



# ANNUAL REPORT 2018-19



Government of Western Australia  
Department of Treasury

Supporting the Government of the day through the provision of expert financial management and economic and energy policy advice that promotes the public interest.



## Statement of Compliance

For year ended 30 June 2019

**Hon. Ben Wyatt MLA**

Treasurer; Minister for Finance; Aboriginal Affairs; Lands

**Hon. Bill Johnston MLA**

Minister for Energy; Mines and Petroleum; Industrial Relations.

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 2019. The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and any other relevant written law.

A handwritten signature in blue ink, likely belonging to Michael Barnes.

**Michael Barnes, Under Treasurer**

16 September 2019



Optus Stadium, Perth



## Vision

To be highly valued as the pre-eminent economic, financial and energy policy advisor to Government and steward of the State's financial management and regulatory frameworks.



## Mission

Supporting the Government of the day through the provision of expert financial management and economic and energy policy advice that promotes the public interest.



## Values

**Innovative Thinking**

**Committed People**

**Working Collaboratively**

## Overview of our Achievements



Historically low expense growth

# 2.5%



Return to General Government  
Operating Surplus in 2018-19

# 2years

earlier than forecast in  
2018-19 Budget and  
the first surplus  
in five years



Credit rating improvement:

# AA+

S&P Global now an improved  
AA+ stable



Credit rating improvement:

# Aa1

Moody's lift WA's credit rating  
from Aa2 to Aa1 with  
stable outlook



Influencing Government decisions  
for a fairer share of GST

# \$5b+

GST Top-up Payments  
(2019-20 to 2021-22)  
GST 70% Floor





Managing the Asset  
Investment Program

**\$22.8b**

over next four years



Reducing Compliance Burden

**6**

Treasurer's Instructions  
removed



Managing Unclaimed Monies

**843**

claims \$1.7 million paid  
out to claimants



Government Advice

**144**

Expenditure Review  
Committee Papers



Addressing future challenges for the

**Electricity Sector**

Generation Mix Modelling



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## Message from the Under Treasurer



**Treasury staff should look back on 2018-19 with an enormous sense of achievement and pride.**

**In November 2018, legislation was passed in the Commonwealth Parliament reforming the nation's GST distribution arrangements and ensuring that Western Australia will retain a fairer share of GST revenue raised in the State. The benefits of the new arrangements are significant. No longer will the State be unfairly penalised to such a large extent for its ability to raise revenue from the resources sector. The additional revenue will support making inroads into debt reduction and reduce the reliance on borrowings to fund the State's infrastructure requirements.**

The State Budget released in May 2019 shows that the general government sector is expected to have returned to surplus in 2018-19, the first operating surplus since 2013-14 and two years earlier than projected in the 2018-19 Budget. Net debt is now expected to decline from 2019-20, with Western Australia the only

State where net debt is expected to decline over the Budget period. The improvements in the State's financial outlook were acknowledged with a number of positive credit rating announcements in 2018-19, including a credit rating upgrade by Moody's Investor Services in June 2019.

These achievements are testament to the hard work and commitment of staff across the entire Department. The much-improved fiscal outlook not only reflects the GST reforms, but also Treasury efforts to identify and implement Budget repair measures and support disciplined spending decisions by the Expenditure Review Committee of Cabinet.

I would particularly like to highlight the efforts of staff, both past and present, in the Revenue and Intergovernmental team in helping to deliver GST reform. Change was only achieved after many years of hard work identifying and quantifying the shortcomings in existing arrangements, and advocating improvements to the framework for GST distribution. These reforms go a long way to protecting Western Australia's GST share into the future, but much work remains. As part of the Commonwealth Grants Commission's 2020 methodology review, Treasury is actively promoting further changes to the system to ensure there is a fairer assessment of Western Australia's unique structure and costs, and to prevent locking in any methods that may be detrimental to Western Australia's GST grant in the long run.

There are many other examples where Treasury continued to provide high quality economic, financial and energy policy advice to the Government.



- » We advanced energy issues including completion of Generation Mix Modelling detailing electricity challenges in the South West, creation of the Energy Transformation Strategy (a two-year focused taskforce supported by Treasury's Energy Transformation Implementation Unit) and continued work on the Wholesale Electricity Market Reform work program.
- » Our economic teams worked towards further enhancing our modelling capability, completed regulatory work to make it easier to commence and operate a horticulture business, provided regular advice on economic conditions and outlooks, and supported the Government's wages policy.
- » We continued our analysis, research and design of data-led initiatives across the public sector. Data analytics models assist agencies experiencing significant demand issues to identify pressure points and impacts of decisions which flow to other agencies. This includes the recently completed Justice Pipeline Model, which simulates the flow of activities and costs throughout the entire justice sector.
- » We continue to support the Government's public sector reform program through progressing recommendations of a number of reviews, including the Service Priority Review, Inquiry into Government Programs and Projects, and the Sustainable Health Review.
- » Our teams continued to share knowledge and provide advice through our Chief Finance Officer Forums, agency interactions, guidance on Budget process, and participation in various working groups and steering committees.

The Significant Issues section of this report and the related case studies provide more detail on this work and other achievements.

While 2018-19 saw a marked improvement in the outlook for the State's finances, plenty of challenges remain, including maintaining strong surpluses in a highly volatile revenue

environment, and identifying measures and initiatives to grow and diversify the State's economy as it recovers from a lengthy period of weak growth.

During 2018-19, we began implementing our new 2018-21 Strategic Plan. The Plan was developed following feedback from the Treasurer, employees and other key stakeholders. The Plan reflects Treasury's unique role at the centre of Government decision-making, and our objective to work collaboratively across the public sector to assist the Government achieve its priorities.

In line with the new Plan, we increased our collaboration across the public sector, with Treasury's Executive collectively participating in 92 external committees, steering groups and working groups throughout the year (doubling our efforts of 2017-18).

Finally, I would like to congratulate Kaylene Gulich on her appointment in January 2019 as Chief Executive Officer of the Western Australian Treasury Corporation. From the moment she joined Treasury as a graduate, to her appointment to the Treasury Executive, Kaylene demonstrated an outstanding work ethic and a passion for public policy. Her experience, knowledge and enthusiasm will be sorely missed in Treasury, but I am sure she will continue to add enormous value to the State through her new position.

The Treasury Executive team embraced the opportunities presented as a result of Kaylene's departure, with Alistair Jones now Executive Director Economic, Richard Watson moving to Executive Director Infrastructure and Finance, and Mike Andrews appointed Acting Executive Director Strategic Policy and Evaluation. I would like to thank my incredibly hardworking Executive team for their ongoing support and commitment.



Michael Barnes, Under Treasurer

## Responsible Ministers



### **Hon. Ben Wyatt LLB MSc MLA**

Treasurer;  
Minister for Finance;  
Aboriginal Affairs;  
Lands



### **Hon. Bill Johnston MLA**

Minister for Energy;  
Mines and Petroleum;  
Industrial Relations



## About Us

The Department of Treasury is at the centre of Government decision-making. As the principal economic, financial and energy policy advisor we influence outcomes for the benefit of Western Australia.

We work to support the Government achieve its priorities and whole-of-government targets, while working collaboratively with all government agencies and consulting with the public on important policy issues. What we do is integral to the Government's decision-making processes about where and how to spend taxpayer's money to ensure Western Australians have access to quality services on a financially sustainable basis.

During 2018-19 the Treasury business reported to the Treasurer, and the Public Utilities Office and Energy Transformation Implementation Unit reported to the Minister for Energy.

## Our Work

Treasury is the central department managing Western Australia's public sector finances and formulating and implementing the annual 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 targets.

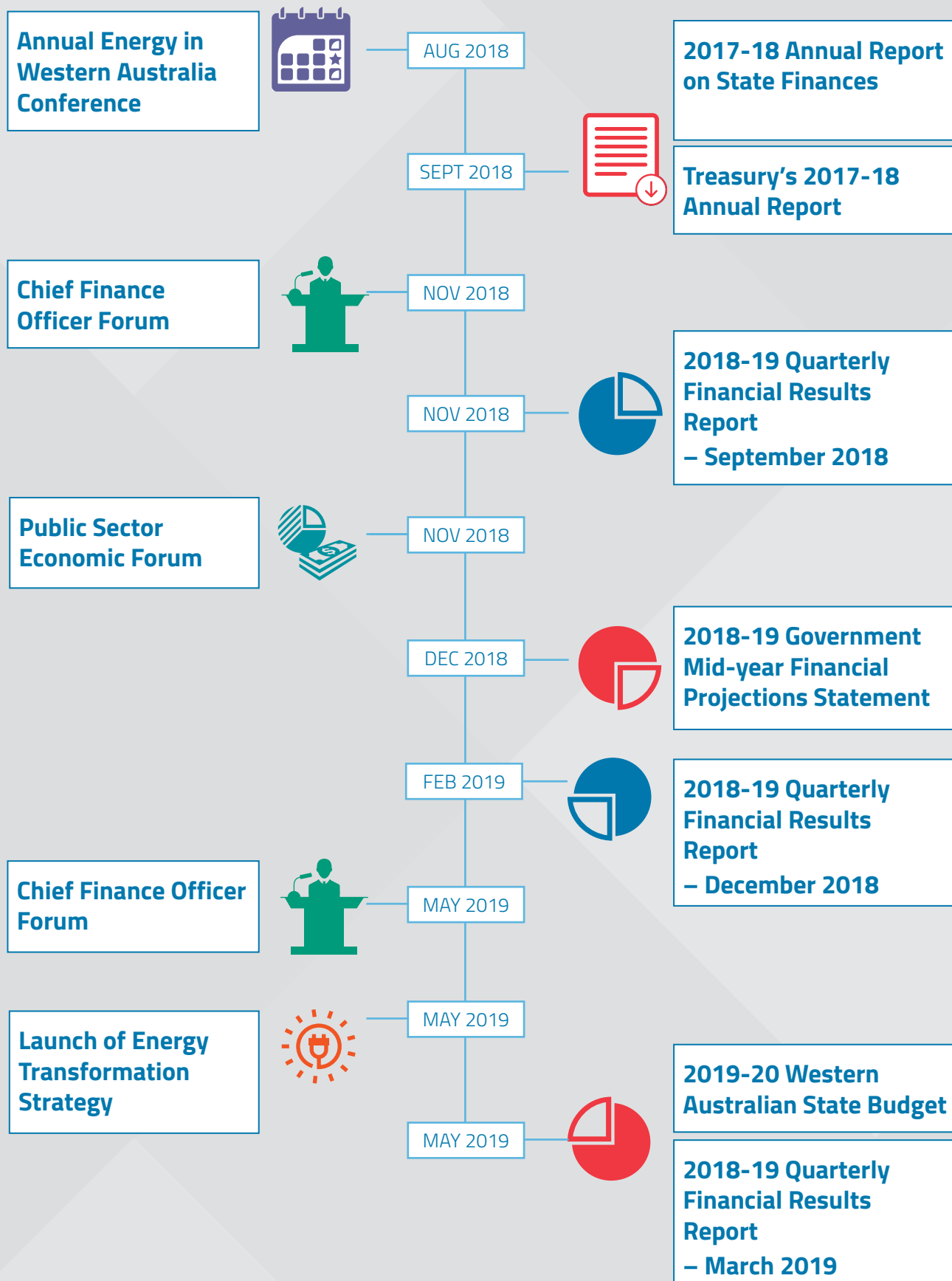
Our policy advisory role covers a wide range of issues, including Commonwealth-State financial relations, revenue policy, public sector wages policy, public sector superannuation policy, and advice on alternative models of service delivery and infrastructure provision.

Through the Public Utilities Office we provide quality advice on energy policy issues, including effective and efficient regulatory frameworks; security and reliability of supply; technology trends; consumer protection; and affordability. The Energy Transformation Implementation Unit was established in May 2019 and has commenced planning the future of our power system to support the delivery of the Government's Energy Transformation Strategy.

# Overview of 2018-19 Products and Events

## Events

## Core products





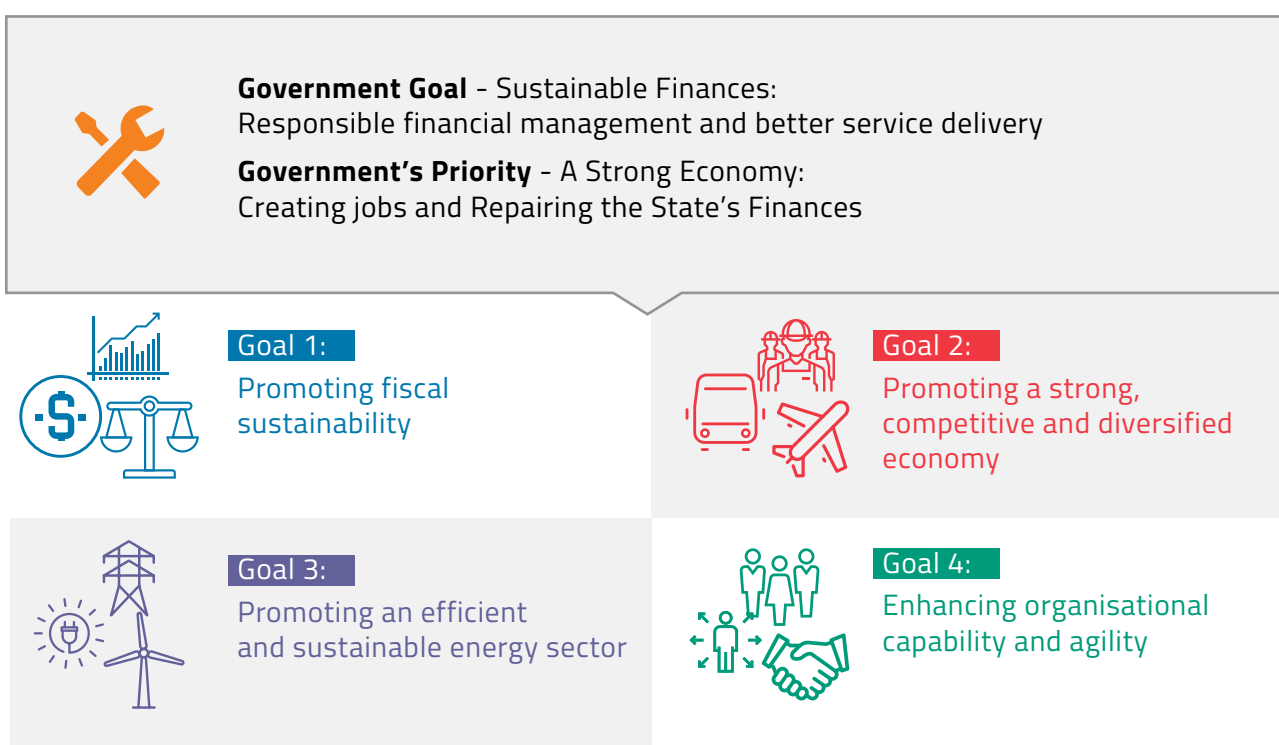
## New Strategic Plan

In early 2018, our Executive reviewed Treasury's strategic priorities, creating new goals and an inspired vision, mission and values. Our Strategic Plan sets the direction of the business and informs our annual operational plans.

The new **2018-2021 Strategic Plan** was launched at a Treasury Staff forum in September 2018. Staff were able to clearly see how the new goals aligned to business priorities and their own work deliverables. This alignment between our core business and strategy is promoted through the provision of a weekly email to all Treasury staff by the Under Treasurer detailing how ongoing departmental activities align under our Strategic Goals.

The four new goals represent key challenges and opportunities for Treasury over the next three years as we proactively assist the Government repair the State's finances and pursue economic development and diversification strategies, and look to broaden and enhance our stakeholder engagement (both internally and externally).

Our four goals align directly with the Government's desired outcomes.



Our success against the Strategic Plan is tracked and monitored through a Treasury Strategic Implementation Plan which is actioned on an annual basis through business unit operational plans that link directly to individual Development and Performance Agreements. The Executive and all staff are provided with high level outcomes annually on Treasury's progress against its Strategic Goals.

Our first year's achievements against our Strategic Goals are detailed on the following page.

# Strategic Plan – Success!

## Goal 1: Promoting fiscal sustainability

- Continued to identify short and longer term revenue threats and opportunities and develop responses to address them.
- Progressed the Budget reform agenda aimed at repairing the State's finances and delivering the Government's policy objectives.
- Updated and refreshed Treasury's Long-Term Financial Model.
- Undertook consultation on revisions to the Strategic Asset Management Framework (SAMF) to make it more contemporary with a focus on education and training.
- Continued to provide leadership for complex commercial transactions such as the partial commercialisation of Landgate and the sale of the TAB.
- Progressed reforms to the governance and accountability framework for Government Trading Enterprises.



## Goal 2: Promoting a strong, competitive and diversified economy

- Continued to consolidate and build on our economic modelling capability.
- Undertook targeted 'deep dives' on significant economic issues including US-China trade barriers and youth unemployment.
- Continued to progress the Government's Microeconomic Reform Agenda, including Rail Access reforms and short-term regulatory mapping projects.
- Supported the Government to successfully deliver regulatory and red tape reform, including through the Streamline WA initiative.



### Goal 3: Promoting an efficient and sustainable energy sector



- The Energy Transformation Taskforce was launched in May 2019 to deliver the Energy Transformation Strategy with the support of a newly established Energy Transformation Implementation Unit (ETIU).
- Completed the generation mix modelling work to provide the Government with a clear picture of the future challenges facing the electricity sector.
- Progressed the Wholesale Electricity Market Reform work program.

### Goal 4: Enhancing organisational capability and agility



- Developed a new targeted succession management approach to manage key person risk.
- Implemented strategic recruitment initiatives to increase Treasury's profile and brand and ensure we are recruiting the right people with the right skills.
- Provided greater exposure to, and a better understanding of, the environment in which we operate through running 21 coffee shop forums on relevant topics including both external and internal speakers.
- Increased our focus on developing our people and retaining our talent through a streamlined online Development and Performance (DaP) system.
- Encouraged 'Big Picture Thinking' through utilisation of the 'Ideas Connect' group to encourage our people to develop innovative solutions.
- Continued to build agility through supporting structured internal rotations.

## Our Operational Structure

As at 30 June 2019, Treasury comprised five business units and one directorate committed to providing high quality policy advice.

### Business Units



#### Economic

**Economic** assists the Government of the day through expert commercial, economic, financial and policy advice that promotes the public interest across a wide array of activities. This advice ranges from economic conditions, tax and royalty changes, the distribution of GST grants, best practice regulation, wages policy, and microeconomic reforms, to complex commercial transactions and projects such as the commercialisation of Landgate's automated land title system.

The team is a leader in economic and revenue forecasts and is responsible for modelling a range of economic policy options and settings to better inform decision-making. Economic also promotes a whole-of-government perspective to negotiations of financial agreements with the Commonwealth and undertakes in-depth analysis of important and emerging economic issues.



#### Infrastructure and Finance

**Infrastructure and Finance** work closely with over 100 government agencies, providing evidence-based analysis and advice on service delivery to inform Government decision-making. The team provides expert assistance for superannuation policy and operations, cash flow management, investment of the Public Bank Account, Consolidated Account debt management and mitigation of operational and financial risks. The team also provides oversight, governance and financial support to the State's Government Trading Enterprises.



#### Strategic Policy and Evaluation

**Strategic Policy and Evaluation** is a highly collaborative team working closely with health, mental health, education and training, communities, justice and transport agencies/sectors to achieve value for money outcomes through financial and social policy advice. Through its genuine partnership approach with agencies, the team also supports agencies' technical work through its data analytics and evaluation expertise. This ensures that the best possible advice is being provided to Government to enable improved strategic and financial decision-making.





## Public Utilities Office

### **Public Utilities Office (PUO)**

provides expert advice to the Minister for Energy on all aspects of energy policy, which includes efficient regulatory frameworks for promoting and achieving open access to energy infrastructure in the State and ensuring secure and reliable supply of energy at lowest cost. The team also monitors developments in renewable energy and technology trends impacting on the cost of supply of energy, and provides policy advice on the consumer protection framework for essential energy services and energy related concessions and financial assistance programs, as well as energy affordability for households and businesses.

The PUO also supports the performance of statutory functions of the Coordinator of Energy (Executive Director of PUO) under the *Energy Coordination Act 1994*. The PUO assists the Coordinator of Energy as a prescribed Hazard Management Agency in providing emergency management response during disruptions to gas, liquid fuel or electricity supply in Western Australia.



## Energy Transformation Implementation Unit

### **Energy Transformation Implementation Unit (ETIU)**

is responsible for supporting the Energy Transformation Taskforce in the delivery of the Energy Transformation Strategy – the Government's work program to deliver cleaner, more affordable and more reliable electricity to consumers. This work program includes the delivery of a Distributed Energy Resources Roadmap, the inaugural Whole of System Plan, and improvements to wholesale electricity market and network access arrangements in the South West.

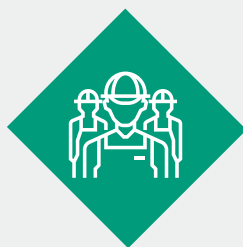
# Deputy Under Treasurer Directorate

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



## State Finances

**State Finances** provide advice on whole-of-government financial management and reporting. They focus on consolidating agency financial information for presentation in whole-of-government statutory reporting publications, including the Budget Papers, Quarterly Financial Results, Annual Report on State Finances Results and the Mid-year Review. The team also provides policy advice on issues such as debt management, financial targets, and corrective measures.



## Infrastructure and Public Sector Reform

**Infrastructure and Public Sector Reform** is responsible for monitoring, reporting, advice and planning in regard to the State's asset investment program. The team also coordinates Treasury's involvement in the Government's Public Sector Reform Program, including reform projects for which Treasury is the lead agency as well as engagement, advice and support on relevant reforms led by other agencies.

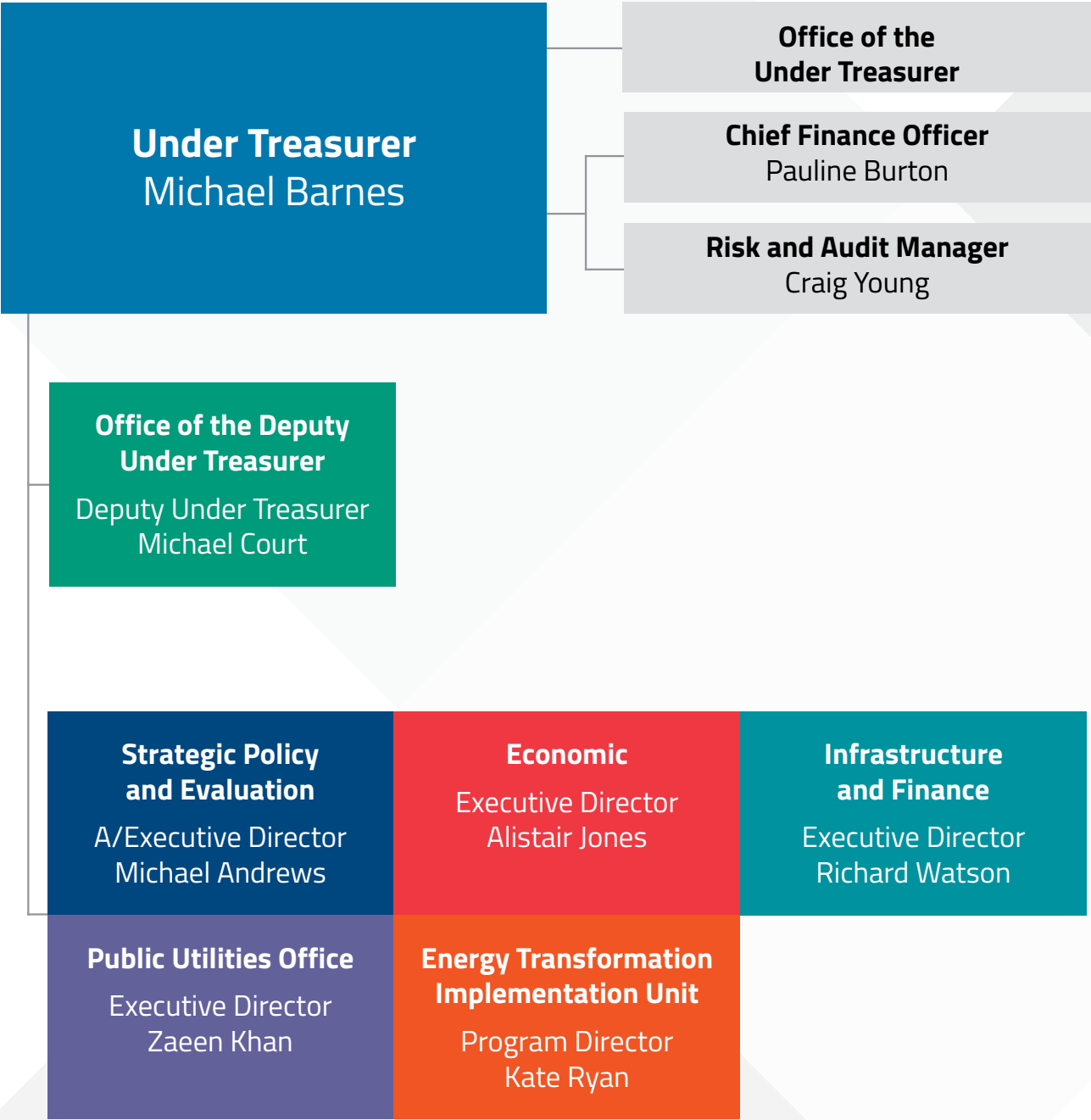


## Corporate Strategy and Performance

**Corporate Strategy and Performance** supports the department by enhancing organisational capability and agility, performance and sustainability of Treasury through the delivery of human resources and learning and development, finance, strategic ICT, business communication and internal audit and risk services.

