



Department of Treasury Annual Report 2017-18



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

[CONTENT ▶](#)

Statement of Compliance

For year ended 30 June 2018

HON. B S WYATT 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 2018.

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
12 September 2018

Vision

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

Mission

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

Values

Innovative Thinking | Committed People | Working Collaboratively

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Message from the Under Treasurer

I would like to thank all Treasury staff for their outstanding contributions over an eventful and demanding year. We have delivered not one but two State Budgets (September 2017 and May 2018), as well as an Annual Report on State Finances (September 2017) and a Mid-year Review (December 2017). We have also helped bed down the Machinery of Government changes (including our own) that took effect from 1 July 2017, and contributed to a large number of other cross-agency initiatives and reform processes (as evidenced by the Treasury Executive's collective participation in 46 external Committees, Steering Groups and Working Groups throughout the year). I am very proud of the way Treasury staff have demonstrated their commitment to our Vision, Mission and Values during 2017-18.

In a challenging economic and fiscal environment, Treasury's work in identifying measures to improve the efficiency and effectiveness of government service delivery and infrastructure provision remains a key priority.

We have played a leading role in identifying and implementing important Budget repair measures including the Voluntary Targeted Separation Scheme, wages policy, and changes to payroll tax arrangements. The Budget repair measures implemented over the past year underpin the historically low general government expense projections reported in the 2018-19 Budget and are crucial to the ongoing sustainability of the State's finances.

Treasury has also supported the Government's public sector reform program through our contributions to the Service Priority Review, the Inquiry into Government Programs and Projects, and the Sustainable Health Review. Going forward, we will continue to work with agencies and other key stakeholders to ensure the outcomes and recommendations of these reforms are successfully implemented.

We also dedicated an enormous amount of effort in preparing advice for the Productivity Commission's inquiry into the GST distribution system. This extensive advice highlighted the policy distortions caused by the current system, particularly in relation to mining revenues, and provided a number of options and transition paths to make the system more equitable, accountable and policy neutral. The Productivity Commission's final report, and the Commonwealth Government's interim response, recognised that the current GST distribution system is flawed. We will work with the Commonwealth and other States in 2018-19 on the implementation of the proposed GST reforms and will also be actively engaged in the Commonwealth Grants Commission's review of its methods for calculating the amount of GST revenue each State receives (due to report in 2020).

In the energy sector we have made progress on implementing regulatory reform in the Pilbara. We have developed a comprehensive work program to improve the operation of the Wholesale Electricity Market, and are now reviewing the commercial, regulatory and technical framework governing Western Power's electricity network in the South West Interconnected System, to ensure that electricity can continue to be supplied securely, reliably, and at lowest possible cost to consumers into the future.

We have also progressed the Government's Microeconomic Reform Agenda and completed three '90 day projects' with the objectives of:

- making it easier to build or renovate a single residential dwelling;
- making it easier to start an eco or nature based tourism business; and
- improving the efficiency of coronial investigations.

The breadth and depth of work we have achieved during 2017-18 has been quite remarkable, although many policy issues and priority projects are still in the early stages of design or implementation. The Significant Issues section of this report and the related case studies highlight some of our key priorities:

- Justice Pipeline Model;
- Review of Revenue Forecasting;
- GST Distribution;
- Expense Management; and
- Our Leadership Program.

Lastly, this year has seen the completion of the 2015-18 Strategic Plan, with its key focus areas being 'actively engaging with our stakeholders' and providing 'solutions focused advice'. Our new Strategic Plan has been developed with the benefit of feedback from our Minister, employees and other key stakeholders, and has also been informed by the Government's public sector reform agenda.

The new 2018-21 Strategic Plan has a greater external focus. We have reviewed our Vision, Mission and Values and realigned them to Treasury's unique role in the public sector. The new strategic goals define how we will provide the outcomes we want to achieve in the coming years.



A handwritten signature in black ink, appearing to read 'A. Barnes'.

Michael Barnes
UNDER TREASURER

Responsible Minister



Hon. Ben S WYATT LLB MSc MLA

Treasurer; Minister for Finance; Energy;
Aboriginal Affairs

About us

The **Department of Treasury** (Treasury) seeks to be highly valued as the pre-eminent economic, financial and energy policy advisor to Government and steward of the State's financial management and regulatory frameworks. The Department consists of the Treasury business, reporting to the Treasurer, and the Public Utilities Office, reporting to the Minister for Energy.

Our work

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

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

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

Through the Public Utilities Office we provide quality advice on energy policy issues, including effective and efficient regulatory frameworks, security and reliability of supply, technology trends, consumer protection, and affordability.

2015-18 Strategic Plan

Our goals

Our 2015-18 Strategic Plan includes the six goals listed below:

- 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 Strategic Plan articulates the strategic direction of the business.

Our achievements against the 2015-18 Strategic Plan during 2017-18 are detailed on the following page.

This was the final year of the 2015-18 Strategic Plan. A [2018-21 Strategic Plan](#) has been developed with four new Treasury goals and revision to our Vision, Mission and Values. The new strategic goals will inform our annual operational planning and provide a new strategic direction. Further details can be found on Page 40.



Strategic Plan - Success

Our achievements against the Strategic Plan 2015-18

GOAL 1

SKILLED, FLEXIBLE AND COMMITTED PEOPLE

- Continued to develop Treasury's and the public sector's technical skills through various programs. These programs included Accounting and Financial skills, Treasury's Leadership program targeting future leaders, Business Case Analysis and working with data.
- Continued to refine and enhance Treasury's online learning and performance management system to provide opportunities for employees to self-develop using an online 24/7 platform.

GOAL 2

A CULTURE OF IDEAS GENERATION

- Conducted environmental scanning exercises as a key component of Treasury's requirement for staff to think strategically and consider the broader environment in which we operate.
- Established the Ideas Connect group to drive a Culture of Ideas Generation and implementation of these ideas. These include use of technology including Skype for Business and Yammer for internal Treasury collaboration.
- Sought feedback from employees using a biannual proactivity survey to understand employees' views on Treasury initiatives and events.

