.4 billion (or 8.2%) higher than budgeted while expenses were \$211 million (or 0.7%) higher than forecast, as detailed above.

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<sup>2</sup> The Housing Services branch of the Department of Communities is a public corporation, outside of the general government sector.

- (l) 'Other economic flows'<sup>3</sup> resulted in an aggregate decrease in net worth of \$111 million, \$113 million lower than expected at the time of the Budget. The lower outcome is primarily driven by changes in accounting policies/adjustment of prior periods (which are not forecast in the Budget)<sup>4</sup>. The outcome also included higher than anticipated valuation increments across the range of other general government sector assets/liabilities.
- (m) All other movements in equity equated to an aggregate decrease in net worth of \$3.8 billion, a \$4.1 billion turnaround on 2018-19 Budget expectations. This item accounts for all changes in the net worth of the public sector balance sheet that are not accounted for on the general government sector operating statement, including the operations and valuation changes of public corporations, valuation changes across the sector's other assets and liabilities (including superannuation), and the impact of investing and financing activities. These other sources of variance are discussed throughout the following sections of this appendix.
- (n) Net worth at 30 June 2019 declined \$2.6 billion on the final outcome for 30 June 2018. This compared with a \$642 million decrease forecast in the original Budget, which was based on the expected outcome for 2017-18 at that time. The higher than expected decline in net worth is comprised of the changes in the net operating balance, 'other economic flows' and 'all other movements in equity' variances, noted above. This is the fourth consecutive annual decrease in net worth. The first three years of consecutive declines were driven predominantly by operating deficit outcomes for the general government sector, along with consecutive material revisions to the value of the State's substantial holdings of land and buildings. While the sector returned to an operating surplus position in 2018-19, net worth declined as a result of reductions in the value of the State's substantial holdings of land along with an increase in the unfunded superannuation liability (following material reductions in the long-term bond rate used to actuarially value this liability).
- (o) A \$175 million surplus outcome for net lending/borrowing (which includes the net operating balance from transactions, less non-cash depreciation costs plus the net cost of infrastructure investment activities) compares with the original \$2.1 billion deficit forecast at the time of the 2018-19 Budget.

Changes in general government sector purchases and sales of non-financial assets relative to Budget are discussed later in this appendix (as part of the cash flow statement).

<sup>3</sup> Changes in the value of assets or liabilities that do not result from transactions are referred to as 'other economic flows'. They include net gains on assets/liabilities, changes in accounting policy/adjustment of prior periods (which are not forecast in the Budget) and provisions for doubtful debts.

<sup>4</sup> Movements in the value of the public sector balance sheet that result from a revaluation or restatement of assets and liabilities are included in equity as reserves. These reserves are used to account for any unrealised gains or losses that would otherwise be recognised in the operating statement.

Inventory levels were budgeted to remain unchanged in 2018-19 Budget forecasts (and did so in this ARSF), while depreciation was \$49 million lower than budgeted (mostly reflecting lower than anticipated expenses for WA Health, the Departments of Education and Finance, and the Western Australia Police Force, related to final asset valuations for 2018-19).

Other movements in non-financial assets were \$91 million higher than Budget, largely reflecting movements in net assets transferred in/out of the sector.

Table 4.2

## GENERAL GOVERNMENT

Balance Sheet <sup>(a)</sup>

	Notes	2018-19			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
<b>ASSETS</b>					
<i>Financial assets</i>					
Cash and deposits		793	601	-192	-24.2
Advances paid		746	713	-33	-4.4
Investments, loans and placements		3,530	4,470	940	26.6
Receivables		2,906	3,999	1,093	37.6
Shares and other equity					
Investments in other public sector entities - equity method		42,836	40,745	-2,091	-4.9
Investments in other public sector entities - direct injections		10,161	10,000	-162	-1.6
Investments in other entities		50	20	-30	-59.9
Other financial assets		8	8	-	-2.4
<b>Total financial assets</b>	<b>a</b>	<b>61,030</b>	<b>60,556</b>	<b>-474</b>	<b>-0.8</b>
<i>Non-financial assets</i>					
Land		36,667	35,600	-1,067	-2.9
Property, plant and equipment		47,456	45,344	-2,112	-4.5
Biological assets		4	3	-1	-17.3
Inventories					
Land inventories		10	-	-10	-
Other inventories		73	71	-2	-2.8
Intangibles		668	626	-42	-6.3
Assets classified as held for sale		88	43	-45	-51.0
Investment property		-	7	7	-
Other		246	245	-1	-0.4
<b>Total non-financial assets</b>	<b>b</b>	<b>85,212</b>	<b>81,940</b>	<b>-3,273</b>	<b>-3.8</b>
<b>TOTAL ASSETS</b>	<b>c</b>	<b>146,242</b>	<b>142,496</b>	<b>-3,746</b>	<b>-2.6</b>
<b>LIABILITIES</b>					
Deposits held		765	686	-79	-10.3
Advances received		368	343	-25	-6.8
Borrow ings					
Lease liabilities		1,149	1,156	7	0.6
Other borrow ings		28,678	26,589	-2,089	-7.3
Superannuation		6,812	7,062	250	3.7
Other employee benefits		2,999	3,197	198	6.6
Payables		1,433	1,425	-8	-0.6
Other liabilities		1,290	1,445	154	11.9
<b>TOTAL LIABILITIES</b>	<b>d</b>	<b>43,494</b>	<b>41,903</b>	<b>-1,592</b>	<b>-3.7</b>
<b>NET ASSETS</b>		<b>102,748</b>	<b>100,593</b>	<b>-2,155</b>	<b>-2.1</b>
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		3,904	6,850	2,946	75.5
Other reserves		98,844	93,743	-5,101	-5.2
<b>NET WORTH</b>	<b>e</b>	<b>102,748</b>	<b>100,593</b>	<b>-2,155</b>	<b>-2.1</b>
<b>MEMORANDUM ITEMS</b>					
<i>Net financial worth</i>		17,536	18,653	1,118	6.4
<i>Net financial liabilities</i>		35,462	32,091	-3,370	-9.5
<i>Net debt</i>					
Gross debt liabilities		30,960	28,774	-2,186	-7.1
less: liquid financial assets		5,069	5,784	715	14.1
less: convergence differences impacting net debt		-	-	-	-
<b>Net debt</b>	<b>f</b>	<b>25,891</b>	<b>22,990</b>	<b>-2,901</b>	<b>-11.2</b>

(a) 2018-19 Budget forecasts restated for land valuation changes noted in the introduction to this appendix.

## General Government Sector Balance Sheet

- (a) General government sector financial assets totalled \$60.6 billion at 30 June 2019, down \$474 million (or 0.8%) from the original Budget (restated for revised land values in the public corporations sectors noted in the introduction to this appendix). This reflected a \$2.3 billion (or 4.3%) decrease in the value of investments in other public sector entities (i.e. public corporations), mainly reflecting lower valuation effects in the public non-financial corporations sector. This was partly offset by a \$1.1 billion (or 37.6%) higher than expected outturn for receivables<sup>5</sup> (mainly due to the timing of transactions), and higher than budgeted holdings of liquid financial assets which were up \$715 million (or 14.1%), mainly due to higher PBA investment holdings<sup>6</sup>.
- (b) Non-financial assets (such as land and infrastructure holdings) totalled \$81.9 billion at 30 June 2019, down \$3.3 billion (or 3.8%) from Budget. This primarily reflects lower than forecast property, plant and equipment (down \$2.1 billion) and lower valuation of the sector's land holdings (down \$1.1 billion). These results were partly driven by the lower than expected outcome for the year ending 30 June 2018 discussed in the 2017-18 ARSF, along with lower than budgeted year-end valuations for land (including land under roads) for 2018-19.
- (c) Total assets were \$142.5 billion at 30 June 2019, down \$3.7 billion (or 2.6%) compared to the restated original Budget, reflecting the movements outlined above.
- (d) Total liabilities were \$41.9 billion at 30 June 2019, down \$1.6 billion (or 3.7%) from the original Budget. Key movements included:
- debt liabilities, which include deposits held, advances from the Commonwealth and borrowings (down a total \$2.2 billion), largely due to \$2.1 billion decrease in borrowings with Consolidated Account not needing to borrow in 2018-19, compared with a Budget expectation of a net \$1.8 billion increase in centrally held debt; and
  - non-debt liabilities (up \$594 million), with higher unfunded superannuation (up \$250 million, due to the actuarial valuation at 30 June 2019) along with higher than Budget outcomes for employee benefits such as accruing leave entitlements (up \$198 million), 'other' liabilities (up \$154 million, which are subject to the timing of cash payments by the sector). Payables<sup>7</sup> were broadly unchanged (down \$8 million).
- (e) Net worth (the difference between total assets and total liabilities) was \$100.6 billion at 30 June 2019. This outcome is \$2.2 billion (or 2.1%) lower than the restated forecast of \$102.7 billion in the 2018-19 Budget and reflects the net impact of the outcomes noted above.

<sup>5</sup> Accounts for goods and services that have been invoiced but for which cash is still to be received.

<sup>6</sup> The PBA is the central bank account of the Western Australian public sector. Divisions of the PBA include the Consolidated Account, agency and Treasurer's Special Purpose Accounts and other centrally managed bank accounts. The PBA is administered by the Treasury with funds management provided by the Western Australian Treasury Corporation. Key components of the PBA are discussed further in Appendix 7: *Public Ledger*.

<sup>7</sup> Payables include short and long-term trade creditors, and accounts payable.

- (f) General government sector net debt was \$23 billion at 30 June 2019, \$2.9 billion (or 11.2%) lower than the \$25.9 billion estimated in the original Budget. This largely reflected the better than expected cash outcome for 2018-19, detailed in the next section, and the final outturn for 30 June 2018 (reported in the 2017-18 *Annual Report on State Finances*).

Table 4.3

**GENERAL GOVERNMENT**  
**Cash Flow Statement**

		2018-19			
	Budget Notes Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %	
CASH FLOWS FROM OPERATING ACTIVITES					
Cash received					
Taxes received	8,978	8,911	-66	-0.7	
Grants and subsidies received	10,500	11,082	582	5.5	
Receipts from sales of goods and services	2,627	2,599	-28	-1.0	
Interest receipts	142	173	32	22.5	
Dividends and tax equivalents	1,853	2,092	238	12.8	
Other	6,892	7,659	767	11.1	
Total cash received	30,992	32,517	1,525	4.9	
Cash Paid					
Wages, salaries and supplements, and superannuation	-13,891	-13,766	125	-0.9	
Payments for goods and services	-8,657	-8,473	184	-2.1	
Interest paid	-979	-950	29	-3.0	
Grants and subsidies paid	-5,285	-5,635	-349	6.6	
Dividends and tax equivalents	-	-	-	-	
Other payments	-1,594	-1,679	-85	5.3	
Total cash paid	-30,407	-30,503	-96	0.3	
NET CASH FLOWS FROM OPERATING ACTIVITIES	a	585	2,014	1,429	244.2
CASH FLOWS FROM INVESTING ACTIVITES					
Cash flows from investments in non-financial assets					
Purchase of non-financial assets	b	-2,830	-2,540	290	-10.2
Sales of non-financial assets	c	173	100	-74	-42.5
Total cash flows from investments in non-financial assets	d	-2,657	-2,441	216	-8.1
Cash flows from investments in financial assets					
Cash received					
For policy purposes	30	33	3	10.5	
For liquidity purposes	28	308	279	984.8	
Cash paid					
For policy purposes	-1,391	-790	601	-43.2	
For liquidity purposes	-	-66	-66	-	
Total cash flows from investments in financial assets	-1,332	-516	817	-61.3	
NET CASH FLOWS FROM INVESTING ACTIVITIES		-3,989	-2,956	1,033	-25.9
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash received					
Advances received	17	17	-	0.2	
Borrow ings	2,176	61	-2,115	-97.2	
Deposits received	-	-	-	-	
Other financing receipts	190	253	63	33.2	
Total cash receipts from financing activities	2,382	330	-2,052	-86.1	
Cash paid					
Advances paid	-17	-17	-	0.2	
Borrow ings repaid	-431	-513	-82	19.0	
Deposits paid	-	-	-	-	
Other financing payments	-301	-214	87	-28.8	
Total payments for financing activities	-749	-744	5	-0.6	
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,633	-414	-2,047	-125.3
Net increase in cash and cash equivalents		-1,770	-1,355	415	-23.4
Cash and cash equivalents at the beginning of the year		5,745	6,360	615	10.7
Cash and cash equivalents at the end of the year		3,974	5,005	1,030	25.9
KEY FISCAL AGGREGATES					
Net cash flow s from operating activities		585	2,014	1,429	244.2
Net cash flow s from investing in non-financial assets		-2,657	-2,441	216	-8.1
Cash surplus/-deficit	e	-2,072	-426	1,645	-79.4

## General Government Sector Cash Flow Statement

- (a) Net cash flows from operating activities (i.e. the receipts and payments of day-to-day operating activities of general government agencies) were in a net \$2 billion cash surplus position in 2018-19, a \$1.4 billion improvement on the \$585 million cash operating surplus forecast in the 2018-19 Budget<sup>8</sup>. Total operating cash received in 2018-19 was \$32.5 billion, \$1.5 billion (or 4.9%) higher than Budget, while total cash paid in 2018-19 was \$30.5 billion, \$96 million (or 0.3%) higher than Budget.

The \$1.4 billion improvement in the cash operating result reflects similar factors to the improvement for the accrual operating balance on the operating statement (discussed earlier in this appendix). In particular, improvements in revenue were matched with broadly similar increases in operating receipts while, at the same time, the cash flow equivalents to the marginally higher than budgeted accrual expenses (largely in the areas of salaries, transfer expenses and other gross operating expenses) moved in a largely similar way on the cash flow statement.

Other changes in non-cash transactions such as depreciation and superannuation interest on the operating statement (which were lower than the original Budget and discussed earlier in this appendix) do not appear on the cash flow statement, and also contribute to the difference in outcomes for accrued operating expenses compared to cash operating payments.

- (b) Purchases of non-financial assets (i.e. largely land and infrastructure investment) were \$2.5 billion in 2018-19, \$290 million (or 10.2%) lower than the 2018-19 Budget, with key changes including:
- WA Health (down \$148 million), reflecting delays and other changes in timing associated with project design activity and procurement processes, mainly in relation to the Quadriplegic Centre Redevelopment, Karratha Health Campus, Replacement of Medical Imaging System (PACS-RIS), Small Hospital and Nursing Post Refurbishment Program, Primary Health Centres Demonstration Program, Onslow Hospital, Renal Dialysis and Support Services and Equipment Replacement Program;
  - Main Roads (down \$52 million), due largely to revised timing of works for major road projects, including Bunbury Outer Ring Road Stages 2 and 3, Great Northern Highway – Muchea to Wubin project and Karratha-Tom Price Road Stages 3 and 4;

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<sup>8</sup> The net cash flow from operating activities is the cash equivalent of the operating balance on the operating statement discussed earlier in this appendix and in Chapter 1 of this report. This cash flow aggregate is based on cash information only while the accrual operating balance includes non-cash transactions such as depreciation charges, and recognises costs (expenses) and benefits (revenue) as they occur rather than only when cash is paid or received.

- Department of Education (down \$52 million), primarily due to changes in the timing of capital expenditure, particularly in key projects including the redevelopment of Balcatta Senior High School, the land acquisition program for future school sites, new Primary School construction and projects approved from Universal Access (Commonwealth) funding;
- Department of Local Government, Sport and Cultural Industries (down \$35 million), mainly due to the timing delays for the New Museum project related to the deferral of content delivery works, together with the impact of timing of payments for upgrades at His Majesty's Theatre;
- Department of Finance (down \$25 million), mainly resulting from lower vehicle purchases through State Fleet together with delayed expenditure across a range of office accommodation fit-out projects;
- Department of Primary Industries and Regional Development (down \$25 million), primarily due to the deferral of spending to 2019-20 and 2020-21 following delays in identifying suitable projects for the Royalties for Regions North West Aboriginal Housing Initiative and the associated reallocation of funding to the East Kimberley Transitional Housing project in the Department of Communities. In addition, spending on the Information Management System Upgrade has been deferred to 2019-20;
- Department of Justice (down \$20 million), due to updated project delivery schedules for a range of custodial infrastructure projects, including the Casuarina Prison – Stage One and Bunbury Regional Prison expansions;
- Western Australian Planning Commission (up \$21 million), mainly due to the 2019-20 State Budget decision for the Commission to reprioritise its Metropolitan Land Acquisition program over the forward estimates period in order to acquire land associated with long term transport requirements, in addition to the Commission's business as usual acquisition program; and
- the inclusion in the original Budget of a \$46 million Royalties for Regions underspend provision, in anticipation of lower actual spending that would emerge for infrastructure projects across the general government sector by 30 June 2019.