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

# Our Organisational Structure



## Our Executive Team



**Michael Barnes**  
**BBus (Hons)**

### Under Treasurer

Michael is the principal economic and financial adviser to the State Government, with statutory responsibilities for the management and reporting of the State's finances, including formulation of the annual State Budget.

As Under Treasurer, he is also responsible for leading the Western Australian Department of Treasury.

Born and raised in Perth, Michael moved to Canberra after graduating from university to take up a position in the Commonwealth Treasury, where he worked for nearly six years, mainly in the area of taxation policy.

Michael returned to Perth in late 1997 and has been working at the State Treasury ever since, in various roles spanning revenue policy, economic and revenue forecasting, Commonwealth-State financial relations, fiscal strategy, and whole-of-government financial reporting.

Michael commenced acting in the role of Under Treasurer in February 2014 and was officially appointed to the role in April 2015. As Under Treasurer, he is also Chairman of the Western Australian Treasury Corporation, which is the State's central borrowing authority.







**Michael Court**  
**BEcons (Hons)**

### Deputy Under Treasurer

Michael was permanently appointed Deputy Under Treasurer in September 2016 after having acted in the role since February 2014. This followed more than five years as the Executive Director of Treasury's Economic business unit.

In his 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 and providing advice and strategic direction on public sector reform issues.

Michael joined Treasury in 1997, after working in the Department of Foreign Affairs and Trade and the Commonwealth Treasury.

During 2018-19, Michael has led and participated in several cross-agency steering committees and is Deputy Chair of the Western Australian Treasury Corporation Board.



**Alistair Jones**  
**Executive Director**  
**BCom, MComms**

### Economic

Alistair is the Executive Director of the Economic Business Unit. He was previously the Executive Director Strategic Policy and Evaluation since June 2012.

Alistair works closely with other Government agencies through a series of cross-agency committees and working groups on a number of Government reforms and major projects. He actively champions the use of data analytics to deliver innovative policy outcomes.

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 communication roles.



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

## Infrastructure and Finance

Richard is the Executive Director of Infrastructure and Finance, having commenced this role in July 2018. Prior to this, he had been the Executive Director of Treasury's Economic Business Unit since May 2014.

This role is responsible for the oversight and governance of Government Trading Enterprises, supporting the State's financial management framework, legislative and accounting standards advice, and Treasury's provision of support for the budgeting needs of over 100 general government agencies.

During 2018-19, Richard was a Director of Gold Corporation and was appointed as a Director on the Board of Synergy in May.



**Michael Andrews**  
**A/Executive Director**  
**BCom**

## Strategic Policy and Evaluation

Michael Andrews is the Acting Executive Director of Strategic Policy and Evaluation, having commenced in this role in February 2019.

Michael and his team oversee around three-quarters of all general government spending in Western Australia, they are responsible for achieving value for money outcomes through their financial and social policy advice on key service delivery areas of State Government agencies.

Since joining Treasury in 2007, Michael has worked across a number of business units in senior positions and continues to represent Treasury on a series of cross-agency committees and working groups that oversee Government reforms and major projects.

Michael also actively promotes the use of data analytics, evaluation and service redesign to deliver innovative policy outcomes.



**Zaeen Khan**  
**Executive Director**  
**BAppEc**

## Public Utilities Office

Zaeen was appointed as the Executive Director of the Public Utilities Office in November 2017. The Public Utilities Office provides advice to the Minister for Energy on all aspects of energy policy. Zaeen also holds the statutory position of Coordinator of Energy and is responsible for the State's emergency management response to disruptions in gas, liquid fuels and electricity supply.

Zaeen has over 15 years of experience in providing economic and regulatory advice to national energy market policy and regulatory bodies, State Governments and economic regulators in Australia. Since joining the Public Utilities Office in 2014, Zaeen has been involved in advising the Western Australian Government on energy policy priorities and the implementation of reforms to manage the rapidly transitioning energy sector.

Zaeen is a member of the Western Australian Government's Energy Transformation Taskforce, the Council of Australian Governments (COAG) Energy Council's Senior Committee of Officials, the Western Australian Planning Commission's Infrastructure Coordinating Committee and was the Chair of the Wholesale Electricity Market Reform Coordination Committee.



**Kate Ryan**  
**Program Director**  
**BA (Hons), BLaws**

## Energy Transformation Implementation Unit

Kate was appointed Program Director of the newly established Energy Transformation Implementation Unit in May 2019.

Kate is an energy sector professional with extensive experience in energy sector policy, reform, regulation and market design.

Prior to her appointment as Program Director, Kate held the role of Specialist Markets with the Public Utilities Office. She has also held senior executive roles in government and energy market institutions, including the former Independent Market Operator in Western Australia and Queensland Government energy agencies.

# Legislation

## Enabling Legislation

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

## Treasurer – 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*
- » *Government Financial Responsibility Act 2000*
- » *Judges' Salaries and Pensions Act 1950*
- » *Loan Acts (various)*
- » *Motor Vehicle (Catastrophic Injuries) Act 2016*
- » *Parliamentary Superannuation Act 1970*
- » *Perth Building Society (Merger) Act 1986*
- » *Perth Market (Disposal) Act 2015*
- » *Pilbara Port Assets (Disposal) Act 2016*
- » *Railways (Access) Act 1998*
- » *Royalties for Regions Act 2009*
- (Pt. 2 only, except s.9 & 10, which are administered by the Minister for Regional Development, principally assisted by the Department of Primary Industries and 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).

### Minister for Energy – Legislation

- » *Dampier to Bunbury Pipeline Act 1997*
- » *Electricity Corporations Act 2005*
- » *Electricity Industry Act 2004 (except Part 9A)*
- » *Electricity Transmission and Distribution Systems (Access) Act 1994*
- » *Energy Arbitration and Review Act 1998*
- » *Energy Coordination Act 1994 (except Parts 2 and 3)*
- » *Energy Corporations (Transitional and Consequential Provisions) Act 1994*
- » *Energy Operators (Powers) Act 1979*
- » *Fuel, Energy and Power Resources Act 1972*
- » *Gas Corporation (Business Disposal) Act 1999*
- » *Gas Services Information Act 2012*
- » *Gas Supply (Gas Quality Specifications) Act 2009 (except Part 5, Division 2)*
- » *National Gas Access (WA) Act 2009*
- » *State Energy Commission (Validation) Act 1978*

### Other key legislation impacting on our activities

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

- » *Constitution Act 1889*
- » *Constitution Acts Amendment Act 1899*

- » *Disability Services Act 1993*
- » *Electronic Transactions Act 2003*
- » *Equal Opportunity Act 1984*
- » *Freedom of Information Act 1992*
- » *Industrial Relations Act 1979*
- » *Limitation Act 2005*
- » *Minimum Conditions of Employment Act 1993*
- » *Occupational Safety and Health Act 1984*
- » *Public Interest Disclosure Act 2003*
- » *Public Sector Management Act 1994*
- » *Salaries and Allowances Act 1975*
- » *State Records Act 2000*
- » *State Supply Commission Act 1991*
- » *Workers Compensation and Injury Management Act 1981*

### Treasury's 2018 – 19 Legislation

Treasury's policy may result in legislation changes or new legislation. We are responsible for the Budget (Appropriation) Bills each year, ensuring agencies have the resources they need to deliver their services and projects. We prepare Cabinet submissions to have legislation drafted, printed and introduced to Parliament. Once approved, we work with the Parliamentary Counsel's Office to draft the legislation and then provide the Minister with support as legislation is debated in the Legislative Assembly and Legislative Council. During 2018-19 the following Treasury-led legislation was passed in Parliament:

- » *Appropriation (Capital 2018-19) Bill 2018*
- » *Appropriation (Recurrent 2018-19) Bill 2018*
- » *Duties Amendment (Additional Duty for Foreign Persons) Bill 2018*
- » *Betting Tax Bill 2018*
- » *Betting Tax Assessment Bill 2018*

This section presents significant issues during 2018-19, identifies our current and emerging challenges, and future opportunities. It also details our priority projects and outlines what we plan to deliver going forward.



Goal 1:

Promoting fiscal sustainability



**Government Goal:** Sustainable Finances



## Economic Conditions and Outlook

Supported by solid growth in exports, Western Australia's economy is forecast to have grown by 2% in 2018-19, despite a deterioration in the global and national economic outlook. Growth in the domestic economy was soft, primarily reflecting that households across Australia have been impacted by a tightening in access to credit and declining house prices. A final year of contraction in business investment as LNG projects were completed, also acted as a drag on growth in the domestic economy.

Growth in Gross State Product is expected to accelerate to 3.5% in 2019-20, and 3% per year from 2020-21 onward, with the domestic economy expected to become the major driver of growth. A substantial lift in business investment is expected in 2019-20, for the first time in seven years, supported by a new wave of resource sector projects (mostly iron ore and lithium).

The rebound in business investment, coupled with the State Government's increased investment in METRONET and road projects, is expected to support a lift in employment growth in 2019-20. Employment growth is expected to strengthen further in the out-years, reinforced by an increase in residential construction activity as housing supply tightens (due to the current low levels of dwelling construction) and population growth drives demand for new housing. A stronger labour market, increased population growth and improved consumer confidence are expected to underpin a lift in household consumption, dwelling investment and overall growth.

Chevron-operated Wheatstone LNG plant at Ashburton North.



## Public Sector Reform

Treasury is a key participant in the Government's drive to change and reform the public sector for the benefit of all Western Australians. During 2018-19, Treasury played a lead role in progressing a number of initiatives as part of the whole-of-government public sector reform program. Highlights include:

### Strengthening Budget Systems and Structures

Treasury has progressed a series of reforms to strengthen Budget processes and institutions and support a return to stronger and more sustainable State finances. Reforms include a range of changes to ensure a more strategic and outcomes-focused approach to managing the State's \$30 billion annual Budget, and better asset management frameworks that support improved asset management decision-making, transparency and accountability for public finances.

An extensive program of consultation with agencies and Ministers has been undertaken as part of a review of the Strategic Asset Management Framework (SAMF). The review of the SAMF is intended to ensure asset management guidelines are contemporary, targeted at users' needs and clearly articulate expectations.

A new Treasurer's Instruction on variances in capital expenditure was implemented in August 2018 to provide increased transparency in the management of variances in expenditure on capital works.

### Financial Management – Functional Leadership

Treasury has pursued a number of new and ongoing initiatives to enhance financial management capability across the public sector. A new financial management training program aimed at the non-technical public servant has been developed and will be rolled out across the sector in the second half of 2019. In addition, bi-annual Chief Finance Officers (CFO) Forums have focused on specific accounting standards and been restructured to facilitate question-and-answer sessions and better engagement with CFOs and their teams.

## Supporting the Government's Wages Policy

Wage costs for the State's public sector employees remained the single largest expense for the general government sector in 2018-19, totalling \$12.3 billion (or 40% of expenses). Treasury, along with Public Sector Labour Relations within the Department of Mines, Industry Regulation and Safety, have continued to support the delivery of public sector wage outcomes in line with Wages Policy over 2018-19, ensuring increases to wages for full time equivalent public sector employees are limited to \$1,000 per annum. These outcomes have been critical in maintaining disciplined management of recurrent expenses and in returning the State's finances to a sustainable position.





## US – China Trade Dispute

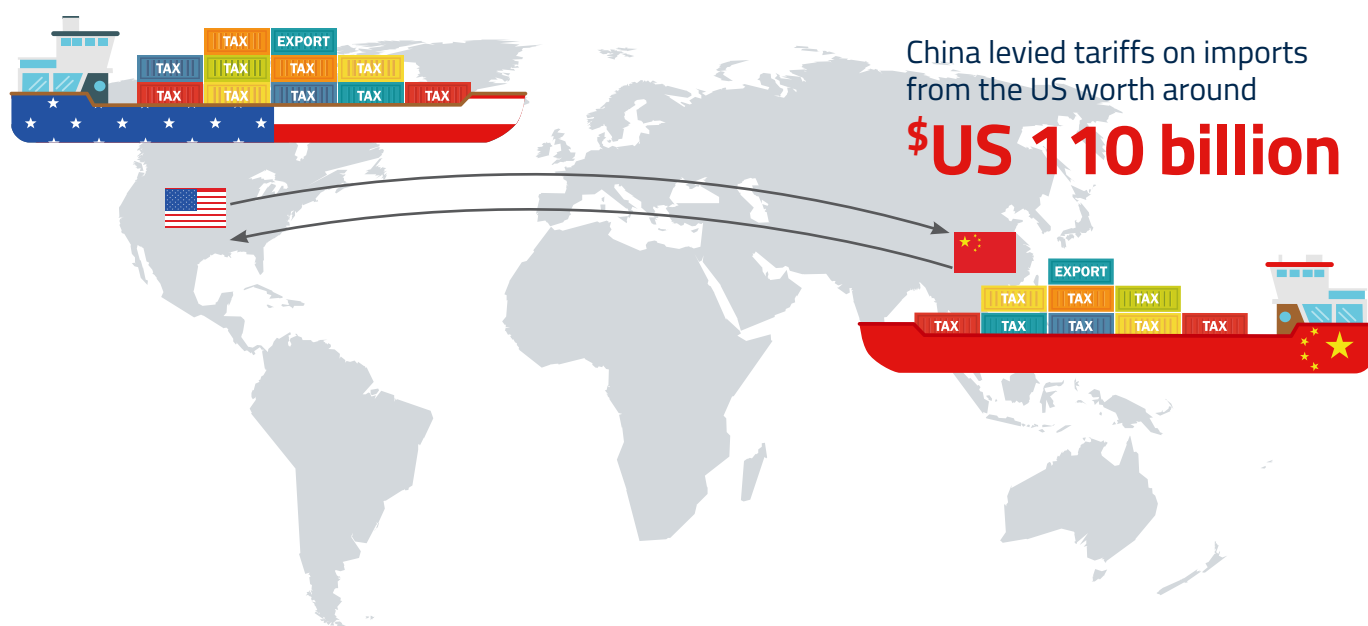
Trade tensions between the US and China escalated over the course of 2018-19 and by the end of the financial year more than half of trade between the two nations was subject to tariffs. The dispute contributed to a softening in manufacturing globally and elevated uncertainty regarding the economic outlook.

Given the trade tensions, Treasury prepared advice and released a research paper reviewing the gains from trade, developments in global trade in 2018, and implications of the trade dispute for Western Australia under different scenarios.

To date, the impacts of the trade dispute on the Western Australian economy have been limited. This is largely because the Government in China has sought to offset the impact of the trade dispute with macroeconomic stimulus (such as increased infrastructure spending and tax cuts), which has increased activity in its commodities-intensive construction sector. Increased demand in China, together with major supply disruptions in Brazil, have supported an increase in the iron ore price and record export income. However, economic stimulus in China comes with risks as additional construction activity in the near term may result in lower construction spending in the future (to the extent it is brought forward). This could pose a risk to the State's export and royalty income in the medium term.

US levied tariffs on imports  
from China worth around

**\$US 250 billion**



## Capability Review

The forward estimates of the Department of Primary Industries and Regional Development (DPIRD) were considered by Government to be unsustainable to deliver on its priorities in primary industries and regional development.

DPIRD, working in conjunction with the Departments of the Premier and Cabinet and Treasury, undertook a Capability Review to report on DPIRD's functions, structure, resourcing and strategic priorities. Treasury staff worked collaboratively with DPIRD, contributing to outcomes through the Capability Review Project Team and the Capability Review Steering Committee.

The Capability Review identified a range of issues to inform the Government on the level of additional funding required to maintain DPIRD's current level of business activities in order to support primary industries and regional development.

## Health Expense Growth Management

Treasury has worked closely with WA Health to successfully contain health expenditure growth. This involved the implementation of improved financial management practices including more accurate funding models.

WA Health expenditure growth has moderated from an average of around 9% per annum over the past decade to 2.1% in 2017-18 and is forecast to average just 1.8% per annum from 2018-19 to 2022-23.

Treasury and WA Health are working closely together to achieve the forecast health expenditure growth. This includes implementation of the Sustainable Health Review recommendations (focused on improving the efficiency of the health system) and the creation of the Future Health Research and Innovation Fund to support ongoing improvements in health care design and delivery.



## Data Analytics

Treasury provides data analytics expertise in relation to key whole-of-government policy initiatives. A recent example has been the Justice Pipeline Model (JPM), which is a simulation model of the Western Australian criminal justice system. The Government commissioned the JPM in response to significant demand pressures across the criminal justice sector in recent years, and a desire for a more coordinated, integrated, and evidence-based approach to policy-making and resource allocation.

Treasury led development of the model in partnership with key justice sector agencies, including WA Police, the Department of Justice, the Office of the Director of Public Prosecutions and Legal Aid WA. The model can be used to simulate the flow of activities and costs throughout the criminal justice sector, and to estimate the downstream impact of policy and parameter proposals. Examples include: changes in police prosecutions; changes in plea behaviour; and increases in the proportion of accused persons being granted bail.

Another key project that Treasury's Data Analytics and Service Redesign team has led is the development of the Social Investment Data Resource (SIDR), which is presented as a Case Study in the Our Performance section (page 47).

## Review of Treasurer's Instructions

During the year, Treasury has continued to review Treasurer's Instructions (TIs) to improve the financial management framework, including ensuring agency effort is not diverted to compliance with overly prescriptive processes, and that the TIs are updated for greater clarity and contemporary practices.

In this regard, Treasury has reduced the number of TIs by six, resulting in reduced red tape and compliance costs for agencies in managing employment and pay records. In addition, the adoption of tiered financial reporting will reduce the compliance burden on small to medium sized agencies and facilitate the usefulness of annual reports through reducing unnecessary disclosures.

Treasury has reduced the number of TIs by six, resulting in reduced red tape and compliance costs for agencies in managing employment and pay records.



## Chief Finance Officers' (CFO) Forum

The bi-annual CFO Forum continues to be a major driver of agency knowledge sharing and collaboration. With the implementation of new accounting standards ever topical, in November we presented a two-session workshop, that focussed on revenue and leasing implications on agency financial reporting.

The May 2019 CFO Forum placed an emphasis on the future of the public sector which was well received by attendees. This included a focus on public sector procurement reform and the delivery of digital reform within the public sector. The presentations outlined key aims and deliverables and how these will impact on a CFO's day to day responsibilities.





## Commercial Advisory

### Western Australian TAB

Treasury reached a major milestone for the Western Australian TAB sale process, with the introduction of the TAB (Disposal) Bill 2019 to Parliament in May 2019 and subsequent passage of the Bill by the Legislative Assembly in June 2019. The introduction of the Bill followed detailed commercial analysis and extensive stakeholder consultation, which determined that the sale of the Western Australian TAB could place it in a stronger competitive position for the long-term benefit of both the racing industry and the State.

Treasury continues to work collaboratively with Racing and Wagering Western Australia, the Department of Local Government, Sport and Cultural Industries and the State Solicitor's Office in preparations for the sale process, which will commence following passage of the Bill (which is expected in the second half of 2019). The Government has announced that 65% of proceeds from the sale will be allocated to a new women's and babies hospital in Perth, with 35% set aside for dedicated racing infrastructure.





## Landgate Partial Commercialisation

Treasury has continued to work closely with Landgate to appoint a service provider to support Landgate in the delivery of certain automated land titling functions. A staged market process for the partial commercialisation commenced in January 2019, with the release of an Invitation for Expressions of Interest. The market process is on track for completion before the end of 2019.

Concurrent to the partial commercialisation, Treasury and Landgate oversaw the sale of Landgate's shareholding in Advara Ltd to Adecco Holdings Ltd. The sale reached completion in April 2019 and is estimated to result in a \$14.8 million net present value benefit to Landgate over the next four years.

The Government has announced that proceeds from the partial commercialisation will be used to fund Western Australia's participation in the National Redress Scheme and lifting the statute of limitations for victims of child sexual abuse.

## Property Exchange Australia Ltd

Treasury worked in collaboration with Landgate to support the sale of Landgate's shareholding in Property Exchange Australia Ltd (PEXA). PEXA is an online property exchange platform which facilitates the lodgement of documents with Land Registries and financial settlements electronically. Landgate invested in the establishment of PEXA in 2010 to support the development of an electronic conveyancing market.

Since the introduction of PEXA, the electronic conveyancing market has expanded to see new participants enter the market. With PEXA fully established, it was determined that the value in PEXA could be realised to fund other Government objectives. Treasury assisted Landgate in undertaking the sale of its PEXA shareholding, which reached completion in January 2019. The sale realised a \$185 million return on Landgate's original investment of \$38.9 million, with proceeds of the sale going towards METRONET initiatives.



# \$185million

Return on Landgate's original investment of \$38.9 million, with proceeds of the sale going towards METRONET initiatives.

## Whole-of-Government approach to Government Policy initiatives

In line with our mission to support the Government of the day to meet its priorities, Treasury actively promotes cross-agency, whole-of-government approaches to policy development and implementation. Through our unique role in the sector, we work with agency and central policy stakeholders to forecast long-term strategic issues impacting service delivery, identify innovative solutions, and support the development of proposals for Government consideration.

During 2018-19, Treasury has partnered with our stakeholders to deliver coordinated advice to Government on key priorities, including METRONET and road transformation projects, the Government's responses to the Methamphetamine Taskforce Report and the Royal Commission into Institutional Responses to Child Sexual Abuse, the newly established Employer Incentive Scheme, and negotiations with the Commonwealth to secure funding for schools, vocational education and training, and remote housing. Treasury also provided extensive data analysis and financial modelling capability, and seconded senior resources, to a cross-agency project team tasked with developing justice sector reform initiatives to address growth and Aboriginal over-representation in the State's prison population.

This collaborative approach is a best practice model for developing evidence based proposals for Government's consideration.





## Goal 2:

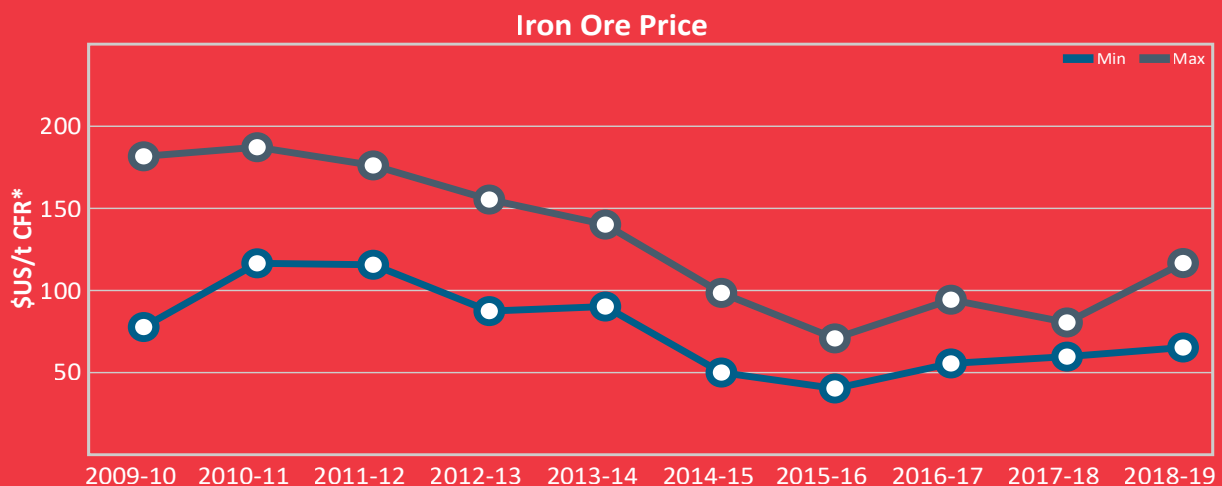
Promoting a strong, competitive and diversified economy

## Government Goal: Sustainable Finances



### Iron Ore Pricing

The iron ore price was exceptionally volatile over the course of 2018-19 due primarily to the impact of supply disruptions in Brazil and policy stimulus in China. There is considerable uncertainty regarding how long each of these dynamics will last. This makes forecasting the iron ore price even more challenging than usual. Reflecting this heightened uncertainty, Treasury implemented a relatively minor (but important) change to its forecasting methodology in the May 2019 Budget, whereby the iron ore price is assumed to transition more rapidly to the medium-term Consensus Economics forecasts. This change is considered prudent given the highly uncertain outlook for the iron ore market.



\*Iron ore prices quoted inclusive of Cost and Freight, essentially it means the cost of iron ore delivered to North China.

## Small Business Regulatory Reform

Treasury worked collaboratively with several agencies to identify small business regulatory reforms that meet the eligibility criteria for Commonwealth incentive payments via bilateral agreements for each State. Western Australia is eligible for up to \$31.6 million for agreed reforms that are successfully implemented. There were five projects identified and agreed with the Commonwealth:

- » reducing the compliance burden for plumbers;
- » making it easier for businesses to apply for a liquor licence;
- » reducing compliance for eco and nature-based tourism businesses;
- » enabling online flora and fauna licence applications; and
- » reducing the regulatory burden for the on-demand transport industry.

