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Department of Finance
Annual Report 2018–19

2018

**ANNUAL
REPORT**



Government of **Western Australia**
Department of **Finance**





Statement of compliance

For the year ended 30 June 2019

HON BEN WYATT MLA
TREASURER; MINISTER FOR FINANCE;
ABORIGINAL AFFAIRS; LANDS

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Department of Finance for the financial year ended 30 June 2019.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.

Jodi Cant
Director General
23 August 2019

About this report

Welcome to our 2018-19 Annual Report. The Report outlines our operational, financial and business performance for the financial year and is structured in the following areas:

Overview

Includes comments from the Director General, Jodi Cant, outlines the changes made to the organisation over the year and provides a snapshot of our performance.

Agency performance

Showcases the achievements of our people across our main functional areas – Advise, Build, Buy and Collect.

Significant issues

Outlines the issues we faced over the year and our approach to solving these issues.

Disclosure and compliance

Includes our **financial statements** and actual results for both financial and **non-financial** performance.

We encourage feedback. Please email us so we can improve our Annual Report next year.

Contact details for the Department are listed on the back of the report.

customerservice@finance.wa.gov.au

Department of Finance Annual Report 2018-19

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Key legislation

The Department of Finance complies with all relevant legislation that governs its functions.

The Department also has responsibility for the administration of 21 Acts and collected taxes, duties and fees, and paid subsidies, grants and rebates during 2018-19 in accordance with legislation.



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Artist impression of the New Museum



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Framework

Year in Review

Advise, Build, Buy and Collect

Operational Structure
and Governance

Director General's Overview

The Department of Finance continues to be a central government agency providing strategic advice, leadership and cost-effective services to our customers.

I joined as Director General in August 2018 enthusiastic about enhancing Finance's role within the public sector and becoming functional leaders in delivering the whole-of-government targets outlined in the WA Government's *Our Priorities: Sharing Prosperity* strategy.

We are an agency that delivers a wide variety of services to our customers. Put simply, we advise, build, buy and collect.

This year we have advised Government and our agency counterparts on whole-of-government reform initiatives, including leading the *Enhance Public Sector Procurement* reform initiative. A framework has been developed with an intent to make it easier for suppliers and contractors to do business with

government and reduce the confusion experienced by public sector employees in procuring goods services and works.

We again played a significant role in the construction of major public infrastructure, including the New Museum project, while also delivering new developments and upgrades to schools, health facilities and prisons. This year we delivered more than 75 projects with a combined budget of approximately \$480 million on behalf of other departments including Education, Justice and Health.

Finance continues to realise significant savings in government procurement by using government's buying power to get value-for-money on behalf of the taxpayer. I am particularly impressed with the savings we have generated through the electricity Common Use Arrangement (CUA).

We collected around \$7 billion of revenue on behalf of government for civic use, and did so with the customer in mind. Our ongoing focus on the transition to digital services provides flexibility and reduces the administrative burden on the taxpayer.

This year marked the start of an organisational review. We have listened to our customers and staff and are reorganising our structure to improve services to our wide range of stakeholders and better utilise the talent we have within the business.

We are conducting business with our values in mind.

We are **bold and innovative** as evident in our approach to digital solutions.

We are **committed** to realising savings for government and the taxpayer, as demonstrated by the \$113 million in savings for the Government Office Accommodation Reform Program.

We are **passionate** about modernising the way in which the public service operates through the transition to Activity Based Work – an agile, collaborative and sustainable work environment.

We are **inspiring and influential** in our implementation of the Aboriginal Procurement Policy. We recognise the benefits that government contracts can have on Aboriginal communities and the new employment opportunities that they can create for Aboriginal people across the State.

We are **honest and respectful**. Finance staff are located across the State, including in 12 regional offices, and we value honest and respectful communication with each other and our customers. Finance invests in its people, through training and events, mentoring opportunities and our nationally recognised graduate program.

There were plenty of challenges we faced over the past year. I am particularly focused on getting the right people in the right jobs while also improving our gender and diversity balance. How can we deliver services to the public if we do not accurately reflect the public?

We remain committed to responding to our challenges and to delivering practical, cost-effective and quality outcomes across government to benefit Western Australians.

I joined as Director General in August 2018 enthusiastic about enhancing Finance's role within the public sector and becoming functional leaders in delivering the whole-of-government targets

Jodi Cant – Director General



Year in review

4%

Four per cent of government contracts were awarded to Aboriginal businesses in the first six months of the Aboriginal Procurement Policy, representing a 400 per cent exceedance of the first year target.

\$113m

Achieved a total saving of more than \$113 million as part of the Government Office Accommodation Reform Program.

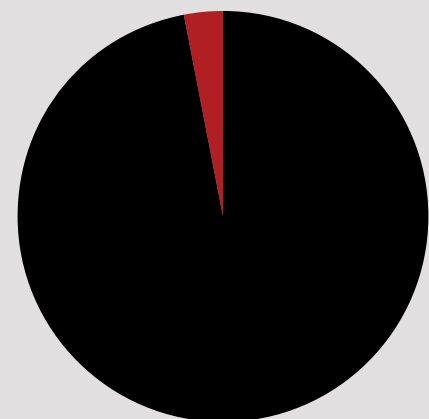
75

Delivered more than 75 infrastructure projects with a combined budget in excess of \$480 million.

160,000

MAINTENANCE REQUESTS

Actioned more than 160,000 maintenance requests from government agencies across the financial year.



97%

A 97 per cent satisfaction rate in Finance procurement professionalism.



AUSTRALIA'S
NUMBER 1 GRADUATE
EMPLOYER VOTED BY
GRADUATES.

850  330

Transitioned approximately 850 on premise servers to 330 virtual servers using cloud technology.

7 OF 20

Contributed to 7 of the 20 whole-of-government reform projects, including leading the *Enhance Public Sector Procurement* initiative.

\$7b

COLLECTED AROUND
\$7 BILLION TAXATION
REVENUE ON BEHALF
OF GOVERNMENT.

 560,000m²

Manage over 560,000 square metres of office accommodation in leased and owned buildings across the State.

33

Manage 33 CUA contracts through which \$1 billion of goods and services is purchased annually.



Operational Structure and Governance

One Finance

This year Finance commenced its organisational transformation project – One Finance. We have considered our existing structure and thoroughly engaged with our customers and staff, which has resulted in us refining our vision and structure to better deliver advice and services to our customers.

We started by reflecting on our role within the whole-of-government reform agenda. We leveraged insights from sector-wide reviews, including the State Government's Service Priority Review and the Special Inquiry into Government Programs and Projects, to determine where we can add value to government. We undertook a period of self-reflection to determine how we can go from a solid central agency to a high performing central agency.

Several Corporate Executive workshops were held to develop and debate the new organisational structure and operational plans. Finance staff were engaged to uncover opportunities to streamline processes, encourage innovation and reduce duplication within the Department.

As a result, the Department of Finance has a new proposed structure, which has been showcased to staff for consultation. The structure is based on our core business – Advise, Build, Buy and Collect – and where we add value across the sector.

Mission

Our mission remains the same – driving practical, cost-effective and quality outcomes across government to benefit Western Australians – and we are delivering this via three specific ongoing objectives:

1. placing customers at the centre of all we do;
2. being outcomes focused – collaborative, innovative and values-led; and
3. becoming the best place to work in government with engaged, inspired and proud staff.

Values

There is an increased focus on our values; delivering services that are reflective of being:

- ▶ **bold and innovative**
- ▶ **inspiring and influential**
- ▶ **passionate and committed**
- ▶ **honest and respectful**

Examples of our values in action this year are showcased as case studies throughout the Annual Report.

Consultation with staff will continue into the next financial year with a confirmed operating structure expected to be mobilised in early 2020.

The transition to the new structure is expected to be challenging but the Corporate Executive strongly believe it will position the agency to achieve its new objectives and become a stronger asset for government.

Enabling legislation

The Department of Finance was established as a department on 1 July 2011, under section 35 of the *Public Sector Management Act 1994*.

Responsible Minister

The Department of Finance reports to the Minister for Finance, held by the Hon Ben Wyatt MLA.

Committees

As part of the transformation to the new structural model we have streamlined our processes to be more efficient and customer focused. As a result, the following committees were disbanded this year:

- Finance and Procurement Committee;
- People and Communications Committee; and
- Digital Services Information Committee.

The functions and responsibilities of these committees have transferred to the Corporate Executive.

The Audit and Risk Management Committee also supports Finance's Corporate Executive.

Legislation administered

The Department of Finance assists the Minister for Finance, the Hon Ben Wyatt MLA, in the administration of the following Acts:

▶ *Betting Tax Act 2018*

▶ *Betting Tax Assessment Act 2018*

▶ *Commonwealth Places (Mirror Taxes Administration) Act 1999*

▶ *First Home Owner Grant Act 2000*

▶ *First Home Owner Grant Amendment Act 2003*

▶ *Duties Act 2008*

▶ *Land Tax Act 2002*

▶ *Land Tax Assessment Act 2002*

▶ *Pay-roll Tax Act 2002*

▶ *Pay-roll Tax Assessment Act 2002*

▶ *Pay-roll Tax (Indigenous Wages) Rebate Act 2012*

▶ *Pay-roll Tax Rebate Act 2012*

▶ *Rates and Charges (Rebates and Deferments) Act 1992*

▶ *Pay-roll Tax Rebate Act 2010*

▶ *Stamp Act 1921*

▶ *Stamp Amendment (Assessment) Act 2005*

▶ *Public Works Act 1902*

▶ *Stamp Amendment (Budget) Act 2002*

▶ *Taxation Administration (Consequential Provisions) Act 2002*

▶ *Taxation Administration Act 2003*

▶ *State Supply Commission Act 1991*

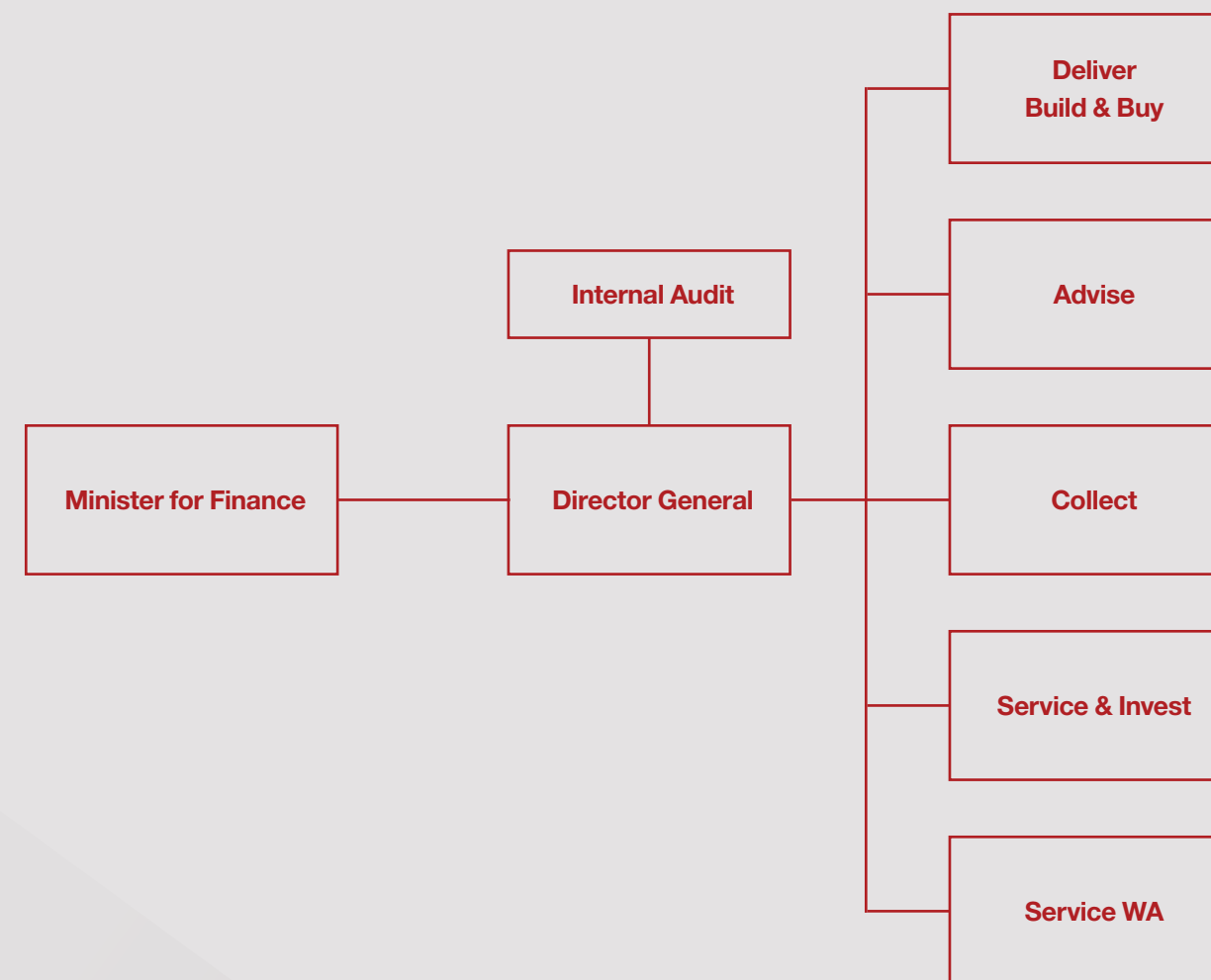




Organisational structure - Current



Functional structure - Proposed



Performance Management Framework

Finance works to facilitate the efficient operation of government.

Relationship to government goals

Broad government goals are supported at agency level by specific outcomes. Agencies deliver services to achieve these outcomes. The following table illustrates the relationship between the agency's services and desired outcomes, and the government goal it contributes to.

The key effectiveness indicators measure the extent of impact of the delivery of services on the achievement of desired outcomes.

The key efficiency indicators monitor the relationship between the services delivered and the resources used to produce the service.

Shared responsibilities with other agencies

Integral to the success of both the Department and the Government is the ability to partner with others.

As a central agency, the Department works closely across the sector to facilitate the efficient operation of government, informed decision-making and value-for-money outcomes for Western Australians.

This is achieved through providing leadership and strategic advice to government on initiatives to improve the operations and management of services across the public sector.

Government goals	Desired outcomes	Services
Sustainable Finances		
Responsible financial management and better service delivery.	Due and payable revenue is collected and eligible grants, subsidies and rebates paid.	1. Revenue assessment and collection, and grants and subsidies administration.
	Value for money from public sector procurement.	2. Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal, and providing facilitation service for agency specific contracts.
	Efficient and effective corporate services to client agencies.	3. Corporate services to client agencies.
	Value for money from the management of the Government's non-residential buildings and public works.	4. Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation. 5. Leads the planning and delivery of major government buildings.

Summary of key performance indicators is on page [50-51](#).
Details of key performance indicators are on page [124-143](#).





Finance is a strategic adviser to the WA Government, and government departments and agencies. We are central in providing advice on government reform projects, project management, procurement and policy.

Advise

Build

Finance oversees the development and maintenance of major and other non-residential building assets including the New Museum project plus several school, health and prison projects. We also manage government office accommodation to drive efficiencies and savings to the WA taxpayer.

We are leaders in government procurement. We leverage our buying power to secure lower-cost products and services across government and apply our expertise to deliver value for money to the WA taxpayer.

Buy

Collect

Finance collects around \$7 billion of revenue annually on behalf of government and administers the payment of grants and subsidies to the community.



Agency Performance

Advise

Summary of Non-Financial
Performance for 2018-19

Build

Summary of Financial
Performance for 2018-19

Buy

Cost of Services for 2018-19

Collect

Significant Issues

Our People



Agency Performance

Finance is sought out by the public sector for its leadership, knowledge and innovative thinking.

Several projects across the financial year have been integral to government and influenced by Finance.

Simplifying buying goods, services and works through procurement reform.

Finance leads the *Enhance Public Sector Procurement* initiative – one of 20 State Government priority reform projects underway to deliver better outcomes for the WA community.

The key objective of the project is to introduce a consolidated whole-of-government procurement framework to bring together the disparate approaches to goods, services, community services and works procurement.

The Service Priority Review, Special Inquiry into Government Programs and Projects, and recent investigations into unethical behaviour in procurement are key drivers for this reform project. They identified that the fragmentation and inconsistency in the current procurement framework leads to confusion for industry and agencies, increases the risk of poor process and limits government's ability to readily deliver social and economic policy outcomes across government expenditure.

By incorporating recommendations from these reviews and subsequent stakeholder consultation, Finance's reform efforts will:

- reduce complexity and inconsistencies to encourage industry participation;
- increase public confidence in procurement integrity;
- build sector-wide procurement capability;
- encourage collaboration and knowledge sharing across the public sector; and
- unlock opportunities for innovation and more strategic decision making through better collection and analysis of procurement data.

Throughout the 2018-19 financial year, Finance delivered stage one of the project – the development of a contemporary procurement framework. More than 500 people from industry, regional businesses, government agencies and public authorities were consulted throughout the year with feedback sought through targeted surveys, face-to-face consultation, and cross-sector procurement forums.

Changes to the procurement framework will be supported by an online 'one-stop shop,' which will assist industry and agency practitioners to navigate all aspects of government buying in WA. Developed in June 2019, it is expected the new content will launch on the State Government's WA.gov.au platform in the second half of 2019.

Works Agency Council

Finance, in conjunction with the Department of Premier and Cabinet, initiated the Works Agency Council to promote greater cooperation between agencies involved in the delivery of public works and to support the achievement of the procurement reform outcomes.

Chaired by Finance due to its expertise in delivering major infrastructure, the Council facilitates cross-agency collaboration, coordination and information-sharing on policy implementation, procurement, project management and asset management matters.

This year, the Council has capitalised on areas of common experience to focus on:

- readiness for implementation of project bank accounts (PBAs) and procurement reform;
- the challenges and opportunities in responding to the Government's policy objectives; and
- providing advice to the Department of Mines, Industry Regulation and Safety on a security of payment recommendation in the Fiocco Report and the use of standard contract forms.

Finance is well placed to share learnings with regard to PBA implementation as it is the only WA government department to have applied these to the majority of works contracts since September 2016.

Responsible Supplier Pact

A draft Responsible Supplier Pact was developed this year and will ultimately ensure government does business with suppliers who act ethically. The draft Pact, which comprises ethical procurement principles and a supplier code of conduct, has been released for public comment (phase 1) with enforcement mechanisms being considered as part of phase 2.



Finance presenting on the new contemporary procurement framework at the Leadership in Procurement Forum.

Driving innovation from the private sector through Market-led Proposals.

The implementation of the Market-led Proposals Policy in April 2019 is another example of Finance providing advice and expertise across government and to industry.

Market-led Proposals (MLPs) are proposals from the private or not-for-profit sector to build or finance infrastructure, or provide goods or services where the State Government has not requested the proposal. These proposals are generally outside the normal competitive procurement processes of government but still deliver value to the community.

The Department of the Premier and Cabinet developed the policy with Finance responsible for its implementation and ongoing management. As part of implementing the policy, Finance worked in close collaboration with

the Department of the Premier and Cabinet to advise on policy and governance improvements.

The Policy, which provides a whole-of-government approach to managing unsolicited proposals, was enacted on 12 April. Finance was integral in the preparatory works prior to implementation, including consultation with both government agencies and industry on the MLP template, and the development of an online portal with all the relevant information and tools for industry to submit proposals.

Finance was integral in establishing a steering committee with an independent chairperson, which will evaluate proposals, ensure collaboration across government and provide recommendations directly to the Government.

Several proposals have already been received from industry with feedback highlighting the policy is very much welcomed and supported.

The introduction of the MLPs policy offers another avenue for job creation for Western Australians, harnesses innovative ideas from the private sector and delivers on the Government's election commitments outlined in the *Plan for Jobs* policy.

Bold and Innovative

Finance's focus on innovation through digital transformation

The emergence of high-speed networks coupled with the proliferation of affordable customer devices continues to drive a preference towards digital channels for service delivery across society.

Finance is embracing digital transformation to better service its customers and as such has developed *The Department of Finance Digital Strategy 2018-2022* (the Strategy).

The Strategy ultimately commits Finance to transitioning its services online with the aspiration of using digital channels to deliver 90 per cent of the most meaningful customer-facing transactions by 2022.

Finance conducts in excess of half-a-million customer-facing transactions a year across 190 different transaction types. With almost half of these transaction types performed digitally, Finance continued to take steps during 2018-19 to increase its volume of online transactions.

Moving towards its digital future will help Finance improve services to customers, achieve its strategic goals and deliver cost savings to the WA taxpayer.

Leadership in government's digital transformation

Finance has taken a leadership role in the implementation of GovNext-ICT – a whole-of-government initiative to transition government from being an owner and operator of ICT infrastructure to a consumer of commercial compute, storage and network services.

This year, Finance not only assisted other government agencies in successfully implementing GovNext-ICT initiatives but also completed its own transition to cloud technology – a secure, reliable and scalable on-demand consumption based ICT service model.

As a result we were able to transition workloads from approximately 850 on premise servers to 330 virtual servers. This move enabled us to streamline staff processes, automate repetitive tasks such as power scheduling, and scale our resource needs to meet changing workloads and customer demands.

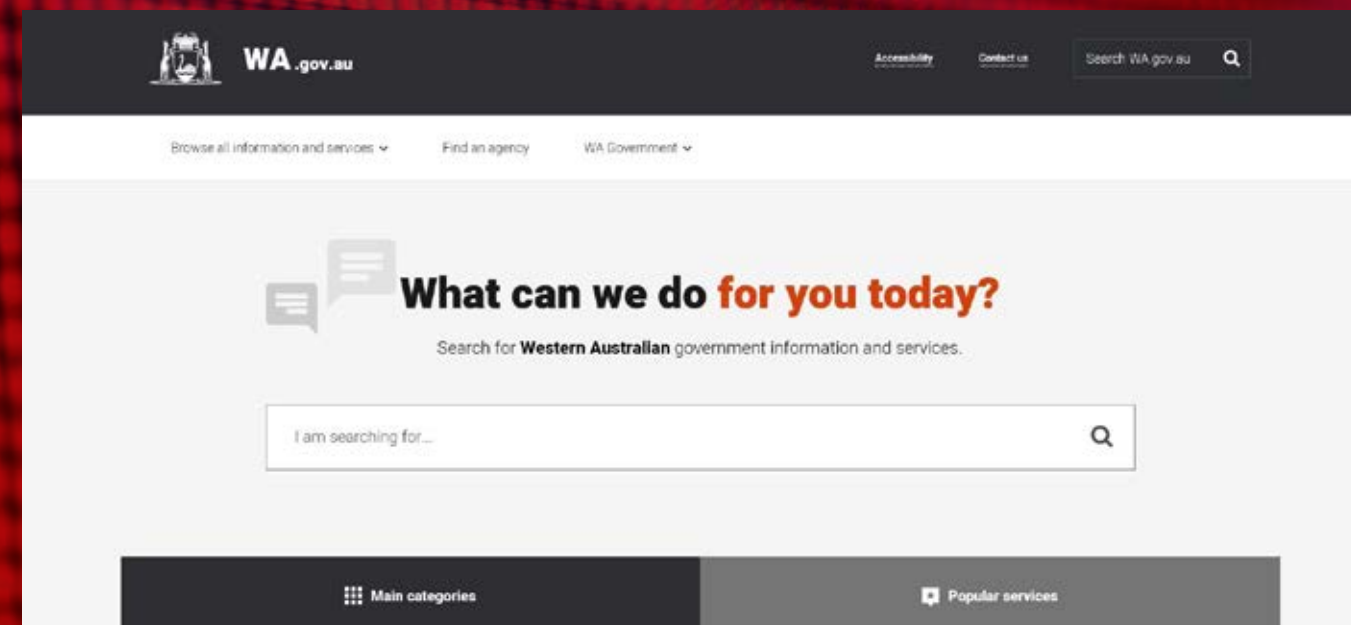
Importantly, Finance's move to the cloud allows us to more rapidly adopt new technologies and platforms that will enable the transformation of services outlined in the Strategy.

The final Gateway Review of the transition noted: "A concerted effort was made throughout the program to be an exemplar for similar future processes initiated by other Government Agencies. In this sense Finance has paved the way for other agencies to move into the GovNext arrangements."

Focus on business analytics

Finance was applauded this year for its capabilities in and use of data analytics to underpin good policy development and better targeted service delivery.

Finance's Government Procurement business unit manages 33 whole-of-government Common Use Arrangements (CUAs) through which approximately \$1 billion of goods and services are purchased annually. Business intelligence tools provide a source of open and transparent data and are used to support public authorities in making better procurement decisions, including extracting better value and reducing cost. This information has also led to increased transparency and accountability across the sector.



The Office of the Auditor General, Victoria tabled a report on State Purchase Contracts (SPCs) (the equivalent to WA's CUAs) on 20 September 2018 and identified Finance's Business Intelligence Reports and dashboards as examples of good practice: "the Western Australian (WA) Department of Finance provides a better practice example of how a central procurement body can capture procurement data to analyse government spending patterns and help identify opportunities to establish SPCs."

Business intelligence has been rapidly adopted across the organisation. We commenced with a small proof of concept, building capability among 50 staff who adopted the technology to visualise reports from the large number of separate data sources. Within the year, usage has increased to approximately 350 users who actively investigate and analyse data, and develop reports.

It is expected by enhancing data analytics and reporting it will lead to improved insight, accurate reporting on sector-wide buying behaviours, identification of aggregated buying

opportunities across all goods and services, informed policy-making, and ultimately better procurement outcomes for the sector.

