



Department of Treasury Annual Report 2016-17



Achieving value for money outcomes for the people of Western Australia

CONTENTS



Overview

Statement of Compliance

For year ended 30 June 2017

Hon. Ben S WYATT LLB MSc MLA

Treasurer; Minister for Finance; Energy; Aboriginal Affairs

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 2017.

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



Michael Barnes

UNDER TREASURER

5 September 2017

About this report

Our Annual Report is divided into seven main sections 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 ended 30 June 2017.

The report also presents our audited Financial Statements and performance indicators for the reporting year 1 July 2016 to 30 June 2017.

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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Overview

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Overview

Message from the Under Treasurer

2016-17 was another busy and challenging year for the Department of Treasury.

The State's economic and fiscal environment continued to make Budget management challenging. Ongoing volatility in commodity prices, a historically low share of national GST revenue, and the largest annual decline in payroll tax (the State's largest source of taxation revenue) on record all contributed to an estimated general government operating deficit of \$3 billion for the 2016-17 financial year.

In this environment, Treasury's focus has remained very much on successfully implementing whole-of-government savings measures, identifying further Budget repair options, and ensuring value for taxpayers' money in the delivery of services and the provision of infrastructure across the State.

And of course, Treasury played a key role in the 2017 State election. This included the statutory requirement to release the *Pre-election Financial Projections Statement* (PFPS) at the start of the election period. The PFPS outlined Treasury's independent assessment of the State's economic and fiscal outlook, and provided the baseline for the costing of political parties' election commitments. The PFPS drew particular attention to the State's debt challenge, and received significant coverage in the media and elsewhere.

In addition to the PFPS and our usual reports such as the Mid-Year Review and the Annual Report on State Finances, other key highlights for the year included:

- our comprehensive incoming Government briefing to the new Treasurer following the change of Government at the March 2017 election;

- numerous briefings to the new Government on the state of the finances and Budget repair options;
- coordinating and managing the 2017-18 Budget process with the new Expenditure Review Committee of Cabinet;
- coordinating and supporting the Agency Expenditure Review (AER) exercise across government, and successfully implementing our own AER savings measures;
- helping the Government implement its Machinery of Government (MoG) changes in a short timeframe, as well as the new public sector wages policy and the changes to tariffs, fees and charges (and associated concession arrangements) that took effect from 1 July 2017; and
- preparing the Government's submission to the Productivity Commission inquiry into the GST distribution system.

We also achieved an excellent outcome on the sale of \$1.35 billion of Keystart's existing loan book, which was completed in September 2016 under a competitive process jointly managed by Keystart and Treasury. This has enabled a substantial reduction in government borrowings.

We achieved some important milestones on major building projects during 2016-17. These included completion of the Sarich Neuroscience Research Institute, award of the contract for delivery of the new WA Museum at the Perth Cultural Centre, and the completion and commencement of operations at the new Eastern Goldfields Regional Prison.

Overview

In addition, four primary schools delivered under the WA Schools Public Private Partnership were completed and opened, with construction of two of the project's four secondary schools now underway. We also progressed construction of the Perth Stadium (88 percent complete at 30 June 2017) and the Karratha Health Campus.

As part of the MoG changes, our Strategic Projects unit moved to the Department of Finance from 1 July 2017. I would like to personally thank Executive Director Richard Mann for his outstanding dedication, commitment and professionalism in leading the Strategic Projects team in Treasury. His expertise, advice and very dry sense of humor will be missed. Also as part of the MoG changes, we have welcomed our colleagues from the Public Utilities Office and the Economic Reform branch, who have joined us from the Department of Finance. This is an exciting change, not just for these staff, but for Treasury as a whole.

We are now over half way through our 2015-18 Strategic Plan, and I am pleased to see so many of our aims being met with our staff 'working together as one Treasury,' which is one of our key goals. Another core focus this year has been our goal of 'actively engaging with our stakeholders'.

The new Treasurer, the Hon. Ben Wyatt MLA, attended the Treasury Staff Forum in April 2017. This was a great opportunity for the approximately 220 staff in attendance to hear first hand from our key stakeholder. Also in April, the new Treasurer and I provided briefings on the State's economic and fiscal outlook to the media, Directors General and other key stakeholders, consistent with our strategic goal.

Our success against our Strategic Plan has been demonstrated throughout this report, including a snapshot of key achievements against the Plan on page 7.

I am very proud of the way that Treasury and its staff responded to the numerous challenges during 2016-17. At all times, Treasury staff acted with objectivity and integrity, and exhibited our values of 'innovative thinking', 'committed people' and 'working together'. I would also like to extend my thanks to our incredibly hard-working Executive team, and to highlight the appointments of Michael Court as Deputy Under Treasurer and Richard Watson as Executive Director, Economic.

I look forward to the coming year and all of the opportunities and challenges it will no doubt present.



Michael Barnes
UNDER TREASURER

Overview

About us

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

Our work

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

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

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

Through our Strategic Projects unit, during 2016-17 we managed the State Government's largest and most complex non-residential building projects – including Perth Stadium, the new WA Museum and the Perth Children's Hospital.

Our vision, mission, values and goals

Treasury is now two years into its **2015-18 Strategic Plan** which was launched in July 2015. The Strategic Plan is underpinned by Treasury's vision, mission and our values (**innovative thinking, committed people and working together**).

The six goals in the 2015-18 Strategic Plan are at the forefront of everything Treasury does and form a key component of measuring employee progress through the Performance Development Management Process.

This year's annual report provides an overview of how we are achieving the six Treasury goals from our strategic plan:

- Goal one: skilled, flexible and committed people;
- Goal two: a culture of ideas generation;
- Goal three: working together as one Treasury;
- Goal four: actively engaging with our stakeholders;
- Goal five: solutions focused advice; and
- Goal six: best practice project management.

Our achievements against the Strategic Plan for the 2016-17 period are detailed on the following page.

Overview

Strategic Plan - Success

Our achievements against the Strategic Plan 2015-18



GOAL 1 SKILLED, FLEXIBLE AND COMMITTED PEOPLE

- ✓ Developed individual succession plans for critical roles and continued to work with these areas to develop team plans.
- ✓ Implemented a targeted leadership program.
- ✓ Developed a Treasury specific technical skills program and an online learning platform.
- ✓ Implemented an online performance management system.
- ✓ Reviewed and refined traditional analyst roles to broaden staff perspectives.

GOAL 2 A CULTURE OF IDEAS GENERATION

- ✓ Established an Innovation Framework and Ideas Committee to drive a culture of ideas generation.
- ✓ Conducted a proactivity survey, to establish a baseline assessment of proactivity.
- ✓ Incorporated environmental scanning into operational planning sessions to encourage staff to think strategically and consider the broader environment in which we work.
- ✓ Continued to communicate the need for an ideas culture in various forums.
- ✓ Continued to recognise and showcase innovative approaches through the Treasury Treasures awards.

GOAL 3 WORKING TOGETHER AS ONE TREASURY

- ✓ Improved the sharing of information and data across the business on Commonwealth-State relations issues.
- ✓ Collaborated on cross-functional teams throughout the Term of Government Priorities process and to progress technical training.
- ✓ Proactively managed leave through individual leave management plans and leave liability reports.
- ✓ Worked together to successfully implement the Machinery of Government changes.

GOAL 4 ACTIVELY ENGAGING WITH OUR STAKEHOLDERS

- ✓ Shared learning across the public sector through secondment arrangements.
- ✓ Improved presentation of information by reducing the number and length of papers, including more visual representation of data.
- ✓ Regular briefings with a range of stakeholders including the Treasurers' Office and representatives from DPC and Premier's Office on whole-of-government issues.
- ✓ Improved awareness of the strategic and policy environment through inviting external stakeholders to speak at Coffee Shop Forums.

GOAL 5 SOLUTIONS FOCUSED ADVICE

- ✓ Managed State financial risk through identifying and implementing budget management reform plans and savings measures.
- ✓ Progressed service delivery reforms.
- ✓ Successfully completed Keystart securitisation transaction.
- ✓ Identified innovative options for improving Western Australia's share of national GST revenue.

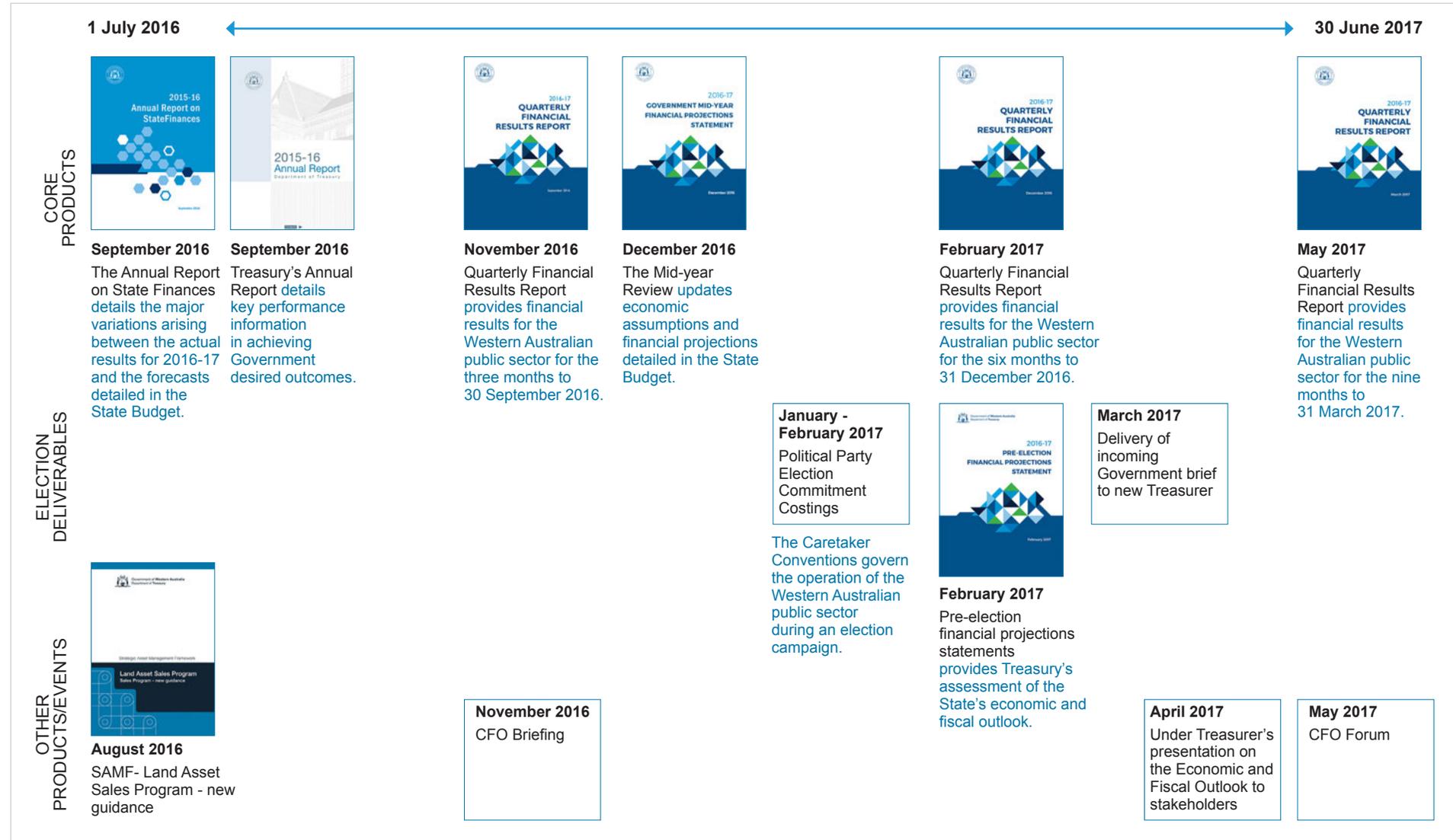
GOAL 6 BEST PRACTICE PROJECT MANAGEMENT

- ✓ Promoted best practice across the sector by stronger evaluation and benchmarking.
- ✓ Improved contract management skills in agencies by providing advice/support and making individuals available as subject matter experts.
- ✓ Guided the implementation of the Agency Expenditure Review (AER) project across government.

Overview

Overview of Our 2016-17 Deliverables

2016-17 Key Treasury Products and Events



Overview

Our Operational Structure

As at 30 June 2017, Treasury comprised four business units and one directorate that provides support to our people and the business units.

Business Units

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

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

Infrastructure and Finance covers a diverse range of responsibilities including:

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

Strategic Policy and Evaluation provides evaluation and advice on the efficiency and effectiveness of service delivery and infrastructure provision in key government agencies such as the [Departments of Health](#) and [Education](#), [Western Australia Police](#) and other key social services agencies, including the [Department for Child Protection and Family Support](#) and the [Disability Services Commission](#).

Strategic Projects and Asset Sales (SP&AS) was responsible to 30 June 2017 for:

- the planning and delivery of the State's major non-residential building projects; and
- oversight of the State's asset sales program.

From 1 July 2017, in line with the Machinery of Government changes announced by the Government in April 2017, the Strategic Projects function has been transferred to the Department of Finance.

Deputy Under Treasurer Directorate

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

Budget Coordination:

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

Overview

The Strategic Response Unit:

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

Corporate Strategy and Performance provides support to our people and the business through:

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

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

Responsible Ministers



Hon. Ben S WYATT LLB MSc MLA

Treasurer; Minister for Finance; Energy; Aboriginal Affairs
(from 17 March 2017)

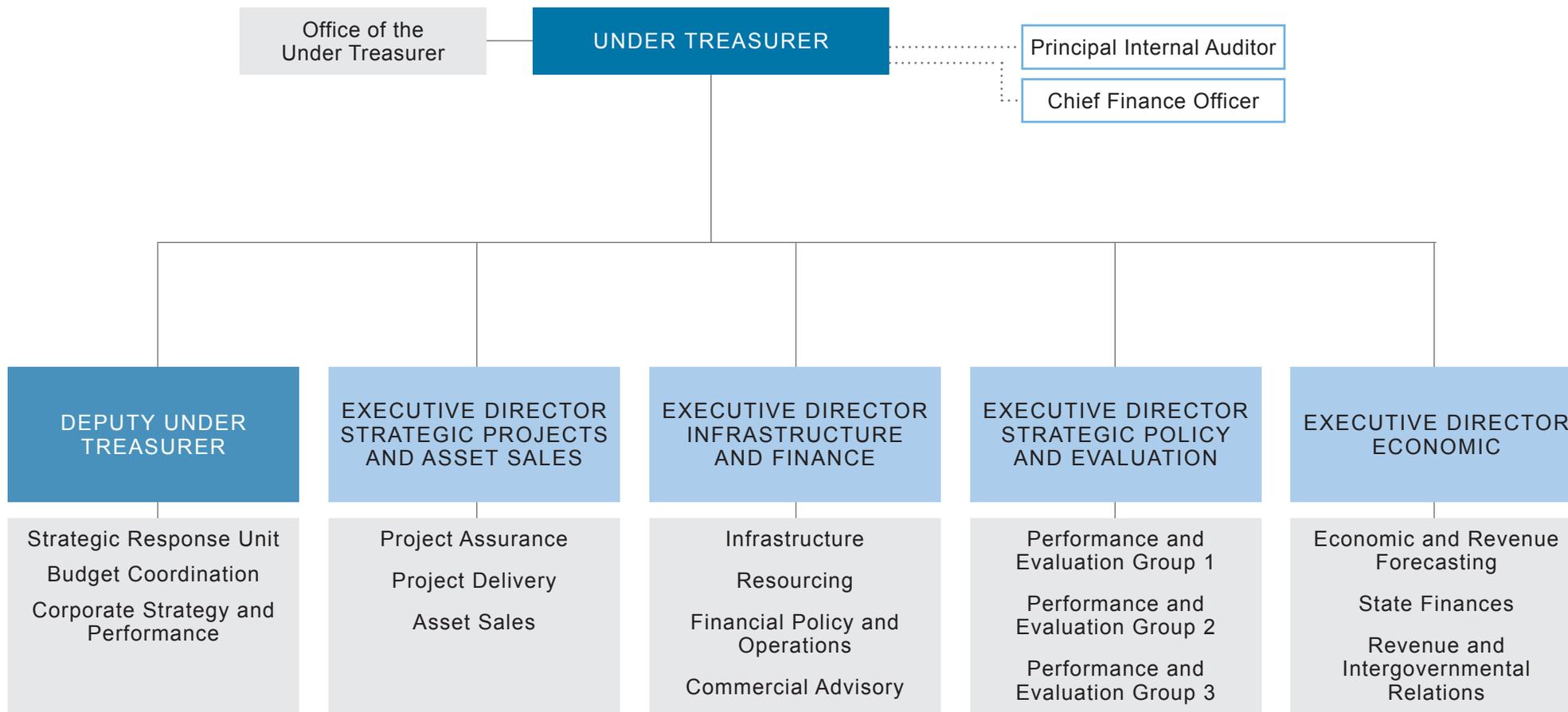
Hon. Dr Michael (Mike) Dennis NAHAN MLA

Treasurer; Minister for Energy; Citizenship and Multicultural Interests
(1 July 2016 to 17 March 2017)

Overview

Our Organisational Structure

As at 30 June 2017



Overview

Our Executive Team

**Michael Barnes**

BBus (Hons)

Under Treasurer

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

Prior to this, he spent more than five years as the Deputy Under Treasurer after holding a number of senior positions across the Department of Treasury of Western Australia, mainly in the areas of

revenue policy, fiscal strategy, and whole-of-government financial management and reporting.

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

**Michael Court**

BEcons (Hons)

Deputy Under Treasurer

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

In his role, Michael assists the Under Treasurer in the management of Treasury, with a primary focus on

whole-of-government budget management and fiscal strategy and other priority strategic issues. Michael is also responsible for Treasury's corporate service functions.

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

During 2016-17 Michael chaired the quarterly Public Sector Financial Management Committee and the Department's People and Communications Committee, and was a member of the [Electricity Market Review Steering Committee](#).

Overview



Richard Mann
BEng
**Executive Director
Strategic Projects and
Asset Sales**

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

In his role as Executive Director SP&AS, Richard has overseen 23 major building projects with a combined capital value of more than \$8.5 billion. In addition, the SP&AS asset sales unit has completed the divestment of the Perth Market Authority's Market City, assisted the Infrastructure and Finance business unit in the partial divestment of the Keystart loan book and has undertaken due diligence and feasibility analysis for a range of additional potential divestment opportunities.

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



Kaylene Gulich
BCom, BSocSc (Hons), MLM, MBA
**Executive Director
Infrastructure and Finance**

Kaylene joined Treasury in 2002 and after acting as Executive Director of Infrastructure and Finance since April 2013, was appointed to the role in September 2015.

She is responsible for the management and governance of Government Trading Enterprises, supporting the State's financial management and infrastructure development, legislative and accounting standards advice, and supporting efficient and effective delivery of services.

Kaylene 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](#) and the [Australian Institute of Company Directors](#).