## Unclaimed Monies

Treasury receives unclaimed monies from Western Australia-based organisations in accordance with the *Unclaimed Money Act 1990* (the Act). The purpose of the Act is to protect the interests of people due monies that they may not be aware of or have forgotten about. The Register of Unclaimed Money contains details of all unclaimed money information sent to Treasury and is available for **public search**. A total of 843 claims were processed during 2018-19, resulting in \$1.7 million being paid out to claimants.

The Register of Unclaimed Money contains details of all unclaimed money information sent to Treasury and is available for public search.



[View website >](#)





## Streamline WA

Treasury has been working with key stakeholders to identify, prioritise and implement reform activities that will reduce regulatory barriers and complexities, making it easier to do business in Western Australia. During 2018-19 the Streamline WA web portal was launched for business, industry and the community to submit ideas on how regulation or regulatory practice can be improved. Streamline WA, with support from Treasury, will assess these issues and ideas, and prioritise the delivery of reforms.

Treasury and the Department of Jobs, Tourism, Science and Innovation are working together on a project to assist proponents of significant tourism attractions to navigate regulatory requirements and approval processes, while identifying and reducing unnecessary regulatory burdens.

## Promoting Economics

During 2018-19 Treasury undertook some new initiatives to promote Treasury and encourage students to include economics in their career choices at both schools and universities. Our activities have included:

- » the inaugural Treasury/Economic Teachers Association economics essay competition;
- » several presentations made by staff at different high schools through the year (e.g. Penrhos, Perth College, Mundaring Christian School and Albany High School); and
- » attendance at school student conferences (e.g. Shenton College Expo).

We look forward to encouraging and watching future economics leaders emerge over the coming years.

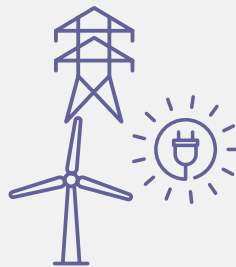
Elizabeth Quay, Perth





### Goal 3:

Promoting an efficient and sustainable energy sector



**Government Goal:** Sustainable Finances



## Energy Transformation Implementation Unit

### Energy Transformation Strategy

Our electricity system is experiencing an unprecedented transformation. More households and small businesses than ever are installing solar and battery systems to take control of their electricity bills. At the same time, large-scale renewable generators are supplying an increasing amount of our electricity needs.

Large and small-scale renewables and batteries offer great opportunities for low cost, low emissions energy. However, the intermittent and uncontrolled nature of these energy sources is presenting challenges to the power system.



Figure 1. Traditional electricity supply chain

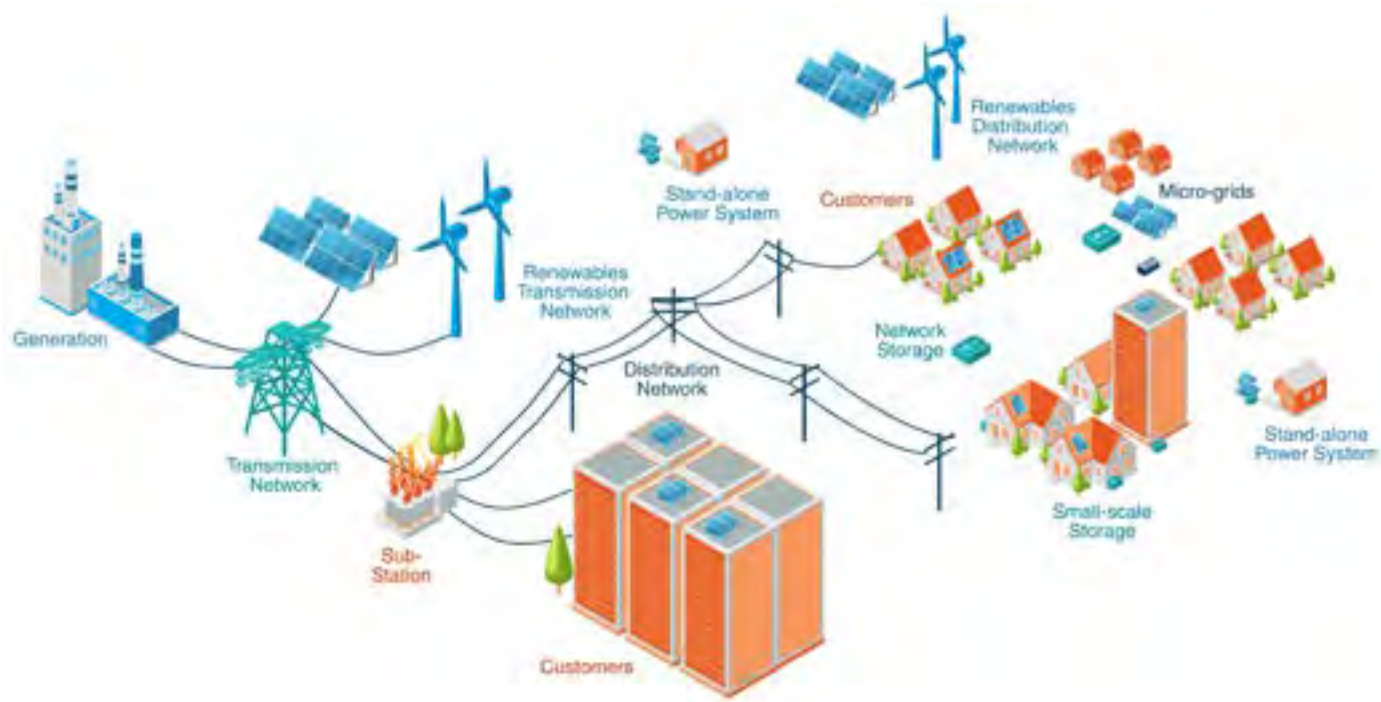


Figure 2. New electricity supply chain

To manage these challenges, on 20 May 2019, the Minister for Energy established the Energy Transformation Taskforce to implement the Government's Energy Transformation Strategy to deliver a cleaner, more affordable and more reliable electricity supply to Western Australians for decades to come.

The Energy Transformation Strategy is a two-year program of work across three interrelated work streams, including the development of the first Whole of System Plan and a Distributed Energy Resources Roadmap along with changes to Foundation Regulatory Frameworks, to support the integration of growing levels of renewable and distributed energy sources.

The Department of Treasury established a dedicated unit – the Energy Transformation Implementation Unit – to support the Taskforce in delivering the Government's strategy.



Members as at 30 June 2019 (from left to right): Katharine McKenzie, Zaeen Khan, Brett Sadler, Stephen Edwell, Hon. Bill Johnson, Michael Court and Kate Ryan.

## New Energy Policy WA Office

During July 2019, the Government determined that the energy policy function (undertaken by the Public Utilities Office and the Energy Transformation Implementation Unit) would be transferred from Treasury by creating a separate office called Energy Policy WA. Energy Policy WA will be established as a sub-department of the Department of Mines, Industry Regulation and Safety during September 2019.



Government Goal  
Sustainable Finances:  
Responsible financial  
management and better  
service delivery.



Forrest Place, Twilight Hawkers Markets

## Key Performance Indicators

Our Key Performance Indicators (KPIs) assist with understanding our performance and ensure we are achieving the Government's goals and priorities.

Treasury will be conducting a review of our KPIs during 2019-20 in collaboration with the Office of the Auditor General to ensure they align to our new Strategic Goals and the Government's priorities.

Our performance assessment information is displayed on the next page.

You can read the detailed explanation and notes for the KPIs in the specific section of the report (page 131).



Government Goal - Sustainable Finances:  
Responsible financial management and better service delivery

Government's Priority - A Strong Economy:  
Creating jobs and Repairing the State's Finances



**Goal 1:**  
Promoting fiscal sustainability



**Goal 2:**  
Promoting a strong, competitive and diversified economy



**Goal 3:**  
Promoting an efficient and sustainable energy sector



**Goal 4:**  
Enhancing organisational capability and agility

## Performance Assessment

<b>Outcome 1</b> Sustainable and transparent public sector finances	<b>Key Effectiveness Indicator</b> Status of the State's credit rating Unqualified audit opinion on Annual Report on State Finances (ARSF)
<b>Service 1</b> Financial management and reporting	<b>Key Efficiency Indicator</b> Percentage of financial reports released as per agreed timeframes
<b>Outcome 2</b> A strong and competitive State economy	<b>Key Effectiveness Indicator</b> Accuracy of key general government revenue forecasts Accuracy of key economic forecasts
<b>Service 2</b> Economic and revenue forecasts and policy development	<b>Key Efficiency Indicator</b> Number of Ministerials, briefings or reports provided on economic issues Percentage of Regulatory Impact Statements assessed within agreed timeframes
<b>Outcome 3</b> Value for money outcomes in service delivery and infrastructure provision	<b>Key Effectiveness Indicator</b> Percentage of highest value agencies complying with the Strategic Asset Management Framework or equivalent accredited mechanism Percentage of advice provided to the Expenditure Review Committee at least 5 working days prior to their consideration
<b>Service 3</b> Evaluation and planning of government service delivery and infrastructure provision	<b>Key Efficiency Indicator</b> Number of Expenditure Review Committee papers on service delivery and infrastructure advice
<b>Outcome 4</b> A sustainable, efficient, secure and affordable energy sector	<b>Key Effectiveness Indicator</b> The extent to which policy and program development objectives for the year are achieved
<b>Service 4</b> Development and implementation of energy policy	<b>Key Efficiency Indicator</b> Average cost of policy/project development



## Goal 1: Promoting fiscal sustainability

### Government Goal: Sustainable Finances



## Return to Surplus

As reported in the 2019-20 Budget, the general government sector returned to an operating surplus position in 2018-19. The return to surplus was achieved two years earlier than projected in the 2018-19 Budget and is the first operating surplus since 2013-14. Operating surpluses are forecast across the entire Budget period to 2022-23. These surpluses are underpinned by historically low rates of expenditure growth and an improving revenue outlook, including as a result of national GST reform. Operating surpluses are an important indicator of the overall sustainability of the State's finances and provide a funding source for the State's infrastructure needs, thereby reducing the reliance on new borrowings.



Note: The above chart contains data based on new accounting standards applicable for reporting periods that commence on or after 1 January 2019 reflected in forecasts for 2019-20 and 2020-21, as published in the 2019-20 Budget, released on 9 May 2019. The 2017-18 and 2018-19 outcomes are consistent with the accounting standards framework that applied for financial reporting in those years and reflect the net operating balance outcomes reported in the audited Annual Report on State Finances for 2017-18 and 2018-19.

## Credit Rating upgrade

Continuing progress with Budget repair, an earlier than expected return to surplus, and a much-improved outlook for the State's finances, resulted in a number of positive credit rating announcements in 2018-19. On 25 October 2018, S&P Global lifted its outlook on the State's AA+ rating from 'negative' to 'stable', and on 25 January 2019, Moody's Investors Service lifted its 'stable' outlook on the State's Aa2 credit rating to 'positive'. On 6 June 2019, Moody's upgraded the State's credit rating from Aa2 to Aa1 (with a 'stable' outlook). This announcement was the first upgrade to the State's credit rating since the loss of the triple A rating in 2013. The improved credit rating for the State will contribute to lower interest costs on the State's borrowing program.



## GST Reform

In July 2018, the Federal Government released its response to the **Productivity Commission's final report** for its inquiry on the GST distribution system (horizontal fiscal equalisation), broadly accepting the Commission's recommendations. Treasury had prepared multiple submissions over the course of this inquiry, which had an important influence on the outcomes of the inquiry and the Commonwealth Government's response. Treasury also briefed the Premier ahead of his appearance before a Senate inquiry, with the Under Treasurer, into the **legislation** to reform the arrangements (which passed in November 2018).

The legislated reforms provide a 70% floor under each State's GST grants from 2022-23 (rising to 75% from 2024-25), a transition to a more reasonable equalisation standard (commencing from 2021-22), and a boost to the national grant pool (also from 2021-22).

Treasury was also actively involved in the drafting of a related bilateral agreement between the Western Australian and Federal Governments, signed in February 2019. Under the agreement, the Federal Treasurer will provide additional funding to Western Australia to effectively provide a floor on the State's GST grant of 70% of its population share, each year over the three years from 2019-20 to 2021-22.



View final report:

[View Report >](#)



View final legislation:

[View legislation >](#)

## Goal 1: Promoting fiscal sustainability

**Government Goal:** Sustainable Finances



### Case study: Social Investment Data Resource

#### Background

Since 2017-18, Treasury has led a major project designed to improve the quality and availability of data for research, evaluation and policy making.

The Social Investment Data Resource – or SIDR – is a linked, administrative database containing de-identified information on individuals who have had contact with key government agencies. The SIDR aims to build upon WA's long and successful history of linking data for research purposes, and to progress recommendations outlined in a 2016 review of data linkage by Professors Fiona Stanley AC and Peter Klinken. It seeks to do so by improving access to data for researchers and policy analysts, including by reducing cost and wait times.

#### Approach

Development of the SIDR has been a collaboration between the Data Linkage Branch in the Department of Health, Curtin University's Centre for Data Linkage (CDL) and partner agencies, including the Departments of Communities, Justice, Health and Education and WA Police. Treasury's role has been to broker the data linkage arrangements for the SIDR, including negotiating the release of datasets from agencies, and to manage and oversee the contract with CDL.

#### Outcome

Completion of the SIDR is expected by the end of 2019, with annual updates planned thereafter.

Initially, the SIDR will be used to support research relating to the Government's Target 120 program. In this regard, Treasury's Data Analytics and Service Redesign team has been granted ethics approval to use SIDR to conduct research into risk factors associated with youth reoffending, as well as to evaluate the success of the program over time.

Treasury is also working actively with stakeholders, including policy analysts and the broader research community, to make the SIDR available for other approved research projects, including to support the Government's Our Priorities agenda. Looking forward, Treasury is seeking to increase the breadth and coverage of the SIDR, with the objective being to embed and enhance its status as a major research asset for policy making in WA.



## Case Study: Government Trading Enterprise (GTE) Reform

### Background

The scope of the Government Trading Enterprise (GTE) Reform Program was shaped by the GTE-related recommendations of the Service Priority Review and Special Inquiry into Government Programs and Projects. A principles-based approach was adopted to articulate the desired outcomes of the Program.

### Approach

The GTE Reform Program is reviewing the governance arrangements of GTEs and, through broad stakeholder engagement and consultation, has developed a framework to strengthen how GTEs collaborate with other parts of the Western Australian Government.

The GTE Reform Program was established on 1 July 2018 and during its first six months, through extensive consultation and engagement, sought out best practice in GTE governance. This involved consultation with the 16 GTEs taking part in the first stage of the Reform, as well as research and inter-jurisdictional visits to consider the practices of other government-owned businesses.

Consultation and collaboration is at the heart of the GTE Reform Program and central to its success to date. From the outset of the Program, there has been a strong drive to do consultation differently, with genuine collaboration and feedback underpinning the stakeholder engagement approach. This was effectively demonstrated in the Program's Operational Forums, which were designed to build community while capturing information about each organisation's governance activities.

The Forums used multiple feedback mechanisms to gain insights across operational areas, recognising that different communication avenues would stimulate different conversations. These included discussion papers, face-to-face forums, key 'takeaway' documents and formal written submissions.

Engagement has been enhanced through regular contact with the Executives and Boards of each GTE to ensure they understand the rationale of each step of the consultation approach. A regular newsletter to GTE and agency representatives has also supported dissemination of information about the Program's progress within entities.

### Outcome

The GTE Reform Program is a demonstration of how authentic collaboration and proactive stakeholder engagement can accelerate the rate of public sector reform. The Program is reviewing the governance arrangements of Government Trading Enterprises (GTEs) to build a framework that will strengthen how they collaborate with other parts of the State Government. The framework will provide clarity, accountability and efficiency in how government-owned businesses deliver their services in partnership with the State Government.





## Case study: Facilitating generator access to the electricity network – the Generator Interim Access solution

### Background

Generator access to Western Power's electricity grid has historically operated on an unconstrained basis, meaning that each generator was able to connect to the transmission network and transmit its maximum electricity output through the grid at any time. This arrangement operated well when demand was increasing and the network was expanding to cater for increasing peak loads, as was historically the case at the time of its design.

However, in an environment of rapidly falling renewable generation costs and decreasing demand on the grid due to rooftop solar PV penetration, the unconstrained network access arrangement has created a significant hurdle to new large-scale generation projects wanting to connect to Western Power's transmission system. The unconstrained network access arrangement requires new generators connecting to the transmission network to pay for the augmentation required to achieve and maintain unconstrained network connection for all existing generators, even though available network capacity is not fully utilised at most times as demand is highly variable.

As a result, many new low-cost renewable generators may be unable to connect due to the expensive capital cost required to upgrade or expand Western Power's network capacity. A change of regulatory approach to network access has been a key component of the electricity reform agenda and is being progressed under the Government's Energy Transformation Strategy.

### Approach

With the agreement of the Minister for Energy, the Public Utilities Office, alongside the Australian Energy Market Operator and Western Power commenced work in 2017 to design a temporary solution to allow new generators to connect to the Western Power transmission network without affecting the unconstrained access of existing generators.

This process required extensive discussion and consultation to determine the amount of additional energy output that could be safely managed under this arrangement, without exceeding the safe operating limits of the entire electricity grid. The result of the collaboration was the development of the Generator Interim Access (GIA) solution.

The GIA arrangements feature use of existing market mechanisms, together with a 'bolt-on' solver to constrain the maximum output of new generators in situations where network capacity is limited and existing generators would otherwise be prevented from transmitting their output first.

The Public Utilities Office also progressed changes to the Wholesale Electricity Market Rules, made by the Minister for Energy. These new rules included arrangements to allow new generation projects connected under the GIA solution to be eligible for capacity payments, that recognise the contribution of each generation facility in meeting electricity system requirements during peak demand periods. These capacity payments assist in meeting the capital costs of new electricity generation projects.

## Outcome

In December 2018, Western Power made GIA related electricity network access offers to eight generation projects representing around 900 megawatts of new large-scale renewable energy generation capacity. The GIA is an interim solution, which is intended to operate until a constrained network access framework is put in place as part of the Energy Transformation Strategy. The new constrained access arrangements are expected to commence in October 2022.



## Goal 4: Enhancing organisational capability and agility

**Government Goal:** Sustainable Finances



### Case Study: Graduate Recruitment Strategy

#### Background

To enhance organisational capability and agility, Treasury rebooted its graduate attraction and recruitment strategy to proactively navigate succession risks as well as transfer and sustain vital knowledge that supports and develops Treasury's 'big picture' thinking.

The 2019 Graduate Program recruitment campaign welcomed four graduates from over 150 applications, a strong result after a three year pause in the graduate market. These graduates have begun to rotate through various Treasury business units, building skills and networks as well as partaking in the Public Sector Commission Graduate Development Program, collaborating with graduates from across the sector.

To continue attracting the best and brightest student and graduate talent, Treasury developed a strategy to elevate its employer brand and build mutually beneficial relationships with Western Australian Universities as well as interstate institutions such as Australian National University (ANU) and Deakin University.

#### Approach

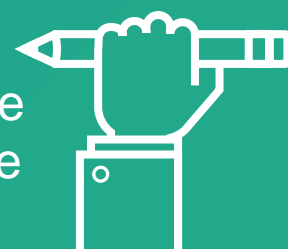
To increase the profile of the Treasury employer brand, relationships with relevant Schools and Faculties at Western Australian Universities as well as career centres, locally and interstate, were developed. On-campus engagement through career fairs and speaking opportunities such as Public Sector Panel events were of great benefit with Treasury representatives reaching over 450 students, providing insights into the dynamic opportunities at Treasury and a career in the public sector.

To continue the 'conversation' after campus engagement activities, the Treasury Talent Community was established. The Community allows students to register for Treasury updates and find out about employment opportunities such as the Treasury Graduate Program and Vacation Programs. Currently over 360 students are registered on the Community with continuous growth due to online promotion by Universities.

In addition to the Treasury Talent Community, Treasury needed to be visible on high traffic platforms that students and graduates interact with. Tailored communications plans were created and distributed to all Universities, which resulted in coverage promoting Treasury on student Facebook sites and direct email campaigns.

Today, students seek authentic career prospects and to meet this need, Treasury established a Treasury Alumni Registry where current Treasury employees self-nominate to represent Treasury at their former University. Having this form of authentic representation provides a connection between Treasury and students currently completing a qualification at that institution. Universities are constantly

22% increase  
in new graduate  
applications





seeking employer representatives to speak with cohorts and the Registry supports their need whilst offering Treasury the opportunity to promote its employer brand.

Underpinning these engagement initiatives was the development of an eye-catching campaign for the 2020 Graduate Program recruitment - 'Tell Your Friends Where to Go' which was launched in March 2019. The campaign was fun and inviting with a playful call to action that was well received by students, graduates, Universities and within Treasury.

In addition to the graduate programs Treasury will launch Summer and Winter Vacation Programs ranging from 4-8 weeks. The Vacation programs allow current University students to have an introductory experience to Treasury which will assist in building suitable candidates for future graduate programs. In addition to Vacation opportunities for students, Treasury will welcome students seeking placements for academic credit as a direct result from the relationships between Universities and Treasury.

To attract this great talent is one thing but to retain it is a central focus as well. Treasury has this forward outlook front of mind with the launch of a Young Professional Program for employees 30 and under. This program will provide engagement opportunities with Executive management, knowledge transfer and sharing as well as social and community-based activities.

Treasury is aware that the talent pool doesn't just sit at University level, with opportunities to engage with high school students also occurring simultaneously to the University commitments. To date, Treasury has engaged with Shenton College and Albany College as well as the annual High School Economics Conference held by Curtin University.

### Outcome

Treasury's commitment to building the next generation of talent has been stepped up in the past year, with more engaging initiatives to come. To attract more students and graduates to Treasury, an attractive program package has been designed that will launch in 2020 to further recruit, develop and retain Treasury's next generation.

“I have had the opportunity to work across multiple business units within Treasury, develop a broad range of skills and make meaningful contributions to government decision making.”



Matthew Keohane (Graduate) and Kirsten Pereira (Treasury mentor).



## Actual Results versus Budget Targets

### Treasury Financial Targets

Financial Targets	2018-19 Target <sup>(1)</sup> (\$000)	2018-19 Actual (\$000)	Variation <sup>(2)</sup> (\$000)
Total cost of services (expense limit) (sourced from Statement of Comprehensive Income)	71,739	73,332	1,593
Net cost of services (sourced from Statement of Comprehensive Income)	69,815	72,228	2,413
Total equity (sourced from Statement of Financial Position)	15,587	18,371	2,784
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	354	1,545	1,191
Approved salary expense limit	35,998	33,318	(2,680)
Number of approved full-time equivalents (FTE)	285	266	(19)

(1) As specified in the 2018-19 Budget Statements.

(2) Further explanations are contained in the Notes to the Financial Statements, including Note 8.10 'Explanatory Statement (Controlled Operations)'.

### Total Cost of Services

Treasury commenced 2018-19 with an initial expense limit of \$71.7 million. During the year this increased to a final approved expense limit of \$74.3 million. This movement was predominantly associated with the approval of finite funding to manage the partial commercialisation of Landgate and the privatisation of the Western Australian TAB, which was partly offset by re-flows of salary expenditure and State Underground Power Program contributions to the forward estimate years.

Actual total cost of services for 2018-19 (\$73.3 million) was below the final approved expense limit of \$74.3 million, mainly due to delays in filling vacant positions.

## Net Cost of Services

The actual net cost of services for 2018-19 (\$72.2 million) was \$1.8 million more than initially budgeted. As outlined above, this variance was mostly associated with the approval of finite funding to manage the partial commercialisation of Landgate and the privatisation of the Western Australian TAB, which was partly offset by the repositioning of salary and State Underground Power Program expenditure to the forward estimate years.