GOAL 3

WORKING TOGETHER AS ONE TREASURY

- Reviewed Budget and Mid-year Review processes to ensure streamlining and robust consideration of Government priorities and requests.
- Continued to ensure Commonwealth-State relations funding and service issues are actively managed through the sharing of key intelligence and data.
- Ensured Treasury's key stakeholder with his dual roles as Treasurer and Minister for Energy was provided with clear advice on energy policy and the potential impacts on the State's finances.
- Shared information and experiences at Coffee Shop Forums including Commonwealth Budget Lockup, Financial Management and Reporting, and communicating our messages to key stakeholders.

GOAL 4

ACTIVELY ENGAGING WITH OUR STAKEHOLDERS

- Regular briefings and high level meetings took place with a range of stakeholders including the Premier's and Treasurer's Offices, other Ministers' Offices and Parliamentary Committees.
- Worked closely with the Department of the Premier and Cabinet and other agencies to develop options and advice for implementing the Government's election commitments and other priorities.
- Invited external parties to provide their perspective at internal Coffee Shop forums. Forums included Women in Leadership and Public Sector Reform program.

GOAL 5

SOLUTIONS FOCUSED ADVICE

- Expanded and utilised data capacity across the sector to assist and improve decision making (e.g. Justice Pipeline Model).
- Continued to provide innovative options for WA's share of national GST revenue. This ultimately resulted in the Federal Government proposing changes to the GST distribution model which should result in improved revenue certainty for WA and other States.
- Improved presentation of advice to Government, including reducing the number and length of papers, and a more visual representation of key data that supports recommendations.

GOAL 6

BEST PRACTICE PROJECT MANAGEMENT

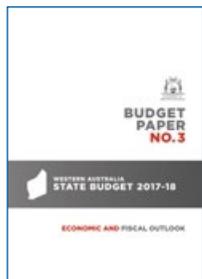
- Promoted best practice across the sector by stronger evaluation and benchmarking.
- Improved oversight and management of complex, high priority projects, such as Pilbara Electricity Reform, Financial Management Act Review and Wholesale Electricity Market Reform Program.

Overview of Our 2017-18 Products and Events

1 July 2017

30 June 2018

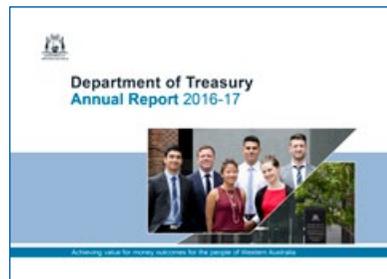
CORE PRODUCTS



September 2017
Western Australian State Budget 2017-18
 release



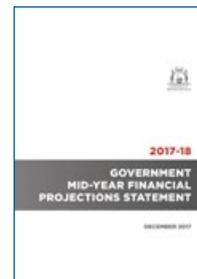
September 2017
The Annual Report on State Finances
 details the major variations arising between the actual results for 2016-17 and the forecasts detailed in the State Budget.



September 2017
Treasury's 2016-17 Annual Report
 details key performance information in achieving Government desired outcomes.



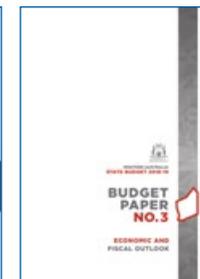
November 2017
Quarterly Financial Results Report
 provides financial results for the Western Australian public sector for the three months to 30 September 2017.



December 2017
The Mid-year Review updates economic assumptions and financial projections detailed in the State Budget.



February 2018
Quarterly Financial Results Report
 provides financial results for the Western Australian public sector for the six months to 31 December 2017.



May 2018
Western Australian State Budget 2018-19
 release.



May 2018
Quarterly Financial Results Report
 provides financial results for the Western Australian public sector for the nine months to 31 March 2018.

EVENTS

August 2017
 Annual Energy in Western Australia Conference
 co-hosted with the Australian Institute of Energy

November 2017
 Chief Finance Officers Forum

April 2018
 Under Treasurer's presentation on the Economic and Fiscal Outlook to stakeholders

May 2018
 Chief Finance Officers Forum

CONTENT

Our Operational Structure

As at 30 June 2018, 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:

- economic conditions;
- economic and revenue forecasts;
- revenue policy;
- Commonwealth-State financial relations; and
- regulatory practice and priority microeconomic reforms.

Infrastructure and Finance covers a diverse range of responsibilities including:

- financial support and oversight of the State's Government Trading Enterprises;
- complex commercial transactions;
- analysis and advice on service delivery for over 100 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:

- Department of Health;
- Department of Education;
- Western Australia Police Force;
- Department of Communities; and
- Transport agencies.

The **Public Utilities Office (PUO)** provides advice to the Minister for Energy on all aspects of energy policy, including;

- efficient regulatory frameworks for promoting and achieving open access to energy infrastructure in the State;
- ensuring secure and reliable supply of energy at lowest cost;
- monitoring developments in renewable energy and technology trends impacting on the cost of supply of energy;
- consumer protection framework for essential energy services and energy related concessions and financial assistance programs; and
- energy affordability for households and businesses.

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

Deputy Under Treasurer Directorate

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

State Finances is responsible for:

- whole-of-government financial management and reporting;
- coordination of whole-of-government statutory reporting publications such as Budget Papers, Quarterly Reports and the Mid-year Review; and
- advice on issues such as debt management, financial targets, and corrective measures.

Infrastructure and Public Sector Reform is responsible for:

- whole-of-government budgeting, reporting, advice and planning in regard to the State's asset investment program; and
- coordination of Treasury's involvement in the Government's Public Sector Reform Program, including reform projects for which Treasury is the lead agency as well as engagement, advice and support on relevant reforms led by other agencies.