Transition to WA.gov.au

Finance recognises the importance of a unified and cohesive approach to online service delivery for customers within the State. We have committed to transitioning our online presence into the whole-of-government website – WA.gov.au – to set an example for others in the sector and to create the blueprint for change that can be shared and reused.

This year we worked directly with customers to better understand user-journeys, pain points and expectations so that information and services can be designed around customer needs and away from traditional agency-centric architectures. The approach to co-design helps to validate design choices inherent in WA.gov.au and introduce features and services that directly benefit customers including improving accessibility, increasing search ability and enabling access across a range of mobile friendly devices.

Finance is scheduled to transition to WA.gov.au at the start of the 2019-20 financial year.

New annual report template

Finance is thinking innovatively in developing this annual report. We have purposely utilised the WA.gov.au style guide to create an HTML (online digital) version and accompanying PDF of our annual report, which can be repurposed in future years. The template can also be circulated across the public sector for use by other government agencies.

This highlights Finance's leadership in trying to find innovative ways to improve government efficiency and generate further savings to the WA taxpayer.



Overview

Agency Performance

Financial Statements

Key Performance Indicators

Disclosures

Finance delivered more than 75 infrastructure projects, with a total value of approximately \$480 million, on behalf of other government agencies this year.

We also actioned over 160,000 maintenance requests across more than 2,500 non-residential government sites across the State.



Coastal Lakes College



Southern Grove Primary School

New schools delivered for 2019

Six new schools, with a total works value in excess of \$160 million, were delivered by Finance ahead of the 2019 school year.

The four new primary schools included:

- the \$16.8 million Aspiri Primary School in Piara Waters;
- Aveley North Primary School valued at more than \$21.5 million;
- the \$18.5 million Oakwood Primary School located near Mandurah; and
- the \$17.5 million Southern Grove Primary School.

The two secondary schools that were constructed and delivered this year included:

- Stage 1 of Ridge View Secondary College valued at \$40.6 million, which included the development of classrooms, a library, sports hall and specialist facilities including information technology workshops; and
- Stage 2 of the Shenton College works valued at \$46.18 million, which included the development of new facilities that will cater for an additional 1,000 students.

Stage 1 of the Coastal Lakes College project, which is being delivered through the WA Schools Public Private Partnership, was also completed this year.



Karratha Health Campus

Science in schools

In addition to the new schools delivered on behalf of the Department of Education this year, Finance successfully delivered the first two stages of the four-year Science in Schools program.

The program will deliver new science laboratories or the refurbishment of existing science laboratories at up to 200 schools across WA to promote the take up of Science, Technology, Engineering and Mathematics (STEM) by students.

This year Finance completed works at 48 schools (34 metropolitan and 14 regional schools) with a total value of approximately \$2.5 million.

This adds to the work at 49 schools in the previous financial year valued at \$3 million.

Finance has commenced planning the third stage of the program involving 51 schools (33 metropolitan and 18 regional schools) to be delivered in 2019-2020.

Southern Inland Health Initiative

In 2018-19, there were a number of significant achievements across the Southern Inland Health Initiative:

- Stream 2: practical completion was reached on the Katanning Health Service, Warren Hospital and Merredin Hospital projects;
- Stream 3: practical completion was reached on the hospitals at Pingelly and Cunderdin; and
- Stream 4: the completion of 24 Small Hospital and Health Services.

The focus for 2019-20 will be the completion of Stream 2 construction at Northam and Narrogin.

Karratha Health Campus opens

The works to deliver the Karratha Health Campus were completed this year with the Premier officially opening the \$173.15 million facility in October 2018.

The Karratha Health Campus, which replaced the ageing Nickol Bay Hospital, incorporates an expanded emergency department, a brand new surgical centre, a new outpatients' area, a maternity wing and delivery suites with purpose built baths to provide pain relief for women during labour.

Finance provided project and contract management support and advice to the WA Country Health Service throughout the year and has continued to provide ongoing support following the official opening, including completing project documentation and deliverables. We will continue to oversee the two-year defects liability period up to final completion.



Construction underway at Bob Hawke College

Bob Hawke College

Stage 1 construction to create the new Bob Hawke College (formerly the Inner City College) in Subiaco is on track to open for the start of the 2020 school year.

Significant construction work was completed this year including the roof and superstructures for all buildings. Work is now focused on the installation of services and completing the fit-out inside the building.

The College will be a central hub for the Subiaco community, providing important social infrastructure for Subiaco East and surrounding areas.

The College and its access points have been designed to enable and promote community use of the school facilities and grounds after hours, including the gymnasium, central courtyard, cafeteria and teaching spaces.



Artist impression of the Bob Hawke College

WA Industry Participation Strategy

Finance is implementing the Government's WA Industry Participation Strategy (WAIPS) through building projects to deliver local jobs and apprenticeships, and maximise opportunities for WA businesses.

Under the strategy, prospective tenderers of government contracts are now required to submit participation plans outlining their commitments to engage local industry.

Eight pilot projects have been established with five being delivered by Finance:

- New Museum project;
- Casuarina Prison expansion and upgrade;
- Bunbury Prison expansion;
- Southern River College upgrade; and
- Melville Senior High School – new theatre project.



Artist impression of the New Museum

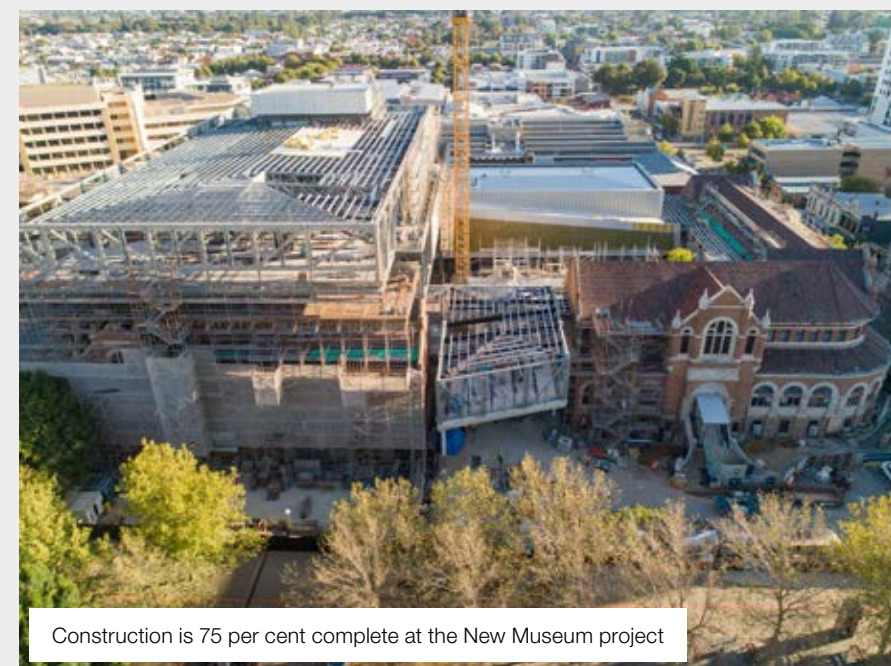
New Museum project

The New Museum for WA is the next major infrastructure project for the State and the most significant cultural infrastructure project underway in Australia. The \$395.9 million project being delivered in the heart of the Perth Cultural Centre is on schedule and expected to open in late 2020.

The design of the Museum includes a mix of heritage and contemporary architecture that will contribute to the revitalisation of the Perth Cultural Centre. It will showcase Western Australia to the world, featuring new galleries that share the stories of WA's people and places, with objects and stories about our State's past, present and future.

A new 1,000 square metre temporary exhibition space will allow the Museum to stage large-scale special exhibitions, and dynamic and flexible multi-purpose venue spaces will contribute to Perth's vibrant event scene.

The iconic blue whale will return in a spectacular new display, alongside world-class displays and visitor experiences. The New Museum is set to be a major attraction for local visitors and tourists to the State.



Construction is 75 per cent complete at the New Museum project

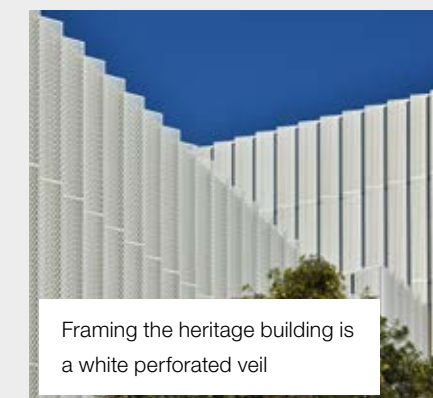
Construction progress

Construction of the New Museum reached 75 per cent completion this year with some significant milestones reached:

- seismic strengthening of the heritage-listed buildings was completed in April 2019. The steel reinforcement brings the buildings up to the relevant, current building codes, ensuring they are preserved for generations to come;
- heritage conservation and construction work started in mid-2018, revealing heritage features not seen before by visitors. Integrating the contemporary building with the existing buildings will allow visitors to see the heritage buildings from new vantage points, including the sheoak timber shingles installed on the Old Gaol this year. The timber roof is similar to the original material installed by convicts in the mid-1850s;

- floating above and framing the heritage buildings, the white, perforated veil was installed on the upper level of the Museum in mid-2019. The veil shimmers and reflects sunlight as it moves over the Cultural Centre, and at night will glow from the internal lighting, illuminating the landmark facility; and
- improved visitor access is a key feature of the Museum design and in May 2019 the staircases, escalators and two of the passenger lifts were installed. Universal access has greatly improved throughout the Museum.

Construction contracts worth \$30 million were awarded by the Contractor this financial year. WA companies continue to benefit from this world-class project with approximately 82 per cent of the total value of all contracts – around \$131 million – expected to be awarded to WA businesses.



Framing the heritage building is a white perforated veil

The construction workforce peaked in mid-2019 with around 298 workers on site, the majority of whom were WA-based. In addition, 60 local apprentices were engaged by the Contractor and its subcontractors this year, contributing to WA's skills capabilities.

Next year the focus will turn to producing content including audio visual, interactive and graphic design for the exhibitions. The gallery fit-out and installation of internal furniture will commence in mid-2020 ahead of the New Museum opening to the public in late-2020.



Project drawings for the Casuarina Prison Expansion Project

Casuarina Prison Expansion Project

Construction of the \$96.6 million Casuarina Prison Expansion Project is more than 20 per cent complete and is progressing on track to meet the milestone completion dates.

Site establishment works for the project were completed in February this year with earthworks and the installation of hydraulic and electrical in-ground infrastructure services nearing completion. Concrete works and the offsite manufacture of precast concrete panels for the new accommodation units has commenced.

The new kitchen will be located in an existing building within the Prison and demolition works within that building are complete. The installation of structural steel for the new kitchen is also complete and concrete works have commenced.

The project will deliver:

- four new accommodation units each holding 128 beds, and two new ancillary support buildings;
- a new kitchen and meals facility which will cater for up to 2,000 inmates and 300 staff;
- a new reception storage facility;
- upgrades to existing visitor and medical centres, substation and infrastructure; and
- an extension of car parking facilities.

A male Alcohol and Other Drug (AOD) prison, as part of the Government's Methamphetamine Action Plan, will be delivered as part of the Project. Accommodation for AOD affected prisoners will be constructed in addition to a new precinct within Casuarina Prison, which will offer specialised health treatments and associated withdrawal services including education and counselling.

Construction works have been staged. The construction and commissioning of the new kitchen and meals facility are expected to be completed in October 2019 followed by the first of the accommodation units in December 2019. The design and construction of the entire project is due for completion by April 2020.

It is expected that more than 1,200 local workers will be employed on the Project including 20 apprentices.



Artist impression of the new theatre at Melville Senior High School

Bunbury Regional Prison Expansion

Construction of a new 160-bed double storey accommodation unit is underway at the Bunbury Regional Prison as part of the \$15.4 million expansion project.

The contract was awarded to a local Western Australian contractor in November 2018, with site works being undertaken by a Bunbury-based builder.

As part of WAIPS, more than 700 local workers have been committed to the project including 37 apprentices, who will gain valuable experience and expertise.

In addition to the expansion there will be upgrades to the reception and educational facilities, as well as the kitchen and a dining room.

The project is expected to be completed and handed over to the Department of Justice in late 2019.

New theatre project for Melville Senior High School

Construction of a new \$4.47 million theatre is underway at Melville Senior High School and will be delivered by more than 90 local workers.

The theatre will feature two connected spaces for drama and dance, both with sprung floors and divided by a movable wall, plus retractable seating for 300 people, a green room, foyer and gallery space, as well as storage and a staff study.

The works are being delivered by a local Western Australian contractor and are on schedule to be completed in late 2019.

Construction of a new sports hall at Southern River College

Stage 1 of the \$8.4 million Southern River College upgrade – the installation of new hard courts – was completed this year.

Stage 2, the construction of a new sports hall is now underway and is on track to be completed by late-2019.

The third and final stage of the project – the refurbishment of the science and STEM facilities, a lecture theatre for 120 students and a performing arts centre with seating capacity for 250 people, will start in late-2019 and be completed by mid-2020.

Up to 190 local workers will be used to deliver the project and includes 37 apprentices.



Artist impression of the new sports hall at Southern River College



Passionate and committed to Government Office Accommodation reforms

Finance remains committed to realising significant savings to government and the WA taxpayer via the Government Office Accommodation (GOA) Reform Program in support of government's Debt Reduction Strategy.

In only its second year of operation, Finance has exceeded the expected annual targets and identified significant opportunities to reduce the size and cost of government office accommodation.

To date, Finance has reported total savings across the existing office accommodation portfolio of over \$113 million. In 2018-19, significant savings were achieved through the renegotiation of several high priority government leases in the Perth CBD to take advantage of the current favourable property market conditions.

Finance manages over 560,000 square metres of office accommodation across WA. Our whole-of-government approach to the planning, procurement and management of accommodation enables us to aggregate agencies' office accommodation needs and utilise government's large buying power to further reduce the overall expenditure.

Additionally, Finance's commitment to collecting and analysing information on 155 agency-owned buildings is progressing well with value-for-money accommodation proposals expected to be identified and presented to government by the end of 2019.

The program is expected to reduce government office accommodation by around 50,000 square metres and realise a further \$30.5 million by June 2022.

Relocation of government offices

This year saw Finance reach a major milestone with the successful relocation of over 700 Department of Water and Environmental Regulation (DWER) staff to a new leased building, Prime House, in Joondalup.

DWER Director General Mike Rowe acknowledged the Department of Finance team who led the Joondalup accommodation project stating: "The team at the Department of Finance worked with us tirelessly to plan for the move, identify our requirements, and assist us in the change management program to support staff in making this significant shift. They did a magnificent job in delivering our excellent new head office."

The relocation to Joondalup will save an estimated \$28 million over 15 years and reduce government's office accommodation footprint

by 3,800 square metres. The relocation is expected to play a significant role in the future growth and development of Joondalup as a vibrant and vital city centre.

The relocation of the Department of Communities head office functions to new premises in Fremantle is progressing, and more than 1,500 staff are expected to move to Kings Square Fremantle in early 2020.

Finance has also undertaken various expressions of interest (EOI) for office space, including space for a Western Australia Police Force headquarters, a police complex in Fremantle, a Parliamentary Precinct in West Perth and a consolidation of agencies in Bunbury. Subject to the outcomes of the EOIs, submissions will be made to the Government.

Co-Working Hub Strategy

Joondalup and Fremantle are vital cogs in government's Co-Working Hub Strategy, which leverages the GovNext service to allow staff to access their agency's network services from selected government office buildings in strategic metropolitan locations.

The decentralisation of government agencies to major metropolitan activity centres will drive the growth in infrastructure, public transport, local business and services within neighbouring suburbs. It is expected to ease the strain on public transport into Perth during peak periods and assist the reduction of traffic congestion in the Perth CBD.



The new electricity contract extends across 81 PTA sites

Finance is the leader in government procurement or “buying” on behalf of government.

We manage 33 whole-of-government Common Use Arrangements (CUAs) through which approximately \$1 billion of expenditure is entered into annually. We leverage our strong buying power to deliver value for money to the community.

A key function of a CUA is the opportunity to substantially reduce the administrative cost and duplication for 139 public authorities and other government entities, which access the CUAs. Additionally, CUAs offer government protection with consistent and well-established terms and conditions to mitigate financial, legal and reputational risk.

Central to our ability to generate savings and accommodate changes in the market place is the evidence-based advice we provide to government via business intelligence tools. Details about this initiative are available on page [22](#).

CUAs – savings for WA

Finance has generated savings through CUAs again this year. Across the 2018-19 period, CUAs have saved the WA Government approximately \$202 million through lower priced goods and services.

One example was a new electricity contract that extends across 81 Public Transport Authority (PTA) sites including train electrification networks, train stations, bus shelters, and car parks.

Finance developed a pricing framework and contract term structure, which was the catalyst for competitive tension between CUA suppliers. Following a pricing analysis of quotes by Finance, PTA awarded the contract under the electricity CUA, which achieves:

- a saving of \$35 million over the contract term (five years), when the current spend (\$167 million) was compared to forecast spend under the new contract (\$132 million);

- the option to roll in newly constructed sites (for example, METRONET) under the same discounted rates;
- a single supplier arrangement resulting in administrative efficiencies; and
- an electricity contract with terms and conditions, which favoured the PTA more than its previous arrangement.

Finance saved an estimated \$714,511 in the reticulated gas contract for the South Metropolitan Health Service, reducing current contract rates by nearly 42 per cent.

Through site and consumption analysis followed by a thorough pricing evaluation, Finance was able to recommend awarding a two-year contract to a single supplier. The contract was awarded by the South Metropolitan Health Service in March 2019.

Fleet facts

Finance gets tick of approval from customers

It is worth noting Finance's CUAs offer more than just savings to its customers. Externally conducted satisfaction surveys from the last four years confirmed:

98% OF 2,500 CUA PUBLIC SECTOR PRACTITIONERS EXPRESSED AN OVERALL SATISFACTION WITH CUAS

94% CONFIRMED CUAS REPRESENTED VALUE FOR MONEY

96% SATISFACTION WITH SUPPLIER PERFORMANCE

96% SATISFIED WITH EASE OF PURCHASE THROUGH CUAS

97% CONFIRMED THAT GOODS OR PRODUCTS AVAILABLE THROUGH CUAS MET BUSINESS NEEDS

Agency Procurement Services client satisfaction results also illustrate the calibre of Finance staff in the delivery of procurement services.

The latest survey results from March 2019 confirmed that 95 per cent of respondents were satisfied with the level of procurement knowledge and expertise and 97 per cent of staff demonstrated a professional approach to procurement.

One of the key learnings was that our clients would like us to engage with them face-to-face and better explain procurement processes – feedback Finance will look to action as it adapts its services over the coming year.

Fleet

This year saw significant changes to the State Government fleet with agency vehicle fleet caps to reflect each agency's actual fleet size as at 1 January 2019. This saw a total cap reduction of 572 vehicles.

Additionally, a review of vehicle usage levels was undertaken, which identified 211 of the Government Vehicle Scheme (GVS) vehicles in the metropolitan area were underutilised. These vehicles will be progressively removed from the fleet from 1 July 2019, generating savings of \$1.1 million annually across government.

Finance has been trialling telematics (in-vehicle monitoring systems) technology and a Poolcar shared booking system within its own fleet. It is now facilitating the implementation of this technology across government, which will improve fleet utilisation data across the sector and enable government to identify further opportunities for fleet efficiencies.

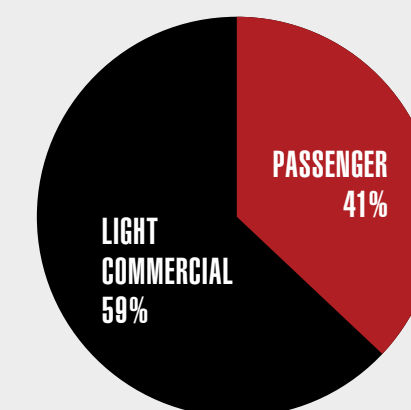
Ultimately, the indicative annual whole-of-life cost of the fleet has reduced from \$119.3 million to \$99.6 million – a reduction of \$19.7 million per year. The reduction is a result of longer vehicle lease terms, lower fringe benefits tax and savings on operational fleet costs.

FLEET VALUE \$330m

57months/95,000kms

Average lease term is around 57 months/95,000 kilometres and is likely to continue to increase.

FLEET SIZE AND COMPOSITION OUT OF 8,818 VEHICLES:



Agencies are required to choose new vehicles with CO₂ output below 185 grams of CO₂/km for passenger vehicles and 195 grams/km for SUVs.

1,656 NEW VEHICLES PURCHASED

2017-18 – 2,086 new vehicles (monthly average 174) were purchased valued at \$78 million (excluding GST). 2018-19 – 1,656 vehicles (monthly average 138) valued at \$62 million (excluding GST).

1,636 VEHICLES SOLD BY STATE FLEET

Vehicles sold by State Fleet in 2018-19 – 1,636 (\$28 million excluding GST).



Influencing progress

through the Aboriginal Procurement Policy

Finance has led the Government's commitment to increasing the economic participation of Aboriginal businesses through the implementation of the Aboriginal Procurement Policy and is on track to exceed the first year mandated target by 400 per cent.

In the first six months of the Policy, more than four per cent of all State Government contracts have been awarded to registered Aboriginal businesses with 98 per cent of those based in Western Australia. This is a significant outcome that demonstrates the strength of the local Aboriginal business sector.

The Policy requires WA government agencies to award a minimum of one per cent of contracts to registered Aboriginal business throughout the 2018-19 financial year.

A total of 74 government contracts were awarded to 53 registered Aboriginal businesses from 1 July to 31 December 2018, representing an approximate value of \$25 million.

Finance has been integral to the implementation and success of the Aboriginal Procurement Policy. We have undertaken a number of education and training sessions with Aboriginal businesses and government agencies in the metropolitan area, Kalgoorlie and Karratha during the 2018-19 financial year.

Additional training will be delivered across the State to Aboriginal businesses in regional and metropolitan locations from June to September 2019. The goal of this training is to ensure government procurement processes and practices are understood to maximise the opportunity for Aboriginal businesses to harness opportunities presented by the Policy.

Finance will soon award contracts for capability building services to further support the development of the Aboriginal business sector, including emerging Aboriginal businesses located throughout Western Australia.

Another Aboriginal Business Expo will be held late in 2019, which will continue to support relationship building between government and the Aboriginal business sector. This year's event will celebrate outcomes from the first year of the Policy and see government present contracting opportunities to the Aboriginal business sector. The 2018 expo saw more than 60 Aboriginal businesses connect with approximately 200 government attendees.



Justine Kinney, Cultural Creative Agency

Finance's State Revenue collects around \$7 billion in taxation revenue annually on behalf of the State Government.

Key outcomes for the year included amendments to the duties and payroll tax legislation, as well as the introduction of the point-of-consumption betting tax scheme.

Finance focused on improving online services for customers through more efficient and streamlined processes, reducing red tape, and making it easier to interact with the Department.



Finance staff were integral in several legislative amendments this year

Foreign Buyers Duty introduced

The Foreign Buyers Duty scheme, which was a government election commitment, was introduced on 1 January 2019. This imposes an additional duty of seven per cent on certain purchases of residential property made by foreign persons.

Finance was responsible for designing and implementing the legislative and administrative scheme, which included:

- instructing the Parliamentary Counsel's Office during drafting of the Bill;
- in conjunction with the Department of Treasury, supporting the Minister and his representative in the Legislative Council during passage of the legislation through Parliament;
- publishing support materials and delivering customer education sessions to help taxpayers and their representatives understand their obligations;
- identifying opportunities for data exchange with Australian Border Force and other regulatory bodies to underpin compliance programs; and
- implementing user friendly systems to allow foreign buyers duty transactions to be self-assessed.

As at 30 June 2019, 208 transactions have been assessed with Foreign Buyers Duty raising just over \$5.5 million.

Betting Tax legislation passed

The point-of-consumption betting tax scheme was introduced on 1 January 2019. The new legislation replaced the previous place-of-supply model and simplified betting tax arrangements in Western Australia. The new arrangements require tax to be paid to Western Australia for bets placed by Western Australians (rather than other jurisdictions, as previously experienced).

Finance's role in delivering the scheme included:

- instructing the Parliamentary Counsel's Office during drafting of the Bill;
- in conjunction with the Department of Treasury, supporting the Minister and his representative in the Legislative Council during passage of the legislation through Parliament;
- delivering an easy to use online system to allow taxpayers to self-assess and pay betting tax; and
- identifying opportunities for compliance programs.

As at 30 June 2019, there are 23 betting tax operators registered and paying the tax with \$30 million in revenue raised against the estimated \$31 million for 2018-19.

Tax amendments to fund Trainee Incentive Scheme

Finance delivered amendments to the *Pay-roll Tax Assessment Act 2002* this year to implement stage two of the Government's reforms to the exemption for trainees. This involved removing the remaining exemption for wages paid to new worker trainees.

The estimated revenue savings from this measure – \$109 million over the forward estimates – will be used to fund a new employer incentive scheme administered by the Department of Training and Workforce Development. This scheme will be available to all businesses (not just those paying payroll tax) and will support new apprenticeships and traineeships being created.

The payroll tax changes were critical for the State to be able to access up to \$110 million of funding under the Commonwealth Government's *Skilling Australians Fund National Partnership*, a deal negotiated by government in September 2018.

The amendments operate from 1 July 2019.



