

# **Annual Performance Statement 2023-24**

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## Introduction

Operating throughout Western Australia, DevelopmentWA drives economic and employment growth, demonstrates innovation and champions sustainability as we shape our State's future. DevelopmentWA is committed to listening, understanding and responding to Government priorities and offering pro-active solutions.

Partnering with industry and agencies, we create great places for people to live, work, visit and do business in regional and metropolitan WA. Through the Industrial Lands Authority, we provide the land and connections needed to power the drivers of our State's economy – from the nation's biggest resource projects through to small businesses.

Our diversified portfolio has the scale, scope and strength to work towards zero carbon communities and deliver social and economic outcomes for the benefit of all Western Australians. Our projects are helping to support the State's affordable and social housing needs, activating major transport precincts, and ensuring the availability of suitable land for economic development.

During 2021 and 2022, land assets from the Department of Communities were integrated into DevelopmentWA. This process is progressing, and we look forward to continuing to play our part in supporting the State Government's commitment to improving and expanding social and affordable housing across WA.

From urban infill to land for new communities, we aim to create major projects, rail station precincts and housing opportunities across the metropolitan area. Some of our key metropolitan projects include Ocean Reef Marina; Subiaco East Redevelopment Area; Alkimos Central; Perth City Link and METRONET East. We are investing in regional growth and engaging local businesses, ensuring support for regional economies and communities. Some of our key regional projects include Albany Middleton Beach; Waranyjarri Estate, Broome North; Greenview, Kalgoorlie and Bunbury. Through the Industrial Lands Authority (ILA), we take a leading role in delivering land for jobs and driving Western Australia's economic development. Some of our key ILA projects include the Australian Marine Complex, Henderson; Meridian Park, Neerabup; Peel Business Park, Nambeelup, Orion Industrial Park, Wattleup; Gap Ridge, Karratha and the Kwinana Strategic Industrial Area.

In November 2022 the Government introduced the Government Trading Enterprise Bill into the Western Australian Parliament, which once enacted, will standardise the governance and accountability legislative frameworks of a number of organisations, including DevelopmentWA.

We create a culture of innovation that is creative, collaborative, solutions-focused and pursues continuous improvement. We support high capability and capacity through solid commercial and financial disciplines, an excellent workforce, robust systems, and strong stakeholder and community support. We also demonstrate innovative, sustainable outcomes in our developments that provide leadership in overcoming industry challenges.



Darren Cooper  
**CHAIRPERSON**



Dean Mudford  
**ACTING CHIEF EXECUTIVE OFFICER**

## About this Document

Consistent with the requirement of Regulation 4, Part 3 of the WALA regulations, and with Regulation 27, Part 5 of the MRA regulations, this document includes details of DevelopmentWA's strategic objectives, priorities, operating revenue and expenditure, dividend policy, capital expenditure and borrowing requirements, proposed pricing arrangements, performance targets, accounting policies that apply and details of the type of information provided to the Minister.

## About DevelopmentWA

DevelopmentWA was launched in September 2019 through a merger of the former agencies LandCorp and the Metropolitan Redevelopment Authority (MRA).

The Western Australian Land Authority (WALA – formerly trading as LandCorp), is a publicly owned State Government Trading Enterprise (GTE) established under the *Western Australian Land Authority Act 1992*. The Metropolitan Redevelopment Authority (MRA) was established pursuant to the *Metropolitan Redevelopment Authority Act 2011* in January 2012 as an amalgamation of four existing redevelopment authorities across metropolitan Perth.

As part of the merger, the Government determined that WALA would provide activities and services for DevelopmentWA, including servicing the MRA functions. Both sets of legislation (WALA Act and MRA Act) are currently still applicable, and this has required a flexible and responsive approach to developing plans for the future to set the new entity up for success.

As part of the Western Australian Government's measures to improve accountability and transparency in the public sector, the Housing Authority's land development projects and related commercial functions were transferred to DevelopmentWA. The first phase took place in February 2021 and included the transfer of \$136 million of land assets. The second phase occurred on 1 July 2021 and comprised the transfer of the remaining commercial land development projects and assets, valued at \$411 million.