- (c) Sales of non-financial assets were \$100 million in 2018-19, \$74 million (or 42.5%) lower than Budget, with key changes including:
- lower land sales by the Department of Planning, Lands and Heritage (down \$41 million), mainly reflecting a \$54 million Land Asset Sales Program target that was included in the 2018-19 Budget as a provision for the sale of freehold land owned by other agencies. Freehold land sales totalling \$30 million were achieved in 2018-19, and these sales are included in individual agency statements. Crown land sales were \$13 million higher than the original Budget forecast, primarily due to the inclusion of proceeds from the Project Kennedy Development Project and the achievement of a higher volume of operational sales undertaken by the Department (inclusive of several regional assets unexpectedly selling in an otherwise depressed market); and
  - the Department of Finance (down \$21 million), largely resulting from agencies deferring the sale of vehicles together with the extension of existing vehicle lease terms leading to lower vehicle sale values, both of which are consistent with recent State Fleet reform initiatives.
- (d) Net cash flows from investments in non-financial assets totalled \$2.4 billion in 2018-19, \$216 million lower than Budget and reflecting the combined effect of changes in purchases and sales outlined above.
- (e) The general government sector recorded a \$426 million cash deficit in 2018-19, \$1.6 billion (or 79.4%) smaller than the \$2.1 billion cash deficit forecast in the original Budget. This reflects the combination of net cash receipts from operations and net investment in non-financial assets described above. The cash deficit is the key driver of movements in net debt (discussed above and in the *Financial Results* chapter of this ARSF).

**TOTAL PUBLIC SECTOR**  
Operating Statement

Table 4.4

		2018-19			
	Notes	Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
RESULTS FROM TRANSACTIONS					
REVENUE					
Taxation		8,266	8,097	-169	-2.0
Current grants and subsidies		9,552	10,210	658	6.9
Capital grants		936	873	-63	-6.7
Sales of goods and services		22,408	23,488	1,080	4.8
Interest income		586	639	53	9.1
Royalty income		5,057	6,713	1,656	32.7
Other		1,051	1,193	142	13.5
Total	a	47,856	51,214	3,357	7.0
EXPENSES					
Salaries		13,371	13,382	11	0.1
Superannuation					
Concurrent costs		1,340	1,323	-17	-1.3
Superannuation interest cost		206	135	-70	-34.1
Other employee costs		236	350	114	48.2
Depreciation and amortisation		3,663	3,431	-232	-6.3
Services and contracts		3,223	3,306	82	2.6
Other gross operating expenses		20,493	22,084	1,590	7.8
Interest					
Interest on leases		177	174	-3	-1.9
Other interest		1,740	1,583	-157	-9.0
Current transfers		4,261	4,411	150	3.5
Capital transfers		363	319	-44	-12.0
Total	b	49,073	50,498	1,424	2.9
NET OPERATING BALANCE	c	-1,217	716	1,933	-158.9
Other economic flows - included in the operating result					
Net gains on assets/liabilities		120	254	135	112.6
Provision for doubtful debts		-49	-16	33	-66.8
Changes in accounting policy/adjustment of prior periods		-	-310	-310	-
Total other economic flows	d	70	-72	-142	-203.0
OPERATING RESULT		-1,147	644	1,791	-156.2
All other movements in equity					
Items that will not be reclassified to operating result					
Revaluations		-433	-2,444	-2,011	464.4
Net actuarial gains - superannuation		-162	-850	-689	426.3
Gains recognised directly in equity		1,100	8	-1,092	-99.3
All other		-	-	-	-
Total all other movements in equity	e	505	-3,286	-3,792	-750.4
TOTAL CHANGE IN NET WORTH	f	-642	-2,642	-2,001	311.9
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE		-1,217	716	1,933	-158.9
Less Net acquisition of non-financial assets					
Purchase of non-financial assets		6,248	4,965	-1,283	-20.5
Changes in inventories		516	614	98	19.1
Other movement in non-financial assets		230	273	43	18.5
less:					
Sales of non-financial assets		853	654	-199	-23.3
Depreciation		3,663	3,431	-232	-6.3
Total net acquisition of non-financial assets		2,478	1,767	-710	-28.7
NET LENDING/-BORROWING	g	-3,695	-1,051	2,644	-71.6

## Total Public Sector<sup>9</sup> Operating Statement

- (a) Operating revenue in 2018-19 was \$51.2 billion, \$3.4 billion (or 7%) higher than budgeted, with a lower outcome for taxation more than offset by higher outcomes for all other line items, dominated by increases in royalties and sales of goods and services. Movements for taxation, royalties and Commonwealth grants (which also appear on the general government operating statement with most of this income received by that sector) have been outlined earlier in this appendix<sup>10</sup>.

Sales of goods and services were \$1.1 billion (or 4.8%) higher than Budget, with material changes attributable to:

- the Gold Corporation (up \$1.8 billion), mainly due to higher than budgeted gold prices through the year and the accounting treatment for actual precious metal transactions recorded at year-end<sup>11</sup>. This significant increase in forecast revenue is broadly matched by an equivalent decrease in related expenses (see (b) later in this section);
- Racing and Wagering Western Australia (down \$186 million), due largely to lower betting turnover. Lower than expected betting revenue is broadly matched by reduced betting dividend payouts and other direct costs of sales;
- the Department of Communities (Housing Services, down \$129 million), mostly reflecting lower sales from the Affordable Housing program as a result of prevailing property market conditions, and lower rental revenue reflecting a decline in market rents across the State. This lower than expected revenue is broadly matched by an equivalent reduction in related expenses;

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<sup>9</sup> The total public sector (also known as the whole-of-government) consolidates the general government sector (discussed earlier), the public non-financial corporations sector (which includes entities delivering non-financial services on a predominantly cost recovery basis, like the State's ports, and the electricity and water utilities), and the public financial corporations sector (which includes agencies mainly engaged in financial activities such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

<sup>10</sup> Internal transfers between the general government sector and agencies in the public corporations sectors are eliminated in the whole-of-government consolidation process. Accordingly, some total public sector financial aggregates may be smaller than the general government equivalent. For example, the general government sector collects payroll tax from some public corporations. These internal collections are not shown in the total public sector taxation revenue data which is thus smaller than the general government taxation revenue aggregate.

<sup>11</sup> Accounting standards differentiate between exchanges/swaps of similar goods and all other forms of settlement. When a metals transaction is settled in metal ounces (i.e. a similar good) only the net amount (i.e. the margin) is recognised as revenue whereas cash settlement results in the gross revenue and disclosures (metal value and margin) being recognised. The settlement method is at the customer's discretion and as such out of the Gold Corporation's control and can result in significant variations between forecasts and actual outcomes.

- Western Power (down \$113 million), due largely to the inclusion in the 2018-19 Budget of projections for network tariff revenue based on a Consumer Price Index escalation of the final year of the previous Access Arrangement (AA3), which was necessary due to delays in finalising the new Access Arrangement (AA4). As part of the 2019-20 Budget, Western Power has aligned network tariff revenue with the Economic Regulation Authority's final decision on the AA4 (which was published on 20 September 2018), and which resulted in revised (lower) network tariff revenue for 2018-19<sup>12</sup>;
- Synergy (down \$99 million), primarily due to the reclassification of development fee revenue relating to the Warradarge Wind Farm (discussed further below);
- the Insurance Commission of Western Australia (down \$257 million), reflecting the reclassification of investment gains from a forecast revenue to (non-cash) valuations, and of some investment income items to 'other' income; and
- the Lotteries Commission (up \$113 million), as a result of a higher than expected level of first division jackpots with an associated increase in related expenditure on prize distributions and retailer commission costs.

'Other' income was \$142 million (or 13.5%) higher than budgeted, largely reflecting the reclassification of some Insurance Commission investment income items noted above (e.g. dividends and trust distributions), totalling \$115 million.

- (b) Operating expenses in 2018-19 were \$50.5 billion, \$1.4 billion (or 2.9%) higher than Budget, with higher outcomes for 'other' gross operating expenses only partly offset by lower outcomes across all other line items.

'Other' gross operating expenses were \$1.6 billion (or 7.8%) higher than Budget, due largely to the (broadly equivalent) impact on expenses of the revenue issues outlined above for the Gold Corporation (up \$1.9 billion), Racing and Wagering Western Australia (down \$158 million), the Department of Communities (Housing Services, down \$71 million), and Lotteries Commission (up \$57 million).

In addition, Synergy recorded higher than budgeted 'other' gross operating expense outcomes (up \$119 million), largely due to recognition of an onerous contracts provision in respect of its gas supply agreements.

In the public financial corporations sector, claims expenses were \$60 million higher than budgeted, due to higher than anticipated claims for:

- the Insurance Commission of Western Australia (up \$34 million), with both an increase in the number of new claims received and a higher number of large loss claim settlements. The impact of the annual actuarial valuation of both the number and value of future claims also resulted in an increase in claims; and

<sup>12</sup> At the same time, expenses were also updated to be lower, due to the outcome of Western Power's Business Transformation Program which achieved reductions in operating expenditure across the business (including for salaries) through initiatives such as improved asset management strategies.

- RiskCover (up \$26 million), as a result of an increase in the annual actuarial valuation of outstanding claims due to a decline in the discount rate combined with an increase in the number of claims in the property class of insurance.

Excluding these specific agencies, and the reclassification of State-funded NDIS spending outlined earlier, 'other' gross operating expenses for all other agencies were up \$110 million (or 1.8%).

Salaries were \$11 million higher than forecast in the 2018-19 Budget, with a \$43 million lower salaries outcome for the State's public non-financial corporations, attributable to Western Power (down \$51 million, see footnote on previous page), offset by higher than budgeted salaries outcomes for the general government sector (up \$55 million). Public financial corporations' salary costs were unchanged from Budget (down \$1 million).

Depreciation and amortisation expenses were \$232 million (or 6.3%) lower than the original Budget, with public non-financial corporations sector outcomes \$183 million lower than anticipated while general government sector depreciation costs were \$49 million lower than forecast. The lower than expected outcomes mainly reflect lower annual valuations for physical assets, including electricity and water related assets for Synergy (\$98 million), Water Corporation (\$27 million), and Western Power (\$20 million) which are both valued on a 'fair value' basis in whole-of-government financial reporting. In the general government sector, lower than budgeted depreciation outcomes were recorded for WA Health (\$16 million), the Departments of Education (\$16 million) and Finance (\$9 million), and the Western Australia Police Force (\$9 million), while the Western Australian Sports Centre Trust recorded higher than budgeted outcomes (up \$19 million).

Across the other expense line items, lower than Budget outcomes were recorded for capital transfers (down \$44 million, or 12%), concurrent superannuation costs (down \$17 million, or 1.3%), interest expenses (down \$161 million, or 8.4%), and superannuation interest costs (down \$70 million, or 34.1%). These were only partly offset by higher than forecast outcomes for current transfers (up \$150 million, or 3.5%), other employee costs (up \$114 million, or 48.2%), and services and contracts (up \$82 million, or 2.6%).

- (c) The total public sector recorded a \$716 million operating surplus in 2018-19, a \$1.9 billion turnaround on the \$1.2 billion deficit projected at the time of the 2018-19 Budget. Revenue was \$3.4 billion (or 7%) higher than forecast while expenses were \$1.4 billion (or 2.9%) higher. The main drivers of these movements have been outlined above.

- (d) 'Other' economic flows resulted in an aggregate decrease in net worth of \$72 million, a \$142 million turnaround on the forecast rise in the 2018-19 Budget. This was predominantly due to a \$310 million change in accounting policies/adjustment of prior periods (which are not forecast in the Budget)<sup>13</sup>. In addition, net gains on assets/liabilities were \$135 million higher than projected, while the provision for doubtful debts varied by \$33 million.
- (e) All other movements in equity equate to an aggregate decrease in net worth of \$3.3 billion in 2018-19, a \$3.8 billion turnaround from Budget expectations for a \$505 million increase. This was due to lower than expected valuations (e.g. for land) in 2018-19 (down \$2 billion), lower than estimated gains recognised directly in equity (down \$1.1 billion), and lower than budgeted net actuarial gains on superannuation (down \$689 million, largely reflecting movements in the discount rate used in the annual valuation).
- (f) The total change in net worth at 30 June 2019 was a decrease of \$2.6 billion compared with a \$642 million decrease forecast at Budget. This change is comprised of the changes in the net operating balance, other economic flows and all other movements in equity variances outlined above and in the equivalent general government sector discussion earlier in this appendix.
- (g) Net lending/borrowing was in a \$1.1 billion deficit position in 2018-19, \$2.6 billion (or 71.6%) smaller than the net lending deficit projected in the original Budget.

This includes changes in total public sector purchases and sales of non-financial assets detailed later in this appendix (under the cash flow statement).

Inventories were budgeted to rise by \$516 million but instead increased by \$614 million, with this \$98 million increase primarily driven by the Gold Corporation's holdings of precious metals.

Depreciation expenses were \$232 million (or 6.3%) lower than budgeted, as outlined earlier in this section.

Other movements in non-financial assets (which comprises the value of assets transferred in/out of the sector, and assets acquired under finance leases) were \$43 million higher than expected in the 2018-19 Budget (see general government sector discussion earlier in this appendix).

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<sup>13</sup> Movements in the value of the public sector balance sheet that result from a revaluation or restatement of assets and liabilities are included in equity as reserves. These reserves are used to account for any unrealised gains or losses that would otherwise be recognised in the operating statement. The large result for 2017-18 reflects a \$1 billion outcome in the public non-financial corporations sector, largely due to the removal of the deferred tax benefits eliminated in the whole-of-government consolidation under tax equivalent arrangements.

Table 4.5

**TOTAL PUBLIC SECTOR**Balance Sheet <sup>(a)</sup>

	Notes	2018-19			
		Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
<b>ASSETS</b>					
<i>Financial assets</i>					
Cash and deposits		1,517	1,517	1	-
Advances paid		4,873	4,782	-91	-1.9
Investments, loans and placements		18,462	19,567	1,105	6.0
Receivables		4,154	5,825	1,670	40.2
Equity - Investments in other entities		2,481	1,920	-562	-22.6
Other financial assets		15	13	-2	-10.3
<i>Total financial assets</i>		31,503	33,624	2,122	6.7
<i>Non-financial assets</i>					
Land		45,336	43,809	-1,527	-3.4
Property, plant and equipment		104,681	101,099	-3,582	-3.4
Biological assets		313	345	32	10.3
Inventories					
Land inventories		2,261	1,852	-408	-18.1
Other inventories		4,717	4,345	-372	-7.9
Intangibles		1,089	1,028	-61	-5.6
Assets classified as held for sale		111	59	-52	-46.8
Investment property		100	67	-33	-33.0
Other		355	381	26	7.3
<i>Total non-financial assets</i>		158,963	152,985	-5,977	-3.8
<b>TOTAL ASSETS</b>		190,465	186,610	-3,856	-2.0
<b>LIABILITIES</b>					
Deposits held		26	11	-15	-56.7
Advances received		368	343	-25	-6.8
Borrow ings					
Lease liabilities		1,890	1,902	12	0.6
Other borrow ings		61,671	59,072	-2,599	-4.2
Superannuation		6,872	7,165	293	4.3
Other employee benefits		3,366	3,577	211	6.3
Payables		7,063	7,211	147	2.1
Other liabilities		6,461	6,736	275	4.3
<b>TOTAL LIABILITIES</b>		87,717	86,017	-1,701	-1.9
<b>NET ASSETS</b>		102,748	100,593	-2,155	-2.1
<i>Of which:</i>					
Contributed equity		-	-	-	-
Accumulated surplus		27,206	26,673	-533	-2.0
Other reserves		75,542	73,920	-1,622	-2.1
<b>NET WORTH</b>	a	102,748	100,593	-2,155	-2.1
<b>MEMORANDUM ITEMS</b>					
<i>Net financial worth</i>		-56,215	-52,392	3,822	-6.8
<i>Net financial liabilities</i>		56,215	52,392	-3,822	-6.8
<i>Net debt</i>					
Gross debt liabilities		63,955	61,329	-2,627	-4.1
less: liquid financial assets		24,852	25,867	1,014	4.1
less: convergence differences impacting net debt		-	-	-	-
<i>Net debt</i>	b	39,103	35,462	-3,641	-9.3

(a) 2018-19 Budget forecasts restated for land valuation changes noted in the introduction to this appendix.

## Total Public Sector Balance Sheet<sup>14</sup>

- (a) Net worth of the total public sector was \$100.6 billion at 30 June 2019, which is equivalent to that of the general government sector (down \$2.2 billion, or 2.1% on the Budget-time forecast (restated for revised land values noted in the introduction to this appendix and as discussed earlier).

Movements since the original Budget for these balance sheet items largely reflect variances in the final results for the year ending 30 June 2018 compared to the then expected outcome for that year, changes due to operating and investing operations through 2018-19 (discussed in cash flow terms below), and movements in the valuation of assets (particularly land and other physical assets).

- Assets were \$3.9 billion (or 2%) lower than the restated Budget with lower holdings of non-financial assets (down \$6 billion) partly offset by a higher stock of financial assets (up \$2.1 billion).