## Cash Held

Working Cash Targets	2018-19 Agreed Limit (\$000)	2018-19 Target / Actual (\$000)	Variation (\$000)
Agreed Working Cash Limit (at Budget)	3,156	3,156	N/A
Agreed Working Cash Limit (at Actuals)	3,445	16,408	12,963

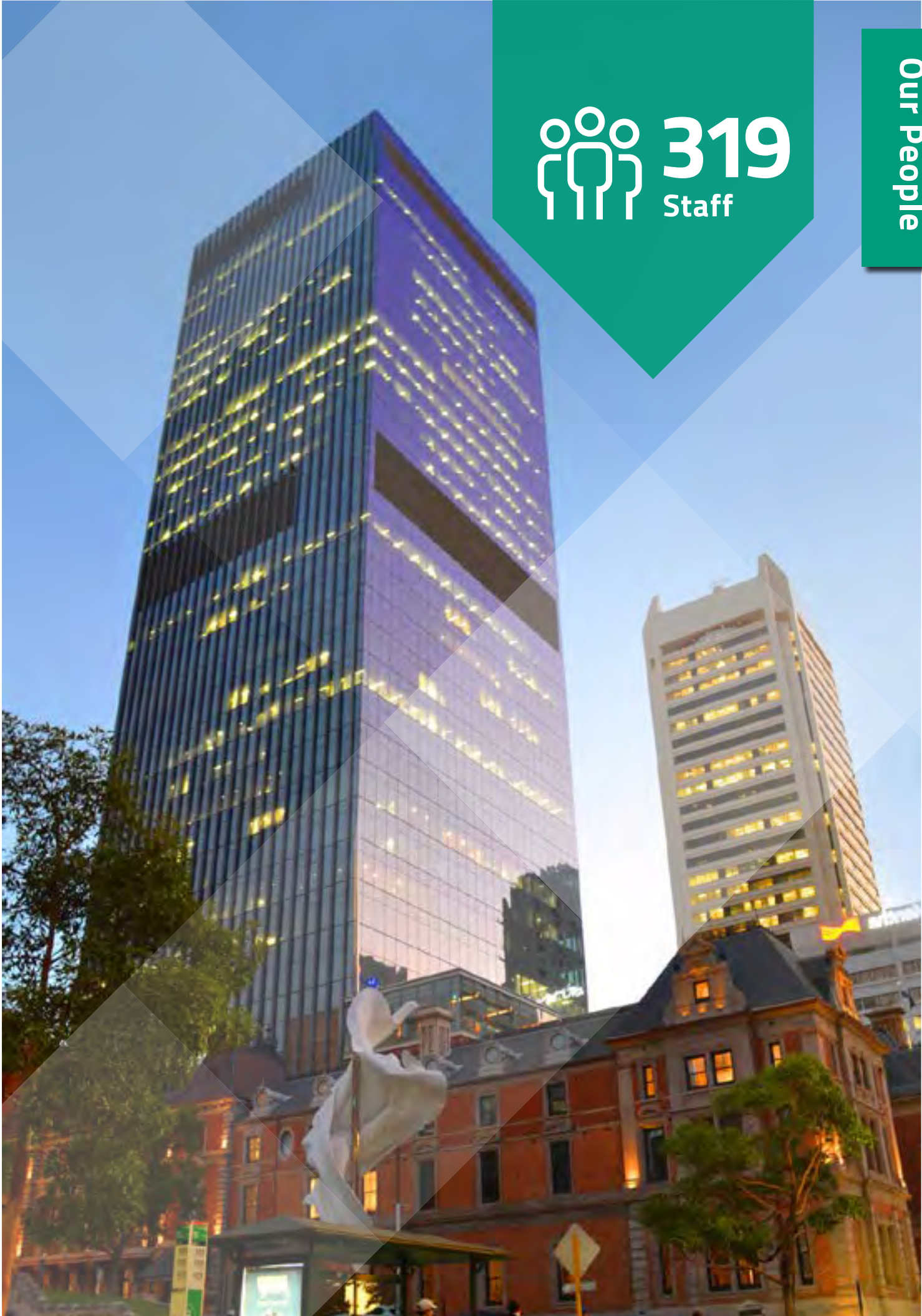
Cash held at the end of the year was \$13 million above the agreed working cash limit of \$3.4 million. Cash held at the end of the year predominantly related to prior year surpluses, with working cash only increasing by \$1.4 million over the course of 2018-19.

## Approved Salary Expense Level

The actual salary expense level was \$2.7 million less than the initial approved salary expense level for 2018-19. The variance primarily related to the repositioning of resources from 2018-19 to the forward estimate years, in-line with the timing of policy and reform programs.

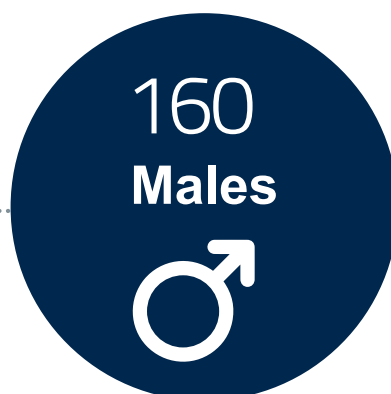
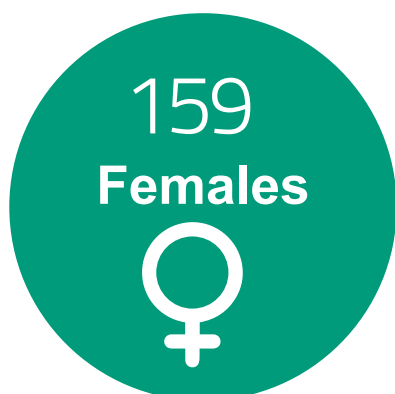
## Full Time Equivalents

Actual FTEs averaged 266 in 2018-19. This result was 19 FTEs less than approved, driven by an average employee vacancy rate of 6.7% during the year.



 **319**  
Staff

Our People

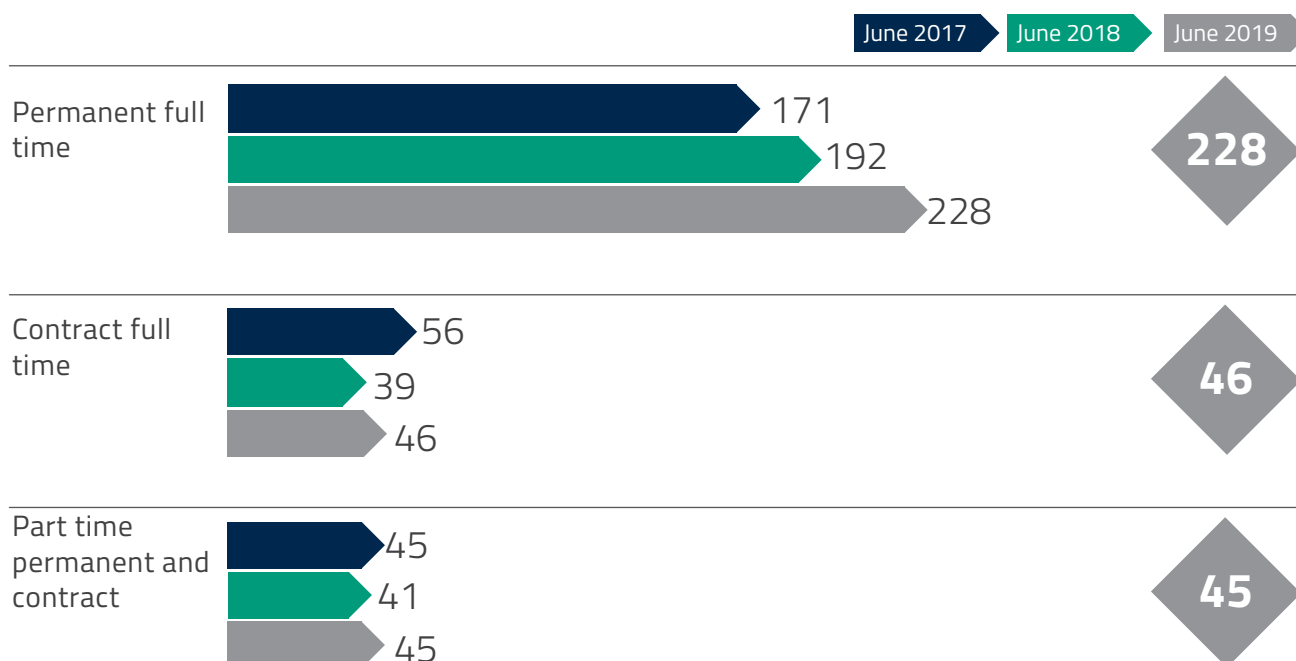


#### Head count

319  
2019

272  
2018

272  
2017



## Leadership Development

The Treasury Leadership program has focused on leadership across two levels, leading self and leading others. The program is underpinned by positive psychology principles as well as contemporary models of work behaviour that identify the importance of mastery, agility and proactivity for success in today's complex and changing organisations.

The program was initially run in 2017 targeted at emerging leaders, with 32 upcoming leaders completing the program over the last two years. This year the program was adapted for the senior leadership group, with two new programs being run, the Elevated Leadership program for our Director group as well as the Executive Leadership program. This bottom up and top down approach enables one consistent leadership strategy. We have included the use of 360 degree surveys which allow our staff to provide feedback on our leaders and have constructive participation in their development.



## Sharing Knowledge Through Forums

Coffee Shop Forums for all Treasury staff are facilitated and held on a regular basis with the aim of enhancing Treasury employees' knowledge by engaging both internal and external speakers to present on a range of relevant topics.

Topics were selected to align with the four Strategic Goals of Treasury's 2018-21 Strategic Plan, as well as to address departmental development needs, communicate important changes that have occurred through the public sector and improve knowledge sharing and transfer across employees.

Treasury had 21 external and internal speakers presenting on an array of topics throughout 2018-19, including:

- » a focus on who does what in Treasury, with all Directors presenting on their current work priorities to increase knowledge sharing and understanding across the agency;
- » the internal Treasury Forum provided an overview of lessons learnt from the State Budget process and highlighted some of Treasury's priorities;
- » Rodney Tyers, from the University of WA presented on inflation, low interest rates, low productivity and rising inequality;
- » Peter Collins, Director Commonwealth Bank of Australia presented on design thinking and how the CBA has utilised it within their business; and
- » Ed Tate, an award-winning international keynote speaker, shared insights on how to create stories in minutes and never give a dull presentation again.

## Treasury's New Learning Management System – Click2Learn

The move towards continuous digital learning has been further enabled by the implementation of a new Learning Management System, Click2Learn for staff. In conjunction with the Department of Finance, the system was implemented across Treasury, and was officially launched at the staff forum in May 2019. Click2Learn gives employees the ability to complete the following training functions:

- » request and enrol in online and external learning (replacing the manual 'learning request form');
- » complete online learning modules;
- » view progress and learning history; and
- » provide managers with the ability to review training requests and team training progress.

Click2Learn has been well received, with its ability to host online learning modules, helping staff to develop skills, knowledge and abilities at a time suitable for themselves. As the system continues to evolve Treasury will broaden the content available on the system, with LinkedIn Learning to be incorporated later in 2019. Currently Click2Learn hosts online modules such as Accountable and Ethical Decision-Making, Occupational Safety and Health and Disability awareness, as well as videos developed as part of Treasury's technical training program. A range of further online modules are continuing to be developed and will be complimented with face-to-face and on-the-job training to maximise learning outcomes.

## Technical Training Working Groups Produce Video Content

In response to the technical skill gaps identified across Treasury in 2018, the technical training working groups, in conjunction with the Learning and Organisational Development team, developed targeted training programs. The programs were videoed to assist in the ongoing development of Treasury staff. The videos developed include:

- » business case analysis;
- » quantitative analysis, including the use of cost benefit analysis;
- » an introduction to Treasury's Strategic Information Management System (SIMS) and SIMS Budget tracking and Budget scoresheeting module; and
- » introduction to Development and Performance management.

These videos are all hosted in the new Click2Learn Learning Management System and are provided to all new starters as well as being accessible to any Treasury employee at any time. The working groups gave their own time to understand what gaps need to be addressed and developed content to fill those gaps. Their dedication, and display of our committed people value, was acknowledged by the Under Treasurer who awarded them a Treasury Treasure award at the May 2019 staff forum.



Jelena Opacic, Learning and Organisational Development Consultant presents on Development and Performance management.

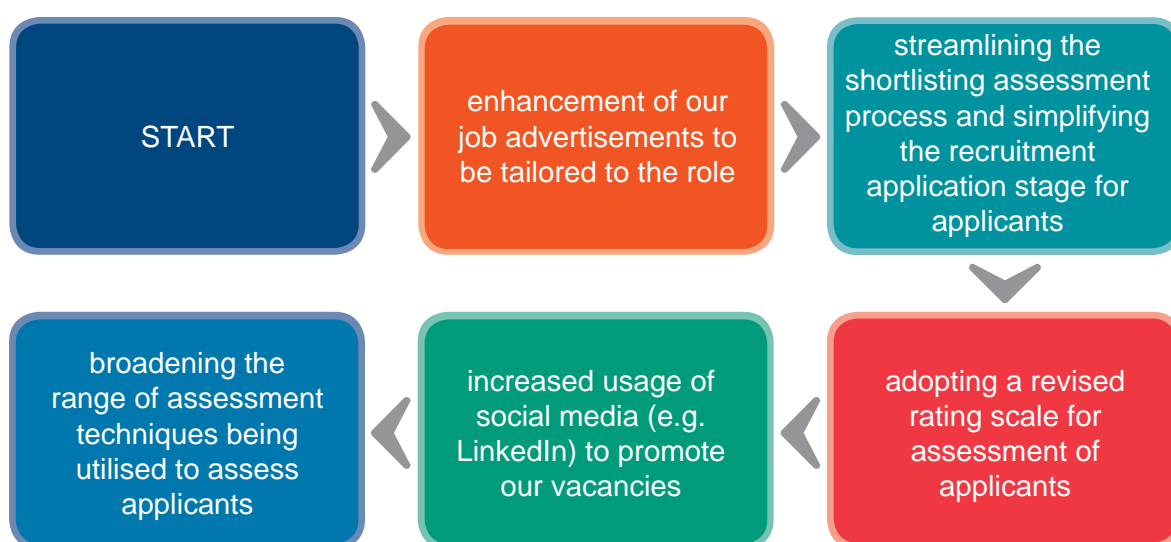
## Streamlining Recruitment

Treasury has been proactive in streamlining recruitment activities across the Department and implemented a number of changes to enhance the recruitment process to attract high quality applicants and ensure the recruitment experience, for both applicants and managers, is timely and effective. This included:

- » enhancement of our job advertisements to be tailored to the role;
- » streamlining the shortlisting assessment process and simplifying the recruitment application stage for applicants;
- » adopting a revised rating scale for assessment of applicants;
- » increased usage of social media (e.g. LinkedIn) to promote our vacancies; and
- » broadening the range of assessment techniques being utilised to assess applicants.

Further improvements are also being developed including a new branding strategy, review and streamlining of recruitment documents and templates, a review of position titles, role statements and Treasury's Capability Framework, and increased education and support for managers and staff involved in the recruitment process. These initiatives aim to ensure we attract and retain quality applicants and the candidate experience is a memorable one.

In addition, to aid flexibility of resources across the Department, we continue to utilise the support of our Internal Rotation and Transfer Program to fill positions and broaden employee's knowledge of Treasury work areas and support their ongoing development.



## Disability Access and Inclusion Plan

As part of our commitment to ensuring that people with disability have the same access and inclusion as others in all areas of Treasury's business and operations, a new Disability Access and Inclusion Plan (DAIP) 2018-2022 was developed which incorporates the Government's seven desired outcomes.

The plan was developed by an internal DAIP working group with consultation sought from internal and external stakeholders. The DAIP includes improvement strategies for Treasury which focus on ensuring people have equal access to employment, training and development, products and services, premises, communication and information technology.

### 2018-2022 - Our Commitment to Access and Inclusion



People with disability have the same opportunities as other people to access the **services** of and any **events** organised by a public authority;



People with disability have the same opportunities as other people to **make complaints** to a public authority;



People with disability have the same opportunities as other people to access the **buildings and other facilities** of a public authority;



People with disability have the same opportunities as other people to **participate in any public consultation** by a public authority; and



People with disability **receive information** from a public authority in a format that will enable them to access the information as readily as other people are able to access it;



People with disability have the same opportunities as other people to **obtain and maintain employment** with a public authority.



People with disability receive the same **level and quality of service** from the staff of a public authority as other people receive from the staff of that public authority;



## Treasury Treasures

Our Staff Forums provide the opportunity to recognise staff who have displayed outstanding delivery of Treasury's Values. Staff are nominated by peers, and Executive make a final decision based on the nominations. The recognition targets staff who may have provided exceptional standards, performed beyond the call of duty and pushed themselves outside their comfort zone. During 2018-19 the following staff were awarded a Treasury Treasure:

Jelena Opacic, Kylie Dalling, Kirsty Laurie, Alex Scherini, Anita Zuvela, Mark Spencer, Michael Schipp, Hew Mortlock, Nicole Eastough, and Rebecca Gale (those in photo from left to right).

Alyce Mullen, Peter Cox, Annette Long, Jennifer Bishop, Chris McKay, Helen Ensikat, Jessica Folan, Bruce Horwood, Jake Prendergast (those absent from photo).



## Occupational Safety, Health and Injury Management

We continued our commitment to Occupational Safety and Health (OSH) over the past year, ensuring our OSH Policy was reviewed and updated.

Safety Health Representatives undertook quarterly safety inspections within Treasury work locations. OSH issues were discussed and resolved through the OSH Committee which met quarterly to ensure continuous improvement in health and safety. Regular articles about health and safety matters were published on our intranet site – TNet.

An internal assessment of our occupational safety and health management system was undertaken during the 2014-15 financial year using the WorkSafe Plan. To date all recommendations have been actioned. During 2018-19, a program was developed for Managers and Supervisors to attend in-house training on health, safety and injury management. Treasury's First Aiders and Safety Health Representatives were provided with relevant training in accordance with legislated requirements. Mental Health was an important element of our Wellbeing Program and will continue to be an ongoing priority for Treasury. As undertaken in previous years, we celebrated R U Ok Day and Mental Health Week.

Treasury actively encouraged staff participation in a variety of wellness initiatives. A Skin Check Clinic was offered to staff which was well attended. Flu Vaccines were also offered during April and May 2019, and a total of 114 employees participated. Staff were offered ergonomic assessments and information to help them set up their own workstations to suit their ergonomic requirements.



### Employee Assistance Program (EAP)

Treasury provides a free and confidential EAP Service for its employees and their family members. During 2018-19, the EAP service was accessed by 19 employees. Of the assistance sought, 57% addressed personal issues and 43% related to work issues.



## Injury Management

We ensure our compliance with the *Worker's Compensation and Injury Management Act 1981* and have an ongoing commitment to injury management which is reflected in our injury management policy and guidelines offering employees with an injury or illness, assistance to return to work as soon as practicable.

In accordance with Treasurer's Instruction 903 (13) disclosures, Treasury can advise there were no Worker's Compensation claims and there are no employees on return to work plans.

Indicator	Actual Results 2018-19	Actual Results 2017-18	Actual Results 2016-17	Target/Comments
Number of Fatalities	Nil	Nil	Nil	Nil
Lost time injury/disease incidence rate	Nil	Nil	Nil	Nil
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	n/a	n/a	
Percentage of injured workers returned to work within 26 weeks	n/a	n/a	n/a	
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	40%	38%	40%	Ongoing Plan to train Managers/Supervisors over coming year





27

## Projects







## Project Management

Treasury continues to provide our key stakeholders, the Treasurer and Minister for Energy, with progress against the key deliverables of our business. These key deliverables are established as priority projects that are monitored and tracked via a project management reporting framework. Fortnightly updates are provided as Traffic Light Reports to the Ministers and detail issues and progress against identified parameters of budget, timing and scope, highlighting any matters that impact the Government that require attention.

We completed 10 projects during 2018-19 with project managers providing a detailed summary of the project outcomes and lessons learned to our Executive. During 2019-20 we have a total of 27 projects that vary in complexity and have defined outcomes identified over the next 1-3 years. You will have read about some of our priority projects including:



## Business Continuity Management

Treasury has sustained the focus on Business Continuity Management in 2018-19 which is currently supported by:

- » Treasury Risk Management Framework which provides a basis to identify, assess and mitigate all risks. Governance and oversight of the risk framework and business continuity risk is provided by the Treasury Finance Risk and Audit Committee (FRAC) chaired by the Under Treasurer; and
- » business continuity policy, crisis management plan, pandemic plan and business impact analysis. These policies and plans are reviewed on a regular basis to factor in any significant changes to the Treasury operating environment.

## Internal Audit

Treasury's Internal Audit completed several audits as part of the risk based 2018-19 Internal Audit Program. Highlights were the review of Treasury Operations Payment processes, Performance Management Reporting, Contracts for Service compliance and Cyber Security penetration testing. This team also performs biannual reviews of Treasury's gift register at the request of the FRAC.

## Risk Management

In 2018-19 we have reviewed the risk management approach at Treasury with a view to drive continuous improvement of this function. Initiatives have been put in place to drive a greater focus on strategic risk at the FRAC in addition to the integration of risk management into the Treasury strategic planning framework and processes. The key objectives are:

- » promote active discussion on strategic risk;
- » focus on accountability and ownership; and
- » integration of risk into the strategic planning process.

Treasury deals with a variety of strategic and operational risks, which are actively assessed and managed. Formalised mitigation strategies focus on risks that may impede the delivery of goals and objectives in Treasury's Strategic Plan. The areas of focus include but are not limited to work force management, safety, cyber security, fraud, compliance, finance and critical IT systems. FRAC maintains oversight of the Treasury Strategic Risks which are reviewed on a bi-monthly basis.

## Governance Committees

Treasury has several Governance Committees to provide support and guidance to our Executive on key areas of departmental policy and management as outlined in each Committee's Terms of Reference. Governance committees have achieved key outcomes for 2018-19 which are included in the table below:

Committee	Committee Role	Key Outcomes 2018-19
Treasury Monthly Executive (TMEX) (monthly)	The purpose of this committee is to make decisions in relation to the management of the Treasury, to establish Treasury's strategic direction, and to monitor Treasury's performance.	Corporate Organisational Decisions. Strategic Recruitment program.
Budget Management Committee (BMC) (weekly)	The BMC oversees State Budget, Mid-Year Review, Annual Report on State Finances and budget updates throughout the year. It also oversees whole-of-Government financial products and coordinates agenda items for the Government's Expenditure Review Committee (ERC) meetings.	Framework for the 2019-20 Budget. 2019-20 Midyear Review structure Emerging Budget issues Fiscal outlook updates Internal Budget management guidance and decision-making.
Finance, Risk and Audit Committee (FRAC) (bimonthly)	The purpose of this committee is to advise and make recommendations to the Treasury Monthly Executive Group (TMEX) on finance, risk and audit issues within Treasury.	Integration of the Treasury Risk Management Framework into the Strategic Planning Process. Maintained oversight of the revised ICT SLA with Finance.
Diversity Committee (monthly)	The purpose of the committee is to advocate and implement actions to overcome barriers and capture the benefits of diversity to the business and the individual.	Publishing of regular articles on diversity issues on our internal Intranet Promoting flexible work practices which support an essential work life balance.



## Diversity and Substantive Equality

Treasury is committed to encouraging and supporting diversity and equity in the workplace through building a culture that is inclusive and supportive and through the implementation and management of new and ongoing initiatives that support our diverse workforce. These have included:

- » continuing with a series of Women in the Workforce Q&A workshops in conjunction with other public sector agencies;
- » incorporation of cultural awareness training and disability awareness training into Treasury inductions to ensure staff are aware of expectations and standards required;
- » regular promotion and support of Women in Leadership events;
- » regular promotion and support of NAIDOC events;
- » support for people with a disability during recruitment and selection processes;
- » publishing of regular articles on diversity issues on our internal Intranet; and
- » promoting flexible work practices which support an essential work-life balance.

Our current diversity profile is detailed below:

Diversity Statistics	Number	Percentage of Treasury Workforce
Total Women	159	49.84%
Number of women in Leadership Positions (substantive L8 and above) <sup>(1)</sup>	28	8.78%
Total Men	160	50.16%
Number of men in Leadership Positions (substantive L8 and above) <sup>(1)</sup>	47	14.73%
Indigenous Australians <sup>(2)</sup>	-	0.00%
People from culturally diverse backgrounds	55	17.24%
People with disability	5	1.57%
Mature age workforce (55 years and over)	42	13.17%
Youth (under 25 years)	5	1.57%

(1) Treasury headcount at 30 June 2019 is 319

(2) Of the 319 employees, 101 employees did not respond to the question on the survey in relation to Aboriginality

Treasury's commitment to promoting equality and inclusion extends beyond meeting the minimum statutory obligations contained in anti-discrimination legislation. To this end the Department's vision for substantive equality focuses on developing staff and equipping them with the tools to effectively engage with and meet the needs of the community they serve. In achieving this vision, we continue to assess policies, processes and services to initially minimise, then eliminate, any unintended systemic discrimination that may be embedded in its business practices.



## 2018-19 Freedom of Information

Each agency that is subject to the *Freedom of Information Act 1992* is required to publish an Information Statement which contains information about the structure and functions of the agency and, more importantly, details the kinds of documents held. This requirement is in Part 5 of the Act. In accordance with the publication requirements, the Information Statement is on the Treasury website at [www.treasury.wa.gov.au](http://www.treasury.wa.gov.au).

Treasury manages FOI matters related to its portfolio of economic and fiscal responsibility for the State of Western Australia. During 2018-19, Treasury dealt with seven valid FOI requests covering a range of topics. These included:

- » access to documents since 1 January 2018 relating to obesity; the cost of obesity; an obesity tax;
- » all information and documentation dating from 1 January 2018 to current in relation to rock lobster industry reforms;
- » all information to or from or within Treasury, in relation to the 2018-19 Asset Investment Plan;
- » all documents and modelling relating to the 150,000 jobs target under the Government's 'Our Priorities: Sharing Prosperity' program;
- » in the period since 1 January 2000, any monetary loans that the State of Western Australia may have provided to any Western Australian sporting organisations, franchisees, bodies, clubs, associations, unions or similar sporting entities;
- » all information in relation to the Cyber Security Cooperative Research Centre and the radio replacement project, since March 2017; and
- » all supporting information regarding the Decision Regulatory Impact Statement - Proposal for Regulation of the On-Demand (Taxi and Charter) Transport Industry and associated materials.