The WALA Act requires WALA to provide or promote the provision of land, infrastructure, facilities and services for the social, economic and environmental needs of the State. The provision of project ready land enables the private sector to invest confidently and undertake major investments in built form, including industrial, commercial, tourism, and residential. The WALA Act objects and functions enables DevelopmentWA to work with both Government and private sector to give effect to Government policy statewide.

The MRA was created with the purpose of delivering redevelopment projects of strategic significance in the Perth metropolitan area. A key requirement of the MRA legislation is to plan, undertake, promote and coordinate the development of land in redevelopment areas in the metropolitan region. The MRA Act specifies redevelopment area objectives, being: to build a sense of place; to promote economic wellbeing; to promote urban efficiency; to enhance connectivity; to promote social inclusion and to enhance environmental integrity.

After consultation conducted by Treasury with relevant agencies, the Government introduced the Government Trading Enterprise Bill into the Western Australian Parliament in December 2022. Subject to the passage through the Parliamentary process, it is anticipated the Act will become operative from 1 July 2023. These legislative reforms will amend the Western Australian Land Authority Act, and standardise the governance and accountability legislative frameworks of a number of organisations, including DevelopmentWA.



## 1.0 Our Vision and Values

### 1.1 Our Vision

DevelopmentWA is "Shaping our State's Future".

Operating throughout Western Australia, DevelopmentWA has a unique capacity to shape and create sustainable communities and deliver projects for tomorrow.

As the WA Government's land development agency, we are focused on working closely with industry and the community to deliver outcomes on Government priorities.

We partner with the private sector, ensuring our State is positioned for growth by creating great places for people to live, work, visit and do business.

Our people are at the heart of everything we do. Their skill and expertise ensure DevelopmentWA remains a highly capable, innovative and solutions-focused organisation.

### 1.2 Our Values

Values are central to our culture, underpinning the way we work and guiding our relationships with each other and with our partners, stakeholders and customers. Our values are:

#### **BRILLIANCE**

##### **Always Striving. Never Settling.**

We relentlessly pursue brilliance in all aspects of our work. Our agility drives a solutions-focused, can-do approach to challenges.

#### **ALLIANCE**

##### **Stronger Together.**

Our strength comes from our diversity. We engage, listen and learn from each other, the community, our stakeholders, suppliers and partners. We are strongest when we work together.

#### **COURAGE**

##### **Backing Ourselves & Each Other.**

We lead through our collective commitment to innovation and action. We bring a can-do attitude and dedication to our work, our goals and our culture. Always seeking new perspectives and exploring new ways of thinking.

#### **INTEGRITY**

##### **Integrity at our Core.**

Integrity is reflected in everything we do. Each and every day. We are unwavering in our commitment to transparency, openness and professionalism.

## 2.0 Strategic Approach

### 2.1 Operating Environment

The 2022-23 State Budget forecast Western Australia's real GSP would rise 2.0% in 2022-23, 1.0% in 2023-24 and 1.5% in 2024-25.

The WA residential market has so far been resilient to interest rates rises, unlike some markets in the Eastern states, where dwelling values have decreased significantly since rate rises began in May 2022. Perth remains the most affordable capital city in Australia. The rental market however, remains very tight with rental vacancies at the lowest levels on record in late 2022.

The upward pressure on the rental market is stemming from low supply of new houses. Labour shortages and supply chain issues have delayed construction of new dwellings, creating additional demand for existing housing stock. Housing commencements have been high, however this is yet to be reflected in the number of completed new dwellings.

Despite some softening in the industrial market, WA's outlook remains positive. Perth industrial assets are expected to continue to perform strongly compared to other capital cities.

