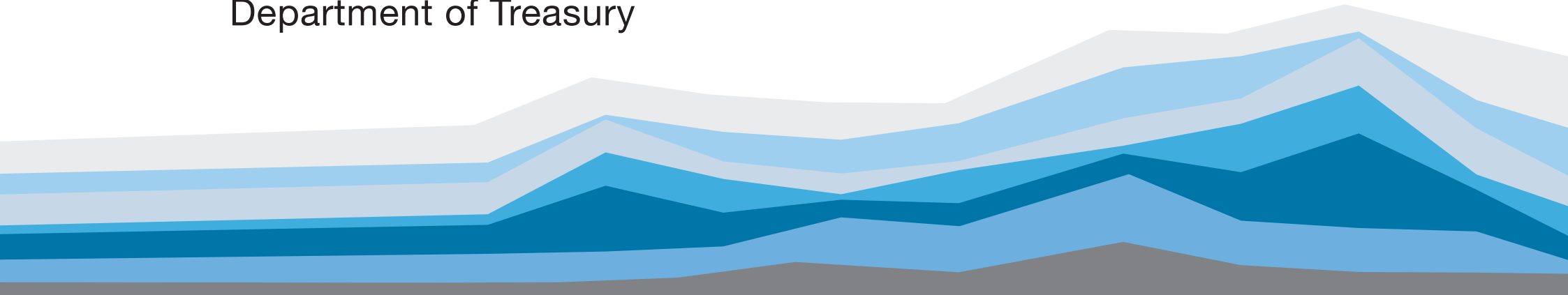


Annual Report 2014-15

Department of Treasury



Statement of compliance

For year ended 30 June 2015

HON. DR M D NAHAN MLA

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

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament the Annual Report of the Department of Treasury for the financial year ended 30 June 2015.

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



Michael Barnes

UNDER TREASURER

8 September 2015

About this report

Our Annual Report is divided into seven main areas and is designed to provide useful, easy to read information about the function, structure and performance of the Department of Treasury for the financial year ending 30 June 2015.

The report also presents our audited financial statements and performance indicators for the reporting year 1 July 2014 to 30 June 2015.

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

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

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ISSN 2200-8632 (Print)

ISSN 2200-8640 (Online)

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Table of contents

Statement of compliance	2	Statement of Changes in Equity	71
Overview	4	Statement of Cash Flows	72
Message from the Under Treasurer	4	Schedule of Income and Expenses by Service	74
About us	6	Schedule of Assets and Liabilities by Service	76
Our 2014-15 operational structure	8	Summary of Consolidated Account Appropriations and Income Estimates	77
Legislation	14	Notes to the Financial Statements	83
Achieving Government goals	16	Key Performance Indicators	159
Our Performance	19	Certification of Key Performance Indicators	159
Actual results versus Budget targets	36	Performance Assessment	160
Significant Issues and Trends	37	Measuring Our Performance	161
Our People	47	Ministerial directives	173
Governance	59	Other disclosures	173
Financial Statements and Notes	65	Other legal requirements	174
Certification of Financial Statements	65		
Opinion of the Auditor General	66		
Statement of Comprehensive Income	68		
Statement of Financial Position	69		

Message from the Under Treasurer



Throughout 2014-15, we continued to operate in a challenging economic and fiscal environment, which saw the Western Australian economy move to a more subdued rate of growth, as resource sector investment continued to decline and exports became the major driver of activity.

Softer labour and property market activity has led to downward revisions to State taxes. At the same time, the State's finances have been buffeted by a sharp and sustained decline in commodity prices, particularly iron ore and oil.

These factors have driven unprecedented revenue write-downs. Between the 2014-15 and 2015-16 Budgets, the general government revenue estimates were revised down by \$10.2 billion (or 8.4%) over the period 2014-15 to 2017-18.

The 2014-15 year also saw an intense amount of effort by Treasury in the area of Commonwealth-State financial relations, particularly with respect to the [Commonwealth Grants Commission \(CGC\)](#) review of its methodology for distributing GST revenue among the States and Territories. In the end, the CGC recommended a further reduction in

Western Australia's GST in 2015-16, but the State's arguments resulted in an additional \$499 million in roads funding from the Commonwealth (received in June 2015) aimed at effectively keeping our GST share at 2014-15 levels.

In this environment, our mission remains as significant as ever: *servicing the public interest through the provision of expert economic and financial advice and asset management*. To this end, we have worked with Government, at both the Ministerial and agency level, to identify and implement a number of savings measures aimed at reducing the cost of public services, without compromising the quality of service delivery.

Some examples of these initiatives include the ongoing [Agency Expenditure Reviews](#), a [targeted voluntary separation scheme](#) and introduction of the [Workforce Renewal Policy](#), which are detailed in this report.

“ we have worked with Government ... to identify and implement a number of savings measures aimed at reducing the cost of public services, without compromising the quality of service delivery ”

In the first half of the year, our [Asset Sales Unit \(ASU\)](#) was established in response to the Government’s announcement of a structured process of public sector asset sales, as part of its strategy to reduce the State’s debt levels. More information on the ASU’s achievements, including the formalisation of governance and stakeholder management frameworks for each sale, is included in this report.

My appointment as Under Treasurer in April 2015 was a great honour, and coincided with the conclusion of our [2012-15 Strategic Plan](#). This has given Treasury’s leadership team an opportunity to review our strategic objectives going forward.

In reviewing the effectiveness of our 2012-15 Strategic Plan, some of the key strengths identified through internal and

external feedback channels have been:

- our clear understanding of what we do and how we do it;
- high levels of job satisfaction; and
- our effective leadership.

Of particular significance was the positive feedback we received from external stakeholders in terms of the large volumes of quality advice we consistently provide to assist the Government in effectively managing the State’s finances and other key priorities.

We have also taken the opportunity to reflect on where we wish to improve, with our new [2015-18 Strategic Plan](#) refocused to include six strategic goals:

- Skilled, flexible and committed people;
- A culture of ideas generation;
- Working together as one Treasury;

- Actively engaging with our stakeholders;
- Solutions focused advice; and
- Best practice project management.

We have also refined our organisational structure to build a more agile and efficient organisation, better positioning us to respond to the challenges of an increasingly complex and fluid environment.

As always, my sincere appreciation goes to all staff at Treasury for their enormous efforts throughout the year.



Michael Barnes
UNDER TREASURER

About us

The Department of Treasury (Treasury) provides the State Government with independent economic and financial advice, and expert asset management including the planning and delivery of the State's asset sales program.

Our work

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

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

Our policy advisory role covers a range of issues, including public sector wages policy, Commonwealth-State financial relations, revenue policy, public sector superannuation

policy, and advice on alternative models of service delivery and infrastructure provision, including public private partnerships.

Through our [Strategic Projects and Asset Sales business](#), Treasury manages the State Government's largest and most complex non-residential building projects, including the [Perth Stadium](#) and the [Perth Children's Hospital](#), and manages a range of asset sales on behalf of the State.

Our vision, mission, values and goals

Built around our vision, mission and values, throughout 2014-15 we continued to follow our strategic goals detailed in the following 2012-15 Strategic Plan diagram.

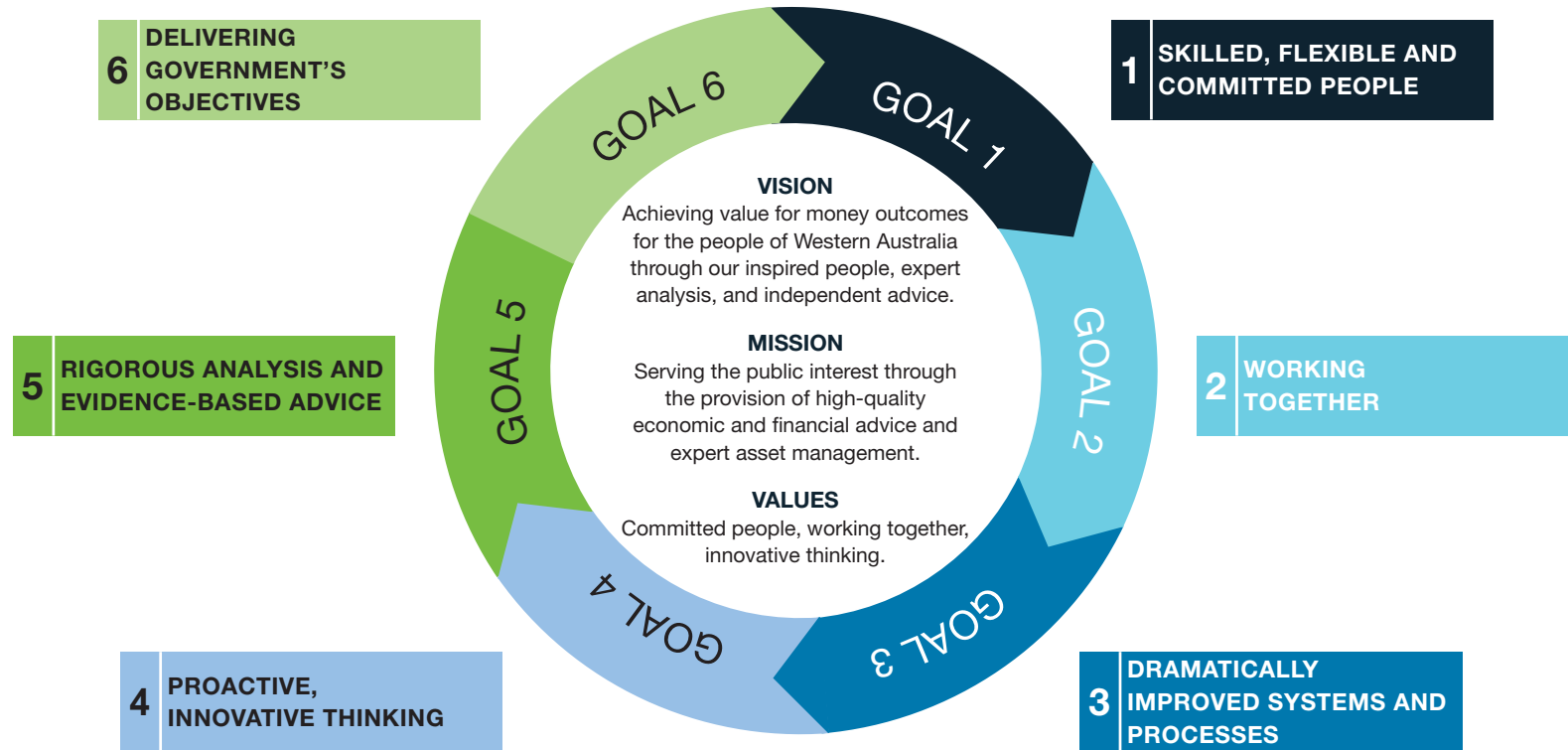
Throughout the three-year strategic plan period, the business completed pulse check surveys to assess how we have performed against our 2012-15 strategic goals.

Survey results were used by our [People and Communications Governance Committee](#) to refocus priorities to meet our goals. This process informs our annual business unit operational plans and individuals' Development and Performance plans. Employees are then able to contribute on a daily basis to realising our long-term plan by understanding the linkages to day-to-day activities.

Treasury recently developed its new Strategic Plan, which will guide us through to 2018.

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

Our 2012-15 Strategic Plan built around our vision, mission and values



Our 2014-15 operational structure

Treasury comprises four business units and two directorates that provide support to our people and the business units.

Business Units

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

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

Infrastructure and Finance covers a diverse range of responsibilities including:

- financial support and oversight of the State's Government Trading Enterprises;
- complex commercial transactions such as public private partnerships;

- analysis and advice on service delivery and asset investment for a number of government agencies; and
- accounting and superannuation policy and operations, including management of the Public Ledger.

Strategic Policy and Evaluation provides evaluation and advice on the efficiency and effectiveness of service delivery and infrastructure provision in key government agencies such as the [Departments of Health and Education](#), [Western Australia Police](#) and social services agencies. This includes cost and demand modelling and program evaluation.

Strategic Projects and Asset Sales is responsible for the planning and delivery of the State's major non-residential building projects. Projects are assigned to Strategic Projects on the basis of cost, uniqueness, complexity and risk, as directed by the [Economic and Expenditure Reform Committee](#). In August 2014, Strategic

Projects was expanded to include oversight of designated asset sales under the State's asset sales program.

Directorates

Business Development provides support to our people and the business through the following services:

- organisational and learning development;
- human resources and workforce strategies;
- strategic information technology and communications; and
- project management.

In February 2015, the Department's administration network was decentralised to provide capacity for the Executive team to customise administrative support requirements to best suit their individual business units' needs.

Finance, Risk and Audit is responsible for Treasury's internal financial management. It also provides advice and guidance to ensure that Treasury complies with all relevant legislative requirements including Treasurer's Instructions, Premier's Circulars and the *Financial Management Act 2006*.

As a result of Treasury's 2015-18 strategic planning process, outlined in the 'Our People' section of this report, some realignment of functions and resources occurred and has been implemented from 1 July 2015.

Support from the Department of Finance

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

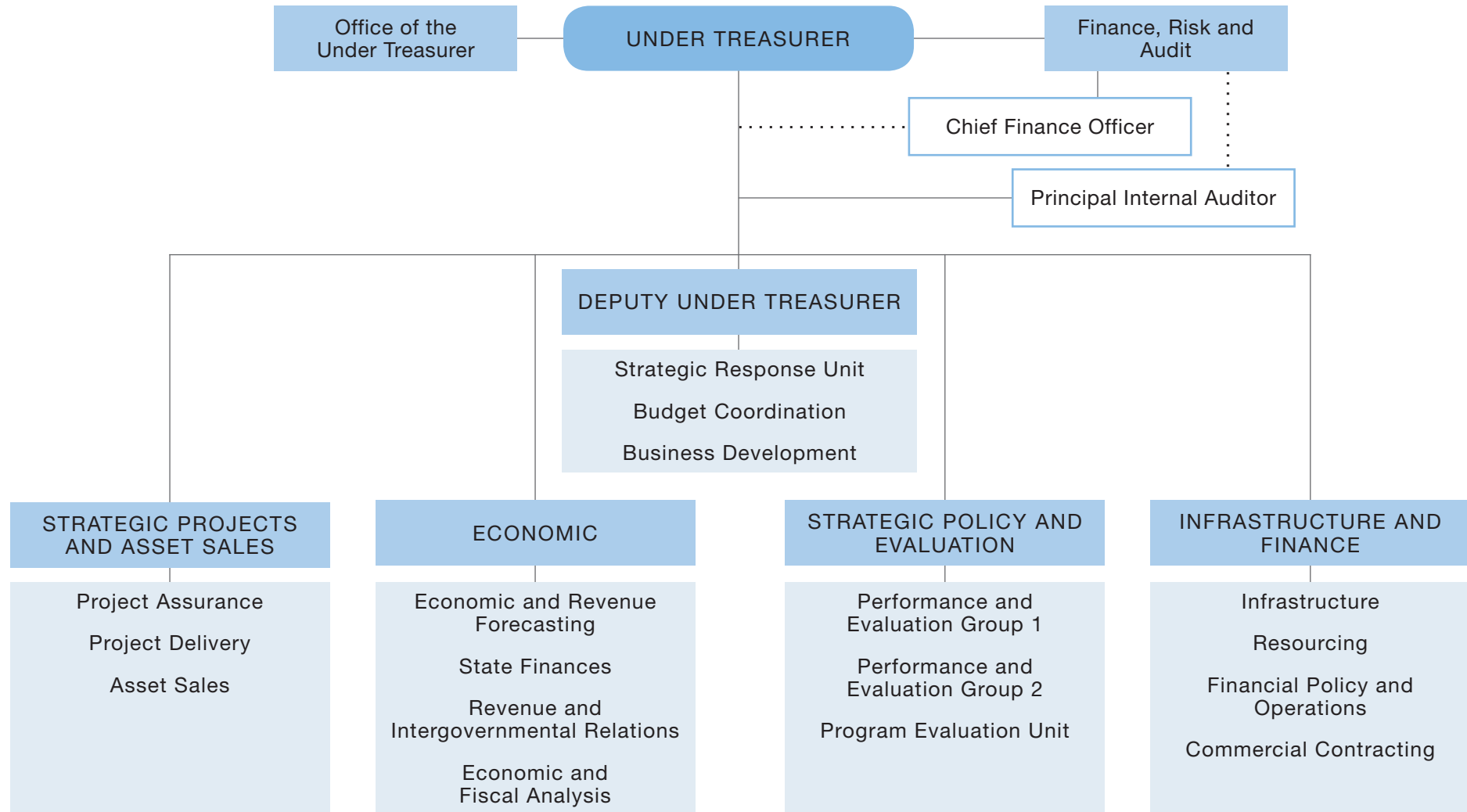
Strategic Projects and Asset Sales receives additional support across financial and contract administration systems as well as resources from Finance's Building Management and Works business unit.

Responsible Minister



Hon Dr Michael (Mike) Dennis Nahan MLA
Treasurer; Minister for Energy; Citizenship and
Multicultural Interests

Our organisational structure



Our Executive team

Michael Barnes BBus (Hons)

Under Treasurer



Michael was appointed to the position of Under Treasurer in April 2015, after having acted in the role since February 2014. Prior to this, Michael spent more than five years as the Deputy Under Treasurer after holding a number of senior positions across the Department, mainly in the areas of revenue policy, fiscal strategy and whole-of-government financial management and reporting.

Michael is the Chair of the [Western Australian Treasury Corporation](#), and chairs both Treasury's [Budget Management and Finance, Risk and Audit Committees](#).

Michael joined Treasury in 1997 after starting his career as a graduate in the Commonwealth Treasury in 1992.

Michael Court BEc (Hons)

Acting Deputy Under Treasurer



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

He 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.

As well as chairing the quarterly Public Sector Financial Management Committee, Michael chairs the Department's [People and Communications Committee](#).

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

Richard Mann BEng

Executive Director, Strategic Projects and Asset Sales



Richard was appointed Executive Director of Strategic Projects in February 2008, which expanded in August 2014 to include asset sales. He is responsible for managing the planning and delivery of the State's major building projects and managing asset sales on behalf of the State.

In his role as Executive Director, Strategic Projects

and Asset Sales (SP&AS), Richard has overseen 23 major building projects with a combined capital value of more than \$8.5 billion. In addition, the SP&AS asset sales program currently comprises six divestment projects.

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

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

Acting Executive Director, Infrastructure and Finance



Joining Treasury in 2002 as a graduate, Kaylene has been Acting Executive Director of Infrastructure and Finance since April 2013. She is responsible for the management and governance of Government Trading Enterprises, supporting the State's financial management and infrastructure development, legislative and accounting standards advice, and

supporting commercial transactions such as public private partnerships.

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

Alistair Jones BCom, MComms

Acting Executive Director, Strategic Policy and Evaluation



Alistair was appointed Acting Executive Director of Strategic Policy and Evaluation in June 2012, after joining Treasury in 2008. He is responsible for managing the provision of advice on the efficiency and effectiveness of service delivery in key State Government agencies.

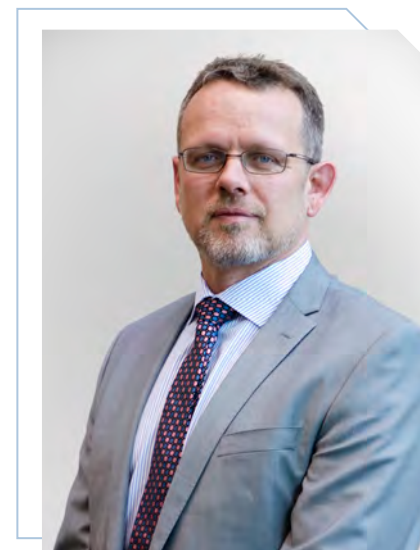
Alistair has worked in a variety of roles in the

Western Australian public service focusing primarily on Commonwealth-State relations and regulatory and economic reform issues. Previously, he worked in the Commonwealth public sector, local government and the private sector in a number of policy and communications roles.

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

Richard Watson BEcons (Hons), M.Phil

Acting Executive Director, Economic



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

He is responsible for the provision of advice, systems and operations critical to the State's financial management, revenue policies and Commonwealth-State financial relations.

Legislation

Enabling legislation

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

Administered legislation

Treasury assists the Treasurer in administering the following Acts:

- *Advance Bank (Merger with St. George Bank) Act 1998*
- *Anzac Day Act 1960*
- *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*
- *Coal Industry Superannuation Act 1989*
- *Electricity Industry Act 2004 (Part 9A only)*
- *Fire and Emergency Services Superannuation Act 1985*
- *Financial Agreement Act 1928*
- *Financial Agreement Act 1995*
- *Financial Management (Transitional Provisions) Act 2006*
- *Financial Management Act 2006*
- *Financial Relations Agreement (Consequential Provisions) Act 1999*
- *Fiona Stanley Hospital Construction Account Act 2007*
- *Government Financial Responsibility Act 2000*
- *Judges' Salaries and Pensions Act 1950*
- *Loan Acts (various)*
- *Parliamentary Superannuation Act 1970*
- *Perth Building Society (Merger) Act 1986*
- *Railways (Access) Act 1998*
- *Royalties for Regions Act 2009 (Part 2 only, except sections 9 and 10)*
- *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 Act 1990*
- *WADC and WA Exim Corporation Repeal Act 1998*
- *Western Australian Future Fund Act 2012*
- *Westpac Banking Corporation (Challenge Bank) Act 1996*

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*
- *Construction Contracts Act 2004*
- *Contaminated Sites Act 2003*
- *Corruption and Crime Commission Act 2003*
- *Criminal Code 1913*
- *Disability Services Act 1993*
- *Electronic Transactions Act 2003*
- *Environment Protection and Biodiversity Conservation Act 1999 (Cwlth)*
- *Environmental Protection Act 1986*
- *Evidence Act 1906*
- *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*
- *Personal Property Securities (Commonwealth Laws) Act 2011*
- *Planning and Development Act 2005*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Public Sector Management (Redeployment and Redundancy Regulations 2014)*
- *Public Works Act 1902*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Records (Consequential Provisions) Act 2000*
- *State Supply Commission Act 1991*
- *Workers Compensation and Injury Management Act 1981*

Achieving Government goals

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

At Treasury we focus on the goals of responsibly managing the State's finances, achieving results in key service delivery areas for the benefit of all Western Australians, and building strategic infrastructure.

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

Performance Management Framework

Outcome Based Management Framework

Government goal: Financial and economic responsibility

Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector. A new service 'Manage the Government's asset sales program (excluding land sales)' was added to Treasury's Outcome Based Management Structure in April 2015.

Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Sustainable and transparent public sector finances	Status of the State's credit rating Unqualified audit opinion on the Annual Report on State Finances Percentage of approved asset sales program completed within agreed timeframes	Financial management and reporting Manage the Government's asset sales program (excluding land sales)	Percentage of financial reports released as per agreed timeframes Percentage of approved asset sales program completed within agreed budgets
A strong and competitive State economy	Accuracy of key general government revenue forecasts: – tax revenue – mining revenue Accuracy of key economic forecasts (percentage point difference): – employment growth – real State Final Demand growth	Economic and revenue forecasts and policy development	Number of Ministerials, briefings or reports provided on economic issues

Government goal: Results-based service delivery

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

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

Government goal: State building – major projects

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

Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Value for money from the management of the Government's non-residential buildings and public works	Percentage of significant projects in the New Buildings program delivered within approved: – budget – timeframe	Leads the planning and delivery of new Government buildings	Cost as a percentage of the total annual value of the planning and delivery of capital works projects

Our Performance



This section outlines our key achievements and performance for 2014-15 and provides an overview of the external environment.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Government goal one: Financial and economic responsibility

Economic and financial conditions

Following several years of very strong growth, the Western Australian economy moderated in 2014-15, with a strong contribution to growth from exports offset by soft domestic economic conditions, mainly resulting from investment tapering from historically high levels. Strong growth in export volumes, particularly iron ore, occurred in an environment of declining prices of key commodities, reflecting a combination of strong growth in global supply and moderating demand.

This has made for a challenging fiscal environment, with:

- softer labour market (characterised by modest full-time employment growth, an increasing unemployment rate and record low wages growth) and property market conditions contributing to lower tax receipts;

- declining commodity prices (particularly for iron ore and oil) reducing royalty revenue and North West Shelf grants; and
- a continued fall in GST grants to Western Australia.

While operating expense growth has been modest, the trends in tax, royalty and GST revenue combined to deliver a decline in general government operating revenue for only the second time in 20 years. This resulted in a general government operating deficit in 2014-15, the first deficit outcome in 15 years.

The challenging fiscal environment was reflected in [Standard & Poor's \(S&P's\)](#) decision to place Western Australia's AA+ credit rating on 'negative credit watch' on 14 April 2015 (down from a 'stable outlook'). The negative watch was resolved in July 2015, with S&P's reaffirming the AA+ rating for Western Australia, with a revised outlook from 'stable' to 'negative'. [Moody's Investors Service](#) also reaffirmed the State's Aa1 rating, but revised the outlook from 'stable' to 'negative', mainly reflecting

the considerable pressure from changes to the revenue outlook during 2014-15.

Treasury provided considerable advice to the Government and other stakeholders on economic and financial conditions throughout 2014-15, with Government decisions on corrective measures detailed in the [2014-15 Mid-year Review \(MYR\)](#) and [2015-16 Budget](#).

Commonwealth-State relations

During 2014-15 Treasury was heavily engaged in seeking to improve the [Commonwealth Grants Commission's \(CGC's\)](#) methods for distributing GST revenue between the States and Territories.

Reflecting that reform of the GST distribution is a key priority for the State, Treasury provided five formal submissions to the [CGC's 2015 Review](#). These submissions advocated changes to the CGC's existing methods, with the aim of ensuring the GST distribution reflects States' current fiscal circumstances.