	2016-17	2017-18	2018-19
<b>Decisions received</b>	8	16	6
<b>Applications received</b>	14	8	7
<b>Days to process</b>	37	52	59
<b>Internal reviews</b>	1	3	-
<b>External reviews</b>	2	2	2

The FOI requests were processed within 59 days on average, largely due to the significant volume of documents covered by some requests. While full or partial access had been granted in four instances, access to two requests was refused on the grounds of exemptions due to the sensitivity of the kind of information and the legitimate harm that disclosure would have caused to the State's interests. There were no requests for internal reviews. Treasury's approach to decision-making consistently aimed to ensure that transparency and open access to documents was granted wherever possible, while at the same time ensuring the public interest is protected.

## Ethics, Accountability and Integrity

Treasury continued to maintain a strong focus on ethics, accountability and integrity in 2018-19. Key compliance deliverables in this period included:

- » a continued program of updating and reviewing policies, frameworks and guidelines including a review of the Treasury Risk Management approach, streamlined Development and Performance guidelines and a review of the criminal Record Screening policy;
- » audit assurance activities in the areas of Portable and Attractive Assets, Purchasing Cards and Contract for Service compliance audits;
- » half yearly reviews of Treasury's gift and benefits register were performed by our Finance, Risk and Audit Committee to ensure no inappropriate acceptance of gifts or benefits and to identify any notable trends;
- » continued compliance training and communication initiatives; and
- » our ongoing commitment to ensure staff have participated in accountable and ethical decision-making training.

## Public Sector Standards and Ethical Codes

Consistent with the Public Sector Standards (Standards), Treasury has implemented a range of Human Resource related policies, procedures and practices. During 2018-19 there were no formal grievances or breaches against the Standards. The Human Resources team supported Treasury's strategic recruitment activities by providing a range of services, including:

- » a revised Code of Conduct in September 2018 that strengthened controls over conflict of interest and maintains the ethical standards, expected behaviours and values required by Treasury staff;
- » providing regular support and advice to ensure our processes and transactions complied with the standards; and
- » providing quality assurance services such as reviewing all our selection reports.

Treasury continues a process of policy review to maintain compliance with the *Public Interest Disclosure Act 2003* (the Act). In 2018-19 we had no public interest disclosures lodged under the Act. Treasury submitted the Public Sector Entity Survey to the Public Sector Commission with no reports for breach of discipline under the *Public Sector Management Act 1994*.

## Record Keeping

Our Recordkeeping Plan was approved by the State Records Commission in December 2017. In accordance with section 28 of the *State Records Act 2000* and State Records Commission Standard 2, principle 6, the next review will be completed within five years, prior to December 2022.

Our new Click2Learn platform contains online Recordkeeping training (AEDM Module: Recordkeeping and Use of Information). All new employees are required to complete the recordkeeping training to ensure they are compliant with required standards. Existing staff are also required to complete the AEDM which includes our Code of Conduct and Treasury specific policies and procedures. Currently 73% of employees have completed the AEDM. We intend to review our recordkeeping training program during 2019-20.

## Leave Liability

Resulting from the Voluntary Targeted Separation Scheme across the public sector, Treasury's approved leave liability cap was restated during 2018-19 to \$10.4 million.

As at 30 June 2019, our total annual and long service leave accrued hours amounted to 147,595. This was an increase of 331 hours during the financial year. These hours have been valued at \$10.1 million, \$0.3 million under our leave cap.

To achieve our leave liability cap for the 2018-19 financial year, the following measures were utilised:

- » ensuring individual leave management plans for all employees with high leave balances over pre-determined thresholds were in place;
- » providing the option for employees to cash out leave;
- » enforcing a Treasury-wide Christmas closure period; and
- » reviewing all Purchased Leave applications to ensure employees do not currently have a high leave balance.

**\$10.1 million**  
\$0.3 million under our leave cap.







**Disclosures and Legal  
Compliance of the  
Financial Statements.**

The Four Aces karri trees



# Certification of Financial Statements

Department of Treasury 30 June 2019

## For the reporting period ended 30 June 2019

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 reporting period ended 30 June 2019 and the financial position as at 30 June 2019.

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



**Pauline Burton**  
**Chief Finance Officer**

10 September 2019



**Michael Barnes**  
**Under Treasurer**

10 September 2019

# Independent Auditor's Report



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### DEPARTMENT OF TREASURY

### Report on the Financial Statements

#### **Opinion**

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

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

#### **Basis for Opinion**

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

#### **Responsibility of the Under Treasurer 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, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Under Treasurer deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Under Treasurer.
- Conclude on the appropriateness of the Under Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### **Report on Controls**

#### **Opinion**

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Department of Treasury. The controls exercised by the Department 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 (the overall control objectives).

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

In my opinion, in all material respects, the controls exercised by the Department of 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 2019.

#### **The Under Treasurer's Responsibilities**

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



#### **Auditor General's Responsibilities**

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

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

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

#### **Limitations of Controls**

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

#### **Report on the Key Performance Indicators**

##### **Opinion**

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

In my opinion, in all material respects, the key performance indicators of the Department of 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 2019.

#### **The 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 internal control as the Under Treasurer determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor General's Responsibility**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.



I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

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

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

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

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

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

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



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
10 September 2019

# Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 (\$000)	2018 (\$000)
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	2.1 (a)	36,949	35,849
Supplies and services	2.3	23,388	13,398
Depreciation and amortisation expense	4.1, 4.2	1,001	1,000
Accommodation expenses	2.4	4,514	4,491
Grants and subsidies	2.2	6,729	3,744
Other expenses	2.5	751	737
<b>Total cost of services</b>		<b>73,332</b>	<b>59,219</b>
<b>Income</b>			
<i>Revenue</i>			
Other revenue	3.2	1,104	267
<b>Total Revenue</b>		<b>1,104</b>	<b>267</b>
<b>Total income other than income from State Government</b>		<b>1,104</b>	<b>267</b>
<b>NET COST OF SERVICES</b>		<b>(72,228)</b>	<b>(58,952)</b>
<b>Income from State Government</b>			
Service appropriation	3.1	65,746	55,857
Services received free of charge	3.1	7,738	7,451
Royalties for Regions Fund	3.1	130	130
<b>Total income from State Government</b>		<b>73,614</b>	<b>63,438</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>1,386</b>	<b>4,486</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,386</b>	<b>4,486</b>

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

# Statement of Financial Position

As at ended 30 June 2019

	Notes	2019 (\$'000)	2018 (\$'000)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6.1	16,397	14,981
Restricted cash and cash equivalents	6.1	11	4
Receivables	5.1	991	698
Amounts receivable for services	5.2	1,001	800
Other current assets	5.3	17	19
<b>Total Current Assets</b>		<b>18,417</b>	<b>16,502</b>
<b>Non-Current Assets</b>			
Restricted cash and cash equivalents	6.1	353	231
Amounts receivable for services	5.2	11,164	11,164
Plant and equipment	4.1	60	24
Intangible assets	4.2	3,803	4,244
<b>Total Non-Current Assets</b>		<b>15,380</b>	<b>15,663</b>
<b>TOTAL ASSETS</b>		<b>33,797</b>	<b>32,165</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	5.4	5,346	5,493
Employee related provisions	2.1(b)	7,780	7,391
<b>Total Current Liabilities</b>		<b>13,126</b>	<b>12,884</b>
<b>Non-Current Liabilities</b>			
Employee related provisions	2.1(b)	2,300	2,295
<b>Total Non-Current Liabilities</b>		<b>2,300</b>	<b>2,295</b>
<b>TOTAL LIABILITIES</b>		<b>15,426</b>	<b>15,179</b>
<b>NET ASSETS</b>		<b>18,371</b>	<b>16,986</b>
<b>EQUITY</b>			
Contributed equity	8.8	(9,631)	(9,631)
Accumulated surplus/(deficit)		28,002	26,617
<b>TOTAL EQUITY</b>		<b>18,371</b>	<b>16,986</b>

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

# Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Contributed equity (\$000)	Accumulated surplus/ (deficit) (\$000)	Total equity (\$000)
<b>Balance at 1 July 2017</b>		10,963	22,131	33,094
Surplus/(deficit)		-	4,486	4,486
Total comprehensive income for the period		10,963	26,617	37,580
Transactions with owners in their capacity as owners:	8.8			
Capital appropriations		10	-	10
Other contributions by Department of Finance		37	-	37
Other distributions to Department of Finance		(2,374)	-	(2,374)
Distributions to owners		(18,267)	-	(18,267)
Total		(20,594)	-	(20,594)
<b>Balance at 30 June 2018</b>		<b>(9,631)</b>	<b>26,617</b>	<b>16,986</b>
<b>Balance at 1 July 2018</b>		(9,631)	26,617	16,986
Changes in accounting policy or correction of prior period errors	8.2		(1)	(1)
<b>Restated Balance at 1 July 2018</b>		(9,631)	26,616	16,985
Surplus/(deficit)			1,386	1,386
Total comprehensive income for the period		(9,631)	28,002	18,371
<b>Balance at 30 June 2019</b>		<b>(9,631)</b>	<b>28,002</b>	<b>18,371</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 2019

	Notes	2019 (\$000)	2018 (\$000)
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		64,745	54,845
Payments to Consolidated Fund		-	(18,267)
Capital appropriations		-	10
Holding account drawdown		800	222
Royalties for Regions Fund		130	130
<b>Net cash provided by State Government</b>		<b>65,675</b>	<b>36,940</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(36,355)	(36,268)
Supplies and services		(13,913)	(5,673)
Accommodation		(4,375)	(4,576)
Grants and subsidies		(10,275)	(210)
GST payments on purchases		(1,926)	(1,044)
GST payments to taxation authority		-	-
Other payments		(620)	(703)
<b>Receipts</b>			
GST receipts on sales		31	6
GST receipts from taxation authority		1,660	2,343
Other receipts		2,207	247
<b>Net cash provided by/(used in) operating activities</b>		<b>(63,566)</b>	<b>(45,878)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchase of non-current assets		(564)	-
<b>Net cash provided by/(used in) investing activities</b>		<b>(564)</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents			
		1,545	(8,938)
Cash balance transferred to the Department of Finance		-	(32,705)
Cash balance transferred from Department of Finance		-	28
Cash and cash equivalents at the beginning of the period		15,216	56,831
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>6.1</b>	<b>16,761</b>	<b>15,216</b>

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

## Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2019

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<b>Delivery of services</b>						
Item 15 Net amount appropriated to deliver services	61,124	64,364	3,240	64,364	54,475	9,889
Amount authorised by Other Statutes						
- <i>Salaries and Allowances Act 1975</i>	1,382	1,382	-	1,382	1,382	-
<b>Total appropriations provided to deliver services</b>	<b>62,506</b>	<b>65,746</b>	<b>3,240</b>	<b>65,746</b>	<b>55,857</b>	<b>9,889</b>
<b>Details of expenses by service</b>						
Financial Management and Reporting	10,546	9,105	(1,441)	9,105	10,263	(1,158)
Economic and Revenue Forecasts and Policy Development	9,732	10,321	589	10,321	9,804	517
Evaluation and Planning of Government Service Delivery and Infrastructure Provision	25,420	33,261	7,841	33,261	24,237	9,024
Development and Implementation of Energy Policy	26,041	20,645	(5,396)	20,645	14,915	5,730
Total Cost of Services	71,739	73,332	1,593	73,332	59,219	14,113
Less Total income	1,924	1,104	(820)	1,104	267	837
Net Cost of Services	69,815	72,228	2,413	72,228	58,952	13,276
Adjustments	-	-	-	-	-	-
<b>Total appropriations provided to deliver services</b>	<b>62,506</b>	<b>65,746</b>	<b>3,240</b>	<b>65,746</b>	<b>55,857</b>	<b>9,889</b>
<b>Administered Transactions</b>						
<b>Recurrent Administered</b>						
<b>Operating subsidy payments</b>						
Item 16 Bunbury Water Corporation	692	738	46	738	703	35
Item 17 Busselton Water Corporation	671	593	(78)	593	527	66
Item 18 Electricity Generation and Retail Corporation (Synergy)	113,901	113,901	-	113,901	243,091	(129,190)
Item 19 Forest Products Commission	1,667	1,667	-	1,667	833	834
Item 20 Mid West Ports Authority	2,442	2,377	(65)	2,377	4,994	(2,617)
Item 21 Public Transport Authority	834,456	829,702	(4,754)	829,702	812,143	17,559
Item 22 Regional Power Corporation (Horizon Power)	9,730	11,030	1,300	11,030	18,989	(7,959)
Item 23 Southern Ports Authority	295	15,725	15,430	15,725	238	15,487
Item 24 Water Corporation of Western Australia	464,299	420,050	(44,249)	420,050	408,928	11,122
Item 25 Western Australian Land Authority	27,668	47,828	20,160	47,828	47,515	313
<b>Total operating subsidy payments</b>	<b>1,455,821</b>	<b>1,443,611</b>	<b>(12,210)</b>	<b>1,443,611</b>	<b>1,537,961</b>	<b>(94,350)</b>

## Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2019

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<b>Grants, subsidies and transfer payments</b>						
Item 26 Goods and Services Tax (GST) Administration Costs	62,800	62,034	(766)	62,034	65,974	(3,940)
Item 27 Health and Disability Services Complaints Office	2,651	2,651	-	2,651	2,871	(220)
Item 28 Metropolitan Redevelopment Authority	10,351	41,354	31,003	41,354	45,009	(3,655)
Item 29 Minerals Research Institute	1,000	-	(1,000)	-	-	-
Item 30 Provision for Unfunded Liabilities in the Government Insurance Fund	1,870	5,045	3,175	5,045	2,971	2,074
Item 31 Provision for Voluntary Targeted Separation Scheme	55,820	-	(55,820)	-	-	-
Item 32 Refunds of Past Years Revenue Collections - Public Corporations	10,000	6,584	(3,416)	6,584	5,319	1,265
Item 33 Resolution of Native Title in the South West of Western Australia (Settlement)	60,000	-	(60,000)	-	-	-
Item 34 Royalties for Regions	574,807	429,321	(145,486)	429,321	473,409	(44,088)
Item 35 State Property - Emergency Services Levy	19,187	18,945	(242)	18,945	17,539	1,406
Item 36 All Other Grants, Subsidies and Transfer Payments, comprising:						
Bell Group Administration Wind-up and Associated Costs	-	-	-	-	334	(334)
Department of Justice	-	-	-	-	113	(113)
Acts of Grace	300	-	(300)	-	-	-
First Home Owners Boost Recoveries	-	-	-	-	-	-
Incidentals	240	77	(163)	77	-	77
Interest on Public Moneys held in Participating Trust Fund Accounts	5,060	4,605	(455)	4,605	4,293	312
Administration Costs-National Tax Equivalent Regime Scheme	100	47	(53)	47	34	13
Town of Cambridge	-	-	-	-	11,750	(11,750)
Western Australian Treasury Corporation Management Fees	852	723	(129)	723	866	(143)
<b>Total grants, subsidies and transfer payments</b>	<b>805,038</b>	<b>571,386</b>	<b>(233,652)</b>	<b>571,386</b>	<b>630,482</b>	<b>(59,096)</b>

## Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2019

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<b>Authorised by Other Statutes</b>						
<i>Judges' Salaries and Pensions Act 1950</i>	17,352	16,484	(868)	16,484	14,865	1,619
<i>Parliamentary Superannuation Act 1970</i>	10,199	9,207	(992)	9,207	9,844	(637)
<i>State Superannuation Act 2000</i>	615,746	583,859	(31,887)	583,859	616,224	(32,365)
<i>Western Australian Health Promotion Act 2016</i>	24,204	24,204	-	24,204	23,614	590
<i>Unclaimed Money Act 1990</i>	1,331	1,748	417	1,748	1,330	418
<i>Loan Acts - Interest</i>	837,000	802,567	(34,433)	802,567	742,584	59,983
<b>Total amounts authorised by Other Statutes</b>	<b>1,505,832</b>	<b>1,438,069</b>	<b>(67,763)</b>	<b>1,438,069</b>	<b>1,408,461</b>	<b>29,608</b>
<b>TOTAL RECURRENT ADMINISTERED</b>	<b>3,766,691</b>	<b>3,453,066</b>	<b>(313,625)</b>	<b>3,453,066</b>	<b>3,576,904</b>	<b>(123,838)</b>
<b>Administered Capital</b>						
<b>Government equity contributions</b>						
Item 88 Animal Resources Authority	800	1,322	522	1,322	750	572
Item 89 Department of Education	38,400	26,900	(11,500)	26,900	40,400	(13,500)
Item 90 Department of Finance	5,200	200	(5,000)	200	200	-
Item 91 Department of Justice	52,119	29,218	(22,901)	29,218	3,086	26,132
Item 92 Department Local Government, Sport and Cultural Industries	6,500	-	(6,500)	-	-	-
Item 93 Department of Transport	200	-	(200)	-	-	-
Item 94 Electricity Networks Corporation (Western Power)	109,235	110,672	1,437	110,672	168,583	(57,911)
Item 95 Kimberley Ports Authority	2,500	2,500	-	2,500	375	2,125
Item 96 Metropolitan Redevelopment Authority	100,224	105,501	5,277	105,501	-	105,501
Item 97 Pilbara Ports Authority	34,650	25,084	(9,566)	25,084	60,735	(35,651)
Item 98 Provision for the Metropolitan Redevelopment Authority	62,776	61,366	(1,410)	61,366	-	61,366
Item 99 Regional Power Corporation (Horizon Power)	1,118	1,118	-	1,118	32,918	(31,800)
Item 100 Royalties for Regions	360,011	221,075	(138,936)	221,075	357,589	(136,514)
Item 101 Southern Ports Authority	2,489	2,489	-	2,489	1,155	1,334
Item 102 WA Health	54,904	10,426	(44,478)	10,426	2,631	7,795
Item 103 WA Land Authority	44,355	4,355	(40,000)	4,355	192	4,163



## Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2019

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<b>Other</b>						
Item 104 Perth Stadium Account	739	739	-	739	127,920	(127,181)
Item 105 Western Australian Future Fund	50,600	50,600	-	50,600	52,100	(1,500)
<b>Total Government equity contributions</b>	<b>926,820</b>	<b>653,565</b>	<b>(273,255)</b>	<b>653,565</b>	<b>848,634</b>	<b>(195,069)</b>
<b>Authorised by Other Statutes</b>						
<i>Loan (Co-operative Companies) Act 2004</i>	-	10,727	10,727	10,727	10,400	327
<i>Loan Acts - Repayment of Borrowings</i>	355,180	436,732	81,552	436,732	97,722	339,010
<b>Total authorised by Other Statutes</b>	<b>355,180</b>	<b>447,459</b>	<b>92,279</b>	<b>447,459</b>	<b>108,122</b>	<b>339,337</b>
<b>Total Administered capital contribution</b>	<b>1,282,000</b>	<b>1,101,024</b>	<b>(180,976)</b>	<b>1,101,024</b>	<b>956,756</b>	<b>144,268</b>
<b>GRAND TOTAL</b>	<b>5,048,691</b>	<b>4,554,090</b>	<b>(494,601)</b>	<b>4,554,090</b>	<b>4,533,660</b>	<b>20,430</b>
<b>Details of Administered Income Estimates</b>						
<b>Income</b>						
Commonwealth grants	8,043,580	8,579,510	535,930	8,579,510	7,376,033	1,203,477
Government enterprises:						
Dividends	1,229,961	1,494,126	264,165	1,494,126	1,724,257	(230,131)
Income tax equivalent regime	621,181	671,597	50,416	671,597	657,127	14,470
Local Government rates equivalent	21,769	22,548	779	22,548	21,747	801
Consolidated account revenue received from agencies	13,711,152	14,123,005	411,853	14,123,005	13,265,294	857,711
Gold State superannuation reimbursement	98,069	100,142	2,073	100,142	114,758	(14,616)
Interest Income	95,949	120,361	24,412	120,361	118,044	2,317
Loan guarantee fees	155,670	153,173	(2,497)	153,173	144,311	8,862
Pension recoups	11,441	12,736	1,295	12,736	13,040	(304)
Other revenue	39,485	78,281	38,796	78,281	44,200	34,081
	<b>24,028,257</b>	<b>25,355,479</b>	<b>1,327,222</b>	<b>25,355,479</b>	<b>23,478,811</b>	<b>1,876,668</b>

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 9.1 'Disclosure of administered income and expenses' and Note 9.2 'Explanatory statement for administered income and expenses' provide details of any significant variations between estimates and actual results for 2019 and between the actual results for 2019 and 2018.

# Notes to the financial statements

## 1. Basis of preparation

The Department is a Western Australian Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Department is a not-for-profit entity (as profit is not its principal objective). A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements. These annual financial statements were authorised for issue by the Accountable Authority of the Department on 10 September 2019.

### Statement of compliance

These general purpose financial statements are prepared in accordance with:

- 1) The *Financial Management Act 2006* (**FMA**);
- 2) The Treasurer's Instructions (**TIs**);
- 3) Australian Accounting Standards (**AASs**) - Reduced Disclosure Requirements; and
- 4) Where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been applied.

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

### Basis of preparation

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

### Judgements and estimates

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

### Contributed equity

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

## 2. Use of our funding

### Expenses incurred in the delivery of services

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

	Notes	2019 (\$000)	2018 (\$000)
Employee benefits expense	2.1 (a)	36,949	35,849
Employee related provisions	2.1 (b)	10,080	9,686
Grants and subsidies	2.2	6,729	3,744
Supplies and services	2.3	23,388	13,398
Accommodation expenses	2.4	4,514	4,491
Other expenditure	2.5	751	737

### 2.1(a) Employee benefits expense

	2019 (\$000)	2018 (\$000)
Wages and salaries <sup>(a)</sup>	33,322	31,649
Termination benefits <sup>(a)</sup>	352	1,036
Superannuation – defined contribution plans <sup>(b)</sup>	3,275	3,164
	<b>36,949</b>	<b>35,849</b>

(a) In 2018-19 a total of \$0.501 million expense benefits was paid, \$0.149 million related to leave entitlements paid out of leave provisions and \$0.352 million related to termination payments.

(b) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds. Includes payments of superannuation to GESB amounting to \$2.826 million.

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

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

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

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

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

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

## 2.1(b) Employee related provisions

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

	2019 (\$000)	2018 (\$000)
<b>Current</b>		
<b>Employee benefits provisions</b>		
Annual leave <sup>(a)</sup>	3,332	3,039
Long service leave <sup>(b)</sup>	4,435	4,339
	<b>7,767</b>	<b>7,378</b>
<b>Other provisions</b>		
Employment on-costs <sup>(c)</sup>	13	13
<b>Total current employee related provisions</b>	<b>7,780</b>	<b>7,391</b>
<b>Non-current</b>		
<b>Employee benefits provisions</b>		
Long service leave <sup>(b)</sup>	2,296	2,291
<b>Other provisions</b>		
Employment on-costs <sup>(c)</sup>	4	4
<b>Total non-current employee related provisions</b>	<b>2,300</b>	<b>2,295</b>
<b>Total employee related provisions</b>	<b>10,080</b>	<b>9,686</b>

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

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

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

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

The provision for long service leave is calculated at present value as the Department does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the



reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, Note 2.5 (apart from the unwinding of the discount (finance cost))' and are not included as part of the Department's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	2019 (\$000)	2018 (\$000)
<b>Employment on-costs provision</b>		
Carrying amount at start of period	17	19
Additional/(reversals of) provisions recognised	5	6
Payments/other sacrifices of economic benefits	(5)	(8)
Unwinding of the discount	-	-
<b>Carrying amount at end of period</b>	<b>17</b>	<b>17</b>

### Key sources of estimation uncertainty – long service leave

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

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

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

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

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

## 2.2 Grants and subsidies

	2019 (\$000)	2018 (\$000)
<b>Recurrent</b>		
Contributions to the Australian Accounting Standards Board (AASB)	49	49
Contributions to the Australian Energy Market Commission (AEMC)	1,321	149
Contributions to the Council of Australian Governments Energy Council Work Program	155	432
Donations/Sponsorships	4	-
<b>Capital</b>		
Contributions to Western Power for the State Underground Power Program	5,200	3,114
<b>Total grants and subsidies</b>	<b>6,729</b>	<b>3,744</b>

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

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

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

## 2.3 Supplies and services

	2019 (\$000)	2018 (\$000)
<b>Supplies and services</b>		
Communications	82	86
Consultants	1,634	1,142
Contractors	7,499	3,210
Service provided by State government agencies	7,738	7,451
Repairs and maintenance	30	20
Consumables	307	265
Travel	136	96
Legal costs	4,782	56
Other <sup>(a)</sup>	1,180	1,072
<b>Total supplies and services expenses</b>	<b>23,388</b>	<b>13,398</b>

(a) Includes payments of insurance cover to Riskcover amounting to \$0.131 million and payments for vehicle operating costs provided by the Department of Finance amounting to \$0.098 million.

## Supplies and services:

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

## 2.4 Accommodation expenses

	2019 (\$000)	2018 (\$000)
<b>Accommodation expenses</b>		
Lease rentals	4,514	4,576
Repairs and maintenance	-	(85)
<b>Total accommodation expenses</b>	<b>4,514</b>	<b>4,491</b>

### Accommodation expenses:

Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. [AASB 117.33].

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

## 2.5 Other expenses

	2019 (\$000)	2018 (\$000)
<b>Other expenses</b>		
Minor purchases	145	126
Audit fees	559	565
Expected credit losses expenses <sup>(a)</sup>	-	-
Other	47	46
<b>Total other expense</b>	<b>751</b>	<b>737</b>

(a) Expected credit losses were not measured in FY 2017-18.