Overview



Alistair Jones

BCom, MComms

Executive Director Strategic Policy and Evaluation

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

Alistair and his team are responsible for managing the provision of advice on the

efficiency and effectiveness of service delivery in key State Government agencies.

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



Richard Watson

BEcons (Hons), M.Phil

Executive Director Economic

Richard was appointed to the position of Executive Director, Economic in April 2017 after a period of acting.

He returned to Treasury in 2014, having spent the previous four years with a leading professional services firm. Between 2005 and 2009,

Richard worked primarily in Treasury's Revenue and Intergovernmental Relations division.

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

Overview

Legislation

Enabling Legislation

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

Administered Legislation

Treasury assists the Treasurer in administering the following Acts:

- *Advance Bank (Merger with St. George Bank) Act 1998*
- *Appropriation (Consolidated Fund) Acts (various)*
- *Auditor General Act 2006*
- *Australia and New Zealand Banking Group Act 1970*
- *Australia and New Zealand Banking Group Limited (NMRB) Act 1991*
- *Australia and New Zealand Banking Group Limited (Town & Country) Act 1995*
- *Bank Mergers Act 1997*
- *Bank Mergers (Taxing) Act 1997*
- *Bank of South Australia (Merger with Advance Bank) Act 1996*
- *Bank of Western Australia Act 1995*
- *Bell Group Companies (Finalisation of Matters and Distribution of Proceeds) Act 2015**
- *Coal Industry Superannuation Act 1989*
- *Electricity Industry Act 2004 (Part 9A only)*
- *Fire and Emergency Services Superannuation Act 1985*
- *Financial Agreement Act 1928*
- *Financial Agreement Act 1995*
- *Financial Management (Transitional Provisions) Act 2006*
- *Financial Management Act 2006*
- *Fiona Stanley Hospital Construction Account Act 2007*
- *Government Financial Responsibility Act 2000*
- *Judges' Salaries and Pensions Act 1950*
- *Loan Acts (various)*
- *Parliamentary Superannuation Act 1970*
- *Perth Building Society (Merger) Act 1986*
- *Perth Market (Disposal) Act 2015*
- *Railways (Access) Act 1998*
- *Royalties for Regions Act 2009*
(Pt. 2 only, except s. 9 & 10, which are administered by the Department of Regional Development)
- *State Bank of South Australia (Transfer of Undertaking) Act 1994*
- *State Enterprises (Commonwealth Tax Equivalents) Act 1996*
- *State Entities (Payments) Act 1999*
- *State Superannuation Act 2000*
- *State Trading Concerns Act 1916*
- *Statistics Act 1907*
- *Supply Acts (various)*
- *The Bank of Adelaide (Merger) Act 1980*
- *The Commercial Bank of Australia Limited (Merger) Act 1982*
- *The Commercial Banking Company of Sydney Limited (Merger) Act 1982*
- *Treasurer's Advance Authorization Acts (various)*
- *Unclaimed Money (Superannuation and RSA Providers) Act 2003*
- *Unclaimed Money Act 1990*
- *WADC and WA Exim Corporation Repeal Act 1998*

Overview

- *Western Australian Future Fund Act 2012*
 - *Westpac Banking Corporation (Challenge Bank) Act 1996*
- * On 16 May 2016 the High Court of Australia declared this Act to be invalid in its entirety. (See *Bell Group N.V. (in liquidation) v Western Australia* [2016] HCA 21).

Other Key Legislation Impacting on our Activities

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

- *Aboriginal Heritage Act 1972*
- *Botanic Gardens and Parks Authority Act 1998*
- *Building Act 2011*
- *Casino (Burswood Island) Agreement Act 1985*
- *Constitution Act 1889*
- *Constitution Acts Amendment Act 1899*
- *Construction Contracts Act 2004*
- *Contaminated Sites Act 2003*
- *Corruption and Crime Commission Act 2003*
- *Criminal Code 1913*
- *Dangerous Goods Safety Act 2004*
- *Disability Services Act 1993*
- *Electronic Transactions Act 2003*
- *Environmental Protection Act 1986*
- *Evidence Act 1906*
- *Equal Opportunity Act 1984*
- *Freedom of Information Act 1992*
- *Government Railways Act 1904*
- *Heritage of Western Australia Act 1990*
- *Industrial Lands (Kwinana) Agreement Act 1964*
- *Industrial Relations Act 1979*
- *Land Administration Act 1997*
- *Limitation Act 2005*
- *Local Government Act 1995*
- *Main Roads Act 1930*
- *Metropolitan Redevelopment Authority Act 2011*
- *Minimum Conditions of Employment Act 1993*
- *Motor Vehicle (Catastrophic Injuries) Act 2016*
- *Occupational Safety and Health Act 1984*
- *Personal Property Securities (Commonwealth Laws) Act 2011*
- *Pilbara Port Assets (Disposal) Act 2016*
- *Port Authorities Act 1999*
- *Planning and Development Act 2005*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Public Transport Authority Act 2003*
- *Public Works Act 1902*
- *Queen Elizabeth II Medical Centre Act 1966*
- *Rights in Water and Irrigation Act 1914*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Swan and Canning Rivers Management Act 2006*
- *Workers Compensation and Injury Management Act 1981*

Significant Issues and Trends

Significant Issues and Trends



This section identifies our current and emerging challenges, and future opportunities. It also details our major projects and outlines what we plan to deliver going forward.

Significant Issues and Trends

2017-18 State Budget

Given the change of Government following the election, the 2017-18 State Budget will be later than usual this year. On 27 March 2017, the Government approved the framework and key dates for the 2017-18 Budget process, which included the Budget release date of 7 September 2017. Preparation for this later Budget will closely coincide with the release of the Annual Report on State Finances and with Treasury's Annual Report.

Key Legislation – Loan Bill

The amount required for Consolidated Account borrowings is authorised by the Loan Acts. In June 2017 the [Loan Bill 2017](#) was passed, extending the loan limit by \$11 billion.

Key Legislation – Supply Bill

Due to the later date of the 2017-18 Budget, the Appropriation Bills have not been considered by Parliament in 2016-17. These Appropriation Bills give agencies the authority to spend public funds, and to continue operating as usual. In June 2017 the Supply Bill had progressed into the Upper House.

GST Distribution

Treasury has worked closely with key stakeholders to compile Western Australia's submission to the Productivity Commission inquiry on the GST distribution system. The submission outlines concerns with the way the GST distribution system (horizontal fiscal equalisation) is currently implemented. It also identifies a package of reform options that would improve national economic growth and efficiency.

Treasury is also actively engaged with the Commonwealth Grants Commission in its review of its methods for distributing GST revenue across the States and Territories.

Pre-election Financial Projections Statement

The 2016-17 Pre-election Financial Projections Statement (PFPS) is an important accountability document that provided Treasury's assessment of the State's economic and fiscal outlook in the lead-up to the 11 March 2017 election. The Under Treasurer released the PFPS on 9 February 2017.

Change of Treasurer

Immediately after the March election, Treasury met with the new Treasurer, the Hon. Ben Wyatt MLA, to discuss immediate Budget related priorities. This included the format and timing of the 2017-18 Budget process, and related legislative priorities.

Significant Issues and Trends

Term of Government Priorities

This year Treasury prepared a Term of Government Priorities (TOGP) paper to advise the incoming Treasurer and Government on key issues and potential options for addressing those issues.

The TOGP briefing notes contained recommendations on 11 priority areas to address current economic and fiscal challenges, including policy issues and critical administrative issues. This was a significant piece of advice that was the culmination of months of planning and preparation across Treasury.

MoG Changes – Whole of Government

On 29 April 2017, the Government announced a number of [Machinery of Government \(MoG\)](#) changes across the public sector. Implementing the MoG changes was a key focus area, both across the public sector and for Treasury's own MoG changes. Treasury has taken a lead role in implementing the MoG changes in collaboration with the Public Sector Commission, the Department of the Premier and Cabinet and the impacted agencies to ensure a smooth transition in the lead-up to the 2017-18 State Budget.



**WORKING TOGETHER
AS ONE TREASURY**

Departments of Treasury and Finance MoG Changes

Treasury has also worked closely with the Department of Finance in ensuring the successful implementation of this MoG change. Responsibility for the Public Utilities Office (PUO) and Economic Reform transferred from the Department of Finance to Treasury from 1 July 2017. Also as part of the MoG changes, the Strategic Projects unit transitioned across to the Department of Finance from 1 July 2017.

Service Priority Review

One of the emerging issues for Treasury is the Government's Service Priority Review (SPR), designed to provide a road map for reform of the public sector. Treasury is providing input to, and working with, the SPR Panel and Secretariat. It is expected that relevant recommendations of the Review will be considered as part of the 2018-19 Budget process.

Sustainable Health Review

The Government announced on 20 June 2017 that a Sustainable Health Review of the Western Australian health system will be occurring. The Review will aim to deliver a patient-first, innovative, sustainable health system. The Government has appointed a panel of experts, which includes the Under Treasurer.

Our Performance

Our Performance



This section outlines our key achievements and performance for 2016-17 and provides an overview of the external environment.



Our Performance

Case Study

Partial Divestment of Keystart Loan Book

Situation

Keystart has an important role in our community as it provides low deposit home loans to Western Australians unable to meet the deposit requirements of mainstream lenders. Once clients are able to meet the requirements of private mortgage providers they are encouraged to refinance with them.

Before the partial divestment of Keystart's loan book, the agency had budgeted borrowings of \$4.3 billion in 2016-17. In order to reduce the level of borrowings as well as enable Keystart to continue to meet its affordable housing objectives, Treasury assisted with the sale of \$1.35 billion of the Keystart loan book.



SOLUTIONS FOCUSED ADVICE

Approach

The divestment process was managed collaboratively between Treasury and Keystart, with the support of the State Solicitor's Office (SSO). Through a joint steering committee the organisations oversaw the management of the project. The process also drew on the relative strengths of Keystart and Treasury to obtain a successful outcome. Keystart took a lead role in providing the business specific information for the project and insight into the lending market. Treasury, with the support of SSO, managed the policy and approval requirements and drew on lessons learned from other projects.

The transaction required the development of innovative solutions to balance the commercial requirements of the buyer with the requirements for Keystart's customers' terms and conditions to remain unchanged and for Keystart to continue to manage the loans. These solutions were developed between Keystart, Treasury and SSO, drawing on the support of advisors.

Several Treasury staff were instrumental in the project's success, demonstrating all of the Treasury values of innovative thinking, committed people and working together.

Our Performance

Outcome

In September 2016, the sale, via equitable assignment, of \$1.35 billion of the Keystart loan book was announced. Equitable assignment is a commonly used transaction in financial markets and involves transferring the risks and benefits of the home loans, without transferring the underlying legal title of the mortgage. While a common transaction in financial markets, this transaction represents the first of its kind for the State.

The outcomes of the sale included:

- the State's gross borrowings were reduced by \$1.35 billion;
- Keystart received a small premium on the transaction and receives an ongoing service fee for managing the transferred loans; and
- no impact or changes to Keystart customers' terms or conditions.



The Keystart team and the Under Treasurer.

Our Performance

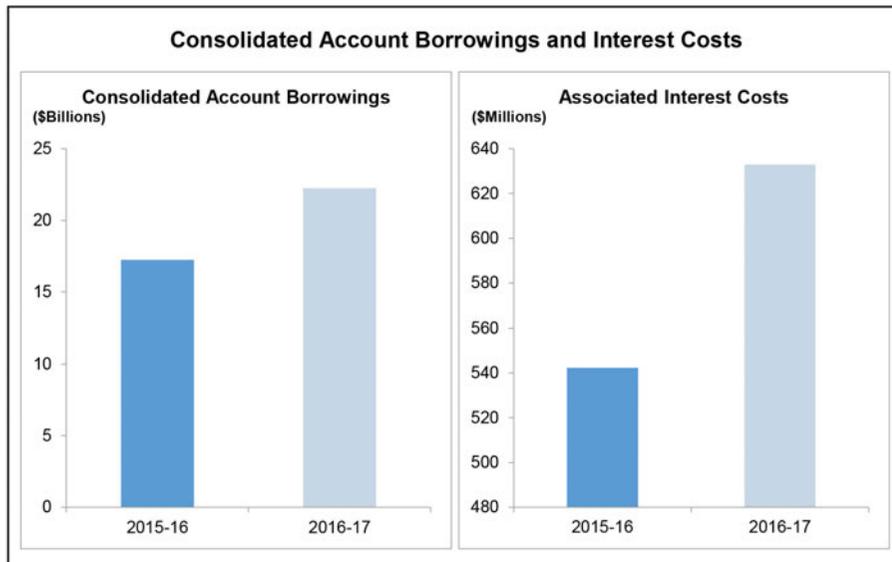
Case Study

Borrowing Program

Consolidated Account borrowings increased by \$5.01 billion in 2016-17, and associated interest costs increased by \$90.5 million compared to 2015-16.

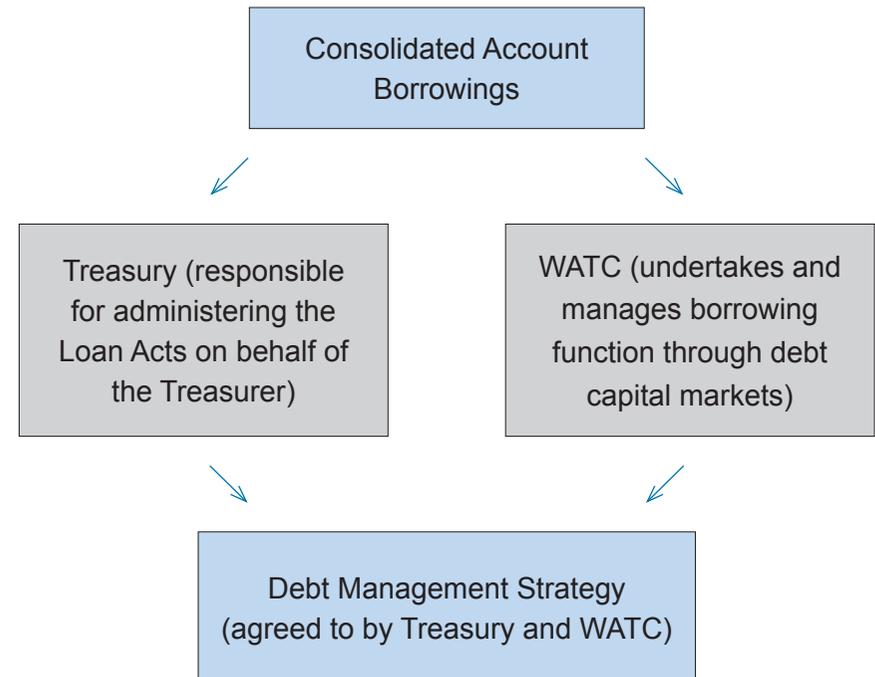
Situation

Western Australia’s borrowing requirement has increased relative to other States. Combined with lower credit ratings, this has led to a higher cost of debt for Western Australia, which has increased the importance of ensuring the State’s interest rate risk is effectively managed.



Approach

The Department of Treasury works closely with the Western Australian Treasury Corporation (WATC) in managing Consolidated Account Borrowings.



Our Performance

The primary objective is for WATC to manage interest rate risk by maintaining a diversified portfolio of fixed and floating rate debt, subject to maintaining flexibility for WATC to respond to evolving demand for its debt paper in capital markets.

This is achieved by:

- Treasury and WATC agreeing on a target floating and fixed rate debt mix and maturity allocation to be met within each financial year to meet new borrowing and refinancing requirements. This borrowing strategy is informed through financial modelling performed by WATC; and
- Treasury closely monitoring the cash position of the Public Bank Account and amending the timing and amount of borrowing as required. This is based on factors such as known or expected cash outflows and known or expected cash inflows from taxes, royalties and Commonwealth funding.



ACTIVELY ENGAGING WITH OUR STAKEHOLDERS

Outcome

WATC successfully raised the required level of borrowings during 2016-17. Treasury assisted by being flexible regarding the timing of Consolidated Account borrowings to suit market conditions. An increasing share of longer term debt has decreased refinancing risks.

Treasury and WATC will continue to work closely to manage borrowings and interest rate risk. Borrowings are also expected to increase more slowly over the forward estimates period as the revenue outlook improves.

Our Performance

Case Study

Agency Expenditure Review

Situation

In 2016-17 the Government reduced agency budgets for 54 general government agencies by \$591 million from 2017-18 to 2020-21 as part of the third tranche of the Agency Expenditure Review (AER) process. Agency level program savings measures to deliver the \$591 million budget reduction were considered as part of the 2017-18 Budget.

Approach

Stage One reviews

Throughout 2016-17, Treasury oversaw the Stage One AERs for 52 agencies tasked to self-identify program-level savings following an audit of their own operations. Treasury provided leadership, management and co-ordination of the AER process across government, including feedback to agencies, and where necessary provided recommendations to agencies to improve the rigour, reasonableness and achievability of submissions. Treasury supported proposed program savings measures for 51 of the Stage One AER agencies comprising \$275.4 million of the \$279.5 million target. The Office of the Director of Public Prosecutions did not propose program savings measures to meet its target of \$4.1 million, and is required to undergo a modified Stage Two AER process in 2017-18.

Stage Two reviews

As part of the 2016-17 Budget, the Department of Health's non-hospitals expenditure and the Department of Corrective Services (DCS) were directly advanced to Stage Two of the AER process. After the release of the 2016-17 Budget, the Metropolitan Redevelopment Authority was also directed to undertake a Stage Two AER. For these Stage Two reviews, Treasury provided an analytical and project management role to the agencies, the Independent Chairs and Project Boards, with the independent oversight of the Stage Two reviews expected to deliver critical agency reform and significant savings (\$311.3 million) to Government.

Outcome

Treasury contributed to and helped manage the development and achievement of AER program savings measures for all agencies.



BEST PRACTICE PROJECT MANAGEMENT

Our Performance

Department of Treasury's Agency Expenditure Review

Situation

In addition to managing and coordinating the AER process across government, Treasury delivered its own AER Stage One program savings measures, with a savings target of \$5.5 million to 2020-21.

Approach

Given the lead-time required, to achieve the full-year savings from 2017-18, Treasury took a two-tiered approach by running the targeted AER process in parallel with a generic request for voluntary separations in 2016-17. In addition to the voluntary severance savings, discrete AER savings measures included ceasing the provision of free car parking to managers, reduced expenditure on corporate project management roles and temporary and contract staff, and more efficient delivery (via an online tool) of staff training and development.

Outcome

The cumulative impact of Treasury's program savings measures made it necessary to critically assess our activities, question our spending, and to develop a more sustainable financial future. In this regard, early implementation of a number of program savings measures has enabled Treasury to meet its reduction target.

Case Study

Major Projects in 2016-17

Government Goal Three: State Building – Major Projects – Capital Works Portfolio

During 2016-17, Strategic Projects and Asset Sales (SP&AS) was responsible for the planning and delivery of a portfolio of 14 major non-residential building projects, with a combined capital value of approximately \$6.5 billion. The portfolio reduced from 16 projects in 2015-16, reflecting the formal handover of completed projects to the responsible asset owner agencies and concluding SP&AS's involvement in project management.