For financial assets, receivables were \$1.7 billion higher (with the increase in receivables reflecting timing issues for a range of transactions), while liquid cash holdings were \$1 billion higher than anticipated.

Lower than budgeted non-financial asset outcomes were recorded for a range of asset classes, predominantly for property, plant and equipment (down \$3.6 billion), and land (down \$1.5 billion), reflecting valuation movements in 2017-18 and 2018-19. Also lower than Budget were land and 'other' inventories (down \$408 million and \$372 million respectively), intangibles (down \$61 million), non-current assets held for sale (down \$52 million), and investment property (down \$33 million). These outcomes were partly offset by upward variations for biological assets (up \$32 million), and 'other' non-financial assets (up \$26 million).

- Liabilities were \$1.7 billion (or 1.9%) lower than Budget, with lower gross debt liabilities (down \$2.6 billion, largely reflecting lower borrowing activity for 2018-19 by the Western Australian Treasury Corporation), partially offset by an increase in unfunded superannuation liabilities (up \$293 million, due mainly to a higher actuarial valuation at year-end), 'other' liabilities (up \$275 million), 'other employee benefits' (up \$211 million), and payables (up \$147 million).

<sup>14</sup> Net worth of the total public sector is equivalent to general government sector net worth discussed earlier in this appendix. This is because the net worth of the public corporations is recorded as an asset on the general government sector balance sheet. Accordingly, the variance from original Budget is also the same as for the general government sector. However, total public sector assets and liabilities are different to the general government sector disclosure as the assets and liabilities of the public corporations are disclosed in more detail than the net asset holding in public corporations recorded on the general government sector balance sheet.

- (b) Total public sector net debt was \$35.5 billion at 30 June 2019, \$3.6 billion (or 9.3%) lower than the \$39.1 billion estimated in the 2018-19 Budget. Gross debt liabilities were \$2.6 billion lower while holdings of liquid financial assets were up \$1 billion. These variances include a \$1.3 billion lower than expected outcome for the year ending 30 June 2018, as detailed in the 2017-18 ARSF, and movements in assets and liabilities detailed above.

Table 4.6

**TOTAL PUBLIC SECTOR**  
**Cash Flow Statement**

		2018-19			
	Notes	Budget Estimate \$m	Actual \$m	Variation on Budget \$m	Variation on Budget %
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received					
Taxes received		8,433	8,392	-42	-0.5
Grants and subsidies received		10,500	11,082	582	5.5
Receipts from sales of goods and services		22,573	23,693	1,120	5.0
Interest receipts		645	661	16	2.4
Dividends and tax equivalents		-	-	-	-
Other		7,626	8,807	1,181	15.5
Total cash received		49,777	52,635	2,858	5.7
Cash paid					
Wages, salaries and supplements, and superannuation		-15,194	-15,062	133	-0.9
Payments for goods and services		-22,011	-23,421	-1,409	6.4
Interest paid		-1,896	-2,017	-121	6.4
Grants and subsidies paid		-4,002	-4,129	-127	3.2
Dividends and tax equivalents		-	-	-	-
Other payments		-4,240	-4,620	-380	9.0
Total cash paid		-47,344	-49,248	-1,904	4.0
NET CASH FLOWS FROM OPERATING ACTIVITIES	a	2,433	3,386	953	39.2
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows from investments in non-financial assets					
Purchase of non-financial assets	b	-6,248	-4,965	1,283	-20.5
Sales of non-financial assets	c	853	654	-199	-23.3
Total cash flows from investments in non-financial assets	d	-5,394	-4,310	1,084	-20.1
Cash flows from investments in financial assets					
Cash received					
For policy purposes		10	21	11	106.5
For liquidity purposes		6,534	6,495	-39	-0.6
Cash paid					
For policy purposes		-10	-19	-9	86.5
For liquidity purposes		-7,253	-8,784	-1,530	21.1
Total cash flows from investments in financial assets		-719	-2,286	-1,567	217.8
NET CASH FLOWS FROM INVESTING ACTIVITIES		-6,114	-6,597	-483	7.9
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash received					
Advances received		-	-	-	-
Borrow ings		19,109	21,444	2,336	12.2
Deposits received		-	-	-	-
Other financing receipts		62	98	35	56.2
Total cash received		19,171	21,542	2,371	12.4
Cash paid					
Advances paid		-17	-17	-	0.2
Borrow ings repaid		-16,965	-19,990	-3,024	17.8
Deposits paid		-	-	-	-
Other financing payments		-212	-188	24	-11.4
Total cash paid		-17,194	-20,194	-3,000	17.4
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,977	1,348	-629	-31.8
Net increase in cash and cash equivalents		-1,703	-1,863	-160	9.4
Cash and cash equivalents at the beginning of the period		11,361	10,573	-788	-6.9
Cash and cash equivalents at the end of the period		9,658	8,710	-948	-9.8
KEY FISCAL AGGREGATES					
Net cash flow s from operating activities		2,433	3,386	953	39.2
Net cash flow s from investing in non-financial assets		-5,394	-4,310	1,084	-20.1
Cash surplus/-deficit	e	-2,961	-924	2,037	-68.8

## Total Public Sector Cash Flow Statement

- (a) Net cash flows from operating activities were in a surplus position of \$3.4 billion in 2018-19, a \$953 million improvement from the \$2.4 billion cash operating surplus forecast in the 2018-19 Budget. Total cash receipts in 2018-19 were \$52.6 billion, \$2.9 billion (or 5.7%) higher than forecast, while total cash payments in 2018-19 were \$49.2 billion, up \$1.9 billion (or 4%) since Budget. Movements for key cash aggregates including taxes, Commonwealth grants, wages and salaries are broadly consistent with the equivalent items on the operating statement, discussed earlier in this appendix.
- (b) Purchases of non-financial assets were \$5 billion in 2018-19, \$1.3 billion (or 20.5%) lower than forecast. In addition to the general government sector variations noted earlier in this appendix (down \$290 million), net changes in infrastructure spending by key public corporations include:
- the Public Transport Authority (down \$744 million), primarily reflecting scheduling changes and tunnelling delays to Forrestfield-Airport Link, delays to the construction of Kenwick freight rail depot under the Future Urban Railcar Procurement project, delay with the Radio Systems Replacement project and schedule changes across a range of other projects;
  - Western Power (down \$217 million), largely due to delays with the State Underground Power Program, a reduction in capacity expansion projects (which were excluded from the Economic Regulation Authority's decision on Western Power's fourth access arrangement, AA4) and service projects (which includes ICT, corporate real estate (the Hay St to Milligan St project) and regulatory compliance). Western Power also undertook a conservative approach to spending while waiting for the decision on AA4 to be finalised;
  - the Western Australian Land Authority (down \$171 million), driven by delays in various projects, reduced demand for land, the push-out of acquisition spend and re-scoping and re-tendering of projects to achieve cost reductions (across the regional, metropolitan and industrial programs);
  - the Water Corporation (down \$80 million), due to a number of factors including favourable contract prices, project delays, timing of environmental approvals and granting of contracts. The underspend applies to various projects under the wastewater and water supply programs across the State;
  - the Department of Communities (Housing Services, down \$69 million), due largely to continued soft housing market conditions which has impacted the agency's land development and construction activities;
  - the Pilbara Port Authority (down \$64 million), reflecting changes to Port Improvement Rate project schedules, in particular, for the Channel Risk and Optimisation Project, and delays in the Port of Ashburton development;

- the Fremantle Port Authority (down \$52 million), largely due to the effects of changes in port user requirements and assumptions on the timing and prioritisation of projects. The majority of this expenditure relates to Outer Harbour plant and equipment, the replacement of other existing assets, and the final payment for the Kwinana Bulk Terminal land acquisition;
  - the Metropolitan Redevelopment Authority (down \$32 million), reflecting the combination of delayed development spend on central Perth redevelopment works (\$16 million) and the accounting reclassification of Armadale precincts development contribution plans (which is now no longer regarded as capital in nature (\$14 million); and
  - the inclusion in the original Budget of a \$500 million underspend provision for the public corporations sector in anticipation of lower actual spending that would emerge for infrastructure projects by 30 June 2019 (and which is described above).
- (c) Sales of non-financial assets were \$654 million in 2018-19, \$199 million (or 23.3%) lower than Budget. In addition to the general government sector variations noted earlier in this appendix (down \$74 million), net changes in sales include:
- Department of Communities (Housing Services, down \$162 million), primarily due to lower than expected land and property sales as a result of continued soft housing market conditions;
  - the Western Australian Land Authority (down \$95 million), due to a combination of reduced market activity in project areas and the deferment or cancellation of other projects forecast to achieve sales (across the regional, metropolitan and industrial programs); and
  - Synergy (up \$174 million), due to the receipt of the development fee relating to the sale of the Warradarge Wind Farm assets to Bright Energy Investments.
- (d) Net cash flows from investments in non-financial assets were \$4.3 billion in 2018-19, \$1.1 billion (or 20.1%) lower than Budget, with movements in purchases and sales outlined above.
- (e) The total public sector recorded a \$924 million cash deficit in 2018-19, \$2 billion (or 68.8%) lower than forecast in the 2018-19 Budget. This reflects the combination of the better than expected net cash surplus on operations (up \$1 billion) and the lower net cash out-flow in non-financial assets (down \$1.1 billion) discussed above.

## Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* (FMA) or by legislation (e.g. the Royalties for Regions Fund). Accounts established by statute are governed by the relevant provisions of the legislation, while accounts that are established administratively are governed by a special purpose statement (operating accounts) or a trust statement (trust accounts) that outline the purpose of the account.

This appendix details the outcome for the year ending 30 June 2019 for key SPAs established to deliver specific Government policy outcomes. It is not an exhaustive list of all SPAs but covers the major/material SPAs in existence at 30 June 2019. The SPA balances, and transactions in and out of these accounts, form part of the overall consolidated outcomes outlined elsewhere in this report.

### Debt Repayment Account

The Debt Repayment Account was established in 2017-18 to apply windfall funds to the repayment of State borrowings held by the Consolidated Account. Receipts and payments of \$437 million in 2018-19 reflect surplus funds returned to the Consolidated Account by RiskCover; funds from a large, one-off duty assessment for a high value commercial property transaction; and excess agency cash returned to the Consolidated Account.

DEBT REPAYMENT ACCOUNT			Table 5.1
	2018-19 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	-	-	
Receipts	437	98	
Payments	437	98	
<b>Closing Balance</b>	-	-	

Note: Columns may not add due to rounding.

## Fiona Stanley Hospital Construction Account

This SPA was established in October 2007 to set aside funds to be used for the construction and establishment of the Fiona Stanley Hospital.

The hospital achieved practical completion in December 2013, followed by completion of phased commissioning in February 2015. Project completion has now occurred, with the account closed during 2018-19 and remaining unspent funds returned to the Consolidated Account.

**FIONA ST ANLEY HOSPITAL CONSTRUCTION ACCOUNT**

Table 5.2

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	39	20
Receipts	1	18
Payments	39	-
<b>Closing Balance</b>	<b>-</b>	<b>39</b>

Note: Columns may not add due to rounding.

## METRONET Account

This SPA was established in 2017-18 to support the planning and construction of METRONET projects.

Receipts for the financial year ending 30 June 2019 reflect capital appropriation of \$309.6 million for METRONET projects and an operating subsidy of \$2.1 million for the METRONET Office. Payments of \$44.8 million were for project planning (such as the Morley-Ellenbrook Line) and delivery (such as the Yanchep Rail Extension and Thornlie-Cockburn link), and \$1.4 million for METRONET Office running costs.

**METRONET ACCOUNT**

Table 5.3

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	10	-
Receipts	312	30
Payments	46	20
<b>Closing Balance</b>	<b>276</b>	<b>10</b>

Note: Columns may not add due to rounding.

## Metropolitan Region Improvement Fund

This account was established under the *Metropolitan Region Improvement Tax Act 1959* to hold funds for the management of the Metropolitan Region Scheme, including receipts from the Metropolitan Region Improvement Tax (MRIT).

Receipts in 2018-19 reflect MRIT collections (\$89.8 million), proceeds from the sale of land and buildings (\$17.1 million), interest revenue (\$9.1 million), rental revenue (\$5.9 million), revenue from Whiteman Park (\$1.3 million), and the return of funds for land acquisition that was not settled (\$0.7 million).

A total of \$84 million was drawn from the account during 2018-19, including the acquisition of land and buildings (\$55.6 million), service delivery costs associated with the Metropolitan Region Improvement Fund (\$25.2 million), funding to progress a range of smaller infrastructure and works (\$1.7 million), and payments to the Australian Taxation Office for GST on sales (\$1 million).

### METROPOLITAN REGION IMPROVEMENT ACCOUNT

Table 5.4

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	399	348
Receipts	125	117
Payments	84	66
<b>Closing Balance</b>	<b>440</b>	<b>399</b>

Note: Columns may not add due to rounding.

## Mining Rehabilitation Fund

The Mining Rehabilitation Fund was established in July 2013 to hold levy collections under the *Mining Rehabilitation Fund Act 2012*. Receipts reflect levy contributions by mining operators (\$30.7 million) and interest earnings (\$3.1 million). Payments include repayment of a Treasurer's Advance provided for the Fund's early operations (\$5.3 million) and administration costs (\$0.6 million).

### MINING REHABILITATION FUND

Table 5.5

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	122	92
Receipts	34	31
Payments	6	1
<b>Closing Balance</b>	<b>150</b>	<b>122</b>

Note: Columns may not add due to rounding.

## Municipal and Essential Services Account

This SPA was established in 2015 to set aside the Commonwealth's final \$90 million contribution towards essential and municipal services to remote Aboriginal communities. Payments of \$6.7 million in 2018-19 were made for the upgrade and replacement of existing municipal and essential services, and for the replacement of plant required to support these services, at a range of remote communities.

**MUNICIPAL AND ESSENTIAL SERVICES ACCOUNT**

Table 5.6

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	7	42
Receipts	-	-
Payments	7	35
<b>Closing Balance</b>	-	7

Note: Columns may not add due to rounding.

## National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse Account

This account was established in December 2018 to meet the cost of payments associated with the State's participation in the National Redress Scheme, and for civil litigation claims by victims of historical child sexual abuse. The receipt of \$153 million in 2018-19 reflects the initial allocation to meet payments from the account over the four years to 2021-22. Proceeds from the partial commercialisation of Landgate's automated land titling service will be used to repay the Consolidated Account for this initial contribution, and to provide additional funding to meet the cost of payments over the remaining life of the ten-year Scheme (from 2022-23 to 2027-28).

The payments made to date relate to the establishment of a Redress Response Coordination Unit within the Department of Justice, and costs to the Department of Communities to source, evaluate and provide relevant case records as part of the Commonwealth's assessment process for the Scheme.

**NATIONAL REDRESS SCHEME AND CIVIL LITIGATION FOR SURVIVORS OF INSTITUTIONAL CHILD SEXUAL ABUSE ACCOUNT**

Table 5.7

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	-	-
Receipts	153	-
Payments	2	-
<b>Closing Balance</b>	<b>151</b>	-

Note: Columns may not add due to rounding.

## Perth Children's Hospital Account

This SPA was established in October 2010 to hold money for the construction and establishment of Perth Children's Hospital.

The hospital achieved practical completion in April 2017 and fully opened on 10 June 2018. Project completion arrangements for the hospital are expected to be finalised in 2020 to accommodate the extended defect liability period, with any remaining funds in the account to be returned to the Consolidated Account at that time.

PERTH CHILDREN'S HOSPITAL ACCOUNT			Table 5.8
	2018-19 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	13	40	
Receipts	-	-	
Payments	-	27	
<b>Closing Balance</b>	<b>13</b>	<b>13</b>	

Note: Columns may not add due to rounding.

## Perth Parking Licensing Account

This SPA was established in July 1999 under section 23 (1) of the *Perth Parking Management Act 1999*. Money credited to the account reflects licence fees, penalties and money appropriated by Parliament for the purposes of the Act.

Funds drawn from the account during 2018-19 were used to support the Central Area Transit bus system, the Free Transit Zone public transport services in the Perth Central Business District, improvements to public transport access, enhancements to the pedestrian environment, support for bicycle access, other transport system initiatives, and for the administration of the Act.

PERTH PARKING LICENSING ACCOUNT			Table 5.9
	2018-19 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	54	23	
Receipts	59	58	
Payments	19	27	
<b>Closing Balance</b>	<b>93</b>	<b>54</b>	

Note: Columns may not add due to rounding.

## Perth Stadium Account

This SPA was established in October 2011 to hold funds in support of the construction of Optus Stadium and associated transport infrastructure. The stadium commenced operations in early 2018.

Receipts received during 2018-19 were for interest on the account balance while payments relate to the replacement of tennis courts at the State Tennis Centre.

### PERTH STADIUM ACCOUNT

Table 5.10

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	13	96
Receipts	1	128
Payments	3	210
<b>Closing Balance</b>	<b>11</b>	<b>13</b>

Note: Columns may not add due to rounding.