### Other expenses:

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

**Minor Purchases** includes purchases of minor equipment with a value of less than \$5,000.

**Audit Fees** includes payment to the Office of Auditor General for the Department's financial audit and any other audit work undertaken by the Department.

**Expected Credit Losses Expense** is recognised as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Department has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 3. Our funding sources

### How we obtain our funding

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

	Notes	2019 (\$000)	2018 (\$000)
Income from State Government	3.1	73,614	63,438
Other Revenue	3.2	1,104	267

### 3.1 Income from State Government

	2019 (\$000)	2018 (\$000)
Appropriation received during the period:		
Service appropriation <sup>(a)</sup>	65,746	55,857
	<b>65,746</b>	<b>55,857</b>
Services received free of charge from other State Government agencies during the period:		
Department of Finance	6,331	6,188
Department of Justice	1,099	846
Department of the Premier and Cabinet	-	25
Landgate	284	392
Department of Planning, Lands and Heritage	24	-
<b>Total services received</b>	<b>7,738</b>	<b>7,451</b>
Royalties for Regions Fund:		
Governance of the Royalties for Regions Program	130	130
<b>Total Royalties for Regions Fund</b>	<b>130</b>	<b>130</b>
<b>Total income from State Government</b>	<b>73,614</b>	<b>63,438</b>

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

Service appropriations fund the net cost of services delivered. Appropriation revenue comprises the following:

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

The receivable (holding account – note 5.2) comprises the following:

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



## 3.2 Other Revenue

	2019 (\$000)	2018 (\$000)
Recoups	878	193
Government Vehicle Scheme (GVS)	52	54
Other	174	20
<b>Total other revenue</b>	<b>1,104</b>	<b>267</b>

## 4. Key assets

### Assets the Department utilises for economic benefit or service potential

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

	Notes	2019 (\$000)	2018 (\$000)
Plant and equipment	4.1	60	24
Intangibles	4.2	3,803	4,244
<b>Total key assets</b>		<b>3,863</b>	<b>4,268</b>

### 4.1 Plant and equipment

Year ended 30 June 2019	Office Equipment (\$000)	Computer Equipment (\$000)	Total (\$000)
<b>1 July 2018</b>			
Gross carrying amount	53	62	115
Accumulated depreciation	(29)	(62)	(91)
Accumulated impairment loss	-	-	-
<b>Carrying amount at start of period</b>	<b>24</b>	<b>-</b>	<b>24</b>
Additions	44	-	44
Transfers	-	-	-
Other disposals	-	-	-
Impairment losses <sup>(a)</sup>	-	-	-
Impairment losses reversed <sup>(a)</sup>	-	-	-
Depreciation	(8)	-	(8)
<b>Carrying amount at 30 June 2019</b>	<b>60</b>	<b>-</b>	<b>60</b>
Gross carrying amount	97	-	97
Accumulated depreciation	(37)	-	(37)
Accumulated impairment losses	-	-	-

(a) Recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written-down to recoverable amount, 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.

## Initial recognition

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

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

### 4.1.1 Depreciation and impairment

#### Charge for the period

	2019 (\$000)	2018 (\$000)
Depreciation		
Office equipment	8	7
Computer equipment	-	-
<b>Total depreciation for the period</b>	<b>8</b>	<b>7</b>

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

#### Finite useful lives

All plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life
Office Equipment	5 to 10 years
Computer equipment	3 to 5 years

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

#### Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss. Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

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

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

## 4.2 Intangible assets

Year ended 30 June 2019	Computer Software	Website cost	Work in Progress	Total
1 July 2018	(\$000)	(\$000)	(\$000)	(\$000)
Gross carrying amount	9,873	100	-	9,973
Accumulated amortisation	(5,697)	(32)	-	(5,729)
Accumulated impairment losses	-	-	-	-
<b>Carrying amount at start of period</b>	<b>4,176</b>	<b>68</b>	<b>-</b>	<b>4,244</b>
Additions	-	-	552	552
Other disposals	-	-	-	-
Impairment losses	-	-	-	-
Impairment losses reversed	-	-	-	-
Amortisation expense	(983)	(10)	-	(993)
<b>30 June 2019</b>				
Gross carrying amount	9,873	100	552	10,525
Accumulated amortisation	(6,680)	(42)	-	(6,722)
<b>Carrying amount at end of period</b>	<b>3,193</b>	<b>58</b>	<b>552</b>	<b>3,803</b>

### Initial recognition

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

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

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

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

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

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

### Subsequent measurement

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

#### 4.2.1 Amortisation and impairment

Charge for the period	2019 (\$000)	2018 (\$000)
Computer Software	983	983
Website cost	10	10
<b>Total amortisation for the period</b>	<b>993</b>	<b>993</b>

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

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

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

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

Asset	Useful life
Computer Software <sup>(a)</sup>	10 years
Website Costs	10 years

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

### Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in note 4.1.1.



## 5. Other assets and liabilities

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

	Notes	2019 (\$000)	2018 (\$000)
Receivables	5.1	991	698
Amounts receivable for services	5.2	12,165	11,964
Other current assets	5.3	17	19
Payables	5.4	5,346	5,493

### 5.1 Receivables

	2019 (\$000)	2018 (\$000)
<b>Current</b>		
Trade receivables	394	189
Allowance for impairment of trade receivables	(1)	-
GST receivable	598	509
<b>Total current receivables</b>	<b>991</b>	<b>698</b>

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

### 5.2 Amounts receivable for services (Holding Account)

	2019 (\$000)	2018 (\$000)
Current	1,001	800
Non-current	11,164	11,164
<b>Balance at end of period</b>	<b>12,165</b>	<b>11,964</b>

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

Amounts receivable for services are considered not impaired (i.e. there is no expected credit loss of the Holding Account).

### 5.3 Other current assets

	2019 (\$000)	2018 (\$000)
<b>Current</b>		
Purchase Leave - Debit position	17	19
<b>Total other current assets</b>	<b>17</b>	<b>19</b>

## 5.4 Payables

	2019 (\$000)	2018 (\$000)
<b>Current</b>		
Trade payables	157	1,175
Other tax payables	41	53
Accrued salaries	122	111
Accrued expenses	3,786	4,149
Other payables	1,240	5
<b>Total current payables</b>	<b>5,346</b>	<b>5,493</b>

**Payables** are recognised at the amounts payable when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

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

The accrued salaries suspense account (See Note 6.1 'Restricted cash and cash equivalents') consists of amounts paid annually, from Department appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

## 6. Financing

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

	Notes
Cash and cash equivalents	6.1
Commitments	6.2
Non-cancellable operating lease commitments	6.2.1
Other expenditure commitments	6.2.2

### 6.1 Cash and cash equivalents

	Notes	2019 (\$000)	2018 (\$000)
Cash and cash equivalents		16,397	14,981
Restricted cash and cash equivalents			
– Royalties for Regions <sup>(a)</sup>		11	4
– Accrued salaries suspense account <sup>(b)</sup>		353	231
<b>Balance at end of period</b>		<b>16,761</b>	<b>15,216</b>

(a) Funds held for Governance of Royalties for Regions Program.

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

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand which are subject to insignificant risk of changes in value.

## 6.2 Commitments

### 6.2.1 Non-cancellable operating lease commitments

	2019 (\$000)	2018 (\$000)
Commitments for minimum lease payments are payable as follows:		
Within 1 year	3,978	3,599
Later than 1 year and not later than 5 years	14,692	14,178
Later than 5 years	59,780	60,982
	<b>78,450</b>	<b>78,759</b>

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

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

The totals presented for non-cancellable operating lease commitments are GST inclusive. The prior year has been restated to reflect this.

### 6.2.2 Capital commitments

	2019 (\$000)	2018 (\$000)
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	198	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	<b>198</b>	<b>-</b>

The totals presented for capital commitments are GST inclusive.

### 6.2.3 Other expenditure commitments

	2019 (\$000)	2018 (\$000)
Other expenditure commitments contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	5,194	3,199
Later than 1 year and not later than 5 years	196	51
Later than 5 years	-	-
	<b>5,390</b>	<b>3,250</b>

The totals presented for other expenditure commitments are GST inclusive.

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

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

## 7. Financial instruments and Contingencies

	Note
Financial instruments	7.1
Contingent assets	7.2
Contingent liabilities	7.2

### 7.1 Financial instruments

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

	2019 (\$000)	2018 (\$000)
<b>Financial assets</b>		
Cash and cash equivalents	16,397	14,981
Restricted cash and cash equivalents	364	235
Receivables <sup>(a)</sup>	393	189
Amounts receivable for services	12,165	11,964
<b>Total financial assets</b>	<b>29,319</b>	<b>27,369</b>
<b>Financial liabilities</b>		
Payables <sup>(b)</sup>	5,346	5,493
<b>Total financial liability</b>	<b>5,346</b>	<b>5,493</b>

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

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

### 7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

The Department has no contingent assets and liabilities to report for Financial Year 2018-19.



## 8. Other disclosures

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

	Notes
Events occurring after the end of the reporting period	8.1
Initial application of Australian Accounting Standards	8.2
Key management personnel	8.3
Services provided free of charge	8.4
Related party transactions	8.5
Related bodies	8.6
Affiliated bodies	8.6
Remuneration of auditors	8.7
Equity	8.8
Supplementary financial information	8.9
Explanatory statement	8.10

### 8.1 Events occurring after the end of the reporting period

The Public Utilities Office will be transferred to the Department of Mines, Industry Regulation and Safety in Financial Year 2019-20.

### 8.2 Initial application of Australian Accounting Standards

#### AASB 9 *Financial instruments*

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

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

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

	Adjustments 1 July 2018 (\$000)
<b>Assets</b>	
Trade receivables	(a), (b) (1)
<b>Total Assets</b>	<b>(1)</b>
<b>Total adjustments on Equity</b>	
Accumulated surplus/(deficit)	(a), (b) (1)
	<b>(1)</b>

The nature of these adjustments are described below:

#### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Department's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Department's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

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

» *Trade receivables* classified as Receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

» The Department did not designate any financial assets as at fair value through P/L.

In summary, upon the adoption of AASB 9, the Department had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	(\$000)	AASB 9 category		
		Amortised cost	Fair value through OCI	Fair value through P/L
		(\$000)	(\$000)	(\$000)
Receivables				
Trade receivables <sup>(a)</sup>	\$189	188	-	-
		<b>188</b>	<b>-</b>	<b>-</b>

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

#### (b) Impairment

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

Upon adoption of AASB 9, the Department recognised an additional impairment on the Department's Trade receivables of \$781.44 which resulted in a decrease in Accumulated surplus/(deficit) of \$781.44 as at 1 July 2018.

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

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

### 8.3 Key management personnel

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

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

Compensation band (\$)	2019	2018
\$60,001 - 70,000 <sup>(a)</sup>	1	-
\$130,001 - 140,000 <sup>(a)</sup>	1	-
\$190,001 - 200,000 <sup>(a)</sup>	1	-
\$290,001 - 300,000	-	1
\$310,001 - 320,000	1	1
\$320,001 - 330,000	1	-
\$330,001 - 340,000	-	1
\$340,001 - 350,000	-	1
\$360,001 - 370,000	2	-
\$370,001 - 380,000	-	1
\$450,001 - 460,000	-	1
\$520,001 - 530,000	1	-
	2019 (\$000)	2018 (\$000)
<b>Total compensation of senior officers</b>	<b>2,280</b>	<b>2,121</b>

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

(a) Changes to the Executive team during the year and therefore this salary represents part year only.

## 8.4 Services provided free of charge

	2019 (\$000)	2018 (\$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	134	134
	<b>134</b>	<b>134</b>

## 8.5 Related party transactions

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

Related parties of the Department include:

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

### Material transactions with related parties

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

## 8.6 Related and affiliated bodies

The Department has no related or affiliated bodies.

## 8.7 Remuneration of auditors

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

	2019 (\$000)	2018 (\$000)
<b>Auditing the accounts, financial statements, controls, and key performance indicators:</b>		
Department of Treasury	212	198
Annual Report on State Finances	364	348
	<b>576</b>	<b>546</b>



## 8.8 Equity

	2019 (\$000)	2018 (\$000)
<b>Contributed equity</b>		
Balance at start of period	(9,631)	10,963
<b>Contributions by owners</b>		
Capital appropriation	-	10
<b>Transfer of net assets from other agencies:</b>		
Transfer of Public Utilities Office and Economic Reform from Department of Finance due to Machinery of Government	-	37
<b>Total contributions by owners</b>	<b>(9,631)</b>	<b>11,010</b>
<b>Distributions to owners</b>		
Transfer of net assets to other agencies:		
Transfer of Strategic Projects to the Department of Finance due to Machinery of Government	-	(2,374)
Net assets transferred to Government:		
Funds returned to Government	-	(18,267)
<b>Total distributions to owners</b>	<b>-</b>	<b>(20,641)</b>
<b>Balance at end of period</b>	<b>(9,631)</b>	<b>(9,631)</b>

## 8.9 Supplementary financial information

### (a) Write-offs

There were no write-offs during the financial year (2018: \$24,709).

	2019 (\$000)	2018 (\$000)
The accountable authority	-	25
The Minister	-	-
Executive Council	-	-
	<b>-</b>	<b>25</b>

## 8.10 Explanatory statement (Controlled Operations)

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

- 5% and \$1.184 million for the Statement of Comprehensive Income and Cash Flows; and
- 5% and \$519,000 for the Statement of Financial Position.

## 8.10.1 Statement of Comprehensive Income Variances

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between Estimate and Actual (\$000)	Variance between Actual results for 2019 and 2018 (\$000)
<b>COST OF SERVICES</b>						
<b>Expenses</b>						
Employee benefits expense	1	40,447	36,949	35,849	(3,498)	1,100
Supplies and services	2, A	16,539	23,388	13,398	6,849	9,990
Depreciation and amortisation expense		1,079	1,001	1,000	(78)	1
Accommodation expenses		4,518	4,514	4,491	(4)	23
Grants and subsidies	3, B	7,965	6,729	3,744	(1,236)	2,985
Other expenses		1,191	751	737	(440)	14
<b>Total cost of services</b>		<b>71,739</b>	<b>73,332</b>	<b>59,219</b>	<b>1,593</b>	<b>14,113</b>
<b>Income</b>						
<b>Revenue</b>						
Other revenue		1,924	1,104	267	(820)	837
<b>Total Revenue</b>		<b>1,924</b>	<b>1,104</b>	<b>267</b>	<b>(820)</b>	<b>837</b>
<b>Total income other than income from State Government</b>		<b>1,924</b>	<b>1,104</b>	<b>267</b>	<b>(820)</b>	<b>837</b>
<b>NET COST OF SERVICES</b>		<b>(69,815)</b>	<b>(72,228)</b>	<b>(58,952)</b>	<b>(2,413)</b>	<b>(13,276)</b>
<b>Income from State Government</b>						
Service appropriation	4, C	62,506	65,746	55,857	3,240	9,889
Services received free of charge		7,596	7,738	7,451	142	287
Royalties for Regions Fund		130	130	130	-	-
<b>Total income from State Government</b>		<b>70,232</b>	<b>73,614</b>	<b>63,438</b>	<b>3,382</b>	<b>10,176</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>417</b>	<b>1,386</b>	<b>4,486</b>	<b>969</b>	<b>(3,100)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>417</b>	<b>1,386</b>	<b>4,486</b>	<b>969</b>	<b>(3,100)</b>

## Major Estimate and Actual (2019) Variance Narratives

- (1) Variance is predominantly attributable to the repositioning of employee benefits expenditure from 2018-19 to the forward estimates to reflect the timing of policy and reform programs, wages policy and related industrial policy issues.
- (2) Variance primarily relates to finite funding approved by Cabinet for the partial commercialisation of Landgate and sale of the Western Australian TAB.
- (3) Variance relates to the repositioning of \$2.4 million from 2018-19 to 2019-20 to align with the current schedule of works for the State Underground Power Program. In addition, there was an increase of around \$1 million in the Western Australian contribution to the AEMC under the revised AEMC Funding Agreement.
- (4) Service appropriations increased in 2018-19 due to \$8.2 million approved for the partial commercialisation of Landgate and sale of the Western Australian TAB. This was offset by a repositioning of \$2.4 million in grant contributions for the State Underground Power Program and \$2.1 million in employee benefits expenditure from 2018-19 to the forward estimate years.

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

- (A) Variance primarily relates to expenditure associated with the partial commercialisation of Landgate and sale of the Western Australian TAB.
- (B) Variance primarily relates to an increase of \$2.1 million in contributions associated with the State Underground Power Program.
- (C) The increase in service appropriations for 2018-19 primarily relates to the partial commercialisation of Landgate and sale of the Western Australian TAB, along with an increased contribution for the State Underground Power Program.

## 8.10.2 Statement of Financial Position Variances

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between Estimate and Actual (\$000)	Variance between Actual results for 2019 and 2018 (\$000)
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	1, A	8,027	16,397	14,981	8,370	1,416
Restricted cash and cash equivalents		-	11	4	11	7
Receivables		1,347	991	698	(356)	293
Amounts receivable for services	2	-	1,001	800	1,001	201
Other current assets		-	17	19	17	(2)
<b>Total Current Assets</b>		<b>9,374</b>	<b>18,417</b>	<b>16,502</b>	<b>9,043</b>	<b>1,915</b>
<b>Non-Current Assets</b>						
Restricted cash and cash equivalents		343	353	231	10	122
Amounts receivable for services	3	12,243	11,164	11,164	(1,079)	-
Plant and equipment		17	60	24	43	36
Intangible assets		3,971	3,803	4,244	(168)	(441)
<b>Total Non-Current Assets</b>		<b>16,574</b>	<b>15,380</b>	<b>15,663</b>	<b>(1,194)</b>	<b>(283)</b>
<b>TOTAL ASSETS</b>		<b>25,948</b>	<b>33,797</b>	<b>32,165</b>	<b>7,849</b>	<b>1,632</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Payables	4	630	5,346	5,493	4,716	(147)
Employee related provisions	5	6,693	7,780	7,391	1,087	389
<b>Total Current Liabilities</b>		<b>7,323</b>	<b>13,126</b>	<b>12,884</b>	<b>5,803</b>	<b>242</b>
<b>Non-Current Liabilities</b>						
Employee related provisions	6	3,038	2,300	2,295	(738)	5
<b>Total Non-Current Liabilities</b>		<b>3,038</b>	<b>2,300</b>	<b>2,295</b>	<b>(738)</b>	<b>5</b>
<b>TOTAL LIABILITIES</b>		<b>10,361</b>	<b>15,426</b>	<b>15,179</b>	<b>5,065</b>	<b>247</b>
<b>NET ASSETS</b>		<b>15,587</b>	<b>18,371</b>	<b>16,986</b>	<b>2,784</b>	<b>1,385</b>
<b>EQUITY</b>						
Contributed equity		44,444	(9,631)	(9,631)	(54,075)	-
Accumulated surplus/(deficit)		(28,857)	28,002	26,617	56,859	1,385
<b>TOTAL EQUITY</b>		<b>15,587</b>	<b>18,371</b>	<b>16,986</b>	<b>2,784</b>	<b>1,385</b>



## **Major Estimate and Actual (2019) Variance Narratives**

- (1) Variance relates to a higher than budgeted cash balance at the end of the financial year mainly due to the timing of payables.
- (2) Variance represents the non-cash component of the service appropriation that is related to intangibles amortisation.
- (3) Variance represents the non-cash component of the service appropriation that is related to intangibles amortisation.
- (4) Variance relates to a higher than budgeted payables at year end.
- (5) Variance relates to an increase in the long service leave provisions assessed as current at year end.
- (6) Variance relates to an increase in long service leave provisions moving from non-current to current.

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

- (A) Variance relates to higher cash at the end of the financial year mainly due to the timing of payables.

### 8.10.3 Statement of Cash Flows Variances

	Variance Note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between Estimate and Actual (\$000)	Variance between Actual results for 2019 and 2018 (\$000)
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation	1, A	61,427	64,745	54,845	3,318	9,900
Payments to Consolidated Account	B	-	-	(18,267)	-	18,267
Capital appropriation		-	-	10	-	(10)
Holding account drawdown		800	800	222	-	578
Royalties for Regions Fund		130	130	130	-	-
<b>Net cash provided by State Government</b>		<b>62,357</b>	<b>65,675</b>	<b>36,940</b>	<b>3,318</b>	<b>28,735</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits	2	(40,447)	(36,355)	(36,268)	4,092	(87)
Supplies and services	3, C	(8,849)	(13,913)	(5,673)	(5,064)	(8,240)
Accommodation		(4,518)	(4,375)	(4,576)	143	201
Grants and subsidies	4, D	(7,965)	(10,275)	(210)	(2,310)	(10,065)
GST payments on purchases		(2,281)	(1,926)	(1,044)	355	(882)
GST Payments to taxation authority		-	-	-	-	-
Other payments		(1,348)	(620)	(703)	728	83
<b>Receipts</b>						
GST receipts on sales		-	31	6	31	25
GST receipts from taxation authority		2,281	1,660	2,343	(621)	(683)
Other receipts	E	1,924	2,207	247	283	1,960
<b>Net cash used in operating activities</b>		<b>(61,203)</b>	<b>(63,566)</b>	<b>(45,878)</b>	<b>(2,363)</b>	<b>(17,688)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of non-current assets		(800)	(564)	-	236	(564)
<b>Net cash used in investing activities</b>		<b>(800)</b>	<b>(564)</b>	<b>-</b>	<b>236</b>	<b>(564)</b>
Net increase/(decrease) in cash and cash equivalents		354	1,545	(8,938)	1,191	10,483
Cash balance transferred to the Department of Finance		-	-	(32,705)	-	32,705
Cash balance transferred from Department of Finance		-	-	28	-	(28)
Cash and cash equivalents at the beginning of the period		8,016	15,216	56,831	7,200	(41,615)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>8,370</b>	<b>16,761</b>	<b>15,216</b>	<b>8,391</b>	<b>1,545</b>

## Major Estimate and Actual (2019) Variance Narratives

- (1) Service appropriations increased in 2018-19 due to \$8.2 million approved for the partial commercialisation of Landgate and sale of the Western Australian TAB. This was offset by a repositioning of \$2.4 million in grant contributions for the State Underground Power Program and \$2.1 million in employee benefits expenditure from 2018-19 to the forward estimate years.
- (2) Variance primarily relates to the repositioning of employee benefits expenditure from 2018-19 to the forward estimates to reflect the timing of reform programs, wages policy and related industrial policy issues.
- (3) Variance primarily relates to expenditure associated with the partial commercialisation of Landgate and sale of the Western Australian TAB.
- (4) Variance relates to the repositioning of \$2.4 million from 2018-19 to 2019-20 to align with the current schedule of works for the State Underground Power Program, along with the timing of payment to Western Power for the State Underground Power Program that occurred in the current year and related to the prior year's expenditure.

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

- (A) The increase in service appropriations for 2018-19 primarily relates to the partial commercialisation of Landgate and sale of the Western Australian TAB, along with an increased contribution for the State Underground Power Program.
- (B) Variance resulted from the prior year return of surplus cash to the Consolidated Account.
- (C) Variance primarily relates to expenditure associated with the partial commercialisation of Landgate and sale of the Western Australian TAB.
- (D) Variance relates to an increase of \$2.1 million in contributions associated with the State Underground Power Program, along with the timing of payment to Western Power for the State Underground Power Program that occurred in the current year and related to the prior year's expenditure.
- (E) Variance relates to a prior year adjustment occurring in 2018-19 that resulted in a GST payment to the Australian Taxation Office.

## 9. Administered disclosures

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

	Note
Disclosure of administered income and expenses	9.1
Explanatory statement for administered income and expenses	9.2
Explanatory statement for administered items	9.2.1
Administered assets and liabilities	9.3
Supplementary funding	9.4
Special purpose accounts	9.5
Special purpose accounts created during the year	9.5.1

## 9.1. Disclosure of administered income and expenses

	2019 (\$000)	Total 2018 (\$000)
<b>INCOME FROM ADMINISTERED ITEMS</b>		
<b>Income</b>		
Commonwealth grants	8,579,510	7,376,033
Government enterprises:		
Dividends	1,494,126	1,724,257
Income tax equivalent regime	671,597	657,127
Local Government rates equivalent	22,548	21,747
Consolidated Account revenue received from agencies	14,123,005	13,265,294
Gold State superannuation reimbursement	100,142	114,758
Interest	120,361	118,044
Loan guarantee fees	153,173	144,311
Pension recoups	12,736	13,040
Other revenue	78,281	44,200
<b>Total administered income</b>	<b>25,355,479</b>	<b>23,478,811</b>
<b>Expenses</b>		
Superannuation	1,140,889	125,682
Interest	865,153	820,383
Appropriations for:		
Operating subsidies	1,443,611	1,537,961
Services	16,277,790	16,293,222
Salaries and allowances	104,454	104,064
Other appropriations	2,127,092	2,104,085
Commonwealth grants on-passed to agencies	2,359,184	2,166,741
Local Government financial assistance grants	180,637	168,774
Local Government road funding	117,661	113,416
Non-government schools	1,340,627	1,250,034
Royalties for Regions <sup>(a)</sup>	478,308	449,175
Other expenses	4,333	543
<b>Total administered expenses</b>	<b>26,439,739</b>	<b>25,134,080</b>

(a) Represents the expensing of Royalties of 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.