Innovative online services portal

A win for taxpayers

State Revenue continued to focus on providing customers with easier access to services through the expansion of its Online Services Portal in 2018-19.

Access to First Home Owner Grant Unique Identification Number Look-up

The First Home Owner Grant (FHOG) is a one-off payment to assist eligible first home buyers to purchase a new home for use as their principal place of residence.

Finance recognises its important role in assisting first home buyers through an often stressful period and, as a result, expanded its FHOG web-based tool in July 2018. The facility assists both applicants and their agents (for example, conveyancers or mortgage brokers) to check on the status of a FHOG application via the Online Services Portal.

The tool, which has seen a high uptake level with nearly 38,000 FHOG status checks since July 2018, offers increased convenience for customers who can access application information as and when it suits them. The use of technology to enable customer self-service has led to reduced costs in administering these processes, while empowering staff to focus on improved service delivery outcomes.

Land Tax services

Land tax is an annual tax on land and is a source of general revenue for government. As a key revenue stream, it assists in the funding of critical services to the community such as education, health, law and order, and critical infrastructure.

Finance has worked hard to improve the experience and efficiency of tax obligations on community and businesses alike. In the last year, Finance has enhanced its online services portal to include digital facilities that enable customers to more easily fulfil their land tax responsibilities, alleviating the burden of manual paper-based processes and reducing the overheads associated with supporting analogue channels. Customers are now able to self-serve by:

- viewing their account summary, land holdings and valuations;
- accessing past and present-day assessment notices; and
- conducting a range of other online transactions including payment extensions, refunds and enquiries.

The system is still in its infancy and has already registered more than 1,500 users at the end of the financial year.

Fully-automated payment arrangements

Finance has created an online solution for customers to apply for payment plans for land tax, payroll tax, duties and first home owner grant debts.

The facility offers increased convenience for customers who can now apply online for a tax payment arrangement and receive a decision in real time. This removes delays previously associated with customers submitting written applications to State Revenue for manual processing. It also provides a common method of requesting and administering payment plans across various revenue lines.

Since its launch, the system has processed nearly 3,200 payment arrangements valued at around \$109 million in managed debt. Importantly, this feature can help ease financial pressure on families and businesses by giving them increased flexibility to meet their State tax obligations.

Expansion of payment methods and refunds

Electronic payment methods were expanded in July 2018 to include Electronic Funds Transfer (EFT), BPAY and credit card across various revenue lines, and electronic refunds were introduced for all revenue lines.

Previously, some payments were restricted to non-electronic methods (cash or cheque) or only had limited electronic methods available (credit card, BPAY, direct debit). As at the end of June 2019, around 90 per cent of all payments for the 2018-19 financial year were made electronically, offering improved customer convenience and significantly reducing costs associated with processing non-electronic payments.

All refunds were previously paid by cheque only. So far, nearly 75 per cent of refund applications made through the Online Services Portal have been paid by EFT, improving the timely access to funds for customers.

Our People

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A key focus of the One Finance project is to make Finance the best place to work in government by enhancing the skills and capabilities of our staff and creating a diverse and inclusive culture.
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Several key achievements this year have brought us closer to our objective.



Finance graduates are recruited on their values rather than on their particular field of study





Honest and respectful approach

makes Graduate program number 1 in Australia



A graduate perspective

Comments from 2019 graduate Victoria Gray

This year Finance was named Australia's number one graduate employer by the Australian Association of Graduate Employers Top 75 list, improving on its thirteenth position last year. This achievement marks the first time a government agency has achieved this ranking nationally.

More than 2,500 graduates across Australia were anonymously surveyed and asked to rate their employer on a number of key areas including:

- orientation or induction program;
- training and development program;
- quality of work;
- career progression;
- supervisor or manager;
- compensation and benefits;
- work/life balance; and
- company culture.

Seven graduates with a diverse range of qualifications, approaches to innovation, problem-solving and critical thinking skills were recruited by Finance in 2019.

Graduates are rotated throughout the organisation offering insight into the diverse services we deliver, helping them develop transferrable skills.

Gaining knowledge from a number of business units helps Finance to improve the way we work through fostering professional relationships and eliminating silos.

Our program, which has seen 134 graduates participate since it was established in 2011, provides opportunities to interact with a wide variety of stakeholders, including working collaboratively with other government agencies and accompanying the Director General and other senior staff to work-related events.

Another key component of our success is our focus on relationships and the support provided by management, supervisors, co-workers and the graduate alumni to help our graduates transition smoothly from study to a professional working environment.

The success of the program allows Finance to share its knowledge and experience with other agencies and provide advice on how to establish or improve their own Graduate Programs. Due to the high calibre of applicants, Finance shares the applicants placed in a graduate pool with other agencies.

Finance has a really positive attitude towards training and retaining graduates so I felt like my contribution was valued right from day one. My first rotation was in the Information Technology and Communications team in Corporate Services where I was engaged in the development of policies to support the Department's Information Security Management Framework.

Finance has a focus on recruiting graduates based on their values and all university degrees are considered. The benefit of values-based recruitment has been obvious in our graduate cohort. Despite coming from vastly different backgrounds we have been bonded by our shared values and attitudes.

The program includes Community Involvement Development, which we spent with Conservation Volunteers Australia at Lesmurdie Falls National Park. This gave us an opportunity to give back to the community and further share experiences as a cohort.

Rather than just a job, I have been given countless opportunities to develop myself as an individual and as a professional. Within the program, there is an internal training calendar that focusses on developing transferrable skills. This skill development is continued through the Public Sector Commission's Graduate Development Program, which has exposed me to parts of government that I never even knew existed while studying at university. Further to this, your supervisor and graduate coordinator work to identify your strengths and weaknesses and seek to individually tailor training, allowing you to reach your full potential.

The program creates an environment that not only wants you to flourish, but gives you tailored support to achieve your potential. This has seen the majority of previous graduates gain full-time employment within the Department or with other agencies. Last year, 100 per cent of graduates secured roles within Finance, and I hope to see the same outcome for our cohort.



Finance transitions to a collaborative work environment

In 2018, Finance transitioned to Activity Based Work (ABW) – a flexible and community-based work environment that offers a variety of spaces relevant to specific work being undertaken.

Our ABW office is separated into three distinct zones:

- Collaboration zone – where staff can brainstorm and collaborate freely.
- Focus zone – a quiet area (no phones) where staff can read or focus on specific tasks.
- Process zone – for standard work practices.

Staff members do not have an assigned desk but rather select the type of work setting that best suits their work activities for the day or a portion of the day. Teams are assigned to ‘home bases’ but are encouraged to work alongside other teams as needed.

The creation of an ABW workplace for Finance at the Optima Centre in Osborne Park has not only enabled the consolidation of approximately 200 staff from the CBD to this space and saving of nearly \$2 million per annum, but also supports:

- a culture of flexibility and mobility;
- a paper-light environment through follow-me printing;
- greater collaboration between groups and individuals across the business; and
- greater application of technology to enable more agile work practices.

Finance is now working with the Department of Planning, Lands and Heritage to deliver ABW within their existing office space at Gordon Stephenson House, and the Departments of Transport and Communities for their new ABW workplace in Fremantle. These transitions will result in approximately 800 Department of Planning Lands and Heritage staff consolidating across two floors and approximately 1,500 staff moving to Fremantle.

Finance is also conducting regular tours and presentations about ABW with other government agencies.

Interagency mentoring program

Finance’s Interagency Mentoring Program is in its fourteenth year and over that time has helped 880 participants across the public sector to build their knowledge and experience.

Nine agencies are participating in the program across the 2019 calendar year with 103 mentors and mentees paired from different agencies, providing opportunities to grow employee networks and facilitate future collaboration.

The Interagency Mentoring Program provides a forum to build relationships and capability across the public sector by:

- facilitating quality mentee/mentor matches;
- developing and improving professional competence;
- supporting networking and knowledge exchange across the sector; and
- providing guidance in developing career goals.

The program supports the Government’s Public Sector Reform initiatives by offering employees at all levels the opportunity to engage in an environment that supports sector-wide leadership, cooperation and collaboration.

Training and events

Finance is committed to building capability and supporting staff at all levels to achieve their personal and professional goals. Our training and development programs focus on enabling a highly-skilled workforce to think innovatively about the way services are delivered to the community and provide value-for-money outcomes for all Western Australians.

In 2018-19, staff participated in a broad range of development opportunities, many of which were delivered in-house by our own experienced staff and through online systems to minimise costs. These are outlined below:

- approximately 1,400 staff undertook industry specific training, such as Project Management, Contract Negotiation and Asset Management;
- technical skills training, such as Workflow Mastery, Advance Skype Functions and Power BI was undertaken up by 900 staff members;
- innovation and future skills training including Design Thinking, Strategic Planning, Growth Mindset and Innovation workshops with guest speakers was conducted for 200 staff;

- personal and professional development was popular this year with approximately 1,200 participating in courses such as Emotional Intelligence, Leadership, Confidence for Women and Personal Productivity; and
- training specific to working in the public sector, such as Occupational Health and Safety, Disability, Access and Inclusion, Cultural Awareness and Accountable and Ethical Decision-making was undertaken by 1,800 staff.

Our role in the regions

Through our 12 regional offices, Finance facilitates the delivery of building maintenance services, the management of non-residential building projects, and planning and delivery of services for government assets.

Some of the key services provided to our client agencies in the regions include:

- 24/7 breakdown repair services;
- urgent works in emergencies caused by cyclones, flooding, storms, earthquakes, bushfires and major acts of vandalism;
- building condition assessments and the development of strategic maintenance plans;
- planning and delivery of maintenance programs; and
- coordination of building projects which includes managing the tender process with

particular consideration to government’s Buy Local Policy, support for Aboriginal businesses, value-for-money assurances and risk management, as well as project management including administration, quality control, practical completion and handover.

This year has seen some major achievements for our regional offices including:

- on-time, on-budget delivery of the Dolphin Discovery Centre on behalf of the City of Bunbury. The Centre showcases the latest interactive marine display with interactions with wild dolphins. This project is a big boost for tourism for the City;
- numerous police station upgrades across the regions;
- recommissioning of workshops at the South Hedland TAFE after these had been shut down; and
- delivery of a number of programs of work for the Department of Education (schools), including ceiling remediation/replacement, asbestos removal and other upgrades.



Summary of Non-Financial Performance for 2018-19

Outcome

Key Effectiveness Indicator	Unit	Target	Actual	Page
Debt as a percentage of revenue raised	%	1.03	1.11	127
Extent to which correct grants, subsidies and rebates are paid	%	100	100	127
Average annual vehicle net capital cost:				
Per passenger vehicle	\$	4,600	4,995	131
Per commercial vehicle	\$	4,575	4,823	131
Extent to which client agencies agree that their agency contracts and Common Use Arrangements achieved value for money	%	92	96	131
Percentage of new buildings projects within the Building Management and Works Program, valued over \$5 million, delivered within the approved budget	%	100	100	137
Average office accommodation floor space per work point	m ²	14.50	14.42	137
Percentage of major projects in Strategic Projects' program of works delivered (or forecast to be delivered) within approved budget	%	100	100	141

Service

Key Efficiency Indicator	Unit	Target	Actual	Page
Average cost per tax or duty determination	\$	27.36	25.91	129
Average cost per grant or subsidy determination	\$	11.16	10.76	129
Cost of facilitating the development and management of agency specific contracts as a percentage of the contract award value	%	1.4	2.0	133
Average administrative cost per vehicle for financing and managing the State Fleet service	\$	124	110	133
Cost of developing and managing whole-of-government Common Use Contract Arrangements as a percentage of the total annual value of purchases through the arrangements	%	1.7	1.6	133
Percentage of new buildings projects within the Building Management and Works Program, valued over \$5 million, delivered by the approved handover date	%	100	76	139
Percentage of high priority breakdown repairs completed within agreed timeframes	%	80	75	139
Project, contract and administration costs to deliver whole-of-government non-residential building, maintenance and accommodation services as a percentage of services delivered	%	8.28	7.08	139
Percentage of major projects in Strategic Projects' Program delivered (or forecast to be delivered) within approved timeframes	%	100	60	143
Cost of project management as a percentage of total project costs	%	1.5	1.76	143

Summary of Financial Performance for 2018-19

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The Department of Finance 2018-19 estimated total cost of services allocation was approximately \$1.43 billion, funded largely through the charging of other government departments for building works, maintenance and leasing. The other key funding source is appropriation of \$0.17 billion.

The estimated \$1.43 billion in expenses primarily relates to building works across the whole-of-government (\$1.2 billion), employee expenses (\$0.12 billion) and depreciation (\$0.08 billion).

Actual results versus estimate	Estimate ^(a) \$000	Actual \$000	Variance \$000	Reason for significant variation between actual and estimate
Total cost of services (expense limit)	1,430,273	1,267,833	162,440	Actual expenditure was below estimate primarily due to a reduction in the whole-of-government capital works program delivered by Building Management and Works on behalf of government agencies.
Net cost of services	159,688	132,635	27,053	The 2019 actual was lower than estimate as a result of reduced expenditure offset by a reduction in revenue received from the capital works program delivered by Building Management and Works on behalf of government agencies.
Total equity	1,203,658	1,142,331	(61,327)	Total equity has been reduced as a result of lower capital investment combined with a reduction in receivables.
Net increase/ (decrease) in cash held	13,079	5,868	(7,211)	Cash balances are lower than estimate due to a reduction in State fleet borrowings.
Approved salary expense level	101,824	93,381	8,443	Reduced expenditure on salaries is a result of higher than forecast vacancy levels and reduced recruitment levels.
Agreed borrowing limit	78,433	62,151	16,282	Reduction due to State Fleet reforms reducing the purchasing of new vehicles and significant reduction of debt.
Working cash limit	66,912	60,752	(7,514)	The working cash limit is 5 per cent of recurrent payments (operating and financing) and the variation reflects the reduction in actual cost of services.

(a) Approved as part of the 2018-19 State Budget process

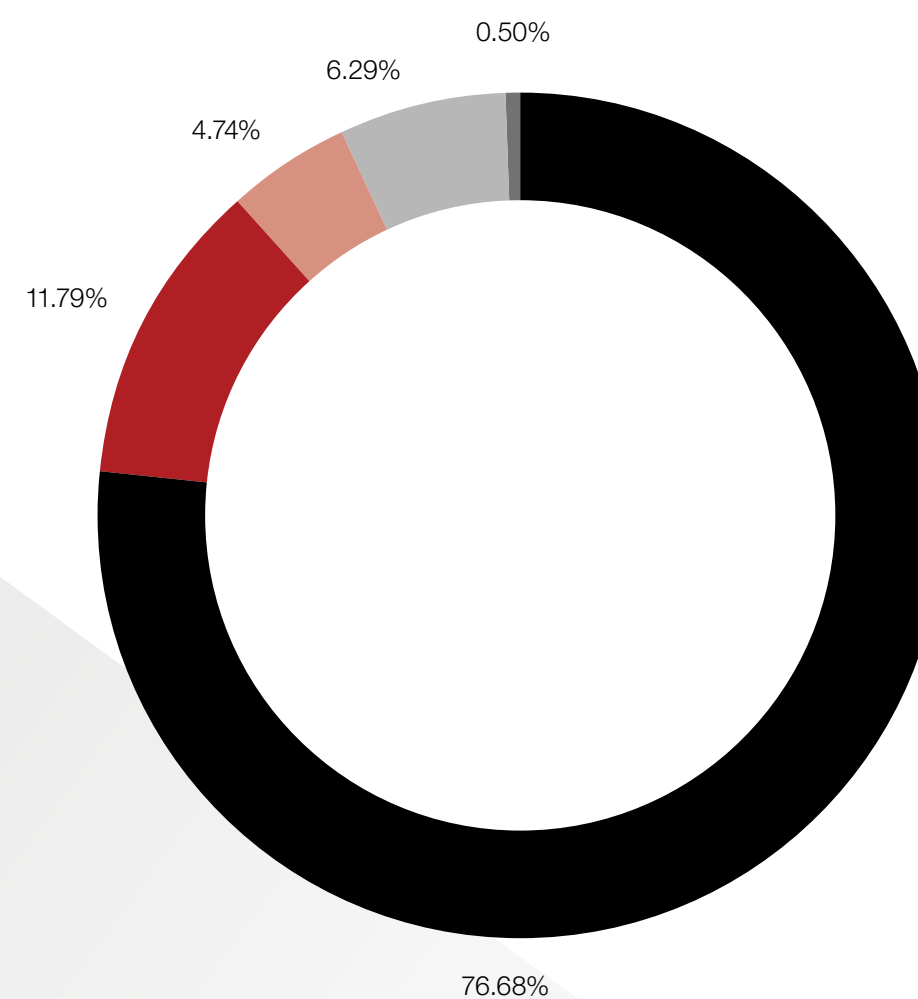
Further explanations are contained in [Note 9](#) of the financial statements.



Cost of services for 2018-19

Services	Cost (\$)	%
Revenue assessment and collection, and grants and subsidies administration	60,062	4.74%
Development and management of Common Use Contract Arrangements, State fleet leasing and disposal, and providing facilitation service for agency specific contracts	79,805	6.29%
Corporate Services to client agencies	6,364	0.50%
Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation	972,170	76.68%
Leads the planning and delivery of major government building projects	149,431	11.79%

Breakdown of total cost of services %



Significant Issues

Enhancing workforce diversity

Finance has implemented several initiatives to create diversity within the organisation to better represent and serve the members of our community. Whilst some targets have been achieved, we recognise that additional focus and works needs to be applied.

Aboriginal employment

Finance's Corporate Executive is committed to improving the employment outcomes specifically for persons with a disability and Aboriginal and Torres Strait Islander peoples.

In 2017, Finance initiated the *Diversity in Finance Employment Plan 2017-22* which outlines targets and steps for improving employment outcomes and creating diversity in the Department.

However, despite these initiatives, Finance is tracking at 0.6 per cent against the 3 per cent target.

As a result we will review our employment and management practices and continue to deliver Cultural Awareness training to create a more inclusive work environment.

Women in management

Following the Government's Service Priority review, which noted the under-representation of women in the senior echelons of the public sector, Finance commissioned an evidence-based review on the nature and cause of the under-representation of women in management positions.

This review identified barriers to women's progression and developed a suite of recommendations to achieve a target of 50 per cent of women in management roles (Public Service and Government Officers General Agreement Level 6 equivalent and above).

The Gender Equity Action Plan was implemented throughout the year and included:

- flexible working arrangements for management roles (including part-time arrangements);
- improved recruitment practices and unconscious bias training for decision-makers; and
- more rigorous and frequent reporting on gender metrics.

Recent reviews have highlighted that despite these initiatives, Finance has to change its culture in order to effect change.

The proportion of women in management positions remains at around 45 per cent as more work is required to progress towards the target.

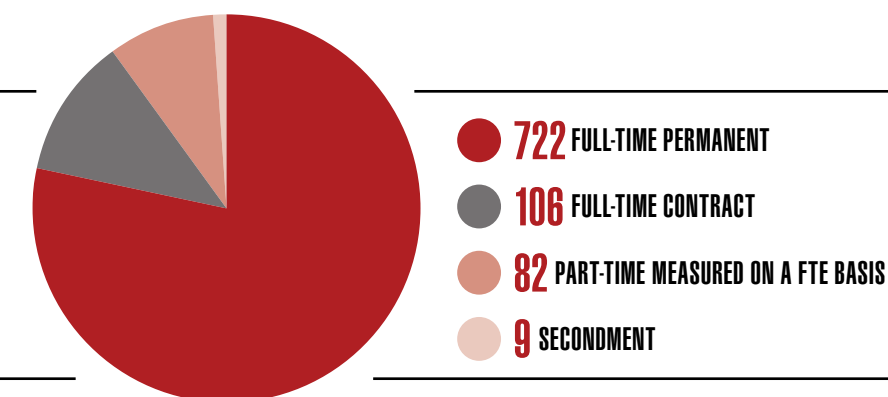
The Corporate Executive has renewed its commitment to the Gender Equity Charter and will:

- focus on installing an inclusive culture including demonstrating inclusive leadership practices;
- respectfully call out behaviours and decisions that are not consistent with the gender equity charter;
- investigate gender equity issues specific to each business unit; and
- continue with the whole-of-department initiatives included in the Gender Equity Action Plan.

A Gender Equity Champions Group was established in January 2019 and has discussed targeted actions to deliver an inclusive workplace culture that achieves gender balance in management.

Workforce Profile

FULL-TIME EQUIVALENT
TOTAL 919 FTEs



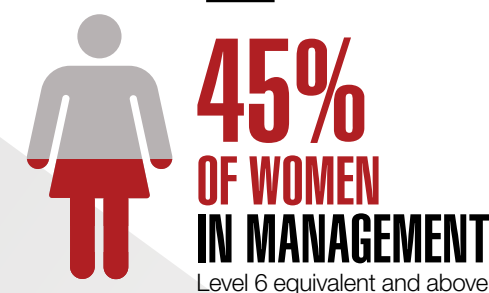
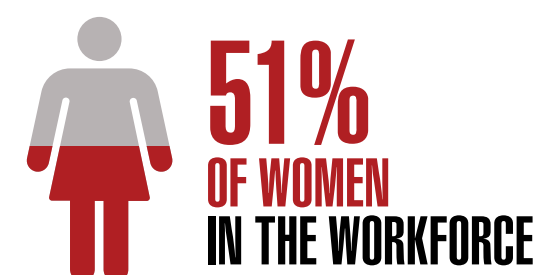
STAFF DIVERSITY

21% FROM CALD
(target: 15%)

2.1% WITH DISABILITIES
(target: 2%)

0.6% ABORIGINAL
(target: 3%)

1.6% YOUTH
(target: 5%)



134 GRADS STARTED SINCE 2011

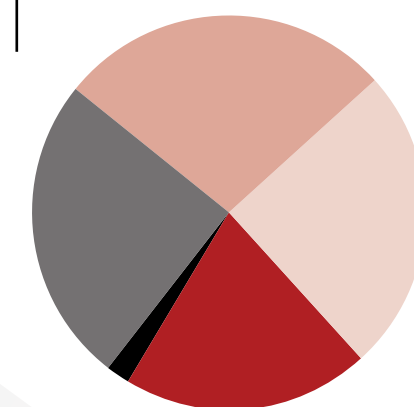
RETENTION AND YEARS OF SERVICE

11 AVERAGE YEARS OF AGENCY SERVICE

92% EMPLOYEE RETENTION IN 2018-19

78% STAFF EMPLOYED OVER 5 YEARS

AGE PROFILE



Contract negotiations

The State continues its discussions with John Holland regarding a range of contractual matters for the Perth Children's Hospital. These include the State's and John Holland's claims relating to the delivery of the hospital.

Finance, which delivered the project, is in close consultation with the State's Solicitor's Office on the matter.

Combatting corruption in procurement

In August 2018, the Corruption and Crime Commission (CCC) released a report into bribery and corruption within the North Metropolitan Health Service, which highlighted serious misconduct by several former public servants and numerous contractors engaged.

Given the serious nature of the findings, government announced an independent review of all existing contractual arrangements with the companies highlighted in the CCC report.

The findings confirmed that the State's exposure was limited, identifying a total of 15 existing contracts across 129 agencies. As a result, 11 of the 15 contracts were terminated, two were in contractual notice period for termination and the remaining two were essentially inactive as they related to projects which had reached practical completion and were in the defects liability period.

This review coupled with the CCC report has highlighted the need for government agencies and suppliers who do business with government to observe higher standards of ethical conduct.

Finance is responding to this issue through its *Enhance Public Sector Procurement* reform initiative as part of the Public Sector Reform Program.

In addition, a Responsible Supplier Pact has been drafted, which incorporates ethical procurement principles and a supplier code of conduct, encourages industry to:

- deliver fair work conditions;
- provide safe and healthy workplaces;
- operate in an environmentally sustainable manner;
- act inclusively; and
- refrain from corrupt, fraudulent and illegal behaviour.

The draft Pact has been launched for public consultation following significant stakeholder input.





Overview

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Independent Auditor's Report

Disclosures and Legal Compliance
– Financial Statements



Auditor General

Certification of financial statements

For the reporting period ended 30 June 2019

The accompanying financial statements of the Department of Finance have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2019 and the financial position as at 30 June 2019.

At the date of signing we are not aware of any circumstances which would render the particulars included within the financial statements misleading or inaccurate.

Dominick Geraghty
Chief Finance Officer
23 August 2019

Jodi Cant
Director General
23 August 2019

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF FINANCE

Report on the Financial Statements

Opinion

I have audited the financial statements of the Department of Finance which comprise the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Finance for the year ended 30 June 2019 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

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 Responsibility for the Audit of the Financial Statements* section of my report. I am independent of the Department 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.

Responsibility of the Director General for the Financial Statements

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Director General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director General is responsible for assessing the Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Department.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director General.
- Conclude on the appropriateness of the Director General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- 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.

I communicate with the Director General 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.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Department of Finance. The controls exercised by the Department are those policies and procedures established by the Director General to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Department of Finance are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2019.

The Director General's Responsibilities

The Director General is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Finance for the year ended 30 June 2019. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Finance are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2019.

The Director General's Responsibility for the Key Performance Indicators

The Director General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Director General determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Director General is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.