The 2016-17 project portfolio included:

- Perth Children's Hospital - \$1.2 billion;
- Perth Stadium - \$924 million;
- Old Treasury Buildings (OTB) and Cathedral Square Redevelopment - \$500 million (funded by the private sector/City of Perth);
- WA Museum - \$433 million;
- WA Schools Public Private Partnership (PPP) - \$370 million; and
- Eastern Goldfields Regional Prison - \$232 million.

Our Performance

Major Building Projects

Practical Completion under the main contract for delivery of the \$1.2 billion, 298-bed Perth Children's Hospital (PCH) was achieved in April 2017, following a series of construction delays. Clinical commissioning by the Department of Health is underway, although ongoing issues with the hospital's portable water supply (and other defects) are still being managed.

A separate contract for fit-out of the Telethon Kid's Institute facility within PCH was awarded in August 2016, with work progressing well and on target for completion in October 2017.

Construction of the Perth Stadium continued to progress well, with the \$924 million, 60,000-seat venue on target for completion ahead of the start of the 2018 Australian Football League season.

Construction of the \$207 million Karratha Health Campus is now well advanced, with the project on track for completion in mid 2018.

In July 2016, Multiplex was appointed as the Managing Contractor for design and construction of the new Western Australian Museum at the [Perth Cultural Centre](#) (the major component of the \$433 million total project budget). Construction commenced in late 2016 and is progressing well.

Projects Delivered

The 350-bed Eastern Goldfields Regional Prison was completed in July 2016 and custodial services commenced in August 2016. Despite delays, this project is within budget.

Construction of the \$38 million [Sarich Neurosciences Research Institute](#) at the [Queen Elizabeth II Medical Centre](#) was completed in March 2017 and operations commenced in June 2017.

In December 2016, construction and commissioning of four primary schools was completed under the WA Schools Public Private Partnership (WASP) project, with all four schools opened in February 2017. Construction of the first two of four secondary schools to be delivered under the WASP project also commenced, with the first (Ellenbrook North) on schedule for completion by December 2017.

Our Performance

Actual Results Versus Budget Targets

Financial targets

Total cost of services

Treasury commenced 2016-17 with an initial expense limit of \$289 million. During the year this increased to a final approved expense limit of \$372 million due to an increase of \$83 million for the realignment of the Strategic Projects works turnover program to reflect current timing of project expenditure.

The actual 2016-17 expense limit result of \$357 million was \$15 million below the final approved target of \$372 million, mainly reflecting lower than anticipated progress of the major capital works programs that are at various stages of completion. The Perth Stadium represented a major component of the variation.

Financial Targets	2016-17 Target ⁽¹⁾	2016-17 Actual	Variation
	\$000	\$000	\$000
Total cost of services (expense limit)	289,345	357,275	67,930
Expenses (excluding Strategic Projects' works turnover)	62,305	50,445	(11,860)
Net cost of services	62,235	50,372	(11,863)
Total equity	22,788	33,094	10,306
Net increase/(decrease) in cash held	255	(19,429)	(19,684)
Approved salary expense level	30,809	29,472	(1,337)
Number of approved full-time equivalent (FTE) staff level	302	265	(37)

⁽¹⁾As specified in the Budget Statements.

Our Performance

Expenses (excluding Strategic Projects works turnover)

Excluding Strategic Projects' works turnover, the actual expense outturn for 2016-17 was \$50.4 million, \$11.9 million less than the target. This was mainly attributable to the cessation of the Asset Sales Program.

Working Cash Targets	2016-17 Agreed Limit	2016-17 Target/ Actual	Variation
	\$000	\$000	\$000
Agreed Working Cash Limit (at Budget)	14,018	14,018	-
Agreed Working Cash Limit (at Actuals)	17,080	56,719	39,639

Net cost of services

The actual 2016-17 net cost of services of \$50.4 million was \$11.9 million less than the target. This was mainly due to the cessation of the Asset Sales Program.

Cash held

Cash held at the end of the year was \$39.6 million above the agreed working cash limit of \$17.1 million. The increase in cash was mainly due to the timing of collections of income from client agencies in relation to the delivery of major projects.

Approved salary expense level

The actual salary expense level was \$1.3 million less than the approved salary expense level of \$30.8 million. The underspend was driven by an average employee vacancy rate of 4% during the year.

Full time equivalent

The actual FTE of 265 were lower than the original estimates as a result of a voluntary separation scheme undertaken as part of the Agency Expenditure Review process, as well as the reduced scope of finite programs such as the Asset Sales Program.

Our People

Our People



Treasury Staff Profile	June 2017	June 2016	June 2015	June 2014
Permanent full-time	171	197	210	216
Contract full-time	56	68	46	29
Part-time permanent and contract	45	28	26	22
Total	272	293	281	267
Seconded in	9	13	6	7
Seconded out	16	15	2	10

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

Our People

2015-18 Strategic Plan

The Strategic Plan 2015-18 is at the core of everything Treasury does. In this regard, the Under Treasurer sends out a weekly email to all Treasury staff detailing how our ongoing activities are meeting the six Strategic Goals. This provides staff with insights into how their work is contributing to the organisational and strategic priorities of the Department. Our success against the Strategic Plan is also tracked at a business unit level.

In February 2017, all staff were provided with a high-level update on Treasury’s progress against its Strategic Goals, which is similar to the overview provided on page 7. Importantly, all employees articulate within their Development and Performance Agreement (DaP) how their work deliverables map to the six Strategic Goals.



Leadership

This year, Treasury launched a targeted leadership development program in conjunction with the University of Western Australia. The program ran over a six month period commencing in February 2017. The program focused on building the skills to lead with proactivity and agility and aimed to achieve Treasury’s leadership strategy of:

- building leadership at all levels;
- linking leadership and succession; and
- providing leaders with the skills to lead Treasury’s Strategic Goals.

Eighteen individuals successfully completed the program, including completing a group action learning project, which involved investigating and presenting their findings to the Executive on current issues facing Treasury.

GOAL 1 SKILLED, FLEXIBLE AND COMMITTED PEOPLE

Sharing Knowledge Through Forums

The Learning and Organisational Development team regularly hold Coffee Shop Forums aimed at enhancing Treasury employees’ knowledge through using both internal and external speakers to present on a range of relevant topics.

Topics are selected to align with the Strategic Goals as well as address departmental development needs, communicate important changes throughout the sector or improve knowledge transfer across employees.

Our People



The April 2017 Treasury Forum which the Treasurer attended.

Several guest speakers were invited to present on an array of different topics throughout 2016-17, including:

- in March 2017 the Public Sector Commission presented an overview of implementing Machinery of Government change from a workforce perspective;
- Landgate presented on how to foster a culture of ideas generation within the public sector; and
- the Western Australian Ombudsman provided us with an overview of the role of the Ombudsman.

In addition the Under Treasurer has presented on topics of value to staff, including the Pre-election Financial Projections Statement.

Ideas Connect Launch

In line with our strategic goal of 'a culture of ideas generation', Treasury has developed an innovation program called Ideas Connect, which was launched in May 2017. The program has been developed based on research into best practice examples from across the sector.

During the official launch of Ideas Connect there were some collaborative brainstorming sessions held to highlight the creative potential of staff.



A CULTURE OF IDEAS GENERATION



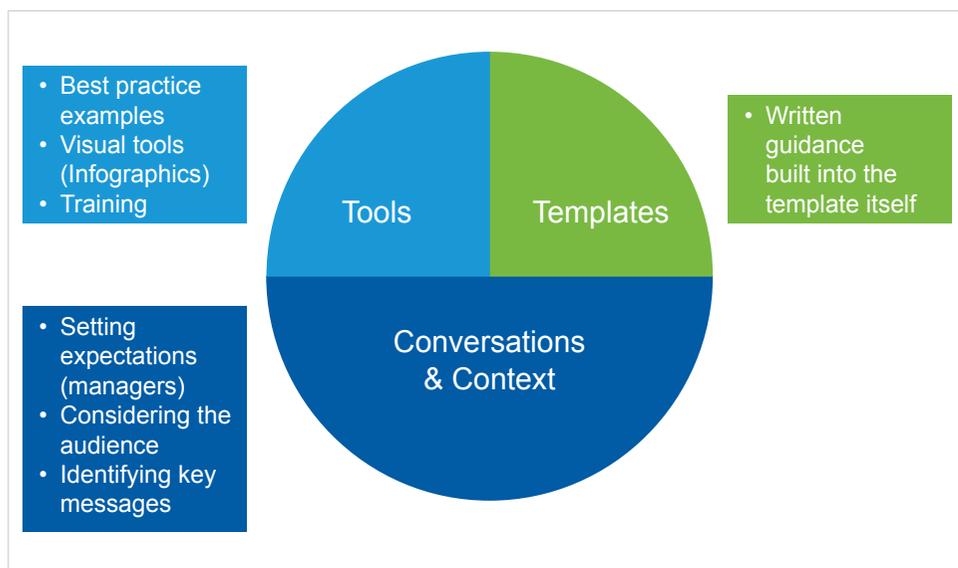
Staff at the Ideas Connect launch.

Our People

The Ideas Connect Group launched an Ideas Portal, where staff can share their ideas to improve how we work – from small process changes to save time, to ways to improve whole of government efficiency. Ideas that are supported by the committee are then transformed into on-the-ground business improvements.

Presentation of Information Working Group

As part of Treasury's Strategic Plan 2015-18, a number of cross functional working groups were set up to bring together staff with different perspectives and find solutions to business issues. One example was the Presentation of Information Working Group which was set up to assess Treasury's presentation of information to key stakeholders and identify and recommend opportunities for improvement.



After gathering staff feedback and benchmarking with agencies across the public sector, the working group made changes to several key documents. The group produced documents for stakeholder groups including new templates for Contentious Issues Briefing Notes, ERC Minutes and Powerpoint presentations.

The key findings as shown below left were accepted by the Treasury Executive.

Treasury's Shadowing Program

Treasury's shadowing program has now been running successfully for five years, with approximately 60 people having had the opportunity to shadow individual Executive team members or Directors over a period of up to five days. This program works to assist in developing a skilled, flexible and committed workforce. 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 Treasury; and
- attend formal meetings otherwise unavailable to non-executive staff.

Our People

Online Learning

This year, Treasury carried out an online learning pilot to investigate training that is accessible to all employees, represents value for money and provides just-in time learning. The success of the pilot has led to this online learning approach being incorporated into our Learning and Organisational Development program for 2017.



Community Involvement

This year Treasury staff have donated to charity on a weekly basis through a casual dress day on Fridays. The funds collected are distributed to various charities throughout the year.

Mike Andrews, a Director within the Strategic Policy and Evaluation business unit, participated in the Ronald McDonald House Ride for Sick Kids, with a goal of raising \$3,000. He rode over 450 kilometres in four days with 39 other cycling enthusiasts. Mike doubled this goal by raising \$6,184, with all the money raised going to Ronald McDonald House.

Treasury staff helped Mike to achieve this goal by holding a morning tea which raised \$550 and staff across the board donating over \$2,000. We congratulate Mike on this impressive effort for charity.



Our People

Leave Liability

Treasury met our leave liability cap for the 2016-17 financial year, after a range of measures were introduced. These included:

- individual leave management plans for all employees with high leave balances over pre-determined thresholds;
- providing the option of cashing out leave;
- offering the option of Long Service Leave with double pay;
- implementing a Treasury-wide Christmas closure period; and
- reviewing all Purchased Leave applications to ensure employees do not currently have a high leave balance.

Since 30 June 2012, our total annual and long service leave has decreased by 26,979 hours (or 16.5 percent). As at 30 June 2017 our total leave liability was \$10.4 million, which is within Treasury's approved leave liability cap.

Disability Access and Inclusion Plan

Treasury is committed to improving staff awareness of accessible information needs and how to provide information in other formats. Treasury's 2012-17 Disability Access and Inclusion Plan (DAIP) guides improvements to access and inclusion within the Department and provides a framework for us to achieve the Government's seven desired outcomes.

In 2016-17, Treasury submitted our annual progress report to the Disability Services Commission which outlined the effectiveness of our DAIP. For Treasury's internal and external events, such as the Chief Financial Officer Forum, we have a focus on making sure they meet the needs for physical accessibility.

All presentations developed by Treasury are assessed and produced to ensure they meet visual accessibility standards. Treasury has begun work to update its DAIP later in 2017 to guide the next few years.



WORKING TOGETHER AS ONE TREASURY

Our People

Mental Health Initiatives

Treasury recognises the importance of a healthy workplace and in September 2016 there was an Expression of Interest process advertised on the intranet for workplace support officers. As a result, four workplace support officers were appointed and trained as Grievance Officers and Mental Health First Aid Officers. These staff are the first point of contact when employees encounter difficult situations at work, and are a source of information for employees. This year the Learning and Organisational Development Team also coordinated Mental Health Training sessions for managers, as well as a session for employees. These sessions provided staff with strategies on how to effectively manage stress and identify signs that employees may need some assistance.

Safety, Health and Wellbeing

Treasury is committed to actively managing occupational health and safety in its workplace.

We continued our commitment to Occupational Safety and Health (OSH) over the past year, building upon the organisational focus on mental health and building resilience. Mental health information sessions for managers and employees were provided to assist all staff to better understand and manage mental health issues at work.

Treasury actively encouraged staff participation in a variety of wellness initiatives. This included Employee Assistance Program (EAP) service provision which provides employees with a support mechanism to assist them in dealing with changes occurring across the public sector. Flu vaccination clinics were offered to all staff at different work sites.

During their employment at Treasury, 78 percent of employees and 78 percent of managers have completed bullying and harassment training. Over the past three years OSH training has been attended by 76 percent of managers.

OSH issues that are identified are discussed and resolved through the OSH Committee which meets quarterly to ensure continuous improvement in health and safety through the identification and development of related strategies and initiatives. Regular articles about health and safety matters are published on the Department's intranet.

Our People

Injury Management

The Department's ongoing commitment to injury management is reflected in our injury management policy and guidelines that offer employees with an injury or illness, assistance to return to work as soon as practicable.

During 2016-17 there were no Workers Compensation claims lodged and there were no employees on return to work plans.

Indicator	Actual Results 2016-17	Actual Results 2015-16	Actual Results 2014-15	Actual Results 2013-14	Target
Number of Fatalities	Nil	Nil	Nil	Nil	Nil
Lost time injury/disease incidence rate	Nil	Nil	Nil	Nil	Nil or 10% improvement on the previous three years
Lost time injury severity rate	Nil	Nil	Nil	Nil	Nil or 10% improvement on the previous three years
Percentage of injured workers returned to work within 13 weeks	n/a	n/a	n/a	n/a	Greater than or equal to 80%
Percentage of injured workers returned to work within 26 weeks	n/a	n/a	n/a	n/a	within time period specified
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	40% ¹	64%	75%	46%	80% over three years

¹ Specific mental health training was prioritised over general OSH training in 2016-17. Treasury is reviewing its compliance training program for 2017-18 and future years

Governance

Governance

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



Governance

Business Continuity Management

Treasury has been working to strengthen its Business Continuity arrangements during this financial year. It has introduced the Business Continuity Framework (approved in September 2016) and Crisis Management Plan (approved in October 2016), and in July 2017 reviewed and updated its Pandemic Plan. Business Continuity Plans are currently being prepared for each business unit, which will replace the Business Continuity Plan currently in place.

Internal Audit

The Public Sector Commission's Good Governance Checklist is best practice for public sector agencies. In addition to the audits completed as part of the Internal Audit Program, Treasury's Internal Audit team has completed a Compliance Review using the Public Sector Commission's Good Governance Checklist. This team is also performing biannual reviews of Treasury's Gift Register at the request of the Finance, Risk and Audit Committee.

Risk Management

Treasury significantly updated its Risk Management Framework and Policy (approved in September 2016), and has introduced enhanced risk reporting to the Finance, Risk and Audit Committee during the year.

Finance, Risk and Audit Committee

The Finance, Risk and Audit Committee has played its typical role in monitoring the finance, risk and audit functions in Treasury, including:

- monitoring Treasury's monthly financial position;

- overseeing the Internal Audit function and completion of the Internal Audit Plan;
- implementation of the revised Risk Management Framework and monitoring the management of Treasury's strategic risks; and
- reviewing and approving relevant policy and delegation documents.

In addition, the Finance, Risk and Audit Committee has taken an increasing focus on strengthening Treasury's Business Continuity arrangements, oversight of Treasury's Information Security risk management, and implementation of the Digital Transition program. It is expected these will remain key areas of focus for the Committee in 2017-18.



SOLUTIONS FOCUSED ADVICE

The Consolidation of Governance Committees

Governance Committees were established in Treasury in 2012 to provide support and guidance to the Executive group on key areas of departmental policy and management as outlined in their Terms of Reference. In late July 2016, the Treasury Monthly Executive (TMEX) group approved the consolidation of Governance Committees to create greater efficiencies by reducing duplication in topics being covered and committee membership.

Governance

By moving from seven standalone Governance Committees to the streamlined structure of four consolidated Treasury Governance Committees we estimate there will be a saving of 273 hours in staff time, which is based solely on the meeting time and does not include reading or preparation of papers which will also be reduced.

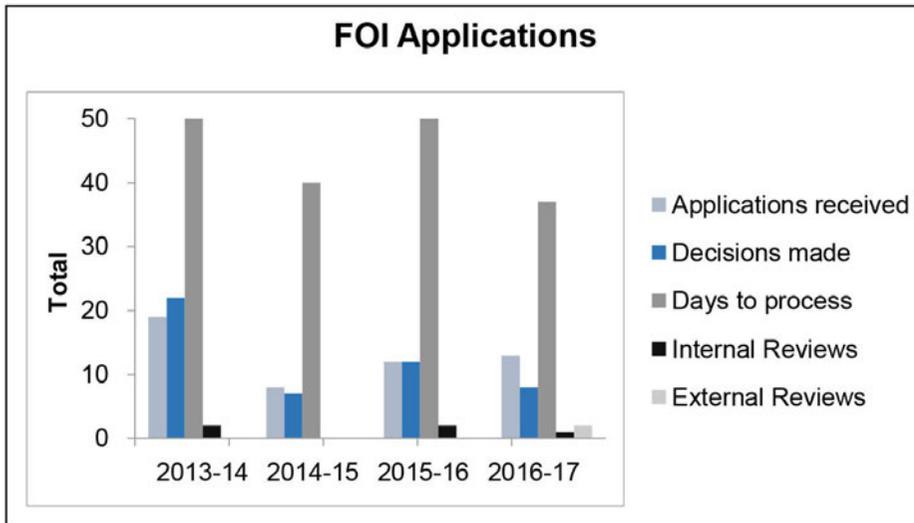
An overview of the key points of difference in the consolidated committees is included in the table below:

Committee	Frequency	Chair	Key points of difference from consolidated committees
TMEX Group including Project Management Committee (PMC)	Monthly	UT	The consolidated TMEX and PMC key points of difference include: <ul style="list-style-type: none"> • review of project dashboard reports will be included as a standing agenda item on TMEX; and • project owners may be invited to present to TMEX to provide a more detailed update on project progress if required.
Finance, Risk and Audit Committee (FRAC)	Monthly	UT	The terms of the FRAC are unchanged as a result of the consolidation.
Workforce Consultative Group (WCG) Committee	As required	Executive Director Infrastructure and Finance	The consolidated WCG will differ from the current People and Communication committee, Diversity Committee and OSH committee as follows: <ul style="list-style-type: none"> • feedback from business areas on ideas to drive business improvements (in line with a 'Culture of Ideas Generation'); • strategic goal implementation input and monitoring; • workforce and diversity plan input and monitoring; and • OSH reporting.
Information Communication Technology (ICT)	As required	Executive	This committee has been consolidated with the Strategic Information Management System (SIMS) Governance Committee. The committee membership is currently under review.