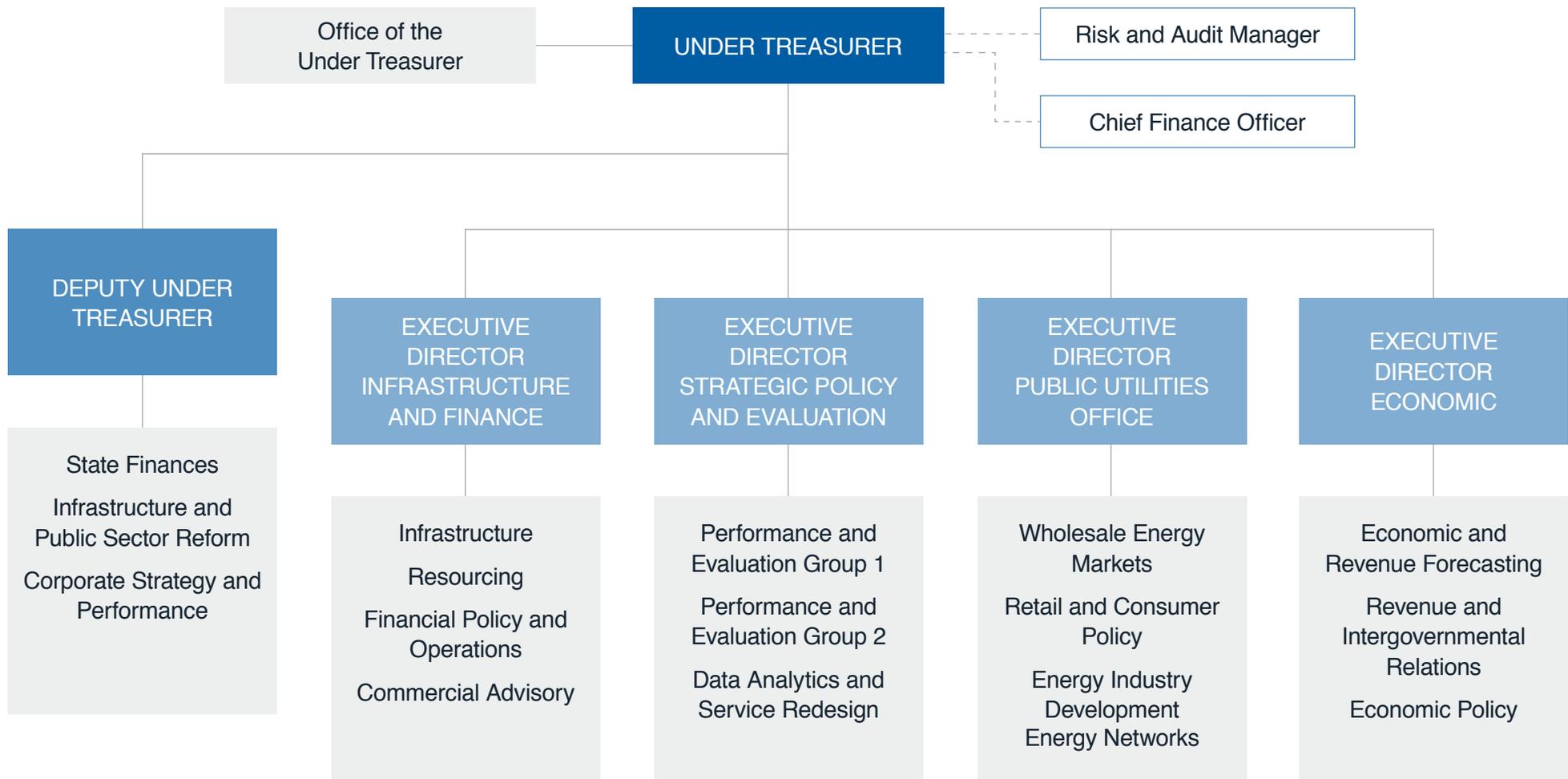
Corporate Strategy and Performance supports the department by building the capability, performance and sustainability of Treasury through the delivery of:

- human resources;
- learning and development;
- finance;
- strategic ICT;
- business communications; and
- internal audit and risk services.

Treasury also 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.

Our Organisational Structure

As at 30 June 2018



Our Executive Team



Michael Barnes
BBus (Hons)
Under Treasurer

Michael is the principal economic and financial adviser to the State Government, with statutory responsibilities around the management and reporting of the State's finances, including formulation of the annual State Budget. As Under Treasurer, he is also responsible for leading the Western Australian Department of Treasury.

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

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

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



Michael Court
BEcons (Hons)
Deputy Under Treasurer

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

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

Michael joined Treasury in 1998, after working in the Department of Foreign Affairs and Trade and the Commonwealth Treasury.

During 2017-18, Michael has led and participated in several cross-agency steering committees and is Deputy Chair of the Western Australian Treasury Corporation Board.

Our Executive Team



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

Kaylene is the Executive Director of Infrastructure and Finance in the Department of Treasury, a position she has held since April 2013. She is responsible for the oversight and governance of Government Trading Enterprises, supporting the State's financial management framework, legislative and accounting standards advice, and supporting efficient and

effective delivery of Treasury Services for the State.

Since joining Treasury in 2002, Kaylene continues to partake in several cross-agency steering committees and boards whilst actively championing Women in the Workforce across the Western Australian public sector.

As well as being a member of CPA Australia, Kaylene sits on the Infrastructure Coordinating Committee and is a Director with Gold Corporation. She has previously held a Director position on the Western Australian Treasury Corporation.



Alistair Jones
BCom, MComms
Executive Director
Strategic Policy and Evaluation

Alistair is the Executive Director of Strategic Policy and Evaluation in the Department of Treasury, a position he has held since June 2012. Alistair and his team are responsible for managing the provision of advice on the efficiency and effectiveness of service delivery in key State Government agencies.