The CGC accepted a range of Western Australia's arguments. The net impact of

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

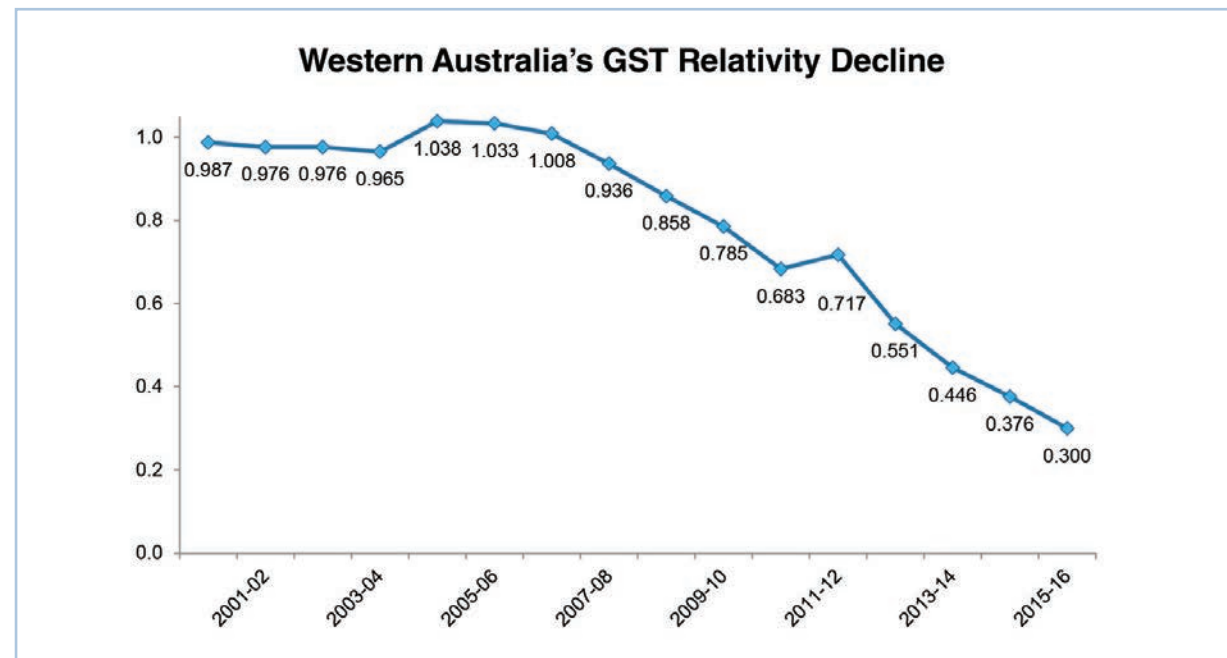
the method changes on the State's Budget was an increase in GST grants of \$1.6 billion over the four year period 2015-16 to 2018-19, compared to Treasury's previous forecasts. However, the lagged impact of high iron ore prices in 2013-14 still meant that Western Australia's GST relativity declined in 2015-16 to 30% of its population share.

No other State has ever had a relativity as low as 30%. Following the release of the CGC's 2015 Review in April 2015, Treasury supported both the Western Australian Premier and Treasurer during discussions in meetings of the [Council on Federal Financial Relations](#) and the [Council of Australian Governments](#) which ultimately led to the Commonwealth Government providing the State \$499 million in additional road funding assistance. The additional funding was commensurate with the fall in Western Australia's GST grant compared to if its GST relativity had stayed at 37.6% of its population share.

Treasury also played a key role in identifying the infrastructure projects for funding.

Working with transport agencies, funding was secured for nine projects, including five that had previously been entirely State funded.

In 2014-15, Treasury also participated in a working group of Heads of Treasuries discussing possible tax reforms as part of the Commonwealth's Tax White Paper process. In addition, Treasury provided support to the [Department of the Premier and Cabinet](#) in relation to discussions of federal financial relations issues (including possible reforms to the GST distribution) in the Reform of the Federation White Paper process.



Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Revenue and savings measures

Building on successive rounds of Government measures, Treasury assisted with the development and implementation of a range of new revenue and savings measures during 2014-15. In 2014-15, the Government announced a total of \$5.1 billion in new savings across 2014-15 and the outyears. Treasury devoted considerable resources to supporting the assessment and implementation of the following new initiatives.

Workforce Renewal Policy

As a crucial element in constraining public sector salaries growth, the 2014-15 MYR included a new Workforce Renewal Policy (WRP). Treasury assisted the Government in the development of the WRP and in the lead up to the 2015-16 Budget, worked closely with agencies to determine individual agency savings for the WRP. These savings total \$1.3 billion over the period to 2018-19.

The WRP harvests savings from agencies' budgets based on expected employee separations from 1 January 2015. Under the WRP, agencies retain a proportion of the ongoing salary related to expected separations and have significant flexibility in how they achieve the required savings, ensuring that agencies fully review the options required to manage their emerging workforce.

Targeted voluntary separation scheme

In October 2014, the Government announced a further targeted voluntary separation scheme to achieve an estimated reduction of 1,500 public sector employees across agencies with identified surplus staff. The scheme resulted in 1,362 voluntary separations at a one off cost of \$130.4 million in 2014-15. These separations are expected to generate estimated annual savings of \$100 million each year from 2015-16. This measure brings the total number of full-time equivalent employees that

have left the public sector over five rounds of voluntary separations to 3,612.

General Government efficiency dividend

In October 2014, the Government also announced a one-off 1% efficiency dividend to apply to most general government agencies and the [Public Transport Authority](#) in 2014-15, as part of its response to the emerging revenue downturn.

In the lead-up to the 2014-15 MYR, Treasury worked with agencies to roll out estimated savings of \$80 million for 2014-15 and \$424 million over the four years to 2017-18.

Agency Expenditure Reviews

In the 2014-15 MYR, the Government announced Agency Expenditure Reviews (AER) for eight agencies to ensure that the programs delivered remain a priority for Government, and are delivered in an efficient and effective manner. As part of the 2015-16 Budget, the [Departments of the Attorney General, Commerce, Agriculture](#)

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

and Food, Fisheries, Parks and Wildlife, and Training and Workforce Development reviewed spending programs and identified savings resulting in an estimated \$137 million net debt improvement by 30 June 2019. The remaining two agencies (Finance and the Culture and the Arts portfolio) were referred to stage two of the AER process.

Amendments to the payroll tax scale

Treasury worked with the Office of State Revenue to develop and support the passage of legislative amendments required to implement the gradual reduction of the payroll tax exemption threshold to be applied from 1 July 2015.

Efficiencies in Government Trading Enterprises

Treasury worked with Synergy, the Western Australian Land Authority and the Water Corporation to implement a reduction in general government sector operating subsidy payments from 2014-15.

The savings in subsidy costs are to be matched by equivalent reductions in recurrent spending by these public corporations.

Information and Communications Technology savings and reform

Outlined in more detail in the program and service evaluation section, the Government implemented a 15% annual reduction in expenditure for the largest Information and Communications Technology spending agencies, from 1 January 2015.

Other measures

Treasury also assisted in identifying and implementing other savings and revenue measures through the year, including:

- infrastructure program efficiencies, outlined later in this report;
- interim dividend arrangements for Synergy, Western Power and Horizon Power, bringing interim dividend arrangements for electricity agencies

into line with other public corporations such as the Water Corporation and port authorities;

- an ongoing 15% reduction in non-essential general government procurement expenditure to apply from 2015-16 onwards; and
- a 15% per annum reduction in road maintenance expenditure over the three years from 2014-15 to 2016-17.

Asset sales

On 28 August 2014, the Government announced its first round ('tranche one') of asset sales, including the sale of the Government owned wholesale fresh produce market in Canning Vale (Market City) and bulk handling port facilities in Kwinana and Port Hedland. The Government approved the establishment of an Asset Sales Unit (ASU) in Treasury to manage the implementation of the sales program from detailed due diligence to transaction completion and contract execution.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

The ASU has been designed to:

- lead and manage approved asset sales processes, including the engagement of external advisors;
- provide representation on sale governance committees and working groups;

- manage stakeholder engagement (both within and external to Government); and
- coordinate the approvals processes through the Premier, Treasurer and Cabinet as required.

During its establishment period, the ASU focused on the creation of project teams,

procurement of external advisers and formalisation of governance and stakeholder management frameworks for each sale. Within this period, the following outcomes were achieved:

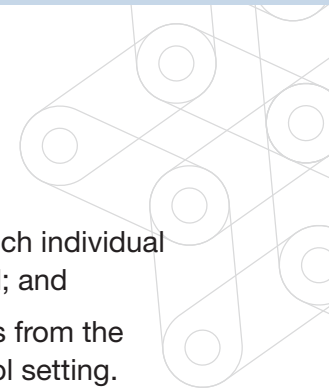
- Project Directors for each asset sale were recruited after advertising nationally;
- tender requests for the Lead Financial Advisors for the Port asset sales and Market City were developed, released, evaluated and awarded;
- tenders for secondary advisers were developed, released, evaluated and awarded;
- Project Control Groups comprising senior government agency stakeholders were established; and
- drafting commenced on asset specific enabling legislation following approval by Cabinet.

More information about the [ASU](#) and its projects can be found on our website.



Members of our Asset Sales Unit, which was established in September 2014.

Government goal two: Results-based service delivery



Program and service evaluation

Throughout 2014-15, the [Program Evaluation Unit \(PEU\)](#) continued to work on priority area evaluations with a focus on ICT and social concessions. The PEU has also supported the respective Directors General Steering Committees (DGSC) to identify opportunities for more effective and efficient service delivery in these areas.

The ICT evaluation saw Treasury working collaboratively with the [Departments of the Premier and Cabinet](#) and [Finance](#) to implement an ICT savings reform package. This package (overseen by the DGSC) applied a 15% annual reduction in Government ICT expenditure to the highest spending agencies, saving an estimated \$110 million over the period 2014-15 to 2017-18. Of this, \$25 million has been allocated to a three year ICT Renewal and Reform Fund to support agencies with specific ICT reforms and encourage more efficient and effective ICT arrangements.

The review of social concessions is another example of the collaborative work led by Treasury resulting in successful reform to government policy. Further details on this can be found in the case study.

Education reform

In 2014-15, Treasury assisted the [Department of Education \(DoE\)](#) to identify and mitigate the financial risks associated with a number of significant reforms in the public education system. As a result, Treasury's involvement facilitated the successful implementation of key initiatives, including:

- the development and implementation of a global funding model for forecasting the DoE's funding requirements across the forward estimates. The model recognises key cost and demand drivers and is consistent with Treasury's population forecasting;
- the introduction of the Student Centred Funding Model, where funding to schools is now allocated on the basis of the

characteristics and needs of each individual student enrolled at each school; and

- the transition of Year 7 students from the primary to the secondary school setting.

Health reform program

[WA Health](#) is embarking on a wide ranging reform program including governance, performance management, support services and procurement elements. In addition, the phased opening of the [Fiona Stanley Hospital](#) was completed with full services being delivered from March 2015.

Throughout 2014-15, Treasury played a significant role in monitoring the progress and financial implications of WA Health's reform agenda and hospital commissioning program (including the associated system reconfiguration), and advised the Government on emerging risks.

With the [Perth Children's Hospital](#) due to become operational within the next year, and the reform program progressing, Treasury will continue to provide advice to Government throughout 2015-16.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Case Study

Social Concessions Reform

Government goal:
Results-based service delivery

“The reforms aim to ensure that concessions remain sustainable and provide the best targeted assistance”

Background

The Government provides social concessions (including for seniors) in the form of rebates, discounts, subsidies and direct payments to improve the affordability of services and help reduce the cost of living for individuals and families. In 2014-15, estimated State expenditure on social concessions (excluding operating subsidies) was \$900 million, with approximately \$380 million of this provided to seniors. With the proportion of seniors in Western Australia continuing to grow, the State Government developed a number of reforms to social concessions in the [2015-16 Budget](#).

Approach

The review of social concessions was led by a DGSC in collaboration with Treasury. Commencing in December 2013, members of the PEU worked with a number of agencies responsible for administering major concession payments including the [Departments of Local Government and Communities](#), and Finance to develop options to better target concessions to those most in need.

The team's initial work focused on an analysis of the annual Social Concessions

survey to identify a number of social concessions that have been growing at an unsustainable rate. This included looking at the seniors Cost of Living Rebate (CoLR), which has grown 79% in the last four years. In addition, Western Australian Seniors Card holders were found to be entitled to around 60 concessions, of which only 11 concessions required any means testing.

As a result of the team's research and data modelling of reform options, a reform package focusing on better targeting of major concessions was delivered as part of the 2015-16 Budget. The reforms aim to ensure that concessions remain sustainable and provide the best targeted assistance.

Outcome

The social concessions reform consists of three main components:

- the non means-tested seniors CoLR will remain at existing levels from 2015-16 onwards (with annual indexation by the Consumer Price Index);
- eligibility for the Energy Assistance Payment, formerly the Cost of Living Assistance payment, will be means-tested by limiting it to those holding a means tested Commonwealth

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

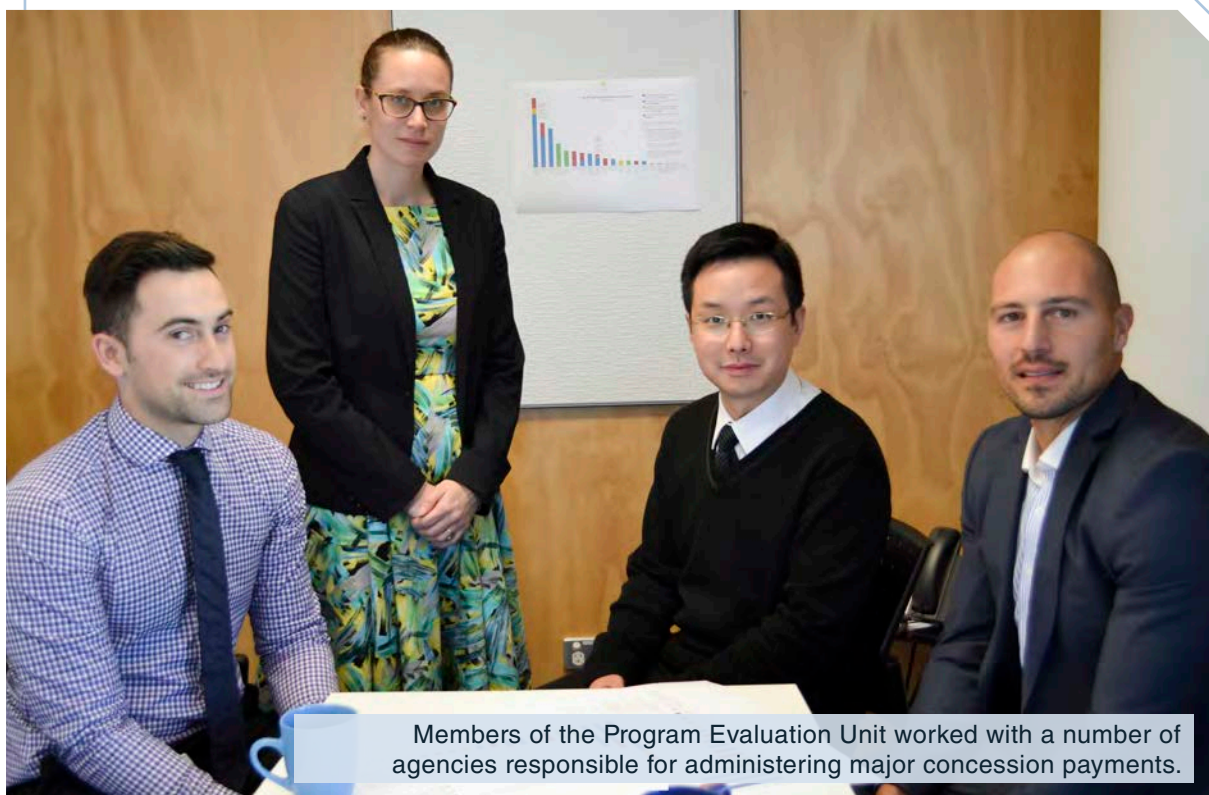
Concession card from 2015-16 onwards, with those only holding a Western Australian Seniors' Card no longer being eligible; and

- application of a \$550 cap to the 50% Local Government Rates rebate and a \$600 cap to the Water Service Charge

rebate, available to eligible means-tested Commonwealth concession card holders for implementation from 2016-17.

These changes in social concessions result in estimated savings of \$41 million in 2015-16 and \$199 million across the forward estimates, and will help to better

target assistance to those most in need. This more closely aligns the State with other jurisdictions in the provision of means-tested concessions and ensures sustainability of these concessions over the longer term.



Members of the Program Evaluation Unit worked with a number of agencies responsible for administering major concession payments.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Activity based funding for public hospital services

As part of the 2011 [National Health Reform Agreement](#), all jurisdictions agreed to implement a nationally consistent activity based funding/management (ABF/ABM) approach for public hospital services from 1 July 2014. Despite the [Commonwealth Government's 2014-15 Budget](#) decision to cease funding public hospital services via ABF from 1 July 2017 (and instead index its funding contribution to population growth and inflation), ABF/ABM will continue to be an integral tool for the State to fund and manage the Western Australian public hospital system.

The cost of delivering public hospital services in Western Australia is currently around 10% higher than the national average. Throughout 2014-15, Treasury worked with WA Health on the implementation of ABF and the development of a convergence strategy to the national Projected Average Cost by 2020-21, aligning with the timeframe for completion of the WA Health reform program. Treasury will

continue to work closely with WA Health to support the sustainable delivery of health services.

Agency Expenditure Reviews

Treasury led the development and implementation of the Agency Expenditure Review (AER) process. As a two stage process, the objective of the AERs is to ensure that as circumstances change over time, the programs delivered by agencies remain a priority for Government, and are delivered in an efficient and effective manner.

As part of stage one of the AER process in 2014-15, \$137 million in savings were identified and implemented for six general government agencies. These savings were identified by the affected agencies and analysed by Treasury as part of the 2015-16 Budget.

Cost and demand modelling

In 2014-15, Treasury worked closely with the [Public Transport Authority \(PTA\)](#), and the [Departments of Corrective Services \(DCS\)](#) and [Child Protection and Family Support \(DCPFS\)](#) to identify opportunities to improve the efficiency and sustainability of government services. Through this collaboration, the following cost and demand models were developed.

Public Transport model

Treasury worked with the PTA to develop an econometric model to examine the factors affecting demand for metropolitan public transport patronage. The model assesses trends and variations in patronage demand and generates forecasts of patronage behaviour due to changes in factors like fare price, population, income, employment and service kilometres. It enables better informed policy considerations of public transport funding decisions and cost recovery targets.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Prisoners model

With assistance from the DCS, Treasury developed a simulation model to forecast the number of prisoners in the Western Australian adult prison system for the next 10 years. The model is based on statistical patterns in arrivals and sentencing for 16 offence categories plus remand, and incorporates Treasury's population and migration forecasts for population growth. The quantitative analysis provided by the model will assist in the decision making processes surrounding funding for the DCS.

Child Protection model

In collaboration with the DCPFS, Treasury completed the development of a new cost and demand model to provide more robust forecasts of the costs of delivering child protection services and associated funding requirements. The model uses key cost and demand parameters, including the number of children in care, the number of duty interactions with the DCPFS and cost escalators to provide an estimate of future activity and cost. This provides an evidence base for funding decisions and longer term policy around the overall sustainability of the system.



Members of Treasury worked in collaboration with agencies to develop cost and demand models.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Streamlined Budget Process

Treasury developed and led the implementation of the Streamlined Budget Process (SBP) for the 2015-16 Budget.

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

Over 90% of the eligible agencies opted-in to the SBP during the 2015-16 Budget. To give an indication of scale and risk, the incentive funding provided to the opted-in SBP agencies represented only 0.2% of the total value of funding requests submitted for the 2015-16 Budget.

Agencies that opted-in to the SBP will be monitored by Treasury through financial risk assessments based on quarterly financial performance.

Out of 42 eligible agencies,

38 opted-in

to the 2015-16 Streamlined Budget Process.

Government goal three: State building – major projects

Capital works projects portfolio

During 2014-15, [Strategic Projects and Asset Sales \(SP&AS\)](#) was responsible for the planning and delivery of a portfolio of 18 major non-residential building projects, with a combined capital value approaching \$8 billion. The portfolio reduced from 20 projects in 2013-14, reflecting the formal handover of the [Albany Health Campus](#) and [Joondalup Health Campus](#) projects to [WA Health](#) as the responsible asset owner, concluding SP&AS's involvement in project management.

The current project portfolio includes:

- [Fiona Stanley Hospital](#) (including the State Rehabilitation Service) – \$2 billion;
- [Perth Children's Hospital](#) – \$1.2 billion;
- [Perth Stadium](#) – \$918 million;
- [Old Treasury Buildings \(OTB\) Redevelopment](#) – \$500 million (private sector finance);
- [New Western Australian Museum](#) – \$433 million;

- [WA Schools Public Private Partnership \(PPP\)](#) – \$370 million; and
- [Midland Health Campus](#) – \$360 million.

Major building projects

Construction of the [Eastern Goldfields Regional Prison](#) (a new 350-bed, multi-security facility catering for both male and female prisoners) is now nearing completion, with commencement of operations expected by the end of 2015.

The construction phase of the OTB Redevelopment is also nearing completion, with Practical Completion of the hotel component achieved in June 2015 and fit-out of the new State Administrative Tribunal accommodation at 565 Hay Street completed in July 2015 with the facility now occupied.

Construction of the \$1.2 billion Perth Children's Hospital continued, however, design and construction delays mean that hospital opening will now be delayed into 2016, rather than late 2015 as previously planned.

The construction contract for the \$38 million [Sarich Neurosciences Research Institute](#) was awarded in January 2015 and construction commenced the following month, targeting completion by September 2016.

In September 2014, the Government approved the delivery of a package of eight primary schools and secondary schools under a 'design-build-finance-maintain' (DBFM) PPP procurement model. Detailed, fully costed proposals for the WA Schools PPP were received in May 2015, with contract award targeted for September 2015 to enable construction to commence by the end of 2015.

The Managing Contractor (MC) contract for delivery of the \$207 million [Karratha Health Campus](#) was awarded in July 2015 and the MC procurement process for the New Western Australian Museum also progressed, with shortlisted respondents announced in June 2015.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Perth Stadium

In August 2014, the State entered into a DBFM PPP contract with the WESTADIUM consortium for the delivery of the Perth Stadium and Sports Precinct. WESTADIUM commenced construction in December 2014. Work is progressing well, with the project on track for completion by late 2017.

Projects delivered

The \$126 million expansion of [Acacia Prison](#) to provide an additional 387 beds and associated prison facilities was completed in July 2014, 11 months ahead of the approved completion date and well within budget. The expansion facilities are now fully occupied, delivering significant operational efficiencies for the [Department of Corrective Services](#).

The 360-bed Midland Health Campus achieved Practical Completion in June 2015, on time and within budget. This project is being delivered as a 'design-build-operate-maintain' PPP, with St John of God Health Care contracted by

the State to provide all clinical and non-clinical services in the new public hospital over a 20 year operating term, replacing the existing Swan District Hospital. Final commissioning is in progress and the hospital is on track to meet its scheduled November 2015 opening date.

[Busselton Health Campus](#) achieved Practical Completion in March 2015 and the new 80-bed hospital is now fully operational. Whilst construction and commissioning delays resulted in completion five months later than the October 2014 target, this project is also within budget.

The [Perth Arena](#) and [Queen Elizabeth II Medical Centre Car Park](#) projects were formally closed out and handed over to the respective asset owners ([VenuesWest](#) and WA Health) during 2014-15.

Since its establishment, Strategic Projects has managed a portfolio of **23 projects** worth

\$8.5b

To date, 12 projects worth \$4.1b have been completed.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Strategic Asset Management Framework

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

Treasury is responsible for the maintenance and oversight of the SAMF, and worked with government agencies during 2014-15 to achieve:

- Government agreement to a complete revision of the SAMF material, with a new requirement that Government Trading Enterprises (GTEs) must comply with the SAMF;
- agreement that Treasury will provide an annual report to the [Economic and Expenditure Reform Committee](#) on agencies' progress in SAMF implementation; and

- continued application of the SAMF during the development of business cases and project definition plans for major non-residential building projects.

Throughout 2015-16, Treasury will continue to liaise with GTEs and general government agencies to assist in their development of strategic asset plans for the 2016-17 Budget.

Asset Investment Program

Treasury is responsible for monitoring, reporting, planning and providing advice on the State's Asset Investment Program (AIP), which comprises capital expenditure on social and economic infrastructure such as hospitals, schools, roads, power, water and public transport.

An AIP focused on the delivery of priority infrastructure in a financially sustainable manner is essential to meet the needs of the State's growing population, and to facilitate future economic growth.

During 2014-15, Treasury contributed to this by coordinating and providing advice

to Government on the implementation of approximately \$1 billion in AIP efficiency measures announced in the [2014-15 Budget](#) and [2014-15 MYR](#). These measures were implemented in response to low growth in building and construction costs and in recognition of more favourable tender outcomes achieved from more competitive conditions in the construction sector. Treasury worked with agencies to embed these efficiencies in agency AIPs through the allocation of savings to specific projects and/or programs.

Case Study

Building Information Modelling

Government goal: State building – major projects

“A more advanced example of end-to-end integrated BIM could not be identified on any other project in the world”

Issue

The \$1.2 billion Perth Children’s Hospital (PCH) is one of the State’s largest building projects, and is being delivered under a two-stage Managing Contractor (MC) procurement model. John Holland Pty Ltd was appointed as MC in July 2011.