Disclosures and legal compliance

— Financial statements

Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the Department's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Department of Finance for the year ended 30 June 2019 included on the Department'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 and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators 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 and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
23 August 2019



Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 (\$000)	2018 (\$000)
COST OF SERVICES			
Expenses			
Employee benefits expense	3.1(a)	104,839	115,304
Supplies and services	3.4	1,039,189	1,107,809
Depreciation and amortisation expense	5.1, 5.2	68,159	66,007
Finance costs	7.4	7,362	7,780
Accommodation expenses	3.4	46,230	40,562
Grants and subsidies	3.2	528	578
Loss on disposal of non-current assets	3.3	444	17
Other expenses	3.4	1,082	39,775
Total expenses		1,267,833	1,377,832
Income			
<i>Revenue</i>			
User charges and fees	4.2	1,109,482	1,176,982
Commonwealth grants and contributions	4.3	6,596	7,085
Interest revenue	7.3	310	298
Other revenue	4.4	4,486	6,566
Total revenue		1,120,874	1,190,931
<i>Gains</i>			
Gain on disposal of non-current assets	4.5	1,859	2,179
Gain from revaluation	4.5	12,465	-
Total gains		14,324	2,179
Total income other than income from State Government		1,135,198	1,193,110
NET COST OF SERVICES		132,635	184,722
Income from State Government			
Service appropriation	4.1	154,400	150,900
Services received free of charge	4.1	13,512	13,511
Royalties for Regions Fund	4.1	91	106
Total income from State Government		168,003	164,517
SURPLUS/(DEFICIT) FOR THE PERIOD		35,368	(20,205)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		35,368	(20,205)

See also the 'Schedule of Income and Expenses by Service'.

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2019

	Notes	2019 (\$000)	2018 (\$000)
ASSETS			
Current Assets			
Cash and cash equivalents	7.5	82,395	75,890
Restricted cash and cash equivalents	7.5	22	1,001
Receivables	6.1	114,528	132,386
Finance lease receivables	7.2	225	409
Amounts receivable for services	6.2	806	779
Other current assets	6.3	29,483	29,347
Total Current Assets		227,459	239,812
Non-Current Assets			
Restricted cash and cash equivalents	7.5	1,076	734
Receivables	6.1	-	535
Finance lease receivables	7.2	303	248
Amounts receivable for services	6.2	583,439	523,084
Property, plant, equipment and vehicles	5.1	691,918	687,094
Intangible assets	5.2	36,488	34,463
Other non-current assets	6.3	7,124	4,307
Total Non-Current Assets		1,320,348	1,250,465
TOTAL ASSETS		1,547,807	1,490,277
LIABILITIES			
Current Liabilities			
Payables	6.4	94,226	112,770
Borrowings	7.1	11,487	23,913
Employee related provisions	3.1(b)	25,738	26,212
Lease incentives	6.7	17,186	16,771
Other current liabilities	6.6	24,412	23,058
Total Current Liabilities		173,049	202,724
Non-Current Liabilities			
Borrowings	7.1	50,664	56,005
Employee related provisions	3.1(b)	4,953	4,818
Other provisions	6.5	544	534
Lease incentives	6.7	176,266	131,249
Total Non-Current Liabilities		232,427	192,606
TOTAL LIABILITIES		405,476	395,330
NET ASSETS		1,142,331	1,094,947
EQUITY			
Contributed equity	9.10	1,068,039	1,056,019
Accumulated surplus/(deficit)		74,292	38,928
TOTAL EQUITY		1,142,331	1,094,947

See also the 'Schedule of Assets and Liabilities by Service'.

The Statement of Financial Position should be read in conjunction with the accompanying notes.



Statement of Changes in Equity

For the year ended 30 June 2019

Notes	Contributed equity (\$000)	Accumulated surplus/ (deficit) (\$000)	Total equity (\$000)
Balance at 1 July 2017	1,055,928	59,133	1,115,061
Surplus/(Deficit)	-	(20,205)	(20,205)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(20,205)	(20,205)
Transactions with owners in their capacity as owners: 9.10			
Capital appropriations	14,902	-	14,902
Other contributions by owners	232	-	232
Distributions to owners	(15,043)	-	(15,043)
Total	91	-	91
Balance at 30 June 2018	1,056,019	38,928	1,094,947
Balance at 1 July 2018	1,056,019	38,928	1,094,947
Changes in accounting policy	-	(4)	(4)
Restated balance at 1 July 2018	1,056,019	38,924	1,094,943
Surplus/(Deficit)	-	35,368	35,368
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	35,368	35,368
Transactions with owners in their capacity as owners: 9.10			
Capital appropriations	11,820	-	11,820
Other contributions by owners	200	-	200
Distributions to owners	-	-	-
Total	12,020	-	12,020
Balance at 30 June 2019	1,068,039	74,292	1,142,331

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2019

Notes	2019 (\$000)	2018 (\$000)
CASH FLOWS FROM STATE GOVERNMENT		
Service appropriation	93,239	89,857
Capital appropriations	11,820	14,902
Funding from Treasury Administered	200	200
Holding account drawdowns	779	1,326
Royalties for Regions Fund	90	106
Regional Infrastructure and Headworks Fund	-	(421)
Net cash provided by State Government	106,128	105,970
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employee benefits	(105,098)	(117,949)
Supplies and services	(1,033,285)	(1,136,777)
Finance costs	(6,237)	(6,604)
Accommodation	(46,926)	(40,438)
Grants and subsidies	(521)	(574)
GST payments on purchases	(121,256)	(134,697)
GST payments to taxation authority	(6,759)	(6,032)
Other payments	(4,056)	(2,632)
Receipts		
User charges and fees	1,106,235	1,216,232
Commonwealth grants and contributions	8,280	5,575
Interest received	319	361
GST receipts on sales	121,593	132,352
GST receipts from taxation authority	6,178	7,700
Other receipts	6,395	15,343
Net cash provided by/(used in) operating activities 7.5	(75,138)	(68,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments		
Purchase of non-current assets	(92,774)	(122,972)
Receipts		
Proceeds from sale of non-current assets	30,379	39,016
Receipts from lease incentives	55,757	41,544
Net cash provided by/(used in) investing activities	(6,638)	(42,412)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments		
Repayment of borrowings	(18,922)	(23,115)
Receipts		
Proceeds from borrowings	-	-
Finance leases receipts	438	500
Net cash provided by/(used in) financing activities	(18,484)	(22,615)
Net increase/(decrease) in cash and cash equivalents	5,868	(27,197)
Cash balance transferred to the Department of Treasury	-	(28)
Cash balance transferred from the Department of Treasury	-	32,705
Cash balance transferred to the Department of Local Government, Sport and Cultural Industries	-	(2,042)
Cash and cash equivalents at the beginning of the period	77,625	74,187
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD 7.5	83,493	77,625

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Summary of consolidated account appropriations and income estimates**

For the year ended 30 June 2019

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<u>Delivery of Services</u>						
Item 38 Net amount appropriated to deliver services	151,149	152,799	1,650	152,799	149,299	3,500
Amount Authorised by Other Statutes: - <i>Salaries and Allowances Act 1975</i>	1,601	1,601	-	1,601	1,601	-
Total appropriations provided to deliver services	152,750	154,400	1,650	154,400	150,900	3,500
<u>Capital</u>						
Item 107 Capital appropriations	11,820	11,820	-	11,820	14,902	(3,082)
<u>Administered Transactions</u>						
Community service obligation payments: Item 39 Amount provided for Administered grants, subsidies and other transfer payments	176,426	150,761	(25,665)	150,761	160,994	(10,233)
Amount Authorised by Other Statutes: <i>First Home Owner Grant Act 2000</i>	76,200	56,540	(19,660)	56,540	91,171	(34,631)
Total administered transactions	252,626	207,301	(45,325)	207,301	252,165	(44,864)
GRAND TOTAL	417,196	373,521	(43,675)	373,521	417,967	(44,446)
<u>Details of Expenses by Service</u>						
Revenue Assessment and Collection and Grants and Subsidies Administration	64,607	60,062	(4,545)	60,062	62,285	(2,223)
Development and Management of Common Use Contract Arrangements, State Fleet Leasing and Disposal, and Providing Facilitation Service for Agency Specific Contracts	78,347	79,806	1,459	79,806	76,082	3,724
Corporate Services to Client Agencies	6,220	6,364	144	6,364	6,567	(203)
Leads the Planning, Delivery, Management and Maintenance of Government Buildings, Projects and Office Accommodation	1,056,575	972,171	(84,404)	972,171	1,051,058	(78,887)
Leads the Planning and Delivery of Major Government Building Projects	224,524	149,430	(75,094)	149,430	181,840	(32,410)
Total Cost of Services	1,430,273	1,267,833	(162,440)	1,267,833	1,377,832	(109,999)
Less Total Income	(1,270,585)	(1,135,198)	135,387	(1,135,198)	(1,193,110)	57,912
Net Cost of Services	159,688	132,635	(27,053)	132,635	184,722	(52,087)
Adjustments	(6,938)	21,765	28,703	21,765	(33,822)	55,587
Total appropriations provided to deliver services	152,750	154,400	1,650	154,400	150,900	3,500

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2019

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<u>Capital Expenditure</u>						
Purchase of non-current assets	117,521	92,774	(24,747)	92,774	122,972	(30,198)
Repayment of borrowings	18,400	18,922	522	18,922	23,115	(4,193)
Adjustments for other funding sources	(124,101)	(99,876)	24,225	(99,876)	(131,185)	31,309
Capital appropriations	11,820	11,820	-	11,820	14,902	(3,082)
<u>Details of Administered Income Estimates</u>						
Taxation:						
Insurance Duty	644,945	644,832	(113)	644,832	625,564	19,268
Land Tax	800,236	808,097	7,861	808,097	842,502	(34,405)
Metropolitan Region Improvement Tax	84,649	89,686	5,037	89,686	93,317	(3,631)
Payroll Tax	3,454,195	3,567,449	113,254	3,567,449	3,284,154	283,295
Racing and Wagering Western Australian Tax	64,110	55,014	(9,096)	55,014	41,468	13,546
Transfer Duty	1,330,744	1,100,813	(229,931)	1,100,813	1,226,205	(125,392)
Landholder Duty	101,000	33,375	(67,625)	33,375	234,496	(201,121)
Vehicle Licence Duty	360,191	363,603	3,412	363,603	354,663	8,940
Other duties	1	8	7	8	8	-
Commonwealth Mirror Taxes	44,364	44,151	(213)	44,151	40,635	3,516
Total taxation	6,884,435	6,707,028	(177,407)	6,707,028	6,743,012	(35,984)
Other revenue:						
Office lease rental revenue	39,700	39,776	76	39,776	41,448	(1,672)
Other income	64,441	64,355	(86)	64,355	64,035	320
Total other revenue	104,141	104,131	(10)	104,131	105,483	(1,352)
Appropriations:						
<i>First Home Owner Grant Act 2000</i>	76,200	56,540	(19,660)	56,540	91,171	(34,631)
Administered grants and transfer payments	176,426	150,761	(25,665)	150,761	160,994	(10,233)
Total appropriations	252,626	207,301	(45,325)	207,301	252,165	(44,864)
TOTAL ADMINISTERED INCOME ESTIMATES	7,241,202	7,018,460	(222,742)	7,018,460	7,100,660	(82,200)

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation. [Note 10.2](#) 'Disclosure of administered income and expenses by service' and [Note 10.4](#) 'Explanatory statement for administered items – income and expenses' provide details of any significant variations between estimates and actual results for 2019 and between actual results for 2019 and 2018.



Notes to the financial statements

1. Basis of preparation

The Department of Finance is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Department is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Department's Director General on 23 August 2019.

Statement of Compliance

These general purpose financial statements are prepared in accordance with:

- 1) The *Financial Management Act 2006 (FMA)*
- 2) The Treasurer's Instructions (**the Instructions or TI**)
- 3) Australian Accounting Standards (**AAS**) including applicable interpretations
- 4) Where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

2. Department outputs

How the Department operates

This section includes information regarding the nature of funding the Department receives and how this funding is utilised to achieve the Department's objectives. This note also provides the distinction between controlled funding and administered funding:

	Notes
Department objectives	2.1
Schedule of Income and Expenses by Service	2.2
Schedule of Assets and Liability by Service	2.3

2.1 Department objectives

Mission

The Department's mission is to drive practical, cost-effective and quality outcomes across government to benefit Western Australians.

Services

The Department provides the following services:

Service 1: Revenue Assessment and Collection, and Grants and Subsidies Administration

Service 2: Development and Management of Common Use Contract Arrangements, State Fleet Leasing and Disposal, and Providing Facilitation Service for Agency Specific Contracts

Service 3: Corporate Services to Client Agencies

Service 4: Leads the Planning, Delivery, Management and Maintenance of Government Buildings, Projects and Office Accommodation

Service 5: Leads the Planning and Delivery of Major Government Building Projects

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to, the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at [Note 10.2](#) 'Disclosure of administered income and expenses by service' and [Note 10.3](#) 'Administered assets and liabilities'.

2.2 Schedule of income and expenses by service

For the year ended 30 June 2019

	Service 1		Service 2		Service 3		Service 4		Service 5		Total	
	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)
COST OF SERVICES												
<u>Expenses</u>												
Employee benefits expense ¹	33,413	34,658	22,973	23,326	2,938	3,110	42,701	50,540	2,814	3,670	104,839	115,304
Supplies and services	18,254	19,741	14,850	9,913	2,718	2,647	857,254	898,055	146,113	177,453	1,039,189	1,107,809
Depreciation and amortisation expense	4,373	3,416	39,135	39,247	123	211	24,446	23,054	82	79	68,159	66,007
Finance costs	-	-	372	938	-	-	6,990	6,842	-	-	7,362	7,780
Accommodation expenses	3,602	4,091	1,796	1,984	444	380	40,034	33,525	354	582	46,230	40,562
Grants and subsidies	1	1	410	441	1	1	116	135	-	-	528	578
Loss on disposal of non-current assets	194	-	59	-	77	-	102	17	12	-	444	17
Other expenses	225	378	211	233	63	218	528	38,890	55	56	1,082	39,775
Total cost of services	60,062	62,285	79,806	76,082	6,364	6,567	972,171	1,051,058	149,430	181,840	1,267,833	1,377,832

<u>Income</u>												
User charges and fees	3,216	2,663	59,772	62,770	-	-	901,289	934,711	145,205	176,838	1,109,482	1,176,982
Commonwealth grants and contributions	94	92	-	-	-	-	6,502	6,993	-	-	6,596	7,085
Interest revenue	-	-	310	298	-	-	-	-	-	-	310	298
Other revenue	718	277	2,432	2,012	345	735	970	3,499	21	43	4,486	6,566
Gain on disposal of non-current assets	-	-	1,859	2,179	-	-	-	-	-	-	1,859	2,179
Gain from revaluation	-	-	-	-	-	-	12,465	-	-	-	12,465	-

Total income other than income from State Government

	4,028	3,032	64,373	67,259	345	735	921,226	945,203	145,226	176,881	1,135,198	1,193,110
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NET COST OF SERVICES

	56,034	59,253	15,433	8,823	6,019	5,832	50,945	105,855	4,204	4,959	132,635	184,722
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INCOME FROM STATE GOVT

Service appropriation	46,660	45,018	34,841	27,519	6,019	6,162	62,492	67,367	4,388	4,834	154,400	150,900
Services received free of charge	12,725	12,742	60	50	-	6	436	542	291	171	13,512	13,511
Royalties for Regions Fund	-	-	-	-	-	-	91	106	-	-	91	106

Total income from State Government

	59,385	57,760	34,901	27,569	6,019	6,168	63,019	68,015	4,679	5,005	168,003	164,517
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SURPLUS/(DEFICIT) FOR THE PERIOD

	3,351	(1,493)	19,468	18,746	-	336	12,074	(37,840)	475	46	35,368	(20,205)
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The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

Service 1: Revenue assessment and collection, and grants and subsidies administration

Service 2: Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal, and providing facilitation service for agency specific contracts

Service 3: Corporate services to client agencies

Service 4: Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation

Service 5: Leads the planning and delivery of major government building projects

2.3 Schedule of assets and liabilities by service

As at 30 June 2019

	Service 1		Service 2		Service 3		Service 4		Service 5		Total	
	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)	2019 (\$'000)	2018 (\$'000)
<u>Assets</u>												
Current assets	30,491	29,462	33,669	31,561	-	-	155,370	172,145	7,929	6,624	227,459	239,812
Non-current assets	186,788	171,313	352,943	341,173	-	-	763,471	720,847	17,146	17,132	1,320,348	1,250,465
Total assets	217,279	200,775	386,612	372,734	-	-	918,841	892,992	25,075	23,756	1,547,807	1,490,277
<u>Liabilities</u>												
Current liabilities	10,395	13,376	18,996	34,697	-	-	123,151	140,563	20,507	14,088	173,049	202,724
Non-current liabilities	1,874	1,783	1,281	7,603	-	-	229,008	182,952	264	268	232,427	192,606
Total liabilities	12,269	15,159	20,277	42,300	-	-	352,159	323,515	20,771	14,356	405,476	395,330
NET ASSETS	205,010	185,616	366,335	330,434	-	-	566,682	569,477	4,304	9,400	1,142,331	1,094,947

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

Service 1: Revenue assessment and collection, and grants and subsidies administration

Service 2: Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal, and providing facilitation service for agency specific contracts

Service 3: Corporate services to client agencies

Service 4: Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation

Service 5: Leads the planning and delivery of major government building projects



3. Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the Department's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Department in achieving its objectives and the relevant notes are:

	Notes	2019 (\$000)	2018 (\$000)
Employee benefits expenses	3.1(a)	104,839	115,304
Employee related provisions	3.1(b)	30,691	31,030
Grants and subsidies	3.2	528	578
Loss on disposal of non-current assets	3.3	444	17
Other expenditure	3.4	1,086,501	1,188,146

3.1(a) Employee benefits expense

	2019 (\$000)	2018 (\$000)
Wages and salaries ^(a)	94,845	98,071
Termination benefits ^(b)	104	6,708
Superannuation – defined contribution plans ^(c)	9,890	10,525
Total employee benefits expenses	104,839	115,304

(a) Adjusted 2018 Wages and salaries, Long service leave, Annual leave and Other related expenses as Wages and Salaries. 2018 Wages and salaries adjusted by \$68,000 to recognise Doubtful debts expense for 2017-18.

(b) The total termination benefits gross payout for 2019 was \$136,263, with \$31,847 related to leave entitlements (Refer to [Note 3.1\(b\)](#)).

(c) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

Wages and salaries: Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, and leave entitlements.

Termination benefits: Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Department is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Superannuation: The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is however a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Department to GESB extinguishes the Department's obligations to the related superannuation liability.

The Department does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The Liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

3.1(b) Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2019 (\$000)	2018 (\$000)
Current		
<u>Employee-benefits provisions</u>		
Annual leave ^(a)	9,644	8,876
Long service leave ^(b)	15,848	17,015
Deferred salary scheme ^(c)	163	228
Purchased leave	36	46
	25,691	26,165
<u>Other provisions</u>		
Employment on-costs ^(d)	47	47
Total current employee related provisions	25,738	26,212
Non-current		
<u>Employee-benefits provisions</u>		
Long service leave ^(b)	4,944	4,809
<u>Other provisions</u>		
Employment on-costs ^(d)	9	9
Total non-current employee related provisions	4,953	4,818
Total employee related provisions	30,691	31,030

(a) **Annual leave liabilities:** Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2019 (\$000)	2018 (\$000)
Within 12 months of the end of the reporting period	6,595	6,496
More than 12 months after the end of the reporting period	3,085	2,380
	9,680	8,876

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

(b) **Long service leave liabilities:** Unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2019 (\$000)	2018 (\$000)
Within 12 months of the end of the reporting period	6,126	6,782
More than 12 months after the end of the reporting period	14,666	15,042
	20,792	21,824





The provision for long service leave are calculated at present value as the Department does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and 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 outflows.

(c) **Deferred salary scheme liabilities:** Classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

	2019 (\$000)	2018 (\$000)
Within 12 months of the end of the reporting period	84	108
More than 12 months after the end of the reporting period	79	120
	163	228

(d) **Employment on-costs:** The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

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 included as part of 'Other expenses, [Note 3.4](#) (apart from the unwinding of the discount (finance cost))' and are not included as part of the Department's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	2019 (\$000)	2018 (\$000)
Employment on-costs provision		
Carrying amount at start of period	56	61
Additional/(reversals of) provisions recognised	9	11
Payments/other sacrifices of economic benefits	(9)	(16)
Carrying amount at end of period	56	56

Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the Department's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

3.2 Grants and subsidies

Recurrent	2019 (\$000)	2018 (\$000)
Sponsorship	8	9
Subsidy	111	129
Community and social services	409	440
Total grants and subsidies	528	578

Transactions in which the Department provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that 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 and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

3.3 Loss on disposal of non-current assets

	2019 (\$000)	2018 (\$000)
Building	-	17
Computer equipment	213	-
Office fitout	105	-
Computer software	126	-
Total loss on disposal of non-current assets	444	17



3.4 Other expenditure

Supplies and services

	2019 (\$000)	2018 (\$000)
Managed contracts	987,940	1,051,904
Communications	2,029	2,406
Consultants and contractors	42,128	44,630
Consumables	349	469
Repairs and maintenance	135	1,164
Travel	304	324
Legal costs	693	1,369
Other ^(a)	5,611	5,543
Total supplies and services expenses	1,039,189	1,107,809

(a) During the period the Department paid \$828,499 (2018: \$852,692) for insurance to the Insurance Commission of Western Australia.

Accommodation expenses

Repairs and maintenance buildings	36,394	28,693
Cleaning and security	2,074	2,753
Lease rentals	7,762	9,116
Total accommodation expenses	46,230	40,562

Other

Minor equipment	487	587
Expected credit losses expense ^(b)	10	-
Doubtful debts expense ^(c)	-	71
Employment on-costs ^(d)	-	18
Audit fees	413	378
Revaluation decrements	-	38,465
Miscellaneous ^(c)	172	256
Total other expenses	1,082	39,775
Total other expenditure	1,086,501	1,188,146

(b) Expected credit losses were not required to be measured in 2017-18.

(c) \$71,000 of Doubtful debts expense was recognised in FY 2017-18 with corresponding adjustments against Employee benefits expense (\$68,000) and Miscellaneous (\$3,000).

(d) Includes workers' compensation insurance. The on-costs liability associated with the recognition of annual and long service leave liability is included in [Note 3.1\(b\)](#) 'Employee related provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs. See also [Note 3.1\(a\)](#) 'Employee benefits expense'.

Supplies and services: Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Accommodation expenses: Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

Repairs, maintenance, cleaning and security costs are recognised as expenses as incurred.

Other: Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Minor equipment relates to purchases of equipment less than \$5,000 in value.

Expected credit losses expense is recognised from 2018-19 as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Department has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to [note 6.1.1](#) 'Movement in the allowance for impairment of trade receivables'.

Employee on-cost includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at [Note 3.1\(b\)](#) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Audit fees are expenses paid to the Office of the Auditor General for audit services.

Revaluation decrements relates to the decline in fair value of the Department's land and buildings.

Miscellaneous is predominately for various expenses incurred to meet the Department's operational needs.



4. Our funding sources

How we obtain our funding

This section provides additional information about how the Department obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Department and the relevant notes are:

	Notes	2019 (\$000)	2018 (\$000)
Income from State Government	4.1	168,003	164,517
User charges and fees	4.2	1,109,482	1,176,982
Commonwealth grants and contributions	4.3	6,596	7,085
Other revenue	4.4	4,486	6,566
Gains	4.5	14,324	2,179

4.1 Income from State Government

	2019 (\$000)	2018 (\$000)
Appropriation received during the period:		
Service appropriation ^(a)	154,400	150,900
Total appropriation received	154,400	150,900
Services received free of charge from other State government agencies during the period ^(b) :		
Department of Justice	1,972	1,747
Landgate	11,381	11,604
Department of Treasury	133	134
Department of the Premier and Cabinet	-	24
Department of Primary Industries and Regional Development	26	2
Total services received	13,512	13,511
Royalties for Regions Fund:		
Regional Infrastructure and Headworks Account ^(c)	91	106
Total Royalties for Regions Funds	91	106
Total income from State Government	168,003	164,517

(a) Service Appropriations are recognised as revenues at fair value in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Service appropriations fund the net cost of services delivered (as set out in [note 2.2](#)). Appropriation revenue comprises the following:

- Cash component; and
- A receivable (asset).

The receivable (holding account - [note 6.2](#)) comprises the following

- The budgeted depreciation expense for the year; and
- Any agreed increase in leave liabilities during the year.

(b) Services received free of charge or for nominal cost that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the services where they can be reliably measured. A corresponding expense is recognised for services received.

(c) The Regional Infrastructure and Headworks Account is a sub-fund within the over-arching 'Royalties for Regions Fund'. The funds are used to fund district allowance payments for eligible regional public sector employees and are recognised as revenue when the Department gains control on receipt of the funds.

4.2 User charges and fees

	2019 (\$000)	2018 (\$000)
Sales	529	285
Rents for Government office accommodation	271,563	267,780
Managed building works	747,371	814,655
Vehicle fleet lease rental	51,885	53,070
Other	38,134	41,192
	1,109,482	1,176,982

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Rents for Government office accommodation

Lease income from operating leases where the Department is a lessor is recognised as income on a straight-line basis over the lease term.

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Vehicle fleet lease rentals

Rental revenue is recognised in accordance with lease agreements entered into with State Government agencies, Statutory Authorities and other State Government entities.

Vehicle bailment revenues

Revenue is recognised on receipt of sale proceeds of vehicles held under bailment rights.