### **Significant Issues Impacting the Government Trading Enterprise**

1. With the development industry facing considerable supply-side pressures associated with materials and labour, DevelopmentWA continues to face issues including escalating costs and project delays. Low housing stock and a tight rental market is expected to ease when the current high level of dwellings under construction translate into additional housing supply. Additionally, residential housing and development sales and delivery programs are experiencing demand side challenges due to reduced borrower capacity and finance availability with rising interest rates.
2. Smaller scale regional projects are facing additional delivery challenges with the redirection of regional contractors and resources to major natural disaster recovery projects.
3. Responding to the State's social and affordable housing needs, DevelopmentWA is pursuing the delivery of one and two-bedroom homes which are aligned to the needs of people seeking social and affordable housing, in proximity to services and major transport precincts.
4. The demand for industrial land in light, general, special and heavy industry areas continues to be sustained and above long-run absorption rates. DevelopmentWA is working with Jobs, Tourism, Science and Innovation through the Industrial Lands Authority to provide land and infrastructure to match the demands of industry across the State.
5. DevelopmentWA launched its Net Zero Transition Plan in November 2021. DevelopmentWA continues to work with lead policy departments in areas including environmental impact, climate change mitigation, water-sensitive design, sustainability, waste recycling, and distributed energy systems transition. DevelopmentWA is also committed to reconciliation with Aboriginal people and will continue to demonstrate best practices with respect to Native Title, Aboriginal Cultural Heritage protection and Closing the Gap through its Reconciliation Action Plan.
6. DevelopmentWA is working collaboratively with Communities; Community Housing Providers; the Department of Planning, Lands and Heritage; and Treasury towards the delivery of more social and affordable housing across the State.
7. With the progress of the GTE reform framework, DevelopmentWA is working closely with Treasury with objectives on strategic plans, appropriate governance, reporting, transparency and accountability.

### **Machinery of Government Reforms**

Work on the Housing Authority Machinery of Government reforms continued in 2022 with a focus on the movement of the Department of Communities' commercial land development projects and assets to DevelopmentWA. Four commercial projects being undertaken with private development partners have also moved to DevelopmentWA. Work has continued on obtaining development partner consent for the movement of the remaining 13 commercial development projects to DevelopmentWA, with 11 of these projects already being managed by DevelopmentWA under an agency agreement. DevelopmentWA continues to work closely with the Department of Communities and Treasury on redefining inter-agency arrangements and coordinating the delivery of land and social housing.

### **2.2 Government Expectations**

DevelopmentWA works closely with Government and its agencies in delivering State priorities. Considered planning is required to ensure the developments undertaken align with the State Government's goals.

## Minister Expectations

DevelopmentWA's key land development projects and activities which support the Minister's expectations include:

- Delivery of a range of residential, commercial, industrial and tourism developments across WA, including highest priority projects: East Perth Power Station, Ocean Reef Marina, Subi East, METRONET precincts, Australian Marine Complex (AMC).
- Work with the Department of Communities, private sector built form developers and not for profit community housing providers to implement Social Housing outcomes.
- Expediting projects for social housing delivery, including projects at Kelmscott, Cannington and High Wycombe.
- Supporting the WA Recovery Plan.
- Maintaining a sufficient land supply pipeline, including project ready Strategic Industrial land and land for regional communities.
- Industry leadership role in policy demonstration and implementation.
- Sustainable land development outcomes.

## Government Priorities and Policy

DevelopmentWA's activities are aligned to many of Government's areas of strategic importance. Key WA Government policies and strategies which inform our approach include:

Diversify WA – Strong Economy, Creating Jobs, Diverse Industry	Social Housing Outcomes
Energy Transformation Strategy	Waste Avoidance and Resource Recovery Strategy
State Planning Strategy 2050	Future Battery Industry Strategy
State Climate Policy	Ageing with Choice: Seniors Housing
Distributed Energy Resources Roadmap	State Electric Vehicle Strategy
Aboriginal Empowerment Strategy	Waterwise Perth Action Plan

In addition to the above policies and strategies of Government, where DevelopmentWA's project activities directly and/or indirectly contribute to outcomes, DevelopmentWA also makes a broader contribution to other Government priorities and initiatives including;

- **Supporting a Strong Economy**
  - DevelopmentWA will maintain excellent employee and industrial relations policies and practices to support local jobs and implement the highest standards of occupational health and safety to ensure the wellbeing of staff and contractors.
  - DevelopmentWA will manage its operations efficiently and prudently, having regard to community expectations of Government organisations in abiding to ethical, environmental and social considerations.
- **Aboriginal and Torres Strait Islander Engagement:** DevelopmentWA will continue to implement its merged reconciliation action plan, promote employment opportunities for Aboriginal people, including promoting Aboriginal employment and training opportunities where possible, and aligning with Government's Aboriginal Procurement Policy.
- **Liveable Environment:** DevelopmentWA will implement strategies to minimise and adapt to the impacts of climate change, specifically through its project delivery.
- **Engagement with Government:** DevelopmentWA will provide timely and accurate responses to requests for information and proactively manage and provide industry advice



and awareness of matters inside the industry or material for whole of Government policy. Key Government relationships will be built and maintained with the Minister and Minister's Office, the Treasurer and Treasurer's Office, and the agencies supporting the Minister and Treasurer – in particular the Department of Planning, Lands and Heritage (DPLH), Department of Communities (DoC) and Department of Treasury.