## 9.2. Explanatory statement for administered income and expenses

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

	Notes	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between Estimate and Actual (\$000)	Variance between Actual results for 2019 and 2018 (\$000)
<b>INCOME FROM ADMINISTERED ITEMS</b>						
<b>Income</b>						
Commonwealth grants	1, A	8,043,580	8,579,510	7,376,033	535,930	1,203,477
Government enterprises:						
Dividends	2, B	1,229,961	1,494,126	1,724,257	264,165	(230,131)
Income tax equivalent regime	3	621,181	671,597	657,127	50,416	14,470
Local government rates equivalent		21,769	22,548	21,747	779	801
Consolidated Account revenue received from agencies	C	13,711,152	14,123,005	13,265,294	411,853	857,711
Gold State superannuation reimbursement		98,069	100,142	114,758	2,073	(14,616)
Interest		95,949	120,361	118,044	24,412	2,317
Loan guarantee fees		155,670	153,173	144,311	(2,497)	8,862
Pension recoups		11,441	12,736	13,040	1,295	(304)
Other revenue	4, D	39,485	78,281	44,200	38,796	34,081
<b>Total administered income</b>		<b>24,028,257</b>	<b>25,355,479</b>	<b>23,478,811</b>	<b>1,327,222</b>	<b>1,876,668</b>
<b>Expenses</b>						
Superannuation	5, E	513,650	1,140,889	125,682	627,239	1,015,207
Interest Expense	6, F	918,760	865,153	820,383	(53,607)	44,770
Appropriations for:						
Operating subsidies	G	1,457,736	1,443,611	1,537,961	(14,125)	(94,350)
Services		16,277,475	16,277,790	16,293,222	315	(15,432)
Salaries and allowances		104,788	104,454	104,064	(334)	390
Other appropriations		2,135,300	2,127,092	2,104,085	(8,208)	23,007
Commonwealth grants on-passed to agencies	H	2,310,050	2,359,184	2,166,741	49,134	192,443
Local Government financial assistance grants		180,600	180,637	168,774	37	11,863
Local Government road funding		113,110	117,661	113,416	4,551	4,245
Non-government schools	I	1,319,798	1,340,627	1,250,034	20,829	90,593
Royalties for Regions	7, J	577,551	478,308	449,175	(99,243)	29,133
Other expenses		-	4,333	543	4,333	3,790
<b>Total administered expenses</b>		<b>25,908,818</b>	<b>26,439,739</b>	<b>25,134,080</b>	<b>530,921</b>	<b>1,305,659</b>

## Major Estimate and Actual (2019) Variance Narratives

### Income

#### 1. Commonwealth Grants

The increase is mainly driven by the net impact of the following material movements:

- » a partial bring-forward by the Commonwealth (in its 2019-20 Budget) of Western Australia's 2019-20 GST top-up payment into 2018-19 (\$434 million);
- » lower transport infrastructure grants (down \$314.7 million), largely due to the retiming from 2018-19 to later years of road project funding (reflecting updated projects schedules for a number of roads projects including Northlink WA, Great Northern Highway – Muchea to Wubin and Reid Highway – Altone Road to West Swan Road). The lower outcome also includes the Commonwealth's 2018-19 Mid-Year Economic and Fiscal Outlook decision to amend the timing and allocation of funding between METRONET projects, principally reallocating funds received in 2017-18 from 'projects under development' to the Thornlie-Cockburn Link and Yanchep Rail Extension which reduced the funding expected to be received for these projects in 2018-19;
- » higher remote housing grants (up \$251.3 million), reflecting a delay in receipt of the State's final National Partnership on Remote Housing payment from 2017-18 (\$130.3 million) and the signing and receipt of funds under a new one year remote housing funding agreement worth \$121 million with the Commonwealth in 2018-19;
- » higher grants under the National Disability Services Agreement (up \$94.7 million), reflecting the continued provision of all Commonwealth grant funding to Western Australia (including the portion to be on-paid to the National Disability Insurance Agency for participants that transition to the Commonwealth-administered National Disability Insurance Scheme); and
- » higher North West Shelf grants (up \$85.3 million), largely due to a lower than forecast \$US/\$A exchange rate (US71.5 cents, relative to the 2018-19 Budget assumption of US77.0 cents) and higher than forecast oil prices (\$US68.6/bbl relative to the \$US66/bbl Budget assumption). Higher oil prices directly impact prices for condensate (a light oil extracted as a result of gas production) and flow through to higher Liquefied Natural Gas prices with a lag of around four months relative to the Brent oil benchmark.

#### 2. Government Enterprises: Dividends

The increase mainly reflects the combined impact of:

- » the Western Australian Land Information Authority (up \$143.3 million), primarily due to an interim dividend payment for the sale of Property Exchange Australia Limited (PEXA) shares in January 2019 (\$185 million), combined with the final dividend payment relating to the 2017-18 financial year;
- » Western Power (up \$42.7 million), driven by a reduction in operating expenditure primarily from efficiencies arising from the Corporation's Business Transformation Program; and
- » the Insurance Commission of Western Australia (up \$29.4 million), largely reflecting higher than expected investment returns in 2018-19.

#### 3. Government Enterprises: Income Tax Equivalent Regime

The increase primarily reflects higher than estimated income tax expense for the Western Australian Land Information Authority (up \$47.5 million), due mainly to gains from the sale of PEXA shares, finalised in January 2019.

## 4. Other Revenue

The increase is largely due to the unbudgeted return of a bond to the Consolidated Account (\$25 million) for compensation due to the State for costs incurred on the Perth Children's Hospital project following the late delivery of the hospital. The outcome also included the higher than forecast return of Royalties for Regions funds to the Royalties for Regions Fund Special Purpose Account, which were provided to recipients in previous years and not required following the subsequent completion of projects.

## Expenses

### 5. Superannuation

The increase primarily reflects the impact on the whole-of-government superannuation liability of a lower than expected discount rate used by the actuary to value unfunded superannuation entitlements (down from the Budget time forecast of 2.83% to 1.3%). The lower discount rate results in a significant increase in the value of superannuation liabilities at 30 June 2019, which is recorded as an expense against the State.

### 6. Interest Expense

The decrease reflects the impact of undertaking no new borrowings in 2018-19 (compared with a forecast \$2.2 billion at the time of the original Budget), higher than expected repayments of borrowings during the year, and lower than average interest rates than were estimated at budget-time (down to an average 3.06% in 2018-19 compared with the Budget assumption of 3.15%).

### 7. Royalties for Regions

The decrease in Royalties for Regions (RfR) expenses (that is, draw downs from the RfR Fund for recurrent purposes) is mainly due to the changing in timing of project expenditure to 2019-20 and outyears and the utilisation of RfR cash balances held by government agencies during the year to 30 June 2019.

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

### Income

#### A. Commonwealth Grants

The increase largely reflects the combined impact of:

- » higher GST grants (up \$950.7 million), due to Western Australia receiving a larger share of the national GST pool in 2018-19 as a result of the annual Commonwealth Grants Commission distribution update (receiving 4.9% of the national GST collection compared with 3.5% in 2017-18), and an increase in the national GST pool in 2018-19 compared to 2017-18;
- » a \$434 million GST top-up payment brought forward from 2019-20 (see note 1 earlier), which compares with the Commonwealth's top-up funding of \$189 million in 2017-18;
- » lower transport infrastructure grants (down \$396.6 million), primarily due to an additional \$513.3 million grant for METRONET 'projects under development' received in 2017-18, partially offset by milestone payments for key projects (including Armadale Road Bridge and Bunbury Outer Ring Road) in 2018-19;
- » higher remote housing grants (up \$202.9 million), largely reflecting a delay in receipt of the State's final National Partnership on Remote Housing payment for 2017-18 to 2018-19 (due to delays in reaching agreement with the Commonwealth on the timeframes for the delivery of milestones) and the signing with the Commonwealth of a new \$121 million agreement in 2018-19;

- » higher North West Shelf grants (up \$191.4 million), largely due to a lower \$US/\$A exchange rate (averaging US71.5 cents in 2018-19, relative to US77.5 cents in 2017-18) and higher oil prices (\$US68.6/bbl in 2018-19 relative to \$US63.7/bbl in 2017-18);
- » lower recurrent health grants (down \$182.4 million), mainly reflecting the cessation of Commonwealth funding for the Home and Community Care program on 1 July 2018, following transfer of responsibility for aged care to the Commonwealth under its Home Support Program as part of changes agreed for the transition to the National Disability Insurance Scheme;
- » higher on-passed non-government schools grants (up \$90.6 million), reflecting student enrolment growth in non-government schools of 1%, the Commonwealth's cost indexation of 3.56% for 2018-19, and the Commonwealth's six-year transition under the National Schools Reform Agreement (NSRA) which increases Commonwealth funding to Western Australia from 74% of the benchmark Schooling Resource Standard in 2017 to 80% by 2023); and
- » higher grants for government schools (up \$75.9 million), reflecting student enrolment growth in government schools of 1.4% in 2018-19, the Commonwealth's cost indexation of 3.56%, and the impact on government schools of the six-year transition under the NSRA (see above).

## **B. Government Enterprises: Dividends**

The decrease mainly reflects the net impact of:

- » the Western Australian Land Information Authority (up \$138.5 million), primarily due to an interim dividend payment for the sale of Property Exchange Australia Limited (PEXA) shares finalised in January 2019, combined with the final dividend payment relating to the 2017-18 financial year;
- » Synergy (down \$129.8 million), due to special dividends paid in 2017-18, including \$100 million to reflect a Budget repair measure implemented in the 2017-18 Budget, and \$48 million for the net proceeds from the sale of Synergy's share in the Mumbida Wind Farm in December 2016. Synergy's 2018-19 dividend payment reflects the final dividend for 2017-18, determined after 30 June 2018;
- » Western Power (down \$121.4 million), mainly reflecting the deferral of the 2016-17 interim dividend to 2017-18;
- » the Water Corporation (up \$76.5 million), due largely to approved water tariff increases in 2018-19 and lower operating expenditure (mainly due to lower Southern Seawater Desalination Plant production in 2018-19 on the back of favourable weather conditions during the year and lower customer demand);
- » the Pilbara Ports Authority (down \$69.8 million), largely reflecting the deferral of the 2016-17 interim dividend to 2017-18, and the application of a lower dividend payout ratio of 85% for 2017-18 relative to the dividend payout ratio of 90% for 2016-17. The final dividend for 2017-18 was finalised after 30 June 2018 and paid in 2018-19;
- » the Insurance Commission of Western Australia (down \$46.7 million), primarily reflecting a once-off special dividend of \$50.4 million paid in 2017-18 following higher than expected investment returns through that year; and
- » Fremantle Port Authority (down \$30.1 million), due to the deferred payment of the full year dividend for 2016-17 to 2017-18.

## **C. Consolidated Account Revenue Received from Agencies**

The increase is primarily due to:

- » higher royalty revenue collections by the Department of Mines, Industry Regulation and Safety (up \$515.4 million), mainly attributable to higher receipts of iron ore royalties;
- » higher taxes collected by the Office of State Revenue (up \$301.7 million), largely reflecting higher payroll tax and land tax receipts, partially offset by lower receipts for landholder duty; and

» higher fees collected by the Department of Transport (up \$54.3 million), primarily due to higher motor vehicle licence fees.

#### **D. Other Revenue**

The increase is largely due to the return of \$25 million related to the Perth Children's Hospital to the Consolidated Account and a higher return of RfR funds to the Royalties for Regions Fund Special Purpose Account (up \$13.2 million compared to 2017-18), discussed earlier in note 4.

#### **Expenses**

##### **E. Superannuation**

The increase primarily reflects the impact on the whole-of-government superannuation liability of a lower discount rate used by the actuary to value unfunded superannuation entitlements (down from 2.6% in 2017-18 to 1.3% in 2018-19 as a result of lower government bond yields at 30 June 2019). The decrease in the bond rate used for the actuarial valuation in 2018-19 follows an increase in bond rates in 2017-18 (resulting in a much lower expense outcome for the year ending 30 June 2018).

##### **F. Interest Expense**

The increase is largely due to a higher ratio of fixed interest rate debt (73% at 30 June 2019 compared to 69.2% at 30 June 2018) to variable interest rate debt (27% at 30 June 2019 compared to 30.8% at 30 June 2018) for Consolidated Account borrowings compared to the mix at 30 June 2018. The borrowing portfolio has a target allocation of 70% fixed rate debt and 30% variable rate debt and is allowed to vary from target by a maximum of 5%. Average fixed interest rates declined from 3.48% in 2017-18 to 3.41% in 2018-19, while average variable rates declined from 2.31% to 1.95% over the same period. This impact was partially offset by lower borrowing levels in 2018-19, due to scheduled repayments and the impact of stronger operating outcomes which meant no new borrowings were undertaken during the year.

##### **G. Appropriations for: Operating Subsidies**

The decrease is primarily due to lower operating subsidy payments to Synergy, mainly reflecting the cessation of the Tariff Adjustment Payment from 2018-19. The reduction was partially offset by an increase in energy-related rebates and concessions provided by Synergy to eligible recipients such as pensioners.

##### **H. Commonwealth Grants On-passed to Agencies <sup>1</sup>**

The increase mainly reflects the net impact of higher remote housing grants (up \$202.9 million), lower recurrent health grants (down \$174.2 million) and higher grants for government schools (up \$77.4 million) discussed earlier in note A, and higher transport infrastructure grants (up \$94.2 million), due to milestone payments for key projects (including Armadale Road Bridge and Bunbury Outer Ring Road) in 2018-19.

##### **I. Non-government Schools**

The increase reflects the impact on grants on-passed to non-government schools of the factors discussed in note A.

##### **J. Royalties for Regions**

The increase is mainly due to the higher utilisation of RfR cash balances held by government agencies during the 2017-18 year compared to 2018-19.

<sup>1</sup> Treasury receives a range of Commonwealth grants (and on-passes these funds to agencies and other third parties).



## 9.2.1 Explanatory statement for administered items

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than 5% and \$25 million for the Statement of Comprehensive Income and Cash Flows.

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<b>Administered Transactions</b>						
<b>Recurrent Administered</b>						
<b>Operating subsidy payments</b>						
Item 18 Electricity Generation and Retail Corporation (Synergy)	113,901	113,901	-	113,901	243,091	(129,190)
Item 24 Water Corporation of Western Australia	464,299	420,050	(44,249)	420,050	408,928	11,122
<b>Grants, subsidies and transfer payments</b>						
Item 28 Metropolitan Redevelopment Authority	10,351	41,354	31,003	41,354	45,009	(3,655)
Item 31 Provision for Voluntary Targeted Separation Scheme	55,820	-	(55,820)	-	-	-
Item 33 Resolution of Native Title in the South West of Western Australia (Settlement)	60,000	-	(60,000)	-	-	-
Item 34 Royalties for Regions	574,807	429,321	(145,486)	429,321	473,409	(44,088)
<b>Authorised by Other Statutes</b>						
<i>State Superannuation Act 2000</i>	615,746	583,859	(31,887)	583,859	616,224	(32,365)
<i>Loan Acts - Interest</i>	837,000	802,567	(34,433)	802,567	742,584	59,983
<b>Administered Capital</b>						
<b>Government equity contributions</b>						
Item 91 Department of Justice	52,119	29,218	(22,901)	29,218	3,086	26,132
Item 94 Electricity Networks Corporation (Western Power)	109,235	110,672	1,437	110,672	168,583	(57,911)
Item 96 Metropolitan Redevelopment Authority	100,224	105,501	5,277	105,501	-	105,501
Item 97 Pilbara Ports Authority	34,650	25,084	(9,566)	25,084	60,735	(35,651)
Item 98 Provision for the Metropolitan Redevelopment Authority	62,776	61,366	(1,410)	61,366	-	61,366
Item 99 Regional Power Corporation (Horizon Power)	1,118	1,118	-	1,118	32,918	(31,800)
Item 100 Royalties for Regions	360,011	221,075	(138,936)	221,075	357,589	(136,514)
Item 102 WA Health	54,904	10,426	(44,478)	10,426	2,631	7,795
Item 103 WA Land Authority	44,355	4,355	(40,000)	4,355	192	4,163

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<b>Other</b>						
Item 104 Perth Stadium Account	739	739	-	739	127,920	(127,181)
<b>Authorised by Other Statutes</b>						
<i>Loan Acts - Repayment of Borrowings</i>	355,180	436,732	81,552	436,732	97,722	339,010

## Major Estimate and Actual (2019) Variance Narratives

### Recurrent Administered

#### Operating Subsidy Payments

##### Item 24 – Water Corporation of Western Australia

The lower than expected outcome is largely due to the finalisation of the 2017-18 operating subsidy (reflecting a reduction in total cost of service in country regions as a result of lower than expected infrastructure maintenance and changes in scheduling for country projects), and for subsidised costs in 2018-19, a reallocation of country operating expenses to metropolitan projects and a reduction in country revenue following cooler and wetter than average weather conditions impacting customer demand during the year.

#### Grants, Subsidies and Transfer Payments

##### Item 28 – Metropolitan Redevelopment Authority

The higher outcome reflects additional funding approved in 2018-19 to meet costs associated with the implementation of sustainable funding principles for the Land Agency Reform project, 2018-19 place management revenue and expenditure deficit at Yagan Square, preliminary investigative works at the East Perth Power Station, finalisation of business cases relating to the Subiaco East and East Perth Power Station developments and the anticipated revenue shortfall for the place activation at Elizabeth Quay.

##### Item 31 – Provision for Voluntary Targeted Separation Scheme

This item was established to fund the estimated cost of voluntary separation offers associated with the Voluntary Targeted Separations Scheme. The drawdowns for centrally funded separations under the scheme finalised by agencies in the month of June 2018 were transferred to agency service appropriations in early 2018-19 and totalled \$24.6 million. Transfers to agency appropriations are in accordance with section 25 of the *Financial Management Act 2006*. All transfers of appropriations between agencies are detailed in the Public Ledger appendix of the Annual Report on State Finances.

##### Item 33 – Resolution of Native Title in the South West of Western Australia (Settlement)

This item was established to fund the estimated recurrent cost of the South West Native Title Settlement. No funds were drawn in 2018-19 due to a delay relating to the registration of the South West Settlement Agreements.

## **Item 34 – Royalties for Regions**

The lower than expected outcome largely reflects the higher utilisation of previously unspent Royalties for Regions (RfR) cash balances held by government agencies (following project delays or lower than expected project costs in previous years) and higher than expected refunds of previous years RfR funding (no longer required for its original purpose) in 2018-19. These outcomes impact on the timing of balances held in the RfR Fund (which are capped by the underlying Act) and which in turn reduce the required appropriation drawdowns to support the 2018-19 program.

### ***Authorised by Other Statutes***

#### **State Superannuation Act 2000**

The lower than expected outcome primarily reflects lower Gold State Super benefit payments (down \$30 million or 7.9% on the Budget time forecast) due to a lower than expected number of retirements during the year. Retirement profiles are difficult to forecast accurately with estimates determined by the Government Employees Superannuation Board's actuary. Lower retirements in 2018-19 follow the Government's Voluntary Targeted Separation Scheme in 2017-18 which brought forward retirement plans for some employees who took a separation under the scheme.

## **Administered Capital**

### ***Government Equity Contributions***

#### **Item 100 – Royalties for Regions**

The decrease is largely due to the higher utilisation of previously unspent RfR cash balances held by government agencies (following project delays or lower than expected project costs in previous years) and higher than expected refunds of previous years RfR funding (no longer required for its original purpose) in 2018-19. These outcomes impact on the timing of balances held in the RfR Fund (which are capped by the underlying Act) and which in turn reduce the required appropriation drawdowns to support the 2018-19 program.

#### **Item 102 – WA Health**

This item quarantines capital funding approved to support health reforms through the development of associated health infrastructure. Release of funds during the year is generally dependent on the Government's approval of business cases.

The lower than forecast outturn is largely due to project delays, including Reconfiguring of the Western Australian Spinal Cord Injury Service (\$24.9 million) and the Royal Perth Hospital Helipad (\$6.4 million). A further \$6.8 million for Reconfiguring the Western Australian Spinal Cord Injury Service was transferred to the capital contribution of the Department of Communities.

#### **Item 103 – Western Australian Land Authority**

The lower than expected outcome is due to funding approved to support development of the Port Hedland Waterfront Revitalisation project (\$40 million) not being drawn in 2018-19, largely resulting from changes to project timeframes and amendments to the project scope.

### ***Authorised by Other Statutes***

#### **Loan Acts – Repayment of Borrowings**

This item provides for the repayment of Consolidated Account borrowings raised under the authority of Loan Acts.

The higher than forecast outcome reflects interest penalties accrued (\$25.7 million) on a large, one off duty assessment issued in 2016-17 but paid in 2018-19 and a higher than expected return of surplus funds from RiskCover (up \$55.9 million), reflecting stronger than anticipated investment performance and lower than expected claims for 2018-19.

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

### **Recurrent Administered**

#### ***Operating Subsidy Payments***

##### **Item 18 – Electricity Generation and Retail Corporation (Synergy)**

The decrease in annual subsidy payments was mainly due to the cessation of the Tariff Adjustment Payment on 30 June 2018. The reduction was partially offset by an increase in energy-related rebates and concessions provided by Synergy to eligible recipients.

#### ***Grants, Subsidies and Transfer Payments***

##### **Item 34 – Royalties for Regions**

The lower outcome is mainly due to agency underspending in the delivery of the 2018-19 RfR program and the higher utilisation of RfR cash balances held by agencies in the 2018-19 year.

#### ***Authorised by Other Statutes***

##### **State Superannuation Act 2000**

The decrease was mainly due to lower Gold State Super benefit payments (down \$25.7 million or 6.9%, following a lower number of member retirements) and lower Pension Scheme payments (down \$6.4 million or 3.5%, reflecting the actual number of pensioners compared with the actuarial forecast for the year).

#### **Loan Acts – Interest**

This item provides for the debt servicing costs of State borrowings held by the Consolidated Account and raised by the Western Australian Treasury Corporation. Interest is payable on borrowings raised under the authority of Loan Acts and which mainly fund the provision of infrastructure spending by State government agencies funded from appropriation.

The increase is largely due to a higher ratio of fixed to variable interest rate debt compared to the mix at 30 June 2018. Average fixed interest rates declined from 3.48% in 2017-18 to 3.41% in 2018-19, while average variable rates declined from 2.31% to 1.95% over the same period. This impact was partially offset by lower borrowing levels in 2018-19 due to scheduled repayments and no new State borrowings undertaken during the year.

### **Administered Capital**

#### ***Government Equity Contributions***

##### **Item 91 – Department of Justice**

This item quarantines funds approved for the Custodial Infrastructure Program for the Department of Justice, to be released upon Government approval of capital expansion programs.

The increase is largely due to full commencement of construction of the Casuarina Prison Expansion (Stage 1) in 2018-19, carryovers from 2017-18 to complete the Broome Regional Prison upgrade and expansion of prison bed capacity projects, and approval of funding to commence the planning of the Casuarina Prison Expansion (Stage 2).

#### **Item 94 – Electricity Networks Corporation (Western Power)**

Western Power receives an equity contribution equivalent to the dividends it is required to pay on the net profit after tax following customer capital contributions for infrastructure investment.

The lower outcome is mainly due to the higher than usual outcome in 2017-18, which was driven by the deferral of the 2016-17 interim dividend to 2017-18, as part of the 2017-18 Budget.

#### **Item 96 – Metropolitan Redevelopment Authority**

An equity injection was provided in 2018-19 to repay non commercial borrowings associated with the construction and commissioning of the Yagan Square precinct and settle contractual disputes in the precinct.

#### **Item 97 – Pilbara Ports Authority**

Pilbara Ports Authority receives an equity contribution for the return of annual dividend payments associated with revenue collected under the Port Improvement Rate at the Port Hedland facility.

The decrease was mainly due to the deferral of the interim dividend for the 2016-17 financial year to 2017-18, as part of the 2017-18 Budget, and a decision by the Government, as part of the 2018-19 Mid year Review, to reduce the Port Improvement Rate collection rate from September 2018.

#### **Item 98 – Provision for the Metropolitan Redevelopment Authority**

An equity injection was provided in 2018-19 to partially extinguish debt associated with the Authority's non-commercial activities (excludes Yagan Square noted earlier under Item 96).

#### **Item 99 – Regional Power Corporation (Horizon Power)**

This item provides equity injections to support Government approved infrastructure investment by Horizon Power that would otherwise be non commercial.

The lower outcome was largely due to the receipt of a \$31.8 million equity injection in 2017-18 to offset a tax equivalent liability incurred by the Corporation resulting from a grant received for the construction of the Onslow Power Station during that year.

#### **Item 100 – Royalties for Regions**

The decrease mainly reflects agency underspending in the 2018-19 RfR program and the higher utilisation of cash balances held by agencies during the 2018-19 year.

#### **Other**

#### **Item 104 – 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). The stadium commenced operations in January 2018 and the Matagarup footbridge was opened mid July 2018.

The lower spending reflects the remaining minor transport infrastructure works prior to completion of the project.



## Authorised by Other Statutes

### Loan Acts – Repayment of Borrowings

The increase mainly reflects a higher return of surplus cash from RiskCover (up \$64.6 million), the return of surplus cash from agencies (\$79.4 million) and the payment of a large, one off duty assessment (\$195.1 million including interest penalties on late payment of the assessment).