Alistair works closely with other Government agencies through a

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

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

Our Executive Team



Zaeen Khan
BAppEc
Executive Director
Public Utilities Office

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

Zaeen has been with the Public Utilities Office since September 2014. He has extensive experience in providing regulatory and economic advice across energy, water and transport infrastructure sectors in Australia. Zaeen has held senior roles with the Australian Energy Market Commission, the Queensland Competition Authority and the Independent Pricing and Regulatory Tribunal of New South Wales.

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



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, and supporting Government to achieve good regulatory practice and priority microeconomic reforms.

Legislation

Enabling Legislation

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

Treasurer - Administered Legislation

Treasury assists the Treasurer in administering the following Acts:

- *Advance Bank (Merger with St. George Bank) Act 1998*
- *Appropriation (Consolidated Fund) Acts (various)*
- *Auditor General Act 2006*
- *Australia and New Zealand Banking Group Act 1970*
- *Australia and New Zealand Banking Group Limited (NMRB) Act 1991*
- *Australia and New Zealand Banking Group Limited (Town & Country) Act 1995*
- *Bank Mergers Act 1997*
- *Bank Mergers (Taxing) Act 1997*
- *Bank of South Australia (Merger with Advance Bank) Act 1996*
- *Bank of Western Australia Act 1995*
- *Bell Group Companies (Finalisation of Matters and Distribution of Proceeds) Act 2015**
- *Coal Industry Superannuation Act 1989*
- *Electricity Industry Act 2004 (Part 9A only)*
- *Fire and Emergency Services Superannuation Act 1985*
- *Financial Agreement Act 1928*
- *Financial Agreement Act 1995*
- *Financial Management (Transitional Provisions) Act 2006*
- *Financial Management Act 2006*

- *Financial Relations Agreement (Consequential Provisions) Act 1999*
- *Fiona Stanley Hospital Construction Account Act 2007*
- *Government Financial Responsibility Act 2000*
- *Judges' Salaries and Pensions Act 1950*
- *Loan Acts (various)*
- *Motor Vehicle (Catastrophic Injuries) Act 2016*
- *Parliamentary Superannuation Act 1970*
- *Perth Building Society (Merger) Act 1986*
- *Perth Market (Disposal) Act 2015*
- *Pilbara Port Assets (Disposal) Act 2016*
- *Railways (Access) Act 1998*
- *Royalties for Regions Act 2009*

(Pt. 2 only, except s. 9 & 10, which are administered by the Department of Regional Development)

- *State Bank of South Australia (Transfer of Undertaking) Act 1994*
- *State Enterprises (Commonwealth Tax Equivalents) Act 1996*
- *State Entities (Payments) Act 1999*
- *State Superannuation Act 2000*
- *State Trading Concerns Act 1916*
- *Statistics Act 1907*
- *Supply Acts (various)*
- *The Bank of Adelaide (Merger) Act 1980*
- *The Commercial Bank of Australia Limited (Merger) Act 1982*
- *The Commercial Banking Company of Sydney Limited (Merger) Act 1982*
- *Treasurer's Advance Authorization Acts (various)*

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

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

Minister for Energy - Legislation

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

Other key legislation impacting on our activities

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

- *Constitution Act 1889*
- *Constitution Acts Amendment Act 1899*
- *Disability Services Act 1993*
- *Electronic Transactions Act 2003*
- *Equal Opportunity Act 1984*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Limitation Act 2005*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Workers Compensation and Injury Management Act 1981*

Significant Issues and Trends

This section celebrates significant issues during 2017-18, identifies our current and emerging challenges, and future opportunities. It also details our priority projects and outlines what we plan to deliver going forward.

CONTENT





SKILLED, FLEXIBLE AND COMMITTED PEOPLE

2017-18 and 2018-19 Budgets

The **2017-18 Budget** focused on addressing the State's financial challenges and developing measures to return the State's finances to a more sustainable footing. This involved developing a Budget repair package (reducing net debt by \$3.5 billion), reprioritising spending to accommodate \$3.7 billion of election commitments and adopting a new set of financial targets to better guide the Government's decision making. The **2018-19 Budget** continued the focus on responsible financial management by containing annual average growth in general government expenditure to just 1.2% over the forward estimates (case study on page 32), and negotiating additional Commonwealth funding for key infrastructure projects, including METRONET.

GST Distribution

The Productivity Commission provided its **final report** for its inquiry on the GST distribution system on 15 May 2018. The Federal Government released its response to the report on 5 July 2018.

Treasury prepared multiple submissions over the course of the inquiry, outlining concerns with the way the GST distribution system (horizontal fiscal equalisation) is currently implemented and assessing potential reforms, including those proposed in the Productivity Commission's interim report (detailed case study on Page 34).

Treasury was also actively engaged with the Commonwealth Grants Commission in its review of its methods for distributing GST revenue across the States and Territories (due to report in February 2020), and prepared a submission on issues of principles and implementation. Treasury is also working closely with other State agencies to harness specialist knowledge to demonstrate the current inadequate recognition of Western Australia's costs and the need for change.

Economic Conditions and Outlook

Western Australia's economy is estimated to have grown by 2.5% in 2017-18, after contracting by 2.7% in 2016-17 – the first annual contraction on record. Growth is forecast to lift to 3.25% in 2018-19. The return to growth reflects continuing strong contributions from exports, and a declining 'drag' from business investment as major resource projects are completed. There are a number of signs that conditions are improving, including a lift in employment growth, labour force participation, job advertisements as well as consumer and business confidence. However, some uncertainty and risks remain, including the impact of the Banking Royal Commission on the State's property market (and transfer duty revenue), and the evolving nature of trade disputes between the US and China. Treasury will continue to monitor these developments closely.

Financial Management Oversight

Several strategies were implemented to further strengthen Treasury's financial management and oversight framework. A recent divisional restructure has created greater capacity to oversee the management and administration of whole-of-government treasury operations.