To effectively manage the high volume of project information during the fast track design, construction, and commissioning of the PCH, fully integrated Building Information Modelling (BIM) was implemented for the first time on a Western Australian Government project, as an alternative to traditional project management methodologies.

Background

BIM is a data management framework that enables the development of a virtual model of the project as a single information database combining data from many software sources. The model provides a ‘single point of truth’ for a range of information including design, scheduling, cost and facilities management, unlocking the potential for interactive use of data far beyond the capability of traditional project deliverables.

Approach

Upon the appointment of John Holland as MC, a collaborative approach was adopted to implement BIM, moving away from traditional paper based design deliverables, to rely solely upon BIM.

The driving motivations for the implementation of BIM were based on:

- a recognition that BIM technology offered an opportunity to drive efficiencies and realise cost savings;
- to set an example to Western Australian design and construction organisations by demonstrating the benefits that can be realised by embracing technology; and
- a recognition that the BIM data will be a valuable source of information utilised and updated by the facilities management team throughout the PCH’s operating life.

As the first project to use this approach to project management, there were some challenges. As the building industry had limited previous experience in utilising the technology, the BIM model took some time to set up. In addition, subcontractors and consultants required training in order to properly use the new technology.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Utilising BIM enabled the PCH project team and all stakeholders to take advantage of significant benefits, including:

- enhanced communications – BIM has greatly improved the flow of information and communication across all project stakeholders;
- lower cost and less time – the use of the BIM's automated clash detection function reduced labour intensive man hours normally required for overlaying and marking drawings. It is estimated that time required for a specific clash detection task reduced from 40 hours to just 2 hours;
- reduced risk – BIM provides a better understanding of project risks and provides the tools to anticipate issues before they occur, allowing a clear strategy to be devised to eliminate or reduce risks;
- improved project coordination – BIM provides greater and more timely coordination between design elements, documentation and construction tasks;
- better change management – enabling changes to be tracked throughout the project's life-cycle, allowing for a visual communication of changes and increasing transparency; and

- improved safety – the BIM was used to test alternative construction methodologies and identify safety improvements for the installation.

Outcome

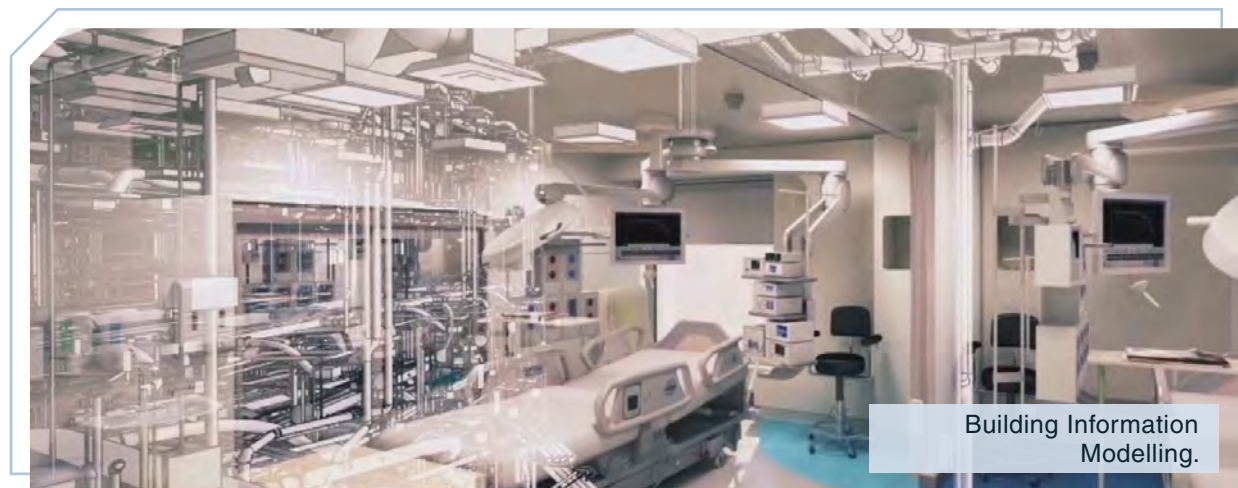
The implementation of BIM at PCH demonstrates the benefit of embracing new technology to improve project delivery. Recent independent case studies carried out at PCH rated the project's use of BIM as achieving international best practice. A more advanced example of end-to-end integrated BIM could not be identified on any other project in the world.

The State's understanding of the full depth of BIM's capabilities and benefits has evolved

throughout the delivery of PCH. Rather than being limited to the design phase, the State now recognises that BIM adds significant value to the entire project life-cycle including construction, commissioning and readiness for operations.

The lessons learned at PCH have already been applied for BIM implementation on other major projects including the Perth Stadium and the new WA Museum.

The increasing integration of BIM into future project and facilities management processes will result in new and more efficient models of how major projects can be designed, procured, constructed, operated and maintained.



Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Actual results versus Budget targets

Financial targets

Total cost of services

Treasury commenced 2014-15 with an initial expense limit of \$450 million. During the year, this reduced to a final approved expense limit of \$90.4 million due to the net impact of:

- a \$366 million reduction in Strategic Projects' works turnover; and
- a \$6 million increase for the commencement of the asset sales program.

The actual 2014-15 expense limit result of \$86.3 million was \$4 million below the final approved target of \$90.4 million, mainly reflecting savings from management of staff recruitment and a slower than expected commencement of the asset sales program following changes to the scope of assets to be sold.

Expenses (excluding Strategic Projects works turnover)

Excluding Strategic Projects' works turnover, the actual expense outturn for 2014-15

was \$52.1 million, \$4.6 million lower than the estimated actual. This is mainly attributable to the salary underspend and lower than expected spending on the asset sales program noted above.

Net cost of services

The actual net cost of services for 2014-15 was \$52 million, which was \$4.7 million less than the estimated actual. This was mainly due to the timing of collections of income matched with lower than budgeted expenses from client agencies in relation to the delivery of major projects.

Cash held

The increase in cash is mainly due to a higher collection of client agency receipts in relation to major projects, and unspent resources for salaries and the asset sales program.

Full-time equivalent (FTE)

The actual FTE level for 2014-15 of 285 was lower than the budgeted amount and original estimates due to the continued management of staff recruitment. Additional asset sales FTEs were not recruited to full capacity by the end of the year as anticipated.

	2014-15 Target	2014-15 Estimated Actual	2014-15 Actual	Variation from Estimated Actual
	\$000	\$000	\$000	\$000
Total cost of services (expense limit)	450,427	90,366	86,335	-4,031
Expenses (excluding Strategic Projects works turnover)	50,159	56,728	52,128	-4,600
Net cost of services	50,159	56,728	52,011	-4,717
Total equity	13,541	17,844	24,247	-6,403
Net increase/ (decrease) in cash held	261	261	8,349	8,088
Approved full time equivalent (FTE) staff level – average over the full year	293	306	285	-21

Significant Issues and Trends



This section identifies our current and emerging challenges, and future opportunities. It details our major projects and outlines what we plan to deliver throughout 2015-16.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Government goal one: Financial and economic responsibility

Economic and fiscal outlook

With below-trend economic growth in 2015-16, and general government operating revenue projected to decline for the second consecutive year, Western Australia's economic and fiscal environment remains challenging.

Modest economic growth reflects a continued expansion in net exports accompanied by a further contraction in the domestic economy as business investment continues to normalise, particularly with two of Australia's largest ever projects (Gorgon and Wheatstone LNG) moving towards completion.

Reflecting softer domestic conditions, employment growth is forecast to slow with wages growth remaining moderate. As a consequence, growth in payroll tax is expected to be below historical average rates, while moderating population growth and significant additions to the supply of housing in the past year will limit the growth in transfer duty. Mining revenue is expected to decline as prices for key commodities

remain low relative to recent years, and the lagged impact of past strong growth in royalty revenue is resulting in lower GST revenue to the State.

Despite slowing population growth, demand for government services and infrastructure remains strong and will continue to place pressure on the State's finances in the face of a subdued revenue outlook.

Against this backdrop, Treasury will assist the Government in the ongoing implementation of revenue and savings

measures, with a particular focus on embedding workforce reform initiatives, pursuing spending reforms through Agency Expenditure Reviews and progressing the Government's asset sales program.

Commonwealth-State relations

In 2015-16, Treasury will continue to play an important role in developing and advising on suggested reforms as part of the Commonwealth's White Papers on Reform of the Federation and National Tax Reform.



Members of our Intergovernmental Relations team, which forms part of our Economic business unit.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Asset sales

As part of the [2015-16 Budget](#), the Government announced a significant expansion to its asset sales program. Included in this expansion is the divestment, through a long-term lease, of the assets and operations of the [Fremantle Port Authority](#), which will subsume the process for the sale of the Kwinana Bulk Terminal.

Consistent with the approach undertaken for tranche one asset sales, initial focus will be on the establishment of project teams, the procurement of external advisers, and formalisation of governance and stakeholder management frameworks for each sale.

It is anticipated that the sale of [Market City](#) will be complete by January 2016, with the sale of Fremantle Port and the [Utah Point Bulk Handling Facility](#) in Port Hedland to be progressed during the first half of 2016.

Given the expanded sales program and significantly heightened interest from external stakeholders, potential bidders and market participants, Treasury's website has been expanded to provide information to the market and broader public.



The sale of Market City is expected to be complete by early 2016.

Case Study

Resource Agreements – Improving agency financial governance

Government goal: Financial
and economic responsibility

“The RA project provides an example of how opportunities for improvement exist even within the most well embedded government processes”

Issue

As part of the annual Budget process, around 70 general government agencies are required to submit a Resource Agreement (RA) for the upcoming financial year. The RA is a formal agreement outlining an agency's services to be delivered on behalf of the State, along with the agency's performance and financial targets to be achieved, and is signed by the agency's accountable authority (CEO), the relevant Minister and the Treasurer.

In 2014-15, a number of improvements were introduced for implementation into the 2015-16 RA process in an effort to improve financial governance, and address recurring process issues.

Background

In previous years, the effectiveness of the RA as an agency financial governance tool has been impacted by:

- delays in timely submission of the RAs to the Treasurer;
- traditionally, RA financial targets data has been completed at the start of the financial year representing approved Budget targets only. With no

acknowledgement of approved movements in those targets throughout the year, the RA becomes outdated by the end of the financial year; and

- there is limited or no consequence for CEOs who fail to comply with the agreed performance and financial targets outlined in their agency's RA.

Approach

The RA project's objectives were to identify and implement changes to increase compliance with process timeframes, provide more up to date financial targets data, and ensure stronger accountability of agency CEOs in performing against these targets. Having identified the need to improve the framework supporting RAs, engagement with key stakeholders was critical to the project's success.

A comprehensive communications strategy was implemented to address the issue of poor adherence to submission timeframes. This involved a coordinated bottom-up (Treasury to agencies) and top-down (Treasurer's Office to Ministerial Chiefs of Staff) approach to ensure that both agencies and Ministers were reminded of the importance of complying with submission timeframes.

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

From a governance perspective, Treasury implemented key changes to improve the usefulness of financial data, enabling it to be used to introduce stronger CEO disciplines, including:

- a new RA financial targets appendix that more closely aligns with the Government's goals; and
- updating of those financial targets immediately after Mid-year Review (MYR) and Estimated Actuals (as part of the 2016-17 Budget process).

Through consultation with the [Public Sector Commission](#), the improvements have also been incorporated into the Public Sector Commissioner's (the Commissioner) Accountable Authority's performance assessment process, with the RA now including explicit advice informing agency CEOs that their achievement of approved financial targets will be assessed through this process.

Outcome

The RA project provides an example of how opportunities for improvement exist even within the most well embedded government processes. The project successfully implemented process and governance

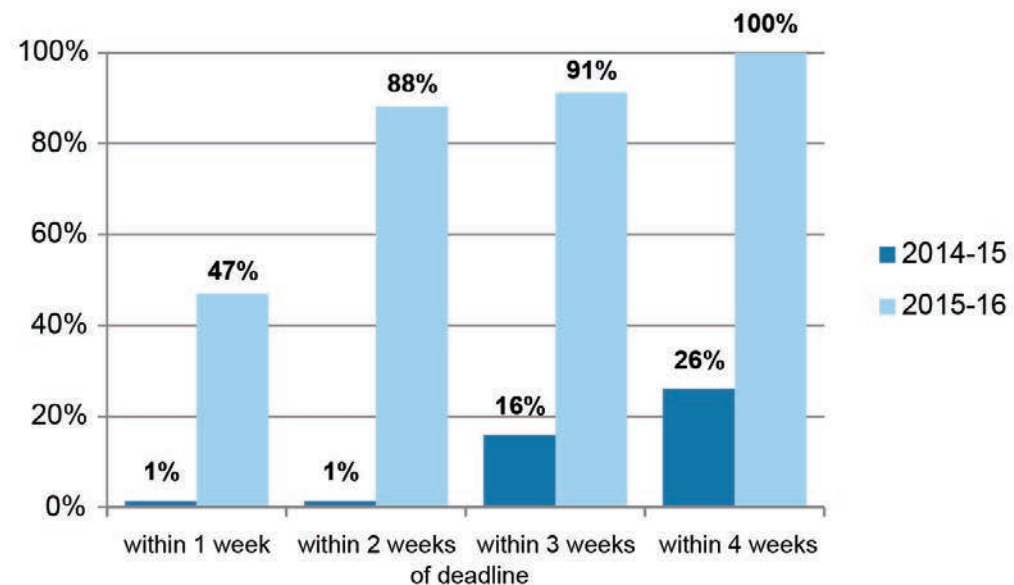
changes resulting in valuable improvements, including:

- dramatically improved compliance with deadlines, with 88% of RAs received within two weeks of the deadline (compared to just 1% at the same time last year), and 100% received within a month;
- 'live' data with RA financial targets now to be updated immediately after MYR and

Estimated Actuals, ensuring that both Ministers and CEOs remain aware of their financial responsibilities throughout the year; and

- stronger disciplines around CEO performance with up to date financial data ensuring robust information is available to inform the Commissioner's assessment process.

Percentage of Agency Resource Agreements Received



Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Government goal two: Results-based service delivery

Schools package

The Government will enter into a public private partnership (PPP) to construct four new primary schools (to open in 2017) and four new senior high schools (to open between 2018 and 2020). The PPP will incorporate both the construction of the schools as well as the provision of facilities management services.

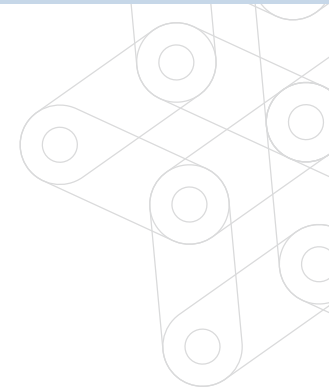
Treasury will continue to play a key role in the evaluation and selection process and support the [Department of Education](#) in the implementation and completion of this project.

Electricity Market Review

In March 2015, the [Minister for Energy](#) launched Phase 2 of the Electricity Market Review (EMR) to give effect to the Government's objectives of reducing electricity costs, reducing Government exposure to energy market risk and attracting private sector participation.



Members of Treasury's Energy team will be working on Phase 2 of the Electricity Market Review.



Phase 2 comprises the following work streams to be undertaken throughout 2015-16 and 2016-17:

- network regulation – transferring regulation of the [Western Power](#) network including price, connection and access, from the Western Australian regime to the national [Australian Energy Regulator](#), for regulation under the National Electricity Law and relevant National Electricity Rules;
- market competition – removal of barriers to entry in the retail and wholesale electricity market in order to enhance market competitive outcomes and achieve full retail contestability;
- institutional arrangements – simplifying energy market corporations and processes by combining the [Independent Market Operator](#) and System Management, creating a new market rule change committee and creating more cost-efficient dispute resolution bodies and procedures; and

- wholesale electricity market improvements – including reforms to the Reserve Capacity Mechanism, reliability standards and the introduction of new processes to co-optimize ancillary services.

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

Government goal one:
Financial and economic responsibility

Government goal two:
Results-based service delivery

Government goal three:
State building – major projects

Case Study

Agency Expenditure Reviews

Government goal:
Results-based service delivery

“... it is critical that Government’s model of service delivery remains contemporary, efficient and maximises value for money for all Western Australians”

Issue

The Government is embarking on a series of Agency Expenditure Reviews (AER) to ensure that programs being delivered by agencies remain a priority and are being delivered as efficiently and effectively as possible.

Throughout 2014-15, Treasury played a critical role in facilitating the roll out of stage one of the AER process. This will continue through 2015-16 with the Government’s announcement of stage two AERs as part of the [2015-16 Budget](#).

Background

Stage one of the AER process delivered \$137 million in savings for six general government agencies. As part of the 2015-16 Budget, the Government announced that the [Department of Finance](#) and the Culture and the Arts portfolio of agencies (including the [Department of Culture and the Arts](#), [Art Gallery of Western Australia](#), [Library Board of Western Australia](#), [Perth Theatre Trust](#), [Western Australian Museum](#), [ScreenWest](#), and the [State Records Office](#)) would be subject to stage two AERs to be undertaken in 2015-16.

Approach

The stage two AER process requires affected agencies to review the entirety of their operations. Treasury will work closely with agencies to project manage the systematic reviews of individual agency programs, which will be presented to an independent project board to consider if the programs delivered remain a priority for Government, and are being optimally delivered.

Treasury developed a review model that could be applied across the Western Australian public sector by analysing a range of models including those implemented in Western Australia, other States and the private sector. The model outlines key criteria for agencies in conducting their reviews, requiring the agency to:

- identify the individual programs it delivers;
- clearly define the scope of those programs; and
- analyse possible program demand controls and delivery options and the impacts of a number of program scaling options in an effort to identify savings opportunities for Government consideration.

Having scoped the stage two AER process, Treasury has developed and established governance arrangements. Although each agency undertakes the underlying program analysis, program level reviews require that this review be overseen by an independently chaired project board.

Treasury has enlisted the expertise of [Mr David Tune](#), the former head of the [Commonwealth Department of Finance](#) and Officer of the Order of Australia, to chair the project board. The AER project boards are made up of experienced senior officials from the Western Australian public sector, including from the [Departments of Treasury](#) and [Premier and Cabinet](#), and the [Public Sector Commission](#).

As well as working closely with agencies to support and guide the reviews, Treasury will provide independent scrutiny of agency AER analysis to ensure that the project board's recommendations to Government are fully informed.

Outcome

As always, it is critical that the Government's model of service delivery remains contemporary, efficient and maximises value for money for all Western Australians.

The AER process allows the Government to review its underlying and ongoing expenditure to ensure that it remains a priority. This is particularly important in the current economic and fiscal environment.

It is expected that the independent chair of the project board will deliver a final report to Government as part of the 2015-16 Mid-year Review.

\$137m

in savings was delivered through stage one of the **Agency Expenditure Review** process.

Government goal three: State building – major projects

Strategic Projects delivery

The capital works portfolio will continue to trend towards completion and handover during 2015-16, with completion of construction and commencement of operations on an additional three projects – [Old Treasury Buildings Redevelopment](#), [Eastern Goldfields Regional Prison](#) and [Perth Children's Hospital](#).

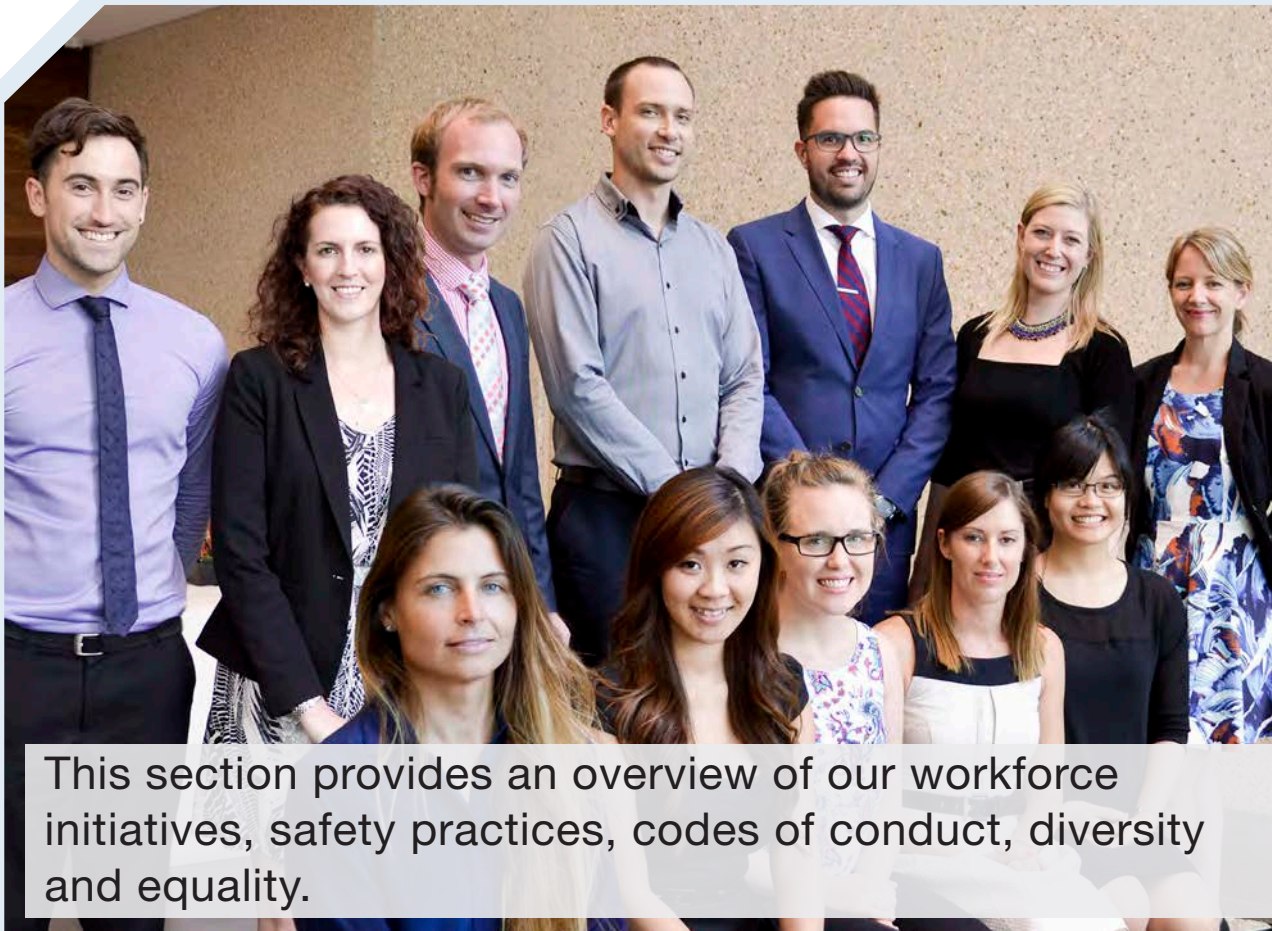
The completed [Fiona Stanley Hospital](#) (including the State Rehabilitation Service), [Acacia Prison Expansion](#) and [Midland Health Campus](#) projects will be closed out and handed over during 2015-16, further reducing the size of the capital works portfolio managed by Strategic Projects and Asset Sales.

Contracts for the WA Schools public private partnership and main [WA Museum](#) works will be awarded and construction will commence, with construction also commencing on the [Karratha Health Campus](#) project. Construction of the [Perth Stadium](#) and [Sarich Neurosciences Research Institute](#) will continue, with the latter expected to be close to completion by June 2016.



Perth Stadium.

Our People



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

Treasury staff profile

	June 2015	June 2014	June 2013	June 2012
Permanent full-time	210	216	251	256
Contract full-time	46	29	24	16
Part-time permanent and contract	26	22	20	19
Total	281	267	295	291
Seconded in	6	7	10	11
Seconded out	2	10	8	10

Our People

Review of Treasury Executive and its support structures

In late 2014, we decided to undertake a review of the way our Executive team and its support structures operate. Key findings included that Executive was overcommitted by 50% in terms of representation at committees and meetings, and that there was opportunity for improved stakeholder engagement and correspondence processes, and in the structure of the Department's corporate support services.

To address these issues, a number of initiatives were implemented, including:

- decentralisation of the business administration network in February 2015. All administrative staff now report directly to their relevant Executive Director/manager, allowing for more tailored administrative support;
- ongoing review of Executive commitments to proactively delegate commitments, where appropriate;

- Treasury's Budget Coordination directorate was realigned to report directly to the Deputy Under Treasurer; and
- amalgamation of our Business Development and Finance, Risk and Audit directorates in July 2015 to form one Corporate Strategy and Performance directorate.

2015-18 Strategic Plan

With our [2012-15 Strategic Plan](#) coming to a close, Treasury has recently developed its new three year [Strategic Plan](#), which will guide us through to 2018.

More detail on the development of Treasury's [2015-18 Strategic Plan](#) can be found in the case study.

Move to Old Treasury Building

In 2010, as part of a whole-of-government strategy to maximise efficiency in accommodation costs and consolidate government accommodation, Cabinet approved the redevelopment of the [Old Treasury Building](#) (OTB) as part of the broader Cathedral and Treasury Precinct,

with the [Department of the Attorney General](#) to be the principal OTB tenant.

In 2014, as a result of extensive assessment undertaken by the [Department of Finance's \(Finance\) Government Office Accommodation branch](#), Cabinet approved the relocation of Treasury to fill the remaining vacant OTB space. This approval was based on Treasury's operations and requirements best aligning with the functionality and security in place for the OTB, best fit of available space, low need for public access, expiration of other office leases, and minimal additional cost.