## Road Trauma Trust Account

This Account was established to provide for road safety initiatives. Receipts for 2018-19 reflect collections from prescribed penalties paid during the year (\$95.2 million), interest received on the account balance (\$1.5 million) and other funds collected under the *Road Traffic (Administration) Act 2008* (\$0.4 million).

Projects funded from the Account are focused on achieving reductions in serious road trauma as part of the *Towards Zero Strategy* for 2008 to 2020. The funds drawn from the account during 2018-19 (\$89.5 million) were for initiatives to reduce:

- run-off crashes on regional roads by applying treatments such as shoulder sealing and audible edge-lines (\$33.8 million);
- inappropriate and excessive speed (\$21.3 million); and
- serious crashes at metropolitan intersections (\$6.4 million).

Funds were also used for community education campaigns, a range of road safety initiatives and support programs, and ongoing operating costs of the Road Safety Commission (\$27.8 million).

### ROAD TRAUMA TRUST ACCOUNT

Table 5.11

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	53	57
Receipts	97	105
Payments	90	109
<b>Closing Balance</b>	<b>61</b>	<b>53</b>

Note: Columns may not add due to rounding.

## Royalties for Regions Fund

The Royalties for Regions Fund was established in December 2008 to set aside a share of the State's annual royalty income to fund investment in regional Western Australia. Under the *Royalties for Regions Act 2009*, the balance held in the Fund at any time cannot exceed \$1 billion.

Receipts during 2018-19 reflect the draw down of moneys appropriated by the Parliament (\$650.4 million), interest earned on the account balance (\$19.8 million), and unused funds from associated projects returned to the Fund by agencies (\$59.2 million). A total of \$729.4 million was disbursed from the Fund to support infrastructure, business and economic development and other regional initiatives.

Table 5.12  
ROYALTIES FOR REGIONS FUND

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	1,000	1,000
Receipts	729	871
Payments	729	871
<b>Closing Balance</b>	<b>1,000</b>	<b>1,000</b>

Note: Columns may not add due to rounding.

## Royalties for Regions Regional Reform Fund

This SPA was established in June 2015 to fund strategic reform initiatives in regional Western Australia. Payments from the SPA totalled \$16.1 million in 2018-19. This included \$12.7 million paid to the Department of Communities for the funding of essential and municipal services for remote Aboriginal communities and contributions to the North West Aboriginal Housing Fund. A further \$3.4 million was paid to the Department of Education to carry out the Kimberley schools project.

Table 5.13  
ROYALTIES FOR REGIONS REGIONAL REFORM FUND

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	96	100
Receipts	-	-
Payments	16	4
<b>Closing Balance</b>	<b>80</b>	<b>96</b>

Note: Columns may not add due to rounding.

## Royalties for Regions Southern Inland Health Initiative

This SPA was established to hold funds for expenditure on the Southern Inland Health Initiative, pursuant to section 9(1) of the *Royalties for Regions Act 2009*.

Country health programs are now funded directly through the Royalties for Regions Fund, under the Country Health Initiative, without the ongoing need for this SPA. Accordingly, the remaining balance of \$23.1 million was returned to the Consolidated Account and this SPA was wound up prior to 30 June 2019.

Table 5.14

### ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	23	56
Receipts	-	113
Payments	23	146
<b>Closing Balance</b>	-	23

Note: Columns may not add due to rounding.

## Waste Avoidance and Resource Recovery Account

The Waste Avoidance and Resource Recovery Account was established under the *Waste Avoidance and Resource Recovery Act 2007* to hold revenue allocated from the landfill levy. Funds are drawn from the Account to support programs and other initiatives related to the management, reduction, reuse, recycling, monitoring or measurement of waste.

Landfill levy collections totalled \$77.6 million in 2018-19, of which \$20.7 million was allocated to the account by Ministerial determination under the Act. Draw downs totalling \$20.3 million were for waste programs and the payment of administration costs incurred by the Department of Water and Environmental Regulation.

Table 5.15

### WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT<sup>(a)</sup>

	2018-19 \$m	2017-18 \$m
<i>Balance at 1 July</i>	39	33
Receipts	21	20
Payments	20	15
<b>Closing Balance</b>	40	39

(a) The closing balance of \$39 million at 30 June 2018 (opening balance at 1 July) has been restated from the \$38 million reported in the 2017-18 *Annual Report on State Finances*. The restatement incorporates a correction to the rounding of the closing balance, which revises the closing value at 30 June 2018.

Note: Columns may not add due to rounding.

## Western Australian Future Fund

The Western Australian Future Fund was established under the *Western Australian Future Fund Act 2012*. The Act provides for an accruing balance over 20 years to 2032, after which the annual interest earnings on the Fund balance can be drawn down to fund economic or social infrastructure projects across Western Australia.

Receipts of \$97.6 million in 2018-19 included the Consolidated Account's annual contribution equivalent to 1% of annual forecast royalty revenue at the time of the 2018-19 Budget (\$50.6 million) and interest receipts (\$47 million).

The Government will soon be introducing legislation to repurpose the Future Fund and allow interest earnings to be accessed for health research and innovation.

WESTERN AUSTRALIAN FUTURE FUND			Table 5.16
	2018-19 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	1,215	1,126	
Receipts	98	90	
Payments	-	-	
<b>Closing Balance</b>	<b>1,313</b>	<b>1,215</b>	

Note: Columns may not add due to rounding.



## **Quarterly Financial Results – June 2019<sup>1</sup>**

June quarterly data presented in this appendix are subject to year-end finalisation of audited accounts by agencies submitting source data. They may contain final year-end accruals that differ from estimated accruals submitted by agencies through the year, and reclassification of some aggregates in previously reported, unaudited data. Accordingly, quarterly outcomes for June 2019 may include one-off movements in items relative to previous reports, to move them into line with final audited outcomes.

### **General Government**

#### ***Three Months to 30 June 2019***

The general government sector recorded a \$1.3 billion operating surplus for the three months to 30 June 2019, compared to the \$667 million surplus for the same period in 2017-18.

Revenue for the three months to 30 June 2019 totalled \$9,461 million, \$978 million (or 12%) higher than the same period in the previous year. This mainly reflects the combined effects of:

- higher royalty income (up \$997 million), primarily due to significantly higher iron ore prices, a one-off \$250 million settlement with BHP over the payment of past royalties and a lower \$US/\$A exchange rate (which increases the Australian dollar price of commodity sales);

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<sup>1</sup> This appendix completes the quarterly data series for the 2018-19 year. Consolidated financial outcomes for the general government sector and for the whole-of-government are published in *Quarterly Financial Results Reports* for the September, December and March quarters in accordance with the requirements of the *Government Financial Responsibility Act 2000*. These publications can be accessed on the Treasury website at [www.treasury.wa.gov.au](http://www.treasury.wa.gov.au).

- lower capital grants from the Commonwealth (down \$825 million), mainly due to the timing of payments received for projects associated with METRONET (\$513 million) and the Hospitals Infrastructure Package (\$189 million) in the June 2018 quarter;
- higher recurrent grants from the Commonwealth (up \$710 million), primarily reflecting:
  - early part-payment of the 2019-20 Commonwealth-funded 70% floor grant (up \$434 million);
  - higher GST grants (up \$176 million), due to Western Australia receiving a larger share of the national GST pool, and an increase in the pool of national GST collections in 2018-19; and
  - higher ‘other’ Commonwealth funding (up \$64 million), mainly due to an increase in Pay Equity for the Social and Community Services Sector program; and
- higher dividend income (up \$119 million), mainly due to higher profit for the Water Corporation in 2018-19.

Expenses for the three months to 30 June 2019 totalled \$8.2 billion, \$390 million (or 5%) higher than the \$7.8 billion reported in the same quarter last year. This was primarily due to the net impact of:

- higher current transfers (up \$298 million), primarily due to the timing of the State contribution to the Commonwealth’s National Disability Insurance Authority; and
- lower ‘other’ gross operating expenses (down \$87 million), mainly reflecting spending changes as a result of the transition to the Commonwealth-run National Disability Insurance Scheme.

A cash surplus of \$361 million was recorded for the June 2019 quarter, reflecting a net cash surplus from operating activities (\$1,183 million), the cash equivalent of the operating surplus discussed earlier and an \$870 million investment on new works partly offset by \$49 million in receipts from the disposal of surplus assets and land. Further detail of the sector’s Asset Investment Program is available in the *Financial Results* chapter and Appendix 4 of this report.

## Total Public Sector

### Three Months to 30 June 2019

The total public sector recorded a \$74 million operating surplus for the June 2019 quarter, a turnaround of \$207 million on the \$133 million operating deficit recorded for the same quarter in 2017-18. Revenue totalled \$13.2 billion (up \$933 million, or 7.6% on the same period in 2017-18), while expenses were \$13.1 billion (up \$726 million, or 5.9% on the same period in 2017-18).

This outcome includes the combined impact of:

- the \$1.3 billion general government operating surplus outlined earlier;
- a public non-financial corporations sector operating deficit of \$86 million for the June 2019 quarter;
- an operating deficit for the public financial corporations sector of \$33 million; and
- the impact of dividends received from public corporations (which are eliminated on consolidation (\$1 billion)).

Table 6.1

TOTAL PUBLIC SECTOR OPERATING BALANCE				
	2018-19		2017-18	
	Three Months to 30 June \$m	Twelve Months to 30 June \$m	Three Months to 30 June \$m	Twelve Months to 30 June \$m
<b>Net Operating Balance</b>				
General government sector	1,255	1,317	667	-618
Public non-financial corporations sector	-86	648	196	458
Public financial corporation sector	-33	161	-50	320
<i>less</i>				
General government dividend revenue	1,001	1,350	882	1,718
Public non-financial corporations dividend revenue <sup>(a)</sup>	61	61	64	64
<b>Total Public Sector Net Operating Balance</b>	<b>74</b>	<b>716</b>	<b>-133</b>	<b>-1,623</b>

(a) Dividends received from Keystart (a public financial corporation) by the Housing Authority (a public non-financial corporation).  
Note: Columns/rows may not add due to rounding.

A cash deficit of \$536 million was recorded for the three months to 30 June 2019, compared to a cash deficit of \$301 million recorded for the same period the previous year. This included a net cash surplus from operating activities of \$701 million (compared with the \$942 million recorded in the June quarter last year). Infrastructure spending less sales of surplus assets and land were in a net cash deficit position of \$1,237 million, consistent with \$1,243 million in the June quarter 2018). Full-year infrastructure outcomes for the total public sector are discussed in the *Financial Results* chapter and Appendix 4.

Table 6.2

**GENERAL GOVERNMENT**  
Operating Statement

	2018-19		2017-18	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>RESULTS FROM TRANSACTIONS</b>				
<b>REVENUE</b>				
Taxation	1,865	8,616	1,922	8,540
Current grants and subsidies	2,738	10,210	2,029	8,529
Capital grants	250	873	1,075	1,263
Sales of goods and services	747	2,734	640	2,516
Interest Income	39	168	50	170
Revenue from public corporations				
Dividends from other sector entities	1,001	1,350	882	1,718
Tax equivalent income	220	642	262	677
Royalty income	2,362	6,713	1,365	5,231
Other	238	701	259	688
<i>Total</i>	<i>9,461</i>	<i>32,006</i>	<i>8,483</i>	<i>29,332</i>
<b>EXPENSES</b>				
Salaries	3,172	12,269	3,135	12,193
Superannuation				
Concurrent costs	317	1,213	284	1,199
Superannuation interest cost	48	135	40	177
Other employee costs	132	447	103	359
Depreciation and amortisation	378	1,445	374	1,343
Services and contracts	744	2,538	719	2,432
Other gross operating expenses	1,448	5,645	1,535	5,852
Interest				
Interest on leases	26	89	28	73
Other interest	212	859	213	818
Current transfers	1,532	5,426	1,234	5,061
Capital transfers	197	625	151	442
<i>Total</i>	<i>8,206</i>	<i>30,689</i>	<i>7,816</i>	<i>29,949</i>
<b>NET OPERATING BALANCE</b>	<b>1,255</b>	<b>1,317</b>	<b>667</b>	<b>-618</b>
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	-71	59	-79	-132
Provision for doubtful debts	7	2	-49	-51
Changes in accounting policy/adjustment of prior periods	179	-172	-163	-47
<i>Total other economic flows</i>	<i>116</i>	<i>-111</i>	<i>-291</i>	<i>-230</i>
<b>OPERATING RESULT</b>	<b>1,371</b>	<b>1,206</b>	<b>376</b>	<b>-848</b>
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	-1,049	-1,374	-205	-713
Net actuarial gains - superannuation	-143	-814	317	211
Gains recognised directly in equity	-	-	-3	-3
Change in net worth of the public corporations sectors	-1,850	-1,661	-833	-1,638
All other	-	-	-	-
<i>Total all other movements in equity</i>	<i>-3,042</i>	<i>-3,849</i>	<i>-724</i>	<i>-2,143</i>
<b>TOTAL CHANGE IN NET WORTH</b>	<b>-1,671</b>	<b>-2,642</b>	<b>-348</b>	<b>-2,991</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET OPERATING BALANCE</b>	<b>1,255</b>	<b>1,317</b>	<b>667</b>	<b>-618</b>
<i>Less Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	870	2,540	736	2,438
Changes in inventories	-4	-	-4	-3
Other movement in non-financial assets	81	146	22	513
<i>less:</i>				
Sales of non-financial assets	49	100	21	82
Depreciation	378	1,445	374	1,343
<i>Total net acquisition of non-financial assets</i>	<i>521</i>	<i>1,142</i>	<i>359</i>	<i>1,524</i>
<b>NET LENDING/-BORROWING</b>	<b>735</b>	<b>175</b>	<b>308</b>	<b>-2,141</b>

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

Table 6.3

**GENERAL GOVERNMENT**  
Operating Revenue

	2018-19		2017-18	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>Taxation</b>				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	896	3,565	819	3,279
Property taxes				
<i>Land tax</i>	2	807	5	840
Transfer duty	260	1,073	284	1,223
Landholder duty	12	32	134	234
<i>Total duty on transfers</i>	272	1,105	418	1,457
Other stamp duties	-	-	-	-
Metropolitan Region Improvement Tax	-	89	-	93
Perth Parking Levy	2	59	2	58
Emergency Services Levy	32	374	29	338
Loan guarantee fees	37	152	35	143
Building and Construction Industry Training Fund Levy	8	27	6	25
<i>Total other property taxes</i>	79	702	71	658
Taxes on provision of goods and services				
Lotteries Commission	41	180	40	156
Casino tax	20	59	20	62
Betting tax	3	25	10	40
Point of Consumption Tax	15	30	-	-
<i>Total taxes on gambling</i>	79	294	69	258
Insurance duty	155	645	156	625
Other	4	17	5	20
<i>Total taxes on insurance</i>	159	662	161	645
<i>On-demand Transport Levy</i>	5	5	-	-
Taxes on use of goods and performance of activities <sup>(a)</sup>				
Vehicle licence duty	93	363	92	355
Permits - Oversize Vehicles and Loads	1	8	-	7
Motor vehicle registrations	260	995	249	937
<i>Total motor vehicle taxes <sup>(a)</sup></i>	354	1,367	342	1,299
<i>Mining Rehabilitation Levy</i>	-	31	-	29
<i>Landfill Levy</i>	18	79	35	75
<b>Total Taxation <sup>(a)</sup></b>	<b>1,865</b>	<b>8,616</b>	<b>1,922</b>	<b>8,540</b>

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

**GENERAL GOVERNMENT**  
**Operating Revenue**

Table 6.3 (cont.)

	2018-19		2017-18	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>Current Grants and Subsidies</b>				
<i>General Purpose Grants</i>				
GST grants	752	3,200	576	2,249
Commonw ealth-funded 70% floor	434	434	-	-
North West Shelf grants	186	886	198	695
Commonw ealth compensation for changed crude oil excise arrangements	5	30	6	28
<i>Grants through the State</i>				
Schools assistance – non-government schools	29	1,323	5	1,233
Local government financial assistance grants	114	181	109	169
Local government roads	74	118	72	113
<i>National Specific Purpose Payment Agreement Grants</i>				
National Agreement for Skills and Workforce Development	39	157	37	152
National Disability Services	61	167	39	158
National Affordable Housing	41	164	36	140
Students First	193	739	171	660
National Health Ref orm	583	2,269	581	2,174
<i>National Partnerships/Other Grants</i>				
Health	75	194	102	386
Housing	-	-	2	14
Transport	4	54	7	74
Disability Services	55	55	31	96
Other	95	239	56	187
<b>Total Current Grants and Subsidies</b>	<b>2,738</b>	<b>10,210</b>	<b>2,029</b>	<b>8,529</b>
<b>Capital Grants</b>				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	5	18	5	17
<i>National Partnerships/Other Grants</i>				
Housing	-	251	-	48
Transport	234	593	872	990
Other	11	11	199	208
<b>Total Capital Grants</b>	<b>250</b>	<b>873</b>	<b>1,075</b>	<b>1,263</b>
<b>Sales of Goods and Services <sup>(a)</sup></b>	<b>747</b>	<b>2,734</b>	<b>640</b>	<b>2,516</b>
<b>Interest Income</b>	<b>39</b>	<b>168</b>	<b>50</b>	<b>170</b>
<b>Revenue from Public Corporations</b>				
Dividends	1,001	1,350	882	1,718
Tax Equivalent Regime	220	642	262	677
<b>Total Revenue from Public Corporations</b>	<b>1,221</b>	<b>1,991</b>	<b>1,145</b>	<b>2,395</b>
<b>Royalty Income</b>	<b>2,362</b>	<b>6,713</b>	<b>1,365</b>	<b>5,231</b>
<b>Other</b>				
Lease Rentals	25	107	23	105
Fines	50	224	68	206
Revenue not elsewhere counted	164	370	168	376
<b>Total Other</b>	<b>238</b>	<b>701</b>	<b>259</b>	<b>688</b>
<b>TOTAL REVENUE</b>	<b>9,461</b>	<b>32,006</b>	<b>8,483</b>	<b>29,332</b>

(a) The motor vehicle recording fee has been reclassified from taxation revenue to sales of goods and services on advice from the Australian Bureau of Statistics. Prior periods have been restated for comparability purposes.