This is achieving greater efficiencies and effectiveness in cash flow and liquidity management, investment of the Public Bank Account (PBA) and Consolidated Account debt management. This has included a review of the State's cash management policy and practices, and a return of excess cash holdings from agencies to the Consolidated Account.

In addition, Treasury is committed to continually improving the financial management framework by enhancing flexibility, accountability, efficiency and removing unnecessary prescription. The 2017 Review of the *Financial Management Act 2006* and preparation of the Financial Legislation Amendment Bill reflect these objectives. Treasury is also working closely with agencies to assist with the preparation and implementation of major new accounting standards that will have significant impacts on agencies' financial reporting from 1 January 2019.

Positive outcomes have also been achieved in the management of State Government banking services in 2017-18. Through collaboration with agencies (such as the Department of Transport and the Western Australia Police Force) and the State's banking service provider, financial governance has been strengthened and processes and systems improved during the year.

National Partnership Agreements

Treasury has worked closely with key stakeholders to progress a number of National Partnership (NP) agreements currently under negotiation with the Commonwealth. In late 2017, all States and Territories entered into a high-level interim agreement with the Commonwealth as part of the Quality Schools NP, to allow funding to flow for the 2018 school year while negotiations continue for a full national agreement.

An interim arrangement has also been negotiated for the Skilling Australians Fund NP, providing Commonwealth funding to offset a portion of State training costs in 2017-18. Beyond 2017-18, both NPs present significant financial risks and will require Treasury support to negotiate acceptable outcomes for the State.

Treasury continues to advise the Government and work with other State agencies and jurisdictions on the development and finalisation of revised Commonwealth funding agreements relating to health, housing and homelessness, remote housing and the National Disability Insurance Scheme.

GOAL 2

A CULTURE OF IDEAS GENERATION

Regulatory and Microeconomic Reform

Treasury is leading the development and implementation of a comprehensive microeconomic reform agenda to support productivity growth and improved economic performance. This includes a substantial review of the Western Australian rail access regime, which Treasury is undertaking in close collaboration with industry stakeholders.

Treasury has also investigated and presented regulatory reforms that benefit small business as part of bilateral agreements established by a project agreement under the Intergovernmental Agreement on Federal Financial Relations.

Justice Sector Reform

Treasury has worked closely with the Department of the Premier and Cabinet and relevant justice sector agencies in developing new approaches to justice sector reform. This has involved the development of a Justice Pipeline Model; a simulation model of the criminal justice system that is on track to be finalised and implemented for the 2019-20 Budget.

The model will be used to estimate the downstream impact of policy proposals as well as future demands on the justice system. It will also assist Government with reallocating resources across the criminal justice system to ease pressure points and minimise system costs.

GOAL 4

ACTIVELY ENGAGING WITH OUR STAKEHOLDERS

Public Sector Reform

During 2017-18, Treasury was closely engaged in two independent examinations of the public sector. The [Service Priority Review](#) and the [Special Inquiry into Government Programs and Projects](#) (Langoulant Inquiry) provide a blueprint for cultural and structural reform. When implemented, the recommendations of these reviews will help to create a more efficient, accountable and high-performing public sector that delivers better value for money services to the community.

Treasury is a central leader in the implementation of the Government endorsed initiatives stemming from the collective findings and recommendations from the reviews. The Under Treasurer is a member of the Public Sector Reform Steering Committee, and the Deputy Under Treasurer a member of the Public Sector Reform Working Group.

Through these forums, Treasury will have a strong role in rebuilding capability in financial management across the public sector and in supporting the broader public sector reform program. Treasury has also been assigned lead responsibility for a number of early initiatives in the reform program, including:

- reinforcing Budget processes and institutions;
- reviewing government trading enterprises; and
- driving regulatory stewardship.

Treasury also continues to be actively engaged in the ongoing [Sustainable Health Review](#), which is due to report in November 2018.

Survivors of Institutional Child Sexual Abuse

Treasury has provided detailed modelling and costing analysis to inform and support the Government's decisions on the removal of statutory limitation periods on civil litigation by victims of historical child sexual abuse, and Western Australia's participation in the Commonwealth Redress Scheme.

This advice has been critical in estimating the impact on the State's financial position of these policies. Treasury is continuing to consult with the Department of the Premier and Cabinet and other agencies on the Government's response to the remaining recommendations of the Royal Commission into Institutional Child Sexual Abuse.



SOLUTIONS FOCUSED ADVICE

Review of Revenue Forecasting

Deloitte Access Economics was engaged to undertake a review of Treasury's revenue forecasting between October 2017 and February 2018. The Review concluded that Treasury's forecasting approach and performance, governance and processes are consistent with standards in other jurisdictions. It also noted that revenue forecasting is more challenging than at a national level or in the larger States because of Western Australia's relatively narrow economic base.

The review made a range of recommendations, including options for model improvements, additional liaison with public and private sector analysts and forecasters, including China-based bodies (for iron ore), and enhanced scenario analysis. It also recommended additional resourcing of the economic and revenue forecasting function, which was accommodated in the 2018-19 Budget.

Potential Privatisation of the TAB

In 2017, Treasury worked with a commercial adviser to prepare detailed analysis on a potential privatisation of the TAB. This analysis included details of how a potential privatisation could be structured to be in the best interests of both the State and the racing industry.

In early 2018, Treasury consulted with the Racing and Wagering Western Australia (RWWA) Board and its thoroughbred, harness and greyhound racing industry representative subcommittees on a potential privatisation framework. This consultation was constructive, with the Chairs of the racing industry representative subcommittees expressing written support for the continued consultation on this matter with the wider racing industry. This consultation has progressed, and the Government is soon expected to make a decision on whether it will proceed with a sale of the TAB.

Point of Consumption Wagering Tax

During 2017-18, Treasury consulted with racing and wagering industry representatives on the proposed point of consumption wagering tax.

