



# 2015-16 Annual Report

Department of Treasury

Contents



# Statement of Compliance

**For year ended 30 June 2016**

**HON. DR M D NAHAN MLA**

**Treasurer; Minister for Energy;  
Citizenship and Multicultural Interests**

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 Treasury for the financial year ended 30 June 2016.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and any other relevant written law.



**Michael Barnes**

UNDER TREASURER

5 September 2016

# About this report

Our Annual Report is divided into seven main areas and is designed to provide useful, easy to read information about the function, structure and performance of the Department of Treasury for the financial year ending 30 June 2016.

The report also presents our audited financial statements and performance indicators for the reporting year 1 July 2015 to 30 June 2016.

A full copy of this document is available from our website at [www.treasury.wa.gov.au](http://www.treasury.wa.gov.au). Previous years' Annual Reports can also be found on our website.

On request, this report is available in an alternative format for those with visual impairment.

**Street Address:**

28 Barrack Street, Perth WA 6000

**Postal Address:**

Locked Bag 11, Cloisters Square WA 6850

**Telephone:** 61 8 6551 2777

**Facsimile:** 61 8 6551 2500

**Website:** [www.treasury.wa.gov.au](http://www.treasury.wa.gov.au)

**Email:** [info@treasury.wa.gov.au](mailto:info@treasury.wa.gov.au)

**TTY:** 133 677

ISSN 2200-8632 (Print)

ISSN 2200-8640 (Online)

Copyright © Department of Treasury 2016

# Table of contents

<b>Statement of Compliance</b>	<b>2</b>
<b>Overview</b>	<b>4</b>
Message from the Under Treasurer	4
About us	6
Our 2015-18 Strategic Plan	7
Our operational structure	8
Our Executive team	11
Legislation	14
Achieving Government goals	16
<b>Our Performance</b>	<b>19</b>
Government goal one: Financial and economic responsibility	20
Government goal two: Results-based service delivery	24
Government goal three: State building – major projects	28
Actual results versus Budget targets	31
<b>Significant Issues and Trends</b>	<b>33</b>
Government goal one: Financial and economic responsibility	34
Government goal two: Results-based service delivery	38
Government goal three: State building – major projects	41
<b>Our People</b>	<b>43</b>
<b>Governance</b>	<b>49</b>
<b>Financial Statements and Notes</b>	<b>53</b>
Certification of Financial Statements	53
Opinion of the Auditor General	54
Statement of Comprehensive Income	57
Statement of Financial Position	58
Statement of Changes in Equity	59
Statement of Cash Flows	60
Schedule of Income and Expenses by Service	61
Schedule of Assets and Liabilities by Service	62
Summary of Consolidated Account Appropriations and Income Estimates	63
Notes to the Financial Statements	67
<b>Key Performance Indicators</b>	<b>123</b>
Certification of Key Performance Indicators	123
Performance assessment	124
Measuring our performance	124
Ministerial directives	134
Other disclosures	134
Other legal requirements	134
Government policy requirements	135

# Message from the Under Treasurer

The economic and fiscal environment remained challenging throughout 2015-16 as Western Australia's economy continued a prolonged transition from unprecedented growth in business investment to more subdued activity underpinned by exports. The transition is having a significant impact on the State's revenue base, which contracted by 3.3% in 2015-16, following a contraction of 2% in 2014-15. A further contraction of 3.1% is projected for 2016-17.

These revenue reductions mean that general government operating deficits are unavoidable in the short term (despite significant effort – and success – in reducing expense growth), and have necessitated additional borrowings to fund the State's capital works program.

Reflecting these challenges, on 8 February 2016, Moody's Investors Service downgraded the State's credit rating from Aa1 (with a 'negative' outlook) to Aa2 (with a 'stable' outlook). Standard & Poor's (S&P) reaffirmed its AA+ (negative outlook) assessment for the State on 28 October 2015.

Against this background, the Department of Treasury has been leading the public sector in developing and implementing a range of corrective measures to constrain expenditure growth. The following new measures were introduced in 2015-16:

- reduced indexation of agencies' non-salaries expenses, with savings of \$185 million across the forward estimates;
- a new public sector wages policy announced in February 2016, which caps increases in wages and conditions to 1.5%, with savings of \$826 million over the forward estimates; and
- a recruitment freeze that was in place from 21 December 2015 until 12 May 2016, with exemptions for police officers and teachers;



*I sincerely thank the entire Treasury team for their tireless work in a demanding year.*

- the roll-out of [Agency Expenditure Reviews](#) across the general government sector, with total savings from these reviews of \$877 million.

Ensuring these savings measures are implemented effectively is an ongoing task, but one that is already yielding good results. General government expense growth in 2015-16 was just 2.4%, underpinned by the lowest increase in salaries expenditure for 17 years (2.6%).

Nevertheless, the substantial revenue challenges facing the State mean that the identification and implementation of further reforms to drive value for money outcomes will continue to be a key focus of Treasury's work going forward.

Reflecting that reform of the GST distribution continues to be a key priority for Western Australia, Treasury provided extensive advice and support to the State Government in its engagement with the Commonwealth throughout 2015-16. This included supporting the Premier and Treasurer during meetings of the Council of Australian Governments and the Council on Federal Financial Relations. In June 2016, Western Australia received a further GST 'top-up' grant of \$490 million from the Commonwealth, following a similar payment (of \$499 million) the year before.

The completion of the [Perth Market Authority](#) (PMA) sale in March 2016 was an important milestone for the State's asset sales program. The sale of the PMA to industry consortium Perth

Markets Ltd was completed without service disruption to clients or stakeholders. The \$135.5 million generated by the sale has been used to reduce the State's debt levels.

Divestment processes for the Utah Point Bulk Handling Facility (Utah Point) and Fremantle Port were also progressed and the enabling legislation was introduced into Parliament in November 2015 and May 2016 respectively.

The Old Treasury Buildings and Cathedral Square Redevelopment was completed in 2015-16 and was officially named the [David Malcolm Justice Centre](#) in March 2016. Treasury joined the Supreme Court of Western Australia and Department of the Attorney General as the key tenants in the new building in June 2016.

I sincerely thank the entire Treasury team for their tireless work in a demanding year. I am also pleased to acknowledge the permanent appointment of Mr Alistair Jones and Ms Kaylene Gulich to the Treasury Executive in the respective roles of Executive Director, Strategic Policy and Evaluation, and Executive Director, Infrastructure and Finance.



**Michael Barnes**

UNDER TREASURER



# About us

The Department of Treasury (Treasury) provides the State Government with independent economic and financial advice, and expert asset management.

## Our work

The Treasury business plays a central role in managing Western Australia's public sector finances and formulating and implementing the [State Budget](#).

We develop economic and revenue forecasts, and monitor developments in the State's economy, major revenue bases and public sector finances, to ensure Western Australia remains on track against the State Government's budgetary objectives and policies.

Our policy advisory role covers a range of issues, including public sector wages policy, Commonwealth-State financial relations, revenue policy, public sector superannuation policy, and advice on alternative models of service delivery and infrastructure provision, including public private partnerships.

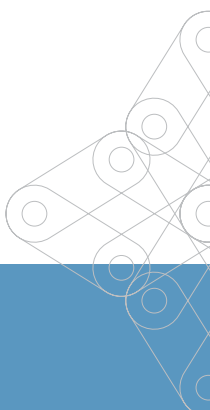
Through our [Strategic Projects and Asset Sales](#) business, we manage the State Government's largest and most complex non-residential building projects, including the [new Perth Stadium](#) and the [Perth Children's Hospital](#) as well as the Government's asset sales program.

## Our vision, mission, values and goals

In July 2015, Treasury launched its new [2015-18 Strategic Plan](#). Built around our vision, mission and values this plan details our six strategic goals over the 2015-18 period.

These goals are used to monitor our performance, define our priorities, and inform our annual business unit operational planning process and individuals' Development and Performance plans.

Treasury's fundamental values of **innovative thinking**, **committed people** and **working together** remain essential to achieving our Strategic Plan.



# Our 2015-18 Strategic Plan built around our vision, mission and values



## VISION

Achieving value for money outcomes for the people of Western Australia

## MISSION

Serving the public interest through the provision of expert economic and financial advice and asset management

## VALUES

Innovative thinking, committed people, working together

# Our operational structure

Treasury comprises four business units and one directorate that provides support to our people and the business units.

## Business Units

The **Economic** business unit advises and assists the Government with the management of the State's economy and finances, providing advice and analysis on:

- revenue policy;
- economic conditions;
- economic and revenue forecasts;
- Commonwealth-State financial relations; and
- whole-of-government financial management and reporting.

**Infrastructure and Finance** covers a diverse range of responsibilities including:

- financial support and oversight of the State's Government Trading Enterprises;
- infrastructure policy, planning and delivery;
- complex commercial transactions such as public private partnerships and asset divestment;
- analysis and advice on service delivery for a number of government agencies; and
- accounting and superannuation policy and operations.

**Strategic Policy and Evaluation** provides evaluation and advice on the efficiency and effectiveness of service delivery and infrastructure provision in key government agencies such as the [Departments of Health](#)

and [Education](#), [Western Australia Police](#) and other key social services agencies, including the [Department for Child Protection and Family Support](#) and the [Disability Services Commission](#).

**Strategic Projects and Asset Sales (SP&AS)** is responsible for the planning and delivery of the State's major non residential building projects. Projects are assigned to SP&AS on the basis of cost, uniqueness, complexity and risk, as directed by the [Economic and Expenditure Reform Committee](#). SP&AS is also responsible for oversight of the State's asset sales program.

## Deputy Under Treasurer Directorate

The Deputy Under Treasurer's directorates support priorities that fall across the department and across Government.

**Budget Coordination** facilitates the coordination, management and improvement of the annual budget cycle. It also manages the whole-of-government Strategic Information Management System to ensure accurate delivery of the State's financial position and production of key reports.

The **Strategic Response Unit:**

- develops and implements strategic, innovative and achievable solutions to economic and financial problems; and
- provides advice on reforms to government services and potential revenue and savings measures.



In July 2015, Treasury's Finance, Risk and Audit and Business Development directorates merged to create the **Corporate Strategy and Performance** directorate, which provides support to our people and the business through:

- human resource management;
- organisational and learning and capability development;
- workforce strategies;
- strategic information and communications;
- governance, project and risk management and internal compliance advice; and
- internal budget management.

## Support from the Department of Finance (Finance)

Treasury receives support from [Finance](#) through the provision of specific corporate and business support services. These shared services include our recordkeeping system, our information and communication technology help desk, and advice on Freedom of Information matters and occupational safety and health.

SP&AS receives additional support across financial and contract administration systems as well as resources from Finance's Building Management and Works business unit.

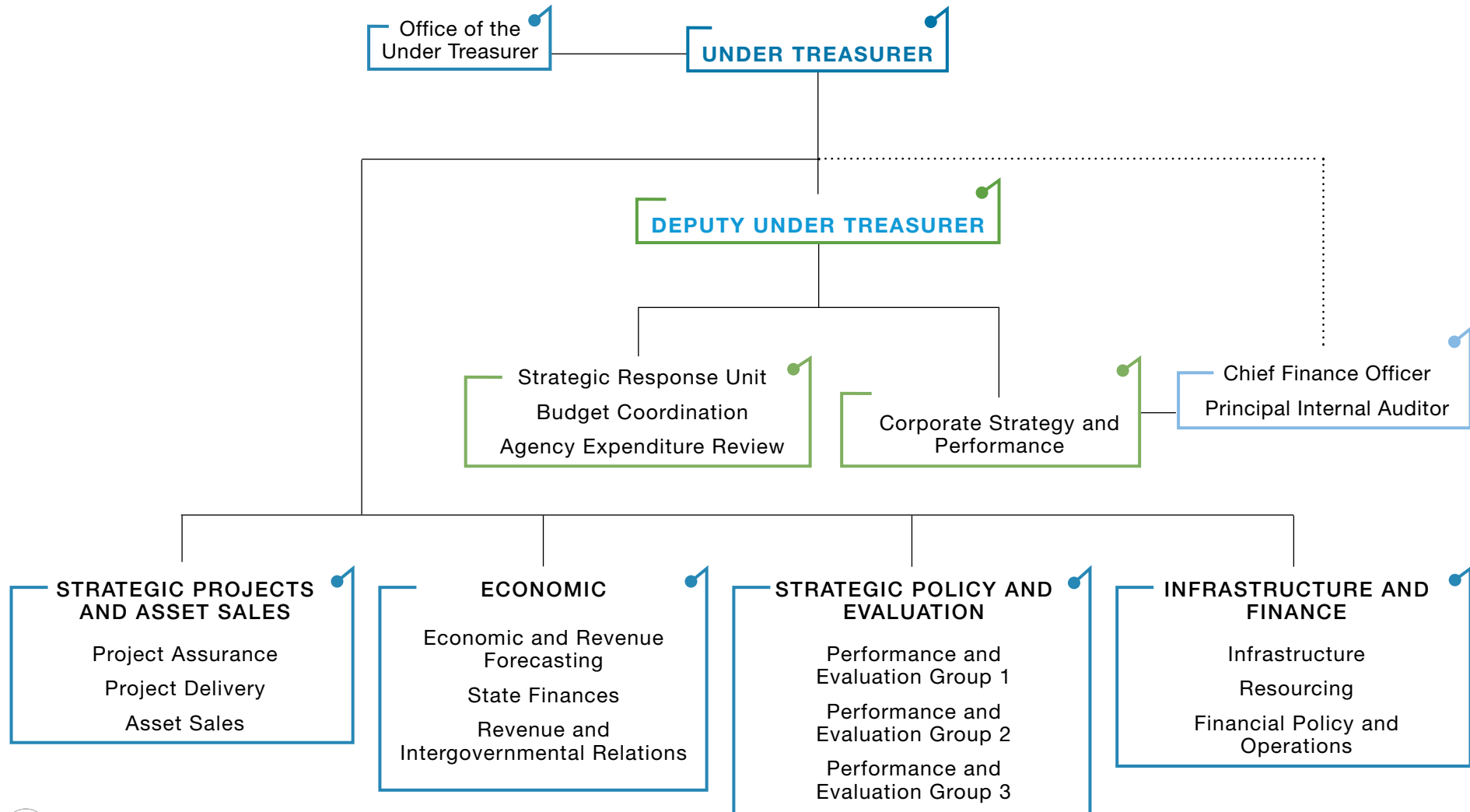
## Responsible Minister



**Hon. Dr Michael (Mike) Dennis Nahan MLA**

Treasurer; Minister for Energy; Citizenship and Multicultural Interests

# Our organisational structure



# Our Executive team



## **Michael Barnes** BBus (Hons) **Under Treasurer**

Michael Barnes was appointed to the position of Under Treasurer in April 2015, having acted in the role since February 2014.

Prior to this, he spent more than five years as the Deputy Under Treasurer after holding a number of senior positions across the Department of Treasury of Western Australia, mainly in the areas of revenue policy, fiscal strategy, and whole-of-government financial management and reporting.

Michael joined Treasury in 1997 after starting his career as a graduate in the Commonwealth Treasury in 1992. He is chair of Treasury's Corporate Executive and [Budget Management Committees](#), chair of the [Western Australian Treasury Corporation Board](#), and a member of the [Gold Corporation Board](#).

## **Michael Court** BEcons (Hons) **Acting Deputy Under Treasurer**

Michael has been Acting Deputy Under Treasurer since February 2014, following more than five years as the Executive Director of Treasury's Economic business unit.

In this role, Michael assists the Under Treasurer in the management of Treasury, with a primary focus on whole-of-government budget management and fiscal strategy and other priority strategic issues. Michael is also responsible for Treasury's corporate service functions.

Michael joined Treasury in 1997, after working in the [Department of Foreign Affairs and Trade](#) and the [Commonwealth Treasury](#).

Michael chairs the quarterly Public Sector Financial Management Committee and the Department's [People and Communications Committee](#), and is a member of the [Electricity Market Review Steering Committee](#).





## **Richard Mann** BEng

### **Executive Director Strategic Projects and Asset Sales**

Richard leads the Strategic Projects and Asset Sales (SP&AS) team, and is charged with managing the planning and delivery of the State's major building projects and managing asset sales on behalf of the State.

In his role as Executive Director, SP&AS, Richard has overseen 23 major building projects with a combined capital value of more than \$8.5 billion. In addition, the SP&AS asset sales unit has completed the

divestment of the Perth Market Authority's Market City, with detailed due diligence also continuing for the proposed long-term leases of Fremantle Port and the Utah Point bulk handling facility in Port Hedland.

Richard is a civil engineer with over 25 years' experience managing building and infrastructure projects throughout Western Australia.

## **Kaylene Gulich** BCom, BSocSc (Hons), MLM, MBA

### **Executive Director Infrastructure and Finance**

Kaylene joined Treasury in 2002 and, after acting as Executive Director of Infrastructure and Finance since April 2013, was appointed to the role in September 2015. She is responsible for the management and governance of Government Trading Enterprises, supporting the State's financial management and infrastructure development, legislative and accounting standards advice, and supporting efficient and effective delivery of services.



Kaylene chairs our [Diversity Committee](#), participates in several cross-agency steering committees and is a Director of the [Western Australian Treasury Corporation](#), a member of the Infrastructure Coordinating Committee and a member of [CPA Australia](#).



**Alistair Jones** BCom, MComms  
**Executive Director**  
**Strategic Policy and Evaluation**

Alistair was permanently appointed Executive Director of Strategic Policy and Evaluation in September 2015 after having acted in the role since June 2012.

Alistair and his team are responsible for managing the provision of advice on the efficiency and effectiveness of service delivery in key State Government agencies.

Alistair joined Treasury in 2008, having previously worked in the Commonwealth public sector, local government and the private sector in a number of policy and communications roles.

Alistair also chairs the Department's [Information and Communications Technology Committee](#).

**Richard Watson** BEcons (Hons), M.Phil  
**Acting Executive Director**  
**Economic**

Richard returned to Treasury in 2014, having spent the previous four years with a leading professional services firm. Between 2005 and 2009, Richard worked primarily in Treasury's Revenue and Intergovernmental Relations division.

Richard and his team are responsible for the provision of advice, systems and operations critical to the State's financial management, revenue policies and Commonwealth-State financial relations.





# Legislation

## Enabling legislation

Treasury is established under the *Public Sector Management Act 1994*.

## Administered legislation

Treasury assists the Treasurer in administering the following Acts:

- *Advance Bank (Merger with St. George Bank) Act 1998*
- *Appropriation (Consolidated Fund) Acts (various)*
- *Auditor General Act 2006*
- *Australia and New Zealand Banking Group Act 1970*
- *Australia and New Zealand Banking Group Limited (NMRB) Act 1991*
- *Australia and New Zealand Banking Group Limited (Town & Country) Act 1995*
- *Bank Mergers Act 1997*
- *Bank Mergers (Taxing) Act 1997*
- *Bank of South Australia (Merger with Advance Bank) Act 1996*
- *Bank of Western Australia Act 1995*
- *Bell Group Companies (Finalisation of Matters and Distribution of Proceeds) Act 2015\**
- *Coal Industry Superannuation Act 1989*
- *Electricity Industry Act 2004 (Part 9A only)*
- *Fire and Emergency Services Superannuation Act 1985*
- *Financial Agreement Act 1928*
- *Financial Agreement Act 1995*
- *Financial Management (Transitional Provisions) Act 2006*
- *Financial Management Act 2006*
- *Financial Relations Agreement (Consequential Provisions) Act 1999*
- *Fiona Stanley Hospital Construction Account Act 2007*
- *Government Financial Responsibility Act 2000*
- *Judges' Salaries and Pensions Act 1950*
- *Loan Acts (various)*
- *Parliamentary Superannuation Act 1970*
- *Perth Building Society (Merger) Act 1986*
- *Perth Market (Disposal) Act 2015*
- *Railways (Access) Act 1998*
- *Royalties for Regions Act 2009* (Pt. 2 only, except s. 9 & 10, which are administered by the Department of Regional Development)
- *State Bank of South Australia (Transfer of Undertaking) Act 1994*
- *State Enterprises (Commonwealth Tax Equivalents) Act 1996*
- *State Entities (Payments) Act 1999*
- *State Superannuation Act 2000*
- *State Trading Concerns Act 1916*
- *Statistics Act 1907*
- *Supply Acts (various)*
- *The Bank of Adelaide (Merger) Act 1980*
- *The Commercial Bank of Australia Limited (Merger) Act 1982*
- *The Commercial Banking Company of Sydney Limited (Merger) Act 1982*

- *Treasurer's Advance Authorization Acts (various)*
- *Unclaimed Money (Superannuation and RSA Providers) Act 2003*
- *Unclaimed Money Act 1990*
- *WADC and WA Exim Corporation Repeal Act 1998*
- *Western Australian Future Fund Act 2012*
- *Westpac Banking Corporation (Challenge Bank) Act 1996*

\* On 16 May 2016 the High Court of Australia declared this Act to be invalid in its entirety. (See *Bell Group N.V. (in liquidation) v Western Australia* [2016] HCA 21).

## Other key legislation impacting on our activities

In the performance of our functions, Treasury complies with relevant written laws including:

- *Aboriginal Heritage Act 1974*
- *Botanic Gardens and Parks Authority Act 1998*
- *Building Act 2011*
- *Casino (Burswood Island) Agreement Act 1985*
- *Constitution Act 1889*
- *Constitution Acts Amendment Act 1899*
- *Construction Contracts Act 2004*
- *Contaminated Sites Act 2003*
- *Corruption and Crime Commission Act 2003*
- *Criminal Code 1913*
- *Dangerous Goods Safety Act 2004*
- *Disability Services Act 1993*
- *Electronic Transactions Act 2003*
- *Environmental Protection Act 1986*
- *Evidence Act 1906*
- *Equal Opportunity Act 1984*
- *Freedom of Information Act 1992*
- *Government Railways Act 1904*
- *Heritage of Western Australia Act 1990*
- *Industrial Lands (Kwinana) Agreement Act 1964*
- *Industrial Relations Act 1979*
- *Land Administration Act 1997*
- *Limitation Act 2005*
- *Local Government Act 1995*
- *Main Roads Act 1930*
- *Metropolitan Redevelopment Authority Act 2011*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Personal Property Securities (Commonwealth Laws) Act 2011*
- *Public Transport Authority Act 2003*
- *Port Authorities Act 1999*
- *Planning and Development Act 2005*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Public Works Act 1902*
- *Queen Elizabeth II Medical Centre Act 1966*
- *Rights in Water and Irrigation Act 1914*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Swan and Canning Rivers Management Act 2006*
- *Workers Compensation and Injury Management Act 1981*

# Achieving Government goals

Five Government goals guide the development of policies, programs and services within Western Australian government agencies. Given the variety and diversity of public agencies in Western Australia, not all of the goals are equally applicable to all agencies.

At Treasury we focus on the goals of responsibly managing the State's finances, achieving results in key service delivery

areas for the benefit of all Western Australians, and building strategic infrastructure.

The following section shows these three goals and the specific outcomes we deliver against each goal. This Annual Report includes further information on the outcomes, achievements and future challenges relating to each goal.

## Performance Management Framework

### Outcome Based Management Framework

#### Government goal: Financial and economic responsibility

Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.

Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Sustainable and transparent public sector finances	Status of the State's credit rating Unqualified audit opinion on the Annual Report on State Finances Percentage of approved asset sales program completed within agreed timeframes	Financial management and reporting Manage the Government's asset sales program (excluding land sales)	Percentage of financial reports released as per agreed timeframes Percentage of approved asset sales program completed within agreed budgets
A strong and competitive State economy	Accuracy of key general government revenue forecasts: <ul style="list-style-type: none"> <li>- tax revenue</li> <li>- mining revenue</li> </ul> Accuracy of key economic forecasts (percentage point difference): <ul style="list-style-type: none"> <li>- employment growth</li> <li>- real State Final Demand growth</li> </ul>	Economic and revenue forecasts and policy development	Number of Ministerials, briefings or reports provided on economic issues

## Government goal: Results-based service delivery

Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

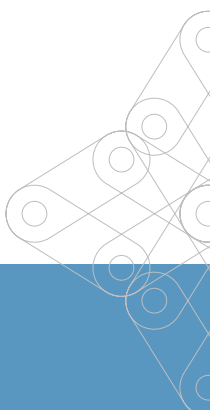
Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Value for money outcomes in service delivery and infrastructure provision	<p>Percentage of the Department's material resource allocation recommendations complying with the Service Provision Analysis Framework</p> <p>Percentage of highest value agencies complying with the Strategic Asset Management Framework or equivalent accredited mechanism</p>	Evaluation and planning of Government service delivery and infrastructure provision	Number of Economic and Expenditure Reform Committee papers on service delivery and infrastructure advice

## Government goal: State building – major projects

Building strategic infrastructure that will create jobs and underpin Western Australia's long-term economic development.

Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Value for money from the management of the Government's non-residential buildings and public works	<p>Percentage of significant projects in the New Buildings program delivered within approved:</p> <ul style="list-style-type: none"> <li>- budget</li> <li>- timeframe</li> </ul>	Leads the planning and delivery of new Government buildings	Cost as a percentage of the total annual value of the planning and delivery of capital works projects

This page has been  
left blank intentionally





# Our Performance



**This section outlines our key achievements and performance for 2015-16 and provides an overview of the external environment.**

# Government goal one:

## Financial and economic responsibility

### Economic and financial conditions

Growth in the Western Australian economy was well below trend in 2015-16, reflecting a continued decline in business investment from its 2012-13 peak. As key commodity prices weakened further, companies responded by continuing to cut costs, while households constrained discretionary spending. Despite the domestic economy (as measured by State Final Demand) contracting for a third consecutive year, growth in the overall economy (as measured by Gross State Product) is being supported by a robust expansion in exports.