Governance

Freedom of Information

The *Freedom of Information Act 1992* enables the public to apply for access to documents held by Treasury. Our [Information Statement](#) is on our website. The chart below summarises the Freedom of Information applications finalised during 2016-17. Applications covered topics related to Strategic Projects such as Perth Children’s Hospital, Treasury’s advice provided to the Government, State revenue, and issues concerning the Western Australian economy in general. More detailed statistical information is provided in the Annual Report of the Office of the Information Commissioner.



Recordkeeping

All staff are encouraged to understand their record keeping and information storage responsibilities under the *State Records Act 2000*, which is achieved through our online training module. To date, 84 percent of our employees have completed this training during their employment.

This module has been recently revised and is now incorporated into the Accountable and Ethical Decision Making suite of online training. By incorporating these modules into the online platform we can maximise accessibility and completion rates. New employees are required to complete an online record keeping training awareness training module.

The Recordkeeping Policy was reviewed by our service provider, the Department of Finance, and this revised Policy was approved by the Finance, Risk and Audit Committee in March 2017. The Recordkeeping Plan is currently under review by the Department of Finance on our behalf.

Governance

Public Sector Standards and Ethical Codes

Treasury has implemented Human Resource policies, procedures and practices in line with public sector standards. This year Treasury's Human Resources team continued its support for members of recruitment panels, including:

- participating as an active panel member on all recruitment processes;
- support and advice to ensure our processes and transactions complied with the standards; and
- quality assurance services such as reviewing all our selection reports.

Treasury has implemented processes that are compliant with the [Public Interest Disclosure Act 2003](#) (the Act). In accordance with the Act, our Director, Corporate Strategy and Performance and our Principal Internal Auditor are our designated Public Interest Disclosure officers.

In 2016-17 we had no public interest disclosures lodged under the Act. Treasury submitted the Public Sector Entity Survey to the Public Sector Commission, reporting that there had been no breach of discipline under the [Public Sector Management Act 1994](#).



GOAL 1 SKILLED, FLEXIBLE AND COMMITTED PEOPLE

In 2016-17, Treasury also began ensuring all new employees signed a declaration stating that they had read and understood Treasury's Code of Conduct.

Ethics, Accountability and Integrity

Treasury places great importance on ethics, accountability and integrity. In 2016-17 we completed the initiatives below as part of our compliance program:

- updating our policies, frameworks and guidelines, including our Risk Management Framework, Delegations and Authorisations Framework, Fraud and Corruption Control Framework and our Public Interest Disclosure Procedures;
- half yearly reviews of Treasury's gift and benefits register were performed by our Finance, Risk and Audit Committee to ensure no inappropriate acceptance of gifts or benefits and to identify any other notable trends;
- review of Treasury's results on the Public Sector Commission's Employee Perception Survey by our Executive Team and a review of the ethical behaviour results by our Finance, Risk and Audit Committee; and
- an ongoing commitment and provision of training to staff including accountable and ethical decision making and fraud and corruption awareness.

Governance

Substantive Equality

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

In 2016-17, we commenced a review of our Substantive Equality and Equal Employment Opportunity and Diversity policies. Several members of our Diversity Committee also attended Substantive Equality workshops to increase business knowledge and awareness and ensure principles are incorporated into the upcoming review of the Department's Workforce and Diversity Plan.

Substantial Interests

In 2016-17, 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. No reported conflict of interest by staff in 2016-17.



Presenters at the Treasury Women in Leadership Coffee shop forum in March 2017.

Financial Statements and Notes

Financial Statements and Notes

Certification of Financial Statements

For the year ended 30 June 2017

The accompanying financial statements of the Department of Treasury have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2017 and the financial position as at 30 June 2017.

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



Michael Barnes

UNDER TREASURER

5 September 2017



Pauline Burton

CHIEF FINANCE OFFICER

5 September 2017

Financial Statements and Notes



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF TREASURY

Report on the Financial Statements

Opinion

I have audited the financial statements of the Department of Treasury which comprise the Statement of Financial Position as at 30 June 2017, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Treasury for the year ended 30 June 2017 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Construction progress payments

The Department manages the planning and delivery of several large non-residential building projects. This was significant to my audit because the associated managed contracts payments of \$306.8 million were material to the financial statements. My audit procedures included reviewing and testing the key controls over the payment process to determine if they complied with the relevant Treasurer's Instructions. I also sample tested payments to contractors to confirm that construction progress requirements were met before payments were made, and that payment approvals were within the approvers' delegated financial limits. The Department's managed contracts project costs are included in note 8 to the financial statements.

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

Responsibility of the Under Treasurer for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

Page 2 of 5

Financial Statements and Notes

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

From the matters communicated with the Under Treasurer, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Report on Controls

Opinion

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

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

In my opinion, in all material respects, the controls exercised by the Department of Treasury are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2017.

The Under Treasurer's Responsibilities

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

Auditor General's Responsibilities

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

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

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected.

Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Treasury for the year ended 30 June 2017. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Treasury are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2017.

The Under Treasurer's Responsibility for the Key Performance Indicators

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

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

Auditor General's Responsibility

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

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

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

Financial Statements and Notes

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

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

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

This auditor's report relates to the financial statements and key performance indicators of the Department of Treasury for the year ended 30 June 2017 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
7 September 2017

Financial Statements and Notes

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	7	32,759	31,945
Supplies and services	8	318,188	231,230
Depreciation and amortisation expense	9	1,023	1,028
Accommodation expenses	10	4,598	3,938
Grants and subsidies	12	50	77
Loss on disposal of non-current assets	11	4	-
Other expenses	13	653	1,200
Total cost of services		357,275	269,418
Income			
<i>Revenue</i>	14		
User charges and fees		306,796	196,654
Other revenue		107	72
Total Revenue		306,903	196,726
Total income other than income from State Government		306,903	196,726
NET COST OF SERVICES			
		(50,372)	(72,692)
Income from State Government	15		
Service appropriation		52,306	62,172
Services received free of charge		8,082	9,101
Royalties for Regions Fund		127	123
Total income from State Government		60,515	71,396
SURPLUS/(DEFICIT) FOR THE PERIOD		10,143	(1,296)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		10,143	(1,296)

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

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

Financial Statements and Notes

Statement of Financial Position

As at 30 June 2017

	Note	2017	2016
		\$000	\$000
ASSETS			
Current Assets			
Cash and cash equivalents	16	56,716	76,260
Receivables	18	9,368	14,017
Total Current Assets		66,084	90,277
Non-Current Assets			
Restricted cash and cash equivalents	17	115	-
Amounts receivable for services	19	11,174	10,161
Plant and equipment	20	33	68
Intangible assets	21	5,237	6,229
Total Non-Current Assets		16,559	16,458
TOTAL ASSETS		82,643	106,735
LIABILITIES			
Current Liabilities			
Payables	23	39,100	72,603
Provisions	24	8,447	8,936
Total Current Liabilities		47,547	81,539
Non-Current Liabilities			
Provisions	24	2,002	2,245
Total Non-Current Liabilities		2,002	2,245
TOTAL LIABILITIES		49,549	83,784
NET ASSETS		33,094	22,951
EQUITY			
Contributed equity	25	10,963	10,963
Accumulated surplus		22,131	11,988
TOTAL EQUITY		33,094	22,951

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

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

Financial Statements and Notes

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Contributed Equity	Accumulated Surplus	Total Equity
		\$000	\$000	\$000
Balance at 1 July 2015	25	10,963	13,284	24,247
Total comprehensive income for the period		-	(1,296)	(1,296)
Balance at 30 June 2015		10,963	11,988	22,951
Balance at 1 July 2016	25	10,963	11,988	22,951
Total comprehensive income for the period		-	10,143	10,143
Balance at 30 June 2017		10,963	22,131	33,094

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

Financial Statements and Notes

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017	2016
		\$000	\$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		51,293	61,159
Royalties for Regions Fund		127	123
Net cash provided by State Government		51,420	61,282
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(33,101)	(32,779)
Supplies and services		(310,435)	(196,009)
Accommodation		(4,644)	(3,871)
Grants and subsidies		(46)	(69)
GST payments on purchases		(48,128)	(36,223)
GST payments to taxation authority		(148)	(2,256)
Other payments		(897)	(879)
Receipts			
User charges and fees		277,970	229,011
GST receipts on sales		27,780	22,915
GST receipts from taxation authority		20,720	15,706
Other receipts		80	72
Net cash provided by/(used in) operating activities	26	(70,849)	(4,382)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		-	(29)
Net cash provided by/(used in) investing activities		-	(29)
Net increase in cash and cash equivalents		(19,429)	56,871
Cash and cash equivalents at the beginning of the period		76,260	19,389
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26	56,831	76,260

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

Financial Statements and Notes

Schedule of Income and Expenses by Service

For the year ended 30 June 2017

	Financial Management and Reporting		Manage the Government's Asset Sales Program (excluding land sales)		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
COST OF SERVICES												
Expenses												
Employee benefits expense	6,673	6,069	1,677	3,382	4,563	4,159	18,333	17,238	1,513	1,097	32,759	31,945
Supplies and services	2,966	3,918	1,089	21,624	1,351	1,503	4,841	5,754	307,941	198,431	318,188	231,230
Depreciation and amortisation expense	235	236	31	62	143	134	563	545	51	51	1,023	1,028
Accommodation expenses	1,058	828	138	225	644	468	2,528	1,910	230	507	4,598	3,938
Grants and subsidies	49	51	-	1	1	1	-	23	-	1	50	77
Loss on disposal of non-current assets	1	-	-	-	1	-	2	-	-	-	4	-
Other expenses	146	271	41	72	90	152	351	638	25	67	653	1,200
Total cost of services	11,128	11,373	2,976	25,366	6,793	6,417	26,618	26,108	309,760	200,154	357,275	269,418
Income												
User charges and fees	-	-	-	-	-	-	-	-	306,796	196,654	306,796	196,654
Other revenue	12	7	43	14	5	3	29	30	18	18	107	72
Total income other than income from State Government	12	7	43	14	5	3	29	30	306,814	196,672	306,903	196,726
NET COST OF SERVICES	(11,116)	(11,366)	(2,933)	(25,352)	(6,788)	(6,414)	(26,589)	(26,078)	(2,946)	(3,482)	(50,372)	(72,692)

Financial Statements and Notes

	Financial Management and Reporting		Manage the Government's Asset Sales Program (excluding land sales)		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Income from State Government												
Service appropriation ^(a)	9,587	9,104	9,807	22,936	6,208	5,427	24,165	21,924	2,539	2,781	52,306	62,172
Resources received free of charge	2,161	2,259	469	1,133	988	986	3,887	4,024	577	699	8,082	9,101
Royalties for Regions Fund	-	-	-	-	-	-	127	123	-	-	127	123
Total income from State Government	11,748	11,363	10,276	24,069	7,196	6,413	28,179	26,071	3,116	3,480	60,515	71,396
SURPLUS/(DEFICIT) FOR THE PERIOD	632	(3)	7,343	(1,283)	408	(1)	1,590	(7)	170	(2)	10,143	(1,296)

^(a) Prior year comparatives were revised to correct an error in calculation.

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

Financial Statements and Notes

Schedule of Assets and Liabilities by Service

As at 30 June 2017

	Financial Management and Reporting		Manage the Government's Asset Sales Program (excluding land sales)		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Assets												
Current assets	5,110	5,967	4,281	4,445	4,622	5,070	6,578	8,659	45,493	66,136	66,084	90,277
Non-current assets	3,798	3,775	991	985	2,147	2,134	8,798	8,743	825	821	16,559	16,458
Total assets	8,908	9,742	5,272	5,430	6,769	7,204	15,376	17,402	46,318	66,957	82,643	106,735
Liabilities												
Current liabilities	2,220	3,660	485	3,639	1,327	2,058	4,992	8,333	38,523	63,849	47,547	81,539
Non-current liabilities	346	392	85	110	228	233	1,055	1,082	288	428	2,002	2,245
Total liabilities	2,566	4,052	570	3,749	1,555	2,291	6,047	9,415	38,811	64,277	49,549	83,784
NET ASSETS	6,342	5,690	4,702	1,681	5,214	4,913	9,329	7,987	7,507	2,680	33,094	22,951

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

Financial Statements and Notes

Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2017

	2017 Estimate	2017 Actual	Variance	2017 Actual	2016 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Controlled Transactions						
Delivery of services						
Item 41 Net amount appropriated to deliver services	53,025	50,948	(2,077)	50,948	60,814	(9,866)
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	54,383	52,306	(2,077)	52,306	62,172	(9,866)
Details of expenses by service						
Financial Management and Reporting	10,243	11,128	885	11,128	11,373	(245)
Manage the Government's Asset Sales Program (excluding Land Sales)	12,452	2,976	(9,476)	2,976	25,366	(22,390)
Economic and Revenue Forecasts and Policy Development	7,078	6,793	(285)	6,793	6,417	376
Evaluation and Planning of Government Service Delivery and Infrastructure Provision	28,654	26,618	(2,036)	26,618	26,108	510
Leads the Planning and Delivery of New Government Buildings	230,918	309,760	78,842	309,760	200,154	109,606
Total Cost of Services	289,345	357,275	67,930	357,275	269,418	87,857
Less Total income	(227,110)	(306,903)	(79,793)	(306,903)	(196,726)	(110,177)
Net Cost of Services	62,235	50,372	(11,863)	50,372	72,692	(22,320)
Adjustments	(7,852)	1,934	9,786	1,934	(10,520)	12,454
Total appropriations provided to deliver services	54,383	52,306	(2,077)	52,306	62,172	(9,866)

Financial Statements and Notes

	2017 Estimate	2017 Actual	Variance	2017 Actual	2016 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Administered Transactions						
Recurrent Administered						
Operating subsidy payments						
Item 42 Bunbury Water Corporation	672	703	31	703	811	(108)
Item 43 Busselton Water Corporation	646	552	(94)	552	528	24
Item 44 Electricity Generation and Retail Corporation (Synergy)	386,467	380,911	(5,556)	380,911	379,194	1,717
Item 45 Forest Products Commission	1,451	1,451	-	1,451	-	1,451
Item 46 Mid West Ports Authority	5,445	5,445	-	5,445	357	5,088
Item 47 Public Transport Authority	806,180	798,772	(7,408)	798,772	776,829	21,943
Item 48 Regional Power Corporation (Horizon Power)	44,128	48,892	4,764	48,892	31,386	17,506
Item 49 Southern Ports Authority	590	560	(30)	560	705	(145)
Item 50 Water Corporation of Western Australia	486,076	464,225	(21,851)	464,225	546,813	(82,588)
Item 51 Western Australian Land Authority	36,279	39,294	3,015	39,294	33,467	5,827
Total operating subsidy payments	1,767,934	1,740,805	(27,129)	1,740,805	1,770,090	(29,285)
Grants, subsidies and transfer payments						
Item 52 Department of Corrective Services	28,485	17,259	(11,226)	17,259	1,900	15,359
Item 53 Department of the Attorney General	4,793	5,175	382	5,175	14,104	(8,929)
Item 54 Goods and Services Tax (GST) Administration Costs	74,700	73,866	(834)	73,866	73,215	651
Item 55 Health and Disability Services Complaints Office	2,701	2,701	-	2,701	2,637	64
Item 56 Metropolitan Redevelopment Authority	26,105	13,195	(12,910)	13,195	10,231	2,964
Item 57 National Disability Insurance Scheme - Perth Hills Trial Site	64,160	44,600	(19,560)	44,600	47,705	(3,105)
Item 58 Provision for Unfunded Liabilities in the Government Insurance Fund	2,913	3,238	325	3,238	1,989	1,249
Item 59 Refunds of Past Years Revenue Collections - Public Corporations	10,000	6,456	(3,544)	6,456	93,252	(86,796)
Item 60 Resolution of the Native Title in the South West of Western Australia (Settlement)	60,000	-	(60,000)	-	-	-
Item 61 Rottnest Island Authority	8,652	8,652	-	8,652	11,355	(2,703)
Item 62 Royalties for Regions	449,883	419,019	(30,864)	419,019	600,177	(181,158)

Financial Statements and Notes

	2017 Estimate	2017 Actual	Variance	2017 Actual	2016 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Item 63 State Property - Emergency Services Levy	16,000	16,000	-	16,000	16,000	-
Item 64 All Other Grants, Subsidies and Transfer Payments, comprising:						
Acts of Grace	5	200	195	200	-	200
ANZAC Day Trust	300	-	(300)	-	300	(300)
First Home Owners Boost Recoveries	120	14	(106)	14	60	(46)
Incidentals	375	-	(375)	-	466	(466)
Interest on Public Moneys held in Participating Trust Fund Accounts	4,585	4,677	92	4,677	4,541	136
Shire of Broome	-	-	-	-	-	-
Superannuation Reforms - payments to Government Employees Superannuation Board	-	-	-	-	-	-
Western Australian Treasury Corporation Management Fees	927	930	3	930	830	100
WA Health	-	-	-	-	-	-
Total grants, subsidies and transfer payments	754,704	615,982	(138,722)	615,982	878,762	(262,780)
Authorised by Other Statutes						
<i>Judges' Salaries and Pensions Act 1950</i>	15,680	15,526	(154)	15,526	14,074	1,452
<i>Parliamentary Superannuation Act 1970</i>	13,570	12,891	(679)	12,891	8,805	4,086
<i>State Superannuation Act 2000</i>	645,778	569,399	(76,379)	569,399	622,804	(53,405)
<i>Tobacco Products Control Act 2006</i>	23,037	23,037	-	23,037	22,492	545
<i>Unclaimed Money Act 1990</i>	1,200	1,331	131	1,331	1,174	157
<i>Unclaimed Money (superannuation and RSA Providers) Act 2003</i>	-	-	-	-	190	(190)
<i>Western Australian Treasury Corporation Act 1986 - Interest</i>	656,000	645,828	(10,172)	645,828	542,451	103,377
Total amounts authorised by Other Statutes	1,355,265	1,268,012	(87,253)	1,268,012	1,211,990	56,022
TOTAL RECURRENT ADMINISTERED	3,877,903	3,624,799	(253,104)	3,624,799	3,860,842	(236,043)
Administered Capital						
Government equity contributions						
Item 136 Animal Resources Authority	500	800	300	800	-	800
Item 137 Department of Corrective Services	10,383	4,009	(6,374)	4,009	-	4,009
Item 138 Department of Education	31,700	-	(31,700)	-	-	-