- **Reform:** DevelopmentWA will continue to engage actively and collaboratively with whole of Government reform programs.

## 2.3 Our Strategic Objectives and Priority Outcomes

Our strategic objectives focus on **Sustainable Communities, Prosperous Industry, Resilient Regions**, and are enabled through a focus on developing **A Highly Capable, Innovative Organisation**. These objectives drive land delivery operational priorities and actions in the short to medium term, to build on our responsibility to Western Australians:

### Strategic Objective 1 – Sustainable Communities

- *Developing high quality major projects, transport oriented development, urban regeneration projects, rail station precincts and land for new communities.*

Priority Outcomes	
1.1	Design and delivery of sustainable, transformational projects in the Perth Metropolitan area consistent with Government priorities.
1.2	Plan, facilitate and deliver on Government land supply, liveability and infill targets around transport nodes, Activity Centres and METRONET stations to create efficient, connected, sustainable urban places.
1.3	Collaborate with the Residential Lands and Housing Delivery Steering Committee (RLHDSC) agencies to support a co-ordinated approach by Government to the provision of housing to support affordable communities, including affordable and social housing targets.
1.4	Engage with industry, local government, universities and other stakeholders to maximise the outcomes achieved through our projects.

### Strategic Objective 2 – Prosperous Industry

- *Facilitating economic diversification and jobs growth in industrial areas throughout Western Australia.*

Priority Outcomes	
2.1	Planning and delivery of General and Special industrial estates, precincts and parks throughout Western Australia to meet market demand.
2.2	Work with Department of Jobs, Tourism, Science and Innovation (JTSI) to make strategic industrial land development ready, and continue to support proponents who locate in our Strategic Industrial Areas (SIAs).
2.3	Collaborate with the Industrial Lands Steering Committee (ILSC) agencies to ensure sufficient supply of industrial land and supporting infrastructure across the state.
2.4	Engage with industry, all levels of government and other stakeholders to maximise the outcomes achieved through ILA projects.

### Strategic Objective 3 – Resilient Regions

- *Working with stakeholders across the State to deliver land and infrastructure in regional communities which support regional housing delivery, economic development and job creation.*

Priority Outcomes	
3.1	Design and delivery of land, infrastructure and enabling developments in regional cities consistent with Government directions.
3.2	Deliver residential and light industrial land supply in targeted regional areas, especially identified hot spots, to support private investment in housing, business attraction and regional employment.
3.3	Collaborate with Department of Jobs, Tourism, Science and Innovation (JTSI), Department of Communities, Department of Primary Industries and Regional Development (DPIRD) and Regional Development Commissions (RDCs) to support regional economies diversification.
3.4	Maintain a level of service to regional stakeholders to assist with regional capacity building and the diversification of regional economies.

### Strategic Objective 4 – A Highly Capable, Innovative Organisation

- *High capability and capacity through solid commercial and financial disciplines, an excellent workforce, and robust systems.*
- *Successful development outcomes through high performing partnerships and strong stakeholder, community, supplier and customer relationships.*
- *Demonstrating innovative, sustainable outcomes in our developments that provide leadership in overcoming industry challenges and pursuing new opportunities.*

Priority Outcomes	
Capability and Capacity	



4.1	A strong financial position is maintained by securing a project pipeline for the future, optimising the financial delivery of projects and ensuring sound financial management.
4.2	Employ and retain excellent, engaged, values aligned staff and support learning opportunities to enable continuous improvement.
4.3	Ensure strong governance, systems, policies and processes are applied to underpin the business.
<b>Partnerships and Relationships</b>	
4.4	Attract private sector partners and engage effectively with suppliers and customers to achieve mutually beneficial development outcomes.
4.5	Engage stakeholders and communities to achieve broad community support for our developments.
<b>Demonstrating Innovative Outcomes</b>	
4.6	Encourage and support innovation, and lead industry by delivering innovation through demonstration projects.
4.7	Implement market leading solutions in our developments to shape better Sustainable development outcomes and implement our Net Zero Transition Plan.