The weak domestic economy and lower commodity prices have made for a challenging fiscal environment, with:

- a decline in full-time employment and record low wages growth reducing payroll tax revenue;
- modest income and population growth flowing through to softer residential property market conditions and weaker underlying transfer duty revenue; and
- declining commodity prices more than offsetting the impact of a lower exchange rate and higher iron ore volumes on royalty income and North West Shelf grants.

Combined with a decline in GST revenue and tied Commonwealth grants, these trends resulted in total general government operating revenue declining for a second consecutive year.

### Commonwealth-State relations

Reflecting that reform of the GST distribution is a key priority for Western Australia, Treasury provided extensive advice and support to the State Government in its engagement with the Commonwealth Government throughout 2015-16, including:

- advice on a proposal to quarantine North West Shelf grants from the GST distribution process in recognition of substantial investment by the State that was crucial to the project proceeding;
- advice on a submission to the [Senate Finance and Public Administration Legislation Committee](#) regarding a Commonwealth Bill aimed to address the time lags in the GST distribution process; and
- supporting the Premier and Treasurer during meetings of the [Council of Australian Governments](#) and [Council on Federal Financial Relations](#), including engagement on the need for Western Australia to receive a further

GST top-up grant given the State's GST relativity remains at 30% of its population share in 2016-17 (for the second year in a row). The Commonwealth Government subsequently provided Western Australia a \$490 million grant in June 2016 in recognition of its low GST grant share.

Throughout 2015-16, Treasury also provided four formal submissions to the [Commonwealth Grants Commission's](#) (CGC's) 2016 update.

Treasury's engagements helped safeguard Western Australia from losing an estimated \$170 million per annum in GST by ensuring the CGC's treatment of wage costs remained unchanged.

As well as leading the State's engagement on the [Northern Australia Infrastructure Facility](#), which will offer up to \$5 billion in Federally-funded finance for private sector investors developing economic infrastructure in the north, Treasury also collaborated with the [Department of the Premier and Cabinet](#) and other agencies to provide advice on proposals being considered as part of the Commonwealth's National Tax Reform and Reform of the Federation White Paper processes.

## Asset Sales

The completion of the [Perth Market Authority](#) (PMA) sale in March 2016 was an important milestone for the State's asset sales program. The sale of the PMA to industry consortium Perth Markets Ltd was completed without service disruption to

clients or stakeholders. The \$135.5 million generated by the sale has been used to reduce the State's debt levels.

Divestment processes for the [Utah Point Bulk Handling Facility](#) (Utah Point) and [Fremantle Port](#) were also progressed and the enabling legislation was introduced into Parliament in November 2015 and May 2016 respectively. The *Pilbara Port Assets (Disposal) Bill 2015* (the Bill), supporting the Utah Point transaction, passed through the [Legislative Assembly](#) in February 2016. Through the [Legislative Council's](#) consideration process, the Bill was referred to the [Standing Committee on Legislation](#) in March 2016 for inquiry and report.

Treasury made a submission to the Committee in April 2016 to support consideration of the Bill, and responded to requests for further information throughout May and June 2016. Treasury also oversaw the drafting of the *Fremantle Port Assets (Disposal) Bill 2016*, which was introduced to the Legislative Assembly in May 2016.

Treasury has also worked closely with [Keystart](#) to progress the partial divestment of its loan book. Following the February 2016 appointment of the Lead Financial Advisor, an invitation for Expressions of Interest was released in March 2016, with a subsequent evaluation in April selecting interested parties for the submission of proposals in May. After a June 2016 evaluation process, shortlisted parties are now conducting due diligence prior to submitting final proposals.



Fremantle Port, Inner harbour



# Case Study

## Managing expense growth

Government goal: Financial and economic responsibility

### Issue

Over the decade to 2014-15, general government (GG) expenses grew by an average of 7.7% per annum.

With GG revenue expected to decline for a third consecutive year in 2016-17, limiting expense growth has been a priority in recent Budgets and Mid-year Reviews (MYR), with the implementation of a range of savings measures and the approval of new spending limited primarily to meet demand for essential services.

As a result, GG expenses grew by just 2.2% in 2014-15, the lowest annual increase in 20 years, and by a similarly low 2.4% in 2015-16.

### Approach

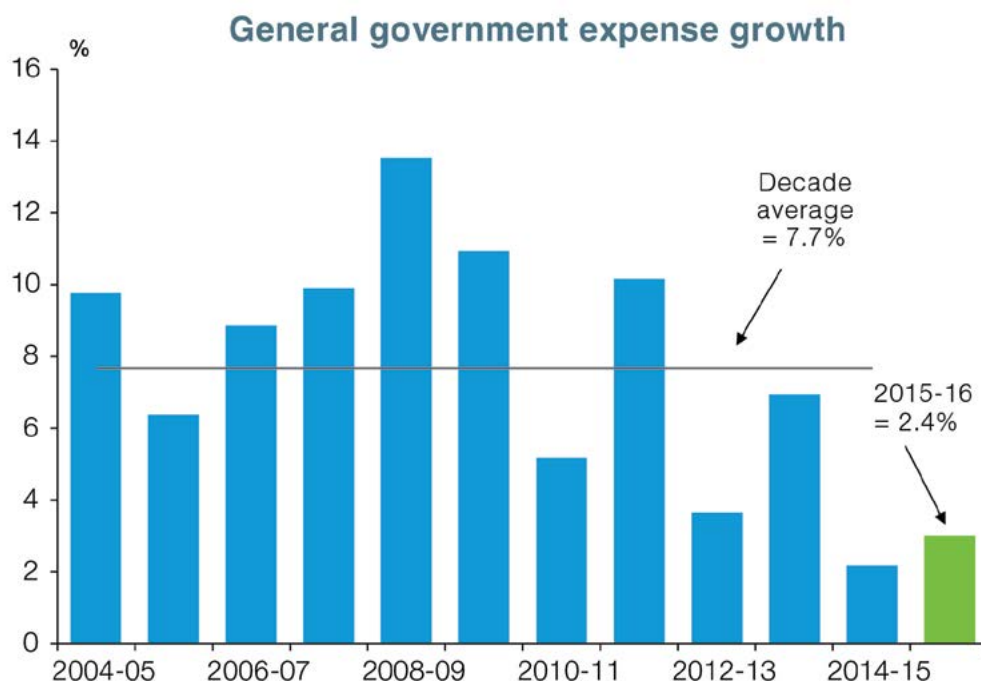
Various Treasury teams have played a key role in identifying, developing and implementing measures to rein in spending growth, including growth in salaries costs. Commencing in mid-2008 with the need to respond to the impact of the Global Financial Crisis on the State's finances, several packages of revenue and savings measures have been developed by Treasury and subsequently implemented by Government.

Treasury has worked collaboratively to identify and analyse options to improve the efficiency of spending across government, preparing detailed recommendations to Government. This has involved significant research, policy and financial analysis, as well as engagement with other government agencies.

As a result of Treasury's recommendations, the Government has announced revenue and savings measures with an aggregate \$25.4 billion impact on GG sector operating outcomes, since it came to office in September 2008. A total of \$17 billion of these measures has been from spending initiatives.

During 2015-16 Treasury supported the implementation of new measures to restrain growth in spending in both the [2015-16 MYR](#) and the [2016-17 Budget](#). The 2015-16 MYR announced a range of expense-related measures with estimated savings of over \$900 million, including:

- a temporary recruitment freeze and salaries underspending target (which was subsequently achieved);
- reduced indexation for non-salary expenses;



- expansion of the [Agency Expenditure Review \(AER\)](#) process to a further six government agencies; and
- reforms to Government Regional Officer Housing.

In the 2016-17 Budget further measures were announced to assist in achieving more sustainable public sector salaries expenditure and improve service delivery efficiency, including:

- public sector wages policy amendments limiting increases in wages and associated conditions to 1.5% per annum, applicable to all agreements as they expire from 1 June 2016; and
- a third tranche of AERs covering a further 54 agencies (later increased to 55).

Together, these 2016-17 Budget measures will deliver estimated expense savings of over \$1.2 billion over the four years to 2019-20.

## Outcome

The 2015-16 expense growth outcome of 2.4% demonstrates the success of Treasury's continued development and implementation of savings measures. Growth in salaries costs in 2015-16 was just 2.6%, the lowest in 17 years. These outcomes build on the 2.2% expense growth recorded in 2014-15, which was the lowest rate of growth since 1998-99.

This has been a very significant turnaround. To put the 2.4% expense growth outcome for 2015-16 in context, had expenses instead grown by the decade average of 7.7%, then all else equal, the GG operating deficit for 2015-16 would have been \$3.6 billion, rather than the \$2 billion outcome actually recorded.



# Government goal two: Results-based service delivery

## Energy Market Reform

Treasury has been providing support to the [Department of Finance](#) as the lead agency responsible for Phase 2 of the [Electricity Market Review](#) (EMR) underway since March 2015. The EMR aims to give effect to the Government's objectives of reducing electricity costs, reducing Government exposure to energy market risk and attracting private sector participation.

Significant reform steps taken in 2015-16 include the:

- June 2016 introduction of the *Energy Legislation Amendment and Repeal Bill 2016*, *National Electricity (WA) Bill 2016* and *National Gas Access (WA) Amendment Bill 2016* into Parliament;
- transfer of Wholesale Electricity Market operating functions and administering the gas services

information regime from the Independent Market Operator (IMO) to the [Australian Energy Market Operator](#), as well as transfer of the IMO's compliance and enforcement functions to the [Economic Regulation Authority](#);

- development of regulations for the transfer of system management functions from [Western Power](#) to the Australian Energy Market Operator; and
- announcement of transitional arrangements to reduce capacity payments to power stations and demand-side management providers and the introduction of a capacity auction by 2021.

Treasury is represented on the steering Committee overseeing Phase 2 of the EMR, with Treasury staff also involved in working groups reporting to the Committee.



## Health

In 2015-16, Treasury provided support to [WA Health](#) on drafting of the new *Health Services Bill*. The Bill received Royal Assent on 26 May 2016, and modernises the governance and delivery of the State's health system by providing a new framework for the roles, responsibilities and accountabilities at each level of the system. Treasury also participated in readiness reviews to facilitate the establishment and operations of the new Health Services as statutory authorities, and of the [Department of Health](#) as the health system manager. These arrangements took effect from 1 July 2016.

## Implementation of the Education Cost and Demand Model

Treasury worked with the [Department of Education](#) (Education) throughout 2015-16 to facilitate the development and implementation of a comprehensive Cost and Demand Model (CDM). The CDM was applied by Education for the first time as part of the 2016-17 Budget process informing the Government of appropriate funding levels for 2016-17, and across the forward estimates.

The CDM takes into account student enrolment forecasts, allocations to schools made through the Student Centred Funding Model, as well as forecasts of cost parameters. It also accounts for non-State revenue sources, including the provision of Students First funding by the Commonwealth, to determine the appropriate level of recurrent appropriation to Education.

## Streamlined Budget Process

Following its successful implementation in the 2015-16 Budget, Treasury coordinated the Streamlined Budget Process (SBP) for the 2016-17 Budget.

By allocating a small financial incentive to low risk general government agencies to not participate in the annual Budget process, the SBP enables Government to focus its efforts throughout the Budget process on issues materially impacting the State's finances.

A total of 32 eligible agencies opted-in to the SBP during the 2016-17 Budget. The combined incentive funding provided to these agencies represented only 2.9% of the total appropriations to general government agencies approved through the 2016-17 Budget. This modest cost to government enabled a simpler and better targeted Budget process for all stakeholders.

## Agency Expenditure Reviews

Throughout 2015-16, Treasury project-managed the implementation of tranches one and two of the AER process, announced as part of the [2014-15](#) and [2015-16 Mid-year Reviews](#) respectively. Eight agencies participated in tranche one, with a further six subjected to review in the first half of 2016. By June 2016, 14 appropriation-funded agencies had undergone reviews, identifying savings measures which contributed to a net debt improvement of around \$416 million over the period 2015-16 to 2019-20.

# Case Study

## Sale of Perth Market Authority

Government goal: Results-based service delivery

### Issue

The proposed sale of the [Perth Market Authority \(PMA\)](#) was announced in August 2014 as part of the State Government's asset sales program. The PMA was the Statutory Authority responsible for the management of [Market City](#) – Western Australia's central wholesale trading and distribution hub for fruit and vegetables. Treasury was tasked with leading the sale process, with support from relevant agencies and specialist advisors.

### Background

Acknowledging that the State had not undertaken an asset divestment of this type in recent history, the Government committed that no asset would be sold without appropriate analysis, to ensure any sale would be in the interests of the public.

The valuable role of Market City, with more than 200,000 tonnes of fresh produce traded and approximately \$500 million of turnover annually, was reflected

in the PMA sale process, guided by five objectives set by Government:

- maximise transaction proceeds and the financial return for the State within approved transaction parameters;
- ensure the sustainable operation and growth of the market function;
- minimise residual financial risks and liabilities for the State;
- facilitate private sector investment for the future; and
- complete the project within the timeframes and in accordance with appropriate probity and accountability standards.

### Approach

To assist in facilitating the sale, Treasury appointed Ernst & Young as Lead Financial Advisor, other specialist advisors, and Stantons International as the project's probity advisor. Treasury also engaged with relevant agencies including ongoing consultation with the [State Solicitor's Office](#) and the [Department of Agriculture and Food](#).



Following detailed due diligence activities throughout 2014-15, the Government approved in June 2015 the commencement of the sale of Market City and control measures to ensure the continuation and growth of the wholesale market function. Two key control measures for market continuity, both mandatory for 20 years, were to:

- continue operating the Central Trading Area exclusively as a wholesale fruit and vegetable market; and
- deliver additional warehouse storage for market-related purposes, as part of any future development plans.

Key activities undertaken in 2015-16 to facilitate the sale included:

- a two-stage sale transaction involving Expressions of Interest and Request for Detailed Proposals, which required respondents to detail their vision for the market and demonstrate proposed market continuity measures;
- the *Perth Markets (Disposal) Bill 2015* enabling legislation provided the legal framework for the sale and included the key control measures; and

- negotiation of the Sale Contract with the successful bidder, providing the framework for transition of ownership and enforcing the control measures.

In December 2015, the Government approved the appointment of industry consortium Perth Markets Ltd (PML) as the preferred bidder. Negotiations between the State and PML were finalised in February 2016, and PML was confirmed as the successful bidder for the purchase of Market City.

## Outcome

PML assumed ownership of Market City on 31 March 2016, with the sale generating proceeds of \$135.5 million to the State.

The project was delivered on time, within budget and in line with the key objectives.

Key to the project's success was support across Government, clarity of objectives and committed people. The PMA asset sale has provided valuable lessons for Treasury that are now being applied in other divestment processes.



# Government goal three: State building – major projects

## Capital works portfolio

During 2015-16, [Strategic Projects and Asset Sales](#) (SP&AS) was responsible for the planning and delivery of a portfolio of 16 major non-residential building projects, with a combined capital value of approximately \$6.5 billion.

The portfolio reduced from 18 projects in 2014-15, reflecting the formal handover of completed projects to the responsible asset owner agencies concluding SP&AS's involvement in project management.

The 2015-16 project portfolio included:

- [Perth Children's Hospital](#) – \$1.2 billion;
- [Perth Stadium](#) – \$918 million;
- [Old Treasury Buildings](#) (OTB) and Cathedral Square Redevelopment – \$500 million (funded by private sector/City of Perth);
- new [WA Museum](#) – \$433 million;
- [WA Schools Public Private Partnership](#) (PPP) – \$370 million; and
- [Eastern Goldfields Regional Prison](#) – \$232 million.

## Major building projects

As a result of further delays to the construction and commissioning of the new \$1.2 billion, 298-bed Perth Children's Hospital, practical completion is now

expected in early 2016-17. Full operations are currently planned to commence in late 2016 representing a delay of approximately six months relative to the original business case. The project remains on track for delivery within the approved capital works budget.

The Eastern Goldfields Regional Prison (a new 350-bed, multi-security facility for male and female prisoners) also experienced significant construction and commissioning delays during 2015-16. Completion was achieved in July 2016 (delayed from the original November 2015 target) with commencement of custodial services expected in August 2016. Despite delays, this project is also within budget.

Construction of the Perth Stadium continued to progress well, with the \$918 million, 60,000-seat venue on target for completion by the end of 2017. Construction of the \$38 million [Sarich Neurosciences Research Institute](#) at the [Queen Elizabeth II Medical Centre](#) also continued and is now well advanced, with completion expected in early 2017.

Design of the \$207 million [Karratha Health Campus](#) also progressed and preparatory site works by [LandCorp](#) were completed, in readiness for commencement of construction of the new Health Campus by the end of 2016.



Brookfield Multiplex was appointed as the Managing Contractor for the design and construction of the new museum for Western Australia at the [Perth Cultural Centre](#) (the major component of the \$433 million total project budget) in July 2016.

## Projects delivered

Completed in 2015-16, the [OTB and Cathedral Square Redevelopment](#) realised the long-held vision for revitalisation of this heritage precinct. The redevelopment (total cost estimated in excess of \$500 million) includes:

- the COMO (the Treasury Hotel) (opened in November 2015);
- the OTB office tower (fitout completed in June 2016);
- new City of Perth Public Library and Cathedral Square Plaza (opened in March 2016); and
- 565 Hay Street (occupied by the [State Administrative Tribunal](#) in July 2015).

The OTB office tower was officially named the David Malcolm Justice Centre in March 2016. In June 2016, Treasury joined the [Supreme Court of Western Australia](#) and [Department of the Attorney General](#) as the key tenants in the new building.

The Fiona Stanley Hospital (incorporating the State Rehabilitation Service), [Midland Health Campus](#) and [Acacia Prison Expansion](#) projects were formally closed out and handed over to the respective asset owners ([WA Health](#) and [Corrective Services](#)) during 2015-16.

Following a review of the [Department of Agriculture and Food](#) Metropolitan Administration Facilities project, the State Government resolved to examine a significantly revised scope under a new planning process. The project was reassigned to the [Department of Finance](#) as the lead agency, with SP&AS maintaining an ongoing role in project governance.

## Schools Package

In September 2015, the State signed a public private partnership contract with EduWest Partners for the design, construction and ongoing facilities management of a package of schools comprising four primary schools and four secondary schools.

The four primary schools will be completed in time for handover to the [Department of Education](#) for the start of the 2017 school year. The secondary schools will be delivered progressively, with the first stage of the first school



ready for the 2018 school year and the final stage of the last school to be handed over for the start of the 2023 school year. EduWest Partners will be responsible for the ongoing facilities management of the schools to the end of 2047.

Treasury will oversee the design and construction phase of the project to ensure required standards are met and facilities handed over to Education ready for use by the required dates.

## Strategic Asset Management Framework

The [Strategic Asset Management Framework](#) (SAMF) contains the Government's policies and standards for [Strategic Asset Plans](#) (SAPs) and investment proposals by agencies for consideration during the Budget process.

In 2015-16 Treasury continued to maintain the SAMF guidance and oversee its implementation including:

- new policy and financial guidelines on the Government's [Land Asset Sales Program](#) developed in consultation with the [Department of Lands](#);
- liaison with Government Trading Enterprises to assist in the development of their inaugural SAPs for the 2016-17 Budget; and
- the first annual report to the [Economic and Expenditure Reform Committee](#) on SAMF implementation, demonstrating a positive appraisal of most agencies' progress.

## Asset Investment Program

Treasury plays a key role in the monitoring, reporting, planning and providing strategic advice to the Government on the performance of the State's Asset Investment Program (AIP), including social and economic infrastructure such as hospitals, schools, roads, power, water and public transport.

Treasury coordinated a third round of 5% AIP efficiency measures for selected agencies in 2015-16, in recognition of continuing low growth in building and construction costs and highly competitive construction sector conditions. These measures are expected to achieve savings of \$95 million by 2018-19, in addition to \$1 billion in savings over the period 2014-15 to 2018-19 from two previous rounds of AIP efficiencies.

Treasury also assisted [Western Power](#) and the [Water Corporation](#) in identifying a further \$420 million in AIP savings by 2019-20, reflecting:

- more favourable tender outcomes;
- better targeting of asset investment to higher priority and value for money projects;
- lower anticipated demand for growth-driven projects; and
- a shift in focus from expansive asset construction to the operation and maintenance of existing assets.

Together, the above efficiency measures have achieved savings of more than \$1.5 billion over the period 2014-15 to 2019-20.

# Actual results versus Budget targets

## Financial targets

### Total cost of services

Treasury commenced 2015-16 with an initial expense limit of \$310 million. During the year this increased to a final approved expense limit of \$328 million due to the net impact of:

- a \$16 million increase in Strategic Projects' works turnover; and
- a \$2 million increase for the progression of the asset sales program.

The actual 2015-16 expense limit result of \$269 million was \$59 million below the final approved target of \$328 million,

mainly reflecting lower than anticipated progress of the major capital works programs that are at various stages of completion.

### Expenses (excluding Strategic Projects works turnover)

Excluding Strategic Projects' works turnover, the actual expense outturn for 2015-16 was \$72.5 million, \$0.5 million (or 0.7%) more than the estimated actual. This is mainly attributable to accrued expenses associated with the asset sales program, partly offset by salary underspends.

Financial targets	2015-16 Target \$000	2015-16 Estimated Actual \$000	2015-16 Actual \$000	Variation from Estimated Actual \$000
Total cost of services (expense limit)	310,182	328,090	269,418	-58,672
Expenses (excluding Strategic Projects' works turnover)	70,064	72,042	72,516	474
Net cost of services	70,064	71,974	72,692	718
Total equity	18,187	22,481	22,951	470
Net increase/(decrease) in cash held	(518)	(2,720)	56,871	59,591
Approved salary expense level	31,526	32,477	27,892	-4,585
Approved full-time equivalent staff level – average over the full year	312	301	293	-8

Working cash targets	2015-16 Agreed Limit \$000	2015-16 Target/Actual \$000	Variation \$000
Agreed working cash limit (at Budget)	14,907	14,907	n/a
Agreed working cash limit (at Actuals)	16,006	76,260	60,254

### Net cost of services

The actual 2015-16 net cost of services of \$72.7 million was \$0.7 million more than the estimated actual. This was mainly due to the timing of collections of income from client agencies in relation to the delivery of major projects, as well as accrued expenses associated with the asset sales program.

### Cash held

Cash held at the end of the year was \$60.2 million above the agreed working cash limit of \$16 million. The increase in cash was mainly due to the timing of collections of income from client agencies in relation to the delivery of major projects.

### Approved salary expense level

The actual salary expense level was \$4.6 million less than the approved salary expense level of \$32.5 million. The underspend was driven by an average employee vacancy rate of 4% during the year.

### Full-time equivalent

Actual FTEs of 293 were lower than the budgeted amount due to the continued recruitment management practices and the general government recruitment freeze.



# Significant Issues and Trends



**This section identifies our current and emerging challenges, and future opportunities. It details our major projects and outlines what we plan to deliver throughout 2016-17.**



# Government goal one: Financial and economic responsibility

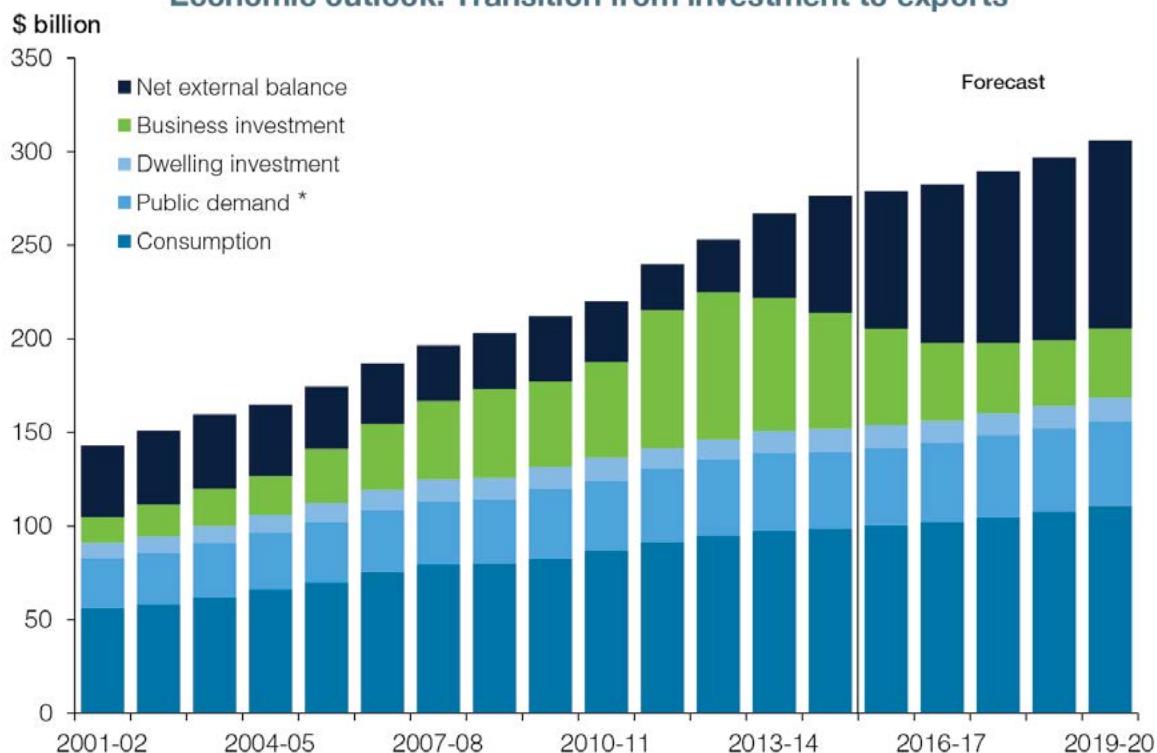
## Economic and fiscal outlook

Economic growth in Western Australia is expected to remain well below trend in 2016-17, with the domestic economy contracting for a fourth consecutive year. This is despite a further expansion in exports due to increases in iron ore volumes (primarily as the Roy Hill project expands) and production from new LNG trains (most notably the Gorgon project).