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

Table 6.4

**GENERAL GOVERNMENT**  
Cash Flow Statement

	2018-19		2017-18	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<i>Cash received</i>				
Taxes received	2,125	8,911	2,173	8,506
Grants and subsidies received	2,988	11,082	3,111	9,773
Receipts from sales and goods and services	771	2,599	744	2,723
Interest receipts	54	173	53	158
Dividends and tax equivalents	1,202	2,092	1,125	2,280
Other receipts	2,037	7,659	1,827	7,230
<i>Total cash received</i>	<b>9,176</b>	<b>32,517</b>	<b>9,032</b>	<b>30,670</b>
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-3,673	-13,766	-3,676	-13,801
Payments for goods and services	-1,983	-8,473	-2,150	-8,759
Interest paid	-245	-950	-243	-860
Grants and subsidies paid	-1,659	-5,635	-1,344	-5,125
Dividends and tax equivalents	-	-	-	-
Other payments	-434	-1,679	-399	-1,727
<i>Total cash paid</i>	<b>-7,993</b>	<b>-30,503</b>	<b>-7,811</b>	<b>-30,271</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,183</b>	<b>2,014</b>	<b>1,221</b>	<b>399</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-870	-2,540	-736	-2,438
Sales of non-financial assets	49	100	21	82
<i>Total cash flows from investments in financial assets</i>	<b>-821</b>	<b>-2,441</b>	<b>-715</b>	<b>-2,357</b>
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	4	33	3	13
For liquidity purposes	62	308	25	76
<i>Cash paid</i>				
For policy purposes	-187	-790	-214	-573
For liquidity purposes	-25	-66	-26	-57
<i>Total cash flows from investments in financial assets</i>	<b>-146</b>	<b>-516</b>	<b>-213</b>	<b>-541</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-967</b>	<b>-2,956</b>	<b>-927</b>	<b>-2,898</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<i>Cash received</i>				
Advances received	17	17	16	16
Borrow ings	14	61	519	4,318
Deposit received	-	-	-	-
Other financing receipts	59	253	28	156
<i>Total cash received</i>	<b>90</b>	<b>330</b>	<b>563</b>	<b>4,490</b>
<i>Cash paid</i>				
Advances paid	-17	-17	-16	-16
Borrow ings repaid	-229	-513	-126	-182
Deposits paid	-	-	-	-
Other financing payments	-27	-214	-49	-271
<i>Total cash paid</i>	<b>-272</b>	<b>-744</b>	<b>-191</b>	<b>-469</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-182</b>	<b>-414</b>	<b>372</b>	<b>4,020</b>
<b>Net increase in cash and cash equivalents</b>	<b>34</b>	<b>-1,355</b>	<b>666</b>	<b>1,521</b>
Cash and cash equivalents at beginning of the period	4,971	6,360	5,695	4,839
Cash and cash equivalents at end of the period	5,005	5,005	6,360	6,360
<b>KEY FISCAL AGGREGATES</b>				
Net cash flow s from operating activities	1,183	2,014	1,221	399
Net cash flow s from investing in non-financial assets	-821	-2,441	-715	-2,357
<b>Cash surplus/-deficit</b>	<b>361</b>	<b>-426</b>	<b>506</b>	<b>-1,958</b>

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

Table 6.5

**TOTAL PUBLIC SECTOR**  
Operating Statement

	2018-19		2017-18	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>RESULTS FROM TRANSACTIONS</b>				
<b>REVENUE</b>				
Taxation	1,741	8,097	1,799	8,053
Current grants and subsidies	2,738	10,210	2,029	8,529
Capital grants	250	873	1,075	1,263
Sales of goods and services	5,519	23,488	5,441	21,128
Interest Income	188	639	176	585
Royalty income	2,362	6,713	1,365	5,231
Other	366	1,193	347	1,031
<b>Total revenue</b>	<b>13,165</b>	<b>51,214</b>	<b>12,232</b>	<b>45,819</b>
<b>EXPENSES</b>				
Salaries	3,413	13,382	3,434	13,297
Superannuation				
Concurrent costs	318	1,323	308	1,305
Superannuation interest cost	48	135	40	177
Other employee costs	111	350	76	263
Depreciation and amortisation	858	3,431	847	3,362
Services and contracts	1,019	3,306	913	3,285
Other gross operating expenses	5,504	22,084	5,235	19,726
Interest				
Interest on leases	47	174	50	162
Other interest	414	1,583	393	1,526
Current transfers	1,189	4,411	926	3,975
Capital transfers	170	319	143	365
<b>Total expenses</b>	<b>13,091</b>	<b>50,498</b>	<b>12,365</b>	<b>47,442</b>
<b>NET OPERATING BALANCE</b>	<b>74</b>	<b>716</b>	<b>-133</b>	<b>-1,623</b>
<i>Other economic flows - included in the operating result</i>				
Net gains on assets/liabilities	130	254	27	111
Provision for doubtful debts	14	-16	-58	-66
Changes in accounting policy/adjustment of prior periods	170	-310	-110	48
<b>Total other economic flows</b>	<b>314</b>	<b>-72</b>	<b>-141</b>	<b>94</b>
<b>OPERATING RESULT</b>	<b>388</b>	<b>644</b>	<b>-275</b>	<b>-1,529</b>
<i>All other movements in equity</i>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	-1,889	-2,444	-380	-1,669
Net actuarial gains - superannuation	-380	-850	311	206
Gains recognised directly in equity	2	8	-5	1
All other	-	-	-	-
<b>Total all other movements in equity</b>	<b>-2,267</b>	<b>-3,286</b>	<b>-73</b>	<b>-1,462</b>
<b>TOTAL CHANGE IN NET WORTH</b>	<b>-1,879</b>	<b>-2,642</b>	<b>-348</b>	<b>-2,991</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET OPERATING BALANCE</b>	<b>74</b>	<b>716</b>	<b>-133</b>	<b>-1,623</b>
<i>Less Net acquisition of non-financial assets</i>				
Purchase of non-financial assets	1,617	4,965	1,470	5,052
Changes in inventories	230	614	-159	-321
Other movement in non-financial assets	115	273	45	596
<i>less:</i>				
Sales of non-financial assets	380	654	227	567
Depreciation	858	3,431	847	3,362
<b>Total net acquisition of non-financial assets</b>	<b>724</b>	<b>1,767</b>	<b>281</b>	<b>1,398</b>
<b>NET LENDING/-BORROWING</b>	<b>-650</b>	<b>-1,051</b>	<b>-415</b>	<b>-3,021</b>

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

Table 6.6

**TOTAL PUBLIC SECTOR**  
Operating Revenue

	2018-19		2017-18	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>Taxation</b>				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	874	3,479	795	3,194
Property taxes				
<i>Land tax</i>	-11	744	-10	775
Transfer Duty	260	1,073	284	1,223
Landholder Duty	12	32	134	234
<i>Total duty on transfers</i>	272	1,105	418	1,457
Metropolitan Region Improvement Tax	-	89	-	93
Perth Parking Levy	2	59	2	58
Emergency Services Levy	29	369	29	334
Loan guarantee fees	1	8	1	8
Building and Construction Industry Training Fund Levy	8	27	6	25
<i>Total other property taxes</i>	40	552	37	518
Taxes on provision of goods and services				
Casino Tax	20	59	20	61
Betting tax	-	-	-	-
Point of Consumption Tax	9	13	-	-
<i>Total taxes on gambling</i>	28	73	20	61
Insurance Duty	155	645	156	625
Other	4	17	5	20
<i>Total taxes on insurance</i>	159	662	161	645
<i>On-demand Transport Levy</i>	5	5	-	-
Taxes on use of goods and performance of activities <sup>(a)</sup>				
Vehicle Licence Duty	93	363	92	355
Permits - Oversize Vehicles and Loads	1	8	-	7
Motor Vehicle registrations	260	995	249	937
<i>Total motor vehicle taxes <sup>(a)</sup></i>	354	1,367	342	1,299
<i>Mining Rehabilitation Levy</i>	-	31	-	29
<i>Landfill Levy</i>	18	79	35	75
<b>Total Taxation <sup>(a)</sup></b>	<b>1,741</b>	<b>8,097</b>	<b>1,799</b>	<b>8,053</b>

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

**TOTAL PUBLIC SECTOR**  
**Operating Revenue**

Table 6.6 (cont.)

	2018-19		2017-18	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>Current Grants and Subsidies</b>				
<i>General Purpose Grants</i>				
GST grants	752	3,200	576	2,249
Commonwealth-funded 70% floor grant	434	434	-	-
North West Shelf grants	186	886	198	695
Commonwealth compensation for changed crude oil excise arrangements	5	30	6	28
<i>Grants through the State</i>				
Schools assistance – non-government schools	29	1,323	5	1,233
Local government financial assistance grants	114	181	109	169
Local government roads	74	118	72	113
<i>National Specific Purpose Payment Agreement Grants</i>				
National Agreement for Skills and Workforce Development	39	157	37	152
National Disability Services	45	167	39	158
National Affordable Housing	41	164	36	140
Students First	193	739	171	660
National Health Reform	583	2,269	581	2,174
<i>National Partnerships/Other Grants</i>				
Health	75	194	102	386
Housing	-	-	2	14
Transport	4	54	7	74
Disability Services	55	55	31	96
Other	110	239	56	187
<b>Total Current Grants and Subsidies</b>	<b>2,738</b>	<b>10,210</b>	<b>2,029</b>	<b>8,529</b>
<b>Capital Grants</b>				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	5	18	5	17
<i>National Partnerships/Other Grants</i>				
Housing	-	251	-	48
Transport	234	593	872	990
Other	11	11	199	208
<b>Total Capital Grants</b>	<b>250</b>	<b>873</b>	<b>1,075</b>	<b>1,263</b>
<b>Sales of Goods and Services <sup>(a)</sup></b>	<b>5,519</b>	<b>23,488</b>	<b>5,441</b>	<b>21,128</b>
<b>Interest Income</b>	<b>188</b>	<b>639</b>	<b>176</b>	<b>585</b>
<b>Royalty Income</b>	<b>2,362</b>	<b>6,713</b>	<b>1,365</b>	<b>5,231</b>
<b>Other</b>				
Lease Rentals	25	107	23	105
Fines	47	224	65	207
Revenue not elsewhere counted	295	862	258	720
<b>Total Other</b>	<b>366</b>	<b>1,193</b>	<b>347</b>	<b>1,031</b>
<b>TOTAL REVENUE</b>	<b>13,165</b>	<b>51,214</b>	<b>12,232</b>	<b>45,819</b>

(a) The motor vehicle recording fee has been reclassified from taxation revenue to sales of goods and services on advice from the Australian Bureau of Statistics. Prior periods have been restated for comparability purposes.

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

Table 6.7

**TOTAL PUBLIC SECTOR**  
**Cash Flow Statement**

	2018-19		2017-18	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<i>Cash received</i>				
Taxes received	1,863	8,392	1,928	8,017
Grants and subsidies received	2,988	11,082	3,111	9,773
Receipts from sales and goods and services	5,889	23,693	5,628	21,407
Interest receipts	190	661	182	604
Dividends and tax equivalents	-	-	-	-
Other receipts	2,290	8,807	2,147	8,460
<i>Total cash received</i>	<i>13,220</i>	<i>52,635</i>	<i>12,995</i>	<i>48,260</i>
<i>Cash paid</i>				
Wages, salaries and supplements, and superannuation	-4,003	-15,062	-4,064	-15,101
Payments for goods and services	-5,721	-23,421	-5,548	-21,489
Interest paid	-514	-2,017	-549	-1,899
Grants and subsidies paid	-1,119	-4,129	-815	-3,712
Dividends and tax equivalents	-	-	-	-
Other payments	-1,162	-4,620	-1,077	-4,581
<i>Total cash paid</i>	<i>-12,519</i>	<i>-49,248</i>	<i>-12,053</i>	<i>-46,782</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>701</b>	<b>3,386</b>	<b>942</b>	<b>1,478</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<i>Cash flow from investment in non-financial assets</i>				
Purchase of non-financial assets	-1,617	-4,965	-1,470	-5,052
Sales of non-financial assets	380	654	227	567
<i>Total cash flows from investments in financial assets</i>	<i>-1,237</i>	<i>-4,310</i>	<i>-1,243</i>	<i>-4,485</i>
<i>Cash flows from investments in financial assets</i>				
<i>Cash received</i>				
For policy purposes	4	21	3	13
For liquidity purposes	1,094	6,495	1,552	6,189
<i>Cash paid</i>				
For policy purposes	-3	-19	-4	-16
For liquidity purposes	-3,471	-8,784	-1,943	-7,249
<i>Total cash flows from investments in financial assets</i>	<i>-2,376</i>	<i>-2,286</i>	<i>-393</i>	<i>-1,063</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-3,613</b>	<b>-6,597</b>	<b>-1,636</b>	<b>-5,548</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<i>Cash received</i>				
Advances received	-	-	-	-
Borrow ings	4,985	21,444	3,699	18,015
Deposit received	-	-	-	-
Other financing receipts	60	98	-45	57
<i>Total cash received</i>	<i>5,045</i>	<i>21,542</i>	<i>3,654</i>	<i>18,072</i>
<i>Cash paid</i>				
Advances paid	-17	-17	-16	-16
Borrow ings repaid	-3,285	-19,990	-3,227	-14,181
Deposits paid	-	-	-	-
Other financing payments	-9	-188	-42	-251
<i>Total cash paid</i>	<i>-3,311</i>	<i>-20,194</i>	<i>-3,285</i>	<i>-14,448</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>1,734</b>	<b>1,348</b>	<b>369</b>	<b>3,624</b>
<b>Net increase in cash and cash equivalents</b>	<b>-1,178</b>	<b>-1,863</b>	<b>-324</b>	<b>-446</b>
Cash and cash equivalents at beginning of the period	9,888	10,573	10,897	11,019
Cash and cash equivalents at end of the period	8,710	8,710	10,573	10,573
<b>KEY FISCAL AGGREGATES</b>				
Net cash flow s from operating activities	701	3,386	942	1,478
Net cash flow s from investing in non-financial assets	-1,237	-4,310	-1,243	-4,485
<b>Cash surplus/-deficit</b>	<b>-536</b>	<b>-924</b>	<b>-301</b>	<b>-3,007</b>

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



## Public Ledger

The Public Ledger, established by section 7 of the *Financial Management Act 2006* (FMA), includes those transactions and operations that are conducted through the Consolidated Account, the Treasurer's Advance Account and through the Treasurer's Special Purpose Accounts (TSPAs). Together with agency cash balances held at Treasury, the total of these accounts form the Public Bank Account.

PUBLIC LEDGER BALANCES AT 30 JUNE				Table 7.1
	2019 \$m	2018 \$m	Variance \$m	
<b>THE PUBLIC LEDGER</b>				
Consolidated Account <sup>(a)</sup>	-16,630	-13,868	-2,763	
Treasurer's Special Purpose Accounts <sup>(b)</sup>	15,838	14,471	1,367	
Treasurer's Advance Account – Net Advances and Overdraw n Trusts	-15	-45	30	
<b>TOTAL</b>	<b>-807</b>	<b>558</b>	<b>-1,365</b>	
Agency Special Purpose Accounts <sup>(b)</sup>	5,641	5,486	155	
<b>TOTAL PUBLIC BANK ACCOUNT</b>	<b>4,833</b>	<b>6,043</b>	<b>-1,210</b>	

(a) The balance of the Consolidated Account at 30 June 2019 includes non-cash appropriations of \$13,128 million (30 June 2018: \$11,962 million), representing the non-cash cost of agency services. These appropriations are credited to agency Holding Accounts that are included in the TSPAs balance. In cash terms, the Consolidated Account recorded a deficit of \$3,502 million at 30 June 2019 (compared with a deficit position of \$1,906 million at 30 June 2018).