Net appropriation determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the most recent determination, as quantified in the 2018-19 Budget Statements, the Department retained \$1,135 million in 2019 (\$1,193 million in 2018) from the following:

- (a) proceeds from fees and charges;
- (b) sale of goods;
- (c) Commonwealth specific purpose grants and contributions;
- (d) rental revenue recognised in accordance with lease agreements, entered into with State Government agencies, statutory authorities and other State Government entities and vehicle bailment revenue held under bailment rights;
- (e) provision of contract services and rental income sufficient to cover outgoings paid for government owned buildings; and
- (f) other departmental revenue.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Department obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value.

Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.



4.3 Commonwealth grants and contributions

	2019 (\$000)	2018 (\$000)
Capital grant	1,580	3,311
Recurrent grant	5,016	3,774
	6,596	7,085

Besides Commonwealth funding for undertaking agreed maintenance and outgoings for buildings on Christmas and Cocos Keeling islands, the Department also receives funds to administer taxes on Indian Ocean Territories.

For non-reciprocal grants, the Department recognises revenue when the grant is receivable at its fair value as and when its fair value can be reliably measured.

Contributions of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

4.4 Other revenue

	2019 (\$000)	2018 (\$000)
Recoups	2,536	2,152
Government vehicle schemes	75	96
Other ^(a)	1,875	4,318
	4,486	6,566

(a) Relates mainly to refunds from suppliers and recovery of corporate services provided to other agencies.

4.5 Gains

	2019 (\$000)	2018 (\$000)
<u>Net proceeds from disposal of non-current assets</u>		
Motor vehicles	30,356	38,994
<u>Carrying amount of non-current assets disposed</u>		
Motor vehicles	28,497	36,815
Net gain/(loss)	1,859	2,179
Revaluation gain	12,465	-
Total other income	14,324	2,179

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in the statement of comprehensive income (from the proceeds of sale).

5. Key assets

Assets the Department utilises for economic benefit or service potential

This section includes information regarding the key assets the Department utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets.

	Notes	2019 (\$000)	2018 (\$000)
Property, plant, equipment and vehicles	5.1	691,918	687,094
Intangibles	5.2	36,488	34,463
Total key assets		728,406	721,557

5.1 Property, plant, equipment and vehicles

Year ended 30 June 2018

1 July 2017	Land (\$000)	Buildings (\$000)	Leasehold improvements (\$000)	Office equipment (\$000)	Computer equipment (\$000)	Office fitout (\$000)	Motor vehicles (\$000)	Work in progress (\$000)	Total (\$000)
Gross carrying amounts	140,410	141,624	107,102	338	5,838	182,671	343,094	14,888	935,965
Accumulated depreciation	-	(3,552)	(29,320)	(167)	(5,086)	(67,730)	(109,736)	-	(215,591)
Accumulated impairment loss	-	-	-	-	-	-	-	-	-
Carrying amount at start of period	140,410	138,072	77,782	171	752	114,941	233,358	14,888	720,374
Additions	-	-	-	41	-	-	77,145	39,245	116,431
Transfers ^(a)	(765)	19,466	12,608	9	(7)	(4,542)	(64)	(39,481)	(12,776)
Other disposals	-	(17)	-	-	-	-	(36,814)	-	(36,831)
Revaluations	(8,416)	(30,049)	-	-	-	-	-	-	(38,465)
Depreciation	-	(3,342)	(7,939)	(59)	(366)	(11,774)	(38,159)	-	(61,639)
Carrying amount at 30 June 2018	131,229	124,130	82,451	162	379	98,625	235,466	14,652	687,094

(a) Work in Progress was transferred to Leasehold Improvements for \$12,607,845 and to Office Fitout for \$976,128 and to Building for \$25,897,030. Sunset Heritage Land, Building and Fitout were transferred to Department of Local Government, Sport and Cultural Industries for \$285,000, \$6,432,266 and \$5,362,209 respectively. Burswood Stadium Land was transferred to Western Australian Sports Centre Trust for \$480,000. 26 items of Office Fitout (Network Equipment) have been transferred to Department of Transport for \$155,246. During the financial year, three items of Office Equipment were transferred from Department of Treasury for \$10,339. The Department also transferred two items of Office Equipment to Department of Treasury for \$9,405. One Computing Equipment was transferred from Department of Treasury for \$1,124. One Computing Equipment was reclassified to Office Equipment for \$6,274. During the year, one vehicle was transferred to finance lease for the Department of Health \$64,000.

Year ended 30 June 2019

1 July 2018	Land (\$000)	Buildings (\$000)	Leasehold improvements (\$000)	Office equipment (\$000)	Computer equipment (\$000)	Office fitout (\$000)	Motor vehicles (\$000)	Work in progress (\$000)	Total (\$000)
Gross carrying amounts	131,229	126,512	119,710	376	5,851	177,112	335,501	14,652	910,943
Accumulated depreciation	-	(2,382)	(37,259)	(214)	(5,472)	(78,487)	(100,035)	-	(223,849)
Accumulated impairment loss	-	-	-	-	-	-	-	-	-
Carrying amount at start of period	131,229	124,130	82,451	162	379	98,625	235,466	14,652	687,094
Additions	-	-	-	-	-	11	60,780	23,038	83,829
Transfers ^(a)	-	753	30,881	(3)	(19)	3,664	(330)	(35,323)	(377)
Other disposals	-	-	-	-	(213)	(104)	(28,497)	-	(28,814)
Revaluations	5,965	6,500	-	-	-	-	-	-	12,465
Depreciation	-	(3,179)	(9,850)	(53)	(131)	(11,396)	(37,670)	-	(62,279)
Carrying amount at 30 June 2019	137,194	128,204	103,482	106	16	90,800	229,749	2,367	691,918
Gross carrying amount	137,194	131,231	150,591	339	2,993	180,466	329,697	2,367	934,878
Accumulated depreciation	-	(3,027)	(47,109)	(233)	(2,977)	(89,666)	(99,948)	-	(242,960)
Accumulated impairment loss	-	-	-	-	-	-	-	-	-

(a) Work in Progress was transferred to Leasehold Improvements for \$30,881,435 and to Office Fitout for \$3,689,140 and to Buildings for \$752,872. During the financial year, two items of Office Fitout (Network Equipment) have been transferred to Department of the Premier and Cabinet for \$11,721. Two items of Office Equipment have been transferred to Department of Treasury for \$2,582. Six items of Computer Equipment have been transferred to North Metropolitan Tafe for \$19,339. Two items of Office Fitout (Network Equipment) have been transferred to South Metropolitan Tafe for \$12,558.

Initial recognition

Items of property, plant and equipment, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Assets transferred as part of a machinery of government change are transferred at their fair value.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

The initial cost for a non-financial physical asset under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

- land; and
- buildings

Land is carried at fair value.

Buildings are carried at fair value less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuations and Property Analytics) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Land and buildings were revalued as at 1 July 2018 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2019 and recognised at 30 June 2019. In undertaking the revaluation, fair value was determined by reference to market values for land: \$59,057,000 (2018: \$54,185,000) and buildings: \$92,130,000 (2018: \$89,315,000). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

Revaluation model:

- (a) Fair value where market-based evidence is available:

The fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.
- (b) Fair value in the absence of market-based evidence:

Buildings are specialised or where land is restricted: Fair value of land and buildings is determined on the basis of existing use.

Existing use buildings: Fair value is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Where the fair value of buildings is determined on the current replacement cost basis, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

Restricted use land: Fair value is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

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





5.1.1 Depreciation and impairment

Charge for the period

	2019 (\$000)	2018 (\$000)
Depreciation		
Office fitout	11,396	11,774
Computer equipment	131	366
Vehicles	37,670	38,159
Buildings	3,179	3,342
Leasehold improvements	9,850	7,939
Office equipment	53	59
Total depreciation for the period	62,279	61,639

As at 30 June 2019 there were no indications of impairment to property, plant, equipment and vehicles.

All surplus assets at 30 June 2019 have either been classified as assets held for sale or have been written-off.

Please refer to [note 5.2](#) for guidance in relation to the impairment assessment that has been performed for intangible assets.

Finite useful lives

All property, plant, equipment and vehicles 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. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Estimated useful lives for each class of depreciable assets are in the table below:

Asset	Useful life: years
Buildings	30 to 40 years
Heritage assets	100 years
Plant and equipment	10 to 15 years
Office equipment	3 - 5 years
Software ^(a)	3 to 10 years
Office fitout and leasehold improvements	3 to 25 years or remaining lease term, whichever is lower
Motor vehicles	6 months to 6 years

(a) Software that is integral to the operation of related hardware.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

Office fitout and leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Land which is considered to have an indefinite life, is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. 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.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the Department is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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 assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

5.2 Intangible assets

	Licences (\$000)	Computer Software (\$000)	Work in Progress (\$000)	Total (\$000)
Year ended 30 June 2018				
1 July 2017				
Gross carrying amount	13,782	182,645	11,043	207,470
Accumulated amortisation	(13,782)	(161,883)	-	(175,665)
Carrying amount at start of period	-	20,762	11,043	31,805
Additions	-	239	6,786	7,025
Transfers to computer software and licence	-	5,947	(5,947)	-
Amortisation expense	-	(4,367)	-	(4,367)
Carrying amount at 30 June 2018	-	22,581	11,882	34,463

	Licences (\$000)	Computer Software (\$000)	Work in Progress (\$000)	Total (\$000)
Year ended 30 June 2019				
1 July 2018				
Gross carrying amount	13,782	188,831	11,882	214,495
Accumulated amortisation	(13,782)	(166,250)	-	(180,032)
Carrying amount at start of period	-	22,581	11,882	34,463
Additions	-	-	8,031	8,031
Transfers to computer software and licence	-	11,010	(11,010)	-
Other disposal	-	(126)	-	(126)
Amortisation expense	-	(5,880)	-	(5,880)
Carrying amount at 30 June 2019	-	27,585	8,903	36,488



Initial recognition

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more that comply with the recognition criteria as per AASB 138.57 (as noted below), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset, and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefit;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs incurred in the research phase of a project are immediately expensed.

Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

5.2.1 Amortisation and impairment

Charge for the period

	2019 (\$000)	2018 (\$000)
Computer software	5,880	4,367
Total amortisation for the period	5,880	4,367

As at 30 June 2019 there were no indications of impairment to intangible assets.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the Department have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful lives for each class of intangible asset are:

Intangible asset	Useful life: years
Computer software ^(a)	3 to 13 years
Licences	up to 10 years

(a) Software that is not integral to the operation of related hardware.

Computer software

Software that is an integral part of the related hardware is recognised as part of the tangible asset. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in [note 5.1.1](#).

6. Other assets and liabilities

This section sets out those assets and liabilities that arose from the Department's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations.

	Notes	2019 (\$000)	2018 (\$000)
Receivables	6.1	114,528	132,921
Amounts receivable for services (Holding Account)	6.2	584,245	523,863
Other assets	6.3	36,607	33,654
Payables	6.4	94,226	112,770
Other provisions	6.5	544	534
Other liabilities	6.6	24,412	23,058
Lease incentives	6.7	193,452	148,020

6.1 Receivables

	Notes	2019 (\$000)	2018 (\$000)
Trade receivables ^(a)		59,679	56,729
Allowance for impairment of trade receivables ^(a)	6.1.1	(8)	-
Miscellaneous receivable ^(a)		535	1,413
Accrued revenue		7,815	7,220
GST receivable		2,570	1,993
Interest receivable		53	61
Trust account ^(b)		3,557	1,849
Underbillings ^(c)		40,327	63,121
Total current		114,528	132,386
Non-current			
Miscellaneous receivable ^(d)		-	535
Total non-current		-	535
Total receivables		114,528	132,921

(a) Adjusted 2018 Receivables as Trade receivables, Allowance for impairment of trade receivables and Miscellaneous receivable to meet AASB 9 *Financial Instruments* disclosures.

(b) Relates to funds held in trust by the Department's corporate property manager for management of rental services and incidental costs relating to Western Australia Government's occupation of Gordon Stephenson House.

(c) Contract costs incurred but not yet billed to clients.

(d) Adjusted 2018 Receivables as Miscellaneous receivable for consistency with footnote (a).

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (that is impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

6.1.1 Movement in the allowance for impairment of trade receivables

	2019 (\$000)	2018 (\$000)
Reconciliation of changes in the allowance for impairment of trade receivables		
Balance at start of period	-	-
Remeasurement under AASB 9	4	-
Restated balance at start of period	4	-
Doubtful debts expense	-	71
Expected credit losses expense	10	-
Amounts written off during the period	(6)	(71)
Balance at end of period	8	-

The maximum exposure to credit risk at the end of the reporting period for trade receivables is the carrying amount of the asset inclusive of any allowance for impairment as shown in the table at [Note 8.1\(c\)](#) 'Credit risk exposure'.

The Department does not hold any collateral as security or other credit enhancements for trade receivables.

6.2 Amounts receivable for services (Holding Account)

	2019 (\$000)	2018 (\$000)
Current	806	779
Non-current	583,439	523,084
Balance at end of period	584,245	523,863

Amounts receivable for services represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Amounts receivable for services are not considered to be impaired (that is there is no expected credit loss of the holding accounts).

6.3 Other assets

	2019 (\$000)	2018 (\$000)
<u>Current</u>		
Prepayments	26,322	23,980
Other ^(a)	3,161	5,367
Total current	29,483	29,347
<u>Non-current</u>		
Prepayments	325	182
Other ^(a)	6,799	4,125
Total non-current	7,124	4,307
Balance at end of period	36,607	33,654

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(a) Relates mainly to lease incentives.

6.4 Payables

	2019 (\$000)	2018 (\$000)
<u>Current</u>		
Trade payables	1,027	2,103
Accrued salaries	350	440
Accrued expenses	62,894	56,098
Interest – Western Australian Treasury Corporation (WATC)	9	40
Other	193	241
Overbillings ^(a)	29,753	53,848
Total current	94,226	112,770
Balance at end of period	94,226	112,770

(a) Billings to clients less contract costs incurred.

Payables are recognised at the amounts payable when the Department 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 settlement is generally within 30 days.

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See restricted cash disclosure in [Note 7.5.1](#) 'Reconciliation of cash') consists of amounts paid annually, from agency appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

The Department does not have any amount due to the Treasurer.

6.5 Other provisions

	Notes	2019 (\$000)	2018 (\$000)
<u>Non-current</u>			
Restoration costs ^(a)	6.5.2	544	534
Total non-current		544	534
Balance at end of period		544	534

(a) This provision is for the rehabilitation of the Mt Walton East Intractable Waste Disposal Facility site.

6.5.1 Provision for restoration

The Department has a legal or constructive obligation to decommission the Mt Walton East Intractable Waste Disposal Facility and restore the site for future land use.

A provision for restoration is recognised when:

- there is a present obligation as a result of intractable waste disposal activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The estimated future obligations include the costs of decommissioning and rehabilitating the site to a standard suitable for future land use. An environmental analysis to provide a quantifiable estimate of the amount required to rehabilitate the Mt Walton East intractable waste disposal site was obtained for the 2018-19 financial year. Calculations performed in assessing the restoration costs provisions incorporates a number of key estimates. Calculation of the provision will be conducted annually and adjusted using the most up-to-date information available. Please see [note 8.2](#) 'Contingent assets and liabilities'.



6.5.2 Movements in provision

Movements in provision during the period, are set out below

Restoration costs provision

Carrying amount at start of period
Additional/(reversals of) provisions recognised

Carrying amount at end of period

	2019 (\$000)	2018 (\$000)
Carrying amount at start of period	534	525
Additional/(reversals of) provisions recognised	10	9
Carrying amount at end of period	544	534

6.6 Other liabilities

Current

Unearned revenue

Total current

Balance at end of period

	2019 (\$000)	2018 (\$000)
Unearned revenue	24,412	23,058
Total current	24,412	23,058
Balance at end of period	24,412	23,058

6.7 Lease incentives

Current

Lease incentives^(a)

Total current

Non-current

Lease incentives^(a)

Total non-current

Balance at end of period

	2019 (\$000)	2018 (\$000)
Lease incentives ^(a)	17,186	16,771
Total current	17,186	16,771
Lease incentives ^(a)	176,266	131,249
Total non-current	176,266	131,249
Balance at end of period	193,452	148,020

(a) In instances where the lessor has provided incentives for the Department to enter into an operating lease, the Department has recognised the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight line basis. Examples of lease incentives include up-front cash payments or the reimbursement or assumption by the lessor of costs of the lease such as leasehold improvements.

7. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the Department.

	Notes
Borrowings	7.1
Finance lease receivables	7.2
Interest revenue	7.3
Finance costs	7.4
Cash and cash equivalents	7.5
Reconciliation of cash	7.5.1
Reconciliation of net cost of services to net cash flows provided by/ (used in) operating activities	7.5.2
Commitments	7.6
Non-cancellable operating lease commitments	7.6.1
Capital commitments	7.6.2
Other expenditure commitments	7.6.3

7.1 Borrowings

Current

Western Australian Treasury Corporation

Heritage Maintenance Payments

Total current

Non-current

Western Australian Treasury Corporation

Heritage Maintenance Payments

Total non-current

Balance at end of period

	2019 (\$000)	2018 (\$000)
Western Australian Treasury Corporation	5,433	18,078
Heritage Maintenance Payments	6,054	5,835
Total current	11,487	23,913
Western Australian Treasury Corporation	-	6,277
Heritage Maintenance Payments	50,664	49,728
Total non-current	50,664	56,005
Balance at end of period	62,151	79,918

All loans payable are initially recognised at fair value, being the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

7.2 Finance lease receivables

The Department leases vehicles to Western Australian State Government agencies and entities. The majority of leases are operating leases, the balance are finance leases.

At balance date, the term of existing finance lease contracts typically varies between four to ten years. A contract is subject to a fixed market rate of interest set at the time the contract is established. All contracts contain a renewal option and are secured by the underlying vehicles. Residual values are guaranteed by the relevant contracting agency or the entity.



	2019 (\$000)	2018 (\$000)
Gross investment in finance lease contracts	556	686
Less: Unearned finance income	(28)	(29)
Net investment in finance lease contracts	528	657
Less: Unguaranteed residual values of the finance leases at the balance date	-	-
Present value of the future minimum lease payment receivables	528	657
Accumulated allowances for unallocated minimum lease payment receivables	-	-
As at balance date, the gross investment and present value of receivables relating to the future minimum lease payments under non-cancellable finance lease arrangements were distributed as follows:		
Within 1 year	225	409
Later than 1 year and not later than 5 years	257	219
Later than 5 years	46	29
Present value of finance lease receivables	528	657
Included in the financial statements as:		
Current	225	409
Non-current	303	248
TOTAL	528	657

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

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

7.3 Interest revenue

	2019 (\$000)	2018 (\$000)
Interest revenue	310	298

Revenue is recognised as the interest accrues.

7.4 Finance costs

	2019 (\$000)	2018 (\$000)
Finance costs		
Western Australian Treasury Corporation – interest on borrowings	372	938
Interest on Heritage Maintenance payments	6,990	6,842
Finance costs expensed	7,362	7,780

'Finance costs' includes interest on borrowings from the Western Australian Treasury Corporation and interest on long term borrowings. These costs are expensed when incurred.

7.5 Cash and cash equivalents

7.5.1 Reconciliation of cash

	2019 (\$000)	2018 (\$000)
Cash at bank	82,393	75,888
Cash on hand	2	2
Restricted cash and cash equivalents		
– Indian Ocean Territories Trust Fund ^(a)	22	1,001
– Accrued salaries suspense account ^(b)	1,076	734
Balance at end of period	83,493	77,625

(a) Funds held predominantly for undertaking agreed maintenance and outgoings for buildings on Christmas and Cocos Keeling islands.

(b) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of 11 years.

For the purpose of the statement of cash flows, cash and cash equivalents (and restricted cash and cash equivalents) assets comprise 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.

7.5.2 Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

	2019 (\$000)	2018 (\$000)
Net cost of services	(132,635)	(184,722)
Non-cash items		
Depreciation and amortisation expense	68,159	66,007
Expected credit losses expense	10	-
Services received free of charge	13,512	13,511
Doubtful debts expense ^(a)	-	71
Loss on revaluation decrement	-	38,465
Gain from revaluation increment	(12,465)	-
Net gain on disposal of property, plant, equipment and vehicles	(1,415)	(2,162)
(Increase)/decrease in assets		
Current receivables ^(b)	(1,441)	45,791
Other current assets	9	64
Increase/(decrease) in liabilities		
Current payables ^{(a)(b)}	(8,265)	(41,437)
Accrued salaries	(19)	(7)
Unearned revenues	-	(385)
Employee benefits ^(a)	(345)	(2,659)
Net GST receipts/(payments) ^(c)	(581)	1,668
Change in GST in receivables/payables ^(d)	338	(2,345)
Net cash provided by/(used in) operating activities	(75,138)	(68,140)

(a) \$71,000 of Doubtful debts expense was recognised in FY 2017-18 with corresponding adjustments against Employee benefits (\$68,000) and Current payables (\$3,000).

(b) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(c) This is the net GST paid/received i.e. cash transactions

(d) This reverses out the GST in receivables and payables.



7.6 Commitments

7.6.1 Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

	2019 (\$000)	2018 (\$000)
Within 1 year	9,490	7,895
Later than 1 year and not later than 5 years	25,458	30,061
Later than 5 years	38,067	50,275
	73,015	88,231

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

The property leases are non-cancellable and have terms up to 25 years, with rent generally payable monthly in advance. Depending on the terms and conditions of the lease concerned, rent review provisions exist which generally result in rental increases throughout the lease terms. Options are available in most leases which permit leases to be extended under the prevailing lease terms and conditions (should the option present value for money), resulting in leases being extended beyond their original lease term.

7.6.2 Capital commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2019 (\$000)	2018 (\$000)
Within 1 year	26,426	26,287
Later than 1 year and not later than 5 years	-	110
	26,426	26,397

The totals presented for capital commitments are GST inclusive. The amounts for 2018 have been adjusted to reflect this.

7.6.3 Other expenditure commitments

Other expenditure commitments contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	2019 (\$000)	2018 (\$000)
Within 1 year	12,316	11,567
	12,316	11,567

The totals presented for other expenditure commitments are GST inclusive. The amount for 2018 has been adjusted to reflect this.

Judgements made by management in applying accounting policies – operating lease commitments

The Department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

8. Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of the Department.

	Notes
Financial risk management	8.1
Contingent assets and liabilities	8.2
Fair value measurements	8.3

8.1 Financial risk management

Financial instruments held by the Department are cash and cash equivalents, restricted cash and cash equivalents, borrowings, finance leases, Treasurer's advances, loans and receivables and payables. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

(a) Summary of risks and risk management

Credit risk

Credit risk arises when there is the possibility of the Department's receivables defaulting on their contractual obligations resulting in financial loss to the Department.

Credit risk associated with the Department's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than Government, the Department trades only with recognised, creditworthy third parties. The Department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. Debt will be written-off against the allowance account when it is improbable or uneconomical to recover the debt. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due.

The Department is exposed to liquidity risk through its trading in the normal course of business.

The Department has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

The Department has a facility agreement in place with the Western Australian Treasury Corporation (WATC) to borrow up to \$250,000,000 to meet State Fleet contractual requirements, purchase vehicles and provide working capital. As at 30 June 2019 \$5,432,897 was drawn against the facility.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Department's income or the value of its holdings of financial instruments. The Department does not trade in foreign currency and is not materially exposed to other price risks. The Department's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations.

All borrowings are due to the WATC and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at [Note 8.1\(e\)](#), the Department is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the Treasurer's advance (non-interest bearing), WATC borrowings and finance leases (fixed interest rate).

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2019 (\$000)	2018 (\$000)
Financial assets		
Cash and cash equivalents	82,395	75,890
Restricted cash and cash equivalents	1,098	1,735
Receivables ^(a)	111,958	130,929
Finance lease receivables	528	657
Financial assets at amortised cost - amounts receivable for services	584,245	523,863
	780,224	733,074
Financial liabilities		
Payables ^(b)	94,226	112,770
Financial assets at amortised cost - Western Australian Treasury Corporation borrowings	5,433	24,355
Financial assets at amortised cost - Heritage Maintenance Payments	56,718	55,563
	156,377	192,688

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

(b) The amount of payables excludes GST payable to the ATO (statutory payable).