On average, the iron ore price is expected to be slightly lower over 2016-17, with additional supply from Brazil and Australia occurring in the context of moderate demand from China.

The contraction in the domestic economy is being accompanied by weak employment growth and continued modest wages. Population growth is also forecast to remain subdued by recent standards. These factors are expected to lead to a decline in taxation revenue in 2016-17.

### Economic outlook: Transition from investment to exports



In addition, royalty income and North West Shelf grants are expected to decline as the weaker iron ore price offsets an increase in production volumes, and the 2015-16 decline in the oil price flows through to LNG prices in 2016-17.

Together with a decline in revenue from public corporations and modest increases in GST revenue and tied grants, these trends are expected to result in a decline in general government revenue for the third consecutive year in 2016-17.

## Commonwealth-State relations

Following the outcomes of the April 2016 [Council of Australian Governments'](#) meeting, Treasury will continue to work with the Commonwealth and other State Treasuries on the development of proposals to reduce tied grants in return for a share of personal income tax revenue. These proposals aim to:

- provide States with access to a broader revenue base that grows in line with the economy;
- reduce administrative burdens; and
- enhance States' flexibility to meet their ongoing expenditure needs.

Treasury is also supporting work being progressed through the [Council on Federal Financial Relations](#) on a new competition and productivity enhancing reform agreement which will incorporate an updated set of Commonwealth-State competition reform principles, drawing on those recommended by the [Harper Competition Policy Review](#). It will also include shared national and State-specific competition and productivity reforms.

Treasury will also continue to support the State Government on possible reforms to the GST distribution, including reducing the volatility of the State's overall revenues and improving sustainability of the State's revenue streams. The State's population share of GST revenue is expected to increase from 30.3% in 2016-17 to around 76% in 2019-20 due to the current reduction in royalties flowing (with a time lag) into the GST distribution calculations. However, this will still be the lowest GST share of any State and well below the State's full population share.

## Asset sales

Following completion of the [Perth Market Authority](#) (PMA) sale in March 2016, Treasury now has the lead role in managing and coordinating the activities associated with the PMA's windup and transaction closure.

Treasury will continue to support the passage of enabling legislation for the [Fremantle](#) and [Utah Point](#) port divestments through Parliament. Subject to the progress of each Bill's passage through Parliament, the transaction process will commence with the release of invitations for Expressions of Interest to the market.

Following submission and evaluation of final proposals from due diligence participants for the partial divestment of [Keystart](#)'s loan book in August, it is anticipated that a Preferred Respondent will be selected with a view to completing the transaction in the second half of 2016.

# Case Study

## Revenue forecasting

Government goal: Financial and economic responsibility

### Issue

Iron ore royalties and payroll tax are the State's two largest own-source revenues. Between 2003-04 and 2013-14, the contribution of iron ore royalties to total general government revenue increased from 2.4% to 19.5%, reaching \$5.4 billion. At the same time, the payroll tax contribution (the State's largest tax) increased from 8.9% to 12.8%, reaching \$3.6 billion.

### Background

In recent times revenue from both payroll tax and iron ore royalties has fallen, contributing to a significant deterioration in the State's budgetary position. In 2015-16, iron ore royalties declined to \$3.6 billion, 33.2% below its 2013-14 peak. Payroll tax collections declined by 2.8% in 2015-16, the first fall in over two decades.

Given the volatility in these revenue sources, Treasury's Economic and Revenue Forecasting (ERF) division has taken an increased focus on enhancing its forecasting methods, improving the information used in forecasting, and ensuring it produces valuable revenue projections to inform the Government's decision making.

### Approach

Through extensive research, analysis and consultation ERF has refined its forecasting methodologies for iron ore royalties and payroll tax.

To keep pace with the evolving pricing of iron ore, Treasury has adjusted its iron ore price forecasting methodology. The methodology was last modified at the [2015-16 Budget](#), adopting a method combining forward derivative prices and the long run consensus price to forecast prices over the budget period.

ERF has also commenced work on a supply and demand model to improve monitoring of the market and to test projections from its price forecasting methodology.

On the supply side, cost curves have been constructed showing the quantity and cost of production for major producers globally. Detailed annual cost curves were purchased from a commodities consultant and Treasury has also developed its own cost curve projections updated quarterly, using the consultant's model as a base.

On the demand side, iron ore consumption is determined by the quantity and type of steel production. The consumption of steel often occurs outside its country of production and is a function of economic growth. The demand side models steel consumption which is used to form estimates of iron ore demand.

Payroll tax in Western Australia is fundamentally underpinned by conditions in the State's labour market, but is heavily influenced by compositional factors such as the movement of labour between industries. Reflecting these different influences, the ERF's review of Treasury's payroll tax forecasting approach sought to:

- improve the ability of the statistical model to explain changes in payroll tax; and
- gain a better understanding of compositional drivers of payroll tax growth.

Using highly detailed payroll tax transactions data obtained from the [Office of State Revenue](#) and assessing it in a statistical program, the ERF was able to improve

Treasury's understanding of compositional dynamics and quantify payroll tax from new taxpayers.

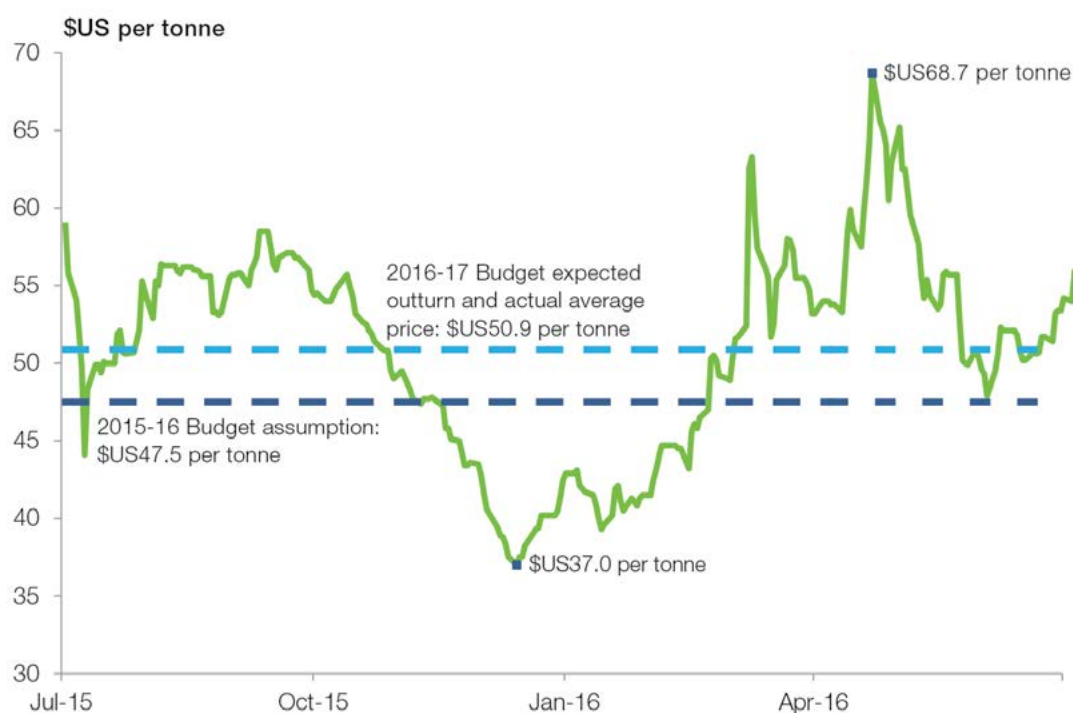
## Outcome

The new iron ore royalties and payroll tax forecasting methods were used to inform the [2015-16 Mid-year Review](#) and [2016-17 Budget](#) forecasts.

While work is ongoing, an early version of the iron ore supply and demand model was completed in 2015, and has already significantly improved Treasury's understanding and monitoring of the iron ore market. Work will continue to support more rigorous market analysis, to better inform iron ore price and royalty revenue projections.

Treasury's new payroll tax methodology has provided forecasts informed by a greater understanding of payroll tax drivers. Like iron ore royalties, the payroll tax forecasting method is subject to continuous review, and enhancements are ongoing.

### Movements in iron ore price



# Government goal two: Results-based service delivery

## Health Reform program

WA Health will continue its wide-ranging reform program throughout 2016-17 including governance, performance management, support services and procurement elements.

Throughout 2015-16, Treasury played a significant role in monitoring the progress and financial implications of WA Health's reform agenda, with the Under Treasurer a member of the [WA Health Transition Steering Committee](#) overseeing implementation of the reforms.

With the reform program progressing and the hospital commissioning program (and the associated system reconfiguration) continuing, Treasury will continue to advise the Government on emerging risks throughout 2016-17.

## Corrective Services Activity-Based Costing Model

Treasury will work with the [Department of Corrective Services](#) (DCS) throughout 2016-17 to develop an activity based costing model for Corrective Services in Western Australia. The model will use key cost and demand parameters to estimate the cost of providing corrective services relative to growth in the prisoner population. Together with the [Western Australian](#)

[Prisoner Model](#) (WAPM), the model will provide an evidence base to inform future estimates of activity and growth.

## Implementation of the Treasury developed Prisoner Forecast Model

Developed and finalised by Treasury in 2015-16, the WAPM (a micro-simulation model of the State's adult prison population) projects the number of male and female prisoners over a 10-year period, largely based on recent statistical patterns and trends in prisoner arrivals and sentencing. Going forward, the WAPM will be used to inform infrastructure planning, as well as the evaluation of changes to policy settings, and resource allocations through the annual State Budget process.

## Agency Expenditure Reviews

The State Government's decision to extend the Agency Expenditure Review (AER) process to a further 54 agencies (later increased to 55), being the third tranche of reviews, was announced as part of the [2016-17 Budget](#). These AERs are expected to deliver \$877 million in savings to the State Budget and will be reported as part of the 2017-18 Budget.



## Stage one reviews

Throughout 2016-17, Treasury will oversee stage one AERs for 52 agencies tasked to self-identify program-level savings following an audit of their own operations. Treasury will provide advice to Government on the achievability of proposed savings measures while also delivering its own AER savings measures as part of the stage one review.

## Stage two reviews

The [Department of Health](#)'s non-hospitals expenditure and the DCS have been directly advanced to stage two of the AER process. These agencies are among the fastest growing areas of public sector expenditure.

Subsequent to the release of the 2016-17 Budget, the [Metropolitan Redevelopment Authority](#) (MRA) was also directed to undertake a stage two AER. In addition to analysing

program effectiveness and efficiency, the review will consider the MRA's broader role, appropriateness of the current funding arrangements, and governance structure.

Independent chairs of the 2016-17 stage two reviews are:

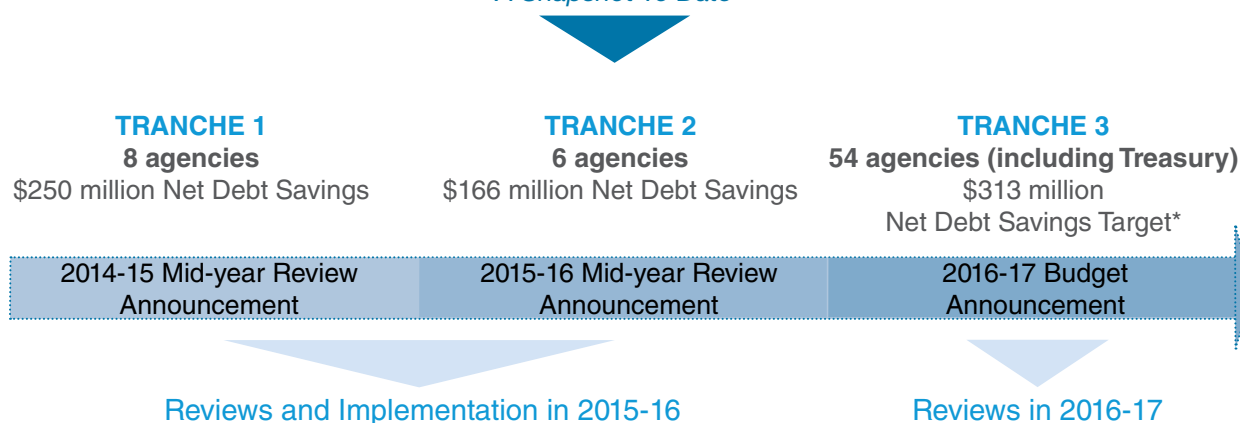
- Mr David Tune – former head of the [Commonwealth Department of Finance and Administration](#) – leading the WA Health's non-hospitals expenditure and the DCS' AERs; and
- Mr Lyndon Rowe – current Chairman of Synergy and former Executive Chairman of the [Economic Regulation Authority](#) – leading the MRA's AER.

The greater degree of independent oversight for stage two reviews is expected to deliver critical agency reform and significant savings to Government.

Treasury will provide an analytical and project management role throughout.

## Agency Expenditure Reviews

*A Snapshot To Date*



*\*Note: This does not include \$148 million of non-hospitals health savings which will be reinvested in hospital services*

## Commonwealth-State infrastructure issues

In 2016-17, the State Government will work with the Commonwealth on strategic infrastructure issues including:

- supporting the establishment of a National Register of Foreign Ownership of Land Titles to monitor levels of foreign investment in land in Western Australia;
- maintaining oversight of large infrastructure projects with significant Commonwealth funding, including the [Forrestfield Airport Link](#) and early stage work for the [Perth Freight Link](#); and
- examining the details of the Northern Australia Infrastructure Facility (NAIF), a Commonwealth-funded concessional loan scheme for private sector investors developing economic infrastructure in the north, to ensure the State's opportunities and risks are fully considered.

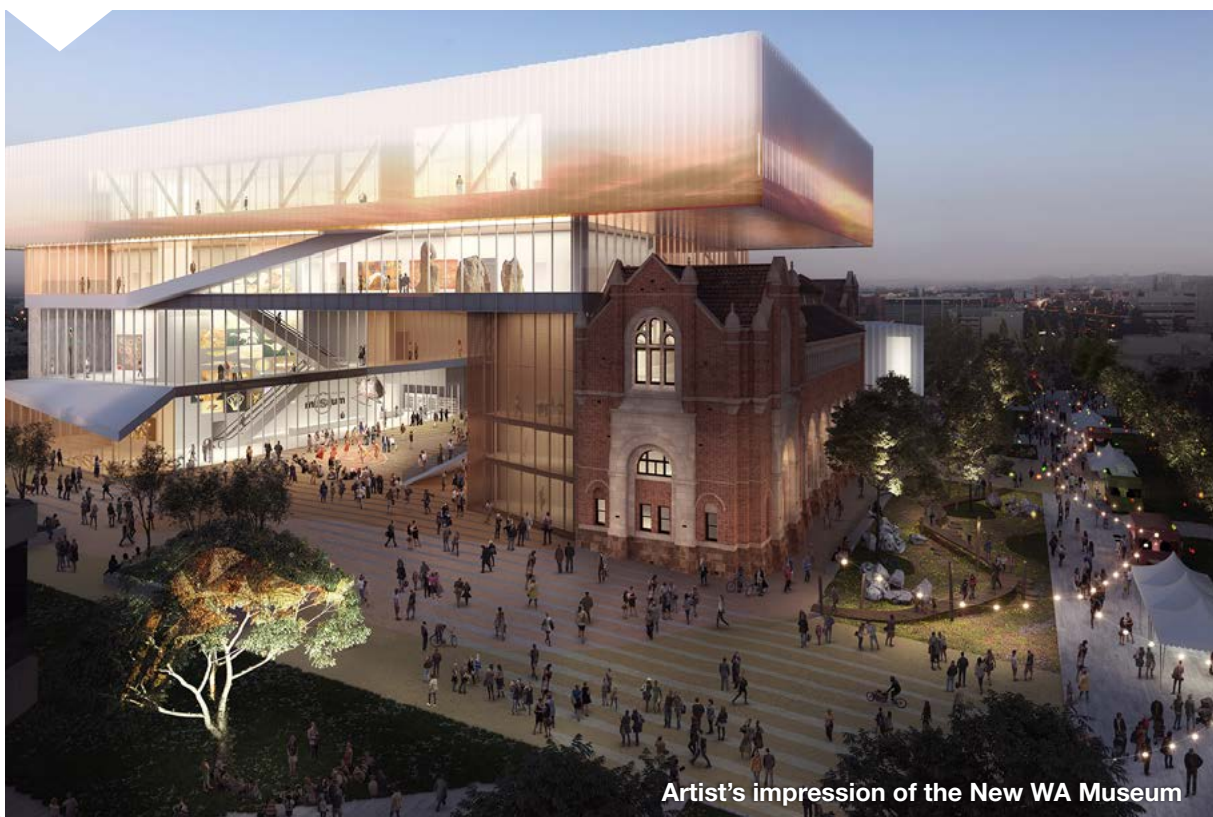
# Government goal three: State building – major projects

## Perth Children's Hospital, Perth Stadium and New WA Museum

The [Perth Children's Hospital](#) will be completed and commence operations in 2016-17 with SP&AS continuing to have significant involvement in the project's close-out and handover to [WA Health](#).

By late 2016-17, construction of the [Perth Stadium](#) will be entering its final

stages, with internal works substantially completed and commissioning activities expected to be well underway. Construction of the [New WA Museum](#) at the [Perth Cultural Centre](#) site is also expected to be well advanced by June 2017.



Artist's impression of the New WA Museum



## Project delivery

The four primary schools currently being constructed under the WA Schools PPP will be completed in late 2016, ready for handover to [Education](#) for the 2017 school year. Construction of Ellenbrook North secondary school will continue and construction of Lakelands secondary school will commence.

Construction of the [Karratha Health Campus](#) will also commence by late 2016, targeting completion in mid 2018.

The completed and fully operational [Busselton Health Campus](#) and [QEIMC Central Plant](#) projects will be closed out and handed over during 2016-17. The [Sarich Neurosciences Research Institute](#) is also expected to be completed in late 2016 and is likely to be handed over by the end of 2016-17.

As a result of the delivery of several major projects by the end of 2016-17, the current SP&AS capital works portfolio will be reduced to seven active projects, including two completed projects in the handover phase.



# Our People



This section provides an overview of our workforce initiatives, safety practices, codes of conduct, diversity and equality.

## Treasury staff profile

	June 2016	June 2015	June 2014
Permanent full-time	197	210	216
Contract full-time	68	46	26
Part-time permanent and contract	28	26	22
<b>Total</b>	<b>293</b>	<b>281</b>	<b>267</b>
Seconded in	13	6	7
Seconded out	15	2	10



## Our People

### Development and Performance

Following feedback from staff, Treasury's Corporate Strategy and Performance directorate established a small project team tasked with improving the Department's development and performance (DaP) process. Key objectives guiding the project were to deliver a streamlined and simplified process with:

- greater focus on frequent free-flowing discussions;
- greater efficiency, moving away from the current labour intensive 'form-filling' process; and
- better alignment between individual, team and business goals.

Treasury's new online DaP solution, launched in time for the 2016-17 planning cycle, provides a more intuitive and streamlined approach, updating in real-time and enabling staff to link their deliverables to strategic goals and development needs, and capture ongoing development and performance discussions.

### Strategic Plan 2015-18 Implementation Project

The implementation of Treasury's [Strategic Plan 2015-18](#) commenced in November 2015, with nominated owners across the business assigned responsibility for a range of deliverables spanning the six strategic goals. This approach is designed to:

- ensure our Strategic Plan is embedded in the way our staff think and operate on a day-to-day basis; and
- engage the business and proactively track progress against our Strategic Plan.

Strategic goal deliverables have been included in business unit operational plans and individuals' DaP agreements. A Strategic Plan dashboard report also provides greater visibility and accountability for achieving deliverables and tracking progress over time.

### Learning and Development

The Department's Learning and Development (L&D) program is designed to align with our strategic goals and the learning needs underpinning them.

Our L&D program is structured on the 70:20:10 'blended' learning approach including on-the-job training (70%), knowledge sharing and learning from others (20%) and formal learning opportunities (10%).

### Leadership development

Treasury's Capability and Leadership Framework articulates the leadership requirements and opportunities at all levels of the business, and forms the basis for Treasury's recruitment, induction, development, and performance processes. In 2015-16, we took an increased focus on delivering a targeted succession management program to ensure effective knowledge management and business continuity.

### Inter-agency mentoring program

Treasury has participated in the inter-agency mentoring program since 2013. The program is a public sector initiative in conjunction with the [Departments of Finance, Training and Workforce Development](#), and [Aboriginal Affairs](#), the [Economic Regulation Authority](#), [Lotterywest](#) and the [Mental Health Commission](#). It provides personal and professional development opportunities by pairing participants with colleagues outside of their normal working relationships.

## Shadowing program

Since its inception five years ago, Treasury's Executive shadowing program has provided around 60 staff with the opportunity to shadow members of our Executive team for up to five days, enabling participants to:

- better understand the role of Treasury Executive and senior management and attend governance meetings otherwise unavailable to non-Executive staff;
- develop additional working relationships and networks; and
- build and foster leadership skills and collaboration opportunities.

## Knowledge sharing

Treasury's frequent knowledge sharing events provide opportunities for internal subject matter experts and external speakers to share their knowledge and skills on topical issues. Event topics are aligned with Treasury's strategic goals ensuring knowledge and skills are fostered in line with our strategic direction. Topics also consider current and emerging environmental issues to build our strategic scanning skills. The program aims to:

- encourage staff attending external events/courses to share their knowledge;
- ensure individual development opportunities benefit others; and
- build employee communication and presentation skills.

## Move to David Malcolm Justice Centre

In line with the Government's 2010 accommodation strategy to maximise efficiency in accommodation costs and consolidate government accommodation, Treasury relocated to the [David Malcolm Justice Centre](#) (DMJC) in June 2016, co-tenanting the facility with the [Department of the Attorney General](#) and the [Supreme Court of Western Australia](#).

Throughout 2015-16, Treasury worked closely with [Finance's Building Management and Works](#) branch, responsible for managing the design, construction and fit out of the DMJC office tower. In late 2015, to enable the smooth and seamless transition of our workforce to the new facilities, Treasury established a small internal DMJC Relocation Project team focused on:

- identifying and progressing Treasury's business, operational and technical requirements as part of the broader relocation;
- ensuring and agreeing continuity of key corporate services provision by Finance; and
- planning and delivering appropriate change management strategies across the business in preparation for the move.

## Workforce management

In 2015-16, we took an increased focus on delivering a targeted succession management program to ensure effective knowledge management, build our future leaders and ensure business continuity.

To supplement Treasury's ongoing and established workforce planning strategies, an Internal Rotation and Transfer Program

was implemented in early 2016, creating greater flexibility in managing resources across the department. A total of nine employees were successfully transferred or rotated within the department.

## Leave liability

Treasury has managed its total leave liability throughout 2015-16 through the use of robust leave management strategies.

Since 30 June 2012, our total annual and long service leave has decreased by 13,905 hours (or 8%). As at 30 June 2016 our total leave liability was \$11.1 million, which is within Treasury's approved leave liability cap.

Total leave liability is a product of actuarial calculations, however the reduction in total leave hours can be directly attributed to vigorous leave management strategies by Treasury over the past three years. Strategies implemented to reduce leave liability hours during 2015-16 include:

- formal leave management planning with all employees as part of bi-annual development and performance agreement discussions;
- tailored individual leave management plans for staff who had excessive leave balances;
- a Christmas shutdown from 29 December 2015 to 1 January 2016;
- clear and continual communications on the expectations of taking leave and Treasury's commitment to adhere to the Government's leave liability policy; and
- providing all employees with the opportunity to express an interest in the cash out of leave balances and flexibility in how leave is managed.

## Community involvement

Treasury continues to encourage team participation in community fundraising events such as the [HBF Run for a Reason](#) and [Chevron City to Surf for Activ](#).

We also support and encourage employees who take on their own fundraising efforts such as Australia's biggest morning tea in support of the [Cancer Council](#).

Since 2011, the Western Australian Government has partnered the [Jawun program](#) in the State's Kimberley region. Jawun places skilled people from Australia's leading companies and government agencies into Aboriginal organisations to share their expertise and support Aboriginal leaders to achieve their own development goals.

In 2015, Felix Hudson, a manager in Treasury's Strategic Policy and Evaluation team, was successfully admitted to the program and spent six weeks with a large community organisation that provides employment, training, municipal, environmental health, construction and youth services. Felix worked with management and service delivery staff to enhance the organisation's ability to manage and measure the success of its programs, while working with Commonwealth government stakeholders to increase their understanding of program conditions and objectives 'on the ground'.

On his return from the West Kimberley, Felix was able to share his first-hand experience of the challenges of social service delivery in Western Australia's remote locations.

## Disability Access and Inclusion Plan

Treasury's 2012-17 [Disability Access and Inclusion Plan](#) (DAIP) guides improvements to access and inclusion within the Department. It also provides a framework with a range of implementation strategies, enabling us to achieve the Government's seven desired outcomes. Among other things, the DAIP ensures that people with a disability:

- have the same opportunities as others;
- receive the same quality of service; and
- can access information readily.