(b) Treasurer's Special Purpose Account balances in June 2018 have been restated for corrected classification of some agency Special Purpose Accounts.

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

### Consolidated Account

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

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

The Consolidated Account was in an accumulated accrual deficit position of \$16,630 million at 30 June 2019, an increase of \$2.8 billion on the accumulated deficit at 30 June 2018. This included \$13,128 million associated with accrual (non-cash) appropriations for depreciation and leave entitlements, matched by equivalent non-cash balances in agency Holding Accounts (see following table).

In cash terms, the Consolidated Account was overdrawn by \$3,502 million at 30 June 2019. This compares with a \$1,906 million deficit cash balance at 30 June 2018. This outcome reflects lower receipts for the year to 30 June 2019 compared with the same period last year (down \$2.5 billion). This is primarily due to changes in proceeds from borrowing with the Consolidated Account not requiring new debt funding in 2018-19, partially offset by higher operating receipts.

State borrowings held by the Consolidated Account decreased by \$436.7 million in 2018-19, and totalled \$26 billion at 30 June 2019 compared with \$26.4 billion in June 2018. Debt repayments during the year reflect the application of funds from a large, one-off commercial duty assessment (\$195.1 million, including interest on late payment of the assessment), return of surplus capital from RiskCover (\$162.3 million) and the return of surplus agency cash paid to the Consolidated Account in 2017-18 (\$79.4 million). These repayments were made through the Debt Reduction Account (see Appendix 5). Total proceeds from gross borrowings (i.e. excluding repayments of borrowings) stood at \$26.6 billion at 30 June 2019 and remain below the \$34.5 billion cumulative limit approved by the *Loan Act 2017* and preceding *Loan Acts*<sup>1</sup>.

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<sup>1</sup> Proceeds of borrowings by the Consolidated Account (i.e. borrowings before debt repayments) cannot exceed the cumulative limit authorised by the *Loan Acts*.

Table 7.2

CONSOLIDATED ACCOUNT TRANSACTIONS			
	2019 \$m	2018 \$m	Variance \$m
<b>REVENUE</b>			
<i>Operating Activities</i>			
Taxation	6,995	6,692	303
Commonwealth grants	4,171	3,665	506
Government enterprises	2,290	2,290	1
Revenue from other agencies	6,909	6,377	532
Other receipts	1,229	773	456
<i>Total Operating Activities</i>	<b>21,595</b>	<b>19,797</b>	<b>1,798</b>
<i>Financing Activities</i>			
Repayments of recoverable advances	7	7	-
Borrowings	-	4,250	-4,250
Other receipts	12	11	1
<i>Total Financing Activities</i>	<b>19</b>	<b>4,268</b>	<b>-4,249</b>
<b>TOTAL REVENUE</b>	<b>21,614</b>	<b>24,065</b>	<b>-2,451</b>
<b>EXPENDITURE</b>			
<i>Recurrent</i>			
Authorised by other statutes	2,602	2,481	121
Appropriation Act (No. 1)	18,981	19,367	-386
Recurrent expenditure under the Treasurer's Advance	372	43	329
<i>Total Recurrent Expenditure</i>	<b>21,955</b>	<b>21,891</b>	<b>64</b>
<i>Investing Activities</i>			
Authorised by other statutes	301	337	-36
Appropriation Act (No. 2)	1,659	1,633	26
Investing expenditure under the Treasurer's Advance	14	39	-25
<i>Total Investing Activities</i>	<b>1,974</b>	<b>2,009</b>	<b>-35</b>
<i>Financing Activities</i>			
Loan repayments	437	98	339
Other financing	11	10	-
<i>Total Financing Activities</i>	<b>447</b>	<b>108</b>	<b>339</b>
<b>TOTAL EXPENDITURE</b>	<b>24,376</b>	<b>24,008</b>	<b>368</b>
<b>NET MOVEMENT (REVENUE LESS EXPENDITURE)</b>	<b>-2,763</b>	<b>57</b>	<b>-2,820</b>
<b>Consolidated Account Balance</b>			
Opening balance at 1 July	-13,868	-13,925	57
Closing balance at 30 June	-16,630	-13,868	-2,763
Of which:			
Appropriations payable	-13,128	-11,962	-1,166
Cash balance at 30 June	-3,502	-1,906	-1,597

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

## **Treasurer's Special Purpose Accounts**

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

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

Relative to 30 June 2018, an aggregate increase of \$1,367 million in TSPA balances at 30 June 2019 mainly reflects:

- higher Holding Account balances for non-cash accrual appropriations to agencies for depreciation and accrued leave entitlements (up \$1,166 million);
- since establishment of the National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse Account, payments totalling \$1.7 million have been made to the Departments of Justice and Communities for implementation and administration costs;
- an increase in the balance of the Western Australian Future Fund, reflecting appropriation of 1% of forecast annual royalty receipts (\$51 million) and interest earnings on the balance of the Fund for the year to date (\$47 million);
- a decrease in the balance of the Commonwealth Grants for Specific Purposes Account (down \$54 million), reflecting the reconciliation of prior year Commonwealth funding for the State-administered National Disability Insurance Scheme (NDIS) trials, provision of National Disability Specific Purpose Payment funding to the Department of Communities for on-payment to the National Disability Insurance Agency (for the Commonwealth-administered NDIS), and interim Skilling Australians funding from the Commonwealth;
- a decrease in the balance of the Fiona Stanley Construction Hospital Account (down \$39 million), reflecting the return of unspent funds to the Consolidated Account and closure of this SPA; and
- an increase in the balance of agency accounts that hold cash for the cost of an extra pay period which falls due every 11 years (up \$44 million).

A number of these TSPAs and other agency accounts are discussed in Appendix 5: *Special Purpose Accounts*.

The following table summarises the position of TSPAs at 30 June 2019 and 2018.

Table 7.3

<b>TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE</b>			
	2019 \$m	2018 \$m	Variance \$m
Agency Holding Accounts	13,128	11,962	1,166
Royalties for Regions Fund	1,000	1,000	-
Western Australian Future Fund	1,313	1,215	98
National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse Account	151	-	151
Commonwealth Grants for Specific Purposes	5	59	-54
Perth Children's Hospital Account	13	13	-
Perth Stadium Account	12	13	-2
Fiona Stanley Hospital Construction Account	-	39	-39
Agency 27th Pay Accounts	130	86	44
Other Special Purpose Accounts <sup>(a)</sup>	86	83	3
<b>TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE</b>	<b>15,838</b>	<b>14,471</b>	<b>1,367</b>

(a) Treasurer's Special Purpose Account balances at 30 June 2018 have been restated for corrected classification of some agency Special Purpose Accounts.

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

## Treasurer's Advance

The Treasurer's Advance allows for repayable advances to agencies for working capital purposes (known as 'net recoverable advances'), a short-term advance for any overdrawn agency Special Purpose Accounts, and the provision of supplementary appropriation funding for unforeseen and/or extraordinary events during the year (known as 'excesses and new items').

A total of \$652.2 million was authorised by section 29 of the FMA for the year ended 30 June 2019. Of this, \$401.6 million (or 61.6%) was drawn down in 2018-19. This included \$386.6 million for excesses and new items (which are included in the Consolidated Account outcome detailed earlier in this appendix). The remaining \$15 million was drawn against net recoverable advances as detailed in the following table.

### TREASURER'S ADVANCE AT 30 JUNE

Table 7.4

	2019 \$m	2018 \$m	Variance \$m
<b>AUTHORISED LIMIT</b>	<b>652.2</b>	<b>646.1</b>	<b>6.1</b>
<i>Total Drawn Against Treasurer's Advance Account</i>	<i>401.6</i>	<i>126.4</i>	<i>275.2</i>
Comprising:			
Net recoverable advances as at 30 June (see below )	15.0	45.1	-30.1
Overdraw n Special Purpose Accounts	-	-	-
Excesses and New Items			
- recurrent	372.4	42.6	329.8
- capital	14.2	38.7	-24.5
<b>NET RECOVERABLE ADVANCES</b>			
Mines Safety	8.0	18.0	-10.0
Petroleum and Geothermal Energy Safety	2.0	2.0	-
Metropolitan Redevelopment Authority	-	12.6	-12.6
Mining Rehabilitation Fund	-	5.3	-5.3
Sport and Recreation	1.1	1.1	-
Western Australian Energy Disputes Arbitrator	-	0.1	-0.1
Suitors Fund	2.5	2.5	-
Sundry Debtors	1.4	3.4	-2.0
<b>TOTAL RECOVERABLE TREASURER'S ADVANCES</b>	<b>15.0</b>	<b>45.1</b>	<b>-30.1</b>

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

### Transfers, Excesses and New Items

The following table summarises transfers of appropriations between agencies (and which have no impact on the Treasurer's Advance), and excesses and/or new items approved by the Treasurer under the authority of section 27 of the FMA.

### TRANSFERS, EXCESSES AND NEW ITEMS

Table 7.5

For the twelve months to 30 June 2019

	Treasurer's Advance					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<b>Recurrent Appropriations</b>						
<i>Premier and Cabinet</i>						
Item 5: Delivery of Services	126.7	0.4	-	4.7	131.8	4.3
<i>Public Sector Commission</i>						
Item 7: Delivery of Services	23.6	-0.2	-	-	23.5	-
<i>Governor's Establishment</i>						
Item 8: Delivery of Services	1.4	-	-	0.2	1.6	0.2
<i>Commissioner for Equal Opportunity</i>						
Item 11: Delivery of Services	3.5	-	-	0.2	3.7	0.2

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

Table 7.5 (cont.)

**TRANSFERS, EXCESSES AND NEW ITEMS**

For the twelve months to 30 June 2019

	<u>Treasurer's Advance</u>					Drawn against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<i>Treasury</i>						
Item 15: Delivery of Services	61.1	-	-	3.2	64.4	3.2
Item 16: Bunbury Water Corporation	0.7	-	-	- <sup>(b)</sup>	0.7	- <sup>(b)</sup>
Item 22: Regional Power Corporation	9.7	-	-	1.3	11.0	1.3
Item 23: Southern Ports Authority	0.3	-	-	21.9	22.2	15.4
Item 25: Western Australian Land Authority	27.7	-	-	24.9	52.5	20.2
Item 28: Metropolitan Redevelopment Authority	10.4	-	-	33.1	43.4	31.0
Item 30: Provision for Unfunded Liabilities in the Government Insurance Fund	1.9	-	-	3.2	5.0	3.2
Item 31: Provision for Voluntary Targeted Separation Scheme	55.8	-24.6	-	-	31.2	-
<i>Finance</i>						
Item 38: Delivery of Services	151.1	0.3	-	1.3	152.8	1.3
<i>Jobs, Tourism, Science and Innovation</i>						
Item 40: Delivery of Services	151.4	0.1	-	-	151.5	-
<i>Primary Industries and Regional Development</i>						
Item 42: Delivery of Services	166.3	0.8	-	-	167.1	-
<i>Mines, Industry Regulation and Safety</i>						
Item 44: Delivery of Services	125.1	-0.9	-	-	124.2	-
Item 45: Amount provided for Administered Grants, Subsidies and Other Transfer Payments	43.6	-	-	12.7	56.3	12.7
<i>Small Business Development Corporation</i>						
Item 46: Delivery of Services	11.9	1.5	-	-	13.4	-
<i>WA Health</i>						
Item 49: Delivery of Services	4,819.2	10.7	-	56.3	4,886.2	56.3
<i>Mental Health Commission</i>						
Item 52: Mental Health Tribunal	2.6	-	-	0.2	2.8	0.2
<i>Education</i>						
Item 54: Delivery of Services	4,042.0	-0.1	-	21.1	4,063.0	21.1
Item 55: Amount provided for Administered Grants, Subsidies and Other Transfer Payments	451.2	-0.1	-	3.1	454.3	3.1
<i>Training and Workforce Development</i>						
Item 56: Delivery of Services	354.2	0.9	-	-	355.2	-

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

**TRANSFERS, EXCESSES AND NEW ITEMS**

Table 7.5 (cont.)

For the twelve months to 30 June 2019

	<u>Treasurer's Advance</u>					Draw n against Treasurer's Advance to date \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<i>Justice</i>						
Item 58: Delivery of Services	1,177.3	1.6	-	-	1,178.8	-
<i>Fire and Emergency Services</i>						
Item 59: Delivery of Services	22.8	0.1	-	-	22.9	-
Item 60: Western Australia Natural Disaster Relief and Recovery Arrangements	45.0	-	-	3.6	48.6	3.6
<i>Office of the Director of Public Prosecutions</i>						
Item 61: Delivery of Services	36.0	-	-	0.6	36.7	0.6
<i>Office of the Inspector of Custodial Services</i>						
Item 64: Delivery of Services	3.3	0.1	-	-	3.4	-
<i>Communities</i>						
Item 66: Delivery of Services	1,720.8	2.5	-	-	1,723.3	-
<i>Local Government, Sport and Cultural Industries</i>						
Item 68: Delivery of Services	110.3	3.0	-	3.5	116.7	3.5
Item 71: Library Board of Western Australia	31.4	-2.0	-	-	29.5	-
Item 72: Perth Theatre Trust	8.2	-	-	1.0	9.2	1.0
Item 73: Western Australian Museum	22.2	0.1	-	-	22.4	-
<i>Western Australian Sports Centre Trust</i>						
Item 75: Delivery of Services	80.0	0.1	-	2.9	83.0	2.9
<i>Transport</i>						
Item 76: Delivery of Services	77.3	0.4	-	1.9	79.6	-
<i>Water and Environmental Regulation</i>						
Item 79: Delivery of Services	82.4	-	-	0.2	82.6	0.2
<i>Biodiversity, Conservation and Attractions</i>						
Item 80: Delivery of Services	239.3	0.3	-	-	239.7	-
<i>Planning, Lands and Heritage</i>						
Item 81: Delivery of Services	92.3	4.7	-	-	97.0	-
<i>Western Australian Land Information Authority</i>						
Item 83: Delivery of Services	34.5	-	-	0.8	35.3	0.8
<i>Mines, Industry Regulation and Safety</i>						
New Item: Ex-gratia Payment	-	-	33.0	-	33.0	33.0
<i>Treasury</i>						
New Item: National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse	-	-	153.0	-	153.0	153.0
<b>Total Recurrent</b>		-	<b>186.0</b>	<b>201.9</b>		<b>372.4</b>

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

Table 7.5 (cont.)

**TRANSFERS, EXCESSES AND NEW ITEMS**

For the twelve months to 30 June 2019

Treasurer's Advance						Draw n against Treasurer's Advance to date \$m
Budget	Transfers <sup>(a)</sup>	New Items	Approved Excesses	Revised Appropriation		
\$m	\$m	\$m	\$m	\$m		
<b>Capital Appropriations</b>						
<i>Governor's Establishment</i>						
Item 87: Capital Appropriation	1.9	-	-	0.1	2.0	0.1
<i>Treasury</i>						
Item 88: Animal Resources Authority	0.8	-	-	1.1	1.9	0.5
Item 94: Electricity Netw orks Corporation (Western Pow er)	109.2	-	-	1.4	110.7	1.4
Item 96: Metropolitan Redevelopment Authority	100.2	-	-	6.1	106.3	5.3
<i>Primary Industries and Regional Development</i>						
Item 109: Capital Appropriation	0.3	-	-	0.2	0.5	0.2
<i>Justice</i>						
Item 114: Capital Appropriation	18.9	-	-	0.2	19.0	0.2
<i>Chemistry Centre (WA)</i>						
Item 115: Capital Appropriation	1.0	-	-	1.5	2.5	1.5
<i>Western Australian Sports Centre Trust</i>						
Item 119: Capital Appropriation	13.8	-	-	0.8	14.6	0.8
<i>Transport</i>						
Item 120: Capital Appropriation	17.5	-	-	3.1	20.6	3.1
<i>Planning, Lands and Heritage</i>						
Item 126: Capital Appropriation	2.5	-	-	1.0	3.5	1.0
<b>Total Capital</b>		-	-	<b>15.6</b>		<b>14.2</b>
<b>TOTAL</b>		-	<b>186.0</b>	<b>217.5</b>		<b>386.6</b>

(a) Authorised under section 25 of the FMA.

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

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

**Transfers**

Transfer of appropriation funds are for the provision of an approved service which is now delivered by an alternative agency. These transfers are authorised either under section 25 of the FMA or by specific enabling legislation and do not impact on the Treasurer's Advance.