### Highest Priority Projects

The tables below list the current highest priority projects which DevelopmentWA is progressing across the state, and which contribute heavily into expenditure and/or revenue projections in the budget forecasts.

#### Metropolitan projects

Alkimos Central	Ocean Reef Marina
Beaconsfield	OneOneFive Hamilton Hill
Bentley 360	Perth City Link / ECU / Yagan
Cannington	Pier Street (Folio 195)
East Perth Power Station	Subiaco East
Edith Cowan University site (Mt Lawley)	Waterbank
Montario Quarter (Shenton Park)	Wungong
Murdoch Health and Knowledge Precinct	

#### Industrial Lands Authority projects

GENERAL and SPECIAL INDUSTRIAL	STRATEGIC INDUSTRIAL
Australian Automation & Robotics Precinct (AARP)	Ashburton North SIA
Australian Marine Complex (AMC)	Burrup SIA
Australian Marine Complex Technology Park	Collie Shotts SIA
Bentley Technology Precinct	Kemerton SIA
Forrestdale Business Park	Kwinana SIA
Kalgoorlie Yilkari	Maitland SIA
Karratha Gap Ridge	Oakajee SIA
Meridian Park	Rockingham SIA
Orion Industrial Park	Boodarie SIA
Peel Business Park	Anketell SIA
Port Hedland Wedgefield	
Newman GI	
Broome Road Industrial	

#### Regional projects

Albany Clydesdale	Exmouth Marina Super Lot D
Albany Middleton Beach Activity Centre	GreenView at Karikurla (Kalgoorlie)
Albany Oyster Harbour	Madigan at Baynton West (Karratha)
Broome North	Newman LIA
Broome Yawuru	Pinjarra LIA
Exmouth Learmonth	Western Edge (South Hedland)

## 3.0 Finance and Funding

### 3.1 Financial Statement Estimates

A summary of the projected financial outcomes for 2023-24 is outlined in the following table. The forecasts are largely underpinned by sales across metropolitan, regional and industrial lands programs as well as projects transferred to DevelopmentWA through the Housing Machinery of Government reforms. Forecasts also incorporate the ongoing operations of the Metropolitan Redevelopment Authority.

For the 2023-24 financial year DevelopmentWA will deliver a loss of \$54.6 million after tax, mainly due to the expected write-off of \$54 million as a result of the land transfer from Department of Communities to WALA under the Bentley Residential Redevelopment project. An operating subsidy to offset the write-off was deferred, pending the GTE Reform Bill and amendments to DevelopmentWA's enabling Act.

DevelopmentWA Income Statement		2023-24	
\$'M	MRA	WALA	Total
Total Revenue *	22.0	728.4	746.9
Sales Revenue (after goods & services tax)	-	430.9	430.9
Revenues from Government *	3.4	218.0	218.0
Other operating revenue	13.0	10.8	23.9
Property management revenue	5.5	68.7	74.2
Less: Cost of Land Sold	-	(378.8)	(378.8)
Less: Estate Costs	-	(69.1)	(69.1)
Less: Operating Costs (Including property management & operating subsidies project expenditure) *	(44.6)	(300.4)	(341.6)
<b>Earnings before interest &amp; tax</b>	<b>(22.6)</b>	<b>(19.9)</b>	<b>(42.6)</b>
Less: Net Interest Expense	1.1	(3.4)	(2.2)
Less: Income Tax Expense	-	(9.8)	(9.8)
<b>Profit after Income Tax</b>	<b>(21.5)</b>	<b>(33.1)</b>	<b>(54.6)</b>

\* Net amount after the elimination of intercompany loan and grant expense between MRA and WALA