Treasury is working closely with Finance's Building Management and Works branch, responsible for managing the design, construction and fit out of the OTB, to ensure that our business, operational and technical requirements are met, and to provide input into the redevelopment process.

Treasury is expected to occupy the new OTB facilities from June 2016. The building will have a 5 star green rating, and will complete the revitalisation of the Precinct.

Graduate program changes

As an important source of new talent for our organisation we have implemented a number of changes to our [graduate program](#) strategy in recent years to ensure we continue to attract and develop high performing graduates who display our values.

Some of these changes include:

- a more comprehensive selection process – multi-stage process aligned with the [Treasury Capability and Leadership Framework](#);
- changes to our advertising strategy – increasing our use of social media platforms such as Facebook and Twitter, allowing us to capture a broader pool of applicants. We continue to generate a social media presence to actively promote the graduate program; and
- extension of the graduate program – extending the program to 18 months with three six-month rotations providing graduates with valuable experience, exposing them to a wide range of deliverables across Treasury and developing diverse skills and experiences. Graduates also undergo a structured learning and development program.



Our 2015 graduate cohort.

Workforce recruitment priorities

In January 2015, we undertook a review of our workforce recruitment priorities in line with the Government's Workforce Renewal Policy. The aim of the review was to ensure that recruitment and appointments are prioritised from a whole-of-Treasury perspective, and involved:

- a review of Treasury's workforce profile;
- benchmarking data in comparison to the Western Australian public sector,
- prioritised assessment of proposed recruitment intentions across each Treasury business unit; and
- assessment of recruitment affordability.

To continue to effectively manage Treasury's workforce intentions and ensure a whole-of-Treasury perspective on all recruitment decisions, the Executive team and our Chief Finance Officer meet monthly to review and prioritise each recruitment request.

As well as being influenced by saving requirements, our workforce profile is heavily impacted by internal constraints. With an above average public sector vacancy rate, and a high proportion of our staff being with the Department for less than five years, proactive management of our workforce remains essential.

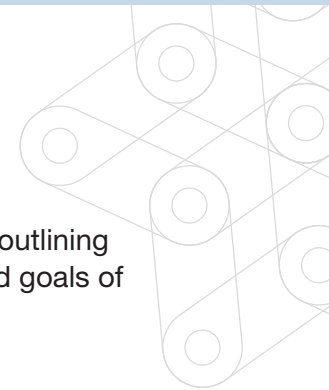
47.5%

of our staff have been with us **less than 5 years**, compared to 42.4% for the WA public sector average.

Our **vacancy rate** increased to

6.3%

in 2014-15, up from 5.4% in 2013-14.



Learning and development

The professional and personal development of Treasury's staff is critical to our ability to deliver high quality service.

Following on from the 2013-14 Training Needs Analysis conducted to identify priority learning topics, a six module learning and development (L&D) program was implemented in 2014-15, covering:

- The Strategic Information Management System (our budget management system) and Financial Analysis;
- understanding the Government and Treasury;
- Business Case analysis;
- communication and stakeholder engagement;
- strategic thinking and expectation setting; and
- management and leadership.

These L&D opportunities have been delivered by in house Subject Matter Experts (SMEs) wherever possible.

This allows sessions to be tailored to ensure key learning outcomes are achieved, and critical knowledge of our SMEs to be captured and shared.

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

Leadership development

Treasury's Capability and Leadership Framework provides clear and consistent expectations about the fundamental capabilities required to perform successfully at Treasury. The framework is intended to be utilised across all our key people processes including recruitment, induction, development, and performance.

The framework underpins:

- recruitment activity selection criteria – articulating the behavioural expectations required at each level within the organisation;

- the induction process – clearly outlining the core values, capabilities and goals of the organisation to new staff;
- Development and Performance agreements – assisting staff to assess their areas of strength and development;
- training programs – providing a framework to critically evaluate and improve our learning programs; and
- leadership development – by assisting managers and leaders to understand how their role changes as they transition through the levels of the organisation.

Interdepartmental mentoring program

As a collaborative effort with the Departments of Finance, [Training and Workforce Development](#), and [Aboriginal Affairs](#), the [Economic Regulation Authority](#) and [Lotterywest](#), Treasury participates in an Interdepartmental Mentoring Program initiative. This program recognises the importance of developing leaders within our organisation and provides the opportunity for personal and professional development by pairing participants with colleagues outside of their normal working relationships. Participants have the invaluable opportunity to share knowledge across the public sector and develop networks whilst developing skills, knowledge and abilities from across the sector.

Shadowing program

Treasury's Executive and Director shadowing program has now been running successfully for four years, with approximately 52 people having had the opportunity to shadow individual Executive team members or Directors over a period of up to five days. Through the program, participants are able to:

- better understand the role of Treasury Executive and senior management;
- develop additional working relationships and networks;
- better understand different aspects of the Department; and
- attend formal meetings otherwise unavailable to non-Executive staff.

Knowledge sharing events

Knowledge sharing is critical to achieving our goals and building a sustainable workforce. To promote this, Treasury hosts a variety of knowledge sharing events aimed at informing and stimulating employees' interest in contemporary topics while increasing awareness of relevant issues. Several high profile guest speakers were invited to present throughout 2014-15, including:

- [Mental Health Commissioner](#) Mr Timothy Marney, our previous Under Treasurer, offered his thoughts on mental health in the workplace and provided suggestions on how to maintain a work/life balance;
- Professor Stephen Smith, former Minister for Defence and Minister for Foreign Affairs, presented on communication and stakeholder engagement, dealing with resistance and managing expectations; and

- Li-Gang Liu, Chief Economist, Greater China, ANZ, presented on China's 'New Normal Economy: Precarious Transition, Positive Outlook'. Mr Liu provided a macroeconomic update, an overview of monetary policy and discussed some of the strategies China is implementing in terms of the property market and consumer consumption.

Leave liability

Treasury has managed its total leave liability throughout 2014-15 through the use of robust leave management strategies.

Since 30 June 2012, our total annual and long service leave has decreased by 14,709 hours. As at 30 June 2015 our total leave liability of \$11.2 million is approximately \$72,000 greater than that reported at 30 June 2012, due to leave values increasing in line with pay award increases.

Total leave liability is a product of actuarial calculations, however the reduction in total

leave hours can be directly attributed to vigorous leave management strategies by Treasury over the past three years.

Strategies implemented to reduce leave liability hours during 2014-15 include:

- formal leave management planning with all employees as part of bi-annual development and performance agreement discussions;
- a Christmas shutdown from Monday 29 December 2014 to Friday 2 January 2015;
- clear and continual communications on the expectations of taking leave and Treasury's commitment to adhere to the Government's leave liability policy; and
- providing all employees with the opportunity to express an interest in the cash out of leave balances.

Community involvement

Treasury continues to encourage participation in community fundraising events such as the [HBF Run for a Reason](#) and [Chevron City to Surf for Activ](#). We also support employees who take on their own fundraising efforts such as Australia's biggest morning tea in support of the [Cancer Council](#).

Case Study

2015-18 Strategic Plan

“The 2015 strategic planning process provided the Executive team the opportunity to review the Department’s strategic direction, and re-evaluate work programs to ensure we are maximising the efficiency and effectiveness of our outputs”

Issue

Underpinned by Treasury’s core vision, mission and values, our Strategic Plan is reviewed every three years and articulates the strategic direction of the business. In early 2015, our Learning and Development team coordinated the development of the Department’s new 2015-18 Strategic Plan.

Background

On a yearly basis, the goals outlined in the Strategic Plan are used to inform and develop annual business unit operational plans. These operational plans form the basis on which team work plans and individual Development and Performance agreements (DaPs) are developed.

A key consideration for Treasury going forward is to ensure we continue to achieve our strategic priorities within current and future resourcing constraints. The 2015 strategic planning process provided the Executive team the opportunity to review the Department’s strategic direction, and re-evaluate work programs and work areas to ensure we are maximising the efficiency and effectiveness of our outputs.

Approach

As part of the strategic planning process Treasury’s vision, mission, values and strategic goals were reviewed and refocused with consideration given to whether the current strategic plan reflected the Department and its strategic focus for the next three years. To enable this, the team adopted a multi-faceted approach spanning several months of extensive consultation, research and analysis, including:

- developing a pulse check survey for completion by Treasury staff to gauge staff’s perception of our performance against our 2012-15 strategic goals and gather indicators of Treasury’s current work environment;
- liaising with key stakeholders to assess our current performance and gain insights into areas for improvement; and
- facilitating a two-day offsite Executive workshop in May 2015, presenting a wealth of information to inform the development of the future strategy of the organisation.

During the workshop, the Executive team critically assessed internal and external stakeholder feedback.

This included a strategic summary of pulse check results which outlined staff perceptions on goal attainment, and suggestions for improvement at the team, division and organisational level, provided by Directors as a result of the pulse check survey.

This refined structure builds a more agile and productive organisational footprint, improving what we do and how we do it. It will better position us to respond to the challenges of an increasingly complex and fluid environment.

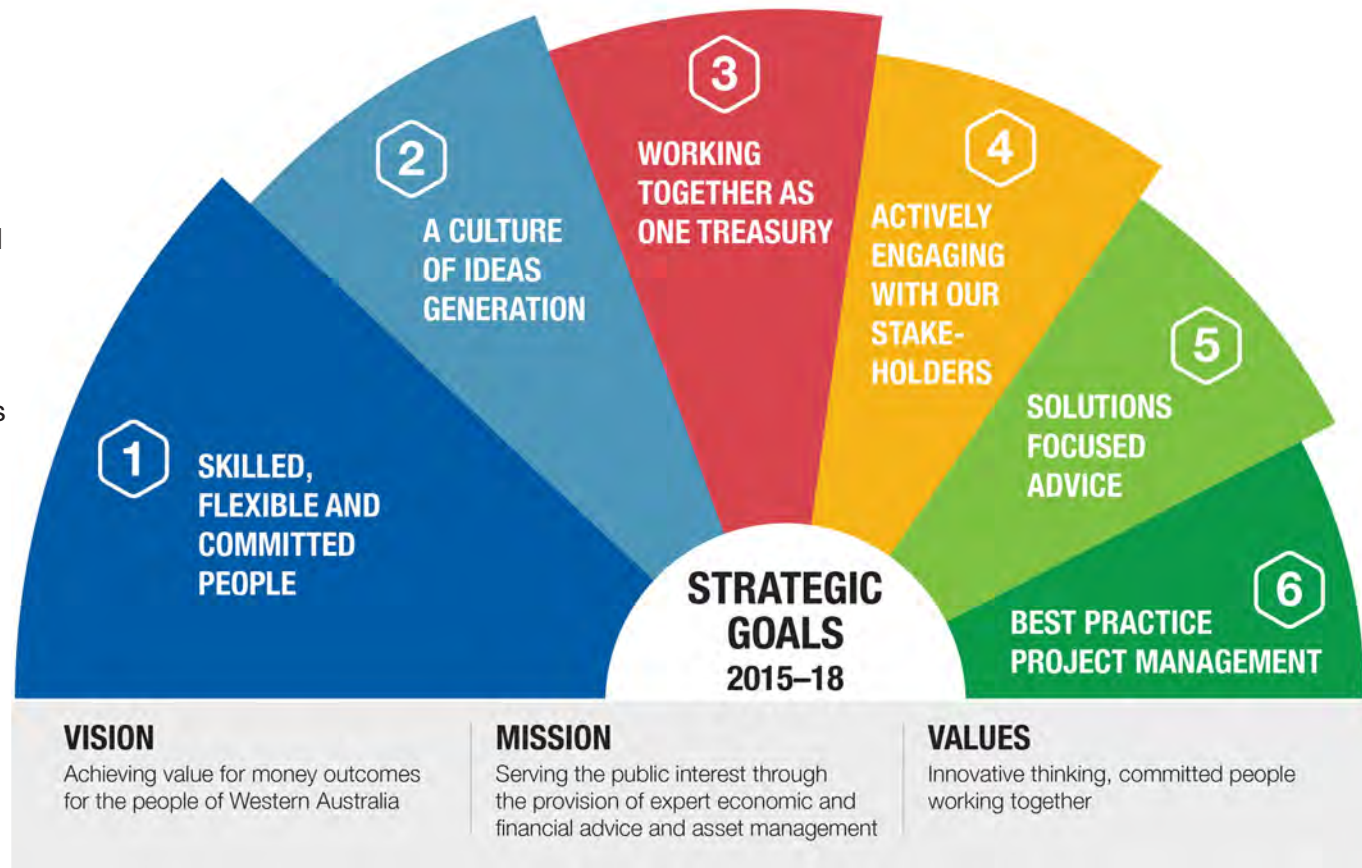
Treasury's new 2015-18 Strategic Plan will be incorporated into business units' annual operational plans as well as reflected within individuals' DaPs to reinforce our strategic focus.

Outcome

Treasury's new 2015-18 Strategic Plan was launched at the Department's all-staff forum in June 2015. The result of a six month process, the new plan articulates Treasury's priorities, desired outcomes and how we plan to achieve them. The plan reflects:

- six strategic goals which link clearly to our internal and external priorities for the coming years; and
- a stronger emphasis on the generation of new ideas and better engagement with our key stakeholders.

On 1 July 2015, in order to ensure we meet our new strategic goals, some functional realignment within and across teams was implemented to drive a more efficient structure, minimise duplication and increase the flexibility of our resources.



Safety, health and wellbeing

Treasury Executive is committed to providing and maintaining a safe and healthy workplace, which supports and encourages the safety and wellbeing of our employees. Over the past year, some key safety, health and wellbeing achievements include:

- ongoing Occupational Safety and Health (OSH) training for managers/supervisors, attended by 98 participants (75%);
- employee completion of an OSH Perception Survey which enabled us to gather relevant feedback about their perceptions of OSH in the workplace;
- creation of an OSH sub-committee within the [SP&AS](#) business unit to enable emerging OSH considerations to be progressed;
- development of a mental health strategy;
- review and update of OSH policies and documentation;
- training of Safety Health Representatives (SHRs) and First Aid Officers (FAOs);

- completion of quarterly Safety Inspection reports across all Departmental workplaces with a view to identifying and resolving OSH hazards; and
- provision of ergonomic assessment assistance to employees, and relevant equipment to suit their needs.

Consultation, communication and engagement

The Department is committed to improved health and safety performance within its various workplaces. Consultation via the OSH Committee provides employees and managers an opportunity to participate in decisions which impact on their health and safety in the workplace.

Through our intranet, staff are actively encouraged to participate in a variety of wellness initiatives focusing on areas such as mental health, stress management, and general health seminars.

In 2014-15, SHRs undertook safety inspections on a quarterly basis in consultation with management and employees.

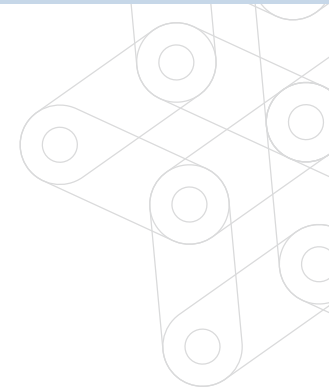
Injury management

In accordance with requirements of the *Worker's Compensation and Injury Management Act 1981*, our injury management policy and guidelines outline the approach in assisting our injured or ill employees to return to work.

The Department has raised awareness about safety and health obligations and promoted safe work practices to ensure that injuries can be prevented at work wherever possible. This has included a mandatory online OSH training module for all employees and compulsory health and safety awareness training for managers/supervisors.

White Card Training is compulsory for employees required to work on construction sites.

First aid certification training was offered to our FAOs in accordance with the national training requirement for First Aid, and SHRs were provided with mandatory five-day training upon appointment.



Indicator	Actual Results 2012-13	Actual Results 2013-14	Actual Results 2014-15	Target
Number of fatalities	Nil	Nil	Nil	Nil
Lost time injury/disease incidence rate	Nil	Nil	Nil	Nil or 10% improvement on the previous three years
Lost time injury severity rate	Nil	Nil	Nil	Nil or 10% improvement on the previous three years
Percentage of injured workers returned to work within 13 weeks	Nil	Nil	Nil	Greater than or equal to 80%
Percentage of injured workers returned to work within 26 weeks	Nil	Nil	Nil	Greater than or equal to 80%
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	2%	46%	75%	80% over three years*

* A considered effort was made to increase our training compliance throughout 2014-15, with more initiatives planned for 2015-16.

Disability Access and Inclusion Plan

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

Among other things, the DAIP ensures that people with a disability:

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

In 2014-15, we submitted a progress report to the [Disability Services Commission](#), outlining the effectiveness of our DAIP, in particular noting our efforts continue to improve access and inclusion for people with a disability.

Governance



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

Governance Committees

Treasury's governance committee structure has been established since 2012, with a review of its effectiveness undertaken in 2014. As well as ensuring the Executive team remains informed and up-to-date on key strategic issues unfolding across the business, the committees are an important forum for driving and ensuring support for the achievement of Treasury outcomes and risk management oversight.

Budget Management Committee

The Budget Management Committee oversees Treasury's preparation of the State Budget, Mid-year Review, Annual Report on State Finances and budgetary updates throughout the year. The committee is chaired by the Under Treasurer and meets weekly for key internal decision making and information sharing on issues that affect the State's financial position.

Finance, Risk and Audit Committee

Also chaired by the Under Treasurer, the Finance, Risk and Audit Committee (FRAC) meets monthly and is responsible for timely, forward-looking financial reporting, the Department's compliance and risk management programs, and ensuring compliance with Treasurer's Instructions and executive audit assurance priorities. FRAC membership includes the [Office of the Auditor General](#) and a senior executive from another government agency.

Information and Communication Technology Committee

This committee is chaired by the Acting Executive Director, Strategic Policy and Evaluation, and meets bi-monthly to ensure robust governance of Information and Communication Technology (ICT) services, projects and strategies supporting the operations of Treasury.

People and Communications Committee

Chaired by the Acting Deputy Under Treasurer, the People and Communications Committee advises the Treasury Monthly Executive Group. This committee meets bi-monthly and focuses on issues related to strategic communication, culture, workforce planning, training and development, knowledge management and succession planning, and performance within the Department.

Program Management Committee

This committee, chaired by the Under Treasurer, was re-established in 2014 to provide review, oversight and advice on:

- performance against approved budget, time and scope parameters for projects across the Department, including the asset sales program;

- project management resourcing; and
- program management reporting and other matters within the program management sphere.

Diversity Committee

The Diversity Committee focuses on supporting diversity across the whole organisation, including progressing women, supporting people with a disability or language barriers, and those of Aboriginal descent. This committee is chaired by the Acting Executive Director, Infrastructure and Finance and is responsible for:

- providing a source of support and advocacy on substantive equality in the workplace;
- recommending and championing strategies for consistent application of workforce policies regardless of level, work area, gender, family status, cultural background and age;

- addressing diversity related barriers in recruitment, retention and career progression; and
- tracking and supporting the achievement of the [Public Sector Commission \(PSC\)](#) diversity indicators.

Public sector standards and ethical codes

Our people have access to information about Public Sector Standards, and ongoing support is provided for members of recruitment panels to ensure compliance with relevant standards. During 2014-15 the Human Resources area provided a quality assurance service, reviewing all our selection reports. They also provided support and advice to ensure our processes and transactions complied with the standards.

In accordance with the [Public Interest Disclosure Act 2003](#) (the Act), our Director, Finance, Risk and Audit and our Principal Internal Auditor are our designated Public

Interest Disclosure (PID) officers and are fully compliant with all aspects of the Act. In 2014-15 we had no public interest disclosures lodged under the Act.

We submitted our Annual Agency Report to the PSC, reporting that there had been no breach of discipline under the [Public Sector Management Act 1994](#).

Ethics, accountability and integrity

Ethics, accountability and integrity are important to our business and as part of our 2014-15 compliance program we rolled out a series of initiatives aimed at embedding a culture of compliance within the Department. These streams included:

- a team based information program, including a quick reference handout 'A guide to good decision making at Treasury';
- occupational safety and health for managers and staff;

- recordkeeping awareness training for all new staff;
- accountable and ethical decision making with over 80% of staff attending training;
- fraud and corruption awareness online training; and
- enhancing and updating all relevant documentation including appropriate policies, frameworks and guidelines.

High rates of training session attendance, and/or completion of online training resulted in increased compliance rates, and these metrics were reviewed regularly at the FRAC.

Substantive equality

We remain committed to providing services that meet the needs of Western Australia's diverse population.

In 2013-14, we reviewed both our Substantive Equality and Equal Employment Opportunity policies.

In 2014-15 the Department's Diversity Committee commenced a review of

relevant Departmental policies and procedures, including our Workforce Planning and Recruitment Framework, to ensure consistency with the principles of substantive equality and diversity.

Recordkeeping

Treasury continues to meet its recordkeeping obligations under the *State Records Act 2000* and received approval of its Retention and Disposal Schedule in December 2014. An upgrade to Treasury's recordkeeping system is scheduled for late 2015, with a revised Recordkeeping Plan anticipated to be submitted to the *State Records Office* in early 2016. A Disaster Recovery and Preparedness Plan has also been drafted.

Recognising the importance of good recordkeeping practices, Treasury's induction program provides clear guidance to employees on their responsibilities in complying with the Department's recordkeeping plan.

We also provide online Recordkeeping Awareness training, with almost 90% of staff having completed the program. Our recordkeeping procedures and guides published on the Department's intranet further support good recordkeeping practices.

Freedom of information

The *Freedom of Information Act 1992* enables the public to apply for access to documents held by Treasury.

The *Information Statement* was updated in 2014-15 and is available on the website.

The table below summarises the Freedom of Information applications finalised during 2014-15. More detailed statistical information is provided in the [Annual Report of the Office of the Information Commissioner](#).

Average of

40 days

to process an FOI application in 2014-15,
down from 50 days in 2013-14.

	2014-15	2013-14	2012-13
Applications			
New applications received during the year	8	19	19
Decisions made during the year	7	22	16
Average time to process (days)	40	50	54
Reviews			
Internal reviews	Nil	2	1
External reviews – complaints	Nil	Nil	Nil

Financial Statements and Notes

Certification of Financial Statements

For the year ended 30 June 2015

The accompanying financial statements of the Department of Treasury have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2015 and the financial position as at 30 June 2015.

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



Shaun McLeod
ACTING CHIEF FINANCE OFFICER

8 September 2015



Michael Barnes
UNDER TREASURER

8 September 2015



Our Finance team.

Opinion of the Auditor General



INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF TREASURY

Report on the Financial Statements

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

The financial statements comprise the Statement of Financial Position as at 30 June 2015, 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.

Under Treasurer's Responsibility for the Financial Statements

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

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of Treasury at 30 June 2015 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Page 1 of 3

11th Floor Mackay Fraser House 400 Wellington Street Perth MAIL TO: Perth GIC PO Box 8489 Perth WA 6148 TEL: 08 6557 7500 FAX: 08 6557 7000

Report on Controls

I have audited the controls exercised by the Department of Treasury during the year ended 30 June 2015.

Controls exercised by the Department of Treasury are those policies and procedures established by the Under Treasurer to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Under Treasurer's Responsibility for Controls

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, 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 2015.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Department of Treasury for the year ended 30 June 2015.

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

Under Treasurer's Responsibility for the Key Performance Indicators

The Under Treasurer is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Under Treasurer determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

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

Page 2 of 3

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

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

Opinion

In my opinion, 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 2015.

Independence

In conducting this audit, I have complied with the Independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

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

This auditor's report relates to the financial statements and key performance indicators of the Department of Treasury for the year ended 30 June 2015 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.


COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
10 September 2015

Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 \$000	2014 \$000
COST OF SERVICES			
Expenses			
Employee benefits expenses	7	30,775	32,050
Supplies and services	8	49,649	139,443
Depreciation and amortisation expense	9	1,021	1,003
Accommodation expenses	10	3,843	386
Grants and subsidies	11	329	869
Other expenses	12	718	740
Total cost of services		86,335	174,491
Income			
<i>Revenue</i>			
User charges and fees	13	34,207	123,360
Other revenue		117	131
Total revenue		34,324	123,491
Total income other than income from State Government		34,324	123,491
NET COST OF SERVICES		(52,011)	(51,000)
Income from State Government			
Service appropriation	14	49,493	41,879
Services received free of charge		9,142	13,493
Royalties for Regions Fund		121	-
Total income from State Government		58,756	55,372
SURPLUS/(DEFICIT) FOR THE PERIOD		6,745	4,372
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,745	4,372

Refer also to the [Schedule of Income and Expenses by Service](#).

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

Statement of Financial Position

For the year ended 30 June 2015

	Note	2015 \$000	2014 \$000
ASSETS			
Current assets			
Cash and cash equivalents	15	18,059	9,891
Restricted cash and cash equivalents	16	1,330	-
Receivables	17	8,370	10,259
Other current assets	18	14	-
Total current assets		27,773	20,150
Non-current assets			
Restricted cash and cash equivalents	16	-	1,149
Amounts receivable for services	19	9,148	8,245
Plant and equipment	20	71	87
Intangible assets	21	7,222	8,107
Total non-current assets		16,441	17,588
TOTAL ASSETS		44,214	37,738
LIABILITIES			
Current liabilities			
Payables	23	8,710	9,483
Provisions	24	9,207	8,774
Total current liabilities		17,917	18,257

	Note	2015 \$000	2014 \$000
Non-current liabilities			
Provisions	24	2,050	1,979
Total non-current liabilities		2,050	1,979
TOTAL LIABILITIES		19,967	20,236
NET ASSETS		24,247	17,502
EQUITY	25		
Contributed equity		10,963	10,963
Accumulated surplus		13,284	6,539
TOTAL EQUITY		24,247	17,502

Refer also to the [Schedule of Assets and Liabilities by Service](#).