### 9.3 Administered assets and liabilities

	2019 (\$000)	2018 (\$000)
<b>Current Assets</b>		
Cash and cash equivalent	4,829,613	6,043,439
Treasurer's Advances	15,007	45,437
Government enterprises:		
Dividends receivable	-	1,505
Tax equivalent receivable	115,185	187,851
Recoverable advances	9,992	9,715
Other receivables	145,889	142,992
<b>Total Administered Current Assets</b>	<b>5,115,686</b>	<b>6,430,939</b>
<b>Non-Current Assets</b>		
Investments	2,528	3,102
Recoverable advances	972	8,231
Other receivables	7,918	7,815
<b>Total Administered Non-Current Assets</b>	<b>11,418</b>	<b>19,148</b>
<b>TOTAL ADMINISTERED ASSETS</b>	<b>5,127,104</b>	<b>6,450,087</b>
<b>Current Liabilities</b>		
Superannuation	77,453	74,063
Interest payable <sup>(a)</sup>	178,407	177,057
Appropriations payable	287,487	260,607
Special purpose account liabilities <sup>(b)</sup>	5,640,635	5,293,397
Other payables	38,939	83,477
<b>Total Administered Current Liabilities</b>	<b>6,222,921</b>	<b>5,888,601</b>
<b>Non-Current Liabilities</b>		
Borrowings	25,966,043	26,402,775
Superannuation	6,956,597	6,428,648
Appropriations payable	12,840,635	11,701,490
Other payables	172,651	26,608
<b>Total Administered Non-Current Liabilities</b>	<b>45,935,926</b>	<b>44,559,521</b>
<b>TOTAL ADMINISTERED LIABILITIES</b>	<b>52,158,847</b>	<b>50,448,122</b>

## 9.4. Supplementary funding

Supplementary funding approved and expended during 2018-19 was as follows:

	2019 Amount Approved (\$000)	2019 Amount Expended (\$000)
<b>Item 16 Bunbury Water Corporation</b>	46	46
	<b>46</b>	<b>46</b>

Approval was granted for \$46,000 of additional operating subsidy payments to Bunbury Water Corporation to meet higher than expected customer rebates incurred in 2017-18, which were not known until final accounts for that financial year were prepared. This funding was fully drawn in 2018-19.

<b>Item 22 Regional Power Corporation (Horizon Power)</b>	1,300	1,300
	<b>1,300</b>	<b>1,300</b>

An operating subsidy is paid to Horizon Power where it is required to provide services for which it does not make a commercial return. An additional \$1.3 million subsidy was approved and drawn in 2018-19, primarily for an increase in services provided to remote communities.

<b>Item 23 Southern Ports Authority</b>	21,867	15,430
	<b>21,867</b>	<b>15,430</b>

Additional funding of \$21.867 million was approved in 2018-19 for the Government Support Package relating to Mineral Resources Limited's purchase of Cliffs Asia Pacific Iron Ore Pty Ltd's Yilgarn Iron Ore Operation. Of this total, only \$15.43 million was drawn in line with revised timing of payments approved as part of the 2019-20 Budget.

<b>Item 25 Western Australian Land Authority</b>	24,860	20,160
	<b>24,860</b>	<b>20,160</b>

Additional funding of \$24.86 million was approved for the Authority, for the land acquisitions and infrastructure works at the Forrestdale Business Park West precinct (\$7.5 million), the demolition of Subiaco Oval (\$5 million), the Mangles Bay tourist precinct (\$7 million) and upgrading of the ballast system at the Australian Marine Complex (\$5.3 million). Of this total, only \$20.16 million was drawn in 2018-19 due to progress with the Subiaco Oval demolition.

<b>Item 28 Metropolitan Redevelopment Authority</b>	33,080	31,003
	<b>33,080</b>	<b>31,003</b>

Additional funding of \$33.08 million was approved in 2018-19 to meet costs associated with the implementation of sustainable funding principles for the Land Agency Reform project (\$29.036 million), a deficit between revenue and expenditure on place management at Yagan Square (\$1.41 million), preliminary investigative works for the East Perth Power Station project (\$1 million), finalisation of business cases relating to the Subiaco East and East Perth Power Station developments (\$1.513 million) and the anticipated revenue shortfall for the place activation at Elizabeth Quay (\$121,000). Of the total approved funding, \$31.003 million was drawn in 2018-19, reflecting lower than expected loan repayments associated with the Authority's borrowings for the Forrestdale Business Park East and the timing of spending on the Subiaco East redevelopment project.

	2019 Amount Approved (\$000)	2019 Amount Expended (\$000)
<b>Item 30 Provision for Unfunded Liabilities in the Government Insurance Fund</b>	3,176	3,175
	<b>3,176</b>	<b>3,175</b>

This appropriation reimburses the Insurance Commission of Western Australia for claims paid against the Government Insurance Fund, which can vary significantly from year to year. An additional \$3.176 million was approved and almost fully drawn in 2018-19 to meet claims in excess of budget forecasts.

<b>Item 88 Animal Resources Authority</b>	1,120	522
	<b>1,120</b>	<b>522</b>

A \$1.12 million equity injection was approved for the Authority's autoclave replacement project following tender delays in 2017-18. Only \$522,452 of these funds were subsequently drawn to meet contractual milestone payments for the autoclave (\$343,452), and a further \$179,000 for other capital works costs.

<b>Item 94 Electricity Networks Corporation (Western Power)</b>	1,438	1,437
	<b>1,438</b>	<b>1,437</b>

An equity contribution is made to Western Power for the value in the dividends that relates to customer contributions for infrastructure investments. Supplementary funding of \$1.438 million was approved and almost fully drawn in 2018-19, reflecting the payment in arrears of the final outcome for the 2017- 18 equity contribution. This included:

- » a contribution for the value in the dividend calculation resulting from capital contributions made by third parties for works carried out by the Corporation; and
- » the return of dividend payments associated with land sales proceeds and profits.

<b>Item 96 Metropolitan Redevelopment Authority</b>	6,100	5,277
	<b>6,100</b>	<b>5,277</b>

A \$6.1 million equity contribution was approved for the Metropolitan Redevelopment Authority to finalise the Yagan Square project. Only \$5.277 million of the approved funds were drawn, reflecting the impact of later than expected resolution of contract disputes at the Square.

## Note 9.5. Special purpose accounts

	2019 (\$000)	2018 (\$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	86,257	44,627
Receipts	43,849	41,630
Payments	-	-
<b>Balance at the end of the period</b>	<b>130,106</b>	<b>86,257</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	3,102	3,645
Receipts	1,415	1,391
Payments	(1,989)	(1,934)
<b>Balance at the end of the period</b>	<b>2,528</b>	<b>3,102</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 <i>Intergovernmental Agreement on Federal Financial Relations</i> for disbursement to relevant government agencies and the Consolidated Account.		
Balance at the start of the period	58,916	254,360
Receipts	2,390,384	2,871,596
Payments	(2,444,402)	(3,067,040)
<b>Balance at the end of the period</b>	<b>4,898</b>	<b>58,916</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	21,587	20,049
Receipts	81,195	65,286
Payments	(81,255)	(63,748)
<b>Balance at the end of the period</b>	<b>21,527</b>	<b>21,587</b>

	2019 (\$000)	2018 (\$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	38,621	20,455
Receipts	675	18,166
Payments	(39,296)	-
<b>Balance at the end of the period</b>	<b>-</b>	<b>38,621</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	17,660	16,690
Payments	(17,660)	(16,690)
<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	1,295,291	1,228,805
Payments	(1,295,291)	(1,228,805)
<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	10,706	10,502
Receipts	232	204
Payments	-	-
<b>Balance at the end of the period</b>	<b>10,938</b>	<b>10,706</b>



	2019 (\$000)	2018 (\$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	298,298	282,190
Payments	(298,298)	(282,190)
<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	90	88
Receipts	2	2
Payments	-	-
<b>Balance at the end of the period</b>	<b>92</b>	<b>90</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	12,714	39,714
Receipts	-	-
Payments	-	(27,000)
<b>Balance at the end of the period</b>	<b>12,714</b>	<b>12,714</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	27,676	4,539
Payments	(27,676)	(4,539)
<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	5,639	5,531
Receipts	121	108
Payments	(333)	-
<b>Balance at the end of the period</b>	<b>5,427</b>	<b>5,639</b>

	2019 (\$000)	2018 (\$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	13,308	95,602
Receipts	739	127,920
Payments	(2,500)	(210,214)
<b>Balance at the end of the period</b>	<b>11,547</b>	<b>13,308</b>
<b>Public Bank Account Interest Earned Account <sup>(a)</sup></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	40,769	33,546
Receipts	128,457	129,576
Payments	(124,300)	(122,353)
<b>Balance at the end of the period</b>	<b>44,926</b>	<b>40,769</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	1,000,000
Receipts	729,358	871,242
Payments	(729,358)	(871,242)
<b>Balance at the end of the period</b>	<b>1,000,000</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	926	521
Receipts	20	805
Payments	(211)	(400)
<b>Balance at the end of the period</b>	<b>735</b>	<b>926</b>
<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	198,000	167,000
Payments	(198,000)	(167,000)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>

	2019 (\$000)	2018 (\$000)
<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	1,215,350	1,125,583
Receipts	97,564	89,767
Payments	-	-
<b>Balance at the end of the period</b>	<b>1,312,914</b>	<b>1,215,350</b>
<b>Debt Repayment Account</b>		
The purpose of the special purpose account is to apply approved appropriation funds to the repayment of Western Australian State borrowings (as borrowed by the Treasurer under various Loan Acts from the Western Australian Treasury Corporation or elsewhere, as applicable).		
Balance at the start of the period	-	-
Receipts	436,732	97,722
Payments	(436,732)	(97,722)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
<b>National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse</b>		
The purpose of the special purpose account is to hold money for meeting payments and related costs associated with the National Redress Scheme for Institutional Child Abuse (the Scheme) established under the Intergovernmental Agreement and the <i>National Redress Scheme for Institutional Child Sexual Abuse Act 2018</i> (Commonwealth) and costs of civil litigation.		
Balance at the start of the period	-	-
Receipts	153,039	-
Payments	(1,743)	-
<b>Balance at the end of the period</b>	<b>151,296</b>	<b>-</b>

### Note 9.5.1 Special purpose accounts created during the year

The National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse 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 money for meeting payments and related costs associated with the National Redress Scheme for Institutional Child Abuse (the Scheme) established under the Intergovernmental Agreement and the National Redress Scheme for *Institutional Child Sexual Abuse Act 2018* (Commonwealth) and costs of civil litigation.

This section presents our  
Performance Assessment,  
Statutory Disclosures and  
Contact Details.

# Certification of Key Performance Indicators

For the year ended 30 June 2019

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



**Pauline Burton**  
**Chief Finance Officer**

10 September 2019



**Michael Barnes**  
**Under Treasurer**

10 September 2019



# Performance Assessment

## 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.

### Outcomes

<b>Outcome 1</b> Sustainable and transparent public sector finances	<b>Service 1</b> Financial management and reporting
<b>Outcome 2</b> A strong and competitive State economy	<b>Service 2</b> Economic and revenue forecasts and policy development
<b>Outcome 3</b> Value for money outcomes in service delivery and infrastructure provision	<b>Service 3</b> Evaluation and planning of government service delivery and infrastructure provision
<b>Outcome 4</b> A sustainable, efficient, secure and affordable energy sector	<b>Service 4</b> Development and implementation of energy policy



## Key Effectiveness Indicators

### 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 Government on its fiscal strategy and targets; 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	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Notes
Status of the State's credit rating <sup>(a)</sup>	Aa2 <sup>(b)</sup> AA+ <sup>(c)</sup>	Aa2 <sup>(b)</sup> AA+ <sup>(c)</sup>	Aa2 <sup>(b)</sup> AA+ <sup>(c)</sup>	Aa2 <sup>(b)</sup> AA+ <sup>(c)</sup>	Aa1 <sup>(b)</sup> AA+ <sup>(c)</sup>	1
Unqualified audit opinion on the Annual Report on State Finances	Yes	Yes	Yes	Yes	Yes	2

(a) S&P Global and Moody's currently assess the credit rating for Western Australia.

(b) Moody's.

(c) S&P Global.

### Notes:

- Credit rating agencies acknowledged the improving fiscal outlook for the State with a number of positive credit rating announcements in 2018-19. On 25 October 2018, S&P Global lifted its outlook on the State's AA+ rating from 'negative' to 'stable', and on 25 January 2019, Moody's Investors Service lifted its 'stable' outlook on the State's Aa2 credit rating to 'positive'. On 6 June 2019, Moody's upgraded the State's credit rating from Aa2 to Aa1 (with a 'stable' outlook). Moody's noted the upgrade to the State's credit rating reflected a sustained period of solid revenue growth, continued strong control over spending, and progress in alleviating pressure on the State's debt burden.
- The 2017-18 Annual Report on State Finances was released on 26 September 2018, before the 90 day statutory reporting deadline for the report. The Annual Report received an unqualified audit opinion from the Auditor General.

## Outcome 2: A strong and competitive State economy

Accurate forecasting of Western Australia's economic and fiscal outlook is a major factor in maintaining 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	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Notes
<b>Accuracy of key general government revenue forecasts:</b>						
- tax revenue <sup>(a) (b) (c)</sup>	-6.7%	-3.6%	0.1%	+/-5.0%	-1.6%	1
- mining revenue <sup>(d) (e)</sup>	7.6%	36.1%	4.2%	+/-5.0%	28.9%	2
<b>Accuracy of key economic forecasts (percentage point difference):</b>						
- employment growth <sup>(f)</sup>	-2.1	-1.2	0.7	+/-0.5	-0.6	3
- real State Final Demand (SFD) growth <sup>(g)</sup>	-3.4	-3.4	2.3	+/-2.0	-0.8	4

(a) The actual used to calculate the KPI for 2017-18 is the actual published in the 2019-20 Budget.

(b) For consistency with the scope of relevant Budget taxation forecasts, the actual outcome for 2017-18 and the 2017-18 Budget estimate have been adjusted to account for tax reclassifications on the advice of the Australian Bureau of Statistics (ABS): the *Building and Construction Industry Training Fund Levy* was reclassified as taxation revenue after the 2017-18 Budget; *Taxation Related Fines and Penalties* were removed from taxation and reclassified as 'other' revenue after the 2018-19 Budget; and the *Motor Vehicle Recording Fee* was reclassified as revenue from 'sales of goods and services' in the 2018-19 Mid-year Review.

(c) For consistency with the scope of relevant Budget taxation forecasts, the actual outcome for 2018-19 and the 2018-19 Budget estimate have been adjusted to account for tax reclassifications on the advice of the ABS: *Taxation Related Fines and Penalties* were removed from taxation and reclassified as 'other' revenue after the 2018-19 Budget; and the *Motor Vehicle Recording Fee* was reclassified as revenue from 'sales of goods and services' in the 2018-19 Mid-year Review.

(d) Subsequent to the 2017-18 Budget, a policy to increase the gold royalty rate from 2.5% to 3.75% and remove the royalty exemption on the first 2,500oz of production was blocked by Parliament. In order to better assess forecasting performance, the impact of the increase in gold royalty income has been removed from the original 2017-18 Budget forecast.

(e) The actual used to calculate the KPI for 2018-19 is the 2018-19 estimated actual as at 27 August 2019. The final figure may change following the receipt of additional data prior to the Annual Report on State Finances cut-off date.

(f) The employment growth actuals used in calculating the accuracy of the employment forecasts differ from Treasury's estimates of the 2016 Census adjusted growth figures for 2015-16 and 2016-17 (as reported in 2017-18 Budget Paper No. 3). This reflects that the original forecasts were based on employment series that were not adjusted for the 2016 Census. Any other changes to actual figures from previous reporting are due to the revision of the historical series from the ABS.

(g) The actual used to calculate the KPI for 2018-19 is the 2018-19 estimated actual based on the annual average growth to March quarter 2019. Any changes to actual figures from previous reporting are due to the revision of the historical series from the ABS.

**Notes:**

1. Accuracy of taxation revenue forecasts was within target in 2018-19.
2. Mining revenue was significantly higher than anticipated in 2018-19. This was largely due to higher than expected iron ore prices following events in Brazil that resulted in a tightening of global supply.
3. Employment growth was weaker than expected, reflecting that domestic economic demand was softer than anticipated in 2018-19.
4. Accuracy of real SFD growth forecasts was within target in 2018-19.

### 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 Strategic Asset Management Framework (SAMF) provides a sound basis for decisions on the investment in, and the management and disposal of, assets required for government service delivery. Adherence to SAMF policies and guidelines helps to ensure asset management proposals meet government infrastructure needs and demonstrate value for money.

To support the Government in making informed and timely decisions about the delivery of services and provision of infrastructure, the Department endeavours to provide advice to the Expenditure Review Committee (ERC) at least five working days prior to the relevant meeting.

Key indicators of effectiveness	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Notes
Percentage of highest value agencies <sup>(a)</sup> complying with the Strategic Asset Management Framework or equivalent accredited mechanism	85%	8%	5%	100%	7%	1
Percentage of advice provided to the Expenditure Review Committee at least 5 working days prior to their consideration <sup>(b)</sup>	n/a	n/a	n/a	90%	66%	2

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

(b) This is a new indicator that commenced reporting in 2018-19. The indicator measures the timeliness of advice provided to the ERC and reflects the importance of Government having sufficient time to review advice from Treasury before decision-making processes occur.

#### Notes:

1. The percentage of highest value agencies complying with the Strategic Asset Management Framework (or equivalent accredited mechanism) has increased marginally, from 5% in 2017-18 to 7% in 2018-19. Treasury has instigated various initiatives to improve the rate of return of Minister-endorsed Strategic Asset Plans to Treasury by the specified date and is assessing options to further improve performance against this indicator.
2. Some of the matters considered by the ERC in 2018-19 were particularly complex and required Treasury to undertake significant consultation with agencies prior to progressing advice. This resulted in several papers being submitted to the ERC less than five working days before the scheduled meeting.



#### Outcome 4: A sustainable, efficient, secure and affordable energy sector

The delivery of impartial, high-quality advice on matters in the energy portfolio assists Government to make well-informed decisions that contribute to a sustainable, efficient, secure and affordable energy sector.

The key indicator of effectiveness demonstrates the capability of the Public Utilities Office in meeting the Government's agenda for energy policy and program delivery.

Key indicators of effectiveness	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Notes
The extent to which policy and program development objectives for the year are achieved <sup>(a) (b)</sup>	92%	83%	77%	100%	86%	1

(a) The Department of Treasury commenced reporting this indicator in 2017-18, following the transfer of the Public Utilities Office from the Department of Finance on 1 July 2017. The 2015-16 and 2016-17 actual results have been derived from the Department of Finance 2016-17 Annual Report.

(b) Results are calculated by monitoring the priorities set for a year. If the Government's priorities change, for example there is a ministerial request to undertake a new policy project or cease working on an existing priority, this is taken into account in determining the number of items completed as planned. The results are presented as a percentage of planned priorities completed.

#### Notes:

1. The appointment of a new Minister for Energy and the development of an Energy Transformation Strategy led to the re-scoping of several projects in 2018-19, and a lower than target key effectiveness indicator result.

## 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.

### 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.

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

Key indicators of efficiency	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Notes
Percentage of financial reports released as per agreed timeframes	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 2018-19 and all were released in line with the statutory deadlines: the 2017-18 Annual Report on State Finances; the September 2018, December 2018 and March 2019 Quarterly Financial Results Reports; and the 2018-19 Government Mid-year Financial Projections Statement. Compliance with statutory reporting requirements is expected to continue throughout 2019-20.

## Service 2: Economic and revenue forecasts and policy development

This service involves analysis and advice on economic and revenue policy issues, including Commonwealth-State financial relations, the development of forecasts for each of the State's major revenue sources, and the provision of advice on economic reform.

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

Key indicators of efficiency	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Notes
Number of Ministerials, briefings or reports provided on economic issues	597	314	297	350	275	1
Percentage of Regulatory Impact Statements assessed within agreed timeframes <sup>(a) (b)</sup>	100%	95.8%	100%	90%	100%	2

(a) The Department of Treasury commenced reporting this indicator in 2017-18, following the transfer of the Economic Reform Unit from the Department of Finance on 1 July 2017. The 2015-16 and 2016-17 actual results have been derived from the Department of Finance 2016-17 Annual Report.

(b) This indicator reflects the percentage of agency Regulatory Impact Statements (or requests for related advice) received by the Better Regulation Unit that are responded to within 10 working days.

### Notes:

1. The number of Ministerials, briefings and reports provided on economic issues was lower than originally anticipated for 2018-19. This result reflects steps taken by Treasury to streamline information provided to the Treasurer's Office, following feedback from the Office.
2. The Better Regulation Unit was consistent in achieving 100% for this indicator in 2018-19, again exceeding the target of 90%.

### Service 3: 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, education, justice and infrastructure delivery.

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

Key indicators of efficiency	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Notes
Number of Expenditure Review Committee papers on service delivery and infrastructure advice <sup>(a)</sup>	67	65	54	60	29	1

(a) Excludes papers provided to the Expenditure Review Committee during the Budget 'bilateral' process.

#### Notes:

1. The 2018-19 result is lower than originally anticipated as there was a concerted effort to ensure that the 2018-19 Mid-year Review did not become a 'mini-Budget' process. A number of initiatives were implemented in the 2018-19 Budget to assist in streamlining the ERC decision-making process, such as ensuring agencies comply with Budget submission criteria. These initiatives reduced the number of papers provided to the ERC in 2018-19 and enabled the ERC to focus on key policy priorities.

### Service 4: Development and implementation of energy policy

This service encompasses the delivery of energy policy and programs to meet the State's energy needs.

The service contributes to the desired outcome of a sustainable, efficient, secure and affordable energy sector.

Key indicators of efficiency	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Notes
Average cost of policy/project development <sup>(a) (b)</sup>	\$27,675	\$20,831	\$21,100	\$27,524	\$24,003	1

(a) The Department of Treasury commenced reporting this indicator in 2017-18, following the transfer of the Public Utilities Office from the Department of Finance on 1 July 2017. The 2015-16 and 2016-17 actual results have been derived from the Department of Finance 2016-17 Annual Report.

(b) This indicator reports the average cost of policy/project development activities that are significant or complex in nature and require considerable investment of time and effort (such as Cabinet Submissions), as opposed to routine or simple tasks.

#### Notes:

1. The average cost of policy and project development activities increased slightly in 2018-19, but remained below the target of \$27,524, reflecting lower than originally budgeted costs across the Public Utilities Office at year-end.

# Disclosures and Legal Compliance

## Ministerial Directions

No Ministerial Directives were received during the 2018-19 financial year.

## Other Financial Disclosures

### Pricing Policies

Treasury does not provide services that require pricing or rating information to be published or Gazetted.

### Major Capital Projects

Treasury does not have any major capital works projects.

### Staffing profile, staff development and Industrial relations

Our staffing profile is detailed in the Our People section (page 55).

Treasury launched its new Learning Management System (LMS), Click2Learn on 17 May 2019. The new system enables staff to access Treasury, specific online learning and conduct mandatory training such as accountable and ethical decision-making from any platform. Since its roll out in May, 88 online courses have been completed and 44 registrations have been received for face to face training, including occupational health and safety for managers.

To ensure learning and breadth of knowledge with current and upcoming issues both within the sector and across the State, Treasury staff received over 6,700 hours in training during 2018-19. This development included attendance at internal coffee shop forums (15% of all training) which covered internal and external topics of interest, 24% for occupational health and safety training and 24% on leadership development. Leadership was a focus for 2018-19 with all management tiers in the organisation engaging in leadership development programs.

### Worker's Compensation

During 2018-19 there were no Worker's Compensation claims lodged and there are no employees on return to work plans.



# 88+

Online courses have been completed and 44 registrations have been received for face to face training, including occupational health and safety for managers.



## Governance Disclosures

### (a) Contracts with senior officers

At the date of reporting, no senior officers, or 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 agency other than normal contracts of employment of service.

### (b) Unauthorised Use of Credit Cards

Officers of the Department of Treasury hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the Department's credit card policy, one employee inadvertently utilised the corporate credit card for personal use. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and that the nature of the expenditure was immaterial and characteristic of an honest mistake.

	2019
	\$
Aggregate amount of personal use expenditure for the reporting period	12
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	9
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	3
Aggregate amount of personal use expenditure outstanding at balance date	-

## 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 2018-19 was \$10,631.

	\$
Advertising agencies	
Initiative Media (Adcorp)	5,767
Linkedin	885
Market research organisations	-
Polling organisations	-
Direct mail organisations	-
Media advertising organisations	-
<b>Total Expenditure</b>	<b>6,652</b>

## Contact Us

A full copy of this document, and previous years' Annual Reports, are available from our website at [www.treasury.wa.gov.au](http://www.treasury.wa.gov.au).

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

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Department of Treasury (pages 33, 41)

Jennifer Warwick (pages 52, 55)

Leanne Richmond (page 50)

Western Australian TAB (page 34)

Tourism Western Australia (front and back cover; pages 3, 26, 38-39, 72, 131)

Roel Loopers (top left, back cover)

Stephen Nicholls (page 42)

West Australian Newspaper Limited (front cover, top right, page 46)

Abigail Harman (pages 8, 20-23, 58, 61, 62, 64, 67).