DevelopmentWA Financial Position		2023-24	
\$'M	MRA	WALA	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash assets	16.2	183.5	199.8
Receivables	18.2	19.4	37.6
Inventory	39.2	597.8	637.0
Other	0.1	138.3	138.4
<b>Total Current assets</b>	<b>73.6</b>	<b>939.1</b>	<b>1,012.8</b>
<b>Non-Current assets</b>			
Property Plant & Equipment	181.7	331.1	512.8
Receivables	1.9	72.5	74.4
Inventory	-	606.8	606.8
Cash investments	13.9	-	13.9
Other	15.6	81.2	96.7
<b>Total Non-current assets</b>	<b>213.1</b>	<b>1,091.6</b>	<b>1,304.7</b>
<b>Total Assets</b>	<b>286.7</b>	<b>2,030.8</b>	<b>2,317.5</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Employee provisions	9.3	44.9	54.1
Payables	4.4	94.1	98.4
Borrowings & leases	0.5	28.0	28.5
Other	1.1	113.0	114.1
<b>Total current liabilities</b>	<b>15.3</b>	<b>279.9</b>	<b>295.2</b>
<b>Non-current liabilities</b>			
Employee provisions	0.2	44.8	44.9
Borrowings & leases	5.9	166.2	172.1
Other	2.5	98.5	101.0
<b>Total non- current liabilities</b>	<b>8.6</b>	<b>309.5</b>	<b>318.0</b>
<b>Total Liabilities</b>	<b>23.9</b>	<b>589.3</b>	<b>613.2</b>
<b>Net Assets</b>	<b>262.9</b>	<b>1,441.4</b>	<b>1,704.3</b>
<b>Equity</b>			
Contributed Equity	697.4	999.6	1697.0
Accumulated surplus/(deficit)	(434.5)	441.8	7.3
<b>Total Equity</b>	<b>262.9</b>	<b>1,441.4</b>	<b>1,704.3</b>

*Cash assets include dividends approved by ERC to be retained to fund infrastructure projects.*



DevelopmentWA Cashflow Statement		2023-24	
\$'M	MRA	WALA	Total
<b>Cashflows from Operating Activities</b>			
<b>Receipts</b>			
Sales of goods	11.9	438.9	450.8
GST receipts	-	84.1	84.1
Other	12.0	148.1	160.1
<b>Payments</b>			
Employee benefits	(2.2)	(42.5)	(44.7)
Supplies and services	0.0		0.0
Accommodation	(7.0)	(3.7)	(10.7)
GST payments	-	(85.4)	(85.4)
Finance and interest costs	-	(3.3)	(3.3)
Payment for the purchase of inventories	-	(419.1)	(419.1)
Other payments	(58.8)	(107.4)	(162.8)
<b>Net cash from operating activities</b>	<b>(44.1)</b>	<b>10</b>	<b>(30.9)</b>
<b>Cashflows from investing Activities</b>			
Proceeds from sale of non- current assets	-	-	-
Purchase of non-current assets	0.0	(27.5)	(27.5)
<b>Net cash from investing activities</b>	<b>0.0</b>	<b>(27.5)</b>	<b>(27.5)</b>
<b>Cashflows from Financing Activities</b>			
Proceeds from Borrowings	-	198.8	198.8
Repayment of borrowings and leases	-	(296.0)	(296.0)
Other payments	-	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>(97.2)</b>	<b>(97.2)</b>
<b>Cashflows from Government</b>			
Capital grants	-	-	-
Operating subsidies	0.0	212.7	212.7
Royalties for Regions	-	5.3	5.3
Equity Contributions	29.2	20.0	49.2
Recurrent grants	3.4	-	-
Direct Grants	-	-	-
Dividends to government	-	(45.9)	(45.9)
National Tax Equivalent - Income tax	-	(9.8)	(9.8)
Local Government Tax equivalent	-	(71.0)	(71.0)
Receipts paid to the consolidated account	-	-	-
<b>Net cash from/(provided) to Government</b>	<b>32.6</b>	<b>111.2</b>	<b>140.5</b>
<b>Net Increase/(Decrease) in cash held</b>	<b>(11.5)</b>	<b>(3.6)</b>	<b>(15.1)</b>
Cash at the beginning of the reporting period	41.7	187.2	228.8
<b>Cash at the end of the reporting period</b>	<b>30.2</b>	<b>183.5</b>	<b>213.7</b>

\*Net amount after the elimination of intercompany loan and grant expense between MRA and WALA



### **3.2 Payments to Government and dividend policy**

DevelopmentWA expects to deliver payments to Government of \$109.9 million for the year which incorporates income tax equivalents, stamp duty on acquisitions, land tax and Local Government rate equivalents. These payments also include a dividend payment consistent with requirements under the *Western Australian Land Authority Act 1992*.