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

Statement of Changes in Equity

For the year ended 30 June 2015

	Note	Contributed Equity	Accumulated Surplus	Total Equity
		\$000	\$000	\$000
Balance at 1 July 2013	25	10,980	2,167	13,147
Total comprehensive income for the period		-	4,372	4,372
Transactions with owners in their capacity as owners:				
Contributions from owners – Department of Finance		(17)	-	(17)
Balance at 30 June 2014		10,963	6,539	17,502
Balance at 1 July 2014	25	10,963	6,539	17,502
Total comprehensive income for the period		-	6,745	6,745
Balance at 30 June 2015		10,963	13,284	24,247

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 2015

	Note	2015 \$000	2014 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		48,490	40,516
Holding account drawdowns		100	-
Contribution to Department of Finance		-	(16)
Royalties for Regions Fund		121	-
Receipts from Treasurer's Advance		-	20,000
Payments to Treasurer's Advance		-	(20,000)
Net cash provided by State Government		48,711	40,500
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(30,191)	(32,349)
Supplies and services ^(a)		(41,482)	(128,936)
Accommodation		(3,870)	(386)
Grants and subsidies		(339)	(869)
GST payments on purchases		(13,045)	(12,929)
GST payments to taxation authority		(645)	(3,923)
Other payments ^(a)		(697)	(750)
Receipts			
User charges and fees		38,367	125,842
GST receipts on sales		3,467	13,203
GST receipts from taxation authority		8,082	4,484
Other receipts		112	131
Net cash used in operating activities	26	(40,241)	(36,482)

	Note	2015 \$000	2014 \$000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(121)	(62)
Net cash provided by/(used in) investing activities		(121)	(62)
Net increase in cash and cash equivalents		8,349	3,956
Cash and cash equivalents at the beginning of the period		11,040	7,084
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26	19,389	11,040

^(a) Amount as reported in [2013-14 Annual Report](#) has been restated with \$559,000 in audit fees moved from 'supplies and services' to 'other payments'.

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

Schedule of Income and Expenses by Service

For the year ended 30 June 2015

	Financial Management and Reporting		Manage the Government's Asset Sales Program (excluding land sales) ^(a)		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES												
Expenses												
Employee benefits expenses	5,637	5,656	1,235	-	5,027	5,369	17,481	18,805	1,395	2,220	30,775	32,050
Supplies and services ^(b)	3,020	2,959	3,253	-	1,775	2,263	5,825	11,810	35,776	122,411	49,649	139,443
Depreciation and amortisation expense	212	170	20	-	162	149	567	623	60	61	1,021	1,003
Accommodation expenses	721	-	68	-	549	-	1,921	-	584	386	3,843	386
Grants and subsidies	49	12	-	-	-	-	30	57	250	800	329	869
Other expenses ^(b)	127	114	41	-	102	91	346	435	102	100	718	740
Total cost of services	9,766	8,911	4,617	-	7,615	7,872	26,170	31,730	38,167	125,978	86,335	174,491
Income												
User charges and fees	-	-	-	-	-	-	-	1	34,207	123,359	34,207	123,360
Other revenue	6	13	3	-	5	9	71	93	32	16	117	131
Total income other than income from State Government	6	13	3	-	5	9	71	94	34,239	123,375	34,324	123,491
NET COST OF SERVICES	(9,760)	(8,898)	(4,614)	-	(7,610)	(7,863)	(26,099)	(31,636)	(3,928)	(2,603)	(52,011)	(51,000)

	Financial Management and Reporting		Manage the Government's Asset Sales Program (excluding land sales) ^(a)		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Income from State Government												
Service appropriation	8,826	8,979	8,303	-	6,725	10,675	23,537	20,018	2,102	2,207	49,493	41,879
Resources received free of charge	2,270	392	161	-	1,291	2	4,538	11,363	882	1,736	9,142	13,493
Royalties for Regions Fund	-	-	-	-	-	-	121	-	-	-	121	-
Total income from State Government	11,096	9,371	8,464	-	8,016	10,677	28,196	31,381	2,984	3,943	58,756	55,372
SURPLUS/(DEFICIT) FOR THE PERIOD	1,336	473	3,850	-	406	2,814	2,097	(255)	(944)	1,340	6,745	4,372

^(a) This service commenced during the 2015 financial year subsequent to Government approval on 28 August 2014. As this is a new service there are no 2014 comparative figures. This service has a large operating surplus as some of the appropriation received in 2015 will be utilised for work to be completed in 2016.

^(b) Amount as reported in 2013-14 Annual Report has been restated with \$559,000 in audit fees moved from 'supplies and services' to 'other expenses'.

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

Schedule of Assets and Liabilities by Service

For the year ended 30 June 2015

	Financial Management and Reporting		Manage the Government's Asset Sales Program (excluding land sales) ^(a)		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets												
Current assets	1,778	1,617	1,072	-	1,589	1,592	3,087	2,276	20,247	14,665	27,773	20,150
Non-current assets	3,440	3,017	328	-	2,622	2,648	9,221	11,032	830	891	16,441	17,588
Total assets	5,218	4,634	1,400	-	4,211	4,240	12,308	13,308	21,077	15,556	44,214	37,738
Liabilities												
Current liabilities	2,198	2,670	1,126	-	1,717	2,177	5,735	8,683	7,141	4,727	17,917	18,257
Non-current liabilities	287	261	26	-	292	258	1,073	1,111	372	349	2,050	1,979
Total liabilities	2,485	2,931	1,152	-	2,009	2,435	6,808	9,794	7,513	5,076	19,967	20,236
NET ASSETS	2,733	1,703	248	-	2,202	1,805	5,500	3,514	13,564	10,480	24,247	17,502

^(a) This service commenced during the 2015 financial year subsequent to Government approval on 28 August 2014. As this is a new service there are no 2014 comparative figures.

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

Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2015

	2015 Estimate	2015 Actual	Variance	2015 Actual	2014 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
CONTROLLED TRANSACTIONS						
Delivery of services						
Item 69 Net amount appropriated to deliver services	40,997	48,135	7,138	48,135	40,521	7,614
Amount authorised by Other Statutes						
- <i>Salaries and Allowances Act 1975</i>	1,358	1,358	-	1,358	1,358	-
Total appropriations provided to deliver services	42,355	49,493	7,138	49,493	41,879	7,614
Details of expenses by service						
Financial management and reporting	8,080	9,766	1,686	9,766	8,911	855
Manage the Government's asset sales program (excluding land sales) ^(a)	-	4,617	4,617	4,617	-	4,617
Economic and revenue forecasts and policy development	6,959	7,615	656	7,615	7,872	(257)
Evaluation and planning of Government service delivery and infrastructure provision	30,010	26,170	(3,840)	26,170	31,730	(5,560)
Leads the planning and delivery of new Government buildings	405,378	38,167	(367,211)	38,167	125,978	(87,811)
Total cost of services	450,427	86,335	(364,092)	86,335	174,491	(88,156)
Less Total income	(400,268)	(34,324)	365,944	(34,324)	(123,491)	89,167
Net cost of services	50,159	52,011	1,852	52,011	50,999	1,012
Adjustments	(7,804)	(2,518)	5,286	(2,518)	(9,120)	6,602
Total appropriations provided to deliver services	42,355	49,493	7,138	49,493	41,879	7,614

^(a) This service commenced during the 2015 financial year subsequent to Government approval on 28 August 2014. As this is a new service there are no 2014 comparative figures.

	2015 Estimate	2015 Actual	Variance	2015 Actual	2014 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
ADMINISTERED TRANSACTIONS						
RECURRENT ADMINISTERED						
Operating subsidy payments						
Item 70 Bunbury Water Corporation	420	479	59	479	-	479
Item 71 Busselton Water Corporation	444	441	(3)	441	-	441
Item 72 Electricity Retail Corporation (Synergy)	570,600	511,589	(59,011)	511,589	591,976	(80,387)
Item 73 Esperance Port Authority	826	826	-	826	939	(113)
Item 74 Regional Power Corporation (Horizon Power)	46,856	38,400	(8,456)	38,400	57,282	(18,882)
Item 75 Public Transport Authority	746,998	736,695	(10,303)	736,695	712,103	24,592
Item 76 Water Corporation of Western Australia	582,516	573,232	(9,284)	573,232	565,924	7,308
Item 77 Western Australian Land Authority	35,192	33,874	(1,318)	33,874	44,417	(10,543)
Total operating subsidy payments	1,983,852	1,895,536	(88,316)	1,895,536	1,972,641	(77,105)
Grants, subsidies and transfer payments						
Item 78 Department of Corrective Services	15,943	10,595	(5,348)	10,595	-	10,595
Item 79 Decommissioning of the Office of Shared Services	1,000	-	(1,000)	-	-	-
Item 80 Goods and Services Tax (GST) Administration Costs	80,200	74,868	(5,332)	74,868	77,705	(2,837)
Item 81 Health and Disability Services Complaints Office	2,564	2,564	-	2,564	2,498	66
Item 82 Metropolitan Redevelopment Authority	13,865	2,459	(11,406)	2,459	4,061	(1,602)
Item 83 Provision for Unfunded Liabilities in the Government Insurance Fund	2,336	2,616	280	2,616	1,701	915
Item 84 Refunds of Past Years Revenue Collections – Public Corporations	10,000	86,152	76,152	86,152	16,367	69,785
Item 85 Rottneest Island Authority	7,094	7,094	-	7,094	6,700	394
Item 86 Royalties for Regions	782,956	796,417	13,461	796,417	652,278	144,139

	2015 Estimate	2015 Actual	Variance	2015 Actual	2014 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Item 87 National Disability Insurance Scheme – Perth Hills Site	9,625	4,811	(4,814)	4,811	-	4,811
Item 88 State Property – Emergency Services Levy	16,000	15,629	(371)	15,629	15,873	(244)
Item 89 Sustainable Funding and Contracting with the Not-for-Profit Sector	9,696	-	(9,696)	-	-	-
Item 90 WA Health	21,819	21,819	-	21,819	-	21,819
Item 91 All Other Grants, Subsidies and Transfer Payments, comprising:						
Acts of Grace	5	-	(5)	-	166	(166)
ANZAC Day Trust	300	300	-	300	300	-
First Home Owners Boost Recovery Payments	800	137	(663)	137	340	(203)
HIH Insurance Rescue Package	2	-	(2)	-	-	-
Incidentals	365	46	(319)	46	355	(309)
Interest on Public Moneys held in Participating Trust Fund Accounts	4,632	4,661	29	4,661	3,902	759
Shire of Broome	1,600	-	(1,600)	-	-	-
Superannuation Reforms – Payments to Government Employees Superannuation Board	5,957	5,682	(275)	5,682	1,598	4,084
Western Australian Treasury Corporation Management Fees	810	810	-	810	873	(63)
Total grants, subsidies and transfer payments	987,569	1,036,660	49,091	1,036,660	784,717	251,943

	2015 Estimate	2015 Actual	Variance	2015 Actual	2014 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Authorised by Other Statutes						
<i>Gold Corporation Act 1987</i>	3	1	(2)	1	2	(1)
<i>Judges' Salaries and Pensions Act 1950</i>	15,474	13,813	(1,661)	13,813	13,411	402
<i>Parliamentary Superannuation Act 1970</i>	8,708	9,257	549	9,257	8,344	913
<i>State Superannuation Act 2000</i>	651,406	671,372	19,966	671,372	694,486	(23,114)
<i>Tobacco Products Control Act 2006</i>	22,118	22,118	-	22,118	21,783	335
<i>Unclaimed Money Act 1990</i>	1,200	876	(324)	876	1,325	(449)
<i>Western Australian Treasury Corporation Act 1986 – Interest</i>	448,000	441,866	(6,134)	441,866	404,825	37,041
Total amounts authorised by Other Statutes	1,146,909	1,159,303	12,394	1,159,303	1,144,176	15,127
TOTAL RECURRENT ADMINISTERED	4,118,330	4,091,499	(26,831)	4,091,499	3,901,534	189,965
ADMINISTERED CAPITAL						
Government equity contributions						
Item 139 Broome Port Authority	10,575	10,575	-	10,575	-	10,575
Item 140 Department of Corrective Services	36,991	7,757	(29,234)	7,757	58,723	(50,966)
Item 141 Electricity Networks Corporation (Western Power)	76,925	92,936	16,011	92,936	74,862	18,074
Item 142 Esperance Port Authority	1,960	1,960	-	1,960	1,847	113
Item 143 Metropolitan Redevelopment Authority	148,074	144,729	(3,345)	144,729	33,346	111,383
Item 144 Port Hedland Port Authority	12,758	32,390	19,632	32,390	-	32,390
Item 145 Regional Power Corporation (Horizon Power)	8,618	1,885	(6,733)	1,885	10,561	(8,676)
Item 146 Royalties for Regions	365,232	365,232	-	365,232	803,647	(438,415)
Item 147 WA Health	141,954	125,028	(16,926)	125,028	20,700	104,328
Item 148 Water Corporation of Western Australia	109,334	11,873	(97,461)	11,873	-	11,873
Bunbury Port Authority	-	-	-	-	1,300	(1,300)

	2015 Estimate \$000	2015 Actual \$000	Variance \$000	2015 Actual \$000	2014 Actual \$000	Variance \$000
Dampier Port Authority	-	-	-	-	9,720	(9,720)
Department of Education	-	-	-	-	102,682	(102,682)
Forest Products Commission	-	-	-	-	4,700	(4,700)
Fremantle Port Authority	-	-	-	-	29,869	(29,869)
Other						
Item 149 Fiona Stanley Hospital Construction Account	10,000	10,000	-	10,000	15,000	(5,000)
Item 150 New Children's Hospital Account	349,500	349,500	-	349,500	182,000	167,500
Item 151 Perth's New Major Stadium Construction Account	145,000	145,000	-	145,000	15,000	130,000
WA Land Authority	-	9,120	9,120	9,120	-	9,120
Total Government equity contributions	1,416,921	1,307,985	(108,936)	1,307,985	1,363,957	(55,972)
Authorised by Other Statutes						
<i>Loan (Co-operative Companies) Act 2004</i>	-	9,300	9,300	9,300	3,925	5,375
Total authorised by Other Statutes	-	9,300	9,300	9,300	3,925	5,375
Total Administered capital contribution	1,416,921	1,317,285	(99,636)	1,317,285	1,367,882	(50,597)
GRAND TOTAL	5,535,251	5,408,784	(126,467)	5,408,784	5,269,416	139,368

	2015 Estimate	2015 Actual	Variance	2015 Actual	2014 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
DETAILS OF ADMINISTERED INCOME ESTIMATES						
Income						
Commonwealth grants	6,736,715	7,317,690	580,975	7,317,690	6,931,828	385,862
Government enterprises:						
Dividends	942,459	1,192,154	249,695	1,192,154	905,291	286,863
Income tax equivalent regime	519,861	579,169	59,308	579,169	607,682	(28,513)
Local Government rates equivalent	17,516	17,363	(153)	17,363	19,783	(2,420)
Consolidated Account revenue received from agencies	15,211,922	13,445,280	(1,766,642)	13,445,280	14,482,088	(1,036,808)
Gold State superannuation reimbursement	159,926	145,687	(14,239)	145,687	154,968	(9,281)
Interest	139,227	124,592	(14,635)	124,592	139,130	(14,538)
Loan guarantee fees	126,020	120,116	(5,904)	120,116	120,360	(244)
Pension recoups	14,190	23,377	9,187	23,377	14,763	8,614
Other revenue	12,536	24,476	11,940	24,476	41,713	(17,237)
TOTAL INCOME ^(a)	23,880,372	22,989,904	(890,468)	22,989,904	23,417,606	(427,702)

^(a) Total Administered income has been restated to align with the 2014 Actual figures published in the [2015-16 Budget Statements](#).

Notes [35](#), [36](#) and [44](#) provides details of significant variations between estimates and actual results for 2015 and between the actual results for 2015 and 2014.

Notes to the Financial Statements

For the year ended 30 June 2015

Note 1. Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2015 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the [Australian Accounting Standards Board \(AASB\)](#).

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

Early adoption of Standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2015.

Note 2. Summary of significant accounting policies

(a) General statement

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

Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

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

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

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

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

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

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

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

(c) Reporting entity

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

Mission

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

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

Services

The Department of Treasury provides the following services:

Service 1: Financial management and reporting

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

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

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

Service 3: Economic and revenue forecasts and policy development

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

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

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

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

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

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to, the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at [note 40](#) 'Administered income and expenses' and [note 42](#) 'Administered assets and liabilities'.

(d) Contributed equity

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

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

(e) Income**Revenue recognition**

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

Provision of services

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

Administered

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

Service Appropriations

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

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination specified in the [2014-15 Budget Statements](#), the Department retained \$34.324 million in 2015 (\$123.491 million in 2014) from the following:

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

Grants, donations, gifts and other non-reciprocal contributions

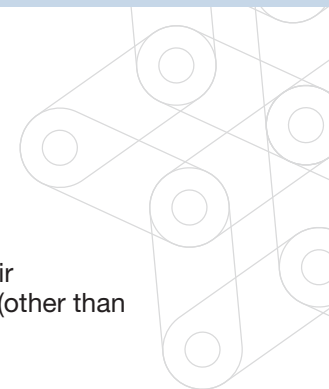
Revenue is recognised at fair value when the Department obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

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

Gains

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



(f) Plant and equipment

Capitalisation/expensing of assets

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of plant and equipment costing less than \$5,000 are immediately expensed direct to the [Statement of Comprehensive Income](#) (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

Plant and equipment are initially recognised at cost.

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

Subsequent measurement

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

Depreciation

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

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

Office equipment 5 years

Computer equipment 3 to 5 years

(g) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the [Statement of Comprehensive Income](#).

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

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

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

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

Website costs 10 years

Software ^(a) 10 years

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

Website costs

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

Computer software

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

(h) Impairment of assets

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

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

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

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

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

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

(j) Leases

The Department has entered into an operating lease arrangement for the rent of the office building where the lessor effectively retains the entire risks and benefits incidental to ownership of the items held under the operating lease. Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(k) Financial instruments

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

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

Financial instruments have been disaggregated into the following classes:

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

- Financial liabilities:
 - Payables.

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

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

(l) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(m) Accrued salaries

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

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

(n) Amounts receivable for services (holding account)

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

(o) Receivables

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

(p) Payables

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

(q) Amounts due to the Treasurer

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

(r) Provisions

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

Provisions – employee benefits

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

Annual leave

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

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

The provision for annual leave is classified as a current liability as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

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

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

Unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Sick leave

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

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

Deferred leave

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

Purchased leave

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

Superannuation

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

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

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Department makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

The Department has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

Provisions – other

Employment on-costs

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

(s) Superannuation expense

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

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

Assets or services received free of charge or for nominal cost, that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the [Statement of Financial Position](#).

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

Note 3. Comparative figures

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

Note 4. Judgements made by management in applying accounting policies

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

Operating lease commitments

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

Note 5. Key sources of estimation uncertainty

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

Long service leave

Several estimations and assumptions used in calculating the Department's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Note 6. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2014 that impacted on the Department.

<i>Int 21</i>	<p><i>Levies</i></p> <p>This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed should be recognised. There is no financial impact for the Department at reporting date.</p>
<i>AASB 10</i>	<p><i>Consolidated Financial Statements</i></p> <p>This Standard, issued in August 2011, supersedes AASB 127 <i>Consolidated and Separate Financial Statements</i> and Int 112 <i>Consolidation – Special Purpose Entities</i>, introducing a number of changes to accounting treatments.</p> <p>The adoption of the new Standard has no financial impact for the Department as it does not impact accounting for related bodies and the Department has no interests in other entities.</p>
<i>AASB 11</i>	<p><i>Joint Arrangements</i></p> <p>This Standard, issued in August 2011, supersedes AASB 131 <i>Interests in Joint Ventures</i>, introduces new principles for determining the type of joint arrangement that exists, which are more aligned to the actual rights and obligations of the parties to the arrangement.</p> <p>There is no financial impact for the Department as the new Standard continues to require the recognition of the Department's share of assets and share of liabilities for the unincorporated joint operation.</p>
<i>AASB 12</i>	<p><i>Disclosure of Interests in Other Entities</i></p> <p>This Standard, issued in August 2011, supersedes disclosure requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i>, AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i>. There is no financial impact.</p>
<i>AASB 127</i>	<p><i>Separate Financial Statements</i></p> <p>This Standard, issued in August 2011, supersedes AASB 127 <i>Consolidated and Separate Financial Statements</i> removing the consolidation requirements of the earlier Standard whilst retaining accounting and disclosure requirements for the preparation of separate financial statements. There is no financial impact.</p>

AASB 128	<p><i>Investments in Associates and Joint Ventures</i></p> <p>This Standard supersedes AASB 128 <i>Investments in Associates</i>, introducing a number of clarifications for the accounting treatments of changed ownership interest.</p> <p>The adoption of the new Standard has no financial impact for the Department as it does not hold investments in associates and joint ventures.</p>
AASB 1031	<p><i>Materiality</i></p> <p>This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in International Financial Reporting Standards (IFRSs) and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.</p>
AASB 1055	<p><i>Budgetary Reporting</i></p> <p>This Standard requires specific budgetary disclosures in the general purpose financial statements of not-for-profit entities within the General Government sector. The Department will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.</p>
AASB 2011-7	<p><i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</i></p> <p>This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>. There is no financial impact.</p>
AASB 2012-3	<p><i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i></p> <p>This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact.</p>
AASB 2013-3	<p><i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i></p> <p>This Standard introduces editorial and disclosure changes. There is no financial impact.</p>
AASB 2013-4	<p><i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]</i></p> <p>This Standard permits the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counter party to a central counter party as a consequence of laws or regulations. The Department does not routinely enter into derivatives or hedges, therefore there is no financial impact.</p>

AASB 2013-8	<p><i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]</i></p> <p>The amendments, issued in October 2013, provide significant guidance in determining whether a not-for-profit entity controls another entity when financial returns are not a key attribute of the investor’s relationship. The Standard has no financial impact in its own right, rather the impact results from the adoption of the amended AASB 10.</p>
AASB 2013-9	<p><i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i></p> <p>Part B of this omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014. It has no financial impact.</p>
AASB 2014-1	<p><i>Amendments to Australian Accounting Standards</i></p> <p>Part A of this Standard consists primarily of clarifications to Accounting Standards and has no financial impact for the Department.</p> <p>Part B of this Standard has no financial impact as the Department contributes to schemes that are either defined contribution plans, or deemed to be defined contribution plans.</p> <p>Part C of this Standard has no financial impact as it removes references to AASB 1031 <i>Materiality</i> from a number of Accounting Standards.</p>

Voluntary changes in accounting policy

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

Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Department has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Department. Where applicable, the Department plans to apply these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2017
AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

		Operative for reporting periods beginning on/after
AASB 2013-9	<p><i>Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments</i></p> <p>Part C of this omnibus Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Department has not yet determined the application or the potential impact of AASB 9.</p>	1 Jan 2015
AASB 2014-1	<p><i>Amendments to Australian Accounting Standards</i></p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Department to determine the application or potential impact of the Standard.</p>	1 Jan 2015
AASB 2014-3	<p><i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]</i></p> <p>The Department establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.</p>	1 Jan 2016
AASB 2014-4	<p><i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]</i></p> <p>The adoption of this Standard has no financial impact for the Department as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</p>	1 Jan 2016
AASB 2014-5	<p><i>Amendments to Australian Accounting Standards arising from AASB 15</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2017
AASB 2014-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

		Operative for reporting periods beginning on/after
AASB 2014-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]</i></p> <p>This Standard makes amendments to AASB 9 <i>Financial Instruments</i> (December 2009) and AASB 9 <i>Financial Instruments</i> (December 2010), arising from the issuance of AASB 9 <i>Financial Instruments</i> in December 2014. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015
AASB 2014-9	<p><i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i></p> <p>This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
AASB 2014-10	<p><i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]</i></p> <p>This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
AASB 2015-1	<p><i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]</i></p> <p>These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle in September 2014, and editorial corrections. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016

		Operative for reporting periods beginning on/after
AASB 2015-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</i></p> <p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.</p>	1 Jan 2016
AASB 2015-3	<p><i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i></p> <p>This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.</p>	1 Jan 2015
AASB 2015-6	<p><i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]</i></p> <p>The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. The Department has not yet determined the application of the Standard, though there is no financial impact.</p>	1 Jan 2016

Changes in accounting estimates

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

Note 7. Employee benefits expense

	2015	2014
	\$000	\$000
Wages and salaries	20,873	21,310
Superannuation ^(a)	3,394	3,117
Long service leave ^(b)	1,182	1,492
Annual leave ^(b)	4,608	3,591
Severance payments ^(c)	139	2,078
Other related expenses	579	462
	30,775	32,050

^(a) Includes West State, Gold State, GESB and other eligible funds.

^(b) Includes a superannuation contribution component.

^(c) For 2015, \$229,000 was paid out in total, of which \$90,000 was related to leave entitlements paid out of leave provisions.

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

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

Note 8. Supplies and services

	2015	2014
	\$000	\$000
Managed contracts	34,346	120,768
Communications	72	80
Consultants	1,323	295
Contractors ^(a)	2,493	3,250
Service provided by WA Government agencies	9,142	13,493
Consumables	239	153
Travel	102	68
Legal costs	865	563
Other	1,067	773
	49,649	139,443

^(a) 2014 'contractors' reduced by \$559,000 and reflected under [note 12](#) 'Other expenses' as 'audit fees'.