In 2018-19, appropriation transfers included:

- \$24.6 million from the provision for the Voluntary Targeted Separation Scheme (VTSS), with payments administered by Treasury transferred to several agencies shown in the following table. These transfers reimbursed agencies for costs associated with separations finalised during the month of June 2018 (and which could not be reconciled and paid until after 30 June 2018). The VTSS closed for most agencies on 30 June 2018 (see feature box in the *Financial Results* chapter of the 2017-18 *Annual Report on State Finances* for further details);

**2018 - 19 VOLUNTARY TARGETED SEPARATION SCHEME**

Table 7.6

Item	Agency	Transfer from Appropriation \$m
5	Premier and Cabinet	0.4
38	Finance	0.3
42	Primary Industries and Regional Development	0.8
44	Mines, Industry Regulation and Safety	0.4
49	WA Health	10.7
54	Education	0.8
58	Justice (including Legal Aid Commission of Western Australia)	1.6
59	Fire and Emergency Services	0.1
64	Office of the Inspector of Custodial Services	0.1
66	Communities	2.6
68	Local Government, Sport and Cultural Industries	0.6
71	Library Board of Western Australia	0.3
73	Western Australian Museum	0.1
75	Western Australian Sports Centre Trust	0.1
76	Transport	0.4
80	Biodiversity, Conservation and Attractions	0.3
81	Planning, Lands and Heritage	4.8
<b>Total</b>		<b>24.6</b>

- \$2.2 million from the Library Board of Western Australia to the Department of Local Government, Sport and Cultural Industries for the transfer of information and communication technology services;
- \$1.5 million from the Department of Mines, Industry Regulation and Safety to the Small Business Development Corporation for the transfer of the Building and Construction Code Monitoring Unit;
- \$0.9 million from the Department of Education to the Department of Training and Workforce Development for the transfer of the Training Accreditation Council;
- \$0.2 million from the Public Sector Commission to the Department of Mines, Industry Regulation and Safety for costs associated with implementation of new industrial agreements;
- \$0.1 million from the Department of Communities to the Department of Local Government, Sport and Cultural Industries for the transfer of staff costs associated with managing Native Welfare Files (\$33,000) and the transfer of the Metropolitan Migrant Resource Centre (\$62,000);
- \$0.1 million from the Department of Education to the Department of Jobs, Tourism, Science and Innovation for the transfer of the Japanese Scholarship Program and Curtin Miri Scholarships; and
- \$0.1 million from the Department of Planning, Lands and Heritage to the Department of Education for the transfer of the Oracle E-Business Suite Licensing.

## Excesses and New Items

Funds drawn against the Treasurer's Advance for excesses and new items were for the purposes outlined below. Further detail is available in the annual reports of the listed agencies. Unless otherwise stated, the approved funding was drawn in full by 30 June 2019.

### Premier and Cabinet

Item 5: **Delivery of Services** (\$4.7 million), to provide grant funding to the City of Kalamunda for the development of the Kalamunda Community Centre (\$3 million) and to the Shire of Harvey for the construction of a new Community Centre in Yarloop (\$1 million), a review of the Strategic Assessment for the Perth and Peel Region project (\$800,000), electorate office fit-outs (\$690,000), and increase to the annual telethon donation (\$500,000), development of a project charter and design of Brockman House (\$250,000) and grant funding to Auspire (\$100,000), partially offset by savings measures including the VTSS (\$496,000) and the Government Accommodation Reform Program (\$1.2 million). Of the approved excesses, only \$4.3 million was drawn as the approved transfer for the VTSS (\$393,000) was instead funded internally by the department.

### Governor's Establishment

Item 8: **Delivery of Services** (\$0.2 million), includes \$60,000 to meet the costs of the Governor's official visit to the United Kingdom to develop trade and investment opportunities for Western Australia and \$134,000 to meet the costs of urgent repairs of the main vehicle gate, kitchen roof and the ballroom ceiling.

Item 87: **Capital Appropriation** (\$0.1 million), to meet unavoidable and unforeseen final costs of roof repair and restoration, and air conditioning replacement projects.

### Commissioner for Equal Opportunity

Item 11: **Delivery of Services** (\$0.2 million), to meet the secondment costs of \$382,000 for the Commissioner and the Commissioner's assistant. The approved excess is partially offset by *the Amounts Authorised by Other Statutes (Salaries and Allowances Act 1975)* funding of \$48,000 following the substantive appointment of the Commissioner and savings of \$131,000 flowing from the 2017-18 VTSS.

### Treasury

Item 15: **Delivery of Services** (\$3.2 million), mainly reflecting additional costs associated with the planned partial commercialisation of Landgate and the privatisation of the Western Australian TAB, partially offset by the reflow of costs related to the State Underground Power Program, the Justice Pipeline Model and other resourcing requirements.

Item 16: **Bunbury Water Corporation** (\$46,000), reflecting approved additional funding, for the operating subsidy payments to Bunbury Water Corporation to meet higher than expected customer rebates incurred in 2017-18, which were not known until final accounts for that financial year were prepared.

Item 22: **Regional Power Corporation** (\$1.3 million), primarily for an increase in services provided to remote communities for which Horizon does not make a commercial return.

Item 23: **Southern Ports Authority** (\$21.9 million), reflecting funding for the Government support package relating to Mineral Resources Limited's purchase of Cliffs Asia Pacific Iron Ore Pty Ltd's Yilgarn Iron Ore Operation. Of this total, only \$15.4 million was drawn in line with revised timing of payments during 2018-19.

Item 25: **Western Australian Land Authority** (\$24.9 million), reflecting additional funding approved for the Authority for land acquisitions and infrastructure works at the Forrestdale Business Park West precinct (\$7.5 million), the demolition of Subiaco Oval (\$5 million), the Mangles Bay tourist precinct (\$7 million) and upgrade of the ballast system at the Australian Marine Complex (\$5.3 million). Of this total, only \$20.2 million was drawn in 2018-19 due to delayed progress with the Subiaco Oval demolition.

Item 28: **Metropolitan Redevelopment Authority** (\$33.1 million), reflecting the implementation of sustainable funding principles for the Land Agency Reform project (\$29 million), which seeks to consolidate the land development and planning activities of the Metropolitan Redevelopment Authority and the Western Australian Land Authority, place management at Yagan Square (\$1.4 million), preliminary investigative works for the East Perth Power Station project (\$1 million), finalisation of business cases relating to the Subiaco East and East Perth Power Station developments (\$1.5 million) and an anticipated revenue shortfall for the place activation at Elizabeth Quay (\$121,000). Of the total approved funding, \$31 million was drawn in 2018-19, reflecting lower than expected loan repayments associated with borrowings for the Forrestdale Business Park East and the timing of spending on the Subiaco East redevelopment project.

Item 30: **Provision for Unfunded Liabilities in the Government Insurance Fund** (\$3.2 million), to reimburse the Insurance Commission of Western Australia for higher than expected claims paid against the Government Insurance Fund (and which can vary significantly from year to year).

New Item: **National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse** (\$153 million)<sup>2</sup>, to establish a fund to support projected payments to 30 June 2022 associated with the State's participation in the National Redress Scheme for Survivors of Institutional Child Sex Abuse (\$147.6 million), establishment of a Response Coordination Unit (within the Department of Justice) to administer the State's participation in the Scheme (\$3.5 million), and to fund resources (within the Department of Communities) to source, evaluate and provide relevant case records as part of the assessment process for the Scheme (\$1.9 million).

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<sup>2</sup> The Government has announced that the proceeds from the partial commercialisation of Landgate's automated land titling service will be used to fund this initial contribution and to meet the cost of payments over the remaining life of the ten-year Scheme.

Item 88: **Animal Resources Authority** (\$1.1 million), reflecting an equity contribution for the Authority's autoclave replacement project following tender delays in 2017-18. Only \$0.5 million of these funds were subsequently drawn to meet contractual milestone payments for the autoclave (\$0.3 million), and a further \$0.2 million for other capital works costs.

Item 94: **Electricity Networks Corporation (Western Power)** (\$1.4 million), reflecting the equity contribution payment in arrears of the final outcome for 2017-18. This included:

- a contribution for the value in the 2017-18 dividend calculation resulting from capital contributions made by third parties for works carried out by the Corporation; and
- the return of dividend payments associated with land sales proceeds and profits from 2017-18.

Item 96: **Metropolitan Redevelopment Authority** (\$6.1 million), for an equity contribution to finalise the Yagan Square project. Only \$5.3 million of the approved funds were drawn, reflecting the impact of later than expected resolution of contract disputes at the Square.

## **Finance**

Item 38: **Delivery of Services** (\$1.3 million), for higher than expected GovNext information and communication technologies costs, and the preparation of a business case for the potential relocation of the Scitech Discovery Centre, partially offset by savings under the Government Office Accommodation Reform Program, the reflow of costs associated with the resolution of Native Title in the South West, and VTSS savings.

## **Mines, Industry Regulation and Safety**

Item 45: **Amount provided for Administered Grants, Subsidies and Other Transfer Payments** (\$12.7 million), reflecting higher than budgeted payments for the Magnetite Financial Assistance Package (\$38.1 million), partially offset by lower than budgeted payments for the Koolyanobbing Mine Financial Assistance program, and for mining tenement and miscellaneous royalty refunds.

New Item : **Ex-gratia payment** (\$33 million) to Mineral Resources Limited to facilitate the purchase of Cliffs Asia Pacific Iron Ore Pty Ltd Koolyanobbing mine.

## **Health**

Item 49: **Delivery of Services** (\$56.3 million), due to increased hospital activity, to address cost and demand pressures in non-hospital services (\$69.5 million) and other health initiatives, including HealthNext (\$8.9 million) and the End-of-Life Choices and Palliative Care package (\$1.7 million). These costs (totalling \$80.1 million) were partially offset by a reduction in appropriation due to additional revenue received under the National Health Reform Agreement (\$10.1 million) and from Lotterywest (\$5.5 million), and savings flowing from the 2017-18 VTSS (\$7.8 million) and from Government Office Accommodation reforms (\$0.4 million).

## **Mental Health Commission**

Item 52: **Mental Health Tribunal** (\$0.2 million), primarily for the relocation of the Mental Health Tribunal to Albert Facey House as part of the Government Office Accommodation Reform Program.

## **Education**

Item 54: **Delivery of Services** (\$21.1 million), reflecting updates to a range of school-based cost and demand pressures (\$13.6 million) and an increase in the proportion of students requiring disability support in public schools in 2018-19 (\$7.5 million).

Item 55: **Amount provided for Administered Grants, Subsidies, and Other Transfer Payments** (\$3.1 million), reflecting school census updates to student enrolment numbers in non-government schools in 2018-19.

## **Fire and Emergency Services**

Item 60: **Western Australia Natural Disaster Relief and Recovery Arrangements** (\$3.6 million), for claim payments under the Western Australian Natural Disaster Relief and Recovery Arrangements.

## **Office of the Director of Public Prosecutions**

Item 61: **Delivery of Services** (\$0.6 million), for increased recurrent expenditure in 2018-19, reflecting updated forecast growth in demand for core prosecution services (\$767,000) and a reclassification of Asset Investment Program spending to recurrent expense (\$100,000). These increases were partially offset by savings flowing from the 2017-18 VTSS (\$232,000). Of the approved excess, only \$559,000 was drawn due to movements between cash and non-cash (depreciation) costs.

## **Local Government, Sport and Cultural Industries**

Item 68: **Delivery of Services** (\$3.5 million), reflecting the extinguishment of the Western Australian Football Commission debt in line with previously agreed arrangements (\$5.6 million) and reclassification of some capital expenditure to recurrent purposes (\$0.8 million). These costs were partially offset by reflows from the Ellenbrook Recreation Centre (\$2 million), VTSS savings (\$0.7 million), adjustment to realign salary funding that is met from appropriation under the *Salaries and Allowances Act 1975* (\$0.1 million), and the Government Office Accommodation Reform Program (\$0.1 million).

Item 72: **Perth Theatre Trust** (\$1 million), due to the transfer of the Perth Cultural Centre from the Metropolitan Redevelopment Authority (\$1.2 million), partially offset by VTSS savings (\$0.2 million).

### **Western Australian Sports Centre Trust**

Item 75: **Delivery of Services** (\$2.9 million), reflects the net impact of the operating deficit associated with the management of the Perth Motorplex to 30 June 2019 and costs for Optus Stadium operations, which are partially offset by VTSS savings, lower than expected costs related to the Stadium Operator, and the finalisation of naming rights arrangements at RAC Arena.

Item 119: **Capital Appropriation** (\$0.8 million), for unavoidable capital works at the Perth Motorplex.

### **Transport**

Item 76: **Delivery of Services** (\$1.9 million), to meet the cost of payments under the Taxi User Subsidy Scheme (\$1.7 million) and the Fremantle Container Rail Subsidy (\$120,000). The approved excess was not drawn, largely due to the impact of savings measures and the reflow of a range of projects to 2019-20.

Item 120: **Capital Appropriation** (\$3.1 million), to meet the cost of implementing the Intergovernmental Agreement on Identity Matching Services (\$1.4 million) and enhancements to the On-demand Transport Business Systems (\$1.7 million).

### **Water and Environmental Regulation**

Item 79: **Delivery of Services** (\$0.2 million), reflecting the Government Office Accommodation move from Perth City to Joondalup (\$0.4 million), partially offset by the impact of managing down uncleared leave entitlements (\$0.2 million).

### **Western Australian Land Information Authority**

Item 83: **Delivery of Services** (\$0.8 million), reflecting additional funding to meet costs for the Landgate Partial Commercialisation project.

### **Primary Industries and Regional Development**

Item 109: **Capital Appropriation** (\$0.2 million), toward the cost for the replacement of core business systems supporting human resources management, financial management and records management.

### **Justice**

Item 114: **Capital Appropriation** (\$0.2 million), for fit-out costs associated with the Department's Kalgoorlie office relocation as part of the Government Office Accommodation Reform program.

### **Chemistry Centre (WA)**

Item 115: **Capital Appropriation** (\$1.5 million), for chemical analysis equipment that has reached the end of its economic life.

### **Planning, Lands and Heritage**

Item 126: **Capital Appropriation** (\$1 million), primarily for the acquisition of land suitable for the relocation of energy infrastructure to allow for the development of the East Perth Power Station site.

# **General Government Sector Salaries**

## **Introduction**

Salaries are the single largest component of general government sector expenses (40% in 2018-19, or 44% if concurrent superannuation costs are also included).

In 2018-19, general government salaries expenditure grew by 0.6% in headline terms to total \$12,269 million, or 2.7% in underlying terms after adjusting for Voluntary Targeted Separation Scheme payments in 2017-18 and 2018-19. This is a low rate of growth and includes increases in wage rates consistent with the Government's \$1,000 per year wages policy.

The following table summarises salaries outcomes for general government agencies for 2017-18.

Table 8.1

### SALARIES COSTS

#### General Government Sector

	2017-18	2018-19				Variation Annual on EOT Grow th \$m % (2) - (1)	
	Actual \$m	Budget Estimate \$m	MYR Revision \$m	Estimated Outturn \$m (1)	Actual \$m (2)		
Health	4,469	4,563	4,577	4,649	4,608	-41	3.1
Education	3,425	3,465	3,472	3,481	3,449	-33	0.7
Western Australia Police Force	911	921	930	922	932	10	2.3
Justice	666	633	615	619	657	38	-1.4
Communities	504	475	466	471	493	22	-2.3
Primary Industries and Regional Development	185	174	194	182	167	-15	-9.5
Biodiversity, Conservation and Attractions	185	180	182	182	181	- (a)	-1.9
Fire and Emergency Services	181	188	188	188	191	3	5.5
Mines, Industry Regulation and Safety	152	150	147	146	149	3	-2.0
Transport	123	125	125	125	122	-4	-0.7
North Metropolitan TAFE	118	118	113	114	114	- (a)	-3.1
South Metropolitan TAFE	105	107	103	104	105	1	0.1
Finance	103	102	101	101	93	-7	-9.5
Local Government, Sport and Cultural Industries	92	86	84	84	78	-6	-15.1
Water and Environmental Regulation	88	82	85	85	81	-4	-7.9
Planning, Lands and Heritage	84	76	77	77	77	1	-7.3
Premier and Cabinet	77	73	72	79	81	2	5.2
Commissioner of Main Roads	65	65	63	58	58	- (a)	-11.0
Land Information Authority	60	56	57	57	48	-9	-19.6
Disability Services Commission	51	50	49	49	44	-5	-14.0
Training and Workforce Development	50	46	45	46	43	-3	-13.0
Western Australian Sports Centre Trust	43	35	47	50	55	5	27.7
South Regional TAFE	34	34	34	34	36	2	6.2
Mental Health Commission	34	30	31	31	31	- (a)	-7.1
Central Regional TAFE	34	33	33	33	33	- (a)	-1.1
Jobs, Tourism, Science and Innovation	33	32	32	32	32	- (a)	-1.1
Treasury	32	36	37	35	33	-1	3.0
Legal Aid Commission of WA	30	29	31	31	31	-1	1.5
North Regional TAFE	30	30	31	31	31	1	5.5
Office of the Director of Public Prosecutions	29	31	30	31	31	- (a)	5.8
Legislative Assembly	22	23	23	23	22	- (a)	-0.4
Public Sector Commission	17	16	16	16	13	-4	-24.1
Corruption and Crime Commission	16	16	16	16	14	-2	-13.7
Legislative Council	15	16	16	16	16	- (a)	3.2
Office of the Auditor General	15	15	16	16	16	- (a)	8.3
Chemistry Centre (WA)	14	13	13	13	14	- (a)	0.1
WorkCover WA Authority	13	13	13	12	12	- (a)	-12.8
Parliamentary Services Dept	10	10	10	10	10	- (a)	4.1
All other agencies (with salaries costs below \$10 million)	79	71	69	68	68	- (a)	-14.1
Provisions (b)	-	-5	5	5	-	-5	-
<b>Total salaries</b>	<b>12,193</b>	<b>12,214</b>	<b>12,245</b>	<b>12,322</b>	<b>12,269</b>		<b>0.6</b>

(a) Amount is less than \$0.5 million.