### **3.3 Capital expenditure and borrowing requirements**

As a Government owned trading enterprise DevelopmentWA's capital and borrowing program is framed within the State Government budget parameters. Capital expenditure and strategic acquisitions represent our largest use of cash which is funded through a mix of internally generated cash flows, Government funding and borrowings.

#### **CAPITAL EXPENDITURE (ASSET INVESTMENT PROGRAM)**

Unlike other State Government agencies, DevelopmentWA's land development expenditure is generally not classified as capital expenditure for accounting purposes (as it predominantly relates to the development of trading stock). However, it is reflected in the State Asset Investment Program for State Budget purposes. DevelopmentWA will focus on the delivery of strategically important projects, including State Recovery initiatives, consistent with Government policy whilst optimising targeted investments to ensure future sales revenue and profitability are maintained.

Land acquisition and development expenditure (Asset Investment Program) for the 2023-24 financial year is estimated to be \$439.0 million. Some of the key projects and activities across the State which will incur significant development expenditure include: Ocean Reef Marina, Fremantle Burt Street, Alkimos Central and Subi East precinct. The majority of State Recovery Plan expenditure is incurred on the AMC precinct, including construction of the new wharf and intersection upgrades.

<b>DevelopmentWA Asset Investment Program</b>	<b>2023-24 \$m</b>	<b>2023-24 %</b>
Industry and Infrastructure	142.5	32%
Metropolitan (incl Government Services & MRA)	120.4	27%
Regional Development	39.8	9%
Residential Land and Housing	136.4	31%
<b>Total</b>	<b>439.0</b>	

#### **BORROWING REQUIREMENTS**

DevelopmentWA will seek to optimise debt levels during 2023-24. In order to meet working capital obligations, we forecast our borrowing requirements during the 2023-24 year with a targeted year-end borrowings position of \$193.3 million. Peak borrowings of \$438.7 million have been projected during 2023-24 and net debt of -\$6.5 million.

### **3.4 Operating subsidies**

#### **OPERATING SUBSIDIES FUNDING REQUIREMENTS**

DevelopmentWA undertakes many land development projects which are directed and supported by Government. Some of these projects require the support of operating subsidies to make them viable. Funding arrangements for operating subsidy projects are considered by Government and meet the commerciality criteria set out in Section 19(1) of the Act outlined above. Operating subsidies fall into the following three broad categories.



- Recovery of holding costs and running costs where DevelopmentWA holds assets on behalf of Government, including Machinery of Government transaction costs and other stimulus subsidies (operating subsidies);
- Project Grant Operating Subsidies generally are provided over a specified and finite term provided as a recurrent funding type recognised through the statement of profit or loss.
- Project Grant Capital Subsidies generally are provided over a specified and finite term provided as an equity contribution recognised through the statement of financial position.

The following table shows expected payments within these categories during 2023-24:

Government Funding	Description	2023-24 (\$m)
Holding/operating cost subsidies	- Holding and transaction costs	66.8
Project subsidies	- Project subsidies	145.9
	- Royalty for Regions funding	5.3
<b>TOTAL SUBSIDIES IN STATEMENT OF COMPREHENSIVE INCOME</b>		<b>218.0</b>
<b>Equity contributions</b>	- Ocean Reef Marina	20.0
	- High Wycombe Land Acquisition - MRA	29.2
<b>TOTAL SUBSIDIES IN STATEMENT OF FINANCIAL POSITION</b>		<b>49.2</b>

Some of the projects DevelopmentWA is undertaking where we receive operating subsidies are those which require significant investment and later become economic stimulators. Projects in areas including the Australian Marine Complex are current recipients of operating subsidy funding. State Recovery Plan stimulus measures are also reflected in this table.

## 4.0 Pricing Arrangements

### 4.1 Land

DevelopmentWA sets the price of its land in line with assessed market values where:

- market value is available in the respective market segments;
- there are several producers of land; and
- there is consistent demand.