(c) Credit risk exposure

The following table details the credit risk exposure on the Department's trade receivables using a provision matrix

	Total (\$000)	Current (\$000)	Days past due			
			<30 days (\$000)	31-60 days (\$000)	61-90 days (\$000)	>91 days (\$000)
30 June 2019						
Expected credit loss rate		0%	0%	0%	0%	1.88%
Estimated total gross carrying amount at default	59,679	53,209	3,808	1,100	1,113	449
Expected credit losses	(8)	-	-	-	-	(8)
1 July 2018 (Remeasurement)						
Expected credit loss rate		0%	0%	0%	0%	0.81%
Estimated total gross carrying amount at default	56,729	49,083	5,860	1,244	14	528
Expected credit losses	(4)	-	-	-	-	(4)

(d) Liquidity risk and Interest rate exposure

The following table details the Department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

	Weighted average effective interest rate	Interest rate exposure						Maturity dates											
		Carrying amount (\$000)	Fixed interest rate (\$000)	Variable interest rate (\$000)	Non-interest bearing (\$000)	Nominal amount (\$000)	Up to 1 month (\$000)	1-3 months (\$000)	3 months to 1 year (\$000)	1-5 years (\$000)	More than 5 years (\$000)	Interest rate exposure and maturity analysis of financial assets and financial liabilities							
												Interest rate exposure	Maturity dates						
2019																			
Financial assets																			
Cash and cash equivalents	2.22	82,395	-	13,466	68,929	82,395	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	1,098	-	-	1,098	1,098	-	-	22	-	-	-	-	-	-	-	-	-	1,076
Receivables ^(a)	-	111,958	-	-	111,958	111,958	-	-	111,423	535	-	-	-	-	-	-	-	-	-
Finance lease receivables	2.63	528	528	-	-	556	17	72	147	273	47	-	-	-	-	-	-	-	-
Amounts receivable for services	-	584,245	-	-	584,245	584,245	-	-	806	3,293	580,146	-	-	-	-	-	-	-	-
		780,224	528	13,466	766,230	780,252	94	1,488	193,835	94	1,488	3,566	581,269						
Financial liabilities																			
Payables ^(b)	-	94,226	-	-	94,226	94,226	-	-	-	-	-	-	-	-	-	-	-	-	-
WATC borrowings	2.23	5,433	5,433	-	-	5,462	1,650	1,539	2,273	-	-	-	-	-	-	-	-	-	-
Heritage Maintenance Payments	12.46	56,718	56,718	-	-	185,062	500	1,000	4,554	26,573	152,435	-	-	-	-	-	-	-	-
		156,377	62,151	94,226	766,230	284,750	2,539	6,827	96,376	2,539	6,827	26,573	152,435						
2018																			
Financial assets																			
Cash and cash equivalents	1.96	75,890	-	11,960	63,930	75,890	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	1,735	-	-	1,735	1,735	-	-	946	55	734	-	-	-	-	-	-	-	-
Receivables ^(a)	-	130,929	-	-	130,929	130,929	-	-	128,981	1,413	535	-	-	-	-	-	-	-	-
Finance lease receivables	3.64	657	657	-	-	686	19	95	314	227	31	-	-	-	-	-	-	-	-
Amounts receivable for services	-	523,863	-	-	523,863	523,863	-	-	779	3,270	519,814	-	-	-	-	-	-	-	-
		733,074	657	11,960	720,457	733,103	95	3,452	204,890	95	3,452	4,087	520,579						
Financial liabilities																			
Payables ^(b)	-	112,770	-	-	112,770	112,770	5	-	112,765	-	-	-	-	-	-	-	-	-	-
WATC borrowings	2.34	24,355	24,355	-	-	24,788	1,613	2,634	15,075	5,466	-	-	-	-	-	-	-	-	-
Heritage Maintenance Payments	12.46	55,563	55,563	-	-	190,897	482	963	4,390	25,612	159,450	-	-	-	-	-	-	-	-
		192,688	79,918	112,770	328,455	328,455	3,602	19,465	114,860	3,602	31,078	159,450							

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

(b) The amount of payables excludes the GST payable to the ATO (statutory payable).



**(e) Interest rate sensitivity analysis**

The following table represents a summary of the interest rate sensitivity of the Department's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	-100 basis points		+100 basis points		
	Carrying amount (\$000)	Surplus (\$000)	Equity (\$000)	Surplus (\$000)	Equity (\$000)
2019					
Financial assets					
Cash and cash equivalents	13,466	(135)	(135)	135	135
Total increase/(decrease)		(135)	(135)	135	135
2018					
Financial assets					
Cash and cash equivalents	11,960	(120)	(120)	120	120
Total increase/(decrease)		(120)	(120)	120	120

8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

A range of significant infrastructure projects have reached or are reaching completion (such as the Perth Children's Hospital and NIB Stadium). There may be claims that arise in relation to works or activities associated with such projects. 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.

Contaminated sites

Under the *Contaminated Sites Act 2003*, the Department is 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 the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required*, *contaminated – restricted use* or *possibly contaminated – investigation required*, the Department may have a liability in respect of investigation or remediation expenses.

The Department has reported two suspected contaminated sites to DWER. The first site has been classified as possibly contaminated-investigation required. The Department is unable to assess the likely outcome of the classification process and accordingly it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the Department may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

The second site has been classified as *contaminated – restricted use*. For this site, a restoration cost provision has been recognised to rehabilitate it to a standard suitable for future land use. Please see [note 6.5](#) 'Other provisions'.

8.3 Fair value measurements

Assets measured at fair value:	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Fair value at end of period (\$000)
2019				
Land (Note 5.1)	-	59,057	78,137	137,194
Buildings (Note 5.1)	-	92,130	36,074	128,204
	-	151,187	114,211	265,398
2018				
Land (Note 5.1)	-	54,185	77,044	131,229
Buildings (Note 5.1)	-	89,315	34,815	124,130
	-	143,500	111,859	255,359

There were no transfers between Levels 1, 2 or 3 during the current and previous periods.

Valuation techniques to derive Level 2 fair values

Level 2 fair values Land and Buildings (office accommodation) are derived using the market approach. Market evidence of sales prices of comparable land and buildings (office accommodation) in close proximity is used to determine price per square metre.

Non-current 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.

	Land (\$000)	Buildings (\$000)
2019		
Fair value at start of period	77,044	34,815
Additions	-	753
Transfers	-	-
Revaluation increments/(decrements) recognised in Profit or Loss	1,093	978
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-
Depreciation expense	-	(472)
Fair value at end of period	78,137	36,074
Total gain for the period included in profit or loss, under 'Other gains'	1,093	978
2018		
Fair value at start of period	81,334	43,925
Additions	-	25,897
Transfers	(765)	(6,432)
Revaluation increments/(decrements) recognised in Profit or Loss	(3,525)	(28,002)
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-
Depreciation expense	-	(573)
Fair value at end of period	77,044	34,815
Total losses for the period included in profit or loss, under 'Other expenses'	3,525	28,002



Valuation processes

There were no changes in valuation techniques during the period.

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 Treasurer's instructions require valuations of land and buildings to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Land (Level 3 fair values)

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 the Western Australian Land Information Authority (Valuations and Property Analytics) 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.

Buildings (Level 3 fair values)

Fair value for existing use specialised buildings 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 generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

Valuation using current replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuations and Property Analytics). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings.

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 their use and disposal 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.

9. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	9.1
Initial application of Australian Accounting Standards	9.2
Future impact of Australian Accounting Standards issued not yet operative	9.3
Key management personnel	9.4
Related party transactions	9.5
Related and affiliated bodies	9.6
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Remuneration of auditors	9.8
Non-current assets classified as assets held for sale	9.9
Equity	9.10
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Service delivery arrangements Indian Ocean Territories	9.12
Explanatory statement (Controlled Operations)	9.13
Explanatory statement - Statement of Comprehensive Income Variances	9.13.1
Explanatory statement - Statement of Financial Position Variances	9.13.2
Explanatory statement - Statement of Cash Flows Variances	9.13.3

9.1 Events occurring after the end of the reporting period

The Department is unaware of any event occurring after reporting date that would materially affect the Financial Statements.

9.2 Initial application of Australian Accounting Standards

AASB 9 *Financial instruments* replaces AASB 139 *Financial instruments: Recognition and Measurements* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Department applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Department has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in Accumulated surplus/(deficit).

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

	Adjustments	1-Jul-18 (\$000)
Assets		
Trade receivables	(a), (b)	(4)
Total Assets		(4)
Total adjustments on Equity		
Accumulated surplus/(deficit)	(a), (b)	(4)
		(4)



The nature of these adjustments are described below:

(a) *Classification and measurement*

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Department's 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 Department's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances at the time of initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Department. The following are the changes in the classification of the Department's financial assets:

- *Trade receivables* classified as Receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Department did not designate any financial assets as at fair value through P/L.

In summary, upon the adoption of AASB 9, the Department had the following reclassifications as at 1 July 2018:

	AASB 9 category (\$000)	AASB 9 category		
		Amortised cost (\$000)	Fair value through OCI (\$000)	Fair value through P/L (\$000)
AASB 139 category	(\$000)			
Receivables				
Trade receivables*	56,729	56,725	-	-
Financial assets at amortised cost - amounts receivable for services	523,863	523,863		
		580,588	-	-

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment.

(b) *Impairment*

The adoption of AASB 9 has fundamentally changed the Department's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Department to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

Upon adoption of AASB 9, the Department recognised an additional impairment on the Department's Trade receivables of \$4,289 which resulted in a decrease in Accumulated surplus/(deficit) of \$4,289 as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018 (\$000)	Remeasurement (\$000)	ECL under AASB 9 as at 1 July 2018 (\$000)
Receivables under AASB 139/ Financial assets at amortised cost under AASB 9	-	4	4
	-	4	4

9.3 Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements' or by an exemption from TI 1101. Where applicable, the Department plans to apply the following Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 15 Nature of Change	<i>Revenue from Contracts with Customers</i>	1 Jan 2019
Impact	This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The mandatory effective date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7. The Department's income is primarily derived from appropriations which will be measured under AASB 1058, and thus will not be materially affected by this change. Although the recognition of 'user charges and fees' and 'sales' revenues will be deferred until the Department has discharged its performance obligations, these revenues are expected to be fully recognised at year-end and no contract liability will exist.	
Transition	The Department will adopt the modified retrospective approach on transition to AASB 15. No comparative information will be restated under this approach, and the Department 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 16 Nature of Change	<i>Leases</i>	1 Jan 2019
Impact	This Standard 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. The recognition of additional assets and liabilities, mainly from operating leases, will increase the Department's total assets by \$1,731,747 and total liabilities by \$1,731,747. Impact on equity on 1 July 2019 is nil. In addition, interest and depreciation expenses will increase, offset by a decrease in rental expense for the year ending 30 June 2020 and beyond. 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 GROH, 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 WA Treasury Corporation (WATC).	



		Operative for reporting periods beginning on/after			Operative for reporting periods beginning on/after
Transition	The Department will adopt the modified retrospective approach on transition to AASB 16. No comparative information will be restated under this approach, and the Department 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 2016-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	1 Jan 2019
			Nature of Change	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.	
AASB 1058	<i>Income of Not-for-Profit Entities</i>	1 Jan 2019	AASB 2018-4	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i>	1 Jan 2019
Nature of Change	This Standard clarifies and simplifies the income recognition requirements that apply to not for profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other 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 the Department.		Nature of Change	This Standard amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences. There is no financial impact as the Department does not issue licences.	
Impact	AASB 1058 will have no impact on appropriations and recurrent grants received by the Department – they will continue to be recognised as income when funds are deposited in the bank account or credited to the holding account. The Department has determined that no revenue from capital grants will be deferred into future reporting periods. Hence there will be no equity impact on 1 July 2019.		AASB 2018-5	<i>Amendments to Australian Accounting Standards – Deferral of AASB 1059</i>	1 Jan 2019
			Nature of Change	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.	
Transition	The Department will adopt the modified retrospective approach on transition to AASB 1058. No comparative information will be restated under this approach, and the Department 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 2018-7	<i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 Jan 2020
			Nature of Change	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 1059	<i>Service Concession Arrangements: Grantors</i>	1 Jan 2020	AASB 2018-8	<i>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</i>	1 Jan 2019
Nature of Change	This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector Department 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.		Nature of Change	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 mandatory effective date of this Standard is currently 1 January 2020 after being amended by AASB 2018-5.		Impact	The Department will elect to apply the option to measure right-of-use assets under peppercorn leases at cost (which is generally about \$1). As a result, the financial impact of this Standard is not material.	
Impact	The Department does not manage any public private partnership that is within the scope of the Standard.				



9.4 Key management personnel

The Department has determined key management personnel to include cabinet ministers and senior officers of the Department. The Department does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Department for the reporting period are presented within the following bands:

Compensation band (\$)	2019	2018
90,001 - 100,000	1	-
120,001 - 130,000	-	1
140,001 - 150,000	-	1
160,001 - 170,000	-	1
190,001 - 200,000	1	-
200,001 - 210,000	1	1
210,001 - 220,000	-	1
240,001 - 250,000	-	1
280,001 - 290,000	2	-
300,001 - 310,000	-	1
360,001 - 370,000	1	1
400,001 - 410,000	-	1
680,001 - 690,000	1	-
	2019	2018
	(\$000)	(\$000)
Short-term employee benefits	1,463	1,725
Post employment benefits	155	239
Other long term benefits	502	213
Termination benefits	-	-
Total compensation of senior officers	2,120	2,177

Total compensation includes the superannuation expense incurred by the Department in respect of senior officers.

9.5 Related party transactions

The Department is a wholly owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Department include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly owned public sector entities);
- associates and joint ventures of a wholly owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

Significant transactions with Government-related entities

In conducting its activities, the Department is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- Managed building works revenue for the planning, delivery, management and maintenance of government buildings ([Note 4.2](#));
- Vehicle fleet lease rental revenue from vehicle leasing arrangements ([Note 4.2](#));
- Rental income for government office accommodation ([Note 4.2](#));
- Provide vehicle finance leases ([Note 7.2](#));
- Remuneration for services provided by the Auditor General ([Note 9.8](#));
- Provide corporate services, accommodation leasing services and fitouts free of charge ([Note 9.14](#));
- Loan facility from the Western Australian Treasury Corporation ([Note 7.1](#));
- Services received free of charge from Department of Justice, Landgate, Department of Treasury and Department of Primary Industries and Regional Development ([Note 4.1](#));
- Service appropriations ([Note 4.1](#));
- Insurance payments to the Insurance Commission of Western Australia ([Note 3.4](#)); and
- Capital appropriations ([Note 9.10](#));

Material transactions with other related parties

During the year, the Department paid \$8,897,120 in employee superannuation contributions to the Government Employees Superannuation Board.

Outside of normal citizen type transactions with the Department, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

9.6 Related and affiliated bodies

The Department has no related bodies or affiliated bodies.

9.7 Special purpose accounts – controlled

Sunset Reserve Account

The purpose of the account is to record receipts in respect of leasings, proceeds from the disposal of the excised land, amounts appropriated by Parliament, and payments incurred in the conservation and management of Sunset Reserve.

	2019 (\$000)	2018 (\$000)
Balance at start of period	-	2,076
Receipts	-	308
Payments	-	(2,384)
Balance at end of period	-	-

9.8 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2019 (\$000)	2018 (\$000)
Auditing the accounts, financial statements, controls, and key performance indicators	394	384

**9.9 Non-current assets classified as assets held for sale**

The Department does not have non-current assets held for sale.

9.10 Equity

	2019 (\$000)	2018 (\$000)
Contributed equity		
Balance at start of period	1,056,019	1,055,928
<i>Contributions by owners</i>		
Capital appropriation	11,820	14,902
<i>Other contributions by owners</i>		
Transfer of Strategic Projects (excluding Asset Sales) from Department of Treasury	-	32
Funding from Treasury Administered	200	200
Total contributions by owners	12,020	15,134
<i>Distribution to owners</i>		
Return Regional Infrastructure and Headworks Fund to the Department of Treasury	-	(421)
Transfer of Public Utilities Office and Economic Reform to the Department of Treasury	-	(37)
Transfer of the Sunset Heritage Precinct to the Department of Local Government, Sport and Cultural Industries	-	(14,105)
Transfer Optus Stadium land to VenuesWest	-	(480)
Total distributions to owners	-	(15,043)
Balance at end of period	1,068,039	1,056,019

9.11 Supplementary financial information**(a) Write-offs**

During the year, \$10.834 million (2018: \$11.869 million) was written off by the Department under the authority of:

	2019 (\$000)	2018 (\$000)
The accountable authority	6,248	4,733
The Minister	1,655	3,048
Executive Council	2,931	4,088
	10,834	11,869

(b) Write-offs by category

	2019 (\$000)	2018 (\$000)
Public assets	1,661	646
Debts due to the State	9,173	11,223
	10,834	11,869

9.12 Service delivery arrangements Indian Ocean Territories

	2019 (\$000)	2018 (\$000)
Revenue		
Commonwealth receipts	8,279	5,575
	8,279	5,575
Expenditure		
Consultants and contractors	8,678	1,640
Administration and other costs	491	3,507
Payroll Tax and business franchise	34	28
Duties	1	-
Land Tax	3	1
Compliance	51	42
	9,258	5,218
Surplus/(deficit) for the period	(979)	357
Balance brought forward	1,001	644
Balance carried forward	22	1,001

9.13 Explanatory statement (Controlled Operations)

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key major variances, which are generally greater than:

- 5% and \$25 million for the Statements of Comprehensive Income and Cash Flows; and
- 5% and \$25 million for the Statement of Financial Position

**9.13.1 Statement of Comprehensive Income Variances**

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
Expenses						
Employee benefits expense		116,998	104,839	115,304	(12,159)	(10,465)
Supplies and services	1	1,177,545	1,039,189	1,107,809	(138,356)	(68,620)
Depreciation and amortisation expense		77,583	68,159	66,007	(9,424)	2,152
Finance costs		7,490	7,362	7,780	(128)	(418)
Accommodation expenses		41,788	46,230	40,562	4,442	5,668
Grants and subsidies		2,323	528	578	(1,795)	(50)
Loss on disposal of non-current assets		-	444	17	444	427
Other expenses	2	6,546	1,082	39,775	(5,464)	(38,693)
Total cost of services		1,430,273	1,267,833	1,377,832	(162,440)	(109,999)
Income						
<i>Revenue</i>						
User charges and fees	3	1,257,015	1,109,482	1,176,982	(147,533)	(67,500)
Commonwealth grants and contributions		3,595	6,596	7,085	3,001	(489)
Interest revenue		195	310	298	115	12
Other revenue		8,780	4,486	6,566	(4,294)	(2,080)
Total revenue		1,269,585	1,120,874	1,190,931	(148,711)	(70,057)
<i>Gains</i>						
Gain on disposal of non-current assets		1,000	1,859	2,179	859	(320)
Gain from revaluation		-	12,465	-	12,465	12,465
Total gains		1,000	14,324	2,179	13,324	12,145
Total income other than income from State Government		1,270,585	1,135,198	1,193,110	(135,387)	(57,912)
NET COST OF SERVICES		159,688	132,635	184,722	(27,053)	(52,087)
INCOME FROM STATE GOVERNMENT						
Service appropriation		152,750	154,400	150,900	1,650	3,500
Services received free of charge		14,676	13,512	13,511	(1,164)	1
Royalties for Regions Fund		125	91	106	(34)	(15)
Total income from State Government		167,551	168,003	164,517	452	3,486
SURPLUS/(DEFICIT) FOR THE PERIOD		7,863	35,368	(20,205)	27,505	55,573
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		7,863	35,368	(20,205)	27,505	55,573

Major Estimate and Actual (2019) Variance Narratives

- The 2019 actual is lower than the estimated result because of reduced Capital Works expenditure managed by Building Management and Works and Strategic Projects on behalf of Government agencies.
- Lower recovery of costs in 2019 is reflective of the reduction in Capital Works expenditure managed on behalf of Government agencies.

Major Actual (2019) and Comparative (2018) Variance Narratives

- The lower expenditure in 2019 reflects the reduction in demand for services primarily relating to Capital Works projects managed on behalf of other agencies.
- The 2018 actual included one-off amounts relating to the downwards revaluation of the Department's land and building assets as a result of the annual valuation process.
- The reduction in 2019 reflects a lower recovery of costs in line with the associated reduction of Capital Works expenditure managed on behalf of other Government agencies.

**9.13.2 Statement of Financial Position Variances**

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
Assets						
<i>Current Assets</i>						
Cash and cash equivalents		147,072	82,395	75,890	(64,677)	6,505
Restricted cash and cash equivalents		1,889	22	1,001	(1,867)	(979)
Receivables		149,982	114,528	132,386	(35,454)	(17,858)
Finance lease receivables		294	225	409	(69)	(184)
Amounts receivable for services		806	806	779	-	27
Other current assets		24,606	29,483	29,347	4,877	136
Total Current Assets		324,649	227,459	239,812	(97,190)	(12,353)
<i>Non-Current Assets</i>						
Restricted cash and cash equivalents		168	1,076	734	908	342
Receivables		2,320	-	535	(2,320)	(535)
Finance lease receivables		2,041	303	248	(1,738)	55
Amounts receivable for services	1	583,832	583,439	523,084	(393)	60,355
Property, plant, equipment and vehicles	2	740,041	691,918	687,094	(48,123)	4,824
Intangible assets		31,345	36,488	34,463	5,143	2,025
Other non-current assets		6,068	7,124	4,307	1,056	2,817
Total Non-Current Assets		1,365,815	1,320,348	1,250,465	(45,467)	69,883
TOTAL ASSETS		1,690,464	1,547,807	1,490,277	(142,657)	57,530
Liabilities						
<i>Current Liabilities</i>						
Payables		243,273	94,226	112,770	(149,047)	(18,544)
Borrowings		27,567	11,487	23,913	(16,080)	(12,426)
Employee related provisions ^(a)		27,638	25,738	26,212	(1,900)	(474)
Lease incentives		14,658	17,186	16,771	2,528	415
Other current liabilities		-	24,412	23,058	24,412	1,354
Total Current Liabilities		313,136	173,049	202,724	(140,087)	(29,675)
<i>Non-Current Liabilities</i>						
Borrowings		50,866	50,664	56,005	(202)	(5,341)
Employee related provisions ^(b)		4,875	4,953	4,818	78	135
Other provisions ^(b)		535	544	534	9	10
Lease incentives	3	117,394	176,266	131,249	58,872	45,017
Total Non-Current Liabilities		173,670	232,427	192,606	58,757	39,821
TOTAL LIABILITIES		486,806	405,476	395,330	(81,330)	10,146
NET ASSETS		1,203,658	1,142,331	1,094,947	(61,327)	47,384
Equity						
Contributed equity		1,126,540	1,068,039	1,056,019	(58,501)	12,020
Accumulated surplus/(deficit)		77,118	74,292	38,928	(2,826)	35,364
TOTAL EQUITY		1,203,658	1,142,331	1,094,947	(61,327)	47,384

Major Estimate and Actual (2019) Variance Narratives

2 The variance to estimate is due to the lower value of land and buildings as a result of the annual revaluation process and reductions in fleet purchases due to the whole-of-government State Fleet reform.

3 Lease incentives have increased as a result of favourable leasing conditions negotiated on behalf of Government.

Major Actual (2019) and Comparative (2018) Variance Narratives

1 The increase in 2019 relates to the drawdown for the asset replacement provision and is reflective of the requirements of the Capital Works program.

3 Lease incentives have increased as a result of favourable leasing conditions negotiated on behalf of Government.

9.13.3 Statement of Cash Flows Variances

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation		91,243	93,239	89,857	1,996	3,382
Capital appropriations		17,020	11,820	14,902	(5,200)	(3,082)
Funding from Treasury Administered		-	200	200	200	-
Holding account drawdowns		779	779	1,326	-	(547)
Royalties for Regions Fund		125	90	106	(35)	(16)
Regional Infrastructure and Headworks Fund		-	-	(421)	-	421
Net cash provided by State Government		109,167	106,128	105,970	(3,039)	158
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Payments</i>						
Employee benefits		(116,927)	(105,098)	(117,949)	11,829	12,851
Supplies and services		(1,150,078)	(1,033,285)	(1,136,777)	116,793	103,492
Finance costs		(7,490)	(6,237)	(6,604)	1,253	367
Accommodation		(42,626)	(46,926)	(40,438)	(4,300)	(6,488)
Grants and subsidies		(2,323)	(521)	(574)	1,802	53
GST payments on purchases		(145,714)	(121,256)	(134,697)	24,458	13,441
GST payments to taxation authority		(3,234)	(6,759)	(6,032)	(3,525)	(727)
Other payments		(399)	(4,056)	(2,632)	(3,657)	(1,424)
<i>Receipts</i>						
User charges and fees		1,257,062	1,106,235	1,216,232	(150,827)	(109,997)
Commonwealth grants and contributions		3,595	8,280	5,575	4,685	2,705
Interest received		191	319	361	128	(42)
GST receipts on sales		137,180	121,593	132,352	(15,587)	(10,759)
GST receipts from taxation authority		12,374	6,178	7,700	(6,196)	(1,522)
Other receipts		16,591	6,395	15,343	(10,196)	(8,948)
Net cash provided by/(used in) operating activities		(41,798)	(75,138)	(68,140)	(33,340)	(6,998)

**9.13.3 Statement of Cash Flows Variances (continued)**

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Payments</i>						
Purchase of non-current assets	1	(117,521)	(92,774)	(122,972)	24,747	30,198
<i>Receipts</i>						
Proceeds from sale of non-current assets		51,264	30,379	39,016	(20,885)	(8,637)
Receipts from lease incentives	2	19,224	55,757	41,544	36,533	14,213
Net cash provided by/(used in) investing activities		(47,033)	(6,638)	(42,412)	40,395	35,774
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Payments</i>						
Repayment of borrowings		(18,400)	(18,922)	(23,115)	(522)	4,193
<i>Receipts</i>						
Proceeds from borrowings		6,000	-	-	(6,000)	-
Finance leases receipts		5,143	438	500	(4,705)	(62)
Net cash provided by/(used in) financing activities		(7,257)	(18,484)	(22,615)	(11,227)	4,131
Net increase/(decrease) in cash and cash equivalents		13,079	5,868	(27,197)	(7,211)	33,065
Cash balance transferred to the Department of Treasury		-	-	(28)	-	28
Cash balance transferred from the Department of Treasury	3	-	-	32,705	-	(32,705)
Cash balance transferred to the Department of Local Government, Sport and Cultural Industries		-	-	(2,042)	-	2,042
Cash and cash equivalents at the beginning of the period		136,050	77,625	74,187	(58,425)	3,438
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		149,129	83,493	77,625	(65,636)	5,868

Major Estimate and Actual (2019) Variance Narratives

- 1 Lower expenditure than budget is the result of lower vehicle purchases due to State Fleet reforms and lower than anticipated expenditure on Lease Incentive funded assets.
- 2 Lease incentives received are higher than budget as a result of favourable leasing conditions negotiated on behalf of Government.