Note 9. Depreciation and amortisation expense

	2015	2014
	\$000	\$000
Depreciation		
Office equipment	9	9
Computer equipment	27	11
Total depreciation	36	20
Amortisation		
Computer software	983	983
Website costs	2	-
Total amortisation	985	983
Total depreciation and amortisation	1,021	1,003

Note 10. Accommodation expenses

	2015	2014
	\$000	\$000
Lease rentals ^(a)	3,829	386
Repairs and maintenance	14	-
	3,843	386

^(a) In 2015 the Department paid its accommodation costs directly. In 2014 accommodation was supplied by the Department of Finance and reflected in the Department's 2013-14 Annual Report as a resource received free of charge.

Note 11. Grants and subsidies

	2015	2014
	\$000	\$000
Grants – recurrent	329	869
	329	869

Note 12. Other expenses

	2015	2014
	\$000	\$000
Minor purchases	130	107
Employment on-costs	7	(10)
Audit fees ^(a)	562	559
Other	19	84
	718	740

^(a) 2014 'audit fees' figure includes \$559,000 that was originally reflected as part of [note 8](#) 'Supplies and services' in the 2013-14 Annual Report.

Note 13. Income

	2015	2014
	\$000	\$000
User charges and fees		
Managed building works	34,207	123,360
	34,207	123,360
Other revenue		
Recoups	52	35
Government Vehicle Scheme (GVS)	44	41
Other	21	55
	117	131
	34,324	123,491

Note 14. Income from State Government

	2015	2014
	\$000	\$000
Appropriation received during the period		
Service appropriation ^(a)	49,493	41,879
	49,493	41,879
Services received free of charge from other State Government agencies during the period		
Department of Finance ^(b)	8,063	12,584
Department of the Attorney General	638	476
Department of the Premier and Cabinet	71	134
Landgate	370	299
	9,142	13,493
Royalties for Regions Fund		
Governance of the Royalties for Regions Program	121	-
	121	-
Total income from State Government	58,756	55,372

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

^(b) In 2014 accommodation was supplied by the Department of Finance as a resource free of charge. From 2015 the Department paid its accommodation costs directly.

Note 15. Cash and cash equivalents

	2015	2014
	\$000	\$000
Current		
Cash at bank	18,059	9,891
	18,059	9,891

Note 16. Restricted cash and cash equivalents

	2015	2014
	\$000	\$000
Current		
Accrued salaries suspense account ^(a)	1,329	-
Royalties for Regions Fund	1	-
	1,330	-
Non-current		
Accrued salaries suspense account ^(a)	-	1,149
	-	1,149

^(a) Funds held in the suspense account for the purpose of meeting the 27th pay in a financial year that occurs every 11 years. The 27th pay will be due in 2016.

Note 17. Receivables

	2015	2014
	\$000	\$000
Current		
Receivables	2,611	4,326
	2,611	4,326
Underbillings ^(a)	5,759	5,933
Total current	8,370	10,259

^(a) Contract cost incurred less billings to clients.

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

Note 18. Other current assets

	2015	2014
	\$000	\$000
Prepayments	14	-
	14	-

Note 19. Amounts receivable for services (holding account)

	2015	2014
	\$000	\$000
Non-current	9,148	8,245
	9,148	8,245

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

Note 20. Plant and equipment

	2015	2014
	\$000	\$000
Office equipment		
At cost	43	46
Accumulated depreciation	(15)	(30)
	28	16
Computer equipment		
At cost	89	89
Accumulated depreciation	(46)	(18)
	43	71
Total		
At cost	132	135
Accumulated depreciation	(61)	(48)
	71	87

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

	Office Equipment \$000	Computer Equipment \$000	Total \$000
2015			
Carrying amount at start of period	16	71	87
Additions	21	-	21
Depreciation	(9)	(28)	(37)
Carrying amount at end of period	28	43	71
2014			
Carrying amount at start of period	25	19	44
Additions	-	63	63
Depreciation	(9)	(11)	(20)
Carrying amount at end of period	16	71	87

Note 21. Intangible assets

	2015 \$000	2014 \$000
Computer software		
At cost	9,873	9,873
Accumulated amortisation	(2,749)	(1,766)
	7,124	8,107
Website costs		
At cost	100	-
Accumulated amortisation	(2)	-
	98	-
Total		
At cost	9,973	9,873
Accumulated depreciation	(2,751)	(1,766)
	7,222	8,107

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

	Computer Software \$000	Website Costs \$000	Total \$000
2015			
Carrying amount at start of period	8,107	-	8,107
Additions	-	100	100
Transfers	-	-	-
Amortisation	(983)	(2)	(985)
Carrying amount at end of period	7,124	98	7,222
2014			
Carrying amount at start of period	9,089	-	9,089
Additions	-	-	-
Transfers	-	-	-
Amortisation	(982)	-	(982)
Carrying amount at end of period	8,107	-	8,107

Note 22. Impairment of assets

There were no indications of impairment to plant and equipment and intangible assets at 30 June 2015. The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use. All surplus assets at 30 June 2015 have either been classified as assets held for sale or written-off.

Note 23. Payables

	2015	2014
	\$000	\$000
Current		
Trade payables	277	344
GST payables	-	430
Other tax payables	91	87
Accrued salaries	1,095	757
Accrued expenses	2,965	4,093
Other payables	-	1
	4,428	5,712
Overbillings ^(a)	4,282	3,771
Total current	8,710	9,483

^(a) Billings to clients less contract costs incurred.

Note 24. Provisions

	2015	2014
	\$000	\$000
CURRENT		
Employee benefits provision		
Annual leave ^(a)	3,577	3,514
Long service leave ^(b)	5,559	5,156
Deferred salary scheme ^(c)	54	88
	9,190	8,758
Other provisions		
Employment on-costs ^(d)	17	16
	17	16
TOTAL CURRENT	9,207	8,774
NON-CURRENT		
Employee benefits provision		
Long service leave ^(b)	2,046	1,975
	2,046	1,975
Other provisions		
Employment on-costs ^(d)	4	4
	4	4
TOTAL NON-CURRENT	2,050	1,979
^(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	2,447	2,295
More than 12 months after the end of the reporting period	1,130	1,219
	3,577	3,514

	2015	2014
	\$000	\$000
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	2,245	2,123
More than 12 months after the end of the reporting period	5,360	5,008
	7,605	7,131
(c) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities will occur as follows:		
Within 12 months of the end of the reporting period	54	88
More than 12 months after the end of the reporting period	-	-
	54	88
(d) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 12 'Other expenses'.		
Movements in other provisions		
Movements in each class of provisions during the period, other than employee benefits, are set out below:		
Employment on-cost provision		
Carrying amount at start of period	20	20
Additional provisions recognised	9	31
Payments/other sacrifices of economic benefits	(8)	(31)
Carrying amount at end of period	21	20

Note 25. Equity

	2015	2014
	\$000	\$000
The Western Australian Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department.		
Contributed equity		
Balance at start of period	10,963	10,980
Contributions by owners		
Capital appropriation	-	-
Department of Finance	-	-
Total contributions by owners	10,963	10,980
Distributions to owners		
Transfer of net assets to other agencies ^(a)	-	(17)
Total distributions to owners	-	(17)
Balance at end of period	10,963	10,963
Accumulated surplus		
Balance at start of period	6,539	2,167
Result for the period	6,745	4,372
Balance at the end of period	13,284	6,539
Total equity at end of period	24,247	17,502

^(a) On 1 July 2013, the Economic Reform Division was transferred to the Department of Finance as a result of machinery of government changes.

Note 26. Notes to the Statement of Cash Flows

	2015 \$000	2014 \$000
Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents ^(a)	18,059	9,891
Restricted cash and cash equivalents ^(b)	1,330	1,149
	19,389	11,040
Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities		
Net cost of services	(52,011)	(51,000)
Non-cash items		
Depreciation and amortisation expense (note 9)	1,021	1,003
Services received free of charge (note 14)	9,142	13,493
(Increase)/decrease in assets		
Current receivables ^(a)	4,177	2,482
Increase/(decrease) in liabilities		
Current payables ^(a)	(1,003)	(2,986)
Accrued salaries	(451)	56
Accrued employee benefits	1,026	(365)
Net GST receipts/payments ^(b)	(2,142)	835
Net cash provided by/(used in) operating activities	(40,241)	(36,482)

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

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

Note 27. Services provided free of charge

	2015	2014
	\$000	\$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	334	417
	334	417

Note 28. Commitments

	2015	2014
	\$000	\$000
Capital expenditure commitments		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	-	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	-	-
Non-cancellable operating lease commitments		
Commitments for minimum lease payments are payable as follows ^(a) :		
Within 1 year	2,709	2,807
Later than 1 year and not later than 5 years	10,238	10,797
Later than 5 years	5,935	8,798
	18,882	22,402

^(a) In 2014, the Department of Finance paid \$2.38 million of lease rental for the Department of Treasury and this has been reflected as a resource received free of charge. From 2015, the Department of Treasury paid its accommodation costs directly.

The property leases are non-cancellable and have a 15 year term, with rent payable in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by 3.5% per annum. Options exist to renew the lease at the end of the 15 year term with the last option expiring 17 May 2025.

	2015	2014
	\$000	\$000

Other expenditure commitments

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

Within 1 year

3,751	828
-------	-----

Later than 1 year and not later than 5 years

-	-
---	---

Later than 5 years

-	-
---	---

3,751	828
--------------	------------

Note 29. Contingent liabilities and contingent assets

Contingent liabilities

The Department does not have any contingent liabilities.

Contingent assets

The Department has a contingent asset of \$130,000 relating to contractor works.

Note 30. Related and affiliated bodies

The Department has no related or affiliated bodies.

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

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

Note 32. Remuneration of auditor

	2015	2014
	\$000	\$000
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and key performance indicators:		
Department of Treasury	212	214
Annual Report on State Finances	337	345
	549	559

Note 33. Remuneration of senior officers

	2015	2014
The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:		
\$230,001 - 240,000	2	1
\$250,001 - 260,000	1	1
\$290,001 - 300,000	-	-
\$310,001 - 320,000	-	1
\$330,001 - 340,000	1	2
\$400,001 - 410,000	1	-
\$470,001 - 480,000	-	1
\$520,001 - 530,000	1	-

	2015	2014
	\$000	\$000
Cash remuneration received for the year	1,579	1,507
Annual leave and long service leave accruals	112	149
Other benefits	292	289
Total remuneration of senior officers	1,983	1,945

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

Note 34. Financial instruments

(a) Financial risk management objectives and policies

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

Credit risk

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

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

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

Liquidity risk

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

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

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

Market risk

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

The Department is not exposed to interest rate risk because of the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the Treasurer's Advance (non-interest bearing).

(b) Categories of financial instruments

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

	2015	2014
	\$000	\$000
Financial assets		
Cash and cash equivalents	18,059	9,891
Restricted cash and cash equivalents	1,330	1,149
Receivables ^(a)	6,577	10,259
Amounts receivable for services	9,148	8,245
	35,114	29,544
Financial liabilities		
Payables ^(b)	8,711	9,053
	8,711	9,053

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

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

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

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

The Department does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

Ageing analysis of financial assets

	Carrying Amount	Not Past Due and Not Impaired	Past Due but Not Impaired					Impaired Financial Assets
			Up to 1 Month	1 - 3 Months	3 Months to 1 Year	1 - 5 Years	More than 5 Years	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2015								
Cash and cash equivalents	18,059	18,059	-	-	-	-	-	-
Restricted cash and cash equivalents	1,330	1,330	-	-	-	-	-	-
Receivables ^(a)	6,577	5,862	497	179	22	17	-	-
Amounts receivable for services	9,148	9,148	-	-	-	-	-	-
	35,114	34,399	497	179	22	17	-	-
2014								
Cash and cash equivalents	9,891	9,891	-	-	-	-	-	-
Restricted cash and cash equivalents	1,149	1,149	-	-	-	-	-	-
Receivables ^(a)	10,259	6,131	3,585	522	17	4	-	-
Amounts receivable for services	8,245	8,245	-	-	-	-	-	-
	29,544	25,416	3,585	522	17	4	-	-

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

Liquidity risk and interest rate exposure

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

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

	Interest Rate Exposure				Nominal Amount	Maturity Dates				
	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non- interest Bearing		Up to 1 Month	1 - 3 Months	3 Months to 1 Year	1 - 5 Years	More than 5 Years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2015										
Financial assets										
Cash and cash equivalents	18,059	-	-	18,059	18,059	18,059	-	-	-	-
Restricted cash and cash equivalents	1,330	-	-	1,330	1,330	-	-	1,330	-	-
Receivables ^(a)	6,577	-	-	6,577	6,577	6,577	-	-	-	-
Amounts receivable for services	9,148	-	-	9,148	9,148	-	-	-	9,148	-
	35,114	-	-	35,114	35,114	24,636	-	1,330	9,148	-
Financial liabilities										
Payables	8,711	-	-	8,711	8,711	8,711	-	-	-	-
	8,711	-	-	8,711	8,711	8,711	-	-	-	-
2014										
Financial assets										
Cash and cash equivalents	9,891	-	-	9,891	9,891	9,891	-	-	-	-
Restricted cash and cash equivalents	1,149	-	-	1,149	1,149	-	-	-	1,149	-
Receivables ^(a)	10,259	-	-	10,259	10,259	10,259	-	-	-	-
Amounts receivable for services	8,245	-	-	8,245	8,245	-	-	-	8,245	-
	29,544	-	-	29,544	29,544	20,150	-	-	9,394	-
Financial liabilities										
Payables	9,053	-	-	9,053	9,053	9,053	-	-	-	-
	9,053	-	-	9,053	9,053	9,053	-	-	-	-

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

Fair values

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

Note 35. Variance analyses between Budget and Actual results

Statement of Comprehensive Income

For the year ended 30 June 2015

	Variance Note	Estimate 2015	Actual 2015	Actual 2014	Variance between Estimate and Actual	Variance between Actual results for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000
COST OF SERVICES						
Expenses						
Employee benefits expenses		32,127	30,775	32,050	(1,352)	(1,275)
Supplies and services	1, a	411,184	49,649	139,443	(361,535)	(89,794)
Depreciation and amortisation expense	2	1,363	1,021	1,003	(342)	18
Accommodation expenses	3, b	4,410	3,843	386	(567)	3,457
Grants and subsidies	4, c	-	329	869	329	(540)
Other expenses	5	1,343	718	740	(625)	(22)
Total cost of services		450,427	86,335	174,491	(364,092)	(88,156)
Income						
<i>Revenue</i>						
User charges and fees	6, d	400,268	34,207	123,360	(366,061)	(89,153)
Other revenue	7, e	-	117	131	117	(14)
Total revenue		400,268	34,324	123,491	(365,944)	(89,167)
Total income other than income from State Government		400,268	34,324	123,491	(365,944)	(89,167)
NET COST OF SERVICES		(50,159)	(52,011)	(51,000)	(1,852)	(1,011)

	Variance Note	Estimate 2015	Actual 2015	Actual 2014	Variance between Estimate and Actual	Variance between Actual results for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000
Income from State Government						
Service appropriation	8, f	42,355	49,493	41,879	7,138	7,614
Services received free of charge	9, g	8,147	9,142	13,493	995	(4,351)
Royalties for Regions Fund	10, h	-	121	-	121	121
Total income from State Government		50,502	58,756	55,372	8,254	3,384
SURPLUS/(DEFICIT) FOR THE PERIOD		343	6,745	4,372	6,402	2,373
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		343	6,745	4,372	6,402	2,373

Significant variance analyses between Estimate and Actual 2015 *

- (1) Variance is primarily due to the reprofiling of ongoing strategic projects that are at various stages of completion. The main adjustment was the reprofiling of the new Perth Stadium, where the expenditure profile was reverted from an initially assumed publicly constructed project to a design-build-finance-maintain expenditure profile.
- (2) Variance is mainly due to forecast depreciation and amortisation being set higher than the historical average actual amount. The amortisation expense budget has been reduced accordingly for future years.
- (3) Variance is predominantly due to line items such as electricity and building maintenance being budgeted under 'accommodation expenditure' where the actual expenditure was reflected as 'supplies and services'.
- (4) Variance is due to grant expenditure being reflected as part of the 'supplies and services' Estimate.
- (5) Variance is mainly due to the operating lease line item being budgeted as 'other expenditure' where the actual expenditure was reflected as 'supplies and services'.
- (6) Variance is predominantly due to the reprofiling of ongoing strategic projects that are at various stages of completion. This is primarily attributable to the reprofiling of the new Perth Stadium, where the revenue profile was reverted from an initially assumed publicly constructed project to a design-build-finance-maintain expenditure profile.

⁽⁷⁾ Variance is mainly due to recoups and employee contribution revenue received for participation in the Senior Officer Vehicle Scheme that was not budgeted for.

⁽⁸⁾ Variance is due to additional appropriation approved for the asset sales program after the Estimate had been set.

⁽⁹⁾ Variance is mainly due to higher than forecast resources received free of charge from the Department of Finance for the provision of corporate services.

⁽¹⁰⁾ Variance is due to the Department of Treasury Royalties for Regions Project being approved after the Estimate had been set.

Significant variance analyses between 2015 Actual and 2014 Actual *

^(a) Variance is due to the profiling of ongoing projects that are at varying stages of delivery. This includes the completion of the Acacia Prison Expansion and Busselton Health Campus in 2015. The Perth Children's Hospital and Midland Health Campus also experienced a reduction of expenditure for 2015 as both projects are nearing completion.

^(b) Variance is due to the Department of Treasury directly paying for all accommodation expenses in 2015. In 2014 accommodation was supplied by the Department of Finance as a resource free of charge.

^(c) Grants provided by the Department reduced in 2015.

^(d) Variance is primarily due to the profiling of ongoing projects that are at varying stages of delivery. This includes the completion of the Acacia Prison Expansion and Busselton Health Campus in 2015. The Perth Children's Hospital and Midland Health Campus also experienced a reduction in revenue for 2015 as both projects are nearing completion.

^(e) Variance is due to lower miscellaneous receipts received in 2015.

^(f) Variance is predominantly due to additional appropriation received to fund the Asset Sales Unit that commenced in 2015.

^(g) Variance is due to accommodation no longer being provided as a resource received free of charge from the Department of Finance in the 2015 year.

^(h) Variance is due to the commencement of a Royalties for Regions program in the 2015 year.

* Significant variations are considered to be those greater than 10% or \$10 million.

Note 35. Variance analyses between Budget and Actual results

Statement of Financial Position

For the year ended 30 June 2015

	Variance Note	Estimate 2015	Actual 2015	Actual 2014	Variance between Estimate and Actual	Variance between Actual results for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	1, a	13,471	18,059	9,891	4,588	8,168
Restricted cash and cash equivalents	2, b	-	1,330	-	1,330	1,330
Receivables	3, c	6,318	8,370	10,259	2,052	(1,889)
Other current assets	4, d	-	14	-	14	14
Amounts receivable for services	5	1,363	-	-	(1,363)	-
Total current assets		21,152	27,773	20,150	6,621	7,623
Non-current assets						
Restricted cash and cash equivalents	6, e	1,028	-	1,149	(1,028)	(1,149)
Amounts receivable for services	7, f	8,245	9,148	8,245	903	903
Plant and equipment	8, g	39	71	87	32	(16)
Intangible assets	9, h	6,368	7,222	8,107	854	(885)
Total non-current assets		15,680	16,441	17,588	761	(1,147)
TOTAL ASSETS		36,832	44,214	37,738	7,382	6,476

	Variance Note	Estimate 2015	Actual 2015	Actual 2014	Variance between Estimate and Actual	Variance between Actual results for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000
LIABILITIES						
Current liabilities						
Payables	10	12,667	8,710	9,483	(3,957)	(773)
Provisions	11	8,360	9,207	8,774	847	433
Total current liabilities		21,027	17,917	18,257	(3,110)	(340)
Non-current liabilities						
Provisions	11	2,264	2,050	1,979	(214)	71
Total non-current liabilities		2,264	2,050	1,979	(214)	71
TOTAL LIABILITIES		23,291	19,967	20,236	(3,324)	(269)
NET ASSETS		13,541	24,247	17,502	10,706	6,745
EQUITY						
Contributed equity	12	62,730	10,963	10,963	(51,767)	-
Accumulated surplus	13, i	(49,189)	13,284	6,539	62,473	6,745
TOTAL EQUITY		13,541	24,247	17,502	10,706	6,745

Significant variance analyses between Estimate and Actual 2015 *

- (1) Variance is mainly due to additional appropriation received for asset sales that will not be spent until 2016.
- (2) Variance is primarily attributable to the increase in restricted cash for the 27th pay being classified as 'non-current' in the Estimate.
- (3) Variance is mainly due to higher than budgeted GST receivables at year end. GST receivables will be recovered in July 2015.
- (4) Variance is due to prepayments made in June 2015 that were not reflected in the Estimate.
- (5) Variance is primarily due to the Department no longer expecting to draw down from the holding account in 2016, the actual amount was therefore reflected as 'non-current'.

- ⁽⁶⁾ Variance is mainly due to restricted cash for the 27th pay being budgeted as 'non-current'. However it has been reclassified as 'current' as the payment is due within 12 months of year end.
- ⁽⁷⁾ Variance is primarily due to a large value of amounts receivable for services restated as 'current' in the Estimate which was later reclassified to 'non-current' as it is not expected to be utilised during the 2016 year.
- ⁽⁸⁾ Variance is mainly due to the acquisition of new essential office equipment that were not expected in the original budget.
- ⁽⁹⁾ Variance is predominantly due to actual amortisation expense being significantly lower than budget. Budgeted amortisation expense has been adjusted accordingly in future years.
- ⁽¹⁰⁾ Variance is mainly due to lower than forecast accrued expenses as at 30 June 2015.
- ⁽¹¹⁾ Variance is mainly due to annual and long service leave being greater than budgeted.
- ⁽¹²⁾ Variance is due to the Budget figure including the legacy cumulative equity amount from the former Department of Treasury and Finance.
- ⁽¹³⁾ Variance is due to the Budget figure including the legacy cumulative equity amount from the former Department of Treasury and Finance.

Significant variance analyses between 2015 Actual and 2014 Actual *

- ^(a) Variance is due to a greater appropriation received in 2015 primarily related to the asset sales program.
- ^(b) Variance is due to restricted cash for the 27th pay being classified as 'non-current' in 2014.
- ^(c) Variance is due to a greater number of invoices paid on time by debtors as at 30 June 2015.
- ^(d) Variance is due to no prepayments being made as at 30 June 2014.
- ^(e) Variance is due to restricted cash for the 27th pay being classified as current as at 30 June 2015, due to the 27th pay occurring within 12 months of year end.
- ^(f) Variance of \$903,000 is primarily due to the non-current holding account receivables increasing by an amount equal to the 2015 depreciation expense, less \$100,000 that was drawn down during the 2015 year.
- ^(g) Variance is due to fixed asset depreciation exceeding asset additions during the 2015 financial year.
- ^(h) Variance is due to additional amortisation exceeding new intangibles acquired during the 2015 year.
- ⁽ⁱ⁾ Variance is due to the accumulated surplus for the 2015 year.

* Significant variations are considered to be those greater than 10% or \$10 million.

Note 35. Variance analyses between Budget and Actual results

Statement of Cash Flows

For the year ended 30 June 2015

	Variance Note	Estimate 2015	Actual 2015	Actual 2014	Variance between Estimate and Actual	Variance between Actual results for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	1, a	40,992	48,490	40,516	7,498	7,974
Holding account drawdowns	2, b	-	100	-	100	100
Contribution to Department of Finance	c	-	-	(16)	-	16
Royalties for Regions Fund	3, d	-	121	-	121	121
Receipts from Treasurer's Advance	e	-	-	20,000	-	(20,000)
Payments to Treasurer's Advance	e	-	-	(20,000)	-	20,000
Net cash provided by State Government		40,992	48,711	40,500	7,719	8,211

Utilised as follows:

CASH FLOWS FROM OPERATING ACTIVITIES

Payments

Employee benefits	4	(36,935)	(30,191)	(32,349)	6,744	2,158
Supplies and services	5, f	(394,261)	(41,482)	(128,926)	352,779	87,444
Accommodation	6, g	(4,409)	(3,870)	(386)	539	(3,484)
Grants and subsidies	7, h	-	(339)	(869)	(339)	530
GST payments on purchases	8	-	(13,045)	(12,929)	(13,045)	(116)
GST payments to taxation authority	9, i	-	(645)	(3,923)	(645)	3,278
Other payments	10	(17,404)	(697)	(760)	16,707	63

	Variance Note	Estimate 2015	Actual 2015	Actual 2014	Variance between Estimate and Actual	Variance between Actual results for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000
Receipts						
User charges and fees	11, j	399,268	38,367	125,842	(360,901)	(87,475)
GST receipts on sales	12, k	13,010	3,467	13,203	(9,543)	(9,736)
GST receipts from taxation authority	13, l	-	8,082	4,484	8,082	3,598
Other receipts	14, m	-	112	131	112	(19)
Net cash used in operating activities		(40,731)	(40,241)	(36,482)	489	(3,759)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of non-current assets	15, n	-	(121)	(62)	(121)	(59)
Net cash provided by/(used in) investing activities		-	(121)	(62)	(121)	(59)
Net increase in cash and cash equivalents	16, o	261	8,349	3,956	8,088	4,393
Cash and cash equivalents at the beginning of the period	17, p	6,029	11,040	7,084	5,011	3,956
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,290	19,389	11,040	13,099	8,349

Significant variance analyses between Estimate and Actual 2015 *

- (1) Variance is due to additional appropriation approved for the asset sales program after the Estimate had been set.
- (2) Variance is due to a draw down approved to fund the remediation of the [OurStateBudget website](#) after the Estimate had been set.
- (3) Variance is due to the Department of Treasury Royalties for Regions Project being approved after the Estimate had been set.
- (4) Variance is mainly due to Treasury operating with an average position vacancy rate of 6% compared to a forecast of 4% through the 2015 year.