(b) The 2019-20 Budget includes a provision for Voluntary Separations Scheme costs for workplace changes (including salaries costs) for the transition to the Commonwealth-run National Disability Insurance Scheme.

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

# Expense Limit Outcomes

## Introduction

Disciplined expense management is central to the Budget repair strategy. In headline terms, general government expenses increased by 2.5% in 2018-19 (or 2.1% in underlying terms), which follows growth of just 1.9% in 2017-18. A key part of spending discipline is delivered through the control of approved expense limits that underlie Resource Agreements for appropriation-funded agencies.

The following table summarises expense limit outcomes for agencies with Resource Agreements for the 2018-19 year. Variations from the estimated outturn contained in the 2019-20 Budget are adjusted in the table to exclude accounting remeasurements in end-of-year asset valuations that have impacted expenses, and the cost of judges' superannuation valuations in the Department of Justice (which are transferred to the Treasurer and administered by Treasury on behalf of the State).

Table 9.1

### TOTAL COST OF SERVICES

#### Agency Resource Agreements

	2018-19						
	Original Budget Estimate	Mid-year Revision	2019-20 Budget Estimated Outturn	Actual	Less Remeasurements and Costs Transferred to the Treasurer	Adjusted Actual	Variation on EOT
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
			(1)			(2)	(2) - (1)
WA Health	8,808	8,829	8,994	9,113	24	9,088	94
Education	5,091	5,122	5,139	5,494	468	5,026	-113
Communities	3,245	3,316	3,433	3,313	2	3,311	-122
Western Australia Police Force	1,555	1,577	1,557	1,531	-	1,531	-26
Public Transport Authority	1,491	1,488	1,479	1,477	-	1,477	-2
Justice	1,472	1,486	1,485	1,636	147	1,488	3
Finance	1,430	1,429	1,380	1,268	-	1,268	-113
Main Roads	1,282	1,362	1,347	1,300	-	1,300	-47
Mental Health Commission	918	926	918	918	-	918	-1
Training and Workforce Development	561	553	555	551	-	551	-4
Primary Industries and Regional Development	518	529	468	451	5	447	-22
Transport	436	450	444	412	-	412	-32
Fire and Emergency Services	430	434	432	435	-	435	4
Biodiversity, Conservation and Attractions	396	389	393	395	-	395	2
Mines, Industry Regulation and Safety	293	288	286	257	-	257	-29
Western Australian Sports Centre Trust	205	247	257	266	-	266	8
Local Government, Sport and Cultural Industries	289	295	295	290	6	283	-12
Jobs, Tourism, Science and Innovation	194	194	194	190	-	190	-5
Planning, Lands and Heritage	179	179	177	170	-	170	-6
Water and Environmental Regulation	171	180	180	171	-	171	-9
Premier and Cabinet	149	151	152	149	-	149	-3
Treasury	72	83	74	73	-	73	-1
Western Australian Planning Commission	52	52	52	46	-	46	-6
Office of the Director of Public Prosecutions	46	46	47	47	-	47	-
Public Sector Commission	26	27	27	22	-	22	-5
Economic Regulation Authority	13	13	13	13	-	13	-
Small Business Development Corporation	13	13	13	12	-	12	-1
Registrar, Western Australian Industrial Relations Commission	12	12	12	11	-	11	-1
National Trust of Australia (WA)	8	8	8	8	-	8	-
Commissioner for Equal Opportunity	4	4	4	4	-	4	-
Heritage Council of Western Australia	4	4	4	1	-	1	-2
Commissioner for Children and Young People	4	3	3	3	-	3	-
Salaries and Allowances Tribunal	1	1	1	1	-	1	-
Rural Business Development Corporation	1	1	1	1	-	1	-

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

# Key Technical Terms Used in the Financial Report

## **Australian Bureau of Statistics Government Finance Statistics Manual**

The Australian Bureau of Statistics' publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* contains a comprehensive and definitive guide to the classification of financial aggregates for National Accounts and GFS purposes.

## **Advances Paid**

Loans acquired for policy rather than liquidity management purposes. These include long and short-term loans, non-marketable debentures and long and short-term promissory agreements (bonds and bills) issued to public sector units for achieving government policy objectives.

## **Accrual accounting**

Accounting method that records revenue and expenses when they are incurred, regardless of when cash is exchanged. The term 'accrual' refers to any individual entry recording revenue or expense in the absence of a cash.

## **Asset Investment Program**

Total public sector purchases of non-financial assets (i.e. the State's infrastructure program).

## **Balance sheet**

A financial statement that presents the financial position of a sector by detailing the stock of assets, liabilities and equity at the end of a reporting period.

### **Biological Assets**

Biological assets may comprise of commercial forests and also any living animal, plant or agricultural produce that is the harvested product of biological assets.

### **Borrowings**

Borrowings refer to interest bearing liabilities mainly raised from public borrowings raised through the Western Australian Treasury Corporation, and finance leases and other interest bearing arrangements. Borrowings exclude liabilities raised from other government entities (including finance lease arrangements), which are classified as advances received.

### **Capital grants (transfers)**

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

### **Cash flow statement**

A financial statement that presents a summary of all cash receipts and payments for a sector in a reporting period.

### **Cash flow from operating activities**

Receipts and payments of cash relating to a reporting entity's operating activities.

### **Cash flow from investing activities**

Relates to the purchase or sale of assets, such as land, buildings and equipment.

### **Cash flow from financing activities**

Shows the cash receipts and payments related to transactions with the providers of finance.

### **Cash surplus/deficit**

Reported in the cash flow statement, the cash surplus/deficit measures the net impact of cash flows (excluding financing activities) during the period. It equals net cash flows from operating activities (things that agencies do on a daily basis as part of their operations) plus net cash flows from the acquisition and disposal of non-financial assets (i.e. infrastructure activities), less distributions paid (i.e. dividends). For Government Finance Statistics purposes at whole-of-government level, the cash surplus/deficit is further adjusted to account for the value of assets acquired under finance leases and similar arrangements. The Commonwealth refers to this aggregate as the 'underlying cash balance' in its publications and is that tier of government's headline budget measure. A surplus is generally consistent with declining levels of net debt while a deficit indicates a need for more borrowing.

## **Change in net worth**

Change in net worth (also known as comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows and measures the variation in the public sector's accumulated assets and liabilities.

## **Classification of the Functions of Government**

The Classification of the Functions of Government (COFOG) classifies expenses and acquisitions of non-financial assets of the public sector and general government sector in terms of the purposes for which the transactions are made. As required under AASB 1049, total assets of the State and general government sector are also required to be allocated to this functional classification where possible to do so. The major groups reflect the broad objectives of government and the groups and subgroups details the means by which these broad objectives are met. The COFOG is replacing the Government Purpose Classification.

## **Consolidated Account**

The *Constitution Act 1889* creates the Consolidated Account. Under section 64 of the *Constitution Act 1889*, all moneys due to the State from taxes, charges, imposts, and other sources, and that are not hypothecated by separate legislation, must be credited to the Consolidated Account and can only be expended if authorised by an Appropriation Act or other statute authorising appropriation. The legislation does not impose any restrictions on the purposes for which the Consolidated Account may be appropriated. See also Public Bank Account below.

## **Consolidated financial statements**

The aggregate financial statements for the whole-of-government (and its sub-sectors), including the financial outcomes of public sector agencies. Transactions, assets and obligations between agencies are eliminated on consolidation.

## **Consumer Price Index**

The Consumer Price Index (CPI) measures changes in the price of a 'basket' of goods and services purchased by households. Growth in the CPI is often used as a benchmark estimate of inflation.

## **Contingent asset**

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised on the balance sheet. For example, the State may expect to receive a cash benefit if it delivers on various obligations in the future.

### **Contingent liability**

A potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Contingent liabilities are not recorded on the balance sheet. Examples include pending legal proceedings and items covered by government guarantees, sureties and indemnities.

### **Convergence difference**

The difference between the amounts recognised in the financial statements (prepared under Australian Accounting Standards) compared with the amounts determined for Government Finance Statistics purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.

### **Current grants (transfers)**

The provision of something of value for no specific return or consideration (e.g. grants, subsidies and donations).

### **Derivatives**

‘Held for trading’ financial instruments valued at fair value at the balance sheet date, in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*.

### **Employee expenses**

These expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, voluntary separation payments, defined benefits superannuation plans and defined contribution superannuation plans.

### **Expenses**

Expenses are defined as transactions that reduce net worth. They represent the cost of operating. Purchases of services (other than those that are capitalised as infrastructure) are expenses because the services are consumed when provided and net worth is reduced by the cost of the services. For example, the purchase of labour services (commonly known as ‘salaries’) is an expense.

### **Finance lease**

Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset). For example, public sector agencies often lease buildings and vehicles, and record such leased assets on the balance sheets. All related costs and the total remaining lease liability is also recorded in the financial statements. Depending on the nature of the arrangement, Public Private Partnerships may be recognised as finance lease arrangements. Finance leases are treated as government debt on the State’s balance sheet.

## Financial asset

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Assets that are highly liquid (such as cash or very short-term investments that convert to cash very easily) are treated as an offset to borrowings and other financial instruments, to derive net debt.

## Financial liability

Financial obligations to a third party. Includes deposits held on behalf of third parties, advances (loans) received from the Commonwealth, borrowings (including finance leases), employee entitlements (such as unfunded superannuation liabilities), accounts payable, etc.

## *Financial Management Act 2006*

The Act sets out the framework for public sector budgeting in Western Australia.

## Fiscal aggregates

Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. Key fiscal aggregates defined under ABS Government Finance Statistics manual are required to be disclosed under AASB 1049: *Whole of Government and General Government Sector Financial Reporting*. They are opening net worth, net operating balance, net lending/– borrowings, change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth, and cash surplus/–deficit.

### **Forward estimates**

Estimates of financial aggregates for future years. These assume that there will be no significant change in government policy and are designed to provide a longer term perspective to the budget process.

### **Full-time equivalents**

One full-time equivalent staff member is the same as one person working full time for one financial year.

### **General government sector**

Defined in Government Finance Statistics as an entity or group of entities which are mainly engaged in the production of goods and/or services outside the normal market mechanism. General government goods and services are largely provided free of charge or at nominal charges well below costs of production. Government departments are usually recognised as general government sector agencies.

### ***Government Financial Responsibility Act 2000***

Western Australian legislation to establish a framework for government financial planning with a view to improving government financial outcomes and to facilitate public scrutiny of government financial policy and performance.

### **Government Finance Statistics**

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

### **Government Purpose Classification**

The Government Purpose Classification (GPC) classifies expenses and acquisitions of non-financial assets of the public sector and general government sector in terms of the purposes for which the transactions are made. As required under AASB 1049, total assets of the State and general government sector are also required to be allocated to purpose classification where possible to do so. The major groups reflect the broad objectives of government and the groups and subgroups details the means by which these broad objectives are met. The GPC is being replaced by the Classification of the Functions of Government.

### **Grants and subsidies**

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be of a current or capital nature (see current grants and capital grants).

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive benefits directly of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

### **Grants for on-passing**

All grants paid to one institutional sector (e.g. a State-based general government entity) to be passed on to another institutional sector (e.g. a local government or a private non-profit institution).

### **Gross borrowing**

Loans and debt obligations liabilities, other than advances, created through direct agreements with lenders, the sale of securities and acquisition of finance leases. Gross borrowing is the largest component of gross debt, used to calculate the State's net debt.

### **Gross debt**

A component of net debt. Gross debt includes borrowings, deposits held on behalf of third parties and advances (loans) from the Commonwealth. Net debt is derived from gross debt less liquid financial assets.

### **Gross State Product**

Gross State Product (GSP) measures the value of all final goods and services produced within a State. GSP is a common measure of economic growth.

### **Key fiscal aggregates**

Financial aggregates that are important for analysis purposes, including assessing the impact of a government and its sectors on the economy. For example, the net operating balance and net debt which are a focus of the discussion in the *Financial Results* chapter of this report.

### **National partnership payment**

A Commonwealth government grant to a State and/or Territory to support the delivery of specified outputs or projects, to facilitate reforms or to reward the delivery of nationally significant reforms. Each National partnership payment is supported by a National Partnership Agreement which defines mutually agreed objectives, outputs and performance benchmarks.

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

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

### **Net actuarial gains**

Includes actuarial gains and losses on defined benefit superannuation entitlements.

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

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

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

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

### **Net debt**

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

### **Net financial liabilities**

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

### **Net financial worth**

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

### **Net gain on equity investments in other sector entities**

Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/liabilities represents the net gains relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/liabilities before elimination of inter-sector balances.

### **Net lending/borrowing**

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

### **Net operating balance**

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

### **Net worth**

It is an economic measure of wealth and provides a relatively comprehensive picture of the public sector's overall financial position. It is calculated as total assets less total liabilities less shares and other contributed capital. For the general government sector, net worth is assets less liabilities, since shares and contributed capital do not exist for the central government.

### **Operating statement**

A financial statement that presents the operating performance of a reporting entity by detailing all items of revenue and expense recognised as they accrue during a reporting period. Cash flows for these accruing operating activities may occur in the same or subsequent reporting period.

### **Operating result**

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

### **Other economic flows**

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

### **Other revenue**

Revenue not elsewhere classified or disclosed.

### **Public Bank Account**

The Public Bank Account (PBA) is administered by the Department of Treasury and forms the central bank account of the Government of Western Australia. The PBA is created by the *Financial Management Act 2006*, and is divided into component parts and includes the Consolidated Account, Treasurer's Advance and Treasurer's Special Purpose Accounts (collectively referred to as the Public Ledger and detailed in Appendix 7 of this report), and agency Special Purpose Accounts.

### **Public corporations**

Those agencies that are primarily operating in a market and seek to recover a substantial portion of their costs through user charges. They comprise public financial corporations and public non-financial corporations (see below).

#### **Public financial corporations sector**

The sector comprises government controlled entities mainly engaged in financial activities, such as providing banking and insurance services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services).

#### **Public non-financial corporations sector**

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

## **Public Private Partnerships**

A term used to describe a method of procuring government infrastructure and associated services through private sector involvement. Public Private Partnership (PPPs) create opportunities with the private sector for increasing investment in social and economic infrastructure. The accounting rules for PPPs are complex and are based on case by case circumstances. However, they often result in recognition of a finance lease for the public sector balance sheet (which is a component of gross and net debt).

## **Revenue**

Revenue is defined as operating transactions that increase net worth. Examples include tax collections, Commonwealth grants, royalty income, and fees for goods and services.

## **Sales of goods and services**

Refers to revenue from the direct provision of goods and services, and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land.

## **Securities other than shares**

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

## **Superannuation concurrent cost**

The current service cost of employees.

## **Superannuation interest cost**

Represents the carrying cost of unfunded superannuation liabilities. Unfunded superannuation is essentially a debt owing to employees. Part of the annual valuation of these 'debts' includes the carrying (or interest) cost. The State of Western Australia now concurrently funds the superannuation costs of almost all of its employees (since 1998-99). As a result, superannuation interest costs are anticipated to decline over the next two to three decades as unfunded entitlements are gradually paid out.

### **Taxation revenue**

Taxation revenue represents revenue received from the State's taxpayers and includes payroll tax, land tax, duties levied principally on conveyances and land transfers, gambling taxes levied mainly on private lotteries and racing, insurance duty relating to compulsory third party policies, motor vehicle taxes, including registration fees and duty on registrations and transfers, levies on statutory corporations in other sectors of government and other taxes, including landfill levies, licence and concession fees.

### **Tax equivalents regime**

The mechanism to ensure that public corporations incur similar tax liabilities as privately owned organisations that are exposed to the tax system. Under these arrangements, greater parity exists between the cost structures of public sector trading entities and the private sector, aiding in the achievement of competitive neutrality.

### **Total change in net worth**

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

### **Total non-financial assets**

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

### **Total non-financial public sector**

The total non-financial public sector represents the consolidated transactions and assets and liabilities of the general government and public non-financial corporations sectors. In compiling statistics for the total non-financial public sector, transactions and debtor/creditor relationships between sub-sectors are eliminated.

### **Transaction**

Transactions are those economic flows that are considered to arise from an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the public sector and tax payers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is in cash.

## **Uniform Presentation Framework**

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

## **Whole-of-government financial report**

A financial report prepared by a Government that is prepared in accordance with Australian Accounting Standards and thereby separately recognises assets, liabilities, income, expenses and cash flows of all entities under the control of the Government on a line-by-line basis.