Major Actual (2019) and Comparative (2018) Variance Narratives

- 1 Lower expenditure in 2019 is the result of lower vehicle purchases due to State Fleet reforms and lower than anticipated expenditure on Lease Incentive funded assets.
- 3 Monies transferred as a result of Machinery of Government changes.

9.14 Services provided free of charge

During the year the following services were provided to other agencies free of charge for functions outside the normal operations of the Department:

	2019 (\$000)	2018 (\$000)
Department of the Premier and Cabinet	3,126	3,295
Department of Transport	679	645
Office of the Auditor General	406	408
Department of Training & Workforce Development	338	376
Public Sector Commission	671	453
Western Australia Police	489	376
Department of Treasury ^(a)	5,998	6,188
The Ombudsman	280	281
Department of Health	458	334
Department of Justice	2,236	2,218
Department of Planning, Lands and Heritage	1,239	1,460
Department of Communities	1,924	1,588
Department of Primary Industries and Regional Development	690	829
Department of Mines, Industry Regulation and Safety	607	620
Department of Local Government, Sports and Cultural Industries	560	736
Other Agencies ^(b)	1,442	1,547
	21,143	21,354

(a) Adjusted 2018 amount by \$5,765,000 to reflect corporate services provided free of charge.

(b) Includes 28 agencies in both 2018 and 2019.



10. Administered disclosures

This section sets out all of the statutory disclosures regarding the financial performance of the Department.

	Notes
Special purpose accounts – administered	10.1
Disclosure of administered income and expenses by service	10.2
Administered assets and liabilities	10.3
Explanatory statement for Administered items – Income and Expenses	10.4

10.1 Special purpose accounts – administered

	2019 (\$000)	2018 (\$000)
<i>Departmental Receipts in Suspense – State Revenue</i>		
<i>The purpose of the special purpose account is to hold funds pending identification of the purpose of which those monies were received or identification of where those monies are to be credited or paid.</i>		
Balance at the start of period	1	1
Receipts	-	-
Payments	-	-
Balance at the end of period	1	1
<i>Indian Ocean Territories</i>		
<i>The purpose of the special account is to hold taxation collections pending transfer to the Commonwealth of Australia in accordance with the Service Level Agreement entered into with the Commonwealth.</i>		
Balance at the start of period	428	1,335
Receipts	3,032	4,306
Payments	(3,256)	(5,213)
Balance at the end of period	204	428

10.2 Disclosure of administered income and expenses by service

	2019 (\$000)	2018 (\$000)
<i>Revenue Assessment and Collection, and Grants and Subsidies Administration</i>		
COST OF SERVICES		
<i>Income^(a)</i>		
Taxation	6,707,028	6,743,012
Other revenue	39,776	41,448
Appropriations	207,302	252,165
Collections raised on behalf of other agencies	64,355	64,035
Total Administered Income	7,018,461	7,100,660
<i>Expenses</i>		
Grants, subsidies and transfers	207,302	252,165
Other expenses	7,007,237	6,743,647
Collections transferred to other agencies	64,355	64,035
Total Administered Expenses	7,278,894	7,059,847

(a) Revenue resulting from taxation, territorial revenue, regulatory fees and fines, sale of goods and services, rent and interest are, where possible, recognised when the transaction or event giving rise to the revenue occurs. In some instances however, the revenue is not measurable until the cash is received.

10.3 Administered assets and liabilities

<u>Current Assets</u>	
Taxation receivable	447,520
Other debtors	38,575
Other current assets	19,729
Total Administered Current Assets	505,824
<u>Non-Current Assets</u>	
Other receivables	51,300
Total Administered Non-Current Assets	51,300
Total Administered Assets	557,124
<u>Current Liabilities</u>	
Other payables	58,304
Total Administered Current Liabilities	58,304
Total Administered Liabilities	58,304

	2019 (\$000)	2018 (\$000)
Taxation receivable	447,520	707,919
Other debtors	38,575	38,597
Other current assets	19,729	20,057
Total Administered Current Assets	505,824	766,573
Other receivables	51,300	51,300
Total Administered Non-Current Assets	51,300	51,300
Total Administered Assets	557,124	817,873
Other payables	58,304	58,653
Total Administered Current Liabilities	58,304	58,653
Total Administered Liabilities	58,304	58,653

**10.4 Explanatory statement for Administered Items – Income and Expenses****For the year ended 30 June 2019**

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key major variances, which are generally greater than 5% and \$25 million.

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
INCOME FROM ADMINISTERED ITEMS						
<u>Income</u>						
Taxation						
Insurance duty		644,945	644,832	625,564	(113)	19,268
Land tax		800,236	808,097	842,502	7,861	(34,405)
Payroll tax	1	3,454,195	3,567,449	3,284,154	113,254	283,295
Transfer duty	2	1,330,744	1,100,813	1,226,205	(229,931)	(125,392)
Landholder duty	3	101,000	33,375	234,496	(67,625)	(201,121)
Vehicle licence duty		360,191	363,603	354,663	3,412	8,940
Other income ^(a)		193,124	188,859	175,428	(4,265)	13,431
Other revenue						
Other revenue		39,700	39,776	41,448	76	(1,672)
Appropriations						
First Home Owners Grant Act 2000	4	76,200	56,540	91,171	(19,660)	(34,631)
Administered grants and transfer payments ^(b)	5	176,426	150,761	160,994	(25,665)	(10,233)
Collections raised on behalf of other agencies						
		64,441	64,355	64,035	(86)	320
Total administered income		7,241,202	7,018,460	7,100,660	(222,742)	(82,200)
<u>Expenses</u>						
Grants and subsidies						
Administered grants, subsidies and other transfer payments ^(b)	5	176,426	150,761	160,994	(25,665)	(10,233)
First Home Owners Scheme	4	76,200	56,540	91,171	(19,660)	(34,631)
Other expenses		7,093,527	7,007,237	6,743,647	(86,290)	263,590
Collections transferred to other agencies						
		64,441	64,355	64,035	(86)	320
Total administered expenses		7,410,594	7,278,893	7,059,847	(131,701)	219,046

(a) Other income includes Metropolitan Region Improvement Tax, Racing and Wagering Western Australia Tax, Other Duties and Commonwealth Mirror Taxes.

(b) Subsidies and Other Transfer Payments includes Pensioner concessions for Local Government and Water rates and Refund of Past Years Revenue.

Major Estimate and Actual (2019) Variance Narratives

- Transfer Duty was \$230 million lower when compared to the 2019 estimate. This is primarily reflecting weaker than anticipated demand in the housing market in part due to a tightening in residential lending criteria over the course of the 2018-19 financial year.
- Landholder duty collections were \$67.6 million lower in 2019, primarily reflecting fewer than anticipated high value commercial landholder transactions. The number and/or value of these high value commercial transactions tend to be infrequent and volatile within and between years.
- Administered grants, subsidies and other transfer payments were \$25.7 million lower than estimated at the time of the 2018-19 budget, mainly reflecting lower than expected refunds of past years' revenue (down \$17.4 million) and local government rates rebates for pensioners and seniors (down \$7.4 million). Lower refunds from past years' revenue was primarily in the area of transfer duty and payroll tax refunds.

Major Actual (2019) and Comparative (2018) Variance Narratives

- Payroll tax collections were \$283 million higher in 2019 than in 2018 due to the impact of the temporary payroll tax scale change implemented on 1 July 2018 and growth in collections amongst the larger tax paying industries, including mining.
- Transfer duty was \$125 million lower in 2019 when compared to 2018, primarily reflecting weaker demand in the housing market, in part due to a tightening in residential bank lending criteria over the course of the 2018-19 financial year.
- Landholder duty collections decreased in 2019 compared to 2018, primarily due to a fewer number of high value commercial landholder transactions. The number and/or value of these high value commercial transactions tend to be infrequent and volatile within and between years.
- The lower value of first home owners grants paid in 2019 primarily reflects weaker demand in the overall housing market, including first home buyers compared with 2018. This is in part due to a tightening in residential lending criteria by banks over the course of the 2018-19 financial year.



Key Performance Indicators

Certification of Key Performance Indicators

Corporate Services

Performance Assessment

Building Management and Works

State Revenue

Strategic Projects

Government Procurement

Certification of Key Performance Indicators

For the year ended 30 June 2019

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Finance's performance, and fairly represent the performance of the Department for the financial year ended 30 June 2019.



Jodi Cant
Director General
23 August 2019

Performance Assessment

Outcomes

The Government desired outcomes that the Department works to achieve through its services are:

Government goals	Desired outcomes	Services
Sustainable Finances		
Responsible financial management and better service delivery.	Due and payable revenue is collected and eligible grants, subsidies and rebates paid.	1. Revenue assessment and collection, and grants and subsidies administration.
	Value for money from public sector procurement.	2. Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal and providing facilitation service for agency specific contracts.
	Efficient and effective corporate services to client agencies.	3. Corporate services to client agencies.
	Value for money from the management of the Government's non-residential buildings and public works.	4. Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation.
		5. Leads the planning and delivery of major government building projects.

Measuring the Performance

The Department of Finance measures its performance through statistical information and survey questionnaires. Statistical indicators are included to help report performance in both outcome and service areas. The use of

in-house statistical data complements the survey-based results and adds scope and objectivity to the sources of information used in measuring our performance.



Key Effectiveness Indicators

State Revenue

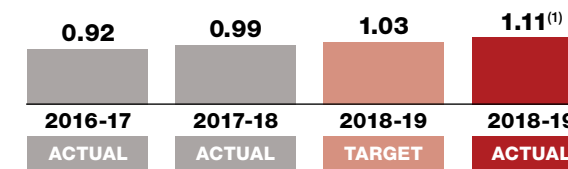
Outcome 1

Due and payable revenue is collected and eligible grants, subsidies and rebates paid

The Department, through the Office of State Revenue, administers a range of revenue laws on behalf of Government. This involves the collection of revenue raised and payment of grants and subsidies under relevant legislation, as well as a number of administrative-based schemes.

These indicators for revenue collection and grant, subsidy and rebate payments provide a measure of the accuracy of the revenue assessment process, the level of compliance by taxpayers and the timeliness of processing assessments.

Debt as a percentage of revenue raised (%)^(a)

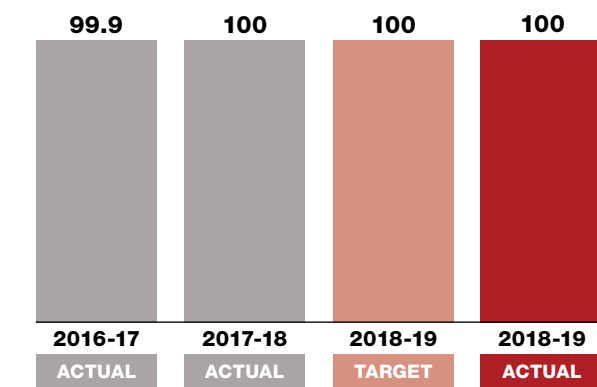


(a) This indicator is calculated by dividing the total outstanding debt on hand at 30 June by the total revenue raised for the year for all tax lines (land tax, duties, payroll tax, betting tax, insurance duty and other miscellaneous duties) and presented as a percentage.

This is a new indicator in 2018-19 and results for prior years have been back-cast for comparative purposes.

(1) The actual outstanding debt position at 30 June 2019 includes a number of transactions that are being reviewed. It is expected these transactions after review, will be cancelled which will bring debt levels in line with target.

Extent to which correct grants, subsidies and rebates are paid (%)^(b)



(b) This indicator measures the accuracy of the revenue assessment process by State Revenue. This indicator is calculated by dividing the 'number of grants, subsidy and rebate payments correctly paid' by the 'number of grants, subsidy and rebate payments made during the year', and presented as a percentage. The percentages are then averaged to derive the KPI result. The payments are for First Home Owner Grants, Pensioners and Seniors Rebates, the Life Support Equipment Electricity Subsidy, the Thermoregulatory Dysfunction Energy Subsidy and the Energy Concession Extension Scheme.



Key Efficiency Indicators

State Revenue

Service 1

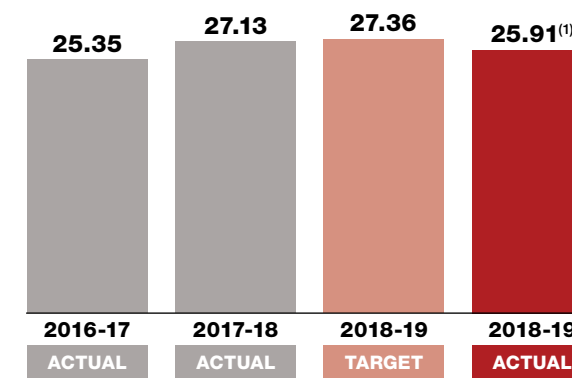
Revenue assessment and collection, and grants and subsidies administration

This service involves the assessment and collection of a range of statutory based revenue, including duties, land tax and payroll tax, and those that are collected on behalf of other agencies (e.g. Perth Parking Licence fees on behalf of Department of Transport) or other jurisdictions (e.g. collection of a range of taxes for the Commonwealth in the Indian Ocean Territories). State Revenue is also involved in the assessment and payment of a range of grants and subsidies under both statutory

and administrative schemes. The major payments relate to the First Home Owner Grant Scheme, as well as concessions on water rates, local government rates and the Emergency Services Levy for pensioners and seniors.

The indicators represent the costs per unit of taxation raised and grant/subsidy processed in a given year. Taken into account with the notes explaining any variances it provides a measure of efficiency.

Average cost per tax or duty determination (\$) ^(a)

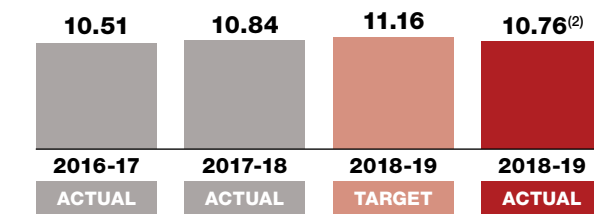


(a) This indicator is used to measure the cost to produce a tax or duty determination across all major tax lines administered by State Revenue. It is calculated by dividing the 'total State Revenue costs plus departmental overhead costs' by the 'total number of tax or duty determinations'.

This is a new indicator in 2018-19 and results for prior years have been back-cast for comparative purposes.

(1) The actual 2018-19 cost per assessment determination was 5% lower than budget due to a reduction in State Revenue costs and corporate oncosts.

Average cost per grant or subsidy determination (\$) ^(b)



(b) This indicator is used to measure the cost to produce a single determination across all grant and subsidy lines administered by State Revenue. It is calculated by dividing the 'total State Revenue grant and subsidy costs plus departmental overhead costs' by the 'total number of grant and subsidy determinations'.

This is a new indicator in 2018-19 and results for prior years have been back-cast for comparative purposes.

(2) The 2018-19 actual average cost per grant determination was 4% below budgeted due to lower corporate costs as well as a higher than budgeted number of grants and subsidies.

Key Effectiveness Indicators

Government Procurement

Outcome 2

Value for money from public sector procurement

This outcome aims to deliver value-for-money procurement services and frameworks across the Western Australian public sector. Value for money is a key policy objective and ensures public authorities achieve the best possible outcome for the amount of money spent when purchasing goods and services.

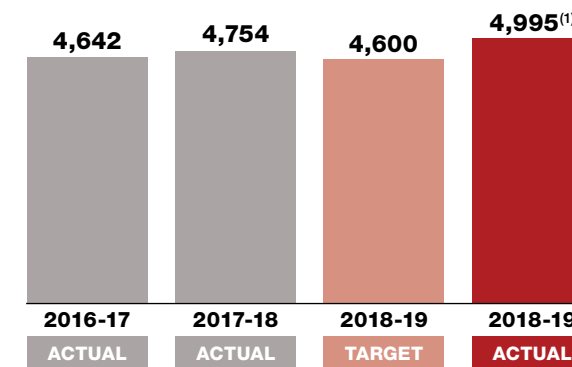
Value for money from public sector procurement is considered effective if:

- a) client agencies agree that Common Use Arrangements (CUAs) are awarded and managed on a value-for-money basis. This includes the value-for-money results from

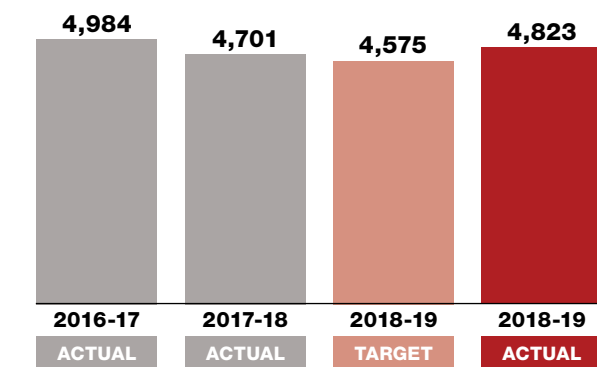
the State Fleet surveys. State Fleet is surveyed annually using a similar value-for-money method to other CUAs and agency specific contract surveys;

- b) client agencies agree that their contracts are awarded on a value-for-money basis;
- c) economies of scale are achieved through the aggregation of the acquisition, fleet management and disposal activities related to the government's light vehicle fleet aimed at achieving a value-for-money outcome for the Government's fleet expenditure and revenue.

Average annual vehicle net capital cost (\$)^(a) per passenger vehicle



Average annual vehicle net capital cost (\$)^(a) per commercial vehicle

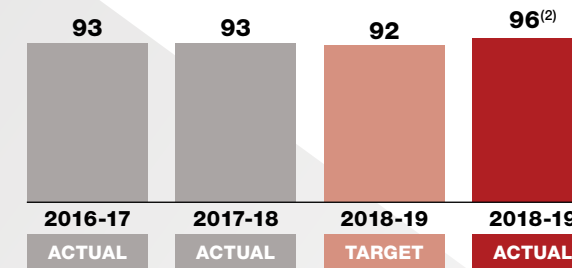


(a) This indicator measures the Department's effectiveness in minimising purchase prices and maximising sale proceeds, through pro-active fleet and procurement management. Splitting the measure into two categories minimises fluctuations attributed to a greater or lesser ratio of replacements from either category, allowing for better year to year comparative assessments to be made.

This is a new indicator in 2018-19 and results for prior years have been back-cast for comparative purposes.

(1) The higher than budgeted actual result is largely due to higher vehicle usage levels, because of the reduction in the size of the fleet, leading to lower than anticipated resale values.

Extent to which client agencies agree that their agency contracts and Common Use Arrangements achieved value for money (%)^(b)



(b) This indicator is calculated by dividing the total number of satisfied responses by the total number of survey respondents for users of CUAs and clients of agency specific contracts. In 2018-19 950 surveys were issued with a response rate of 87% with 1.25% error sampling rate at the 95% confidence level.

(2) 2018-19 actual delivered a higher than anticipated satisfaction rating. The increased result can be attributed to a number of Common Use Arrangements being renewed with a focus on new data that has obtained better insights within the CUA framework, enabling better business decisions, and improved end to end processes when developing agency based contracts.



Key Efficiency Indicators

Government Procurement

Service 2

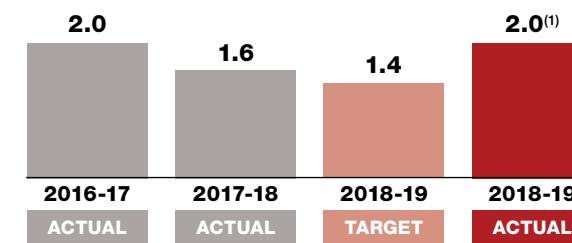
Development and management of Common Use Contract Arrangements, State fleet leasing and disposal and providing facilitation service for agency specific contracts

The Department provides a whole-of-government approach to procurement that efficiently meets the business needs of government agencies, manages risk and delivers value for money.

In facilitating the development and management of client agency contracts, State fleet and CUAs, the Department needs to effectively manage the cost of delivering this service which ensures agencies achieve value-for-money outcomes.

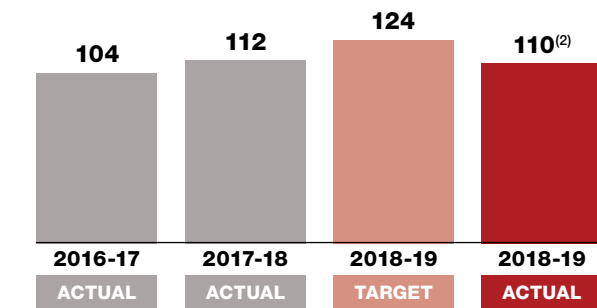
The Department is responsible for managing the State's vehicle fleet to ensure an efficient and effective use of government vehicles with particular focus on the delivery of a sustainable vehicle fleet. The indicator demonstrates the efficiency of managing the financing and administration of the Government's light vehicle fleet.

Cost of facilitating the development and management of agency specific contracts as a percentage of the contract award value (%)^(a)



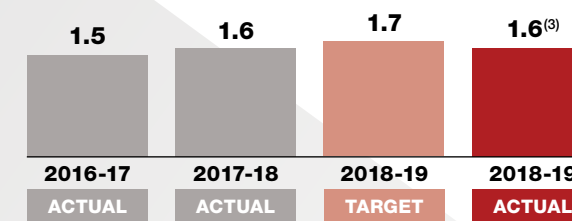
- (a) This indicator is used to measure how efficient the Department has been in facilitating the development and management of agency specific contracts.
- (1) The increase compared to target was due to a lower than forecast contract award value as a result of a number of large value contracts being awarded in 2017-18, earlier than expected.

Average administrative cost per vehicle for financing and managing the State Fleet service (\$) ^(b)



- (b) This indicator measures State Fleet's administrative cost efficiency in financing and managing the leasing of government vehicles.
- (2) The actual average administrative cost per vehicle is lower than budget as a result of operational efficiencies driving a reduction in costs.

Cost of developing and managing whole-of-government Common Use Contract Arrangements as a percentage of the total annual value of purchases through the arrangements (%)^(c)



- (c) This indicator is used to measure how efficient the Department has been in developing and managing whole-of-government common use contract arrangements.
- (3) The 2018-19 actual result is slightly better than budget due to lower than estimated costs.





Key Effectiveness and Efficiency Indicators

Corporate Services

Outcome 3

Efficient and effective corporate services to client agencies

Service 3

Corporate services to client agencies



Effectiveness and efficiency indicators are not reported for this outcome as it relates to the corporate services provided directly by the Department to support the outcomes and activities of the Department of Treasury and

the Government Employees Superannuation Board (GESB). An exemption from the requirements of Treasurer's Instruction 904 (2)(iv) Key Performance Indicators, has been provided by the Under Treasurer.

Key Effectiveness Indicators

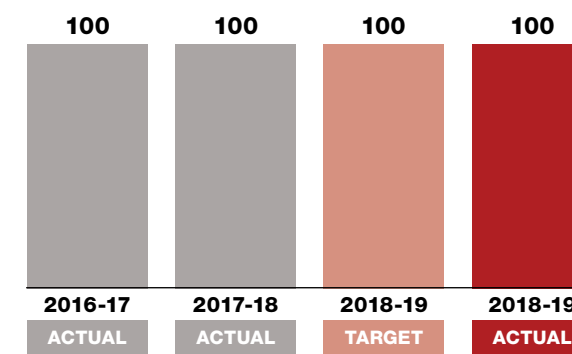
Building Management and Works

Outcome 4

Value for money from the management of the Government's non-residential buildings and public works

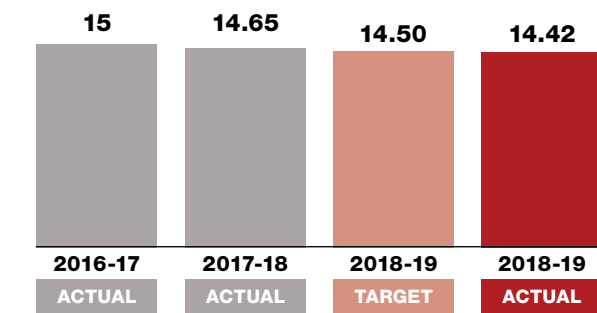
The Department, through Building Management and Works, delivers a range of services to lead the planning and delivery of a property portfolio that supports the delivery of government services to the community.

Percentage of new buildings projects within the Building Management and Works Program, valued over \$5 million, delivered within the approved budget (%)^(a)



(a) This indicator captures projects with an estimated total cost greater than or equal to \$5 million that reached handover in the financial year. The calculation compares the anticipated final cost for each project with its current approved budget. Achievement of projects on-budget is an important requirement for client agencies and is a key contributor to value-for-money outcomes. Prior to 2018-19, this indicator measured percentage of projects delivered within 10 percent of approved budget. The 10 percent allowance has been removed from 2018-19 onwards.

Average office accommodation floor space per work point (m²)^(b)



(b) This indicator refers to the average workspace density across the office accommodation portfolio and is calculated at the whole-of-government level.