Financial Statements and Notes

	2017 Estimate	2017 Actual	Variance	2017 Actual	2016 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Item 139 Electricity Networks Corporation (Western Power)	96,384	51,628	(44,756)	51,628	201,701	(150,073)
Item 140 Metropolitan Redevelopment Authority	2,420	-	(2,420)	-	63,000	(63,000)
Item 141 Pilbara Ports Authority	25,497	5,112	(20,385)	5,112	38,739	(33,627)
Item 142 Regional Power Corporation (Horizon Power)	1,118	1,638	520	1,638	7,618	(5,980)
Item 143 Royalties for Regions	353,545	329,259	(24,286)	329,259	317,429	11,830
Item 144 Southern Ports Authority	2,210	2,210	-	2,210	2,081	129
Item 145 WA Health	34,656	11,279	(23,377)	11,279	31,782	(20,503)
Kimberley Ports Authority	-	-	-	-	10,575	(10,575)
Mid West Ports Authority	-	-	-	-	70,944	(70,944)
Water Corporation of Western Australia	-	-	-	-	14,036	(14,036)
Other						
Item 146 The New Perth Stadium Account	370,000	370,000	-	370,000	265,000	105,000
Item 147 Western Australian Future Fund	38,400	38,400	-	38,400	-	38,400
Perth Children's Hospital Account	-	-	-	-	44,000	(44,000)
Total Government equity contributions	966,813	814,335	(152,478)	814,335	1,066,905	(252,570)
Authorised by Other Statutes						
<i>Loan (Co-operative Companies) Act 2004</i>	-	13,050	13,050	13,050	31,600	(18,550)
<i>Western Australian Treasury Corporation Act 1986 - Repayment of Borrowings</i>	88,599	88,599	-	88,599	-	88,599
Total authorised by Other Statutes	88,599	101,649	13,050	101,649	31,600	70,049
Total Administered capital contribution	1,055,412	915,984	(139,428)	915,984	1,098,505	(182,521)
GRAND TOTAL	4,933,315	4,540,783	(392,532)	4,540,783	4,959,347	(418,564)

Financial Statements and Notes

	2017 Estimate	2017 Actual	Variance	2017 Actual	2016 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Details of Administered Income Estimates						
Income						
Commonwealth grants	6,364,745	6,262,020	(102,725)	6,262,020	6,203,506	58,514
Government enterprises:						
Dividends	984,511	838,301	(146,210)	838,301	1,420,502	(582,201)
Income tax equivalent regime	489,323	521,500	32,177	521,500	612,771	(91,271)
Local Government rates equivalent	18,916	21,668	2,752	21,668	20,935	733
Consolidated account revenue received from agencies	12,475,529	13,245,557	770,028	13,245,557	12,771,026	474,531
Gold State superannuation reimbursement	123,841	125,479	1,638	125,479	140,468	(14,989)
Interest Income	105,397	139,287	33,890	139,287	133,037	6,250
Loan guarantee fees	151,199	140,841	(10,358)	140,841	134,844	5,997
Pension recoups	12,474	13,767	1,293	13,767	14,375	(608)
Other revenue	19,607	28,269	8,662	28,269	35,688	(7,419)
	20,745,542	21,336,689	591,147	21,336,689	21,487,152	(150,463)

Notes 36, 37 and 44 provide details of significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016.

Financial Statements and Notes

Notes to the Financial Statements

For the year ended 30 June 2017

Note 1. Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2017 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 any other Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2017.

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.

Financial Statements and Notes

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land, buildings and infrastructure which have been measured at fair value.

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 reporting period.

(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.

Financial Statements and Notes

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 41 'Disclosure of administered income and expenses by service' 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.

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(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 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 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 most recent determination, as quantified in the 2016-17 Budget Statements, the Department retained \$306.903 million in 2017 (\$196.726 million in 2016) from the following:

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

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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 of 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.

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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.

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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 recognised 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. When an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. 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.

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(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.

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

(n) Amounts receivable for services (holding account)

The Department receives funding on an accrual basis. The appropriation are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable 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 at the amounts payable when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

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(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 are 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.

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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.

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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 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'.

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(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.

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Note 5. Key sources of estimation uncertainty

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

Long Service Leave

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

Note 6. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2016 that impacted on the Department.

AASB 1057	<p><i>Application of Australian Accounting Standards</i></p> <p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.</p>
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>
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>

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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 consequently 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. As the Department has no joint ventures and associates, the application of the Standard has no financial impact.</p>
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 determined that the application of the Standard has no financial impact.</p>
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>
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. There is no financial impact.</p>
AASB 2015-10	<p><i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 & 128</i></p> <p>This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. There is no financial impact.</p>

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Voluntary changes in accounting policy

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

Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. By virtue of a limited exemption, the Department has early adopted AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. Where applicable, the Department plans to apply the following 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 Amendments to Australian Accounting Standards. 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.</p> <p>The Department's income is principally derived from appropriations which will be measured under <i>AASB 1058 Income of Not-for-Profit Entities</i> and will be unaffected by this change. However, the Department has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Sales' revenues. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the Department has discharged its performance obligations.</p>	1 Jan 2019

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		Operative for reporting periods beginning on/after
AASB 16	<p><i>Leases</i></p> <p>This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating lease commitments for \$81,129,000. The Department anticipates most of this amount will be brought onto the statement of financial position, excepting amounts pertinent to short-term or low-value leases. Interest and amortisation expense will increase and rental expense will decrease.</p>	1 Jan 2019
AASB 1058	<p><i>Income of Not-for-Profit Entities</i></p> <p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2019
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
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 2018
AASB 2014-5	<p><i>Amendments to Australian Accounting Standards arising from AASB 15</i></p> <p>This Standard gives effect to consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

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		Operative for reporting periods beginning on/after
AASB 2014-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-10	<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 mandatory effective date (application date) for the Standard has been deferred to 1 January 2018 by AASB 2015-10. The Department has determined that the Standard has no financial impact.</p>	1 Jan 2018
AASB 2015-8	<p><i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i></p> <p>This Standard amends the mandatory effective date (application date) of AASB 15 <i>Revenue from Contracts with Customers</i> so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. For Not-For-Profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016-7. The Department has not yet determined the application or the potential impact of AASB 15.</p>	1 Jan 2019
AASB 2016-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i></p> <p>This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.</p>	1 Jan 2017
AASB 2016-3	<p><i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i></p> <p>This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a license, and, provides further transitional provisions to AASB 15. The Department has not yet determined the application or the potential impact.</p>	1 Jan 2018

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		Operative for reporting periods beginning on/after
AASB 2016-4	<p><i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i></p> <p>This Standard clarifies that the recoverable amount of primarily non-cash – generating assets of non-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 <i>Fair Value Measurement</i>. The Department has not yet determined the application or the potential impact.</p>	1 Jan 2017
AASB 2016-7	<p><i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i></p> <p>This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact.</p>	1 Jan 2017
AASB 2016-8	<p><i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i></p> <p>This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.</p>	1 Jan 2019
AASB 2017-2	<p><i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i></p> <p>This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.</p>	1 Jan 2017

Changes in accounting estimates

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

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Note 7. Employee benefits expense

	2017	2016
	\$000	\$000
Wages and salaries ^(a)	21,463	22,865
Superannuation ^(b)	2,720	2,813
Long service leave ^(c)	1,190	1,236
Annual leave ^(c)	4,639	4,518
Severance payments ^(d)	2,180	-
Other related expenses	567	513
	32,759	31,945

^(a) Includes a \$727,000 adjustment from superannuation that relates to salary recoups for FY 2015-16.

^(b) Includes West State, Gold State, GESB and other eligible funds. Also incorporates a \$727,000 adjustment from wages and salaries that relates to salary recoups for FY 2015-16.

^(c) Includes a superannuation contribution component.

^(d) For 2016-17, \$2.909 million was paid out in total, of which \$730,000 was related to leave entitlements paid out of leave provisions.

Employment on-costs expenses, such as workers' compensation insurance, are included at Note 13 'Other expenses'. The employment on-costs liability is included at Note 24 'Provisions'.

Note 8. Supplies and services

	2017	2016
	\$000	\$000
Managed contracts	306,830	196,907
Communications	69	93
Consultants	263	5,259
Contractors	1,700	10,990

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	2017	2016
	\$000	\$000
Service provided by WA Government agencies	8,082	9,101
Repairs and maintenance	1	12
Consumables	263	243
Travel	91	138
Legal costs	23	6,843
Other ^(a)	866	1,644
	318,188	231,230

^(a) \$111,000 was relevant to payments for insurance to Insurance Commission of Western Australia and \$185,000 was relevant to payments for fleet leasing to the Department of Finance.

Note 9. Depreciation and amortisation expense

	2017	2016
	\$000	\$000
Depreciation		
Office equipment	12	10
Computer equipment	19	24
Total depreciation	31	34
Amortisation		
Computer software	982	983
Website costs	10	11
Total amortisation	992	994
Total depreciation and amortisation	1,023	1,028

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Note 10. Accommodation expenses

	2017	2016
	\$000	\$000
Lease rentals	4,598	3,925
Repairs and maintenance	-	13
	4,598	3,938

Note 11. Loss on disposal of non-current assets

	2017	2016
	\$000	\$000
Office equipment	4	-
	4	-

Note 12. Grants and subsidies

	2017	2016
	\$000	\$000
Recurrent		
Grants	50	77
	50	77

Note 13. Other expenses

	2017	2016
	\$000	\$000
Minor purchases	78	527
Employment on-costs	-	1
Audit fees	569	569
Other	6	103
	653	1,200

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Note 14. Income

	2017	2016
	\$000	\$000
User charges and fees		
Managed building works	306,796	196,654
	306,796	196,654
Other revenue		
Recoups	8	-
Government Vehicle Scheme (GVS)	68	70
Other	31	2
	107	72
	306,903	196,726

Note 15. Income from State Government

	2017	2016
	\$000	\$000
Appropriation received during the period:		
Service appropriation ^(a)	52,306	62,172
	52,306	62,172
Services received free of charge from other State Government agencies during the period:		
Department of Finance	7,041	7,429
Department of the Attorney General	596	1,240
Department of the Premier and Cabinet	45	58
Landgate	400	374
	8,082	9,101

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	2017	2016
	\$000	\$000
Royalties for Regions Fund:		
Governance of the Royalties for Regions Program	127	123
	127	123
	60,515	71,396

^(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 and any agreed increase in leave liabilities during the year.

Note 16. Cash and cash equivalents

	2017	2016
	\$000	\$000
Current		
Cash at bank	56,716	76,260
	56,716	76,260

Note 17. Restricted cash and cash equivalents

	2017	2016
	\$000	\$000
Non-current		
Accrued salaries suspense account ^(a)	115	-
	115	-

^(a) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11 years.

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Note 18. Receivables

	2017	2016
	\$000	\$000
Current		
Receivables	143	776
GST receivable	4,443	8,491
	4,586	9,267
Underbillings ^(a)	4,782	4,750
Total current	9,368	14,017

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

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

Note 19. Amounts receivable for services (holding account)

	2017	2016
	\$000	\$000
Non-current	11,174	10,161
	11,174	10,161

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.

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Note 20. Plant and equipment

	2017	2016
	\$000	\$000
Office equipment		
At cost	51	73
Accumulated depreciation	(19)	(25)
	32	48
Computer equipment		
At cost	83	89
Accumulated depreciation	(82)	(69)
	1	20
	33	68

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

	Office equipment	Computer equipment	Total
	\$000	\$000	\$000
2017			
Carrying amount at start of period	48	20	68
Depreciation	(12)	(19)	(31)
Disposal	(4)	-	(4)
Carrying amount at end of period	32	1	33
2016			
Carrying amount at start of period	28	43	70
Additions	29	-	29
Depreciation	(9)	(23)	(31)
Carrying amount at end of period	48	20	68

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Note 21. Intangible assets

	2017	2016
	\$000	\$000
Computer software		
At cost	9,873	9,873
Accumulated amortisation	(4,714)	(3,732)
	5,159	6,141
Website costs		
At cost	100	100
Accumulated amortisation	(22)	(12)
	78	88
	5,237	6,229
Reconciliations:		
Computer software		
Carrying amount at start of period	6,141	7,124
Amortisation	(982)	(983)
Carrying amount at end of period	5,159	6,141
Website costs		
Carrying amount at start of period	88	98
Amortisation	(10)	(10)
Carrying amount at end of period	78	88

Note 22. Impairment of assets

There were no indications of impairment to plant and equipment and intangible assets at 30 June 2017. 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.

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Note 23. Payables

	2017	2016
	\$000	\$000
Current		
Trade payables	399	2,625
Other tax payables	89	92
Accrued salaries	113	-
Accrued expenses	31,985	31,247
Other payables	2	-
	32,588	33,964
Overbillings ^(a)	6,512	38,639
Total current	39,100	72,603

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

Note 24. Provisions

	2017	2016
	\$000	\$000
Current		
<i>Employee benefits provision</i>		
Annual leave ^(a)	3,351	3,593
Long service leave ^(b)	5,081	5,327
	8,432	8,920
<i>Other provisions</i>		
Employment on-costs ^(c)	15	16
	15	16
	8,447	8,936

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	2017	2016
	\$000	\$000
Non-current		
<i>Employee benefits provision</i>		
Long service leave ^(b)	1,998	2,241
	1,998	2,241
<i>Other provisions</i>		
Employment on-costs ^(c)	4	4
	4	4
	2,002	2,245
^(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	2,375	2,614
More than 12 months after the end of the reporting period	976	979
	3,351	3,593
^(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	2,098	2,372
More than 12 months after the end of the reporting period	4,981	5,196
	7,079	7,568

^(c) 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 13 'Other expenses'.

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	2017	2016
	\$000	\$000
Movements in other provisions		
Movements in each class of provisions during the period, other than employee benefits, are set out below.		
Employment on-cost provision		
Carrying amount at start of period	20	21
Additional provisions recognised	2	3
Payments/other sacrifices of economic benefits	(3)	(4)
Carrying amount at end of period	19	20

Note 25. Equity

	2017	2016
	\$000	\$000
The Western Australian Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department.		
Contributed equity		
Balance at start of period	10,963	10,963
Contributions by owners		
Capital appropriation	-	-
Total contributions by owners	10,963	10,963
Distributions to owners		
Transfer of net assets to other agencies	-	-
Total distributions to owners	-	-
Balance at end of period	10,963	10,963
Accumulated Surplus		
Balance at start of period	11,988	13,284
Result for the period	10,143	(1,296)
Balance at the end of period	22,131	11,988
Total equity at end of period	33,094	22,951

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Note 26. Notes to the statement of cash flows

	2017	2016
	\$000	\$000
Reconciliation of cash		
Cash at the end of the reporting period 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 (<i>Note 16 'Cash and cash equivalents'</i>)	56,716	76,260
Restricted cash and cash equivalents (<i>Note 17 'Restricted cash and cash equivalents'</i>)	115	-
	56,831	76,260
Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities		
Net cost of services	(50,372)	(72,692)
Non-cash items		
Depreciation and amortisation expense (<i>Note 9 'Depreciation and amortisation expense'</i>)	1,023	1,027
Services received free of charge (<i>Note 15 'Income from State Government'</i>)	8,082	9,101
(Increase)/decrease in assets		
Current receivables ^(a)	(28,828)	32,377
Increase/(decrease) in liabilities		
Current payables ^(a)	(611)	26,510
Accrued salaries	114	(952)
Accrued employee benefits	(481)	105
Net GST receipts/payments ^(b)	224	142
Net cash provided by/(used in) operating activities	(70,849)	(4,382)

^(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.

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Note 27. Services provided free of charge

	2017	2016
	\$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	140	298
	140	298

Note 28. Commitments

	2017	2016
	\$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:		
Within 1 year	3,577	3,441
Later than 1 year and not later than 5 years	13,910	13,247
Later than 5 years	63,642	63,731
	81,129	80,419

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

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	2017	2016
	\$000	\$000

The commitments below are inclusive of GST.

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	121	381
Later than 1 year and not later than 5 years	-	78
Later than 5 years	-	-
	121	459

Note 29. Contingent liabilities and contingent assets

A range of significant infrastructure projects have reached or are reaching completion (such as the Perth Children's Hospital). There may be claims that arise in relation to works or activities associated with such projects. Claims will generally be subject to a period of negotiation and may either be withdrawn, subsequently settled (at a value agreed between the two parties), or proceed to some alternative process for resolution such as through legal action. Where costs are negotiated and claims settled, these are reflected in the financial statements.

Note 30. Related and affiliated bodies

The Department has no related or affiliated bodies.

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

On 28 April 2017, the Premier announced machinery of government changes to the public sector. Arising from this, Strategic Projects will be joining the Department of Finance from 1 July 2017. Conversely, the Department will assume responsibility for Economic Reform and the Public Utilities Office from the Department of Finance with effect from 1 July 2017.

Note 32. Remuneration of auditor

	2017	2016
	\$000	\$000
Remuneration paid or payable to the Auditor General in respect of the audit for the current reporting period is as follows:		
Auditing the accounts, financial statements and key performance indicators:		
Department of Treasury	219	216
Annual Report on State Finances	345	340
	564	556

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Note 33. Compensation of Key Management Personnel

	2017	2016
<p>The Department has determined that key management personnel include the responsible Minister and senior officers of the Department. However, the Department is not obligated to compensate the responsible Minister and therefore disclosures in relation to Ministers' compensation may be found in the <i>Annual Report on State Finances</i>.</p> <p>Total compensation for senior officers of the Department for the reporting period are presented within the following bands:</p>		
Compensation Band (\$)		
\$270,001 - 280,000	-	1
\$290,001 - 300,000	1	-
\$310,001 - 320,000	1	1
\$330,001 - 340,000	1	-
\$340,001 - 350,000	-	2
\$360,001 - 370,000	-	1
\$380,001 - 390,000	2	-
\$500,001 - 510,000	-	1
\$540,001 - 550,000	1	-
	2017	2016
	\$000	\$000
Short-term employee benefits	1,857	1,750
Post-employment benefits	182	170
Other long-term benefits	221	231
Termination benefits	-	-
Total compensation of senior officers	2,260	2,151

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Note 34. Related Party Transactions

The Department is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, the Department is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

Related parties of the Department include:

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

Significant transactions with Government-related entities

Significant transactions include:

- service appropriation (Note 15);
- services received free of charge from the Department of Finance, the Department of the Attorney General, the Department of the Premier and Cabinet, and Landgate (Note 15);
- Royalties for Regions Fund (Note 15);
- lease rentals payments to the Department of Finance (Note 10);
- insurance payments to the Insurance Commission of Western Australia (Note 8);
- fleet leasing payments to the Department of Finance (Note 8);
- commitments for future lease payment to the Department of Finance (Note 28);
- remuneration for services provided by the Auditor General (note 32); and
- managed building works revenue from other government agencies for the planning and delivery of major new non-residential buildings (Note 14).