- ⁽⁵⁾ Variance is primarily due to the reprofiling of ongoing strategic projects that are at various stages of completion. The main adjustment was the reprofiling of the new Perth Stadium, where the expenditure profile was reverted from an initially assumed publicly constructed project to a design-build-finance-maintain expenditure profile.
- ⁽⁶⁾ Variance is mainly due to electricity and building maintenance being budgeted under 'accommodation' where the actual payments are reflected under 'supplies and services'.
- ⁽⁷⁾ Variance is due to grant expenditure being reflected as part of the 'supplies and services' Estimate.
- ⁽⁸⁾ Variance is due to GST payments on purchases not being factored into the Estimate.
- ⁽⁹⁾ Variance is due to GST payments to taxation authority not being factored into the Estimate.
- ⁽¹⁰⁾ Variance is mainly due to the operating lease line item being budgeted as 'other payments' where the actual payments are reflected under 'supplies and services'.
- ⁽¹¹⁾ Variance is predominantly due to the reprofiling of ongoing strategic projects that are at various stages of completion. This is primarily attributable to the reprofiling of the new Perth Stadium, where the revenue profile was reverted from an initially assumed publicly constructed project to a design-build-finance-maintain expenditure profile.
- ⁽¹²⁾ Variance is due to GST receipts on sales not being factored into the Estimate.
- ⁽¹³⁾ Variance is due to GST payments to taxation authority not being factored into the Estimate.
- ⁽¹⁴⁾ Variance is mainly due to recoups and employee contribution revenue received for participation in the Senior Officer Vehicle Scheme that was not included in the Estimate.
- ⁽¹⁵⁾ Variance is primarily due to additional asset investment approved by Cabinet for the website remediation project that occurred after the Estimate had been set.
- ⁽¹⁶⁾ Variance is mainly due to additional appropriation received for the asset sales program that will not be spent until 2016.
- ⁽¹⁷⁾ Variance is due to lower than forecast payments during 2014.

Significant variance analyses between 2015 Actual and 2014 Actual *

- ^(a) Variance is primarily due to additional appropriation received to fund the asset sales program that commenced in 2015.
- ^(b) Variance is due to no holding account draw downs occurring in 2014.
- ^(c) Variance is due to a one-off contribution being made to the Department of Finance in 2014 as a result of a machinery of government change.
- ^(d) Variance is due to the commencement of a Royalties for Regions program in 2015.

- (e) Variance is due to a repayable Treasurer's Advance not utilised during 2015.
- (f) Variance is primarily due to the profiling of ongoing projects that are at varying stages of delivery.
- (g) Variance is primarily due to the Department directly paying for all accommodation expenses in 2015. In 2014 accommodation was supplied by the Department of Finance as a resource free of charge.
- (h) Variance is due to the Department actively reducing the number of grants provided in 2015.
- (i) Variance is primarily attributable to a lower number of purchases that attract GST in 2015 compared to 2014.
- (j) Variance is mainly due to the profiling of ongoing projects that are at varying stages of delivery.
- (k) Variance is due to a lower number of receipts that attract GST received in 2015 compared to 2014.
- (l) Variance is due to a high number of receipts from the taxation authority received in 2015 compared to 2014.
- (m) Variance is due to lower miscellaneous revenue streams received in 2015 compared to 2014.
- (n) Variance is due to greater asset investment in 2015, in particular the remediation of the OurStateBudget website.
- (o) Variance is due to greater appropriation received in 2015 compared to 2014 that was not fully expended as at 30 June 2015.
- (p) Variance is due to lower than expected value of payments made during the 2014 year.
- * Significant variations are considered to be those greater than 10% or \$10 million.

Note 36. Explanatory statement – Administered items

The summary of Administered items discloses appropriations and other statutes' payments, and the actual payments made.

The following table compares budget estimates and actual results for 2015 of items having significant variations, and explanations for the variations are given below.

A significant variation is one that is in excess of 10% of the principal figure and \$10 million.

	2015 Estimate	2015 Actual	Variance	2015 Actual	2014 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
ADMINISTERED TRANSACTIONS						
RECURRENT ADMINISTERED						
Operating subsidy payments						
Item 72 Electricity Retail Corporation (Synergy)	570,600	511,589	(59,011)	511,589	591,976	(80,387)
Item 74 Regional Power Corporation (Horizon Power)	46,856	38,400	(8,456)	38,400	57,282	(18,882)
Item 77 Western Australian Land Authority	35,192	33,874	(1,318)	33,874	44,417	(10,543)
Grants, subsidies and transfer payments						
Item 78 Department of Corrective Services	15,943	10,595	(5,348)	10,595	-	10,595
Item 82 Metropolitan Redevelopment Authority	13,865	2,459	(11,406)	2,459	4,061	(1,602)
Item 84 Refunds of Past Years Revenue Collections – Public Corporations	10,000	86,152	76,152	86,152	16,367	69,785
Item 86 Royalties for Regions	782,956	796,417	13,461	796,417	652,278	144,139
Item 90 WA Health	21,819	21,819	-	21,819	-	21,819
ADMINISTERED CAPITAL						
Government equity contributions						
Item 139 Broome Port Authority	10,575	10,575	-	10,575	-	10,575
Item 140 Department of Corrective Services	36,991	7,757	(29,234)	7,757	58,723	(50,966)
Item 141 Electricity Networks Corporation (Western Power)	76,925	92,936	16,011	92,936	74,862	18,074

	2015 Estimate	2015 Actual	Variance	2015 Actual	2014 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Item 143 Metropolitan Redevelopment Authority	148,074	144,729	(3,345)	144,729	33,346	111,383
Item 144 Port Hedland Port Authority	12,758	32,390	19,632	32,390	-	32,390
Item 146 Royalties for Regions	365,232	365,232	-	365,232	803,647	(438,415)
Item 147 WA Health	141,954	125,028	(16,926)	125,028	20,700	104,328
Item 148 Water Corporation of Western Australia	109,334	11,873	(97,461)	11,873	-	11,873
Department of Education	-	-	-	-	102,682	(102,682)
Fremantle Port Authority	-	-	-	-	29,869	(29,869)
Item 150 New Children's Hospital Account	349,500	349,500	-	349,500	182,000	167,500
Item 151 Perth's New Major Stadium Construction Account	145,000	145,000	-	145,000	15,000	130,000

Item 72 – Electricity Retail Corporation (Synergy)

The \$80.4 million decrease in 2015 for Synergy's operating subsidy payments compared with the 2014 outturn is largely due to a reduction in demand for energy and a review of the method of estimating costs for the purposes of determining Synergy's operating subsidy.

The 2015 outturn was \$59 million lower than the original 2014-15 Budget, resulting from a review into Synergy's efficient cost to supply electricity conducted by the Public Utilities Office and Treasury (which revised a number of cost inputs and the methodology for estimating Synergy's operating subsidy) and merger-driven savings.

Item 74 – Regional Power Corporation (Horizon Power)

Horizon Power's operating subsidy payments for 2015 were \$18.9 million lower than for 2014. This mainly reflects the cessation of the tariff migration subsidy provided to government entities (this subsidy transitioned specific business and government customers from subsidised tariffs to cost reflective tariffs), revisions to the subsidy for below cost tariffs related to the South West Interconnected System (which form the basis of Horizon's operating subsidy requirements) and lower overhead costs following the completion of Horizon's strategic business review.

Item 77 – Western Australian Land Authority

The decrease of \$10.5 million in 2015 for the Western Australian Land Authority's operating subsidy payments compared to 2014 is due to additional funding associated with the Browse LNG Precinct Project Agreement paid during the year ending 30 June 2014.

Item 78 – Department of Corrective Services

This item quarantines central funds approved for the Custodial Infrastructure Program. Funding of \$10.6 million was first drawn in 2015 reflecting the commencement of operations at the expanded Acacia Prison in January 2015.

Item 82 – Metropolitan Redevelopment Authority

The 2015 outturn was \$11.4 million lower than forecast at the time of the 2014-15 Budget due to delays in finalising the Scarborough Master Plan (which outlines a range of foreshore improvements and a vision for facilitating private investment and development of key sites across the entire project area) and negotiations with the City of Stirling resulting in deferred development works for the project.

Item 84 – Refunds of Past Years Revenue Collections - Public Corporations

This item meets the State's obligation to refund public corporations that have overpaid National Tax Equivalent Regime (NTER) instalments into the Consolidated Account. A notional amount of \$10 million was provided in the 2014-15 Budget year as refunds can change significantly in both volume and size from year to year.

The \$86.2 million outturn for 2015, which was \$76.2 million higher than the original 2014-15 Budget and \$69.8 million higher than the previous year, mainly reflects refunds to:

- Synergy (\$48.9 million) – following the merger with Verve in January 2014, Synergy has carried certain tax losses which offset the value of taxable income for 2014. These tax outcomes were not finalised until after 2014 tax instalments were paid to the Consolidated Account and hence required a refund; and
- The Insurance Commission of Western Australia (\$28.8 million) – an increase in the actuarial valuation of net outstanding claims for Compulsory Third Party insurance at 30 June 2014 was not known until after 2014 tax instalments were paid to the Consolidated Account, giving rise to the subsequent refund.

Item 86 – Royalties for Regions

The 2015 outturn was \$144.1 million higher than 2014, primarily due to the mix of recurrent and capital appropriations for the Royalties for Regions program, which is driven by the program approved by Government for each year.

Item 90 – WA Health

This item quarantines central funds approved for the Perth Children's Hospital (PCH) Transition Program being undertaken by WA Health and commencing in 2014. The first appropriation payment of \$21.8 million was made in 2015.

Item 139 – Broome Port Authority

This item provides appropriation funding to support works to extend the life of the Broome Wharf for at least 10 years. This project was originally funded through the Royalties for Regions program, but as a result of the Government's decision to cap spending by the program to \$1 billion per year as part of the 2014-15 Budget, funding responsibility was transferred to the Consolidated Account in 2015. The Broome Port Authority changed its name to the Kimberley Ports Authority on 1 July 2014.

Item 140 – Department of Corrective Services

Relative to 2014, equity contributions for the Custodial Infrastructure Program were \$51 million lower in 2015, due to the completion of the Acacia Prison Expansion Project in late 2014.

The 2015 outturn was \$29.2 million lower than the original 2014-15 Budget due to project build savings at Acacia Prison. A further \$15 million was transferred to the Department of Corrective Services' capital budget for the conversion of units 11 and 12 at Hakea Prison to create the New Women's Remand and Rehabilitation Facility 2016.

Item 141 – Electricity Networks Corporation (Western Power)

Western Power receives an equity contribution equivalent to dividends paid on customer contributions for infrastructure investments that are recorded as revenue and boost profit.

Higher payments (up \$18.1 million) in 2015 relative to 2014 are due to a higher level of customer capital contributions in 2014 (which impacted the dividend received in 2015) and a residual payment of \$5.8 million relating to the actual 2013 customer capital contributions.

The \$16 million increase relative to budget reflects the impact of higher than forecast customer capital contributions in 2014 on the December 2014 dividend.

Item 143 – Metropolitan Redevelopment Authority

The \$144.7 million outcome for 2015 was \$111.4 million higher than 2014, reflecting the utilisation of land sales proceeds ahead of appropriation funding for the Elizabeth Quay Project in 2014.

Item 144 – Port Hedland Port Authority

An equity injection is made to reimburse the Pilbara Ports Authority (formerly Port Hedland Port Authority) for dividends paid associated with revenue collected under the Port Improvement Rate (PIR).

The 2015 outturn was \$19.6 million higher than the original 2014-15 Budget due to an increase in throughput at the Port of Port Hedland (due largely to higher iron ore production volumes in the Pilbara during the year). This resulted in higher than expected PIR collections, a portion of which flow to the Consolidated Account through annual dividend arrangements.

The Pilbara Ports Authority was required to pay an interim dividend for the first time in 2015.

Item 146 – Royalties for Regions

The 2015 outturn was \$438.4 million lower than 2014, primarily due to the mix of recurrent and capital appropriations for the Royalties for Regions program, which is driven by the program approved by Government for each year.

Item 147 – WA Health

Since 2004-05, the Budget has quarantined funding for a range of broad health reform initiatives as part of WA Health's infrastructure program. WA Health is required to submit business cases and planning details for Government approval to access these funds throughout the year. Given the preliminary nature of the funding allocation at budget-time, timing changes can occur for projects between the time the Budget is finalised (and initial project estimates are available) and when business cases are finally approved. The \$16.9 million decrease from the 2014-15 Budget includes a range of projects subject to these arrangements, such as the Armadale Kelmscott Hospital development (\$3.9 million), Esperance Health Campus redevelopment (\$3.7 million), Princess Margaret Hospital - Interim Holding Works at Existing PMH Site (\$2.9 million), the Health Services Development Fund (\$2.8 million) and other smaller works.

The \$104.3 million increase relative to 2014 is mainly attributable to the Perth Children's Hospital Information and Communication Technology Capital Project, with \$95 million appropriated to align to the project's estimated expenditure cashflow requirements in 2015 (consistent with the Government's approval for this project). The balance of funds released in 2015 relate to other smaller capital works projects, which include the Joondalup Health Campus Telethon Pediatric Ward (\$5.7 million), Esperance Integrated Health Campus (\$2.6 million) and other smaller projects.

Item 148 – Water Corporation of Western Australia

This item provides for an equity contribution to be paid to the Water Corporation in 2015 and 2016 to purchase capital assets without impacting on the Corporation's costs of borrowing.

The 2015 outturn was \$97.5 million lower than the original budget, due to the treatment of the Ord M2 and M2S Channel Asset Transfer. In the 2014-15 Budget, the assumed transaction comprised a \$97.5 million cash equity contribution from the Consolidated Account to be paid to the Water Corporation which would then purchase the assets from the Department of State Development. Upon completion of the project in May 2015, the assets were instead transferred to the Water Corporation as contributed equity, rather than by a purchase transaction arrangement funded through the Consolidated Account.

The payment of \$11.9 million in 2015 was used to fund water and wastewater projects in the Pilbara that were previously funded by an equity contribution from Royalties for Regions. Following the Government's decision to impose a \$1 billion cap on Royalties for Regions spending in the 2014-15 Budget, these projects are now being funded from the Consolidated Account to ensure the change of funding source has no impact on the Water Corporation's financial position.

Item 150 – Perth Children's Hospital Account

This item provides funding to a special purpose account for the construction of the Perth Children's Hospital. An initial \$505 million was credited to the account in 2012 which was sourced from the higher than expected royalty outcomes in 2010 and 2011. Remaining funding for the hospital's construction is appropriated to the Account in line with the project schedule, which commenced in 2014.

An appropriation of \$349.5 million was made to the Account in 2015 to align with the construction project schedule in that year.

Item 151 – The New Perth Stadium Account

A special purpose account was established for the Perth Stadium development (including the construction of the Stadium and the surrounding Sports Precinct, the associated transport infrastructure and the project's management). The Account was established with \$100 million from the higher than expected outturn for 2011, and was paid into the Account in 2013.

Appropriation funding to the Account commenced in 2014 (\$15 million) and continued in 2015 (\$145 million). Appropriation funding is expected to be provided in the annual budget based on expectations of the timing of cash draw downs from the Account for construction work paid for by the Department of Sport and Recreation and the Public Transport Authority.

Department of Education

This item provided central funding to be applied towards additional infrastructure required to accommodate the relocation of Year 7 students from primary to secondary settings for the 2015 school year. This funding was to be released as project development plans were approved by the Government.

This centrally held provision ended in 2014 with the Government's November 2013 decision to transfer the 2015 funding to the Department of Education's capital appropriation.

Fremantle Port Authority

Final funding of \$29.9 million was provided for the North Quay Rail Terminal Stage 2 Project in 2014.

Note 37. Supplementary financial information

There were no write-offs for the reporting period.

Note 38. Special purpose accounts

	2015	2014
	\$000	\$000
Special purpose account section 10 of the <i>Financial Management Act 2006</i>		
Accrued salaries		
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	259,249	227,730
Receipts	58,339	33,402
Payments	1,079	1,883
Balance at the end of the period	316,509	259,249
Bankwest Pension Trust		
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	5,629	6,392
Receipts	1,967	1,927
Payments	2,771	2,690
Balance at the end of the period	4,825	5,629
Commonwealth Payments for Specific Purposes Account		
The purpose of the special purpose account is to receive National Specific Purpose Payments and National Partnership Payments from the Commonwealth Government pursuant to the Intergovernmental Agreement on Federal Financial Relations for disbursement to relevant Government agencies and the Consolidated Account.		
Balance at the start of the period	49,173	36,940
Receipts	2,640,743	2,001,660
Payments	2,146,684	1,989,427
Balance at the end of the period	543,232	49,173

	2015 \$000	2014 \$000
Departmental receipts in suspense		
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	15,445	466
Receipts	98,209	64,566
Payments	90,723	49,588
Balance at the end of the period	22,931	15,445
Fiona Stanley Hospital Construction Account		
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 Fiona Stanley Hospital Construction Account 2007.		
Balance at the start of the period	9,158	104,389
Receipts	10,425	16,996
Payments	-	112,227
Balance at the end of the period	19,583	9,158
Independent schools – general building grants		
The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the <i>State Grants (Schools Assistance) Act 2008</i> pending payment to independent schools.		
Balance at the start of the period	-	-
Receipts	15,608	21,959
Payments	15,608	21,959
Balance at the end of the period	-	-

	2015	2014
	\$000	\$000
Independent schools – recurrent grants schools assistance acts		
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	1,056,097	939,809
Payments	1,056,097	939,809
Balance at the end of the period	-	-
Jervoise Bay Infrastructure Development Trust Account		
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	9,778	9,502
Receipts	276	276
Payments	-	-
Balance at the end of the period	10,054	9,778
Local Authorities Tax Sharing Entitlements Account		
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	369,948	136,348
Payments	369,948	136,348
Balance at the end of the period	-	-
Mortgage Moneys Under the <i>Transfer of Land Act 1893</i>		
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	81	79
Receipts	2	2
Payments	-	-
Balance at the end of the period	84	81

	2015 \$000	2014 \$000
Perth Children's Hospital Account		
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	93,939	277,008
Receipts	349,500	182,000
Payments	256,414	365,069
Balance at the end of the period	187,025	93,939
Non-government schools – other recurrent grants		
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	7,280	11,289
Payments	7,280	11,289
Balance at the end of the period	-	-
Perry Lakes Maintenance Account		
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	5,273	5,799
Receipts	149	166
Payments	-	692
Balance at the end of the period	5,422	5,273
Perth's New Major Stadium Construction Account		
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	47,358	95,379
Receipts	145,000	33,304
Payments	71,274	81,325
Balance at the end of the period	121,084	47,358

	2015	2014
	\$000	\$000
Purchasing Card Common Use Arrangement – Financial Incentive Payments		
The purpose of the special purpose account is to hold for disbursement to public authorities financial incentive moneys received from the purchasing card CUA suppliers – National Australia Bank Limited and Australia and New Zealand Banking Group Limited.		
Balance at the start of the period	-	-
Receipts	-	-
Payments	-	-
Balance at the end of the period	-	-
Public Bank Account Interest Earned Account		
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	25,672	25,311
Receipts	129,542	152,424
Payments	86,188	152,062
Balance at the end of the period	69,026	25,672
Royalties For Regions Fund		
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	939,698	880,957
Receipts	1,210,172	1,488,988
Payments	1,149,870	1,430,247
Balance at the end of the period	1,000,000	939,698
Statutory Authorities Investment Account		
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	149,304	144,077
Receipts	26,411	29,328
Payments	168,013	24,100
Balance at the end of the period	7,702	149,304

	2015 \$000	2014 \$000
Tariff Equalisation Fund		
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	136,000	209,000
Payments	136,000	209,000
Balance at the end of the period	-	-
Toodyay Fire Victims Fund Account		
The purpose of the special purpose account is to hold funds pending distribution to residents directly affected by the Toodyay bushfire on 29 December 2009 and to meet associated costs.		
Balance at the start of the period	-	-
Receipts	-	-
Payments	-	-
Balance at the end of the period	-	-
Western Australian Future Fund		
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	596,078	305,932
Receipts	282,656	290,146
Payments	-	-
Balance at the end of the period	878,734	596,078

Note 39. Special purpose accounts created during the year

There were no special purpose accounts created during the year.

Note 40. Administered income and expenses

	2015	2014
	\$000	\$000
Expenses		
Superannuation	372,505	606,395
Interest	505,349	459,571
Appropriations for:		
Operating subsidies	1,895,536	1,968,039
Services	15,009,601	14,610,190
Salaries and allowances	102,305	98,010
Other appropriations	2,113,250	2,143,304
Commonwealth grants on-passed to agencies	2,537,240	1,911,177
Local Government financial assistance grants	261,792	168,172
Local Government road funding	161,934	106,574
Non-government schools	1,079,353	973,057
Royalties for Regions ^(a)	679,036	632,426
Other expenses	804	763
Total Administered expenses ^(b)	24,718,705	23,677,678
Income		
Commonwealth grants	7,317,690	6,931,828
Government enterprises:		
Dividends	1,192,154	905,291
Income tax equivalent regime	579,169	607,682
Local Government rates equivalent	17,363	19,783

	2015	2014
	\$000	\$000
Consolidated Account revenue received from agencies ^(c)	13,445,280	14,482,088
Gold State superannuation reimbursement	145,687	154,968
Interest	124,592	139,130
Loan guarantee fees	120,116	120,360
Pension recoups	23,377	14,763
Other revenue	24,476	41,713
Total Administered income ^(d)	22,989,904	23,417,606

^(a) Represents the expensing of Royalties for Regions moneys 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.

^(b) 2014 total Administered expenditure has been restated to align with the 2014 Actual figures published in the 2015-16 Budget Statements. The total published in the 2013-14 Annual Report was \$26.8 billion. The \$3.1 billion reduction is primarily attributable to the removal of capital contributions (\$2.9 billion). For accounting purposes, these contributions are not reflected in the Schedule of Administered Operating Transactions.

^(c) 2014 Consolidated Account revenue received from agencies was disclosed as a footnote in the 2013-14 Annual Report. The 2015 total and 2014 comparative have been disclosed in the Statement of [Administered Income and Expenses](#) to enhance the level of disclosure.

^(d) 2014 total Administered income has been restated to align with the 2014 Actual figures published in the 2015-16 Budget Statements.

Note 41. Disclosure of Administered income and expenses by service

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Total	
	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES						
Expenses						
Superannuation	372,505	606,395	-	-	372,505	606,395
Interest	505,349	459,571	-	-	505,349	459,571
Appropriations for:						
Operating subsidies	1,895,536	1,968,039	-	-	1,895,536	1,968,039
Services	15,009,601	14,610,190	-	-	15,009,601	14,610,190
Salaries and allowances	102,305	98,010	-	-	102,305	98,010
Other appropriations	2,113,250	2,143,304	-	-	2,113,250	2,143,304
Commonwealth grants on-passed to agencies	2,537,240	1,911,177	-	-	2,537,240	1,911,177
Local Government financial assistance grants	261,792	168,172	-	-	261,792	168,172
Local Government road funding	161,934	106,574	-	-	161,934	106,574
Non-government schools	1,079,353	973,057	-	-	1,079,353	973,057
Royalties for Regions ^(a)	679,036	632,426	-	-	679,036	632,426
Other expenses	804	763	-	-	804	763
Total Administered expenses	24,718,705	23,677,678	-	-	24,718,705	23,677,678
Income						
Commonwealth grants	-	-	7,317,690	6,931,828	7,317,690	6,931,828
Government enterprises:						
Dividends	-	-	1,192,154	905,291	1,192,154	905,291
Income tax equivalent regime	-	-	579,169	607,682	579,169	607,682
Local Government rates equivalent	-	-	17,363	19,783	17,363	19,783
Consolidated Account revenue received from agencies	13,445,280	14,482,088	-	-	13,445,280	14,482,088
Gold State superannuation reimbursement	145,687	154,968	-	-	145,687	154,968
Interest	124,592	139,130	-	-	124,592	139,130

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Total	
	2015	2014	2015	2014	2015	2014
	\$000	\$000	\$000	\$000	\$000	\$000
Loan guarantee fees	120,116	120,360	-	-	120,116	120,360
Pension recoups	23,377	14,763	-	-	23,377	14,763
Other revenue	24,476	41,713	-	-	24,476	41,713
Total Administered income	13,883,528	14,953,022	9,106,376	8,464,584	22,989,904	23,417,606

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

Note 42. Administered assets and liabilities

	2015 \$000	2014 \$000
Current assets		
Cash and cash equivalent	3,840,355	4,119,698
Treasurer's Advances	7,977	7,316
Government enterprises:		
Dividends receivable	1,505	1,505
Tax equivalent receivable	56,920	144,272
Recoverable advances	9,049	8,845
Other receivables	124,369	201,089
Total Administered current assets	4,040,175	4,482,725
Non-current assets		
Investments	4,825	5,629
Recoverable advances	28,846	34,847
Other receivables	20,039	20,039
Total Administered non-current assets	53,710	60,515
TOTAL ADMINISTERED ASSETS	4,093,885	4,543,240

	2015 \$000	2014 \$000
Current liabilities		
Superannuation	62,368	59,319
Interest payable	107,775	100,561
Appropriations payable	225,609	204,105
Special purpose account liabilities	5,854,630	4,742,028
Other payables	222,423	55,113
Total Administered current liabilities	6,472,805	5,161,126
Non-current liabilities		
Borrowings	12,139,096	10,139,097
Superannuation	7,488,334	7,813,112
Appropriations payable	8,624,295	7,751,665
Other payables	351,183	24,642
Total Administered non-current liabilities	28,602,908	25,728,516
TOTAL ADMINISTERED LIABILITIES	35,075,713	30,889,642

Note 43. Supplementary funding

Supplementary funding approved and expended during 2014-15 was as follows:

	2015 Amount Approved	2015 Amount Expended
	\$000	\$000
Item 70 – Bunbury Water Corporation	59	59
	59	59

A \$59,000 funding increase for operating subsidy payments was approved and fully drawn in 2014-15. This funding supported higher costs associated with pensioner and seniors concessions.