Key Efficiency Indicators

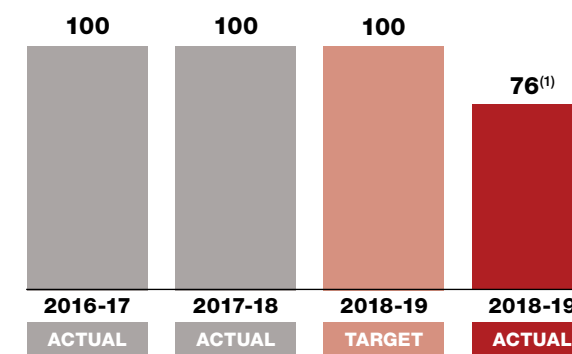
Building Management and Works

Service 4

Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation

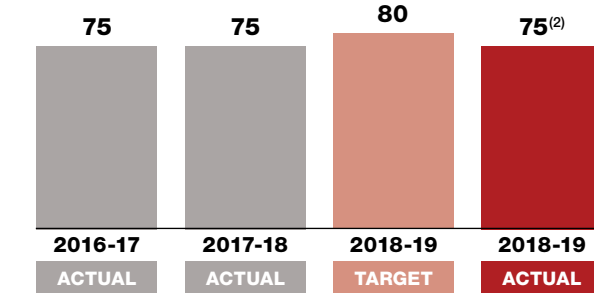
This service leads the planning, delivery and management of a property portfolio that supports the delivery of government services to the community including the delivery of new building works, maintenance programs for existing buildings and office accommodation.

Percentage of new buildings projects within the Building Management and Works program, valued over \$5 million, delivered by the approved handover date (%)^(a)



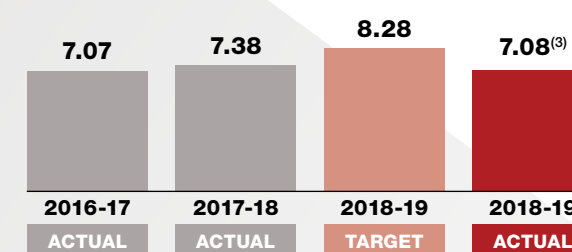
- (a) Prior to 2018-19, this indicator measured the percentage of projects with current approved budgets of \$5 million or more that had been handed over to the client agency within three months of the approved date for handover in that financial year. The three month allowance has been removed for 2018-19.
- (1) Thirteen of the 17 new building projects within the Building Management and Works program were delivered by the approved handover date. Of the remaining four projects, three were delivered within one month of the approved handover date whilst the Onslow Health Services Redevelopment experienced construction delays leading to the project being delivered some four months late.

Percentage of high priority breakdown repairs completed within agreed timeframes (%)^(b)



- (b) This indicator measures the percentage of high priority breakdown repairs attended to within the agreed timeframe. High priority breakdowns are more time-critical and typically include breakdowns or failures that have an immediate adverse effect on the security, safety and/or health of occupants. The 10% buffer which had been included in prior years has been removed for 2018-19.
- (2) Achievement of the target was adversely impacted by the complexity of the works, availability of spare parts and access to regional sites.
- This is a new indicator in 2018-19 and results for prior years have been back-cast for comparative purposes.

Project, contract and administration costs to deliver whole-of-government non-residential building, maintenance and accommodation services as a percentage of services delivered (%)^(c)



- (c) This indicator measures the costs of delivering Building Management and Works services as a percentage of the Works Program Turnover (WPT) costs.
- This is a new indicator in 2018-19 and results for prior years have been back-cast for comparative purposes.
- (3) The improvement in the 2018-19 actuals is largely due to reductions in both the total cost of services and turnover costs as compared to budget.



Key Effectiveness Indicators

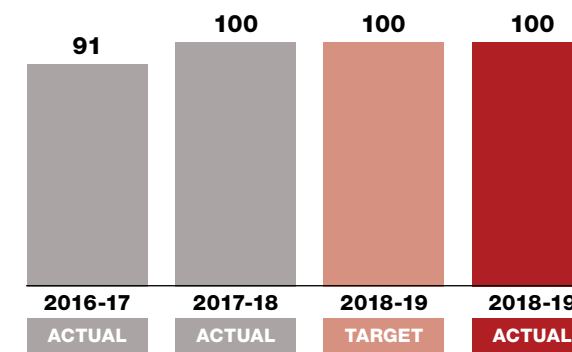
Strategic Projects

Outcome 4

Value for money from the management of the Government's non-residential buildings and public works

The Department works closely with agencies involved in the high value, high risk projects through joint development of business cases and Project Definition Plans as well as joint governance arrangements to reflect respective responsibilities between the Department and the agency.

Percentage of major projects in Strategic Projects' program of works delivered (or forecast to be delivered) within approved budget (%)^(a)



(a) This indicator demonstrates the ability of Strategic Projects to deliver major projects for its client agencies within approved budget. Delivering significant projects within approved budget is an important requirement for client agencies and is a key contributor to value-for-money outcomes.



Key Efficiency Indicators

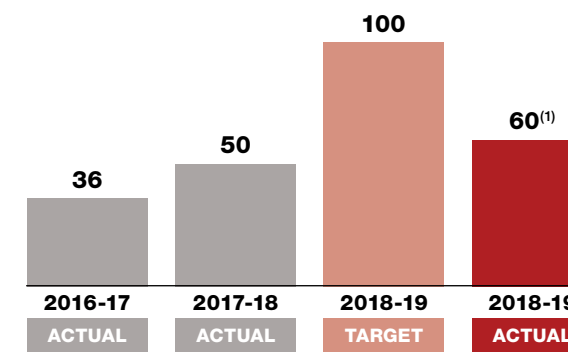
Strategic Projects

Service 5

Leads the planning and delivery of major government buildings

This service encompasses strategic leadership and facilitation in the planning, project management and procurement of major new non-residential buildings. It contributes to the desired outcome of value for money from the management of the Government's non-residential buildings and public works.

Percentage of major projects in Strategic Projects' program delivered (or forecast to be delivered) within approved timeframes (%)^(a)



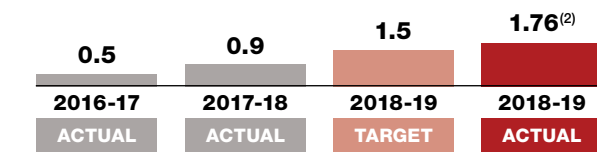
(a) This indicator measures the number of projects that are forecast to be completed or have actually been completed as a percentage of the number of infrastructure projects overseen by Strategic Projects and in progress (at the tender stage or beyond) during the financial year. Achievement of projects within approved timeframes is an important requirement for client agencies and is a key contributor to value-for-money outcomes.

(1) Six of the 10 major projects overseen by Strategic Projects that were active during 2018-19 have been, or are expected to be, completed within approved timeframes.

The remaining four projects were subject to the following delays:

- Perth Children's Hospital was significantly delayed by construction and commissioning issues before its commencement of clinical services in May 2018;
- Eastern Goldfields Regional Prison and Busselton Health Campus experienced construction and commissioning delays, however both are now fully operational; and
- The procurement process for Karratha Health Campus was delayed to ensure the transition to operations occurred after the 2017-18 wet season.

Cost of project management as a percentage of total project costs (%)^(b)



(b) This indicator shows Strategic Projects 'operational' costs as a percentage of the total costs associated with planning and delivering the major projects program.

(2) The increase in cost is the result of a reduction in the overall value of the major project portfolio due to completion of major projects such as the Optus Stadium, Perth Children's Hospital and Karratha Health Campus.



Disclosures

Ministerial Directives

Other Legal Requirements

Other Financial Disclosures

Government Policy Requirements

Governance Disclosures



Disclosures

Ministerial Directives

Treasurer's Instruction 903 (12) requires the Department to disclose information on any ministerial directives relevant to the setting or achievement of desired outcomes or operational objectives, investment activities, and financing activities.

No ministerial directives were received during this financial year.

Other Financial Disclosures

Pricing policies of services provided

The Department's fees and charges were reviewed in 2018-19 in accordance with the State Government's policy. Increases were introduced to achieve full cost recovery.

Aside from the Department's retained fees and charges, the Department collects fees and taxes on behalf of a range of State Government and other agencies with costings set by the respective agency pricing policies and approval processes.

Capital works

In 2018-19, Finance spent a total of \$94.47 million on capital investments. The key capital projects included in this figure are detailed below:

Project	Expected completion date	Actual expenditure 2017-18 \$000	Actual expenditure 2018-19 \$000	Estimated cost to complete \$000	Estimated total cost \$000
State Fleet annual vehicle acquisition program	2019	77,924	62,399	-	-
Revenue Systems Consolidation and Enhancement Program	2019	6,881	6,693	-	33,792
Decentralisation of office accommodation to Joondalup	2019	645	16,112	-	19,198
New public sector offices for Fremantle	2020	35	1,358	41,216	42,609

Employment and industrial relations

Comparative full-time equivalent (FTE) allocation by category

The number of FTE employees has reduced with internal efficiencies, staff turnover and finalising of a number of projects.

The workforce profile has changed following completion of the fixed term contract conversion to permanency process.

Notes:

- Part time = hours less than full time hours of 37.5 per week.
- Both full-time and part-time employees seconded out of and paid by the Department have been included in the "On Secondment" category.
- Approved FTE target for 2018-19 was 1,016.

	2018	2019
FULL-TIME PERMANENT	728	722
FULL-TIME CONTRACT	144	106
PART-TIME MEASURED ON A FTE BASIS	80	82
ON SECONDMENT	6	9
TOTAL	958	919

Source data: 2018-19 HR MOIR data¹

Industrial relations

The majority of Department of Finance staff are employed under the Public Service Award 1992 and Public Service and Government Officers CSA General Agreement 2017. Four senior officers are employed under the conditions of the *Salaries and Allowances Tribunal Act 1975*.

The Department also has an Agency Specific Agreement in place with provisions for a wellness program, motor vehicle allowance for business use and flexible working arrangements.

¹The dataset which is collected from WA State Government Sector agencies is known as the Human Resource Minimum Obligatory Information Requirements (HR MOIR).

Workers' compensation

In accordance with Treasurer's Instruction 903 (13), the Department had the following workers' compensation disclosures.

Claims	2016-17	2017-18	2018-19
Workers' Compensation	4	5	6*
Lost time injuries	2	3	4

*Liability on one lost time claim included in this calculation had not yet been decided as at 30 June 2019. The employee has commenced on a graduated Return to Work program.

Three of the five workers' compensation claims approved were estimated lost time claims. These claims were provided with specialised injury management assistance and two have returned to pre-injury capacity whilst one is currently engaged in a Return to Work program.

Unauthorised use of credit cards

The Department of Finance uses corporate credit cards as a purchasing tool to reduce the cost of invoice payments.

There is a strong control framework in place to support the use of purchasing cards across the Department, including supervisor approval of all staff transactions.

Processes are in place to ensure the early detection of inadvertent/accidental personal misuse of Department of Finance purchasing cards, and timely repayment of associated costs.

This year, there were 15 instances of inadvertent use of credit cards. The Department total credit

card expenses accumulated to \$2.8 million, of which, \$512.41 was identified as not related to departmental operations. These transactions represent less than 0.02 per cent of the Department's total credit card transactions completed during the year.

Measure	2018-19 (\$)
Aggregate amount of personal use expenditure for the reporting period	512.41
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	313.27
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	199.14
Aggregate amount of personal use expenditure outstanding at balance date	0

The matters were not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and that the nature of the expenditure was immaterial and characteristic of an honest mistake.

Governance Disclosures

Senior officers

In 2018-19, there were no disclosures from senior officers that they held any shares, a requirement under Treasurer's Instruction 903(14).

No senior officers, firms of which senior officers are members, or entities in which senior officers have substantial interest, had any interest in existing or proposed contracts with the Department other than normal contracts of employment of service.

Board and committee remuneration

In 2018-19, the Department of Finance had no board or committee costs and memberships.

Audit and Risk Management Committee

The Audit and Risk Management Committee oversees the operation of the Department's audit and risk management functions, and endorses the annual Audit Assurance and Risk (AAR) Plan. This year, the Committee further enhanced audit and risk management operations within the Department by:

- successfully completing all quarterly meetings and the 2018-19 work plan;
- commencing development of procurement fraud and corruption data analytics indicators to identify potential instances of fraud and undertake further investigation;
- ensuring that over the year all departmental policy and other governance documents relating to risk, fraud and audit matters remained current and relevant to assist with effective management practices;
- addressing the vast majority of audit findings raised by a comprehensive internal information security review completed in late 2017-18. A total of 210 findings were raised with now only 30 outstanding (14 per cent). During the period, 16 high risk findings were addressed with the remaining three near closure; and
- ensuring the Department's AAR plan included coverage of key emerging risks including:
 - assisting the Building Management and Works (BMW) business unit with the development of a "Risk Profiling Tool", which provides the necessary rigour for prioritising treatment of key areas of risks relating to potential water contamination and school ceiling failures;
 - providing assurances in relation to the design and operational effectiveness of the BMW and Strategic Projects (SP) works funding models. This included assessing that costs are accurately recouped for the delivery of capital works projects through a fee for service arrangement and recommending an approach to operate under one funding model;
- assessing the adequacy of BMW reporting on key projects committed to during the election, which has resulted in the Director General requesting the development of a mechanism to assist with reporting on government priorities;
- an extensive assessment of recruitment and selection processes for the purpose of providing advice to the Director General to enable a response to a Public Sector Commission query.



Other Legal Requirements

Expenditure on advertising, market research, polling and direct mail

In accordance with section 175E of the *Electoral Act 1907*, total advertising related expenditure this year was \$12,263.

Agency/Organisation	Total \$	Amount \$
Advertising Agencies	12,263	
Adcorp		782
Initiative Media Australia		10,958
Thomson Reuters		523
Market Research Organisations	Nil	
Polling Organisations	Nil	
Direct Mail Organisations	Nil	
Media Advertising Organisations	Nil	
Total Expenditure		12,263

Disability Access and Inclusion Plan outcomes

The Department is committed to access and inclusion for people with disabilities. Through its Disability Access and Inclusion Plan (DAIP) 2017-22, the Department seeks to ensure people with a disability have an equal level of inclusion and access to services and employment.

The Department's DAIP committee meets quarterly to drive initiatives and review matters affected by the DAIP Plan. New DAIP initiatives implemented in 2018-19 included:

- further enhancement of the diversity in our workforce with the recruitment of two employees with a disability through the Department's graduate program;
- a 'Supporting Access and Inclusion' event where guest speakers shared their experiences on working with a disability in government, and knowledge on DAIP lessons learnt. This promoted the development and understanding of access and inclusion across the Department;
- celebrating diversity events and promoting a better understanding of access and inclusion across the Department;
- in line with its 'Diversity in Finance' paper, a new 'Passport - Reasonable Adjustment' process was introduced. This offers employees with a disability the option of recording any unique work-based personal requirements with the Occupational Safety and Health team and assists them with an easy assimilation into their new work area when moving location or changing managers;
- a revision and upgrade of the Department's 'Disability Awareness' eLearning module that all staff are required to complete, and assists their understanding of issues around disability in the workplace and the wider community;
- improvements with kitchen signage for employees who are vision impaired; and
- an upgrade of the DAIP intranet pages to ensure currency of information and resources to assist staff.

The Department takes a lead role across the sector by driving the Australian Disability Enterprises (ADE) initiative through Government Procurement, which assists other WA Government agencies to understand the capabilities and benefits of working with ADEs.

Compliance with public sector standards and ethical codes

The Department has maintained its good record in complying with public sector standards and the public sector code of ethics, delivering its training programs through online and face-to-face sessions, tailored for new and existing employees.

Over the year, the Department continued to provide proactive guidance to managers and staff to ensure that recruitment processes complied with public

sector standards. The Department successfully completed 40 recruitment processes this year from which 1,590 applications were received.

Two breach of standard claims were lodged during the year. One claim related to a breach of the Employment Standard and the other claim related to a breach of the Grievance Resolution Standard. The claim relating to the Employment Standard was subsequently

withdrawn and the claim relating to the Grievance Resolution Standard is yet to be finalised. Three cases of non-compliance with the Code of Conduct were finalised and one formal grievance investigation was completed.

Departmental policies, procedures and guidelines are maintained to satisfy legislative requirements.

No disclosures were received in 2018-19 under the *Public Interest Disclosure Act 2003*.

Recordkeeping plans

The Department continues to review its recordkeeping program and as a result has published a new online Recordkeeping training program for all employees. The online program, which is an important component in on-boarding new employees, is supported by our intranet Records Manager support page that provides user guides and contacts to assist employees navigate the recordkeeping system.

An updated Recordkeeping Plan has been submitted to the State Records Commission for approval and includes new procedures for digitisation. Our new Recordkeeping Plan embraces the Born Digital strategic direction and reflects our significant progress in achieving a digital transformation.

The Department is continuing its testing in readiness for the upgrade

of the Document Management System and progress the implementation of a rendering module that will ensure the long term preservation of our archival digital records.

Accessing financial information

Freedom of Information Act 1992 (FOI Act)

The FOI Act requires WA Government agencies to give members of the public right of access to government information.

Statistical information relating to formal access applications lodged with Finance under the FOI Act is provided in the following table and more details can be found as part of the annual report of the Office of the Information Commissioner of WA.

Applications made under section 10 of the FOI Act

In 2018-19, Finance received 38 access applications out of which two were from individuals requesting their personal information. Disclosure decisions covered areas of responsibility and records held by the Office of State Revenue, Building Management and Works, Government Procurement and Corporate Services. The following were some of the document categories that were subject to consideration:

- documents held by the Office of State Revenue in relation to companies under current administration including correspondence, payroll tax assessments, duties and account information;
- Strategic Projects communications related to the Perth Children's Hospital Project;
- documents relating to tender assessments, evaluations and decisions associated with building projects; and
- various documents regarding contractual administration under Common Use Arrangements.

In 2018-19, three applications for internal review were dealt with and there were no applications for external review.

Applications made under section 10 of the FOI Act

Applications	2017-18	2018-19
New applications received during the year	29	41
Decisions made during the year	24 ^(a)	38 ^(b)
Average time to process (days)	40	42

Outcomes	2017-18	2018-19
Full access	15	25
Edited access	5	8
Deferred access	0	0
Section 26 access	2	4
Section 28 access	0	0
Access refused	2	1
Total decisions	24	38
Transferred to other agencies	5	1
Withdrawn	2	2
Total applications finalised	31	41

Reviews	2017-18	2018-19
Internal reviews	1	3
External reviews - complaints	0	0

(a) Includes 8 applications carried over from 2016-17.

(b) Includes 6 applications carried over from 2017-18.

Government Building Training Policy

The Government Building Training Policy aims to increase the number of apprentices and trainees in the building and construction industry. It requires contractors that are awarded State Government building, construction and maintenance contracts to commit to meeting a target rate of training of apprentices and trainees.

The Government Building Training Policy applies to:

- All State Government building and construction contracts, including civil and engineering contracts with an estimated labour value of \$2 million and over for the construction component of the contract;
- All State Government maintenance contracts, with an estimated labour component of \$2 million and over; and
- All State Government agencies (as defined in section 3 of the *Public Sector Management Act 1994*) that enter into these contracts.

In 2018-19 all contractors met the target training rate. No contractors applied for a variation to the target training rate.

Measure	Number of contracts Building and construction 2019
Awarded	32
Reported	
Commenced reporting	11 ^(a)
Continued reporting from previous reporting period	20
Target training rate	
Met or exceeded	31
Did not meet	0
Granted a variation	0

(a) One contractor is yet to commence reporting.

No maintenance contracts with a requirement to meet the target training rate were awarded in 2018-19.

Government Policy Requirements

Substantive equality

The Department of Finance advocates the provision of services that address the different needs of Western Australia's diverse community and the elimination of systematic bias and discrimination. To ensure equality of opportunity for staff and clients, access, participation and equity needs are considered in the development and delivery of the Department's policies and services.

This year the Department trialled an Introduction to Unconscious Bias workshop for the Leadership Development alumni group. This workshop highlighted the different areas of bias and how it can affect people's views without an understanding of the individual. This workshop has now been developed as an online module and is accessible to all staff through the Department's learning management system.

Staff have attended Aboriginal Cultural Awareness training that outlined the history, traditional ways of life and potential solutions to closing the gap with Aboriginal Peoples. In addition, the Department launched the Noongar seasonal calendar as a screen saver, to reflect the Aboriginal six seasons.

The Department also promoted the International Day Against Homophobia, Biphobia, Interphobia and Transphobia to help foster a more inclusive workplace.

The Department champions diversity and at the Optima Building location, a 'Personal Space' room has been made available for staff who have religious needs during the working day. The aim is to provide a private space for religious observations.

OSH and injury management

Our Department is committed to achieving excellence in the provision of a safe working environment for employees, contractors, visitors and those who may be associated with our operations. During 2018-19 we have been progressively building on a culture where health, safety and employee wellbeing is a priority, all staff understand their responsibilities and are able to safely undertake their work, and staff are encouraged to report hazards so associated risks are assessed and managed in a consultative manner.

A focus during 2018-19 has been the consolidation of all our Occupational Safety and Health (OSH) related policies to reconstruct the framework of our safety management system. By doing so we can implement health, safety and wellbeing initiatives through a planned and prioritised approach with support and endorsement from the Director General and Corporate Executive.

The Department works closely with all Safety Health Representatives (SHR) across its different work locations, who form an important part of our formal consultation mechanism. During 2018-19, 40 site inspections were undertaken by SHRs within our regional as well as metro work locations. All identified hazards were assessed at time of being reported. Based on consultation between SHR, Management and staff relevant actions are taken to mitigate identified risks. The OSH Committee meets quarterly and monitors all incidents and hazards reported, and actions taken to resolve these. An important achievement is that we have been able to have our regional SHR actively participate in the OSH Committee meetings through the Skype for Business tool.

A good initiative has been the delivery of half day workshops for SHRs and First Aiders (in the regions as well as metro areas), which has been the first time these groups have been able to collectively meet and discuss emerging safety and first aid matters. This was an opportunity for the Department to thank and acknowledge all our SHRs and First Aiders for their important contribution towards upholding health, safety and wellbeing in all our workplaces.

An assessment of the Department's occupational safety and health management system was initially undertaken during the 2014-15 financial year using the WorkSafe Plan assessment tool. To date all of the recommendations have been actioned with approximately 75 per cent completed. These actions included:

- the ongoing consultation on health, safety and wellbeing matters;
- expansion of a risk management approach to address identified hazards in all our workplaces; and
- an invigorated program to train our Managers and Supervisors – an initiative that has been actively encouraged and supported by the Director General and Corporate Executive.

Relevant consultation relating to Emergency, Evacuation and Safety procedures for the Department's regional offices has commenced and is expected to be finalised over the coming year.

Eight half day OSH manager training sessions were held covering health, safety and injury management. Such training is offered to Managers and Supervisors as part of our ongoing strategy to improve their knowledge and understanding on health and safety. Employees were also able to

access the online OSH module in our Learning Management System.

An Activity Based Work (ABW) environment was successfully implemented at our Osborne Park (Optima) location. This was undertaken through regular consultation with staff, addressing their health and safety concerns, and has resulted in safely transitioning staff into the ABW environment. Staff were provided with a safety kit at the time of moving to the new work environment including relevant information sessions and training.

Twelve one-hour training sessions were held to help staff understand the principles of ergonomics and to enable them to set up their workstations to their specific requirements.

During 2018-19, Mental Health was an important element of our Wellbeing Program. As undertaken in previous years, the Department celebrated R U OK Day and Mental Health Week. A calendar of events was developed based on different wellbeing topics within WA during the year. The Department offered a variety of awareness sessions as part of its ongoing commitment to enhancing employee wellbeing. A total of 28 such sessions were provided. Wellness topics included Building Resilience; Mindfulness; Stress Management; Growth Mindset; Promoting Good Mental Health. All Sessions were well attended and feedback was positive. In addition, articles promoting good health and wellbeing were published on the Department's intranet site.

Flu Vaccine Clinics were offered during April and May 2019, and a total of 326 employees participated.



Injury management

Early intervention injury management assistance was offered to all employees on an ongoing basis, to help them to either return to or remain at work after an injury or illness, whether this be work or non-work related.

The injury management system and return-to-work program are documented in our Injury Management Policy and supporting guidelines and all our processes are compliant with the requirements of the *Workers' Compensation and Injury Management Act 1981*.

Employee Assistance Program

The Department provides an Employee Assistance Program where employees and immediate family members can access confidential and professional counselling services. In 2018-19 there were 65 new referrals and 15 continuing referrals to the provider.

Personal issues represented the largest proportion of referrals at 83 per cent and 17 per cent of referrals were attributed to work related matters. Based on trends identified with the issues reported the Department was able to offer relevant employee well-being initiatives.

Public Sector Commissioner's Occupational Safety and Health (OSH) performance requirements 2018-19

Indicator	2016-17	2017-18	2018-19	Target	Comment on result
Number of fatalities	0	0	0	0	Target achieved.
Lost time injury and/or disease incidence rate	0.2	0.32	0.43	At least 0 or 10% reduction on the previous three years	Six claims were lodged in total, of which four were estimated lost time claims with the decision on one claim not made as at 30 June 2019.
Lost time injury and/or disease severity rate	0	33	75	At least 0 or 10% reduction on the previous three years	Three estimated lost time severity claims lodged during the year. One claimant has returned to pre-injury status and two are participating in a return to work program. Decision on one claim not made as at 30 June 2019.
Percentage of injured workers returned to work within 13 weeks	100%	33%	100%	Actual result to be stated	Target achieved.
Percentage of injured workers returned to work within 26 weeks	100%	67%	100%	Greater than or equal to 80%	Target achieved. All claimants returned to work within 13 weeks.
Percentage of managers trained in occupational safety, health and injury management responsibilities	38.3%	30%	82%	Greater than or equal to 80%	Target achieved. An ongoing training program is in place to continually train managers/supervisors on OSH and injury management.



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