In late 2017, Treasury provided a discussion paper and met with RWWA's thoroughbred, harness and greyhound racing industry representative subcommittees to discuss the proposed tax and potential impacts on the racing industry. Written submissions were received from each of the sub-committees.

In early 2018, a multi-agency working group comprised of Treasury, the Department of Local Government, Sport and Cultural Industries and the Department of Finance (State Revenue) held discussions with a number of wagering operators around the introduction of the tax.

Feedback received through the consultation process has helped shape the form of the proposed tax and associated arrangements. Subject to passage of the proposed legislation, the point of consumption wagering tax is expected to commence from 1 January 2019.

METRONET

Treasury continues to work with the METRONET Office to deliver value for money outcomes. As a member of the METRONET Taskforce and a number of project steering committees, Treasury is assisting in project planning and is responsible for the assessment of business cases.

Over the next 12 months, work will focus on the delivery stages of a range of projects including railcar procurement, the Yanchep Rail Extension and Thornlie Cockburn Link. Collaboration with the METRONET Office for business cases will continue for other major elements (e.g. the Morley-Ellenbrook Line) alongside advisory services for Commonwealth funding negotiations.

Pilbara Electricity Reforms

The Government has requested the PUO in Treasury continue to progress work towards implementing a light handed access framework and establishment of an Independent System Operator for the Pilbara electricity systems. The focus of this reform initiative is to implement a regulatory regime that is a lower cost, more efficient avenue to facilitate third party access to electricity networks than the default arrangements currently in place under the Electricity Networks Access Code 2004. The decision to progress these reforms was informed by the Design Report recommendations provided to the Government by the PUO in early 2018 following extensive industry consultation.

The PUO will continue to undertake detailed policy design work, including developing implementing legislation, and facilitating the transition of Pilbara electricity participants to the new regulatory environment. The new regulatory arrangements are expected to be in place from early 2020.

Electricity Tariffs

As part of the 2017-18 Budget, Treasury developed options and advice on electricity tariff reform options. This included modelling and scenario analysis to determine the balance of costs between fixed and supply based charges, and customer impacts.

As a result of Treasury's advice, the Government implemented reforms to ensure Synergy's residential electricity tariffs better reflect the fixed daily amounts charged by Western Power.



BEST PRACTICE PROJECT MANAGEMENT

Wholesale Electricity Market Reform Program

An extensive work program to reform Wholesale Electricity Market arrangements in the South West Interconnected System is underway, with a revised regulatory framework to be in place by mid to late 2020.

The reforms will support intended changes to network access regulation for the Western Power network, provide system security and reliability arrangements that manage real time fluctuations in electricity supply and demand, deliver advice on fit for purpose capacity pricing arrangements, and make regulatory improvements to mitigate the potential use of market power to distort market outcomes.

Improving access to Western Power's Network

The PUO is improving the arrangements for how new generation plant connects to the Western Power network in the South West Interconnected System.

The improvements to the network access arrangements are to take effect from 2022. This allows two years for consultation on policy design and required changes to regulatory and market arrangements, and then another two years for the Australian Energy Market Operator and industry to design, build, test, and implement new systems and processes.

The PUO will provide its recommendations to Government on improving access to Western Power's network shortly.

Future Generation Mix in the South West Interconnected System

The PUO has commissioned modelling to examine how the mix of electricity generation facilities in the South West Interconnected System is likely to change over the next 20 years.

The modelling will assist the Government to make the policy and regulatory reforms necessary to manage these changes and ensure the secure, reliable, and affordable supply of electricity. It will also allow for the impacts of possible policy measures, such as proposed national greenhouse gas abatement measures, to be assessed.

Stand-alone Power Systems

Stand-alone power systems can provide a safer, more reliable and cost effective electricity supply for some customers at the fringes of the State's electricity grids.

Horizon Power and Western Power are undertaking trials of stand-alone power systems, however regulatory changes are required to enable these systems to be rolled out more broadly. The PUO is currently investigating the regulatory changes required to enable the benefits of stand-alone power systems to be realised, while also ensuring customers retain appropriate protections.

Our Performance

This section outlines our key achievements and performance for 2017-18 and provides an overview of the external environment



CONTENT

Case Study: Review of Revenue Forecasting

**GOAL 1****SKILLED, FLEXIBLE AND COMMITTED PEOPLE**

Situation

In October 2017, Treasury commissioned a Review of Revenue Forecasting (the 'Review') for a variety of reasons. Regular reviews of forecasting are good practice as the drivers of revenue are dynamic, information available for forecasting changes, and new forecasting methods and tools are adopted. Since the previous review in 2005-06, there have been significant changes in the structure of the Western Australian economy which have increased the reliance on mining and related industries. This resulted in a substantial increase in the State's dependence on volatile royalty income, and increased the volatility of some State taxes, most notably payroll tax. Over the same period, the way prices are set in the iron ore market has evolved, from annual prices negotiated between producers and consumers to spot prices and spot-linked benchmark prices. Reflecting this, Treasury had to amend its iron ore price forecasting methods on a number of occasions.

Approach

Following a targeted procurement process, Treasury appointed Deloitte Access Economics to undertake the Review. The Review was conducted between October 2017 and February 2018, and included consultations with Treasury staff on forecasting governance, capabilities, processes, and methods as well as the Commonwealth Treasury, the Department of Industry and a number of other State Treasuries. The Review specifically focused on the forecasting performance and approach as they relate to iron ore royalties, payroll tax, transfer duty and land tax, which together accounted for almost 40% of total general government operating revenue in 2016-17.

Outcome

The Review found that forecasting revenue in Western Australia is more challenging than at the national level or in larger States because of its relatively narrow economic base, and because the volatility of the economic base has increased over time, largely due to growth in the State's resource sector. Notwithstanding this, the Review found that Treasury's forecasting approach and performance, governance and processes are consistent with standards in other jurisdictions. Regarding iron ore price forecasting, the Review noted that all forecasters had found forecasting iron ore prices challenging, and that "WA Treasury's performance in forecasting the iron ore price has been respectable relative to the performance of other forecasters". The Review also found that after adjusting for State specific volatility, Western Australia's forecasts generally performed well when compared with other State forecasters.