In 2015-16, we submitted our annual progress report to the [Disability Services Commission](#) which outlined the effectiveness of our DAIP, in particular our continued effort to improve access and inclusion for people with a disability through the provision of tailored strategies and individual support. This has been achieved through ongoing employee case management and engagement of disability support providers to assist in specific situations.

## Safety, health and wellbeing

Throughout 2015-16, we worked actively to consolidate our Occupational Safety and Health (OSH) strategies. Key achievements in the last year include:

- a review and update of OSH policies and procedures;
- appointment and training of First Aid Officers and Safety Health Representatives across the Department's different work locations;

- development of a workplace Mental Health Strategy;
- online OSH training modules as a mandatory segment of the induction program for all new starters;
- quarterly safety inspections across the Department's different work locations;
- awareness building through increased information on the Department's intranet; and
- active staff participation in a variety of wellness initiatives including flu vaccination clinics and health assessments, as well as mental health, men's health and general health seminars.

## Consultation, communication and engagement

Through the [Strategic Projects and Asset Sales](#) (SP&AS) OSH sub-committee, relevant health and safety information for major projects is communicated to the Treasury OSH Committee for Departmental consideration and review. Both the sub-committee and OSH Committee meet quarterly to ensure continuous improvement in, and development of, OSH strategies and initiatives.

## Injury management

In accordance with the [Worker's Compensation and Injury Management Act 1981](#), our commitment to injury management is reflected in our injury management policy and guidelines which offer assistance to employees with an injury or illness, to return to work as soon as practicable.

## Self-evaluation and training

During 2015-16, key training areas were identified through self evaluation and resulted in:

- ongoing facilitation of joint consultation on OSH matters across the Department's business units;
- ongoing training and provision of OSH information to managers and employees; and
- manager/supervisor health and safety training offered through face-to-face sessions as well as an online OSH module for employees.

Indicator	Actual Results 2013-14	Actual Results 2014-15	Actual Results 2015-16	Target
Number of fatalities	Nil	Nil	Nil	Nil
Lost time injury/disease incidence rate	Nil	Nil	Nil	Nil or 10% improvement on the previous three years
Lost time injury severity rate	Nil	Nil	Nil	Nil or 10% improvement on the previous three years
Percentage of injured workers returned to work within 13 weeks	n/a (Nil workers compensation claims)	n/a	n/a	Greater than or equal to 80%
Percentage of injured workers returned to work within 26 weeks	n/a (Nil workers compensation claims)	n/a	n/a	Greater than or equal to 80%
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	46%	75%	64%	80% over three years *

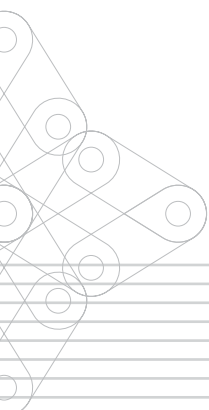
\* Training sessions will be undertaken throughout 2016-17 to improve the percentage of managers and supervisors trained in OSH and injury management responsibilities.



# Governance



**This section highlights some of the key mechanisms in place to improve our performance, deliver business outcomes and ensure compliance.**



## Governance committees

As well as ensuring Treasury's Executive team remains informed and up-to-date on key strategic issues unfolding across the business, Treasury's governance committees are an important forum for driving and ensuring support for the achievement of Treasury outcomes.

Governance Committee	Chair	Role	Meeting frequency
<b>Budget Management Committee</b>	Under Treasurer	<ul style="list-style-type: none"> <li>overseeing the preparation of the State Budget, Mid-year Review, Annual Report on State Finances and budgetary updates throughout the year</li> <li>key internal decision making and information sharing on issues affecting the State's financial position</li> </ul>	Weekly
<b>Finance, Risk and Audit Committee</b>	Under Treasurer <i>(membership includes the <a href="#">Office of the Auditor General</a> and a senior executive from another government agency)</i>	<ul style="list-style-type: none"> <li>timely, forward-looking and financial reporting</li> <li>overseeing the Department's compliance and risk management programs</li> <li>ensuring compliance with Treasurer's Instructions and executive audit assurance priorities</li> </ul>	Monthly
<b>Information Technology and Communications (ICT) Committee</b>	Executive Director, Strategic Policy and Evaluation	<ul style="list-style-type: none"> <li>governance of ICT services, projects and strategies supporting the operations of Treasury</li> <li>overseeing the relationship with the <a href="#">Department of Finance's</a> ICT area as our primary ICT service provider</li> <li>improving technology-dependent business outcomes</li> <li>developing the Department's ICT strategies, policy governance and managing ICT risks</li> <li>overseeing the Department's asset replacement program</li> </ul>	Monthly
<b>People and Communications Committee</b>	Deputy Under Treasurer	<ul style="list-style-type: none"> <li>discussing issues related to strategic communications and culture</li> <li>consultation on workforce planning, training and development, knowledge management and succession planning, and performance</li> </ul>	Bi-Monthly
<b>Program Management Committee</b>	Under Treasurer	<ul style="list-style-type: none"> <li>receiving performance against approved budget, time and scope parameters for business projects across the Department including the asset sales program</li> <li>project management resourcing</li> <li>program management reporting and other matters within the program management sphere</li> </ul>	Monthly

Governance Committee	Chair	Role	Meeting frequency
<b>Diversity Committee</b>	Executive Director, Infrastructure and Finance	<ul style="list-style-type: none"> <li>providing a source of support and advocacy on substantive equality in the workplace</li> <li>recommending and championing strategies for consistent application of workforce policies regardless of level, work area, gender, family status, cultural background and age</li> <li>addressing diversity related barriers in recruitment, retention and career progression</li> <li>tracking and supporting the achievement of the <a href="#">Public Sector Commission</a> diversity indicators</li> <li>oversight of Treasury diversity related policies</li> </ul>	Monthly

## Public sector standards and ethical codes

Consistent with the public sector standards, Treasury has implemented Human Resource (HR) policies, procedures and practices. During 2015-16, Treasury's HR team provided ongoing support for members of recruitment panels including the provision of:

- support and advice to ensure our processes and transactions complied with the standards; and
- quality assurance services including reviewing all our selection reports.

In accordance with the [Public Disclosure Act 2003](#) (the Act), our Director, Corporate Strategy and Performance and our Principal Internal Auditor are our designated Public Interest Disclosure officers. In addition, Treasury has implemented processes that are compliant with the Act. In 2015-16 we had no public interest disclosures lodged under the Act.

Treasury submitted the Public Sector Entity Survey to the Public Sector Commission, reporting that there had been no breach of discipline under the [Public Sector Management Act 1994](#).

## Ethics, accountability and integrity

Reflecting that ethics, accountability and integrity are critically important to our business, we rolled out a series of initiatives as part of our 2015-16 compliance program which included:

- updating our policies, frameworks and guidelines, including our Code of Conduct, Corporate Governance Framework, Gifts and Benefits Policy, and our Compliance Register; and
- an ongoing commitment and provision of training to staff, on occupational safety and health and bullying and harassment for managers and staff; recordkeeping awareness; accountable and ethical decision making; and fraud and corruption awareness.

## Substantive equality

We remain committed to providing services that meet the needs of all Western Australians by ensuring that we regularly review our policies, procedures and practices to ensure any areas of systemic discrimination are identified and removed from our workplace.

In 2015-16, we commenced a review of our Substantive Equality and Equal Employment Opportunity and Diversity policies. Several members of our Diversity Committee also attended Substantive Equality workshops to increase business knowledge and awareness and ensure principles are incorporated into the upcoming review of the Department's Workforce and Diversity Plan.

## Freedom of information

The [Freedom of Information Act 1992](#) enables the public to apply for access to documents held by Treasury.

As in previous years, our [Information Statement](#) was updated in 2015-16 and is available on the website.

The table below summarises the Freedom of Information applications finalised during 2015-16. Applications covered topics related to economic policy, Treasury advice provided to the Government on issues affecting the State's budget and important Western Australian community projects. More detailed statistical information is provided in the [Annual Report of the Office of the Information Commissioner](#).

## Recordkeeping

Treasury's Recordkeeping Plan is currently under review with planning underway for further upgrades to Treasury's recordkeeping system that will see improved capacity to integrate with collaborative applications. We are committed to enhancing information management across systems and are developing a strategic direction with enhancements to both governance and compliance capabilities.

Approximately 90% of our staff have completed our online recordkeeping training units. Further training and ongoing support is also available through guidelines published on our intranet as well as e-modules on our online Learning Management System.



Internal reviews - 2  
External reviews - Complaints - Nil



Internal reviews - Nil  
External reviews - Complaints - Nil



Internal reviews - 2  
External reviews - Complaints - Nil



# Financial Statements and Notes



## Certification of Financial Statements

**For the year ended 30 June 2016**

The accompanying financial statements of the Department of Treasury 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 financial year ended 30 June 2016 and the financial position as at 30 June 2016.

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

**Michael Barnes**  
UNDER TREASURER

5 September 2016

**Pauline Burton**  
CHIEF FINANCE OFFICER

5 September 2016



# Opinion of the Auditor General



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### DEPARTMENT OF TREASURY

### Report on the Financial Statements

I have audited the accounts and financial statements of the Department of Treasury.

The financial statements comprise the Statement of Financial Position as at 30 June 2016, 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.

#### *Opinion*

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of Treasury at 30 June 2016 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

#### *Under Treasurer's Responsibility for the Financial Statements*

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

#### *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 based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Under Treasurer, as well as evaluating the overall presentation of the financial statements.

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

Page 1 of 3

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500 FAX: 08 6557 7600

### Report on Controls

I have audited the controls exercised by the Department of Treasury during the year ended 30 June 2016.

Controls exercised by the Department of Treasury are those policies and procedures established by the Under Treasurer 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.

#### **Opinion**

In my opinion, in all material respects, the controls exercised by the Department of Treasury 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 2016.

#### *Under Treasurer's Responsibility for Controls*

The Under Treasurer is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

#### *Auditor's Responsibility for the Audit of Controls*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Department of Treasury based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Department complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

### Report on the Key Performance Indicators

I have audited the key performance indicators of the Department of Treasury for the year ended 30 June 2016.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

#### **Opinion**

In my opinion, in all material respects, the key performance indicators of the Department of Treasury are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2016.

#### *Under Treasurer's Responsibility for the Key Performance Indicators*

The Under Treasurer 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 controls as the Under Treasurer determines necessary to ensure that the key performance indicators fairly represent indicated performance.



*Auditor's Responsibility for the Audit of Key Performance Indicators*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Under Treasurer's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

**Independence**

In conducting the above audits, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical 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 Treasury for the year ended 30 June 2016 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.



COLIN MURPHY  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
9 September 2016

# Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	7	31,945	30,775
Supplies and services	8	231,230	49,649
Depreciation and amortisation expense	9	1,028	1,021
Accommodation expenses	10	3,938	3,843
Grants and subsidies	11	77	329
Other expenses	12	1,200	718
<b>Total cost of services</b>		<b>269,418</b>	<b>86,335</b>
<b>Income</b>			
<i>Revenue</i>	13		
User charges and fees		196,654	34,207
Other revenue		72	117
<b>Total revenue</b>		<b>196,726</b>	<b>34,324</b>
<b>Total income other than income from State Government</b>		<b>196,726</b>	<b>34,324</b>
<b>NET COST OF SERVICES</b>		<b>(72,692)</b>	<b>(52,011)</b>
<b>Income from State Government</b>	14		
Service appropriation		62,172	49,493
Services received free of charge		9,101	9,142
Royalties for Regions Fund		123	121
<b>Total income from State Government</b>		<b>71,396</b>	<b>58,756</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(1,296)</b>	<b>6,745</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(1,296)</b>	<b>6,745</b>

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 2016

	Note	2016 \$000	2015 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	76,260	18,059
Restricted cash and cash equivalents	16	-	1,330
Amounts receivable for services	19	-	-
Receivables	17	14,017	8,370
Other current assets	18	-	14
<b>Total current assets</b>		<b>90,277</b>	<b>27,773</b>
<b>Non-current assets</b>			
Amounts receivable for services	19	10,161	9,148
Plant and equipment	20	68	71
Intangible assets	21	6,229	7,222
<b>Total non-current assets</b>		<b>16,458</b>	<b>16,441</b>
<b>TOTAL ASSETS</b>		<b>106,735</b>	<b>44,214</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	23	72,603	8,710
Provisions	24	8,936	9,207
<b>Total current liabilities</b>		<b>81,539</b>	<b>17,917</b>
<b>Non-current liabilities</b>			
Provisions	24	2,245	2,050
<b>Total non-current liabilities</b>		<b>2,245</b>	<b>2,050</b>
<b>TOTAL LIABILITIES</b>		<b>83,784</b>	<b>19,967</b>
<b>NET ASSETS</b>		<b>22,951</b>	<b>24,247</b>
<b>EQUITY</b>	25		
Contributed equity		10,963	10,963
Accumulated surplus		11,988	13,284
<b>TOTAL EQUITY</b>		<b>22,951</b>	<b>24,247</b>

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 2016

	Note	Contributed Equity	Accumulated Surplus	Total Equity
		\$000	\$000	\$000
<b>Balance at 1 July 2014</b>	25	10,963	6,539	17,502
Total comprehensive income for the period		-	6,745	6,745
<b>Balance at 30 June 2015</b>		<b>10,963</b>	<b>13,284</b>	<b>24,247</b>
<b>Balance at 1 July 2015</b>	25	10,963	13,284	24,247
Total comprehensive income for the period		-	(1,296)	(1,296)
<b>Balance at 30 June 2016</b>		<b>10,963</b>	<b>11,988</b>	<b>22,951</b>

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 2016

	Note	2016 \$000	2015 \$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		61,159	48,490
Holding account drawdown		-	100
Royalties for Regions Fund		123	121
Receipts from Treasurer's Advance		-	-
Payments to Treasurer's Advance		-	-
<b>Net cash provided by State Government</b>		<b>61,282</b>	<b>48,711</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(32,779)	(30,191)
Supplies and services		(196,009)	(41,482)
Accommodation		(3,871)	(3,870)
Grants and subsidies		(69)	(339)
GST payments on purchases		(36,223)	(13,045)
GST payments to taxation authority		(2,256)	(645)
Other payments		(879)	(697)
<b>Receipts</b>			
User charges and fees		229,011	38,367
GST receipts on sales		22,915	3,467
GST receipts from taxation authority		15,706	8,082
Other receipts		72	112
<b>Net cash provided by/(used in) operating activities</b>	<b>26</b>	<b>(4,382)</b>	<b>(40,241)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of non-current assets		(29)	(121)
<b>Net cash provided by/(used in) investing activities</b>		<b>(29)</b>	<b>(121)</b>
Net increase in cash and cash equivalents		56,871	8,349
Cash and cash equivalents at the beginning of the period		19,389	11,040
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>26</b>	<b>76,260</b>	<b>19,389</b>

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

# Schedule of Income and Expenses by Service

For the year ended 30 June 2016

	Financial Management and Reporting		Manage the Government's Asset Sales Program (excluding land sales)		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>COST OF SERVICES</b>												
<b>Expenses</b>												
Employee benefits expense	6,069	5,637	3,382	1,235	4,159	5,027	17,238	17,481	1,097	1,395	31,945	30,775
Supplies and services	3,918	3,020	21,624	3,253	1,503	1,775	5,755	5,825	198,432	35,776	231,232	49,649
Depreciation and amortisation expense	236	212	62	20	134	162	544	567	51	60	1,027	1,021
Accommodation expenses	828	721	225	68	468	549	1,909	1,921	507	584	3,937	3,843
Grants and subsidies	51	49	1	-	1	-	24	30	1	250	78	329
Other expenses	271	127	72	41	152	102	638	346	66	102	1,199	718
<b>Total cost of services</b>	<b>11,373</b>	<b>9,766</b>	<b>25,366</b>	<b>4,617</b>	<b>6,417</b>	<b>7,615</b>	<b>26,108</b>	<b>26,170</b>	<b>200,154</b>	<b>38,167</b>	<b>269,418</b>	<b>86,335</b>
<b>Income</b>												
User charges and fees	-	-	-	-	-	-	-	-	196,656	34,207	196,656	34,207
Other revenue	7	6	14	3	3	5	29	71	17	32	70	117
<b>Total income other than income from State Government</b>	<b>7</b>	<b>6</b>	<b>14</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>29</b>	<b>71</b>	<b>196,673</b>	<b>34,239</b>	<b>196,726</b>	<b>34,324</b>
<b>NET COST OF SERVICES</b>	<b>(11,366)</b>	<b>(9,760)</b>	<b>(25,352)</b>	<b>(4,614)</b>	<b>(6,414)</b>	<b>(7,610)</b>	<b>(26,079)</b>	<b>(26,099)</b>	<b>(3,481)</b>	<b>(3,928)</b>	<b>(72,692)</b>	<b>(52,011)</b>
<b>Income from State Government</b>												
Service appropriation	9,214	8,826	24,513	8,303	5,208	6,725	21,233	23,537	2,003	2,102	62,171	49,493
Resources received free of charge	2,259	2,270	1,133	161	986	1,291	4,025	4,538	699	882	9,102	9,142
Royalties for Regions Fund	-	-	-	-	-	-	123	121	-	-	123	121
<b>Total income from State Government</b>	<b>11,473</b>	<b>11,096</b>	<b>25,646</b>	<b>8,464</b>	<b>6,194</b>	<b>8,016</b>	<b>25,381</b>	<b>28,196</b>	<b>2,702</b>	<b>2,984</b>	<b>71,396</b>	<b>58,756</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>107</b>	<b>1,336</b>	<b>294</b>	<b>3,850</b>	<b>(220)</b>	<b>406</b>	<b>(698)</b>	<b>2,097</b>	<b>(779)</b>	<b>(944)</b>	<b>(1,296)</b>	<b>6,745</b>

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

## Financial Statements and Notes

# Schedule of Assets and Liabilities by Service

As at 30 June 2016

	Financial Management and Reporting		Manage the Government's Asset Sales Program (excluding land sales)		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Assets</b>												
Current assets	5,967	1,778	4,445	1,072	5,070	1,589	8,659	3,087	66,136	20,247	90,277	27,773
Non-current assets	3,775	3,440	985	328	2,134	2,622	8,743	9,221	821	830	16,458	16,441
<b>Total assets</b>	<b>9,742</b>	<b>5,218</b>	<b>5,430</b>	<b>1,400</b>	<b>7,204</b>	<b>4,211</b>	<b>17,402</b>	<b>12,308</b>	<b>66,957</b>	<b>21,077</b>	<b>106,735</b>	<b>44,214</b>
<b>Liabilities</b>												
Current liabilities	3,660	2,198	3,639	1,126	2,058	1,717	8,333	5,735	63,849	7,141	81,539	17,917
Non-current liabilities	392	287	110	26	233	292	1,082	1,073	428	372	2,245	2,050
<b>Total liabilities</b>	<b>4,052</b>	<b>2,485</b>	<b>3,749</b>	<b>1,152</b>	<b>2,291</b>	<b>2,009</b>	<b>9,415</b>	<b>6,808</b>	<b>64,277</b>	<b>7,513</b>	<b>83,784</b>	<b>19,967</b>
<b>NET ASSETS</b>	<b>5,690</b>	<b>2,733</b>	<b>1,681</b>	<b>248</b>	<b>4,913</b>	<b>2,202</b>	<b>7,987</b>	<b>5,500</b>	<b>2,680</b>	<b>13,564</b>	<b>22,951</b>	<b>24,247</b>

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



# Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2016

	2016 Estimate	2016 Actual	Variance	2016 Actual	2015 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
<b>CONTROLLED TRANSACTIONS</b>						
<b>Delivery of services</b>						
Item 66 Net amount appropriated to deliver services	61,013	60,814	(199)	60,814	48,135	12,679
Amount authorised by Other Statutes						
- <i>Salaries and Allowances Act 1975</i>	1,358	1,358	-	1,358	1,358	-
<b>Total appropriations provided to deliver services</b>	<b>62,371</b>	<b>62,172</b>	<b>(199)</b>	<b>62,172</b>	<b>49,493</b>	<b>12,679</b>
<b>Details of expenses by service</b>						
Financial management and reporting	7,936	11,373	3,437	11,373	9,766	1,607
Manage the Government's asset sales program (excluding land sales)	21,358	25,366	4,008	25,366	4,617	20,749
Economic and revenue forecasts and policy development	7,828	6,417	(1,411)	6,417	7,615	(1,198)
Evaluation and planning of Government service delivery and infrastructure provision	28,583	26,108	(2,475)	26,108	26,170	(62)
Leads the planning and delivery of new Government buildings	244,477	200,154	(44,323)	200,154	38,167	161,987
<b>Total cost of services</b>	<b>310,182</b>	<b>269,418</b>	<b>(40,764)</b>	<b>269,418</b>	<b>86,335</b>	<b>183,083</b>
Less Total income	(240,118)	(196,726)	43,392	(196,726)	(34,324)	(162,402)
<b>Net cost of services</b>	<b>70,064</b>	<b>72,692</b>	<b>2,628</b>	<b>72,692</b>	<b>52,011</b>	<b>20,681</b>
Adjustments	(7,693)	(10,520)	(2,827)	(10,520)	(2,518)	(8,002)
<b>Total appropriations provided to deliver services</b>	<b>62,371</b>	<b>62,172</b>	<b>(199)</b>	<b>62,172</b>	<b>49,493</b>	<b>12,679</b>
<b>ADMINISTERED TRANSACTIONS</b>						
<b>RECURRENT ADMINISTERED</b>						
<b>Operating subsidy payments</b>						
Item 67 Bunbury Water Corporation	518	811	293	811	479	332
Item 68 Busselton Water Corporation	531	528	(3)	528	441	87
Item 69 Electricity Generation and Retail Corporation (Synergy)	408,791	379,194	(29,597)	379,194	511,589	(132,395)
Item 70 Mid West Ports Authority	202	357	155	357	-	357
Item 71 Public Transport Authority	787,128	776,829	(10,299)	776,829	736,695	40,134
Item 72 Regional Power Corporation (Horizon Power)	36,923	31,386	(5,537)	31,386	38,400	(7,014)

	2016 Estimate	2016 Actual	Variance	2016 Actual	2015 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Item 73 Southern Ports Authority	705	705	-	705	826	(121)
Item 74 Water Corporation of Western Australia	565,960	546,813	(19,147)	546,813	573,232	(26,419)
Item 75 Western Australian Land Authority	35,444	33,467	(1,977)	33,467	33,874	(407)
<b>Total operating subsidy payments</b>	<b>1,836,202</b>	<b>1,770,090</b>	<b>(66,112)</b>	<b>1,770,090</b>	<b>1,895,536</b>	<b>(125,446)</b>

#### Grants, subsidies and transfer payments

Item 76 Department of Corrective Services	31,676	1,900	(29,776)	1,900	10,595	(8,695)
Item 77 Department of the Attorney General	19,450	14,104	(5,346)	14,104	-	14,104
Item 78 Goods and Services Tax (GST) Administration Costs	77,100	73,215	(3,885)	73,215	74,868	(1,653)
Item 79 Health and Disability Services Complaints Office	2,637	2,637	-	2,637	2,564	73
Item 80 Metropolitan Redevelopment Authority	16,752	10,231	(6,521)	10,231	2,459	7,772
Item 81 National Disability Insurance Scheme - Perth Hills Trial Site	48,243	47,705	(538)	47,705	4,811	42,894
Item 82 Provision for Unfunded Liabilities in the Government Insurance Fund	2,972	1,989	(983)	1,989	2,617	(628)
Item 83 Refunds of Past Years Revenue Collections - Public Corporations	22,200	93,252	71,052	93,252	86,152	7,100
Item 84 Resolution of the Native Title in the South West of Western Australia (Settlement)	60,000	-	(60,000)	-	-	-
Item 85 Rottnest Island Authority	11,355	11,355	-	11,355	7,094	4,261
Item 86 Royalties for Regions	600,177	600,177	-	600,177	796,417	(196,240)
Item 87 State Property - Emergency Services Levy	16,000	16,000	-	16,000	15,629	371
Item 88 All Other Grants, Subsidies and Transfer Payments, comprising:						
Acts of Grace	5	-	(5)	-	-	-
ANZAC Day Trust	300	300	-	300	300	-
First Home Owners Boost Recoveries	600	60	(540)	60	137	(77)
HIH Insurance Rescue Package Incidentals	-	-	-	-	-	-
Interest on Public Moneys held in Participating Trust Fund Accounts	370	466	96	466	46	420
	4,420	4,541	121	4,541	4,661	(120)