Significant transactions with other related entities

During the year, the department paid \$2,419,000 in employee superannuation contributions to the Government Employees Superannuation Board.

The Department had no material related party transaction with Ministers/senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.

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Note 35. 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 35(c) 'Financial instruments disclosures' and Note 18 'Receivables'.

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

Liquidity risk

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

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

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

Market risk

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

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

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(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:

	2017	2016
	\$000	\$000
Financial assets		
Cash and cash equivalents	56,716	76,260
Restricted cash and cash equivalents	115	-
Receivables ^(a)	4,925	5,526
Amounts receivable for services	11,174	10,161
Financial liabilities		
Payables ^(b)	39,099	72,603

^(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.

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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
2017								
Cash and cash equivalents	56,716	56,716	-	-	-	-	-	-
Restricted cash and cash equivalents	115	115	-	-	-	-	-	-
Receivables ^(a)	4,925	4,886	-	-	11	28	-	-
Amounts receivable for services	11,174	11,174	-	-	-	-	-	-
	72,930	72,891	-	-	11	28	-	-
2016								
Cash and cash equivalents	76,260	76,260	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables ^(a)	5,526	5,007	419	50	30	20	-	-
Amounts receivable for services	10,161	10,161	-	-	-	-	-	-
	91,947	91,428	419	50	30	20	-	-

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

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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
2017										
Financial Assets										
Cash and cash equivalents	56,716	-	-	56,716	56,716	56,716	-	-	-	-
Restricted cash and cash equivalents	115	-	-	115	115	-	-	-	-	115
Receivables ^(a)	4,925	-	-	4,925	4,925	4,925	-	-	-	-
Amounts receivable for services	11,174	-	-	11,174	11,174	-	-	-	11,174	-
	72,930	-	-	72,930	72,930	61,641	-	-	11,174	115
Financial Liabilities										
Payables	39,099	-	-	39,099	39,099	39,099	-	-	-	-
	39,099	-	-	39,099	39,099	39,099	-	-	-	-
2016										
Financial Assets										
Cash and cash equivalents	76,260	-	-	76,260	76,260	76,260	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Receivables ^(a)	5,526	-	-	5,526	5,526	5,526	-	-	-	-
Amounts receivable for services	10,161	-	-	10,161	10,161	-	-	-	10,161	-
	91,947	-	-	91,947	91,947	81,786	-	-	10,161	-
Financial Liabilities										
Payables	72,603	-	-	72,603	72,603	72,603	-	-	-	-
	72,603	-	-	72,603	72,603	72,603	-	-	-	-

^(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 value unless otherwise stated in the applicable notes.

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Note 36. Explanatory Statement Statement of Comprehensive Income (Controlled Operations)

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for selected major variances, which are generally greater than:

- 5% and \$5.388 million for the Statement of Comprehensive Income and Cash Flows; and
- 5% and \$838,000 for the Statement of Financial Position.

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between Estimate and Actual	Variance between actual results for 2017 and 2016
		\$000	\$000	\$000	\$000	\$000
COST OF SERVICES						
Expenses						
Employee benefits expense	1	35,037	32,759	31,945	(2,278)	814
Supplies and services	2,a	246,738	318,188	231,230	71,450	86,958
Depreciation and amortisation expense		1,013	1,023	1,028	10	(5)
Accommodation expenses		5,093	4,598	3,938	(495)	660
Grants and subsidies		83	50	77	(33)	(27)
Loss on disposal of non-current assets		-	4	-	4	4
Other expenses		1,381	653	1,200	(728)	(547)
Total cost of services		289,345	357,275	269,418	67,930	87,857
Income						
<i>Revenue</i>						
User charges and fees	3,b	227,040	306,796	196,654	79,756	110,142
Other revenue		70	107	72	37	35
Total Revenue		227,110	306,903	196,726	79,793	110,177
Total income other than income from State Government		227,110	306,903	196,726	79,793	110,177
NET COST OF SERVICES		(62,235)	(50,372)	(72,692)	11,863	22,320

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	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between Estimate and Actual	Variance between actual results for 2017 and 2016
		\$000	\$000	\$000	\$000	\$000
Income from State Government						
Service appropriation	c	54,383	52,306	62,172	(2,077)	(9,866)
Services received free of charge		8,032	8,082	9,101	50	(1,019)
Royalties for Regions Fund		127	127	123	-	4
Total income from State Government		62,542	60,515	71,396	(2,027)	(10,881)
SURPLUS/(DEFICIT) FOR THE PERIOD		307	10,143	(1,296)	9,836	11,439
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		307	10,143	(1,296)	9,836	11,439

Major Estimate and Actual (2017) Variance Narratives

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

Major Actual (2017) and Comparative (2016) Variance Narratives

- (a) Variance is primarily attributable to the scheduled progress of the major capital works programs that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- (b) Variance is primarily attributable to the scheduled progress of the major capital works programs that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- (c) Service appropriation has decreased in 2016-17 due to an additional appropriation provided in 2015-16 to progress the approved asset sales program.

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Note 36. Explanatory Statement Statement of Financial Position (Controlled Operations)

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between Estimate and Actual	Variance between Actual results for 2017 and 2016
		\$000	\$000	\$000	\$000	\$000
ASSETS						
Current Assets						
Cash and cash equivalents	1, a	16,810	56,716	76,260	39,906	(19,544)
Receivables	2, b	8,511	9,368	14,017	857	(4,649)
Total Current Assets		25,321	66,084	90,277	40,763	(24,193)
Non-Current Assets						
Restricted cash and cash equivalents		114	115	-	1	115
Amounts receivable for services	c	11,174	11,174	10,161	-	1,013
Plant and equipment		31	33	68	2	(35)
Intangible assets	d	5,236	5,237	6,229	1	(992)
Total Non-Current Assets		16,555	16,559	16,458	4	101
TOTAL ASSETS		41,876	82,643	106,735	40,767	(24,092)
LIABILITIES						
Current Liabilities						
Payables	3, e	7,894	39,100	72,603	31,206	(33,503)
Provisions		9,144	8,447	8,936	(697)	(489)
Total Current Liabilities		17,038	47,547	81,539	30,509	(33,992)
Non-Current Liabilities						
Provisions		2,050	2,002	2,245	(48)	(243)
Total Non-Current Liabilities		2,050	2,002	2,245	(48)	(243)
TOTAL LIABILITIES		19,088	49,549	83,784	30,461	(34,235)
NET ASSETS		22,788	33,094	22,951	10,306	10,143

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	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between Estimate and Actual	Variance between Actual results for 2017 and 2016
		\$000	\$000	\$000	\$000	\$000
EQUITY						
Contributed equity		62,711	10,963	10,963	(51,748)	-
Accumulated surplus		(39,923)	22,131	11,988	62,054	10,143
TOTAL EQUITY		22,788	33,094	22,951	10,306	10,143

Major Estimate and Actual (2017) Variance Narratives

- (1) Variance is primarily due to the timing of billings to clients in relation to progress payments for Strategic Projects. The Perth Stadium represents a major component of the variance.
- (2) Variance is mainly due to higher than budgeted GST receivables at year end. GST receivables will be recovered in July 2017.
- (3) Variance is primarily due to the timing of progress payments to lead contractors for Strategic Projects. The Perth Stadium represents a major component of the variance.

Major Actual (2017) and Comparative (2016) Variance Narratives

- (a) Variance is primarily due to the timing of billings to clients in relation to progress payments for Strategic Projects. The Perth Stadium represents a major component of the variance.
- (b) Variance is due to lower GST receivables at 2017 year end compared with prior year. GST receivables will be recovered during July 2017.
- (c) Variance represents the non-cash component of the service appropriation that is related to intangibles amortisation.
- (d) Variance represents the intangible assets amortisation for the 2017 financial year.
- (e) Variance is primarily due to the timing of progress payments to lead contractors for Strategic Projects. The Perth Stadium represents a major component of the variance.

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Note 36. Explanatory Statement Statement of Cash Flows (Controlled Operations)

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between Estimate and Actual	Variance between Actual results for 2017 and 2016
		\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	a	53,370	51,293	61,159	(2,077)	(9,866)
Royalties for Regions Fund		127	127	123	-	4
Net cash provided by State Government		53,497	51,420	61,282	(2,077)	(9,862)
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	1	(35,026)	(33,101)	(32,779)	1,925	(322)
Supplies and services	2, b	(238,613)	(310,435)	(196,009)	(71,822)	(114,426)
Accommodation		(5,093)	(4,644)	(3,871)	449	(773)
Grants and subsidies		(83)	(46)	(69)	37	23
GST payments on purchases	3, c	(12,343)	(48,128)	(36,223)	(35,785)	(11,905)
GST Payments to taxation authority		(3,653)	(148)	(2,256)	3,505	2,108
Other payments		(1,537)	(897)	(879)	640	(18)
Receipts						
User charges and fees	4, d	227,040	277,970	229,011	50,930	48,959
GST receipts on sales	5, e	12,000	27,780	22,915	15,780	4,865
GST receipts from taxation authority	6, f	3,996	20,720	15,706	16,724	5,014
Other receipts		70	80	72	10	8
Net cash provided by/(used in) operating activities		(53,242)	(70,849)	(4,382)	(17,607)	(66,467)

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	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between Estimate and Actual	Variance between Actual results for 2017 and 2016
		\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of non-current assets		-	-	(29)	-	29
Net cash provided by/(used in) investing activities		-	-	(29)	-	29
Net increase/(decrease) in cash and cash equivalents	7, g	255	(19,429)	56,871	(19,684)	(76,300)
Cash and cash equivalents at the beginning of the period		16,669	76,260	19,389	59,591	56,871
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		16,924	56,831	76,260	39,907	(19,429)

Major Estimate and Actual (2017) Variance Narratives

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

Financial Statements and Notes

Major Actual (2017) and Comparative (2016) Variance Narratives

- (a) Service appropriation has decreased in 2016-17 due to an additional appropriation provided in 2015-16 to progress the approved asset sales program.
- (b) Variance is primarily attributable to the progress of the major capital works program that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- (c) Variance is due to an increase in GST payments relating to progress of the capital works programs.
- (d) Variance is primarily attributable to the progress of the major capital works program that are at various stages of completion. The Perth Stadium represents a major component of the variance.
- (e) Variance is primarily due to an increase in GST receipts related to billings for the progress of the capital works programs.
- (f) Variance is primarily due to an increase in GST receipts from the taxation authority relating to the progress of the capital works programs.
- (g) Variance is primarily due to the timing of billings to clients in relation to progress payments for Strategic Projects. The Perth Stadium represents a major component of the variance as the project nears completion.

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Note 37. Explanatory statement – administered items

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than 5% and \$25 million for the Statement of Comprehensive Income and Cash Flows.

	2017 Estimate	2017 Actual	Variance	2017 Actual	2016 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Administered Transactions						
Recurrent Administered						
Operating subsidy payments						
Item 50 Water Corporation of Western Australia	486,076	464,225	(21,851)	464,225	546,813	(82,588)
Grants, subsidies and transfer payments						
Item 59 Refunds of Past Years Revenue Collections - Public Corporations	10,000	6,456	(3,544)	6,456	93,252	(86,796)
Item 60 Resolution of the Native Title in the South West of Western Australia (Settlement)	60,000	-	(60,000)	-	-	-
Item 62 Royalties for Regions	449,883	419,019	(30,864)	419,019	600,177	(181,158)
Authorised by Other Statutes						
<i>State Superannuation Act 2000</i>	645,778	569,399	(76,379)	569,399	622,804	(53,405)
<i>Western Australian Treasury Corporation Act 1986 - Interest</i>	656,000	645,828	(10,172)	645,828	542,451	103,377
Administered Capital						
Government equity contributions						
Item 138 Department of Education	31,700	-	(31,700)	-	-	-
Item 139 Electricity Networks Corporation (Western Power)	96,384	51,628	(44,756)	51,628	201,701	(150,073)
Item 140 Metropolitan Redevelopment Authority	2,420	-	(2,420)	-	63,000	(63,000)
Item 141 Pilbara Ports Authority	25,497	5,112	(20,385)	5,112	38,739	(33,627)
Mid West Ports Authority	-	-	-	-	70,944	(70,944)
Other						
Item 146 The New Perth Stadium Account	370,000	370,000	-	370,000	265,000	105,000
Item 147 Western Australian Future Fund	38,400	38,400	-	38,400	-	38,400
Perth Children's Hospital Account	-	-	-	-	44,000	(44,000)
Authorised by Other Statutes						
<i>Western Australian Treasury Corporation Act 1986 - Repayment of Borrowings</i>	88,599	88,599	-	88,599	-	88,599
<i>Loan (Co-Operative Companies) Act 2004</i>	-	13,050	13,050	13,050	31,600	(18,550)

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Recurrent Administered

Operating subsidy payments

Item 50 – Water Corporation of Western Australia

The Corporation's operating subsidy was \$82.6 million lower in 2016-17 than the 2015-16 outturn. This was due to a revision of the Corporation's methodology for calculating the operating subsidy requirement. The new model incorporates more detailed asset base information which informs the calculation of the annual cost of service. Lower than budgeted expenditure in country regions in 2016-17 also contributed to the lower subsidy outcomes, and was due mainly to softer inflationary pressures and a reduction in growth-driven investment.

Grants, subsidies and transfer payments

Item 59 – 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 instalments into the Consolidated Account.

The \$6.5 million outturn for 2016-17 was \$86.8 million lower than the 2015-16 outcome, following larger than expected refunds to Synergy, Horizon Power and the Gold Corporation last year.

Item 60 – Resolution of Native Title in the South West of Western Australia (Settlement)

The 2016-17 Budget included a central allocation of \$60 million for the estimated recurrent cost of the Settlement anticipated to be progressed by 30 June 2017. A result of a number of objections to the Indigenous Land Use Agreement registrations resulted in delays in the finalisation of the Settlement.

Item 62 – Royalties for Regions

The 2016-17 outturn was \$181.2 million lower than in 2015-16. This outcome reflects the flow of money through the Royalties for Regions (RfR) Fund during the year, and the management of the statutory maximum \$1 billion cap on the balance of the account. In particular, in 2015-16 the last \$125.6 million in 'seed capital' contributions was paid to the Western Australian Future Fund, and \$50 million was paid into the Regional Reform Fund. The additional appropriation in 2015-16 was accommodated within the 25% of mining royalties funding formula for RfR for that year.

The outturn for 2016-17 was \$30.9 million lower than the 2016-17 Budget forecast. This was largely due to higher than expected utilisation of Royalties for Regions cash balances held by government agencies (which leaves a higher cash balance in the RfR Fund which in turn reduces the appropriation of Consolidated Account funding to RfR as a result of the statutory \$1 billion cap on the Fund balance).

Authorised by Other Statutes

State Superannuation Act 2000

Cash payments under the *State Superannuation Act 2000* were \$53.4 million (or 8.6%) lower in 2016-17 than in 2015-16 due to lower rates of payment for Gold State Super entitlements (down \$36.2 million or 10.2%), following a lower number of member retirements (due in part to recent voluntary separation schemes), and lower Pension Scheme benefits (down \$17.1 million or 8.2%), caused by a reduction in the number of pensioners.

The 2016-17 outturn was \$76.4 million lower than the Budget estimate, mainly reflecting lower than expected Gold State Super benefit payments (down \$73 million or 18.6%) due to lower retirements.

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Western Australian Treasury Corporation Act 1986 - Interest

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

Interest payments were \$103.4 million higher in 2016-17 compared to 2015-16 due to higher levels of borrowings. This was partially offset by lower average interest rates through 2016-17 (declining from an average 3.52% in 2015-16 to an average 3.14% in 2016-17).

Administered Capital

Government equity contributions

Item 138 – Department of Education

This item quarantines central funds approved for discrete Asset Investment Program projects of the Department of Education, to be released pending Government approval of project definition plans.

The 2016-17 Budget included an amount of \$31.7 million for this item. Of this amount, \$11.7 million for South Baldvis and Yanchep Senior High Schools was reflected in the Department of Education's capital appropriation, following Cabinet approval on 19 August 2016. The remaining \$20 million was carried-over from 2016-17 to 2017-18 for Shenton College, Margaret River Senior High School and land procurement for North Butler Senior High School, reflecting timing changes for these projects.

Item 139 – Electricity Networks Corporation (Western Power)

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

Lower payments (down \$150.1 million) in 2016-17 relative to 2015-16, are mainly due to the commencement of new interim dividend arrangements in 2015-16. The 2016-17 outcome also reflects the change in timing of 2016-17 interim dividends (to 2017-18) included in the 2017-18 Budget. Equity contributions for 2016-17 are lower than budget by \$44.8 million primarily due to the deferral in the Budget of the 2016-17 interim dividend, partially offset by an increase from a refund of special dividends payable on land sales in 2015-16 and higher customer contributions for project works in 2015-16.

Item 140 – Metropolitan Redevelopment Authority

No payments were made for this item in 2016-17, reflecting the finalisation of the Elizabeth Quay Project in 2015-16 and a \$2.4 million capital appropriation for the Wungong Developer Contribution Scheme not being required due to the utilisation of existing surplus funds for the scheme.

Item 141 – Pilbara Ports Authority

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

The \$5.1 million outcome for 2016-17 was \$33.7 million lower than 2015-16, due to the deferral of the interim dividend payment from 2016-17 to 2017-18 as part of the 2017-18 Budget.

Financial Statements and Notes

Mid West Ports Authority

Funding for this item was finalised in 2015-16, extinguishing the Authority's remaining debt associated with the Port Enhancement Project at Geraldton Port and the Oakajee Port project.

Other

Item 146 The New Perth Stadium Account

A Special Purpose Account was established for the Perth Stadium development in 2011 (including the construction of the Stadium and the surrounding Sports Precinct, the associated transport infrastructure and the project's management). The stadium is expected to be completed in early 2018 and utilise all available funds in the Account. Appropriation funding in 2016-17 was \$370 million, \$105 million higher than in 2015-16, and reflects the funding of scheduled works as the project is progressed.

Item 147 Western Australian Future Fund

This item provides appropriations into the Western Australian Future Fund, which was established as a Treasurer's Special Purpose Account following the passage of the *Western Australian Future Fund Act 2012* in November 2012. Section 7 of the Act specifies that an appropriation equal to 1% of forecast annual royalty revenue is to be paid into the Fund from 2016-17 onwards. This was \$38.4 million in 2016-17, based on forecast royalty income of \$3.84 billion at the time of the 2016-17 Budget.

Perth Children's Hospital Account

This item provides funding to a Special Purpose Account for the construction of the Perth Children's Hospital. The \$44 million outturn in 2015-16 reflected the final Consolidated Account capital contribution for the hospital's construction.

Authorised by Other Statutes

Western Australian Treasury Corporation Act 1986 – Repayment of Borrowings

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

The amount of \$88.6 million was repaid to the Western Australian Treasury Corporation in 2016-17, representing the residual proceeds from the sale of the Perth Market Authority on 31 March 2016 (net of various costs and the repayment of the Authority's own debt).