The Review suggested a number of specific improvements that could be made in relation to forecasts of individual revenue streams. It also recommended that Treasury expand its liaison with the public and private sectors, including with China-based bodies and institutions, that it undertake enhanced scenario analysis to examine risks to the forecasts in more detail, and that it undertake more regular reviews of revenue forecasting.

In February 2018, Treasury released a high level response to the recommendations of the Review which agreed to the vast majority of recommendations. The Government has also provided additional resourcing as part of the 2018-19 Budget for the Economic and Revenue Forecasting function. Treasury has commenced work to implement the recommendations of the Review.



Case Study: Justice Pipeline Model

GOAL 2

A CULTURE OF IDEAS GENERATION

Situation

Significant demand and resourcing pressures have emerged in Western Australia's criminal justice system in recent years, including strong growth in police charges and the number of criminal cases lodged in the courts, as well as a corresponding increase in the State's adult prison population.

It is important that future resourcing decisions are coordinated and produce optimal outcomes for the criminal justice sector as a whole, whilst also ensuring that community safety remains the paramount consideration.

To inform and improve decision making, Treasury proposed the development of a simulation model of the criminal justice system – the Justice Pipeline Model (JPM) – to estimate the impact of future policy initiatives and resource allocation decisions.

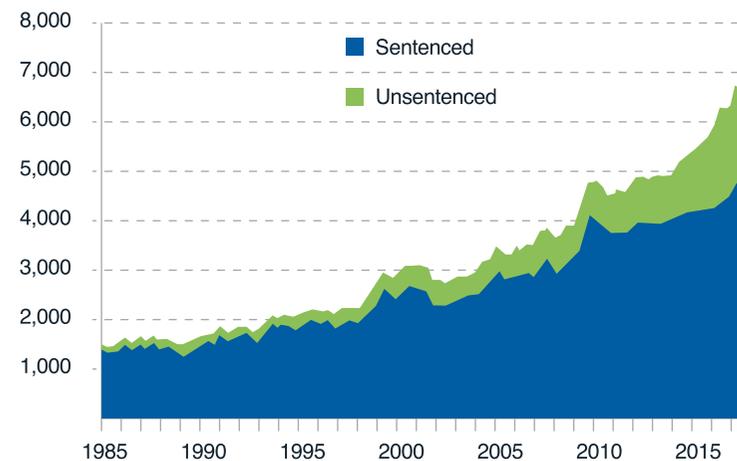
Approach

Treasury is building the model in partnership with experts in the Department of Justice, the Western Australia Police Force, the Office of the Director of Public Prosecutions and Legal Aid Western Australia.

The JPM will simulate the flow of activities and costs throughout the criminal justice system, including those relating to police charges, court hearings, and custodial and non-custodial sentences.

In taking the lead on the model's design and development, Treasury is drawing on its data analytics and modelling capability, as well as its recent experience in building statistical models of the State's corrections system.

Total Prison Population



Governance

The Government commissioned the JPM in the 2017-18 Budget and approved funding of \$850,000 to support its development.

The project is being managed by Treasury and is overseen by a Steering Committee with representatives from each of the participating agencies. Treasury has also briefed heads of each court jurisdiction on development of the model.

The target completion date for the project is the end of 2018.

Source data

The model will draw on integrated unit record data from the police, courts and corrective services systems. Treasury is assisting with the linkage of these datasets, using existing agency identifiers and other data linkage technologies. The resulting database will support future research and analysis into the criminal justice sector.

Application

By adjusting the model's input parameters, the JPM will simulate the downstream impact of policy and parameter changes on total activities and system costs. Examples might include the effect of changes in plea behaviour on the court system, the impact of changes in sentencing outcomes on the prison population, or the effect of resourcing decisions on system delay and the average time to trial.

Outcome

The JPM will be used to inform the development of policy initiatives aimed at improving outcomes in the criminal justice system.

This project is a positive example of Treasury working closely with other government agencies and providing evidence-based advice to the Government to support decision making.



Case study: Treasury Leadership Program

GOAL 3

WORKING TOGETHER AS ONE TREASURY

Situation

Treasury launched its internal Leadership Program in 2017. The program, now in its second year, is designed to build Treasury's internal talent pipeline and develop our future leaders. The program is run in conjunction with the University of Western Australia and is an experiential and immersive program, which utilises 360 degree feedback to coach and develop program participants.

Approach

The Treasury Leadership Program will run over a four month period commencing in June 2018 and this year sixteen individuals will participate in the program. The program is continually reviewed and enhanced each year to ensure that it is targeting the skills and behaviours, in an interactive way, to build proactive leaders. Some of the program improvements for this year include the opportunity to participate in a design thinking simulation so that participants can build skills to help implement innovative solutions in the workplace. Further, the group action learning project will be utilised to investigate and present on current issues facing Treasury and will culminate in a group presentation to the Treasury Executive. This project encourages innovative thinking, project management, stakeholder engagement and helps build participants' communications skills.

Outcome

The program aims to develop a pipeline of future leaders who have the skills to lead with proactivity and agility. The program aims to achieve Treasury's leadership strategy of:

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

By investing in our talent and developing our leaders of tomorrow we are helping to both manage our succession risks and retain our talent.



Case Study: Expense Management


 GOAL 5

SOLUTIONS FOCUSED ADVICE

Situation

General government expenses more than doubled over the decade to 2013-14. Continuing high levels of expense growth and a downturn in the State's major revenue sources in 2014-15 and 2015-16 placed considerable pressure on the State's finances.

This has been a catalyst for tighter management of expense growth, with Treasury driving a greater focus on more stringent expenditure management which has led to the implementation of a range of savings measures.