	2016 Estimate	2016 Actual	Variance	2016 Actual	2015 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Shire of Broome	1,600	-	(1,600)	-	-	-
Superannuation Reforms - Payments to Government Employees Superannuation Board	-	-	-	-	5,682	(5,682)
Western Australian Treasury Corporation Management Fees	830	830	-	830	810	20
WA Health	-	-	-	-	21,819	(21,819)
<b>Total grants, subsidies and transfer payments</b>	<b>916,687</b>	<b>878,762</b>	<b>(37,925)</b>	<b>878,762</b>	<b>1,036,661</b>	<b>(157,899)</b>
<b>Authorised by Other Statutes</b>						
<i>Gold Corporation Act 1987</i>	2	-	(2)	-	1	(1)
<i>Judges' Salaries and Pensions Act 1950</i>	16,044	14,074	(1,970)	14,074	13,813	261
<i>Parliamentary Superannuation Act 1970</i>	9,107	8,805	(302)	8,805	9,257	(452)
<i>State Superannuation Act 2000</i>	651,164	622,804	(28,360)	622,804	671,372	(48,568)
<i>Tobacco Products Control Act 2006</i>	22,492	22,492	-	22,492	22,118	374
<i>Unclaimed Money Act 1990</i>	1,200	1,174	(26)	1,174	876	298
<i>Unclaimed Money (Superannuation and RSA Providers) Act 2003</i>	220	190	(30)	190	-	190
<i>Western Australian Treasury Corporation Act 1986 - Interest</i>	492,000	542,451	50,451	542,451	441,866	100,585
<b>Total amounts authorised by Other Statutes</b>	<b>1,192,229</b>	<b>1,211,990</b>	<b>19,761</b>	<b>1,211,990</b>	<b>1,159,303</b>	<b>52,687</b>
<b>TOTAL RECURRENT ADMINISTERED</b>	<b>3,945,118</b>	<b>3,860,842</b>	<b>(84,276)</b>	<b>3,860,842</b>	<b>4,091,500</b>	<b>(230,658)</b>
<b>ADMINISTERED CAPITAL</b>						
<b>Government equity contributions</b>						
Item 137 Department of Education	3,942	-	(3,942)	-	-	-
Item 138 Electricity Networks Corporation (Western Power)	81,461	201,701	120,240	201,701	92,936	108,765
Item 139 Kimberley Ports Authority	10,575	10,575	-	10,575	10,575	-
Item 140 Metropolitan Redevelopment Authority	63,000	63,000	-	63,000	144,729	(81,729)
Item 141 Mid West Ports Authority	4,500	70,944	66,444	70,944	-	70,944
Item 142 Pilbara Ports Authority	42,202	38,739	(3,463)	38,739	32,390	6,349
Item 143 Regional Power Corporation (Horizon Power)	8,465	7,618	(847)	7,618	1,885	5,733
Item 144 Royalties for Regions	317,429	317,429	-	317,429	365,232	(47,803)
Item 145 Southern Ports Authority	2,081	2,081	-	2,081	1,481	600
Item 146 WA Health	53,026	31,782	(21,244)	31,782	125,028	(93,246)
Item 147 Water Corporation of Western Australia	14,036	14,036	-	14,036	11,873	2,163

	2016 Estimate \$000	2016 Actual \$000	Variance \$000	2016 Actual \$000	2015 Actual \$000	Variance \$000
Department of Corrective Services	-	-	-	-	7,757	(7,757)
WA Land Authority	-	-	-	-	9,120	(9,120)
<b>Other</b>						
Item 148 Perth Children's Hospital Account	44,000	44,000	-	44,000	349,500	(305,500)
Item 149 The New Perth Stadium Account	240,000	265,000	25,000	265,000	145,000	120,000
Fiona Stanley Hospital Construction Account	-	-	-	-	10,000	(10,000)
<b>Total Government equity contributions</b>	<b>884,717</b>	<b>1,066,905</b>	<b>182,188</b>	<b>1,066,905</b>	<b>1,307,506</b>	<b>(240,601)</b>
<b>Authorised by Other Statutes</b>						
<i>Loan (Co-operative Companies) Act 2004</i>	-	31,600	31,600	31,600	9,300	22,300
<b>Total authorised by Other Statutes</b>	<b>-</b>	<b>31,600</b>	<b>31,600</b>	<b>31,600</b>	<b>9,300</b>	<b>22,300</b>
<b>Total Administered capital contribution</b>	<b>884,717</b>	<b>1,098,505</b>	<b>213,788</b>	<b>1,098,505</b>	<b>1,316,806</b>	<b>(218,301)</b>
<b>GRAND TOTAL</b>	<b>4,829,835</b>	<b>4,959,347</b>	<b>129,512</b>	<b>4,959,347</b>	<b>5,408,306</b>	<b>(448,959)</b>
<b>DETAILS OF ADMINISTERED INCOME ESTIMATES</b>						
<b>Income</b>						
Commonwealth grants	6,295,195	6,203,506	(91,689)	6,203,506	7,317,690	(1,114,184)
Government enterprises:						
Dividends	949,616	1,420,502	470,886	1,420,502	1,192,154	228,348
Income tax equivalent regime	513,342	612,771	99,429	612,771	579,169	33,602
Local Government rates equivalent	19,232	20,935	1,703	20,935	17,363	3,572
Consolidated Account revenue received from agencies	13,038,069	12,771,026	(267,043)	12,771,026	13,445,280	(674,254)
Gold State superannuation reimbursement	159,928	140,468	(19,460)	140,468	145,687	(5,219)
Interest income	105,243	133,037	27,794	133,037	124,592	8,445
Loan guarantee fees	164,208	134,844	(29,364)	134,844	120,116	14,728
Pension recoups	12,329	14,375	2,046	14,375	23,377	(9,002)
Other revenue	18,419	35,688	17,269	35,688	24,476	11,212
<b>TOTAL INCOME</b>	<b>21,275,581</b>	<b>21,487,152</b>	<b>211,571</b>	<b>21,487,152</b>	<b>22,989,904</b>	<b>(1,502,752)</b>

Notes 35, 36 and 43 provide details of significant variations between estimates and actual results for 2016 and between the actual results for 2016 and 2015.



# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 1. Australian Accounting Standards

### General

The Department's financial statements for the year ended 30 June 2016 have been prepared in accordance with Australian Accounting Standards. The term '[Australian Accounting Standards](#)' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Department has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

### Early adoption of Standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Partial exemption permitting early adoption of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* has been granted. Aside from AASB 2015-7, there has been no early adoption of any other Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2016.

## Note 2. Summary of significant accounting policies

### (a) General statement

The Department is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

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.

### (b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

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

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000).

Note 4 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Department's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 5 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### (c) Reporting entity

The reporting entity is the Department of Treasury, which was designated effective from 1 July 2011, following the separation of the Department of Treasury and Finance into the Department of Treasury and the Department of Finance.

#### Mission

The Department of Treasury's mission is to serve the public interest through the provision of high quality economic and financial advice and expert asset management.

The Department is predominantly funded by Parliamentary appropriation supplemented by fees and charges received for the provision of services to other agencies that are charged out on a full cost recovery basis.

#### Services

The Department of Treasury provides the following services:

##### *Service 1: Financial management and reporting*

This service involves the provision of advice on the Government's fiscal strategy, advice on the legislative framework underpinning financial management and accountability in the Western Australian public sector, the preparation and publication of regular reports on the State's finances, and maintenance of the Public Ledger.

##### *Service 2: Manage the Government's asset sales program (excluding land sales)*

This service involves the management and coordination of the Government's approved asset sales program (excluding land sales).

##### *Service 3: Economic and revenue forecasts and policy development*

This service involves the analysis and advice on economic and revenue policy issues, including the State's major revenue sources, utilities regulation and reform, and economic, social and environmental development.

##### *Service 4: Evaluation and planning of Government service delivery and infrastructure provision*

This service aims at investigating agencies' operations in respect of efficiency and effectiveness and to advise Government on the allocation of taxpayers' resources to achieve Government desired outcomes. It includes the analysis, evaluation and planning of Government services to ensure value for money outcomes in the key areas of health, law and order, education and infrastructure delivery.

*Service 5: Leads the planning and delivery of new Government buildings*

This encompasses strategic leadership and facilitation in the planning, project management and procurement of major new non-residential buildings.

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 40](#) 'Disclosure of Administered income and expenses by service' and [Note 41](#) 'Administered assets and liabilities'.

**(d) 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.

**(e) Income****Revenue recognition**

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

*Provision of services*

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

*Administered*

Revenues 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.

*Service appropriations*

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 to the Department's bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

*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 determination specified in the [2015-16 Budget Statements](#), the Department retained \$196.726 million in 2016 (\$34.324 million in 2015) from the following:

- proceeds from fees and charges;
- Commonwealth specific purpose grants and contributions; and
- 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.

Royalties for Regions funds are recognised as revenue at fair value in the period in which the Department obtains control over the funds. The Department obtains control of the funds at the time the funds are deposited into the Department's bank account.

*Gains*

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

**(f) Plant and equipment****Capitalisation/expensing of assets**

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of 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).

**Initial recognition and measurement**

Plant and equipment are initially recognised at cost.

For items of plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

**Subsequent measurement**

Subsequent to initial recognition as an asset, the historical model is used for the measurement of plant and equipment. Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

## Depreciation

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

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Office equipment	5 years
Computer equipment	3 to 5 years

## (g) Intangible assets

### Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. 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.

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

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Department have a finite useful life and zero residual value.

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

Website costs	10 years
Software <sup>(a)</sup>	10 years

<sup>(a)</sup> Software that is not integral to the operation of any related hardware.

### Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable further economic benefits.

### Computer software

Software that is an integral part of the related hardware is treated as plant and equipment. 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.



## (h) Impairment of assets

Plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written-down to the recoverable amount and an impairment loss is recognised in profit or loss. Where a previously revalued asset is written-down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Department is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of 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 falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

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

## (i) Non-current assets (or disposal groups) classified as held for sale

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

## (j) Leases

The Department has entered into an operating lease arrangement for the rent of the office building where the lessor effectively retains the entire risks and benefits incidental to ownership of the items held under the operating lease. 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.

## (k) Financial instruments

In addition to cash, the Department has two categories of financial instruments:

- Receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial assets:
  - Cash and cash equivalents;
  - Restricted cash and cash equivalents;
  - Receivables; and
  - Amounts receivable for services.
- Financial liabilities:
  - Payables.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

## (l) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) 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.

## (m) Accrued salaries

Accrued salaries (refer to [Note 23](#) 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (refer to [Note 16](#) 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

## (n) Amounts receivable for services (holding account)

The Department receives income from the State Government partly in cash and partly as an asset (holding account receivable). The holding account receivable balance, resulting from service appropriation funding, is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

## (o) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 14 to 30 days.

## (p) Payables

Payables are recognised 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.

## (q) Amounts due to the Treasurer

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement, and subsequent measurement, is at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowing is for less than 12 months with the effect of discounting not being material.

## (r) Provisions

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

### *Provisions - employee benefits*

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

#### *Annual leave*

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

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability 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.

#### *Long service leave*

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service.

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

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.

#### *Sick leave*

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

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

#### *Deferred leave*

The provision for deferred leave relates to public service employees who have entered into an agreement to self-fund an additional 12 months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

#### *Purchased leave*

The provision for purchased leave relates to public service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the undiscounted amounts expected to be paid when the liabilities are settled.

#### *Superannuation*

The Government Employees Superannuation Board (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.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS).

From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Department makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*.

Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

The Department has no liabilities under the Pension Scheme or the GSS. 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 makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

#### *Provisions – other*

##### *Employment on-costs*

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

### **(s) Superannuation expense**

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

### **(t) Assets and services received free of charge or for nominal cost**

Assets or 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 assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the [Statement of Financial Position](#).

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

## **Note 3. Comparative figures**

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



## Note 4. Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Department evaluates these judgements regularly.

### 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.

## Note 5. Key sources of estimation uncertainty

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.

### Long service leave

Several estimations and assumptions used in calculating the Department's long service leave provision 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.

## Note 6. Disclosure of changes in accounting policy and estimates

### Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2015 that impacted on the Department.

AASB 2013-9	<p><i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i></p> <p>Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Department has not yet determined the application or the potential impact of AASB 9.</p>
AASB 2014-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 &amp; 2010)]</i></p> <p>This Standard makes amendments to AASB 9 <i>Financial Instruments</i> (December 2009) and AASB 9 <i>Financial Instruments</i> (December 2010), arising from the issuance of AASB 9 <i>Financial Instruments</i> in December 2014. The Department has not yet determined the application or the potential impact of AASB 9.</p>

<b>AASB 2015-3</b>	<p><i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i></p> <p>This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.</p>
<b>AASB 2015-7</b>	<p><i>Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]</i></p> <p>This Standard relieves not-for-profit public sector entities from the reporting burden associated with various disclosures required by AASB 13 for assets within the scope of AASB 116 that are held primarily for their current service potential rather than to generate future net cash inflows. It has no financial impact.</p>

## Voluntary changes in accounting policy

There are no voluntary changes in accounting policies during the year.

## 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. By virtue of a limited exemption, the Department has early adopted AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*.

Where applicable, the Department plans to apply these Australian Accounting Standards from their application date.

		<b>Operative for reporting periods beginning on/after</b>
<b>AASB 9</b>	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<b>AASB 15</b>	<p><i>Revenue from Contracts with Customers</i></p> <p>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 a contract with a customer. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

<b>AASB 16</b>	<p><i>Leases</i></p> <p>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 Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2019
<b>AASB 1057</b>	<p><i>Application of Australian Accounting Standards</i></p> <p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.</p>	1 Jan 2016
<b>AASB 2010-7</b>	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<b>AASB 2014-1</b>	<p><i>Amendments to Australian Accounting Standards</i></p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Department to determine the application or potential impact of the Standard.</p>	1 Jan 2018
<b>AASB 2014-3</b>	<p><i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 &amp; 11]</i></p> <p>The Department establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.</p>	1 Jan 2016
<b>AASB 2014-4</b>	<p><i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 &amp; 138]</i></p> <p>The adoption of this Standard has no financial impact for the Department as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</p>	1 Jan 2016
<b>AASB 2014-5</b>	<p><i>Amendments to Australian Accounting Standards arising from AASB 15</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

AASB 2014-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-9	<p><i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 &amp; 128]</i></p> <p>This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
AASB 2014-10	<p><i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 &amp; 128]</i></p> <p>This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
AASB 2015-1	<p><i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 &amp; 140]</i></p> <p>These amendments arise from the issuance of International Financial Reporting Standard <i>Annual Improvements to IFRSs 2012–2014 Cycle</i> in September 2014, and editorial corrections. The Department has determined that the application of the Standard has no financial impact.</p>	1 Jan 2016
AASB 2015-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 &amp; 1049]</i></p> <p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgment when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.</p>	1 Jan 2016
AASB 2015-6	<p><i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 &amp; 1049]</i></p> <p>The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.</p>	1 Jul 2016

AASB 2015-8	<p><i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i></p> <p>This Standard amends the mandatory effective date (application date) of AASB 15 <i>Revenue from Contracts with Customers</i> so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. The Department has not yet determined the application or the potential impact of AASB 15.</p>	1 Jan 2017
AASB 2015-10	<p><i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 &amp; 128</i></p> <p>This Standard defers the mandatory effective date (application date) of amendments to AASB 10 &amp; 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. The Department has not yet determined the application or the potential impact of AASB 2014-10.</p>	1 Jan 2016
AASB 2016-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i></p> <p>This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.</p>	1 Jan 2017
AASB 2016-3	<p><i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i></p> <p>This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a license, and, provides further transitional provisions to AASB 15. The Department has not yet determined the application or the potential impact.</p>	1 Jan 2018

## Changes in accounting estimates

There have been no changes in accounting estimates during the year.



## Note 7. Employee benefits expense

	2016	2015
	\$000	\$000
Wages and salaries	22,138	20,873
Superannuation <sup>(a)</sup>	3,540	3,394
Long service leave <sup>(b)</sup>	1,236	1,182
Annual leave <sup>(b)</sup>	4,518	4,608
Severance payments	-	139
Other related expenses	513	579
	<b>31,945</b>	<b>30,775</b>

<sup>(a)</sup> Includes West State, Gold State, GESB and other eligible funds.

<sup>(b)</sup> Includes a superannuation contribution component.

Employment on-costs expenses, such as workers' compensation insurance, are included at [Note 12](#) 'Other expenses'.

The employment on-costs liability is included at [Note 24](#) 'Provisions'.

## Note 8. Supplies and services

	2016	2015
	\$000	\$000
Managed contracts	196,907	34,346
Communications	93	72
Consultants	5,259	1,323
Contractors	10,990	2,493
Service provided by WA Government agencies	9,101	9,142
Repairs and maintenance	12	-
Consumables	243	239
Travel	138	102
Legal costs	6,843	865
Other	1,644	1,067
	<b>231,230</b>	<b>49,649</b>

## Note 9. Depreciation and amortisation expense

	2016	2015
	\$000	\$000
<b>Depreciation</b>		
Office equipment	10	9
Computer equipment	24	27
<b>Total depreciation</b>	<b>34</b>	<b>36</b>
<b>Amortisation</b>		
Computer software	983	983
Website costs	11	2
<b>Total amortisation</b>	<b>994</b>	<b>985</b>
<b>Total depreciation and amortisation</b>	<b>1,028</b>	<b>1,021</b>

## Note 10. Accommodation expenses

	2016	2015
	\$000	\$000
Lease rentals	3,925	3,829
Repairs and maintenance	13	14
	<b>3,938</b>	<b>3,843</b>

## Note 11. Grants and subsidies

	2016	2015
	\$000	\$000
<b>Recurrent</b>		
Grants	77	329
	<b>77</b>	<b>329</b>

## Note 12. Other expenses

	2016	2015
	\$000	\$000
Minor purchases	527	130
Employment on-costs	1	7
Audit fees	569	562
Other	103	19
	<b>1,200</b>	<b>718</b>

## Note 13. Income

	2016	2015
	\$000	\$000
<b>User charges and fees</b>		
Managed building works	196,654	34,207
	<b>196,654</b>	<b>34,207</b>
<b>Other revenue</b>		
Recoups	-	52
Government Vehicle Scheme (GVS)	70	44
Other	2	21
	<b>72</b>	<b>117</b>
	<b>196,726</b>	<b>34,324</b>

## Note 14. Income from State Government

	2016	2015
	\$000	\$000
<b>Appropriation received during the period</b>		
Service appropriation <sup>(a)</sup>	62,172	49,493
	<b>62,172</b>	<b>49,493</b>
<b>Services received free of charge from other State Government agencies during the period</b>		
Department of Finance	7,429	8,063
Department of the Attorney General	1,240	638
Department of the Premier and Cabinet	58	71
Landgate	374	370
	<b>9,101</b>	<b>9,142</b>
<b>Royalties for Regions Fund</b>		
Governance of the Royalties for Regions Program	123	121
	<b>123</b>	<b>121</b>
<b>Total income from State Government</b>	<b>71,396</b>	<b>58,756</b>

<sup>(a)</sup> Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year.

## Note 15. Cash and cash equivalents

	2016	2015
	\$000	\$000
<b>Current</b>		
Cash at bank	76,260	18,059
	<b>76,260</b>	<b>18,059</b>

## Note 16. Restricted cash and cash equivalents

	2016	2015
	\$000	\$000
<b>Current</b>		
Accrued salaries suspense account <sup>(a)</sup>	-	1,329
Royalties for Regions Fund	-	1
	<b>-</b>	<b>1,330</b>

<sup>(a)</sup> Funds held in the suspense account for the purpose of meeting the 27th pay in a financial year that occurs every 11 years. The 27th pay was due in 2016.

## Note 17. Receivables

	2016	2015
	\$000	\$000
<b>Current</b>		
Receivables	776	818
GST receivable	8,491	1,793
	<b>9,267</b>	<b>2,611</b>
Underbillings <sup>(a)</sup>	4,750	5,759
<b>Total current</b>	<b>14,017</b>	<b>8,370</b>

<sup>(a)</sup> Contract cost incurred less billings to clients.

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

## Note 18. Other current assets

	2016	2015
	\$000	\$000
Prepayments	-	14
	<b>-</b>	<b>14</b>

## Note 19. Amounts receivable for services (holding account)

	2016	2015
	\$000	\$000
Current	-	-
Non-current	10,161	9,148
	<b>10,161</b>	<b>9,148</b>

Represents 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.

## Note 20. Plant and equipment

	2016	2015
	\$000	\$000
<b>Office equipment</b>		
At cost	73	43
Accumulated depreciation	(25)	(15)
	<b>48</b>	<b>28</b>
<b>Computer equipment</b>		
At cost	89	89
Accumulated depreciation	(69)	(46)
	<b>20</b>	<b>43</b>
	<b>68</b>	<b>71</b>

Reconciliations of the carrying amounts of office and computer equipment at the beginning and end of the reporting period are set out in the table below:

	Office Equipment	Computer Equipment	Total
	\$000	\$000	\$000
<b>2016</b>			
Carrying amount at start of period	28	43	70
Additions	29	-	29
Depreciation	(9)	(23)	(31)
<b>Carrying amount at end of period</b>	<b>48</b>	<b>20</b>	<b>68</b>
<b>2015</b>			
Carrying amount at start of period	16	71	87
Additions	21	-	21
Depreciation	(9)	(28)	(37)
<b>Carrying amount at end of period</b>	<b>28</b>	<b>43</b>	<b>71</b>

## Note 21. Intangible assets

	2016	2015
	\$000	\$000
<b>Computer software</b>		
At cost	9,873	9,873
Accumulated amortisation	(3,732)	(2,749)
	<b>6,141</b>	<b>7,124</b>
<b>Website costs</b>		
At cost	100	100
Accumulated amortisation	(12)	(2)
	<b>88</b>	<b>98</b>
	<b>6,229</b>	<b>7,222</b>



	2016	2015
	\$000	\$000
<b>Reconciliations:</b>		
<b>Computer software</b>		
Carrying amount at start of period	7,124	8,107
Additions	-	-
Amortisation	(983)	(983)
<b>Carrying amount at end of period</b>	<b>6,141</b>	<b>7,124</b>
<b>Website costs</b>		
Carrying amount at start of period	98	-
Additions	-	100
Amortisation	(10)	(2)
<b>Carrying amount at end of period</b>	<b>88</b>	<b>98</b>

## Note 22. Impairment of assets

There were no indications of impairment to plant and equipment and intangible assets at 30 June 2016. 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. All surplus assets at 30 June 2016 have either been classified as assets held for sale or written-off.

## Note 23. Payables

	2016	2015
	\$000	\$000
<b>Current</b>		
Trade payables	2,625	277
Other tax payables	92	91
Accrued salaries	-	1,095
Accrued expenses	31,247	2,965
	<b>33,964</b>	<b>4,428</b>
Overbillings <sup>(a)</sup>	38,639	4,282
<b>Total current</b>	<b>72,603</b>	<b>8,710</b>

<sup>(a)</sup> Billings to clients less contract costs incurred.

## Note 24. Provisions

	2016 \$000	2015 \$000
<b>CURRENT</b>		
<b>Employee benefits provision</b>		
Annual leave <sup>(a)</sup>	3,593	3,577
Long service leave <sup>(b)</sup>	5,327	5,559
Deferred salary scheme <sup>(c)</sup>	-	54
	<b>8,920</b>	<b>9,190</b>
<b>Other provisions</b>		
Employment on-costs <sup>(d)</sup>	16	17
	<b>16</b>	<b>17</b>
<b>TOTAL CURRENT</b>	<b>8,936</b>	<b>9,207</b>
<b>NON-CURRENT</b>		
<b>Employee benefits provision</b>		
Long service leave <sup>(b)</sup>	2,241	2,046
	<b>2,241</b>	<b>2,046</b>
<b>Other provisions</b>		
Employment on-costs <sup>(d)</sup>	4	4
	<b>4</b>	<b>4</b>
<b>TOTAL NON-CURRENT</b>	<b>2,245</b>	<b>2,050</b>

<sup>(a)</sup> Annual leave liabilities have been 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:

Within 12 months of the end of the reporting period	2,614	2,447
More than 12 months after the end of the reporting period	979	1,130
	<b>3,593</b>	<b>3,577</b>

<sup>(b)</sup> Long service leave liabilities have been classified as current where 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:

Within 12 months of the end of the reporting period	2,372	2,245
More than 12 months after the end of the reporting period	5,196	5,360
	<b>7,568</b>	<b>7,605</b>

<sup>(c)</sup> Deferred salary scheme liabilities have been 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 will occur as follows:

Within 12 months of the end of the reporting period	-	54
More than 12 months after the end of the reporting period	-	-
	<b>-</b>	<b>54</b>

<sup>(d)</sup> 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. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in [Note 12](#) 'Other expenses'.

	2016	2015
	\$000	\$000

### Movements in other provisions

Movements in each class of provisions during the period, other than employee benefits, are set out below.

### Employment on-cost provision

Carrying amount at start of period	21	20
Additional provisions recognised	3	9
Payments/other sacrifices of economic benefits	(4)	(8)
<b>Carrying amount at end of period</b>	<b>20</b>	<b>21</b>

## Note 25. Equity

	2016	2015
	\$000	\$000

The Western Australian Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department.

### Contributed equity

Balance at start of period	10,963	10,963
----------------------------	--------	--------

### Contributions by owners

Capital appropriation	-	-
-----------------------	---	---

<b>Total contributions by owners</b>	<b>10,963</b>	<b>10,963</b>
--------------------------------------	---------------	---------------

### Distributions to owners

Transfer of net assets to other agencies	-	-
--	---	---

<b>Total distributions to owners</b>	<b>-</b>	<b>-</b>
--------------------------------------	----------	----------

<b>Balance at end of period</b>	<b>10,963</b>	<b>10,963</b>
---------------------------------	---------------	---------------

### Accumulated surplus

Balance at start of period	13,284	6,539
----------------------------	--------	-------

Result for the period	(1,296)	6,745
-----------------------	---------	-------

<b>Balance at the end of period</b>	<b>11,988</b>	<b>13,284</b>
-------------------------------------	---------------	---------------

<b>Total equity at end of period</b>	<b>22,951</b>	<b>24,247</b>
--------------------------------------	---------------	---------------

## Note 26. Notes to the Statement of Cash Flows

	2016 \$000	2015 \$000
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents (Note 15 'Cash and cash equivalents')	76,260	18,059
Restricted cash and cash equivalents (Note 16 'Restricted cash and cash equivalents')	-	1,330
	<b>76,260</b>	<b>19,389</b>
<b>Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities</b>		
Net cost of services	(72,692)	(52,011)
<b>Non-cash items</b>		
Depreciation and amortisation expense (Note 9 'Depreciation and amortisation expense')	1,027	1,021
Services received free of charge (Note 14 'Income from State Government')	9,101	9,142
<b>(Increase)/decrease in assets</b>		
Current receivables <sup>(a)</sup>	32,377	4,177
<b>Increase/(decrease) in liabilities</b>		
Current payables <sup>(a)</sup>	26,510	(1,003)
Accrued salaries	(952)	(451)
Accrued employee benefits	105	1,026
Net GST receipts/payments <sup>(b)</sup>	142	(2,142)
<b>Net cash provided by/(used in) operating activities</b>	<b>(4,382)</b>	<b>(40,241)</b>

<sup>(a)</sup> 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.