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Note 38. Supplementary financial information

	2017	2016
	\$000	\$000
(a) Write-offs		
During the reporting period, \$2,100 (2016: nil) was written off the Department's asset register under the authority of:		
The accountable authority	2	-
The Minister	-	-
Executive Council	-	-
	2	-
(b) Act of Grace payment		
During the 2016-17 financial year one act of grace payment was made under the authority of:		
The Minister	200	-
	200	-

Note 39. Special purpose accounts

	2017	2016
	\$000	\$000
Special Purpose Account Section 10 of the <i>Financial Management Act 2006</i>		
<i>Accrued salaries</i>		
The purpose of the special purpose account is to hold funds in accordance with section 26(2) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the period	-	316,509
Receipts	44,627	4,099
Payments	-	(320,608)
Balance at the end of the period	44,627	-

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	2017	2016
	\$000	\$000
<i>Bankwest Pension Trust</i>		
The purpose of the special purpose account is to hold funds received from BankWest in satisfaction of its liabilities under the <i>Superannuation and Family Benefits Act 1938</i> and other receipts.		
Balance at the start of the period	4,160	4,825
Receipts	1,365	1,671
Payments	(1,880)	(2,336)
Balance at the end of the period	3,645	4,160
<i>Commonwealth Payments For Specific Purposes Account</i>		
The purpose of the special purpose account is to receive National Specific Purpose Payments and National Partnership Payments from the Commonwealth Government pursuant to the <i>Intergovernmental Agreement on Federal Financial Relations</i> for disbursement to relevant government agencies and the Consolidated Account.		
Balance at the start of the period	43,231	543,232
Receipts	2,064,679	2,412,561
Payments	(1,853,550)	(2,912,562)
Balance at the end of the period	254,360	43,231
<i>Departmental receipts in suspense</i>		
The purpose of the special purpose account is to hold funds pending identification of the purpose for which these moneys were received pursuant to section 10(f) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the period	21,809	22,931
Receipts	66,478	74,774
Payments	(68,238)	(75,896)
Balance at the end of the period	20,049	21,809

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	2017	2016
	\$000	\$000
<i>Fiona Stanley Hospital Construction Account</i>		
The purpose of the special purpose account is to hold funds appropriated from the Consolidated Account for the construction and establishment of the Fiona Stanley Hospital in accordance with the provisions of the <i>Fiona Stanley Hospital Construction Account Act 2007</i> .		
Balance at the start of the period	20,035	19,583
Receipts	420	452
Payments	-	-
Balance at the end of the period	20,455	20,035
<i>Independent schools – general building grants</i>		
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	15,913	15,348
Payments	(15,913)	(15,348)
Balance at the end of the period	-	-
<i>Independent schools – recurrent grants schools assistance acts</i>		
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	1,164,938	1,110,015
Payments	(1,164,938)	(1,110,015)
Balance at the end of the period	-	-

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	2017	2016
	\$000	\$000
<i>Jervoise Bay Infrastructure Development Trust Account</i>		
The purpose of the special purpose account is to hold funds received from the Commonwealth being a grant for the development of facilities at Jervoise Bay.		
Balance at the start of the period	10,286	10,054
Receipts	216	232
Payments	-	-
Balance at the end of the period	10,502	10,286
<i>Local Authorities Tax Sharing Entitlements Account</i>		
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	425,072	139,133
Payments	(425,072)	(139,133)
Balance at the end of the period	-	-
<i>Mortgage Moneys Under the 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	86	84
Receipts	2	2
Payments	-	-
Balance at the end of the period	88	86
<i>Perth Children's Hospital Account</i>		
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	122,125	187,025
Receipts	-	44,000
Payments	(82,411)	(108,900)
Balance at the end of the period	39,714	122,125

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	2017	2016
	\$000	\$000
<i>Non-government schools – other recurrent grants</i>		
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	6,979	88
Payments	(6,979)	(88)
Balance at the end of the period	-	-
<i>Perry Lakes Maintenance Account</i>		
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	5,417	5,422
Receipts	114	125
Payments	-	(129)
Balance at the end of the period	5,531	5,417
<i>Perth's New Major Stadium Construction Account</i>		
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	36,397	121,084
Receipts	370,000	265,000
Payments	(310,795)	(349,687)
Balance at the end of the period	95,602	36,397
<i>Public Bank Account Interest Earned Account</i>		
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	124,237	69,026
Receipts	150,344	144,482
Payments	(86,462)	(89,271)
Balance at the end of the period	188,119	124,237

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	2017	2016
	\$000	\$000
<i>Royalties For Regions Fund</i>		
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	869,779	1,000,000
Receipts	809,071	949,873
Payments	(678,850)	(1,080,094)
Balance at the end of the period	1,000,000	869,779
<i>Statutory Authorities Investment Account</i>		
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	4,914	7,702
Receipts	7	18,712
Payments	(4,400)	(21,500)
Balance at the end of the period	521	4,914
<i>Tariff Equalisation Fund</i>		
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	150,000	141,000
Payments	(150,000)	(141,000)
Balance at the end of the period	-	-
<i>Western Australian Future Fund</i>		
The purpose of the special purpose account is to provide for the accumulation of a portion of the revenue from the State's mineral resources and other money for the benefit of future generations.		
Balance at the start of the period	1,043,836	878,734
Receipts	81,747	165,102
Payments	-	-
Balance at the end of the period	1,125,583	1,043,836

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	2017	2016
	\$000	\$000
<i>Proceeds from Disposal of Perth Market Authority</i>		
The purpose of the special purpose account is to hold funds paid to the State by Perth Markets Ltd on Initial Settlement for the sale of Perth Market Authority. It also shows amounts paid to Perth Market Authority to retire existing debt with WATC, with remaining money being transferred to the Consolidated Account as soon as practicable after initial settlement.		
Balance at the start of the period	-	-
Receipts	-	125,500
Payments	-	(125,500)
Balance at the end of the period	-	-

Note 40. Special Purpose Account created during the year

There were no Treasury SPAs created during the reporting period.

Note 41. Disclosure of administered income and expenses by service

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy		Total	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Expenses						
Superannuation	(300,038)	1,011,005	-	-	(300,038)	1,011,005
Interest	729,510	632,261	-	-	729,510	632,261
Appropriations for:						
Operating subsidies	1,740,805	1,770,090	-	-	1,740,805	1,770,090
Services	16,044,808	15,464,260	-	-	16,044,808	15,464,260
Salaries and allowances	110,340	105,199	-	-	110,340	105,199
Other appropriations	2,188,607	2,152,530	-	-	2,188,607	2,152,530

Financial Statements and Notes

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy		Total	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Commonwealth grants on-passed to agencies	2,063,975	1,922,457	-	-	2,063,975	1,922,457
Local Government financial assistance grants	261,901	85,363	-	-	261,901	85,363
Local Government road funding	163,171	53,771	-	-	163,171	53,771
Non-government schools	1,187,830	1,125,451	-	-	1,187,830	1,125,451
Royalties for Regions ^(a)	436,570	697,502	-	-	436,570	697,502
Other expenses	515	665	-	-	515	665
Total administered expenses	24,627,994	25,020,554	-	-	24,627,994	25,020,554
Income						
Commonwealth grants	-	-	6,262,020	6,203,506	6,262,020	6,203,506
Government enterprises:						
Dividends	-	-	838,301	1,420,502	838,301	1,420,502
Income tax equivalent regime	-	-	521,500	612,771	521,500	612,771
Local Government rates equivalent	-	-	21,668	20,935	21,668	20,935
Consolidated Account revenue received from agencies	13,245,557	12,771,026	-	-	13,245,557	12,771,026
Gold State superannuation reimbursement	125,479	140,468	-	-	125,479	140,468
Interest	139,287	133,037	-	-	139,287	133,037
Loan guarantee fees	140,841	134,844	-	-	140,841	134,844
Pension recoups	13,767	14,375	-	-	13,767	14,375
Other revenue	28,269	35,688	-	-	28,269	35,688
Total administered income	13,693,200	13,229,438	7,643,489	8,257,714	21,336,689	21,487,152

^(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.

Financial Statements and Notes

Note 42. Administered Assets and Liabilities

	2017	2016
	\$000	\$000
Current Assets		
Cash and cash equivalent	4,618,478	4,356,888
Treasurer's Advances	9,658	10,593
Government enterprises:		
Dividends receivable	1,505	1,505
Tax equivalent receivable	69,465	23,974
Recoverable advances	9,462	9,261
Other receivables	127,826	133,447
Total Administered Current Assets	4,836,394	4,535,668
Non-Current Assets		
Investments	3,645	4,160
Recoverable advances	15,032	22,238
Other receivables	7,615	7,422
Total Administered Non-Current Assets	26,292	33,820
TOTAL ADMINISTERED ASSETS	4,862,686	4,569,488
Current Liabilities		
Superannuation	69,355	66,668
Interest payable	159,658	141,790
Appropriations payable-CL	250,001	245,288
Special purpose account liabilities	5,356,859	4,945,305
Other payables	275,308	49,075
Total Administered Current Liabilities	6,111,181	5,448,126

Financial Statements and Notes

	2017	2016
	\$000	\$000
Non-Current Liabilities		
Borrowings	22,250,497	17,239,096
Superannuation	6,948,607	7,849,148
Appropriations payable	10,632,211	9,607,201
Other payables	20,806	23,367
Total Administered Non-Current Liabilities	39,852,121	34,718,812
TOTAL ADMINISTERED LIABILITIES	45,963,302	40,166,938

Note 43. Supplementary funding

Supplementary funding approved and expended during 2016-17 was as follows:

	2017 Amount Approved	2017 Amount Expended
	\$000	\$000
Item 42 Bunbury Water Corporation	31	31
	31	31
Approval was granted for \$31,000 of additional operating subsidy payments to Bunbury Water Corporation following higher than anticipated up-take of pensioner concessions identified in finalising the Corporation's 2015-16 annual report. This funding was fully drawn in 2016-17.		
Item 43 Busselton Water Corporation	7	-
	7	-
Additional funding of \$7,000 was approved in 2016-17 for a higher than expected cost for pensioner and seniors' concessions recorded in 2015-16. The funds were not drawn due to offsetting lower spending following delays in commencing a rebate program for properties owned by the Housing Authority. It is expected that the rebate scheme will commence in 2017-18.		
Item 48 Regional Power Corporation (Horizon Power)	4,764	4,764
	4,764	4,764

Changes to applicable electricity tariffs for medium to large businesses resulted in a Tariff Equalisation Contribution (TEC) funding shortfall of \$7 million in 2016-17. The TEC shortfall was partly offset by reductions in the cost of other subsidised activities, resulting in a requirement for \$4.764 million in supplementary funding which was fully drawn by 30 June 2017.

Financial Statements and Notes

	2017 Amount Approved	2017 Amount Expended
	\$000	\$000
Item 51 Western Australian Land Authority	3,015	3,015
	3,015	3,015
Lower than expected revenue from user charges at the Australian Marine Complex Common User Facility necessitated an increase of \$3.015 million to the operating subsidy paid to the Land Authority in 2016-17. These funds were fully drawn.		
Item 53 Department of the Attorney General	1,193	382
	1,193	382
This item quarantines funding approved for additional costs associated with the relocation of the Supreme Court (Civil) and the former Department of the Attorney General to the David Malcolm Justice Centre. The supplementary funding requirement was \$0.8 million lower than forecast in the 2016-17 Budget due to lower than expected costs for cleaning, security and maintenance.		
Item 58 Provision for Unfunded Liabilities in the Government Insurance Fund	400	325
	400	325
Unfunded Government Insurance Fund claims costs are paid to the Insurance Commission of Western Australia in arrears from this appropriation. Claims costs are variable and change significantly from year to year. Supplementary funding of \$400,000 was approved in 2016-17 for claims in excess of the annual forecast. Over 80% of the supplementary funding (\$325,000) was drawn down by 30 June 2017.		
Item 64 All other grants Subsidies and Transfer Payments	250	-
	250	-
Approval was granted for an unanticipated Act of Grace payment up to a limit of \$250,000. The supplementary funding was not required as movements in other grants, subsidies and transfer payments were lower than forecast for 2016-17, and were sufficient to fund the finalised Act of Grace payment.		
Bell Group Administration wind up and associated costs	8,059	6,754
	8,059	6,754

The *Bell Group Companies (Finalisation of Matters and Distribution of Proceeds) Act 2015* came into operation in November 2015. The Act was to provide a mechanism for the earlier return of moneys to Bell Group Creditors, including the Insurance Commission of Western Australia. On 16 May 2016, the High Court of Australia determined that the Act was constitutionally invalid. Accordingly, funding totalling \$8.059 million was approved to pay the Administrator's costs and to facilitate the winding up of the Administrator's operations.

An amount of up to \$2.8 million was also allocated to meet costs associated with reimbursing the legal expenses of the Creditors incurred during the High Court proceedings, the Administrator's legal costs and the examination summons proceedings. A total of \$6.754 million of the \$8.059 million approved funding was drawn during the year. The remainder is expected to be drawn in 2017-18, reflecting movements in the timing of costs.

Financial Statements and Notes

	2017 Amount Approved	2017 Amount Expended
	\$000	\$000
Item 136 Animal Resources Authority	300	300
	300	300

An equity contribution of \$300,000 was drawn to offset forecast operating losses and to assist the Authority in meeting its financial commitments.

Item 139 Electricity Networks Corporation (Western Power) Capital	18,041	-
	18,041	-

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

The 2016-17 Budget included an equity contribution of \$96.4 million in 2016-17 based on estimates of Western Power's level of customer contributions at the time. Customer contributions were higher than expected in 2016-17, boosting dividend payments to the Consolidated Account and the associated return of capital through this item.

As part of the 2017-18 Budget the Government decided to defer the 2016-17 interim dividend payment to 2017-18. Accordingly, the associated \$62.8 million interim equity contribution has also been deferred to 2017-18. As a result, Western Power drew just \$51.6 million of the available funding with the remaining \$62.8 million to be paid in 2017-18.

Item 142 Regional Power Corporation (Horizon Power) Capital	800	519
	800	519

An additional equity contribution of \$800,000 was made to Horizon to fund the tax liability associated with the 'gift' of LED streetlights in the Goldfields to the Corporation. Only \$519,000 of the supplementary funding was drawn due to lower profit outcomes which partially offset the impact of the streetlights.

Forest Products Commission (Capital)	2,100	2,100
	2,100	2,100

Forest Products Commission land damaged by fires in January 2016 was repurposed to sand mining. The Commission required supplementary funding to purchase substitute land to complete post-fire replanting necessary to ensure stable long term timber supply. All of the approved funds were drawn by 30 June 2017.

Financial Statements and Notes

Note 44. Explanatory Statement for Administered Items

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for selected major variances, which are generally greater than 5% and \$25 million.

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between Estimate and Actual	Variance between Actual results for 2017 and 2016
		\$000	\$000	\$000	\$000	\$000
Expenses						
Superannuation	1,A	512,955	(300,038)	1,011,005	(812,993)	(1,311,043)
Interest Expense	B	730,285	729,510	632,261	(775)	97,249
Appropriations for:						
Operating subsidies		1,769,874	1,740,805	1,770,090	(29,069)	(29,285)
Services		15,896,091	16,044,808	15,464,260	148,717	580,548
Salaries and allowances		109,800	110,340	105,199	540	5,141
Other appropriations	2	2,320,259	2,188,607	2,152,530	(131,652)	36,077
Commonwealth grants on-passed to agencies	3,C	2,354,845	2,063,975	1,922,457	(290,870)	141,518
Local Government financial assistance grants	4,D	176,764	261,901	85,363	85,137	176,538
Local Government road funding	5,E	107,556	163,171	53,771	55,615	109,400
Non-government schools	F	1,207,763	1,187,830	1,125,451	(19,933)	62,379
Royalties for Regions	G	439,421	436,570	697,502	(2,851)	(260,932)
Other expenses		-	515	665	515	(150)
Total Administered expenses		25,625,613	24,627,994	25,020,554	(997,619)	(392,560)
Income						
Commonwealth grants		6,364,745	6,262,020	6,203,506	(102,725)	58,514
Government enterprises:						
Dividends	6,H	984,511	838,301	1,420,502	(146,210)	(582,201)
Income tax equivalent regime	7,I	489,323	521,500	612,771	32,177	(91,271)
Local government rates equivalent		18,916	21,668	20,935	2,752	733

Financial Statements and Notes

	Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between Estimate and Actual	Variance between Actual results for 2017 and 2016
		\$000	\$000	\$000	\$000	\$000
Consolidated Account revenue received from agencies	8	12,475,529	13,245,557	12,771,026	770,028	474,531
Gold State superannuation reimbursement		123,841	125,479	140,468	1,638	(14,989)
Interest	9	105,397	139,287	133,037	33,890	6,250
Loan guarantee fees		151,199	140,841	134,844	(10,358)	5,997
Pension recoups		12,474	13,767	14,375	1,293	(608)
Other revenue		19,607	28,269	35,688	8,662	(7,419)
Total Administered income		20,745,542	21,336,689	21,487,152	591,147	(150,463)

Major Estimate and Actual (2017) Variance Narratives

Expenses

1. Superannuation

Relative to the 2016-17 Budget forecast, the lower superannuation expense outcome for 2016-17 (down \$813 million) largely reflects:

- a higher than expected discount rate increase of 0.6 percentage points from 2015-16 to 2016-17 (up from 2.0% in 2015-16 to 2.6% in 2016-17) compared to an expected 0.1 percentage point increase forecast at Budget time (from an expected 2.4% in 2015-16 to an estimated 2.5% in 2016-17);
- lower than expected salary assumptions, following the Government's May 2017 announcement to cap increases in public sector wages and associated conditions at \$1,000 per annum (compared with a 1.5% per year wages policy); and
- a higher than expected membership decline in the Gold State and Pension Schemes.

2. Other Appropriations ¹

Other appropriations were \$131.6 million lower than the 2016-17 Budget estimate, largely reflecting the retiming of funding for the South West Native Title Settlement due to the agreement not being finalised as expected in 2016-17, lower refunds of past years tax collections (due to the volatile nature of these refunds) and lower than expected appropriations for a range of items that are individually low in value, partially offset by higher funding for Western Australian Natural Disaster Relief and Recovery Arrangements.

Financial Statements and Notes

3. Commonwealth Grants On passed to Agencies ²

Commonwealth grants, which are on-passed to various agencies and third parties, were \$290.9 million lower in 2016-17 compared to the Budget forecast, due mainly to:

- lower infrastructure grants for roads due to the reallocation of funds for the now cancelled Perth Freight Link project to new road and rail projects in 2017-18 and slower than expected progress on other major road works projects (such as Northlink WA and Great Northern Highway – Muechea to Wubin), partially offset by a \$226 million top up grant from the Commonwealth in lieu of Western Australia's low GST relativity in 2017-18; and
- lower housing grants, primarily Indigenous housing grants following delays in finalising the 2016-18 National Partnership on Remote Housing Agreement (which resulted in 2016-17 funds being carried over to 2017-18).