Where there is no comparable sales evidence, resulting from lack of consistent demand, cost is generally used as a starting point for the pricing benchmark. In the Regional Development Assistance Program, a minimum lot pricing strategy is applied to improve property economics in small towns, by gradually increasing lot prices towards the cost of production with the goal of reviving private sector investment in land development over time.

### 4.2 Services

Services include expert property and project management resources for Government sponsored projects. Where we do not propose to have equity interest in a project (or expect to obtain any), an hourly rate charge is generally applied. This charge is based on overhead absorption costing to accurately capture the true cost of service provision. Where we undertake a project coordination role, the pricing of resources is set at market-based rates, which may include fees based on a percentage of the project expenditure or revenue.

## **5.0 Accounting Policies**

DevelopmentWA's financial statements are prepared on an accrual basis of accounting in accordance with the historical cost convention. The financial statements are general purpose financial reports prepared in accordance with the Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board. In addition, MRA is required to adopt the requirements contained within the Treasurer's Instructions and the *Financial Management Act 2006* in the preparation of the financial statements as well compliance with Australian Accounting Standards.

The Western Australian Land Authority adopted Australian equivalents to International Financial and Reporting Standards (IFRS) in July 2005. Descriptions of our significant accounting policies can be found in the notes accompanying the Financial Statements in our Annual Report.

## **6.0 Information and Reports to the Minister**

DevelopmentWA currently provides the Minister with the relevant information to allow an adequate assessment of our overall performance during the year. This includes a half-yearly report that assesses our performance against planned targets for the period ending 31 December and the Annual Report.

The half-yearly report contains financial statements and comments on performance and this is also provided to the Treasurer. The Annual Report aligns to general purpose accounts and statutory information required to be disclosed including governance, performance and financial information. For MRA, information includes an Explanatory Statement of Financial Performance consistent with operational plan financial estimates within this document.

## 7.0 Objectives, Outcomes and Key Performance Information

Broad Government goals are supported at Government Trading Enterprise (GTE) level by objectives and outcomes. The following table illustrates the relationship between the GTEs objectives and outcomes and the Government goal it contributes to. The key performance indicators measure the extent of the impact of desired outcomes on the achievement of the GTE objectives.

Government Goals	Strategic Objectives	Desired Outcomes	Key Performance Indicators	Target
<b>Growing our Communities</b> <i>protecting our environment with thriving suburbs and regions</i>  <b>Safe, Strong and Fair Communities</b> <i>developing healthy and resilient communities</i>	Sustainable Communities	Developing high quality major projects, transport oriented development, urban regeneration projects, rail station precincts and land for new communities	Priority project development milestones met or exceeded	>90% of projects on track
			Performance of the Metropolitan Redevelopment Authority (MRA)	Report annually against KPI's set for the MRA
			Percentage of new approved business cases that include the prescribed social housing mix targets	100%
			Number of social housing dwelling equivalents from land transferred to the Department of Communities or a Community Housing Provider	>120 <sup>^</sup>
<b>WA Jobs Plan</b> <i>Local manufacturing and production, creating WA jobs and training for the jobs of the future</i>	Prosperous Industry	Facilitating economic diversification and jobs growth in industrial areas throughout Western Australia	Priority project development milestones met or exceeded	>90% of projects on track
			Sufficient developed lots available and/or next stage ready	> 5 developed lots available and/or next stage ready for development in each of our key industrial estates
<b>Strong and Sustainable Finances</b> <i>responsible, achievable, affordable service delivery</i>	Resilient Regions	Working with stakeholders across the State to deliver land and infrastructure in regional communities which support regional housing delivery, economic development and job creation.	Priority project development milestones met or exceeded	> 90% of projects on track
	A Highly Capable, Innovative Organisation	High capability and capacity, strong partnerships and relationships, innovative outcomes.	% of revenue target achieved	>90% of target achieved
			Staff retention (%)	>85%
			Safe working environment	Reportable Lost time injury frequency rate <2.5
			Customer satisfaction rating with overall purchase process	>90%
			Net Zero scope 1 and scope 2 emissions compared to 2021 baseline.	<80%

<sup>^</sup>as at December 2022 this KPI is the subject of active discussions between DevelopmentWA and Department of Communities.