	2015 Amount Approved	2015 Amount Expended
	\$000	\$000
Item 83 – Provision for Unfunded Liabilities in the Government Insurance Fund	1,100	280
	1,100	280

This item provides for emerging insurance claims against the Government Insurance Fund (GIF) that arise periodically. The reimbursements depend on the timing of claims (mainly for lung disease and noise induced hearing loss), which can vary significantly from year to year – budget-time forward estimates are based on long-term average annual claims.

A funding increase of \$1.1 million was approved to meet an apparent increase in claims during early 2015. The increase incorporated a buffer to cover any late claims prior to 30 June 2015. However, emerging claims eased during the latter part of 2015 and only \$280,000 of the additional funding was required and drawn.

Item 84 – Refunds of Past Years Revenue Collections – Public Corporations

80,000	76,152
80,000	76,152

Additional funding of \$80 million was approved to meet the State's obligation in 2015 to refund public corporations that have overpaid National Tax Equivalent Regime (NTER) instalments into the Consolidated Account. Public corporations subject to the NTER occasionally overpay assessments when final accrual outcomes differ from interim payment expectations.

Of the approved increase, \$76.2 million was drawn, which together with the budgeted \$10 million provision for payments in 2015, addressed refunds to:

- Synergy (\$48.9 million) – following the merger with Verve in January 2014, Synergy has carried certain tax losses which offset the value of taxable income for 2014. These tax outcomes were not finalised until after 2014 tax instalments were paid to the Consolidated Account and hence required a refund;
- The Insurance Commission of Western Australia (\$28.8 million) – an increase in the actuarial valuation of net outstanding claims for Compulsory Third Party insurance at 30 June 2014 was not known until after 2014 tax instalments were paid to the Consolidated Account, giving rise to the subsequent refund; and
- A range of smaller refunds to other public corporations (\$8.5 million in total).

	2015 Amount Approved	2015 Amount Expended
Item 86 – Royalties for Regions	\$000	\$000
	35,900	13,461
	35,900	13,461

The *Royalties for Regions Act 2009* requires that the Royalties for Regions (RfR) Fund is to receive up to 25% of mining royalties, subject to the cash balance in the Fund not exceeding \$1 billion. In the 2015 Budget, the approved appropriation to the Fund was 18.6% of mining royalty income, which was based on the Fund reaching its \$1 billion statutory cap by 30 June 2015. Since the 2015 Budget was finalised, the composition of spending on the RfR program changed due to the timing of funds for RfR projects and the subsequent Cabinet approval of business cases for other projects.

Based on cash flow estimates in late 2015, a revised balance of \$964.1 million was expected at 30 June 2015. Accordingly, an additional \$35.9 million of royalty funding was eligible to be paid to the Fund. Of this amount, \$13.5 million was drawn, reflecting further movements in RfR cashflows.

Details of the RfR program are available from the Department of Regional Development.

Item 141 – Electricity Networks Corporation (Western Power)	76,063	16,011
	76,063	16,011

Western Power receives an equity contribution equivalent to dividends paid on customer contributions for infrastructure investments that are recorded as revenue and boost profit.

Of the total \$76.1 million approved increase in equity contributions in 2015, \$16 million was paid to the Corporation for the impact of higher than forecast customer contributions in 2014 on the December 2014 dividend payment.

The residual \$60.1 million relates to equity contributions associated with the Government's introduction of an interim dividend from 2015, to bring electricity agencies into line with dividend arrangements for other State businesses. The new arrangement would require Western Power to (for example) pay 75% of its expected 2015 dividend liability by 30 June 2015. Under previous arrangements, this equity contribution would have been paid in 2016.

Given the late passage (in June 2015) of legislative amendments required to support the new interim dividend arrangements, the residual \$60.1 million was not drawn.

	2015 Amount Approved	Amount Expended
	\$000	\$000
Item 144 – Port Hedland Port Authority	19,632	19,632
	19,632	19,632

An equity injection is made to reimburse the Pilbara Ports Authority (formerly Port Hedland Port Authority) for dividends paid on revenue collected under the Port Improvement Rate (PIR).

Additional funding of \$19.6 million was approved for this item, reflecting an increase in Port of Port Hedland throughput in 2015 (due mainly to higher iron ore production volumes in the Pilbara during the year). Higher throughput increased PIR collections, a portion of which flows to the Consolidated Account through annual dividend arrangements.

New item – WA Land Authority

9,120	9,120
9,120	9,120

This funding of \$9.1 million was provided to extinguish the income tax equivalent liability created by Royalties for Regions funding for the Karratha Service Workers Accommodation.

Note 44. Variance analyses between Budget and Actual results

Administered income and expenses

	Variance Note	Estimate 2015	Actual 2015	Actual 2014	Variance between Estimate and Actual	Variance between Actual results for 2015 and 2014
		\$000	\$000	\$000	\$000	\$000
Expenses						
Superannuation	1, a	547,986	372,505	606,395	(175,481)	(233,890)
Appropriations	2, b	19,374,914	19,120,692	18,819,543	(254,222)	301,149
Commonwealth grants on-passed to agencies	3, c	2,044,840	2,537,240	1,911,177	492,400	626,063
Local Government financial assistance grants	4, d	179,207	261,792	168,172	82,585	93,620
Local Government road funding	4, e	110,941	161,934	106,574	50,993	55,360
Other expenses	5, f	2,172,057	2,264,542	2,065,817	92,485	198,725
Total Administered expenses ^(#)		24,429,945	24,718,705	23,677,678	288,760	1,041,027
Income						
Commonwealth grants	6, g	6,736,715	7,317,690	6,931,828	580,975	385,862
Government enterprises	7, h	1,479,836	1,788,686	1,532,756	308,850	255,930
Consolidated Account revenue received from agencies ^(^)	8, i	15,211,922	13,445,280	14,482,088	(1,766,642)	(1,036,808)
Interest	9, j	139,227	124,592	139,130	(14,635)	(14,538)
Other revenue	k	312,672	313,656	331,804	984	(18,148)
Total Administered income ⁽⁺⁾		23,880,372	22,989,904	23,417,606	(890,468)	(427,702)

^(#) 2014 total Administered expenditure has been restated to align with the 2014 Actual figures published in the 2015-16 Budget Statements. The total published in the 2013-14 Annual Report was \$26.8 billion. The \$3.1 billion reduction is primarily attributable to the removal of capital contributions (\$2.9 billion). For accounting purposes, these contributions are not reflected in the Schedule of Administered Operating Transactions.

^(^) 2014 Consolidated Account revenue received from agencies was disclosed as a footnote in the 2013-14 Annual Report. The 2015 total and 2014 comparative have been disclosed in the Statement of Administered Income and Expenses to enhance the level of disclosure.

⁽⁺⁾ Total Administered income has been restated to align with the 2014 Actual figures published in the 2015-16 Budget Statements.

Significant variance analyses between Estimate and Actual 2015 *

- (1) Relative to the 2015 Estimate, the lower superannuation expense outcome for 2015 largely reflects:
- a decrease in the forecasted scheme membership, particularly in the Gold State defined benefit scheme (which closed to new members in 1995), reflecting member retirements during 2015;
 - a decrease in the salary assumptions used by the actuary; and
 - a decrease in the discount rate used by the actuary for the valuation of superannuation liabilities (from 4.6% per annum, assumed at budget-time, to 3.0% for the 2015 valuation).
- (2) Appropriations have reduced due to decisions that occurred after the 2015 Estimate had been set.
- (3) The increase from the 2015 Estimate mainly reflects the impact of \$499.1 million in road funding announced by the Commonwealth in its May 2015 Budget. This funding supports spending under the National Partnership Agreement on Western Australian Infrastructure Projects. The grant funds will be on-passed to Main Roads as spending on associated projects is incurred in 2016 and beyond.
- (4) The increase from the 2015 Estimate is primarily due to the Commonwealth Government's decision in late June 2015 to distribute part of the forecast 2016 allocation prior to 1 July 2015.
- (5) 2015 expenses have increased primarily due to Royalties for Regions expense being \$71.2 million higher than the 2015 Estimate. This increase was offset by a lower draw down of Royalties for Regions funds for capital purposes (down by \$51.7 million compared with the 2014-15 Budget forecast). The change in the mix of recurrent and capital draw downs is driven by the Royalties for Regions program, which is administered by the Department of Regional Development and approved by the Government each year.
- (6) The increase is primarily due to Commonwealth decisions that occurred after the 2015 Estimate had been set.
- (7) The increase is primarily due to dividend revenue that was \$249.7 million higher than the 2015 Estimate. Material variations include:
- Water Corporation (up by \$93 million), reflecting a higher operating profit;
 - Pilbara Ports Authority (up by \$60 million), mainly reflecting the higher iron ore throughput;
 - Western Power (up by \$47 million), due to a higher than expected operating profit;
 - Synergy (up by \$26 million), primarily reflecting reduced interest and corporate overhead costs and a net improvement in Synergy's plant and supply costs due to the cessation of a number of Power Purchase Agreements between the former Verve Energy and Synergy following the 1 January 2014 merger of these entities; and
 - Fremantle Port Authority (up by \$19 million), due to higher than expected profitability in 2014 and also 2015, which impacted the Port's 2015 interim dividend.

⁽⁸⁾ The variance mainly reflects significantly lower royalty revenue collected by the Department of Mines and Petroleum. This was largely attributable to a \$1,028.6 million decrease in receipts of iron ore royalties. Other main factors include:

- lower than expected payroll, property and vehicle taxes collected by the Office of State Revenue; and
- lower receipts from the Department of Lands (due mainly to the timing of land being ready for sale, and timing differences between land sales and transfer of proceeds to the Consolidated Account).

⁽⁹⁾ The variance largely reflects lower average Public Bank Account investment pool balances during the year, and slightly lower gross earning rates on these balances applicable during 2015.

Significant variance analyses between 2015 Actual and 2014 Actual *

^(a) The primary reasons for the lower expense were:

- a decrease in the forecasted scheme membership, particularly in the Gold State defined benefit scheme (which closed to new members in 1995), reflecting member retirements during 2015;
- a decrease in the salary assumptions used by the actuary; and
- a decrease in the discount rate used by the actuary for the valuation of superannuation liabilities, from 3.5% per annum for the year ending 30 June 2014, to 3.0% for the 2015 valuation.

^(b) Appropriations expense has increased from 2014, primarily due to cost escalation provided to agencies.

^(c) The increase from 2014 primarily reflects the impact of \$499.1 million in road funding announced by the Commonwealth in its May 2015 Budget. This funding supports spending under the National Partnership Agreement on Western Australian Infrastructure Projects. The grant funds will be on-passed to Main Roads as spending on associated projects is incurred in 2016 and beyond.

^(d) The increase from 2014 is primarily due to the Commonwealth Government's decision in late June 2015 to distribute part of the forecast 2016 allocation prior to 1 July 2015.

^(e) Commonwealth local government road grants, which are on-passed by the State, were up by \$55.4 million compared with 2014 mainly reflecting the Commonwealth Government's decision in late June 2015 to distribute part of the forecast 2016 allocation prior to 1 July 2015.

^(f) The increase from 2014 was primarily due to an increase in assistance that the Commonwealth provides for non-government schools with grants that are on-passed through the State. These grants were \$106.3 million higher in 2015 compared with 2014, reflecting changes in non-government school enrolment numbers, indexation and changes in Commonwealth Government funding policy.

^(g) The increase from 2014 is mainly due to cost escalation provided for most grants.

- ^(h) The increase is primarily due to higher dividends in 2015 (up by \$286.9 million) compared with 2014, driven by both positive and negative movements across a number of agencies. Material variations compared with 2014 outcomes include:
- Pilbara Ports Authority (up by \$122 million), reflecting increased throughput at the Port of Port Hedland and the introduction of interim dividend arrangements for all port authorities in 2015;
 - Water Corporation (up by \$75 million), reflecting a higher operating profit which was primarily due to increased tariff revenue resulting from tariff increases for 2015 and increased customer contributions for infrastructure due to higher development activity in the metropolitan area;
 - Synergy (up by \$46 million), largely due to the impact of impairment charges in 2013 (i.e. a charge that reduces the value of an asset recorded on an agency's balance sheet) on the dividend paid in 2014;
 - Insurance Commission of Western Australia (down by \$31 million), as a result of the passing of the Insurance Commission of Western Australia Amendment Bill 2013 on 19 August 2013, which amended the *Insurance Commission of Western Australia Act 1986* to allow dividends to be paid to the Consolidated Account. The legislation contained transitional provisions that enabled dividends to be paid in respect of 2013. Accordingly, the total dividend paid in 2014 was the sum of the 2013 final dividend (\$46.8 million) and the 2014 interim dividend (\$19 million). The final 2014 dividend was paid in 2015;
 - Fremantle Port Authority (up by \$28 million), due to the introduction of interim dividend arrangements for port authorities in 2015, and the inclusion of one-off issues that impacted the dividend outcome for the Port in 2014; and
 - Horizon Power (up by \$20 million), reflecting an insurance finding in favour of Horizon Power, lower operating costs associated with the Corporation's strategic review, and increased developer contributions.
- ⁽ⁱ⁾ The variance mainly reflects significantly lower royalty revenue collected by the Department of Mines and Petroleum.
- ^(j) The variance compared to 2014 largely reflects lower average Public Bank Account investment pool balances during the year, and slightly lower gross earning rates on these balances applicable during 2015.
- ^(k) Other revenue was \$17.2 million lower in 2015 than in 2014, mainly due to:
- a \$5.3 million refund of GST paid to the State by the Australian Taxation Office (pertaining to eligible Income Tax Credits related to Synergy operating subsidy payments in 2013-14); and
 - unclaimed monies received from external organisations (\$6.6 million). The unpredictable nature and magnitude of such items cause material variations from year to year.
- * Significant variations are considered to be those greater than 10% or \$10 million.

Key Performance Indicators

Certification of Key Performance Indicators

For the year ended 30 June 2015

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 2015.



Michael Barnes
UNDER TREASURER

8 September 2015



This section discloses key performance information in achieving Government desired outcomes.

Performance Assessment

Outcomes

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

1. Sustainable and transparent public sector finances

Service 1: Financial management and reporting

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

2. A strong and competitive State economy

Service 3: Economic and revenue forecasts and policy development

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

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

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

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

Measuring Our Performance

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

Key Effectiveness Indicators

Treasury Business

Government goal: Financial and economic responsibility

Outcome 1: Sustainable and transparent public sector finances

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

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

Key indicators of effectiveness	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Notes
Status of the State's credit rating ^(a)	triple-A	triple-A	Aaa ^(b) AA+ ^(c)	Aaa ^(b) AA+ ^(c)	Aa1 ^(b) AA+ ^(c)	1
Unqualified audit opinion on the Annual Report on State Finances	Yes	Yes	Yes	Yes	Yes	2
Percentage of approved asset sales program completed within agreed timeframes ^(d)	n/a	n/a	n/a	n/a	n/a	3

^(a) Standard and Poor's and Moody's currently assess the credit rating for Western Australia.

^(b) Moody's.

^(c) Standard and Poor's.

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

Notes:

1. Both Standard & Poor's and Moody's have revised the State's credit rating down from the previous triple-A assessment. Standard & Poor's downgrade was announced in 2013-14 (and noted in last year's annual report). During 2014-15, the increasing volatility of State revenue (particularly the exposure of royalty income to international iron ore price movements) saw Standard & Poor's place Western Australia on a 'negative credit watch'. The negative credit watch was subsequently resolved in July 2015 with Standard & Poor's affirming its existing AA+ credit rating assessment for the State, but revising the previous 'stable outlook' to a 'negative outlook' (which is consistent with a one in three risk of a credit rating downgrade in the next two years). Citing similar concerns with revenue risks and increasing levels of debt, Moody's also downgraded the State from Aaa to Aa1 (on 25 August 2014) and has also placed the State on a 'negative outlook' (on 10 June 2015). These are equivalent credit rating assessments for Western Australia and still represent a very high assessment of credit worthiness.
2. Western Australia's whole-of-government financial outcomes for the year ending 30 June 2014 were released on 25 September 2014 in the [2013-14 Annual Report on State Finances](#). Released in line with the 90 day statutory reporting deadline, the report was given an unqualified audit opinion by the Auditor General.
3. The asset sales program commenced in 2014-15 and involves a multi-year process with none expected to be completed in the first year. As no asset sales were completed in the 2014-15 financial year the 2014-15 Estimated Actual and 2014-15 Target are not applicable, even though the program is underway.

Outcome 2: A strong and competitive State economy

Accurate forecasting of Western Australia's economic and fiscal outlook is a major factor in order to maintain the State's current credit rating and, in turn, provide 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	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Notes
Accuracy of key general government revenue forecasts:						
– tax revenue ^{(a) (b)}	3.0%	7.7%	-4.5%	+/-5.0%	-6.4%	1
– mining revenue ^(c)	-8.8%	-6.8%	3.6%	+/-5.0%	-23.1%	2
Accuracy of key economic forecasts (percentage point difference):						
– employment growth ^(d)	1.8	0.9	-0.2	+/-0.5	0.8	3
– real State Final Demand (SFD) growth ^(e)	8.5	-3.1	-1.8	+/-2.0	-3.6	4

^(a) The actual for 2014-15 used to calculate the KPI is the 2014-15 Estimated Actual as at 31 July 2015. Revision to the 2013-14 figure reported in the 2013-14 Annual Report (from -4.8% to -4.5%) reflects the difference between the 2013-14 Estimated Actual in July 2014 and final audited outcome.

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

^(c) The actual for 2014-15 used to calculate the KPI is the 2014-15 Estimated Actual as at 31 July 2015. Revisions to the 2013-14 figure reported in the 2013-14 Annual Report (from 3.0% to 3.6%) reflects the difference between the 2013-14 Estimated Actual in July 2014 and final audited outcome.

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

^(e) The estimated actual for 2014-15 used to calculate the KPI is based on the annual average growth to June quarter 2015. Any changes to actual figures from previous reporting are due to the revision of the historical series from the ABS. Revision to the 2013-14 figure reported in the 2013-14 Annual Report (from -2.2 to -1.8) reflects data revision made by the ABS.

Notes:

1. The preliminary actual for total tax in 2014-15 is lower than the Budget forecast primarily due to lower than expected transfer duty and payroll tax. The target for 2014-15 was not met.
2. The preliminary actual for mining revenue for 2014-15 is lower than forecast at the 2014-15 Budget primarily due to lower than forecast iron ore prices. The target for 2014-15 was not met.
3. The employment deviation reflects stronger than expected employment growth. The target for 2014-15 was not met.
4. The real State Final Demand deviation reflects a larger than expected decline in business investment and lower than expected growth in both household consumption and dwelling investment. The target for 2014-15 was not met.



Government goal: Results-based service delivery

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

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

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

Key indicators of effectiveness	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Notes
Percentage of the Department's material resource allocation recommendations complying with the Service Provision Analysis Framework	100%	98%	95%	100%	100%	1
Percentage of highest value agencies ^(a) complying with the Strategic Asset Management Framework or equivalent accredited mechanism	75%	40%	46%	75%	47%	2

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

Notes:

1. 20 out of 20 (100%) of Economic and Expenditure Reform Committee papers were compliant with SPAF, representing resource allocation recommendations of more than \$5 million over the forward estimates period.
2. Seven out of 15 (47%) of the highest value agencies are compliant with SAMF or an equivalent mechanism at 30 June 2015, not meeting the target of 75%. Seven of the eight non-compliant agencies are Government Trading Enterprises (GTEs) or Public Non-Financial Corporations (PNFCs). Until September 2014, there was no mandate for GTEs to apply the SAMF standards. It is anticipated that from 2015-16 onwards compliance will increase following the Cabinet endorsement of the updated framework. In addition, there is a change each year of the composition of the agencies forming the top 90% of the total Asset Investment Program, thus impacting on the proportion of GTE and non-GTE organisations included. Treasury is conducting significant work with GTEs including the Water Corporation, Western Power and the Ports to support their compliance efforts. Treasury will also continue to reinforce the importance of SAMF compliance by general government agencies.

Strategic Projects Business

Government goal: State building – major projects

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

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

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

Key indicators of effectiveness	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Notes
Percentage of significant ^(a) projects in the New Buildings program delivered within approved:						
– budget	88%	82%	94%	100%	100%	1
– timeframe	82%	82%	94%	100%	64%	2

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

Notes:

- All projects are expected to be completed within budget.
- Busselton Health Campus was completed in March 2015, five months later than its approved completion date of October 2014, due to construction and commissioning delays. The forecast completion date for Karratha Health Campus is now June 2018, six months later than the approved December 2017 completion date due to a decision to defer opening of the new hospital to avoid risk of seasonal impacts. The WA Museum is currently forecast for completion in July 2020, four months later than the approved completion date of March 2020 due to longer than expected durations for procurement activities. The Old Treasury Buildings (OTB) redevelopment project is due for completion in September 2015, four months later than its approved completion date of May 2015 due to delays in construction and commissioning of the OTB office tower. Perth Children's Hospital has also experienced construction delays, and will not meet its approved completion date of September 2015.

Key Efficiency Indicators

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

Treasury Business

Government goal: Financial and economic responsibility

Service 1: Financial management and reporting

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

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

Key indicators of efficiency	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 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 2014-15 and all were released in line with the statutory deadlines: the 2013-14 Annual Report on State Finances; the September 2014, December 2014 and March 2015 Quarterly Financial Results Reports; and the [2014-15 Government Mid-year Financial Projections Statement](#). Treasury met all statutory reporting deadlines for publications required by the Act in the past and expects to continue to do so throughout 2015-16.

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

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

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

Key indicators of efficiency	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Notes
Percentage of approved asset sales program completed within agreed budgets ^(a)	n/a	n/a	n/a	n/a	n/a	1

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

Notes:

- The asset sales program commenced in 2014-15 and involves a multi-year process with none expected to be completed in the first year. As no asset sales were completed in the 2014-15 financial year, the 2014-15 Estimated Actual and 2014-15 Target are not applicable, even though the program is underway.

Service 3: Economic and revenue forecasts and policy development

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

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

Key indicators of efficiency	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Notes
Number of Ministerials, briefings or reports provided on economic issues ^(a)	n/a	236	238	232	315	1

^(a) This KPI is a new indicator from 2012-13 therefore no comparative information for previous years is available.

Notes:

1. Total Ministerial correspondence for the year exceeded the target reflecting the increasingly challenging economic and fiscal environment and a resulting increase in requests for advice.

Government goal: Results-based service delivery

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

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

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

Key indicators of efficiency	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Notes
Number of Economic and Expenditure Reform Committee papers on service delivery and infrastructure advice ^(a)	n/a	108	75	98	102	1

^(a) The KPI is new for 2012-13 so no comparative data for previous years is available.

Notes:

1. The number of Economic and Expenditure Reform Committee papers on service delivery and infrastructure advice exceeded the 2014-15 Target. The variance between 2013-14 Actual and 2014-15 Actual was due to the late 2013-14 Budget process in August 2013, following the March State Election, where Government election commitments, rather than agency submissions were the focus.

Strategic Projects Business

Government goal: State building – major projects

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

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

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

Key indicators of efficiency	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Notes
Cost as a percentage of the total annual value of the planning and delivery of capital works projects	0.3%	0.6%	0.5%	0.7%	0.6%	1

Notes:

- The 2014-15 Actual cost indicator is less than the 2014-15 Target cost indicator, as a result of lower than expected operational costs associated with the capital works program and a more accurate allocation of costs to individual projects.

Ministerial directives

No ministerial directives were received during the 2014-15 financial year.

Other disclosures

Senior officers

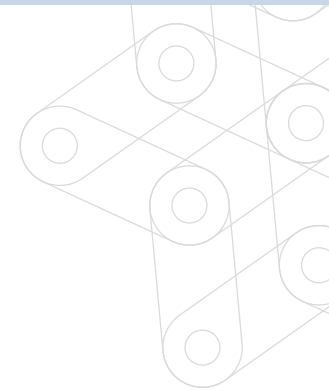
In accordance with Treasurer's Instruction 903 (14 (ii)), senior officers are required to disclose details of any shares, held either as a nominee or held beneficially, in any subsidiary body of the agency. In 2014-15, no senior officers held shares in any subsidiary body of the agency as a nominee or held beneficially.

Treasurer's Instruction 903 (14(iii)) requires senior officers to disclose particulars of any interest in any existing or proposed contract which:

- a senior officer;
- a firm of which a senior officer is a member; or

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

In 2014-15, other than normal contracts of employment of service, no senior officers, firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the department or any subsidiary body, related body or affiliated body of the agency.



Other legal requirements

Advertising

In accordance with section 175ZE of the *Electoral Act 1907*, the Department incurred the following expenditure for advertising, market research, polling, direct mail and media advertising. Total advertising expenditure for 2014-15 was \$25,712.

	\$
Advertising agencies	
Adcorp	25,262
Economics Society of Australia	100
GradConnection	350
Market research organisations	Nil
Polling organisations	Nil
Direct mail organisations	Nil
Media advertising organisations	Nil
Total expenditure	25,712