<sup>(b)</sup> This is the net GST paid/received, i.e. cash transactions.

## Note 27. Services provided free of charge

	2016 \$000	2015 \$000
During the period the following services were provided to other agencies free of charge for functions outside the normal operations of the Department:		
Department of Finance - Provision of accounting services to the Office of State Revenue	298	334
	<b>298</b>	<b>334</b>

## Note 28. Commitments

	2016 \$000	2015 \$000
<b>Capital expenditure commitments</b>		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	-	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	-	-
<b>Non-cancellable operating lease commitments</b>		
Commitments for minimum lease payments are payable as follows:		
Within 1 year	3,441	2,709
Later than 1 year and not later than 5 years	13,247	10,238
Later than 5 years	63,731	5,935
	<b>80,419</b>	<b>18,882</b>

The property leases are non-cancellable and have a 25 year term, with rent payable in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by 4 per cent per annum. Options exist to renew the lease at the end of the 25 year term with the last option expiring 29 November 2065.

	2016 \$000	2015 \$000
<b>Other expenditure commitments</b>		
Other expenditure commitments for supplies and services contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	346	3,751
Later than 1 year and not later than 5 years	71	-
Later than 5 years	-	-
	<b>417</b>	<b>3,751</b>

## Note 29. Contingent liabilities and contingent assets

### Contingent liabilities

The Department does not have any contingent liabilities.

### Contingent assets

The Department does not have any contingent assets.

## Note 30. Related and affiliated bodies

The Department has no related or affiliated bodies.



## Note 31. Events occurring after the end of the reporting period

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

## Note 32. Remuneration of auditor

	2016	2015
	\$000	\$000
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and key performance indicators:		
Department of Treasury	216	212
Annual Report on State Finances	340	337
	<b>556</b>	<b>549</b>

## Note 33. Remuneration of senior officers

	2016	2015
The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:		
<b>Remuneration Band (\$)</b>		
\$230,001 - 240,000	-	2
\$250,001 - 260,000	-	1
\$270,001 - 280,000	1	-
\$310,001 - 320,000	1	-
\$330,001 - 340,000	-	1
\$340,001 - 350,000	2	-
\$360,001 - 370,000	1	-
\$400,001 - 410,000	-	1
\$500,001 - 510,000	1	-
\$520,001 - 530,000	-	1
	<b>2016</b>	<b>2015</b>
	\$000	\$000
Cash remuneration received for the year	1,888	1,579
Annual leave and long service leave accruals	(61)	112
Other benefits	324	292
<b>Total remuneration of senior officers</b>	<b>2,151</b>	<b>1,983</b>

The total remuneration includes the superannuation expense incurred by the Department in respect of senior officers.

## Note 34. Financial instruments

### a) Financial risk management objectives and policies

Financial instruments held by the Department are cash and cash equivalents, restricted cash and cash equivalents, receivables, payables and Treasurer’s Advances.

The Department has limited exposure to financial risks. The Department’s overall risk management program focuses on managing the risks identified below.

#### *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.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at [Note 34\(c\)](#) ‘Financial instruments disclosures’ and [Note 17](#) ‘Receivables’.

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. 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.

#### *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 is not exposed to interest rate risk because of 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).

**(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:

	2016 \$000	2015 \$000
<b>Financial assets</b>		
Cash and cash equivalents	76,260	18,059
Restricted cash and cash equivalents	-	1,330
Receivables <sup>(a)</sup>	5,526	6,577
Amounts receivable for services	10,161	9,148
<b>Financial liabilities</b>		
Payables <sup>(b)</sup>	72,603	8,711

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

<sup>(b)</sup> The amount of payables excludes GST payable to the ATO (statutory payable).

**(c) Financial instrument disclosures****Credit risk**

The following table details the Department's maximum exposure to credit risk and the ageing analysis of financial assets. The Department's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Department. The Department does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

**Ageing analysis of financial assets**

	Carrying Amount \$000	Not Past Due and Not Impaired \$000	Up to 1 Month \$000	Past Due but Not Impaired 1 - 3 Months \$000	3 Months to 1 Year \$000	1 - 5 Years \$000	More than 5 Years \$000	Impaired Financial Assets \$000
<b>2016</b>								
Cash and cash equivalents	76,260	76,260	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables <sup>(a)</sup>	5,526	5,007	419	50	30	20	-	-
Amounts receivable for services	10,161	10,161	-	-	-	-	-	-
	<b>91,947</b>	<b>91,428</b>	<b>419</b>	<b>50</b>	<b>30</b>	<b>20</b>	<b>-</b>	<b>-</b>

	Carrying Amount	Not Past Due and Not Impaired	Past Due but Not Impaired					Impaired Financial Assets
			Up to 1 Month	1 - 3 Months	3 Months to 1 Year	1 - 5 Years	More than 5 Years	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2015</b>								
Cash and cash equivalents	18,060	18,060	-	-	-	-	-	-
Restricted cash and cash equivalents	1,330	1,330	-	-	-	-	-	-
Receivables <sup>(a)</sup>	6,577	5,862	497	179	22	17	-	-
Amounts receivable for services	9,148	9,148	-	-	-	-	-	-
	<b>35,115</b>	<b>34,400</b>	<b>497</b>	<b>179</b>	<b>22</b>	<b>17</b>	<b>-</b>	<b>-</b>

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

### Liquidity risk and interest rate exposure

The following table discloses 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.

### Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Interest Rate Exposure				Nominal Amount	Maturity Dates				
	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non- interest Bearing		Up to 1 Month	1 - 3 Months	3 Months to 1 Year	1 - 5 Years	More than 5 Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2016</b>										
<b>Financial assets</b>										
Cash and cash equivalents	76,260	-	-	76,260	76,260	76,260	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Receivables <sup>(a)</sup>	5,526	-	-	5,526	5,526	5,526	-	-	-	-
Amounts receivable for services	10,161	-	-	10,161	10,161	-	-	-	10,161	-
	<b>91,947</b>	<b>-</b>	<b>-</b>	<b>91,947</b>	<b>91,947</b>	<b>81,786</b>	<b>-</b>	<b>-</b>	<b>10,161</b>	<b>-</b>

	Interest Rate Exposure				Nominal Amount	Maturity Dates				
	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing		Up to 1 Month	1 - 3 Months	3 Months to 1 Year	1 - 5 Years	More than 5 Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial liabilities</b>										
Payables	72,603	-	-	72,603	72,603	72,603	-	-	-	-
	<b>72,603</b>	<b>-</b>	<b>-</b>	<b>72,603</b>	<b>72,603</b>	<b>72,603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2015</b>										
<b>Financial assets</b>										
Cash and cash equivalents	18,059	-	-	18,059	18,059	18,059	-	-	-	-
Restricted cash and cash equivalents	1,330	-	-	1,330	1,330	-	-	1,330	-	-
Receivables <sup>(a)</sup>	6,577	-	-	6,577	6,577	6,577	-	-	-	-
Amounts receivable for services	9,148	-	-	9,148	9,148	-	-	-	9,148	-
	<b>35,114</b>	<b>-</b>	<b>-</b>	<b>35,114</b>	<b>35,114</b>	<b>24,636</b>	<b>-</b>	<b>1,330</b>	<b>9,148</b>	<b>-</b>
<b>Financial liabilities</b>										
Payables	<b>8,711</b>	-	-	8,711	8,711	8,711	-	-	-	-
	<b>8,711</b>	<b>-</b>	<b>-</b>	<b>8,711</b>	<b>8,711</b>	<b>8,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

#### Fair values

All financial assets and liabilities recognised in the [Statement of Financial Position](#), whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.



## Note 35. Explanatory Statement Statement of Comprehensive Income (Controlled operations)

All variances between estimates (original budget) and actual results for 2016, and between the actual results for 2016 and 2015 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

- 5% and \$1.727 million for the Statement of Comprehensive Income and Cash Flows; and
- 5% and \$752,000 for the Statement of Financial Position.

	Variance Note	Estimate 2016	Actual 2016	Actual 2015	Variance between Estimate and Actual	Variance between Actual results for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>COST OF SERVICES</b>						
<b>Expenses</b>						
Employee benefits expense	1	35,743	31,945	30,775	(3,798)	1,170
Supplies and services	2, a	267,671	231,230	49,649	(36,441)	181,581
Depreciation and amortisation expense		1,013	1,028	1,021	15	7
Accommodation expenses		4,374	3,938	3,843	(436)	95
Grants and subsidies		-	77	329	77	(252)
Other expenses		1,381	1,200	718	(181)	482
<b>Total cost of services</b>		<b>310,182</b>	<b>269,418</b>	<b>86,335</b>	<b>(40,764)</b>	<b>183,083</b>
<b>Income</b>						
<b>Revenue</b>						
User charges and fees	3, b	240,118	196,654	34,207	(43,464)	162,447
Other revenue		-	72	117	72	(45)
<b>Total revenue</b>		<b>240,118</b>	<b>196,726</b>	<b>34,324</b>	<b>(43,392)</b>	<b>162,402</b>
<b>Total income other than income from State Government</b>		<b>240,118</b>	<b>196,726</b>	<b>34,324</b>	<b>(43,392)</b>	<b>162,402</b>
<b>NET COST OF SERVICES</b>		<b>(70,064)</b>	<b>(72,692)</b>	<b>(52,011)</b>	<b>(2,628)</b>	<b>(20,681)</b>

	Variance Note	Estimate 2016	Actual 2016	Actual 2015	Variance between Estimate and Actual	Variance between Actual results for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>Income from State Government</b>						
Service appropriation	c	62,371	62,172	49,493	(199)	12,679
Services received free of charge		7,912	9,101	9,142	1,189	(41)
Royalties for Regions Fund		124	123	121	(1)	2
<b>Total income from State Government</b>		<b>70,407</b>	<b>71,396</b>	<b>58,756</b>	<b>989</b>	<b>12,640</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>343</b>	<b>(1,296)</b>	<b>6,745</b>	<b>(1,639)</b>	<b>(8,041)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>343</b>	<b>(1,296)</b>	<b>6,745</b>	<b>(1,639)</b>	<b>(8,041)</b>

#### Major Estimate and Actual (2016) variance narratives

- <sup>(1)</sup> Employee benefits was underspent due to an average vacancy rate of 4% during the year.
- <sup>(2)</sup> Variance is primarily attributable to the progress of the major capital works programs that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- <sup>(3)</sup> Variance is predominantly due to the progress of ongoing strategic projects that are at various stages of completion. The Perth Stadium represents a major component of the variance.

#### Major Actual (2016) and Comparative (2015) variance narratives

- <sup>(a)</sup> Variance is primarily attributable to the scheduled progress of the major capital works programs that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- <sup>(b)</sup> Variance is primarily attributable to the scheduled progress of the major capital works programs that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- <sup>(c)</sup> Service appropriation has increased due to additional appropriation provided in 2015-16 to progress the approved asset sales program.

## Note 35. Explanatory Statement Statement of Financial Position (Controlled operations)

	Variance Note	Estimate 2016	Actual 2016	Actual 2015	Variance between Estimate and Actual	Variance between Actual results for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	1, a	10,783	76,260	18,059	65,477	58,201
Restricted cash and cash equivalents	b	-	-	1,330	-	(1,330)
Amounts receivable for services		-	-	-	-	-
Receivables	2, c	10,385	14,017	8,370	3,632	5,647
Other current assets		-	-	14	-	(14)
<b>Total current assets</b>		<b>21,168</b>	<b>90,277</b>	<b>27,773</b>	<b>69,109</b>	<b>62,504</b>
<b>Non-current assets</b>						
Amounts receivable for services	d	10,161	10,161	9,148	-	1,013
Plant and equipment		47	68	71	21	(3)
Intangible assets	e	6,231	6,229	7,222	(2)	(993)
<b>Total non-current assets</b>		<b>16,439</b>	<b>16,458</b>	<b>16,441</b>	<b>19</b>	<b>17</b>
<b>TOTAL ASSETS</b>		<b>37,607</b>	<b>106,735</b>	<b>44,214</b>	<b>69,128</b>	<b>62,521</b>

Overview

Our  
Performance

Significant  
Issues  
and Trends

Our  
People

Governance

Financial  
Statements  
and Notes

Key  
Performance  
Indicators

	Variance Note	Estimate 2016	Actual 2016	Actual 2015	Variance between Estimate and Actual	Variance between Actual results for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	3, f	8,680	72,603	8,710	63,923	63,893
Provisions		8,761	8,936	9,207	175	(271)
<b>Total current liabilities</b>		<b>17,441</b>	<b>81,539</b>	<b>17,917</b>	<b>64,098</b>	<b>63,622</b>
<b>Non-current liabilities</b>						
Provisions		1,979	2,245	2,050	266	195
<b>Total non-current liabilities</b>		<b>1,979</b>	<b>2,245</b>	<b>2,050</b>	<b>266</b>	<b>195</b>
<b>TOTAL LIABILITIES</b>		<b>19,420</b>	<b>83,784</b>	<b>19,967</b>	<b>64,364</b>	<b>63,817</b>
<b>NET ASSETS</b>		<b>18,187</b>	<b>22,951</b>	<b>24,247</b>	<b>4,764</b>	<b>(1,296)</b>
<b>EQUITY</b>						
Contributed equity		62,711	10,963	10,963	(51,748)	-
Accumulated surplus		(44,524)	11,988	13,284	56,512	(1,296)
<b>TOTAL EQUITY</b>		<b>18,187</b>	<b>22,951</b>	<b>24,247</b>	<b>4,764</b>	<b>(1,296)</b>

### Major Estimate and Actual (2016) variance narratives

- (1) Variance is primarily due to the timing of billings to clients in relation to progress payments for some projects. The Perth Stadium represents a major component of the variance.
- (2) Variance is mainly due to higher than budgeted GST receivables at year end. GST receivables will be recovered in July 2016.
- (3) Variance is primarily due to the timing of billings to clients in relation to progress payments for some projects. The Perth Stadium represents a major component of the variance.

### Major Actual (2016) and Comparative (2015) variance narratives

- (a) Variance is mainly due to the timing of billings to clients in relation to progress payments for some projects. The Perth Stadium represents a major component of the variance.
- (b) Variance is attributable to the 27th pay falling during 2015-16 therefore utilising restricted cash.
- (c) Variance is due to higher GST receivables at 2016 year end. GST receivables will be recovered during July 2016.
- (d) Variance represents the non-cash component of the service appropriation that is related to intangibles depreciation.
- (e) Variance represents the intangibles assets amortisation for the 2016 financial year.
- (f) Variance is primarily due to the timing of billings to clients in relation to progress payments for some projects. The Perth Stadium represents a major component of the variance.

## Note 35. Explanatory Statement Statement of Cash Flows (Controlled operations)

	Variance Note	Estimate 2016	Actual 2016	Actual 2015	Variance between Estimate and Actual	Variance between Actual results for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation	a	61,358	61,159	48,490	(199)	12,669
Holding account drawdown		-	-	100	-	(100)
Royalties for Regions Fund		124	123	121	(1)	2
Receipts from Treasurer's Advance		-	-	-	-	-
Payments to Treasurer's Advance		-	-	-	-	-
<b>Net cash provided by State Government</b>		<b>61,482</b>	<b>61,282</b>	<b>48,711</b>	<b>(200)</b>	<b>12,571</b>



	Variance Note	Estimate 2016	Actual 2016	Actual 2015	Variance between Estimate and Actual	Variance between Actual results for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits	1, b	(41,484)	(32,779)	(30,191)	8,705	(2,588)
Supplies and services	2, c	(251,282)	(196,009)	(41,482)	55,273	(154,527)
Accommodation		(4,380)	(3,871)	(3,870)	509	(1)
Grants and subsidies		-	(69)	(339)	(69)	270
GST payments on purchases	3, d	(12,343)	(36,223)	(13,045)	(23,880)	(23,178)
GST Payments to taxation authority		(3,653)	(2,256)	(645)	1,397	(1,611)
Other payments		(986)	(879)	(697)	107	(182)
<b>Receipts</b>						
User charges and fees	4, e	239,118	229,011	38,367	(10,107)	190,644
GST receipts on sales	5, f	12,000	22,915	3,467	10,915	19,448
GST receipts from taxation authority	6, g	1,010	15,706	8,082	14,696	7,624
Other receipts		-	72	112	72	(40)
<b>Net cash provided by/(used in) operating activities</b>		<b>(62,000)</b>	<b>(4,382)</b>	<b>(40,241)</b>	<b>57,618</b>	<b>35,859</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of non-current assets		-	(29)	(121)	(29)	92
<b>Net cash provided by/(used in) investing activities</b>		<b>-</b>	<b>(29)</b>	<b>(121)</b>	<b>(29)</b>	<b>92</b>
Net increase/(decrease) in cash and cash equivalents	7, h	(518)	56,871	8,349	57,389	48,522
Cash and cash equivalents at the beginning of the period		11,301	19,389	11,040	8,088	8,349
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>10,783</b>	<b>76,260</b>	<b>19,389</b>	<b>65,477</b>	<b>56,871</b>

Overview

Our Performance

Significant Issues and Trends

Our People

Governance

Financial Statements and Notes

Key Performance Indicators

### Major Estimate and Actual (2016) variance narratives

- <sup>(1)</sup> Variance is mainly due to an average vacancy rate of 4% during the year compared with the forecast.
- <sup>(2)</sup> Variance is primarily attributable to the scheduled progress of the major capital works programs that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- <sup>(3)</sup> Variance is due to an increase in GST payments relating to progress of the capital works programs.
- <sup>(4)</sup> Variance is primarily attributable to the scheduled progress of the major capital works programs that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- <sup>(5)</sup> Variance is due to an increase in GST receipts related to billings for the progress of the capital works programs.
- <sup>(6)</sup> Variance is primarily due to an increase in GST receipts from the taxation authority relating to the progress of the capital works programs.
- <sup>(7)</sup> Variance is due to the timing of billings for the capital works programs.

### Major Actual (2016) and Comparative (2015) variance narratives

- <sup>(a)</sup> Variance is primarily due to additional appropriation received in 2015-16 to progress the approved asset sales program.
- <sup>(b)</sup> Variance is mainly due to an increase in employee benefit costs for 2015-16 to progress the asset sales program.
- <sup>(c)</sup> Variance is primarily attributable to the scheduled progress of the major capital works programs that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- <sup>(d)</sup> Variance is due to an increase in GST payments relating to progress of the capital works programs.
- <sup>(e)</sup> Variance is due to an increase in client billings relating to the capital works programs that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- <sup>(f)</sup> Variance is primarily due to an increase in GST receipts related to progress of the capital works programs.
- <sup>(g)</sup> Variance is primarily due to an increase in GST receipts from the taxation authority relating to the progress of the capital works programs.
- <sup>(h)</sup> Variance is primarily due to the timing of billings to clients in relation to progress payments for some projects. The Perth Stadium represents a major component of the variance.

## Note 36. Explanatory statement – Administered items

All variances between estimates (original budget) and actual results for 2016, and between the actual results for 2016 and 2015 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than 5% and \$25 million for the Statement of Comprehensive Income and Cash Flows.

	2016 Estimate	2016 Actual	Variance	2016 Actual	2015 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
<b>ADMINISTERED TRANSACTIONS</b>						
<b>RECURRENT ADMINISTERED</b>						
<b>Operating subsidy payments</b>						
Item 69 Electricity Generation and Retail Corporation (Synergy)	408,791	379,194	(29,597)	379,194	511,589	(132,395)
Item 71 Public Transport Authority	787,128	776,829	(10,299)	776,829	736,695	40,134
<b>Grants, subsidies and transfer payments</b>						
Item 76 Department of Corrective Services	31,676	1,900	(29,776)	1,900	10,595	(8,695)
Item 81 National Disability Insurance Scheme - Perth Hills Trial Site	48,243	47,705	(538)	47,705	4,811	42,894
Item 83 Refunds of Past Years Revenue Collections - Public Corporations	22,200	93,252	71,052	93,252	86,152	7,100
Item 84 Resolution of the Native Title in the South West of Western Australia (Settlement)	60,000	-	(60,000)	-	-	-
Item 86 Royalties for Regions	600,177	600,177	-	600,177	796,417	(196,240)
<b>Authorised by Other Statutes</b>						
<i>State Superannuation Act 2000</i>	651,164	622,804	(28,360)	622,804	671,372	(48,568)
<i>Western Australian Treasury Corporation Act 1986 - Interest</i>	492,000	542,451	50,451	542,451	441,866	100,585
<b>ADMINISTERED CAPITAL</b>						
<b>Government equity contributions</b>						
Item 138 Electricity Networks Corporation (Western Power)	81,461	201,701	120,240	201,701	92,936	108,765
Item 140 Metropolitan Redevelopment Authority	63,000	63,000	-	63,000	144,729	(81,729)
Item 141 Mid West Ports Authority	4,500	70,944	66,444	70,944	-	70,944
Item 144 Royalties for Regions	317,429	317,429	-	317,429	365,232	(47,803)
Item 146 WA Health	53,026	31,782	(21,244)	31,782	125,028	(93,246)

	2016 Estimate	2016 Actual	Variance	2016 Actual	2015 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Other</b>						
Item 148 Perth Children's Hospital Account	44,000	44,000	-	44,000	349,500	(305,500)
Item 149 The New Perth Stadium Account	240,000	265,000	25,000	265,000	145,000	120,000
<b>Authorised by Other Statutes</b>						
<i>Loan (Co-operative Companies) Act 2004</i>	-	31,600	31,600	31,600	9,300	22,300

## RECURRENT ADMINISTERED

### Operating subsidy payments

Item 69 – Electricity Generation and Retail Corporation (Synergy)

The \$132.4 million decrease in Synergy's operating subsidy payments in 2015-16 compared with the 2014-15 outturn is due to reductions in cost reflective tariff rates, as a result of revisions in the methodology used to inform the calculation of Synergy's operating subsidy requirements, lower electricity demand and electricity price increases bringing Synergy's tariffs closer to cost reflective levels.

The 2015-16 outturn was \$29.6 million lower than the original 2015-16 Budget, reflecting lower than anticipated customer demand volume.

Item 71 – Public Transport Authority

The Public Transport Authority's operating subsidy payments in 2015-16 were \$40.1 million higher than in 2014-15. This mainly reflects cost escalation (including wages, contracts and electricity), the cost of providing additional Transperth bus and train service kilometres (reflecting Government policy to increase bus services and additional railcars entering into service), and higher interest expenses for borrowings in support of the Authority's Asset Investment Program.

### Grants, subsidies and transfer payments

Item 76 – Department of Corrective Services

This item quarantines central funds approved for the Custodial Infrastructure Program, approved by the Government in 2009. The outcome for 2015-16 was \$29.8 million lower than forecast in the 2015-16 Budget as a result of a delay in the completion of the Eastern Goldfields Regional Prison and other projects. The remaining funding in 2015-16 was reallocated across 2016-17 to 2019-20 to reflect the revised timing of spending on these projects.

Item 81 – National Disability Insurance Scheme (NDIS) – Perth Hills Trial Site

The 2015-16 outturn was \$42.9 million higher than in 2014-15, reflecting an increasing number of participants in the Commonwealth operated NDIS at the Perth Hills trial site in 2015-16, consistent with the agreed roll-in schedule between the two levels of government.

### Item 83 – Refunds of Past Years Revenue Collections

This item meets the State's obligation to refund public corporations that have overpaid National Tax Equivalent Regime instalments into the Consolidated Account. The \$93.3 million outturn for 2015-16 was \$71.1 million higher than the original 2015-16 Budget provision, reflecting payments for refunds that arose during the year but were not known at budget-time. Note 42 includes further details of these revisions.

### Item 84 – Resolution of Native Title in the South West of Western Australia (Settlement)

The 2015-16 Budget included a central allocation of funding totalling \$60 million for the estimated recurrent cost of the Settlement during the year ending 30 June 2016. The funding was not transferred to the relevant parties as expected during the year, as a result of a number of objections to the Indigenous Land Use Agreement registrations which resulted in delays in the finalisation of the Settlement.

### Item 86 – Royalties for Regions

The 2015-16 outturn was \$196.2 million lower than 2014-15. This mainly reflects a decline in mining royalties estimates between the two years (down \$2.5 billion, together with managing the Royalties for Regions Fund within the statutory \$1 billion cash balance), and the different mix of the program's recurrent and capital projects approved between the years by the Government.

### Authorised by Other Statutes

#### *State Superannuation Act 2000*

Cash payments under the *State Superannuation Act 2000* were \$48.6 million (or 7.2 %) lower in 2015-16 than in 2014-15. This was largely due to lower payments for Gold State Super entitlements (down \$47.8 million or 11.9%), mainly due to a slowdown in retirement rates. Changes in the rate of retirements reflect a combination of the State's Voluntary Separation and Targeted Separation Schemes and a change in the treatment of account based pensions, which influenced scheme retirement decisions in 2013-14 and 2014-15 by bringing forward the payment of some benefits that would otherwise have occurred in 2015-16 and beyond.

#### *Western Australian Treasury Corporation Act 1986 - Interest*

This item provides for the debt servicing costs of Consolidated Account borrowings raised from the Western Australian Treasury Corporation. Interest is payable on borrowings raised under the *Western Australian Treasury Corporation Act 1986* which mainly funds the provision of infrastructure spending by State government agencies.