4. Local Government Financial Assistance Grants

Commonwealth local government financial assistance grants, which are on-passed through the State, were \$85.1 million higher than forecast in the 2016-17 Budget, mainly reflecting the Commonwealth Government's decision to bring forward part of the 2017-18 allocation to 2016-17 as part of its 2017-18 Budget (released in May 2017).

5. Local Government Road Funding

Commonwealth local government road grants, which are on-passed through the State, were \$55.6 million higher than forecast in the 2016-17 Budget, mainly reflecting the Commonwealth Government's decision to bring forward part of the 2017-18 allocation to 2016-17 as part of its recent 2017-18 Budget (released in May 2017).

Income

6. Government Enterprises: Dividends

Lower dividends in 2016-17 (down \$146.2 million) compared with the 2016-17 Budget, were mainly driven by material movements across the following four agencies:

- Pilbara Ports Authority (down \$88.7 million), due to the Government's decision to defer the interim dividend for 2016-17 to 2017-18 as part of the 2017-18 Budget;
- the Insurance Commission of Western Australia (up \$75.3 million), primarily reflecting a once-off special dividend of \$95.4 million paid in 2016-17, following higher than expected investment returns through the year;
- Western Power (down \$72.3 million), due to the deferral of the 2016-17 interim dividend to instead be paid in 2017-18 as part of the 2017-18 Budget, partially offset by a higher final dividend following improved profitability in 2015-16; and
- the Water Corporation (down \$62.7 million), largely due to lower developer contributions (related to lower than expected development activity in the metropolitan region), and lower customer revenue (reflecting lower water consumption).

Financial Statements and Notes

7. Government Enterprises: Income tax equivalent regime

Income Tax Equivalents revenue was higher in 2016-17 (up \$32.1 million) compared to the Budget estimate, mainly driven by higher outcomes for:

- the Insurance Commission of Western Australia (up \$27.3 million), due to higher than forecast profitability resulting from higher than expected investment returns (noted above); and
- Synergy (up \$21 million), mainly reflecting higher than expected profit in 2016-17 due to increased sales and interest revenue and lower than budgeted gas costs, partially offset by a lower than expected profit (for tax purposes) on the sale of Mumbida Wind Farm.

A range of net movements across other agencies combined to partially offset these material increases.

8. Consolidated Account revenue received from agencies ³

Revenue paid to the Consolidated Account by agencies was \$770 million higher in 2016-17 compared to the 2016-17 Budget estimate. This variance is primarily due to the combined impact of:

- higher royalty revenue collections paid to the Consolidated Account by the Department of Mines and Petroleum, largely attributable to higher than expected receipts of iron ore royalties (up \$1,219.3 million); and
- lower taxes collected by the Office of State Revenue, mainly reflecting lower than estimated payroll tax (down \$281.1 million) and transfer duty receipts (down \$159.6 million).

9. Interest

Interest revenue was \$33.9 million higher in 2016-17 than in the 2016-17 Budget. This outcome largely reflects higher than expected average Public Bank Account (PBA) investment pool balances during the year, combined with higher average interest rates on these balances (at an average 2.1% compared with an estimated average 1.8% assumption in the 2016-17 Budget). PBA balances vary substantially during the year as a result of the timing of transactions in and out of the Account.

Major Actual (2017) and Comparative (2016) Variance Narratives

Expenses

A. Superannuation

Relative to 2015-16, superannuation expenses were \$1,311 million lower in 2015-16, reflecting a significant decrease in the whole of government superannuation liability due to the combined impact of:

- an increase in the discount rate used by the actuary to value superannuation entitlements (2.6% in 2016-17 compared with 2% in 2015-16);
- lower short term salary increase assumptions, reflecting changes to the Government's wages policy (discussed earlier);
- declining membership in the Gold State and Pension Schemes; and
- updated actuarial demographic assumptions used in the valuation of the liabilities of unfunded public sector schemes.

Financial Statements and Notes

B. Interest

Interest expenses in 2016-17 were \$97.2 million higher than in 2015-16, mainly due to higher Consolidated Account borrowings (which increased by a net \$5 billion during 2016-17), partly offset by lower average interest rates (with an average 3.52% in 2015-16 declining to an average 3.14% in 2016-17).

C. Commonwealth Grants On-passed to Agencies

Commonwealth grants that are on-passed to agencies were \$141.5 million higher in 2016-17 compared to 2015-16. This variance is mainly due to a \$226 million grant payment announced in the Commonwealth's 2017-18 Budget (acknowledging Western Australia's low GST relativity for 2017-18 and received in 2016-17).

Other material movements in grants revenue in 2016-17 include:

- lower housing grants (down \$111.1 million), primarily Indigenous housing grants which were lower largely due to delays in finalising the 2016-18 National Partnership on Remote Housing Agreement; and
- higher education grants (up \$38.3 million), mainly higher Students First funding due to cost indexation and changes in enrolment growth data for Western Australia.

D. Local Government Financial Assistance Grants

Commonwealth funding for local government financial assistance grants was \$176.5 million higher in 2016-17 than in 2015-16. This mainly reflects changes in the timing of payments (including the bringing forward of a portion of grants from 2017-18 to 2016-17 and also from 2015-16 to 2014-15).

E. Local Government Road Funding

Commonwealth local government road grants were \$109.4 million higher in 2016-17 than in 2015-16, largely reflecting changes in the timing of grant payments (with a portion brought forward from 2017-18 to 2016-17 and also from 2015-16 to 2014-15).

F. Non-government Schools

The Commonwealth provides assistance for non-government schools with grants that are on-passed through the State. These grants were \$62.4 million higher in 2016-17 compared with the 2015-16 outcome, reflecting changes in non-government school enrolment numbers and cost indexation which also impacted Commonwealth funding of government schools.

G. Royalties for Regions

Expenses for Royalties for Regions (RfR) programs (that is, draw downs from the RfR Fund for recurrent purposes) were \$260.9 million lower compared to 2015-16, reflecting the draw down in 2015-16 of a \$50 million contribution to the RfR Regional Reform Fund Special Purpose Account, a lower recurrent spend on RfR funded projects in 2016-17, and higher utilisation of RfR cash balances held by government agencies during the year to 30 June 2017.

Financial Statements and Notes

Income

H. Government Enterprises: Dividends

Lower dividends in 2016-17 (down \$582.2 million) compared to 2015-16, were driven by net movements across a number of agencies. Material reductions between these years include:

- Western Power (down \$299 million), due to dividends for 2015-16 being higher than usual due to the commencement of the interim dividend policy in that year, combined with the deferral of 2016-17 interim dividends to 2017-18 as part of the 2017-18 Budget;
- the Pilbara Ports Authority (down \$87.4 million), due largely to the Government's decision to defer the interim dividend for 2016-17 to 2017-18 as part of the 2017-18 Budget;
- the Water Corporation (down \$83.2 million), mainly reflecting lower developer contributions and lower customer revenue (noted as variations from the 2016-17 Budget forecasts discussed earlier); and
- Synergy (down \$70.3 million), mainly reflecting the impact on the final dividend for 2015-16 (paid in 2016-17) of lower retail franchise sales volumes as a result of milder temperatures and lower wholesale volumes as a result of higher generation from competitors in 2015-16, combined with the Government's 2017-18 Budget decision to defer the interim dividend for 2016-17 to 2017-18.

I. Government Enterprises: Income tax equivalent regime

Lower Income Tax Equivalents revenue in 2016-17 (down \$91.3 million) compared to 2015-16, was mainly driven by:

- the Insurance Commission of Western Australia (down \$54.2 million), mainly due to higher tax payments in 2015-16 as a result of realised gains arising from the divestment of directly held property assets in that year; and
- the Water Corporation (down \$38.2 million), reflecting the lower profit impacts noted above under dividends.

¹ Includes appropriations for amounts authorised under other statutes and a range of other miscellaneous administered appropriations, such as grants and transfers.

² Treasury receives a range of Commonwealth grants (and on passes these funds as requested to agencies and other third parties). Some grants are also received directly by State agencies.

³ Further details relating to these variances can be found in the annual reports of the Department of Mines and Petroleum and the Department of Finance respectively.

Key Performance Indicators

Key Performance Indicators



Certification of Key Performance Indicators

For the year ended 30 June 2017

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 2017.

Michael Barnes
UNDER TREASURER
5 September 2017

Pauline Burton
CHIEF FINANCE OFFICER
5 September 2017

Key Performance Indicators

Performance Assessment

Outcomes

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

1. Sustainable and transparent public sector finances

Service 1: Financial management and reporting

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

2. A strong and competitive State economy

Service 3: Economic and revenue forecasts and policy development

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

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

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

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

Measuring Our Performance

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

Key Effectiveness Indicators

Treasury Business

Government goal: Financial and economic responsibility

Outcome 1: Sustainable and transparent public sector finances

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

Key Performance Indicators

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

Key indicators of effectiveness	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Notes
Status of the State's credit rating ^(a)	Aaa ^(b) AA+ ^(c)	Aa1 ^(b) AA+ ^(c)	Aa2 ^(b) AA+ ^(c)	Aa2 ^(b) AA+ ^(c)	Aa2 ^(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	100%	100%	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 was introduced in 2014-15. Therefore, no comparative information for previous years is available.

Notes:

1. During 2016-17, Western Australia's credit ratings remained unchanged from 2015-16. The prevailing challenges to the State's financial outlook are expected to take some time to resolve but are being actively managed by the State Government (details of the Government's Budget repair initiatives are available in the 2017-18 Budget Paper No.3).
2. Western Australia's whole-of-government financial outcomes for the year ending 30 June 2016 were released on 22 September 2016 in the 2015-16 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 devised under the previous Liberal-National Government was put on hold in mid-2016-17 (pending the outcome of the March 2017 State election), and later suspended by the new Labor Government. As such, no asset sales were completed during the year.

Key Performance Indicators

Outcome 2: A strong and competitive State economy

Accurate forecasting of Western Australia's economic and fiscal outlook is a major factor in order to maintain current credit rating and, in turn, the foundation of a strong and competitive State economy.

Good Government decision making requires accurate revenue and economic forecasting to achieve the best possible economic, fiscal and service delivery outcomes for the State.

Key indicators of effectiveness	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Notes
Accuracy of key general government revenue forecasts:						
- tax revenue ^{(a) (b)}	-3.6%	-5.0%	-7.0%	+/-5.0%	-4.0%	1
- mining revenue ^(c)	3.6%	-24.0%	7.6%	+/-5.0%	36.2%	2
Accuracy of key economic forecasts:						
- employment growth ^(d)	-0.8	-0.1	-1.6	+/-0.5	-0.7	3
- real State Final Demand (SFD) growth ^(e)	-1.3	-2.8	-2.8	+/-2.0	-4.3	4

^(a) The actual for 2016-17 used to calculate the KPI is the 2016-17 estimated actual as at 17 August 2017.

^(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). These 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 include these levies.

^(c) The actual for 2016-17 used to calculate the KPI is the 2016-17 estimated actual as at 17 August 2017. The final figure is likely to change following the receipt of June quarter royalty accruals data. Revisions to the 2015-16 figure reported in the 2015-16 Annual Report (from 6.1% to 7.6%) reflects the difference between the 2015-16 estimated actual in July 2016 and the final audited outcome.

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

^(e) The estimated actual for 2016-17 used to calculate the KPI is based on the annual average growth to March quarter 2017. Any changes to actual figures from previous reporting are due to the revision of the historical series from the ABS.

Key Performance Indicators

Notes:

1. Accuracy of taxation revenue forecasts was within target in 2016-17.
2. Mining revenue was significantly higher than anticipated in 2016-17. This was driven primarily by an economic recovery in China, supported by policy stimulus, which increased prices for construction and industrial commodities, in particular iron ore.
3. Employment growth was significantly lower in 2016-17 in line with weaker than expected domestic conditions marked by sharp declines in full-time employment in 2016-17.
4. The estimated actual for 2016-17 is expected to be 4.3 percentage points lower than 2016-17 Budget forecast due to larger than expected weakness in the domestic economy, including household consumption and business investment.

Government goal: Results-based service delivery

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

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

The Service Provision Analysis Framework (SPAF) and the Strategic Asset Management Framework (SAMF) were established to set a

high standard of preparation and analysis, and to maximise value for money outcomes in service delivery and infrastructure provision. The SPAF aims to improve evaluation and enhance value for money outcomes for service delivery. The SAMF provides a sound basis for decisions on the investment in, and the management and disposal of, assets required for Government service delivery. Compliance with the SPAF and SAMF will help ensure submissions and issues meet Government service delivery needs and demonstrate value for money.

Key indicators of effectiveness	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Notes
Percentage of the Department's material resource allocation recommendations complying with the Service Provision Analysis Framework	95%	100%	100%	100%	100%	1
Percentage of highest value agencies ^(a) complying with the Strategic Asset Management Framework or equivalent accredited mechanism	46%	47%	85%	100%	8%	2

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

Key Performance Indicators

Notes:

1. Consistent with prior years, all resource allocation recommendations of more than \$5 million over the forward estimates period were compliant with the SPAF in 2016-17.
2. The percentage of highest value agencies complying with the SAMF declined between 2015-16 and 2016-17. Although 46% of highest value agencies submitted a Ministerially endorsed Strategic Asset Plan to Treasury in 2016-17, only 8% of these were received within the required deadline to comply with the Strategic Asset Management Framework. In many instances, the delay in receiving Ministerial endorsement was attributable to other government priorities at the time.

Key Performance Indicators

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	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Notes
Percentage of significant ^(a) projects in the New Buildings program delivered within approved:						
- budget	94%	100%	100%	100%	91%	1
- timeframe	94%	64%	50%	100%	36%	2

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

Notes:

1. Ten of the eleven projects that were active during 2016-17 have been, or are expected to be, completed within approved budget. At the end of June 2017, there was a forecast over expenditure of \$29 million (representing around 3.1% of the current approved capital budget), related to contractual claims under the design-build-finance-maintain contract for delivery of the Stadium and its surrounding sports precinct.
2. Four of the eleven projects that were active during 2016-17 have been, or are expected to be, completed within approved timeframes. These projects include the Perth Stadium, Schools Public Private Partnership, QEII Central Plant and Midland Health Campus. The remaining projects have been subject to delays. Of particular note: Perth Children's Hospital has been delayed due to significant construction and commissioning issues, but reached Practical Completion on 13 April 2017; Eastern Goldfields Regional Prison and Busselton Health Campus were similarly delayed during construction and commissioning; and the procurement process for Karratha Health Campus was delayed to ensure that there is a transition to operations after the 2017-18 wet season.

Key Performance Indicators

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	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Notes
Percentage of financial reports released as per agreed timeframes	100%	100%	100%	100%	100%	1

Notes:

- 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 2016-17 and all were released in line with the statutory deadlines: the 2015-16 Annual Report on State Finances; the September 2016, December 2016 and March 2017 Quarterly Financial Results Reports; the 2016-17 Government Mid-year Financial Projections Statement; and the 2016-17 Pre-election Financial Projections Statement. Compliance with statutory reporting requirements is expected to continue throughout 2017-18.

Key Performance Indicators

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

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

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

Key indicators of efficiency	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Notes
Percentage of approved asset sales program completed within agreed budgets ^(a)	n/a	n/a	100%	100%	n/a	1

^(a) This KPI was introduced in 2014-15. Therefore, no comparative information for previous years is available.

Notes:

- The Asset Sales Program devised under the previous Liberal-National Government was put on hold in mid-2016-17 (pending the outcome of the March 2017 State election), and later suspended by the new Labor Government. As such, no asset sales were completed during the year.

Service 3: Economic and revenue forecasts and policy development

Commonwealth-State financial relations, and economic, social and environmental developments.

This service involves analysis and advice on economic and revenue policy issues, including the State's major revenue sources,

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

Key indicators of efficiency	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Notes
Number of Ministerials, briefings or reports provided on economic issues	238	315	597	350	314	1

Notes

- The 2016-17 Actual KPI was slightly lower than expected due to the 2017 State election and preceding Caretaker period.

Key Performance Indicators

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	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Notes
Number of Expenditure Review Committee papers on service delivery and infrastructure advice	75	102	67	100	65	1

Notes:

1. The number of papers on service delivery and infrastructure advice that were submitted to the former Economic and Expenditure Reform Committee and new Expenditure Review Committee was less than the Target in 2016-17. This result was reflective of less issues being considered in the 2016-17 Mid-year Review than previously anticipated.

Key Performance Indicators

Strategic Projects Business

Government goal: State building – major projects

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

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

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

Key indicators of efficiency	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Notes
Cost as a percentage of the total annual value of the planning and delivery of capital works projects	0.5%	0.6%	0.6%	0.7%	0.5%	1

Notes:

- The 2016-17 Actual KPI is less than the 2016-17 Target KPI, as a result of lower than anticipated operational costs associated with managing the capital works program. The reduction in the KPI between 2015-16 Actual and 2016-17 Actual reflects a slight decrease in operational costs, as well as an increase in the total annual value of the capital works program (particularly for the Perth Stadium project).

Key Performance Indicators

Ministerial Directives

No Ministerial directives were received during the 2016-17 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 2016-17, no senior officers held shares in any subsidiary body of the agency as a nominee or held beneficially.

Treasurer's Instruction 903 (15) 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 2016-17, other than normal contracts of employment of service, no senior officers, firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the Department or any subsidiary body, related body or affiliated body of the agency.

Other legal requirements

Advertising

In accordance with section 175ZE of the *Electoral Act 1907*, the Department incurred the following expenditure for advertising, market research, polling, direct mail and media advertising. Total expenditure for 2016-17 was \$10,717.

	\$
Advertising agencies	
Adcorp Australia	10,508
State Law Publisher	209
Market research organisations	-
Polling organisations	-
Direct mail organisations	-
Media advertising organisations	-
Total Expenditure	10,717

Key Performance Indicators

Unauthorised Use of Credit Cards

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

	\$
Personal use expenditure for the reporting period	40
Personal use expenditure settled by the due date (within 5 working days)	40
Personal use expenditure settled after the period (after 5 working days)	-
Personal use expenditure outstanding at balance date	-

Government Policy Requirements

Government Building Contracts

The Department of Treasury has a commitment to the Government Building Training Policy, having included appropriate clauses in tender documentation and monitored compliance of in scope building, construction or maintenance contracts for projects with a duration of greater than 3 months and a value of greater than \$2 million.

At the balance date, no maintenance contracts were awarded during the reporting period that fell within scope.

	Building and Construction Projects 2017	Maintenance Projects 2017
Active contracts within the scope of the policy in the reporting period	2	-
Contracts granted a variation to the target training rate in the reporting period	-	-
Head contractors involved in the contracts	2	-
Construction apprentices/trainees required to meet Target training rate across all contracts	81	-
Construction apprentices/trainees employed by head Contractors; and the subcontractors they are using for the contracts	94	-
Contracts which met or exceeded the target training rate	1	-

Key Performance Indicators

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