Despite average interest rates being lower (from an average 3.91% in 2014-15 declining to an average 3.52% in 2015-16), higher new borrowings resulted in an increase in interest payments in 2015-16 relative to 2014-15 (up \$100.6 million).

Interest payments were also higher compared to the 2015-16 Budget (up \$50.4 million) due to higher borrowing levels and moderately higher than forecast average interest rates relative to budget-time (3.52% compared to an estimated average 3.44%).

### ADMINISTERED CAPITAL

#### Government Equity Contributions

##### Item 138 – Electricity Networks Corporation (Western Power)

Western Power receives an equity contribution equivalent to dividends it is required to pay on customer capital contributions for infrastructure investments that are recorded as revenue and inflate its net profit after tax.

Higher payments (up \$108.8 million) in 2015-16 relative to 2014-15 are mainly due to the retiming of interim dividend arrangements, which commenced in 2015-16 instead of 2014-15, and the partial refund of a special dividend on land sale proceeds in 2015-16.

Overview

Our  
PerformanceSignificant  
Issues  
and TrendsOur  
People

Governance

Financial  
Statements  
and NotesKey  
Performance  
Indicators



The \$120.2 million increase relative to budget largely reflects the impact of approved supplementary funding in 2015-16 for the interim and special dividends outlined above, as well as revised customer contributions. Note 42 includes further details of these issues.

#### Item 140 – Metropolitan Redevelopment Authority

The \$63 million outcome for 2015-16 was \$81.7 million lower than 2014-15, due to the Elizabeth Quay project reaching final stages of construction.

#### Item 141 – Mid West Ports Authority

The \$66.4 million higher than budgeted outcome for 2015-16 is largely due to an equity injection during the year to extinguish the Authority's remaining debt associated with the Port Enhancement Project (PEP) at Geraldton Port. Note 42 has further details of this issue.

The 2015-16 outturn of \$70.9 million reflects the repayment of debt associated with the Oakajee Port project (\$3.9 million) and the PEP (\$67 million, referred to above).

#### Item 144 – Royalties for Regions

The 2015-16 outturn was \$47.8 million lower than 2014-15. This mainly reflects a decline in mining royalties estimates between the two years (down \$2.5 billion, together with managing the Royalties for Regions Fund within the statutory \$1 billion cash balance), and the different mix of the program's recurrent and capital projects approved between the years by the Government.

#### Item 146 – WA Health

This item quarantines funds for WA Health capital projects, with funds released once approved conditions are met (such as approval of a business case by Cabinet). The overall decrease in funding in 2015-16 relative to 2014-15 is largely attributable to the timing of drawdowns worth \$95 million for information and communication technology works at the Perth Children's Hospital in 2014-15.

### Other

#### Item 148 – Perth Children's Hospital Account

This item provides funding to a Special Purpose Account for the construction of the Perth Children's Hospital. The \$305.5 million decrease relative to 2014-15 is attributable to lower Consolidated Account capital contributions to align with the final stages of the construction project schedule.

#### Item 149 – The New Perth Stadium Account

A Special Purpose Account was established for the Perth Stadium development in 2011 (including the construction of the Stadium and the surrounding Sports Precinct, the associated transport infrastructure and the project's management). The Stadium is expected to be completed in time for the 2018 AFL season and utilise all available funds in the Account. Appropriation funding in 2015-16 was \$265 million, \$120 million higher than in 2014-15, and reflects the funding of scheduled works as the project is progressed.

### Authorised by Other Statutes

#### *Loan (Co-operative Companies) Act 2004*

A loan scheme was established under this Act in 2004 to enable eligible primary industry co-operatives to access a flexible means of raising capital.

The 2015-16 Budget assumed that no eligible co-operative companies would access the scheme in 2015-16. However, loans for the Geraldton Fisherman's and West Australian Meat Marketing co-operatives totalling \$31.6 million were subsequently approved by the Minister for Agriculture and Food during the year.

## Note 37. Supplementary financial information

There were no write-offs for the reporting period.

## Note 38. Special purpose accounts

	2016	2015
	\$000	\$000
<b>Special purpose account section 10 of the <i>Financial Management Act 2006</i></b>		
<b>Accrued salaries</b>		
The purpose of the special purpose account is to hold funds in accordance with section 26(2) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the period	316,509	259,249
Receipts	4,099	58,339
Payments	(320,608)	(1,079)
<b>Balance at the end of the period</b>	<b>-</b>	<b>316,509</b>
<b>Bankwest Pension Trust</b>		
The purpose of the special purpose account is to hold funds received from Bankwest in satisfaction of its liabilities under the <i>Superannuation and Family Benefits Act 1938</i> and other receipts.		
Balance at the start of the period	4,825	5,629
Receipts	1,671	1,967
Payments	(2,336)	(2,771)
<b>Balance at the end of the period</b>	<b>4,160</b>	<b>4,825</b>
<b>Commonwealth Payments For Specific Purposes Account</b>		
The purpose of the special purpose account is to receive National Specific Purpose Payments and National Partnership Payments from the Commonwealth Government pursuant to the Intergovernmental Agreement on Federal Financial Relations for disbursement to relevant Government agencies and the Consolidated Account.		
Balance at the start of the period	543,232	49,173
Receipts	2,412,561	2,640,743
Payments	(2,912,562)	(2,146,684)
<b>Balance at the end of the period</b>	<b>43,231</b>	<b>543,232</b>
<b>Departmental receipts in suspense</b>		
The purpose of the special purpose account is to hold funds pending identification of the purpose for which these moneys were received pursuant to section 10(f) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the period	22,931	15,445
Receipts	74,774	98,209
Payments	(75,896)	(90,723)
<b>Balance at the end of the period</b>	<b>21,809</b>	<b>22,931</b>

	2016	2015
	\$000	\$000
<b>Fiona Stanley Hospital Construction Account</b>		
The purpose of the special purpose account is to hold funds appropriated from the Consolidated Account for the construction and establishment of the Fiona Stanley Hospital in accordance with the provisions of the <i>Fiona Stanley Hospital Construction Account Act 2007</i> .		
Balance at the start of the period	19,583	9,158
Receipts	452	10,425
Payments	-	-
<b>Balance at the end of the period</b>	<b>20,035</b>	<b>19,583</b>
<b>Independent schools – general building grants</b>		
The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the <i>State Grants (Schools Assistance) Act 2008</i> pending payment to independent schools.		
Balance at the start of the period	-	-
Receipts	15,348	15,608
Payments	(15,348)	(15,608)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
<b>Independent schools – recurrent grants schools assistance acts</b>		
The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the <i>State Grants (Schools Assistance) Act 2008</i> pending payment to independent schools.		
Balance at the start of the period	-	-
Receipts	1,110,015	1,056,097
Payments	(1,110,015)	(1,056,097)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
<b>Jervoise Bay Infrastructure Development Trust Account</b>		
The purpose of the special purpose account is to hold funds received from the Commonwealth being a grant for the development of facilities at Jervoise Bay.		
Balance at the start of the period	10,054	9,778
Receipts	232	276
Payments	-	-
<b>Balance at the end of the period</b>	<b>10,286</b>	<b>10,054</b>

	2016	2015
	\$000	\$000
<b>Local Authorities Tax Sharing Entitlements Account</b>		
The purpose of the special purpose account is to hold funds received from the Commonwealth pursuant to the <i>Local Government (Financial Assistance) Grants Act 1995</i> pending payment to local authorities.		
Balance at the start of the period	-	-
Receipts	139,133	369,948
Payments	(139,133)	(369,948)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
<b>Mortgage Moneys Under the <i>Transfer of Land Act 1893</i></b>		
The purpose of the special purpose account is to hold funds paid to the Treasurer in accordance with section 126 of the <i>Transfer of Land Act 1893</i> .		
Balance at the start of the period	84	81
Receipts	2	2
Payments	-	-
<b>Balance at the end of the period</b>	<b>86</b>	<b>83</b>
<b>Perth Children's Hospital Account</b>		
The purpose of the special purpose account is to hold money for the construction and establishment of the Perth Children's Hospital.		
Balance at the start of the period	187,025	93,939
Receipts	44,000	349,500
Payments	(108,900)	(256,414)
<b>Balance at the end of the period</b>	<b>122,125</b>	<b>187,025</b>
<b>Non-government schools – other recurrent grants</b>		
The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent grants to non-government schools in accordance with the <i>State Grants (Schools Assistance) Act 2008</i> pending payments to non-government schools.		
Balance at the start of the period	-	-
Receipts	88	7,280
Payments	(88)	(7,280)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
<b>Perry Lakes Maintenance Account</b>		
The purpose of the special purpose account is to contribute to the costs of maintaining, operating and managing the athletics facilities at the AK Reserve.		
Balance at the start of the period	5,422	5,273
Receipts	125	149
Payments	(129)	-
<b>Balance at the end of the period</b>	<b>5,417</b>	<b>5,422</b>

	2016	2015
	\$000	\$000
<b>Perth's New Major Stadium Construction Account</b>		
The purpose of the special purpose account is to hold moneys for the construction of the New Major Stadium.		
Balance at the start of the period	121,084	47,358
Receipts	265,000	145,000
Payments	(349,687)	(71,274)
<b>Balance at the end of the period</b>	<b>36,397</b>	<b>121,084</b>
<b>Purchasing Card Common Use Arrangement – Financial Incentive Payments</b>		
The purpose of the special purpose account is to hold for disbursement to public authorities financial incentive moneys received from the Purchasing Card CUA suppliers - National Australia Bank Limited and Australia and New Zealand Banking Group Limited.		
Balance at the start of the period	-	-
Receipts	-	-
Payments	-	-
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
<b>Public Bank Account Interest Earned Account</b>		
The purpose of the special purpose account is to hold funds in accordance with section 10(d) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the period	69,026	25,672
Receipts	144,482	129,542
Payments	(89,271)	(86,188)
<b>Balance at the end of the period</b>	<b>124,237</b>	<b>69,026</b>
<b>Royalties For Regions Fund</b>		
The purpose of the special purpose account is to facilitate investment in regional Western Australia in the areas of infrastructure and headworks, local government and community services.		
Balance at the start of the period	1,000,000	939,698
Receipts	949,873	1,210,172
Payments	(1,080,094)	(1,149,870)
<b>Balance at the end of the period</b>	<b>869,779</b>	<b>1,000,000</b>
<b>Statutory Authorities Investment Account</b>		
The purpose of the special purpose account is to hold funds received from statutory authorities for investment purposes as provided by section 39(2) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the period	7,702	149,304
Receipts	18,712	26,411
Payments	(21,500)	(168,013)
<b>Balance at the end of the period</b>	<b>4,914</b>	<b>7,702</b>



	2016	2015
	\$000	\$000
<b>Tariff Equalisation Fund</b>		
The purpose of the special purpose account is to allow the transparent transfer of appropriate funds from the Electricity Networks Corporation (Western Power) to the Regional Power Corporation (Horizon Power) to enable it to maintain uniform tariff protection in its areas of operation in accordance with the provisions of the <i>Electricity Industry Act 2004</i> .		
Balance at the start of the period	-	-
Receipts	141,000	136,000
Payments	(141,000)	(136,000)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
<b>Toodyay Fire Victims Fund Account</b>		
The purpose of the special purpose account is to hold funds pending distribution to residents directly affected by the Toodyay bushfire on 29 December 2009 and to meet associated costs.		
Balance at the start of the period	-	-
Receipts	-	-
Payments	-	-
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
<b>Western Australian Future Fund</b>		
The purpose of the special purpose account is to provide for the accumulation of a portion of the revenue from the State's mineral resources and other money for the benefit of future generations.		
Balance at the start of the period	878,734	596,078
Receipts	165,102	282,656
Payments	-	-
<b>Balance at the end of the period</b>	<b>1,043,836</b>	<b>878,734</b>
<b>Proceeds from Disposal of Perth Market Authority</b>		
The purpose of the special purpose account is to hold funds paid to the State by Perth Markets Ltd on Initial Settlement for the sale of Perth Market Authority. It also shows amounts paid to Perth Market Authority to retire existing debt with WATC, with remaining money being transferred to the Consolidated Account as soon as practicable after initial settlement.		
Balance at the start of the period	-	-
Receipts	125,500	-
Payments	(125,500)	-
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>

## Note 39. Special purpose accounts created during the year

The Proceeds from the Disposal of Perth Market Authority Account was established and maintained during the year as a Treasurer's Special Purpose Account (SPA) pursuant to section 10(a) of the *Financial Management Act 2006* by the Department of Treasury. The SPA was created to hold moneys received on the disposal of the Perth Market Authority in accordance with the Market City Sale Agreement.

## Note 40. Disclosure of Administered income and expenses by service

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Expenses</b>						
Superannuation	1,011,005	372,505	-	-	1,011,005	372,505
Interest	632,261	505,349	-	-	632,261	505,349
Appropriations for:						
Operating subsidies	1,770,090	1,895,536	-	-	1,770,090	1,895,536
Services	15,464,260	15,009,601	-	-	15,464,260	15,009,601
Salaries and allowances	105,199	102,305	-	-	105,199	102,305
Other appropriations	2,152,530	2,113,250	-	-	2,152,530	2,113,250
Commonwealth grants on-passed to agencies	1,922,457	2,537,240	-	-	1,922,457	2,537,240
Local Government financial assistance grants	85,363	261,792	-	-	85,363	261,792
Local Government road funding	53,771	161,934	-	-	53,771	161,934
Non-government schools	1,125,451	1,079,353	-	-	1,125,451	1,079,353
Royalties for Regions <sup>(a)</sup>	697,502	679,036	-	-	697,502	679,036
Other expenses	665	804	-	-	665	804
<b>Total Administered expenses</b>	<b>25,020,554</b>	<b>24,718,705</b>	<b>-</b>	<b>-</b>	<b>25,020,554</b>	<b>24,718,705</b>
<b>Income</b>						
Commonwealth grants	-	-	6,203,506	7,317,690	6,203,506	7,317,690
Government enterprises:						
Dividends	-	-	1,420,502	1,192,154	1,420,502	1,192,154
Income tax equivalent regime	-	-	612,771	579,169	612,771	579,169
Local Government rates equivalent	-	-	20,935	17,363	20,935	17,363
Consolidated Account revenue received from agencies	12,771,026	13,445,280	-	-	12,771,026	13,445,280
Gold State superannuation reimbursement	140,468	145,687	-	-	140,468	145,687
Interest	133,037	124,592	-	-	133,037	124,592

Overview

Our  
Performance

Significant  
Issues  
and Trends

Our  
People

Governance

Financial  
Statements  
and Notes

Key  
Performance  
Indicators

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Loan guarantee fees	134,844	120,116	-	-	134,844	120,116
Pension recoups	14,375	23,377	-	-	14,375	23,377
Other revenue	35,688	24,476	-	-	35,688	24,476
<b>Total Administered income</b>	<b>13,229,438</b>	<b>13,883,528</b>	<b>8,257,714</b>	<b>9,106,376</b>	<b>21,487,152</b>	<b>22,989,904</b>

<sup>(a)</sup> Represents the expensing of Royalties for Regions monies to agencies. As well as these expenses, there are also capital payments made by the Royalties for Regions program. For accounting purposes, these capital costs are not reflected in the Schedule of Administered Operating Transactions.

## Note 41. Administered assets and liabilities

	2016	2015
	\$000	\$000
<b>Current assets</b>		
Cash and cash equivalent	4,356,888	3,840,355
Treasurer's Advances	10,593	7,977
Government enterprises:		
Dividends receivable	1,505	1,505
Tax equivalent receivable	23,974	56,920
Recoverable advances	9,261	9,049
Other receivables	133,447	124,369
<b>Total Administered current assets</b>	<b>4,535,668</b>	<b>4,040,175</b>
<b>Non-current assets</b>		
Investments	4,160	4,825
Recoverable advances	22,238	28,846
Other receivables	7,422	20,039
<b>Total Administered non-current assets</b>	<b>33,820</b>	<b>53,710</b>
<b>TOTAL ADMINISTERED ASSETS</b>	<b>4,569,488</b>	<b>4,093,885</b>
<b>Current liabilities</b>		
Superannuation	66,668	62,368
Interest payable	141,790	107,775
Appropriations payable	245,288	225,609
Special purpose account liabilities	4,945,305	5,854,629
Other payables	49,075	222,424
<b>Total Administered current liabilities</b>	<b>5,448,126</b>	<b>6,472,805</b>
<b>Non-current liabilities</b>		
Borrowings	17,239,096	12,139,096
Superannuation	7,849,148	7,488,334
Appropriations payable	9,607,201	8,624,295
Other payables	23,367	351,183
<b>Total Administered non-current liabilities</b>	<b>34,718,812</b>	<b>28,602,908</b>
<b>TOTAL ADMINISTERED LIABILITIES</b>	<b>40,166,938</b>	<b>35,075,713</b>

## Note 42. Supplementary funding

Supplementary funding approved and expended during 2015-16 was as follows:

	<b>2016 Amount Approved</b>	<b>2016 Amount Expended</b>
	\$000	\$000
Item 67 Bunbury Water Corporation	293	293
	<b>293</b>	<b>293</b>

A \$293,000 funding increase for operating subsidy payments was approved and fully drawn in 2015-16. This funding reflected the impact of the approved 2015-16 tariff on concessions (\$147,000) and the final reconciliation of the actual cost of providing concessions to customers in 2014-15 (\$146,000).

Item 68 Busselton Water Corporation	43	-
	<b>43</b>	<b>-</b>

Additional funding of \$43,000 was approved in 2015-16 for a higher than expected final outcome for pensioner and seniors' concessions in 2014-15. The funds were not drawn as the approved additional funding was offset by the Corporation no longer receiving an operating subsidy for leaks and bursts (\$46,000), placing the Busselton Water Corporation on similar arrangements to those applying to the Water Corporation of Western Australia.

Item 70 Mid West Ports Authority	156	155
	<b>156</b>	<b>155</b>

The Mid West Ports Authority receives an operating subsidy to service the repayment of interest on an outstanding debt associated with the Oakajee Port project. A funding increase of \$156,000 was approved in 2015-16 to enable payment of final interest charges relating to the payout of the loan with the Western Australian Treasury Corporation. Of the approved funding, \$155,476 was drawn reflecting the final interest paid upon settlement of the loan.

Item 83 Refunds of Past Years Revenue Collections - Public Corporations	75,000	71,052
	<b>75,000</b>	<b>71,052</b>

Additional funding of \$75 million was approved to meet the State's obligation in 2015-16 to refund public corporations that have overpaid National Tax Equivalent Regime (NTER) instalments into the Consolidated Account. Public corporations subject to the NTER occasionally overpay assessments when final accrual outcomes differ from interim payment expectations.

Of the approved increase, \$71.1 million was drawn, which together with the budgeted \$22.2 million provision for payments in 2015-16, addressed refunds to:

- Synergy (\$67.9 million), resulting from higher than required instalment payments by the Corporation in 2014-15, reflecting issues such as tax adjustments that were not factored into the instalment rate suggested by the Australian Taxation Office (ATO). Synergy has changed its tax instalment arrangements from 2015-16 to avoid similar large refunds in the future;
- Horizon Power (\$14.4 million), due to a smaller than expected final tax obligation assessed by the ATO for the 2014-15 year;
- Gold Corporation (\$8.1 million), resulting from higher than required instalment payments by the Corporation in 2014-15, due to the instalment rate applied by the ATO being based on the previous year's profit, which was higher than the final 2014-15 outcome. A portion of this funding (\$1.2 million) relates to the settlement of refunds for overpaid instalments in prior years; and
- a range of smaller refunds to other public corporations (\$2.8 million in total).

	<b>2016 Amount Approved</b>	<b>2016 Amount Expended</b>
	\$000	\$000
Item 138 Electricity Networks Corporation (Western Power)	120,240	120,240
	<b>120,240</b>	<b>120,240</b>

Western Power receives an equity contribution equivalent to dividends it is required to pay on customer capital contributions for infrastructure investments that are recorded as revenue and inflate its net profit after tax.

The 2015-16 Budget included an equity contribution forecast of \$81.5 million in 2015-16 for this item. This amount was based on estimates regarding Western Power's level of customer capital contributions at the time and assumed that interim dividend arrangements to apply to the Electricity Corporation would commence in 2014-15.

An additional \$120.2 million was approved and fully drawn in 2015-16. Of this total, \$96.4 million reflects the retiming of interim dividend arrangements which commenced in 2015-16 (instead of 2014-15 as originally expected) and revisions to both actual customer contributions received in 2014-15 and expected customer contributions in 2015-16.

The residual \$23.8 million reflects the partial refund of a special dividend of \$36.4 million payable on land sale proceeds in 2015-16. The equity contribution was provided to maintain the Corporation's cash position, after allowing for the impact of the land sale proceeds on normal dividends.

Item 141 Mid West Ports Authority	67,000	66,444
	<b>67,000</b>	<b>66,444</b>

An equity injection of \$67 million was approved in 2015-16 to extinguish the MWPA's remaining debt associated with the Port Enhancement Project (PEP), a debt funded project to facilitate the commencement of iron ore exports from Geraldton Port. Extinguishing this debt will bring the PEP charge to an end and provides immediate price relief to all port users.

Of the approved increase, \$66.4 million was drawn reflecting the PEP debt repayment, less \$556,000 due to lower funding for minor capital works.

Item 143 Regional Power Corporation (Horizon Power)	1,000	-
	<b>1,000</b>	<b>-</b>

An additional \$1 million equity contribution was approved in 2015-16 for funding of the Aboriginal and Remote Communities Power Supply Project 2, carried over from 2014-15. The project provides for the regularisation of power supplies to remote communities, with the delay due to the completion of factory testing of project components.

Horizon Power will not make a payment until the end of the components defects period, which is yet to lapse. Hence, the approved additional funds were not drawn.

Item 149 The New Perth Stadium Account	25,000	25,000
	<b>25,000</b>	<b>25,000</b>

Funding of \$25 million was approved to accommodate accelerated construction work by Westadium (the consortium contracted to design, build, partially finance and maintain the new Perth Stadium). This spending has been brought forward from future years appropriations and does not affect the total cost of the project.



## Note 43. Explanatory statement for Administered Items

	Variance Note	Estimate 2016	Actual 2016	Actual 2015	Variance between Estimate and Actual	Variance between Actual results for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>Expenses</b>						
Superannuation	1, a	450,376	1,011,005	372,505	560,629	638,500
Interest expense	2, b	559,420	632,261	505,349	72,841	126,912
Appropriations for:						
Operating subsidies	c	1,837,990	1,770,090	1,895,536	(67,900)	(125,446)
Services		15,515,602	15,464,260	15,009,601	(51,342)	454,659
Salaries and allowances		106,122	105,199	102,305	(923)	2,894
Other appropriations		2,193,340	2,152,530	2,113,250	(40,810)	39,280
Commonwealth grants on-passed to agencies	3, d	2,141,331	1,922,457	2,537,240	(218,874)	(614,783)
Local Government financial assistance grants	4, e	176,206	85,363	261,792	(90,843)	(176,429)
Local Government road funding	5, f	107,556	53,771	161,934	(53,785)	(108,163)
Non-government schools		1,173,862	1,125,451	1,079,353	(48,411)	46,098
Royalties for Regions	6	581,208	697,502	679,036	116,294	18,466
Other expenses		-	665	804	665	(139)
<b>Total Administered expenses</b>		<b>24,843,013</b>	<b>25,020,554</b>	<b>24,718,705</b>	<b>177,541</b>	<b>301,849</b>
<b>Income</b>						
Commonwealth grants	g	6,295,195	6,203,506	7,317,690	(91,689)	(1,114,184)
Government enterprises:						
Dividends	7, h	949,616	1,420,502	1,192,154	470,886	228,348
Income tax equivalent regime	8	513,342	612,771	579,169	99,429	33,602
Local Government rates equivalent		19,232	20,935	17,363	1,703	3,572
Consolidated Account revenue received from agencies	i	13,038,069	12,771,026	13,445,280	(267,043)	(674,254)
Gold State superannuation reimbursement		159,928	140,468	145,687	(19,460)	(5,219)
Interest	9	105,243	133,037	124,592	27,794	8,445
Loan guarantee fees	10	164,208	134,844	120,116	(29,364)	14,728

Overview

Our Performance

Significant Issues and Trends

Our People

Governance

Financial Statements and Notes

Key Performance Indicators

	Variance Note	Estimate 2016	Actual 2016	Actual 2015	Variance between Estimate and Actual	Variance between Actual results for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
Pension recoups		12,329	14,375	23,377	2,046	(9,002)
Other revenue		18,419	35,688	24,476	17,269	11,212
<b>Total Administered income</b>		<b>21,275,581</b>	<b>21,487,152</b>	<b>22,989,904</b>	<b>211,571</b>	<b>(1,502,752)</b>

### Major Estimate and Actual (2016) variance narratives

#### Expenses

##### 1. Superannuation

Relative to the 2015-16 Budget forecast, the higher superannuation expense outcome for 2015-16 (up \$560.6 million) largely reflects:

- lower than expected salary assumptions used by the actuary (the 2015-16 Budget assumed that salary rates increased by an average 2.5% over the median term, in line with the Government's then Consumer Price Index-based wages policy – the Government's wages policy has since been revised down to 1.5% per year which has been factored into the actuary's short term salary assumptions for the 2015-16 superannuation valuation); and
- a lower discount rate used by the actuary for the valuation of superannuation liabilities (from 2.61% for 2015-16, assumed at budget-time, to 2% for the 2015-16 valuation).

##### 2. Interest

Interest expenses in 2015-16 were \$72.8 million higher than the 2015-16 Budget estimate due to higher than expected new borrowings drawn in 2015-16, and higher average interest rates than were estimated at budget-time (an average 3.52% applied during 2015-16 compared to an estimated average 3.44%).

##### 3. Commonwealth grants on-passed to agencies

Commonwealth grants, which are on-passed to various agencies by the State, were \$218.9 million lower in 2015-16 compared to the Budget forecast, due mainly to lower road investment grants received from the Commonwealth in 2015-16. This was largely due to the timing of construction of the Perth Freight Link project (which was delayed due to the Supreme Court of Western Australia's decision on the validity of environmental approvals for the Roe 8 section, and the subsequent successful Government appeal), together with construction schedule changes for other road projects.

##### 4. Local Government financial assistance grants

Commonwealth local government financial assistance grants, which are on-passed through the State, were \$90.8 million lower than forecast in the 2015-16 Budget, mainly reflecting the Commonwealth Government's decision in late June 2015 to distribute part of the forecast 2015-16 allocation prior to 1 July 2015.

## 5. Local Government road funding

Commonwealth local government road grants, which are on-passed through the State, were \$53.8 million lower than forecast in the 2015-16 Budget, mainly reflecting the Commonwealth Government's decision in late June 2015 to distribute part of the forecast 2015-16 allocation prior to 1 July 2015.

## 6. Royalties for Regions

Expenses for Royalties for Regions (RfR) programs (that is, drawdowns by agencies for recurrent RfR programs) were \$116.3 million higher than estimated in the 2015-16 Budget. This increase was partly offset by a lower drawdown of RfR funds for capital purposes (down \$95.6 million compared with the 2015-16 Budget forecast). The change in the mix of recurrent and capital drawdowns is driven by the RfR program, which is administered by the Department of Regional Development and approved by the Government each year.

The total recurrent and capital draw downs were \$20.7 million higher than forecast in the 2015-16 Budget, reflecting changes in the timing of funding for projects, and the subsequent Cabinet approval of business cases for other projects.

## Income

### 7. Government enterprises: Dividends

Higher dividends in 2015-16 (up \$470.9 million), compared with the 2015-16 Budget, were mainly driven by material movements across the following four agencies:

- Western Power (up \$249.1 million), due mainly to the late passage of amendments to the *Electricity Corporations Act 2005*. The later passage of the Bills meant that the electricity corporations paid their first interim dividend in 2015-16, rather than 2014-15 as originally expected. A higher than expected operating profit for Western Power in 2014-15, combined with land sales as part of the Government Land Asset Sales Program in 2015-16, also contributed to the higher than forecast dividend received in 2015-16;
- the Insurance Commission of Western Australia (up \$94.1 million), primarily reflecting a once-off special dividend of \$93 million paid in 2015-16, due to higher than expected investment returns in 2014-15;
- the Water Corporation (up \$46.8 million), largely due to higher developer contributions in 2014-15 and 2015-16 which resulted in higher 2014-15 final dividend and 2015-16 interim dividend payments (with both of these dividend impacts received in 2015-16); and
- Synergy (up \$40.7 million), mainly resulting from the retiming of interim dividend arrangements as outlined above.

### 8. Government enterprises: Income tax equivalent regime

Tax equivalent revenue was \$99.4 million higher in 2015-16 than estimated in the 2015-16 Budget, reflecting both positive and negative variations across several agencies. The largest of these movements includes:

- the Insurance Commission of Western Australia (up \$74.1 million), primarily driven by taxable gains resulting from the divestment of the Commission's retail property portfolio and the Forrest Centre in 2015-16; and
- the Water Corporation (up \$33.9 million), largely due to higher than expected developer contributions.

Overview

Our  
PerformanceSignificant  
Issues  
and TrendsOur  
People

Governance

Financial  
Statements  
and NotesKey  
Performance  
Indicators

9. Interest

Interest revenue was \$27.8 million higher in 2015-16 than in the 2015-16 Budget. This outcome largely reflects higher than expected average Public Bank Account investment pool balances during the year (\$3.7 billion compared to the \$3.5 billion budget-time forecast), combined with higher average interest rates on these balances (at an average 2.4% compared with an estimated average 2.1% assumption in the 2015-16 Budget).

10. Loan guarantee fees

Loan guarantee fees were \$29.4 million lower than the 2015-16 Budget estimate, mainly reflecting the Government’s decision on 9 November 2015 to apply the Loan Guarantee Fee only to new Keystart borrowings, rather than all existing and new borrowings as planned at the time of the 2015-16 Budget.

Major Actual (2016) and Comparative (2015) variance narratives

Expenses

a. Superannuation

Relative to 2014-15, superannuation expenses were \$638.5 million higher in 2015-16, primarily reflecting a lower than expected discount rate used in the valuation of superannuation entitlements each year. The discount rate was 1 percentage point lower (at 2%) compared with the 3% rate applying at the time of the 2014-15 valuation.

b. Interest

Interest expenses in 2015-16 were \$126.9 million higher than in 2014-15, mainly due to higher new borrowings drawn down during the year, partly offset by lower average interest rates (with an average 3.91% in 2014-15 declining to an average 3.52% in 2015-16).

c. Appropriations for: Operating subsidies

Appropriation payments for operating subsidies were \$125.4 million lower in 2015-16 than in 2014-15, mainly reflecting a \$132.4 million decrease in the subsidy paid to Synergy (see Note 36 for further details).

d. Commonwealth Grants on-passed to agencies

Commonwealth grants that are on-passed to agencies were \$614.8 million lower in 2015-16 compared to 2014-15. This variance is mainly due to the \$499.1 million in road funding announced in the May 2015 Commonwealth Budget and received in 2014-15, which will be drawn down by Main Roads as spending on associated projects is incurred.

Other material movements that contribute to the year-on-year variance include:

- lower road investment grants, which fluctuate significantly from year to year in line with construction schedule changes for major projects;
- higher housing grants, primarily Indigenous Housing grants which were higher largely due to a delay in signing the 2014-16 National Partnership Agreement and Implementation Plan (which delayed payments until 2015-16); and
- higher education grants, mainly Commonwealth Students First revenue which increased due to student enrolment growth and higher per student funding rates.

#### e. Local Government financial assistance grants

Commonwealth local government financial assistance grants were \$176.4 million lower in 2015-16 than in 2014-15, mainly reflecting the timing issue noted for the associated expense movement relative to the 2015-16 forecast.

#### f. Local Government road funding

Commonwealth local government road grants were \$108.2 million lower in 2015-16 than in 2014-15, mainly reflecting the timing issue noted for the variance from forecast.

### Income

#### g. Commonwealth grants

Commonwealth grants revenue was \$1.1 billion lower in 2015-16 than for the year ending 30 June 2015. This variance reflects lower GST and North West Shelf grants (down \$377.3 million and \$248.6 million respectively), combined with lower local government grants, as outlined in Notes e and f, and lower grants for road investment partially offset by higher housing and education grants as outlined in Note d. The lower GST grants are due to a sharp decline in Western Australia's share of the national GST pool, from 37.6% of the State's population share in 2014-15 to 30% in 2015-16, largely driven by the lagged impact of Western Australia's revenue growth (particularly mining royalties) in prior years. The lower North West Shelf grants reflect lower royalty collections by the Commonwealth in respect of the North West Shelf oil and gas project off the coast of Western Australia, primarily due to the impact of lower oil prices during 2015-16.

#### h. Government enterprises: Dividends

Higher dividends in 2015-16 (up \$228.3 million) compared to 2014-15, were driven by net movements across a number of agencies. The main variations include:

- Western Power (up \$269.1 million), due to retiming of interim dividend arrangements, a higher operating profit in 2014-15 and land sales in 2015-16, outlined in Note 7 above;
- the Insurance Commission of Western Australia (up \$96.8 million), mainly reflecting the once-off special dividend of \$93 million paid in 2015-16, outlined in Note 7 above; and
- the Pilbara Ports Authority (down \$64 million), due largely to the introduction of interim dividend arrangements in 2014-15 which resulted in a temporary boost in dividend revenue for that financial year.

#### i. Consolidated Account revenue received from agencies

Revenue paid to the Consolidated Account by agencies was \$674.3 million lower in 2015-16 than in 2014-15. This variance is mainly due to the combined impact of:

- significantly lower royalty revenue collected by the Department of Mines and Petroleum, largely attributable to a \$931.7 million decrease in receipts of iron ore royalties; and
- higher taxes collected by the Office of State Revenue, mainly reflecting the net impact of higher land tax and landholder duty collections (up \$508.2 million), and lower transfer duty and payroll tax receipts (down \$258.3 million).

Further details relating to these variances can be found in the annual reports of the Department of Mines and Petroleum and the Department of Finance respectively.



# Key Performance Indicators



## Certification of Key Performance Indicators

**For the year ended 30 June 2016**

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 Treasury's performance, and fairly represent the performance of the Department for the financial year ended 30 June 2016.

**Michael Barnes**  
UNDER TREASURER

5 September 2016



# Performance assessment

## Outcomes

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

### 1. Sustainable and transparent public sector finances

Service 1: Financial management and reporting

Service 2: Manage the Government's asset sales program (excluding land sales)

### 2. A strong and competitive State economy

Service 3: Economic and revenue forecasts and policy development

### 3. Value for money outcomes in service delivery and infrastructure provision

Service 4: Evaluation and planning of Government service delivery and infrastructure provision

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

Service 5: Leads the planning and delivery of new Government buildings

## Measuring our performance

The Department of Treasury measures its performance through statistical information. Statistical indicators are included to help report performance in both outcome and service areas. The use of statistical data adds scope and objectivity to the sources of information used in measuring performance.

## Key Effectiveness Indicators

### Treasury Business

#### Government goal: Financial and economic responsibility

#### Outcome 1: Sustainable and transparent public sector finances

The Department works to maintain sustainable and transparent public sector finances. Its commitment to this key role is reflected in advice to the Government on its fiscal strategy and targets; management of the Government's asset sales program; publication of reports on the State's finances; advice to Government and its agencies on the legislative framework underpinning financial management and accountability; management of the Public Ledger; and management of the investment of the Public Bank Account and Western Australian Future Fund (in conjunction with the Western Australian Treasury Corporation).

The key indicators of effectiveness demonstrate measurable outcomes of our effectiveness in this role.

Key indicators of effectiveness	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Notes
Status of the State's credit rating <sup>(a)</sup>	triple-A	Aaa <sup>(b)</sup> AA+ <sup>(c)</sup>	Aa1 <sup>(b)</sup> AA+ <sup>(c)</sup>	Aa1 <sup>(b)</sup> AA+ <sup>(c)</sup>	Aa2 <sup>(b)</sup> AA+ <sup>(c)</sup>	1
Unqualified audit opinion on the Annual Report on State Finances	Yes	Yes	Yes	Yes	Yes	2
Percentage of approved asset sales program completed within agreed timeframes <sup>(d)</sup>	n/a	n/a	n/a	100%	100%	3

<sup>(a)</sup> Standard and Poor's and Moody's currently assess the credit rating for Western Australia.

<sup>(b)</sup> Moody's.

<sup>(c)</sup> Standard and Poor's.

<sup>(d)</sup> This KPI is a new indicator from 2014-15 therefore no comparative information for previous years is available.

#### Notes:

- Moody's revised the State's credit rating down from Aa1 with a 'negative' outlook to Aa2 with a 'stable' outlook in February 2016. The downgrade announcement followed the significant downward revisions to the State's revenue outlook in the [2015-16 Mid-year Review](#), with Moody's noting the pressure that this was placing on the State's financial projections and debt metrics. Standard & Poor's (S&P's) AA+ assessment for Western Australia was changed from 'stable' to 'negative' outlook in July 2015 (and was reaffirmed in October 2015). The change in S&P's outlook for the rating reflected revenue write-downs and the likely implications for higher borrowings detailed in the 2015-16 Budget.
- Western Australia's whole-of-government financial outcomes for the year ending 30 June 2015 were released on 24 September 2015 in the [2014-15 Annual Report on State Finances](#). Released in line with the 90 day statutory reporting deadline, the report was given an unqualified audit opinion by the Auditor General.
- The target was met during 2015-16 with the completion of the sale of Perth Market Authority (Market City) on 31 March 2016, in accordance with the approved timeframe.

## Outcome 2: A strong and competitive State economy

Accurate forecasting of Western Australia's economic and fiscal outlook is a major factor in order to maintain current credit rating and, in turn, the foundation of a strong and competitive State economy. Good Government decision making requires accurate revenue and economic forecasting to achieve the best possible economic, fiscal and service delivery outcomes for the State.

### Key indicators of effectiveness

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Notes
<b>Accuracy of key general government revenue forecasts:</b>						
tax revenue <sup>(a) (b)</sup>	7.7%	-4.5%	-6.4%	+/-5.0%	-7.0%	1
mining revenue <sup>(c)</sup>	-6.8%	3.6%	-24.0%	+/-5.0%	6.1%	2
<b>Accuracy of key economic forecasts:</b>						
employment growth <sup>(d)</sup>	0.8	-0.8	-0.1	+/-0.5	-1.4	3
real State Final Demand (SFD) growth <sup>(e)</sup>	-2.4	-1.1	-3.5	+/-2.0	-1.9	4

<sup>(a)</sup> The actual for 2015-16 used to calculate the KPI is the 2015-16 Estimated Actual as at 24 August 2016.

<sup>(b)</sup> For consistency with the scope of relevant Budget taxation forecasts, actual outcomes for 2013-14 and 2014-15 have been adjusted to exclude three levies (Perth Parking Levy, Landfill Levy and Mining Rehabilitation Levy) which were subsequently reclassified as taxes on the advice of the Australian Bureau of Statistics (ABS) and first reported on this basis in the [2013-14 Annual Report on State Finances](#) (released 23 September 2014). From 2015-16 onwards, Budget taxation forecasts and outcomes will include these levies.

<sup>(c)</sup> The actual for 2015-16 used to calculate the KPI is the 2015-16 Estimated Actual as at 24 August 2016. The final figure is likely to change following receipt of June quarter royalty accruals data. Revisions to the 2014-15 figure reported in the 2014-15 Annual Report (from 23.1% to 24.0%) reflects the differences between the 2014-15 Estimated Actual in July 2015 and the final audited outcome.

<sup>(d)</sup> Any changes to actual figures from previous reporting are due to the revision of the historical series from the ABS.

<sup>(e)</sup> The estimated actual for 2015-16 used to calculate the KPI is based on the annual average growth to March quarter 2016. Any changes to actual figures from previous reporting are due to the revision of the historical series from the ABS.

**Notes:**

1. Tax revenue was significantly lower than expected in the 2015-16 Budget due to weaker than expected domestic economic and labour market conditions, including record low wages growth and weak employment growth. Weak tax growth was due to payroll tax declining for the first time in more than two decades and transfer duty (excluding landholder duty) falling as a result of lower residential property transfers. Insurance duty and motor vehicle duty were also lower than expected, consistent with weaker than anticipated population growth. These declines were partially offset by substantially higher landholder duty from a number of unusually large commercial property transfers.
2. Mining revenue was higher than expected in the 2015-16 Budget. This was largely driven by a lower than anticipated \$US/\$A exchange rate and a higher than anticipated iron ore price offsetting declines in the prices of other commodities, in particular oil and gas.
3. Employment growth was substantially weaker in 2015-16 than expected in the 2015-16 Budget, reflecting the impact of a larger than expected decline in business investment flowing through to softer domestic economic conditions generally and weaker demand for labour.
4. State Final Demand is expected to contract in 2015-16 by a significantly larger margin than anticipated in the 2015-16 Budget. This is due to a larger than expected decline in business investment flowing through to the labour market and in turn through to household consumption.

## Government goal: Results-based service delivery

### Outcome 3: Value for money outcomes in service delivery and infrastructure provision

The Department has put in place quality assurance mechanisms to shape the preparation of submissions and advice to Government.

The Service Provision Analysis Framework (SPAF) and the [Strategic Asset Management Framework](#) (SAMF) were established to set a high standard of preparation and analysis, and to maximise value for money outcomes in service delivery and infrastructure provision. The SPAF aims to improve evaluation and enhance value for money outcomes for service delivery. The SAMF provides a sound basis for decisions on the investment in, and the management and disposal of, assets required for Government service delivery. Compliance with the SPAF and SAMF will help ensure submissions and issues meet Government service delivery needs and demonstrate value for money.

#### Key indicators of effectiveness

Percentage of the Department's material resource allocation recommendations complying with the Service Provision Analysis Framework

2012-13  
Actual

2013-14  
Actual

2014-15  
Actual

2015-16  
Target

2015-16  
Actual

Notes

98%

95%

100%

100%

100%

1

Percentage of highest value agencies <sup>(a)</sup> complying with the Strategic Asset Management Framework or equivalent accredited mechanism

40%

46%

47%

75%

85%

2

<sup>(a)</sup> Highest value agencies are defined as those agencies including Government Trading Enterprises that account for 90% of the State's total Asset Investment Program across the forward estimates.

#### Notes:

- Seven out of seven (100%) of Economic and Expenditure Reform Committee papers were compliant with the SPAF, representing resource allocation recommendations of more than \$5 million over the forward estimates period.
- The percentage of highest value agencies compliant with the SAMF in 2015-16 exceeded both the 2014-15 Actual and the 2015-16 Target. This result primarily reflected a Cabinet decision in September 2014 to extend the SAMF to Government Trading Enterprises.

## Strategic Projects Business

### Government goal: State building – major projects

#### Outcome 4: Value for money from the management of the Government's non-residential buildings and public works

A key factor in the transfer of the works function to the Department was the objective of improving value for money from the management of the Government's non-residential buildings and public works.

The Department continues to work 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 agency and Treasury.

#### Key indicators of effectiveness

Percentage of significant <sup>(a)</sup> projects in the New Buildings program delivered within approved:

budget

timeframe

2012-13  
Actual

2013-14  
Actual

2014-15  
Actual

2015-16  
Target

2015-16  
Actual

Notes

82%	94%	100%	100%	100%	1
82%	94%	64%	100%	50%	2

<sup>(a)</sup> Significant projects are those defined as high risk infrastructure projects typically in excess of \$100 million in value.

#### Notes:

- The target for 2015-16 was met.
- Seven of the fourteen active projects during 2015-16 have been, or are expected to be, completed within approved timeframes. Five of the seven project delays (Perth Children's Hospital, Eastern Goldfields Regional Prison, Busselton Health Campus, Old Treasury Buildings and Sarich Neurosciences Research Institute) were due to ongoing construction and commissioning delays by the builders and the rectification of defects. WA Museum was delayed due to a delay in awarding the contract and the programme for Karratha Health Campus was adjusted to ensure that opening occurs outside the cyclone season.



## Key Efficiency Indicators

The Department has a major role in the compilation of State Budgets, which includes monitoring and advising the Government on relevant issues. Key efficiency indicators in this area are designed to measure the unit cost and other performance-related measures of the services.

### Treasury Business

Government goal: Financial and economic responsibility

#### Service 1: Financial management and reporting

This service involves the provision of advice on the Government's fiscal strategy, advice on the legislative framework underpinning financial management and accountability in the Western Australian public sector, the preparation and publication of regular reports on the State's finances, and maintenance of the Public Ledger.

This service contributes to the desired outcome of sustainable and transparent public sector finances.

#### Key indicators of efficiency

Percentage of financial reports released as per agreed timeframes

2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Notes
100%	100%	100%	100%	100%	1

#### Notes:

1. Treasury prepares a number of publications subject to the statutory reporting requirements of the [Government Financial Responsibility Act 2000](#). The following reports were required to be released by the Act during 2015-16 and all were released in line with the statutory deadlines: the 2014-15 Annual Report on State Finances; the September 2015, December 2015 and March 2016 Quarterly Financial Results Reports; and the 2015-16 Government Mid-year Financial Projections Statement. Treasury has met all statutory reporting deadlines for publications required by the Act in the past and expects to continue to do so throughout 2016-17.

## Service 2: Manage the Government's asset sales program (excluding land sales)

This service involves the management and coordination of the Government's approved asset sales program (excluding land sales).

This service contributes to the desired outcome of sustainable and transparent public sector finances.

### Key indicators of efficiency

Percentage of approved asset sales program completed within agreed budgets <sup>(a)</sup>

2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Notes
n/a	n/a	n/a	100%	100%	1

<sup>(a)</sup> This KPI is a new indicator from 2014-15 therefore no comparative information for previous years is available.

#### Notes:

1. The target was met during 2015-16 with the completion of the sale of Perth Market Authority (Market City) on 31 March 2016, within the approved project budget.

## Service 3: Economic and revenue forecasts and policy development

This service involves analysis and advice on economic and revenue policy issues, including the State's major revenue sources, Commonwealth-State financial relations, and economic, social and environmental developments.

It contributes to the desired outcome of a strong and competitive State economy.

### Key indicators of efficiency

Number of Ministerials, briefings or reports provided on economic issues

2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Notes
236	238	315	325	597	1

#### Notes:

1. Ministerial correspondence on economic and revenue policy issues exceeded the 2014-15 Actual by almost 89% and the 2015-16 Target by almost 84%. The significant increase in 2015-16 was driven by the implementation of land tax changes during the year. Around 60% of all Ministerials, briefings and reports provided in 2015-16 were related to land tax, with the vast majority of this correspondence made up of responses to general public queries on land tax assessment changes.

## Government goal: Results-based service delivery

### Service 4: Evaluation and planning of Government service delivery and infrastructure provision

This service aims to investigate agencies' operations in respect of efficiency and effectiveness and to advise Government on the allocation of taxpayers' resources to achieve Government desired outcomes. It includes the analysis, evaluation and planning of Government services to ensure value for money outcomes in key areas including health, law and order, education and infrastructure delivery.

This service contributes to the desired outcome of value for money outcomes in service delivery and infrastructure provision.

#### Key indicators of efficiency

Number of Economic and Expenditure Reform Committee papers on service delivery and infrastructure advice

2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Notes
108	75	102	100	67	1

#### Notes:

1. The number of Economic and Expenditure Reform Committee (EERC) papers on service delivery and infrastructure advice was significantly lower in 2015-16 than the 2014-15 Actual and the 2015-16 Target. This result was reflective of less issues considered in the 2015-16 Mid-year Review compared to 2014-15, including report-backs from Ministers and agencies to EERC. Specifically, there were two EERC meetings and less issues considered in the period 1 July to 14 September 2015, compared to four EERC meetings in the same period in 2014-15.

## Strategic Projects Business

### Government goal: State building – major projects

#### Service 5: Leads the planning and delivery of new 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.

This KPI is based on the costs associated with the planning and delivery of projects from the Department of Treasury's Strategic Projects (SP) division, which include expenses for construction and other contractors, consultants, salaries of project team members (SP, client and other agencies), and general disbursements (corporate services).

#### Key indicators of efficiency

Cost as a percentage of the total annual value of the planning and delivery of capital works projects

2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Notes
0.6%	0.5%	0.6%	0.7%	0.6%	1

#### Notes:

1. The 2015-16 Actual Cost indicator is less than the 2015-16 Target Cost indicator, as a result of lower than expected operational costs associated with the capital works program and a more accurate allocation of costs to individual projects.

## Ministerial directives

No Ministerial directives were received during the 2015-16 financial year.

## Other disclosures

### Senior Officers

In accordance with Treasurer's Instruction 903 (14 (ii)), senior officers are required to disclose details of any shares, held either as a nominee or held beneficially, in any subsidiary body of the agency. In 2015-16, no senior officers held shares in any subsidiary body of the agency as a nominee or held beneficially.

Treasurer's Instruction 903 (14(iii)) requires senior officers to disclose particulars of

any interest in any existing or proposed contract which:

- a senior officer;
- a firm of which a senior officer is a member; or
- an entity in which a senior officer has a substantial financial interest has made with the agency or any subsidiary body, related body or affiliated body of the agency.

In 2015-16, other than normal contracts of employment of service, no senior officers, firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the Department or any subsidiary body, related body or affiliated body of the agency.

## Other legal requirements

### Advertising

In accordance with section 175ZE of the [Electoral Act 1907](#), the Department incurred the following expenditure for advertising, market research, polling, direct mail and media advertising. Total expenditure for 2015-16 was \$10,417.

	\$
Advertising agencies	
Adcorp Australia	7,092
State Law Publisher	3,225
The Economic Society of Australia	100
Market research organisations	-
Polling organisations	-
Direct mail organisations	-
Media advertising organisations	-
<b>Total expenditure</b>	<b>10,417</b>

## Unauthorised use of credit cards

Officers of the Department of Treasury hold corporate credit cards where their functions warrant usage of this facility. During the 2015-16 financial year, there were no instances of credit cards used for personal use.

	\$
Aggregate amount of personal use expenditure for the reporting period	-
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	-
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	-
Aggregate amount of personal use expenditure outstanding at balance date	-

## Government policy requirements

### Government building contracts

The Department of Treasury has a commitment to the Government Building Training Policy, having altered prospective tender documentation and developed a monitoring plan for building and construction or maintenance projects with a duration of greater than 3 months, a value of greater than \$2 million and tendered after 1 October 2015.

At the balance date, no contracts subject to the Government Building Training Policy had been awarded.

	Building and construction projects 2016	Maintenance projects 2016
Active contracts within the scope of the policy in the reporting period	-	-
Contracts granted a variation to the target training rate in the reporting period	-	-
Head contractors involved in the contracts	-	-
Construction apprentices/trainees required to meet target training rate across all contracts	-	-
Construction apprentices/trainees employed by head contractors; and the subcontractors they are using for the contracts	-	-
Contracts which met or exceed the target training rate	-	-



This page has been  
left blank intentionally