Approach

Treasury has devoted considerable resources to undertaking policy and financial analysis in developing and implementing measures to arrest high rates of expense growth. This has been done through collaboration across the Department, and through engagement with other government agencies.

This work resulted in the implementation of the Government's \$3.5 billion Budget repair package in the 2017-18 Budget. Key measures within this package that are helping to contain expense growth include:

- tightening of the public sector wages policy, with the current policy allowing for increases in wages of up to \$1,000 per annum;
- introduction of a Voluntary Targeted Separation Scheme for 3,000 FTEs, which is the largest such scheme ever implemented in the Western Australian public sector; and
- tighter control of non salaries expenditure through the removal of indexation on these kinds of recurrent expenses.

With the exception of the planned increase in the gold royalty that was part of this package (disallowed by the Legislative Council in late 2017), the 2017-18 Budget measures have largely been implemented.

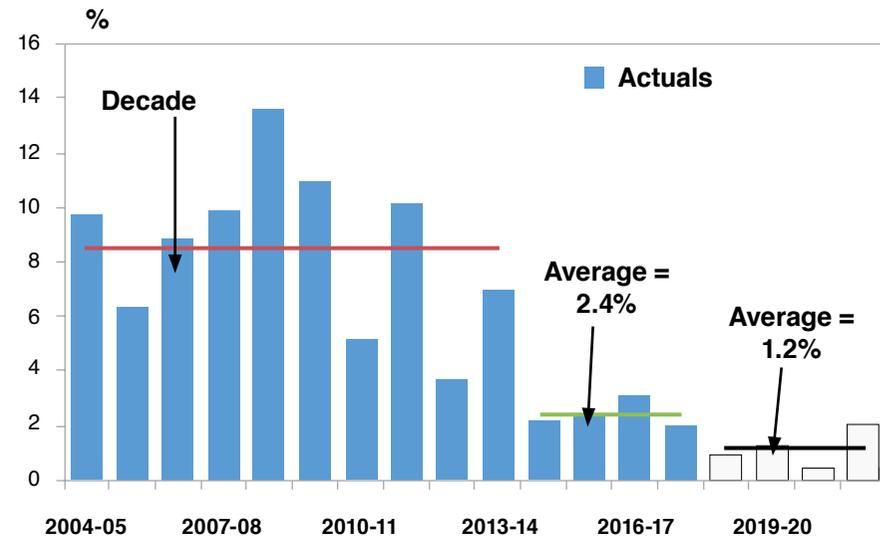
In addition, as part of the 2017-18 Budget, Treasury provided analysis and recommendations for the implementation of a new set of financial targets that are more suitable in guiding the Government's decision making in the State's current financial situation. This included more stringent expenditure management targets, which focus on ensuring wage increases for public sector employees are consistent with the current wages policy and that recurrent spending outcomes for key service delivery agencies are in line with budgeted expense limits in Resource Agreements. The new targets also commit the Government to returning to a general government operating surplus and reducing the share of general government debt relative to total public sector net debt.

Treasury has also worked throughout the year to ensure that where possible, new initiatives are funded through reprioritisation of existing expenditure, or targeted increases in user charges where appropriate. This has been reflected in the trend to lower spending growth evident in the two Budgets delivered through 2017-18.

Outcome

As a result, average expenditure growth has reduced to 2.4% over the past four years, with budgeted growth of just 1.2% per annum from 2018-19 to 2021-22 (Chart 1). These rates of growth are well below historical averages, and in conjunction with a gradual recovery in the State’s major revenue sources, underpin an expected return to general government operating surpluses from 2020-21. These outcomes are critical to the longer term task of reducing the State’s net debt levels.

Chart 1 General Government Expenditure Growth



Case study: Productivity Commission's Inquiry into Horizontal Fiscal Equalisation

GOAL 5

SOLUTIONS FOCUSED ADVICE

Situation

GST grants are distributed between the States and Territories based on a 'horizontal fiscal equalisation' (HFE) principle that aims to ensure each State has the same financial capacity to provide an average level of services and infrastructure.

Unfortunately, the current process fails to meet its equity aims and reduces incentives for governments to undertake microeconomic reform or develop industries. It results in an excessive redistribution of some mining royalties (see chart 2 below). If a State expands its revenue base without a commensurate increase in population, it will lose all but its population share of this revenue growth through an effective 'HFE tax'. The redistribution of revenue capacity without recognition of State costs in developing that capacity can result in highly inequitable outcomes (see chart 3 on the next page). The current HFE process is also highly complex and non-transparent and the use of old data creates budget management problems.

In May 2017, following appeals by the Western Australian Government, the Commonwealth Treasurer requested that the Productivity Commission (PC) undertake an inquiry considering the impact of the current system of HFE on productivity, economic growth and budget management, as well as whether there are preferable alternatives.

Chart 2 Revenue Retained Net of HFE Impacts

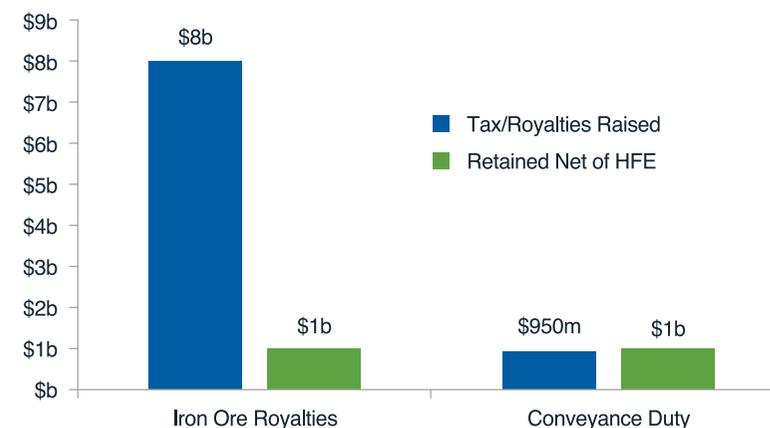
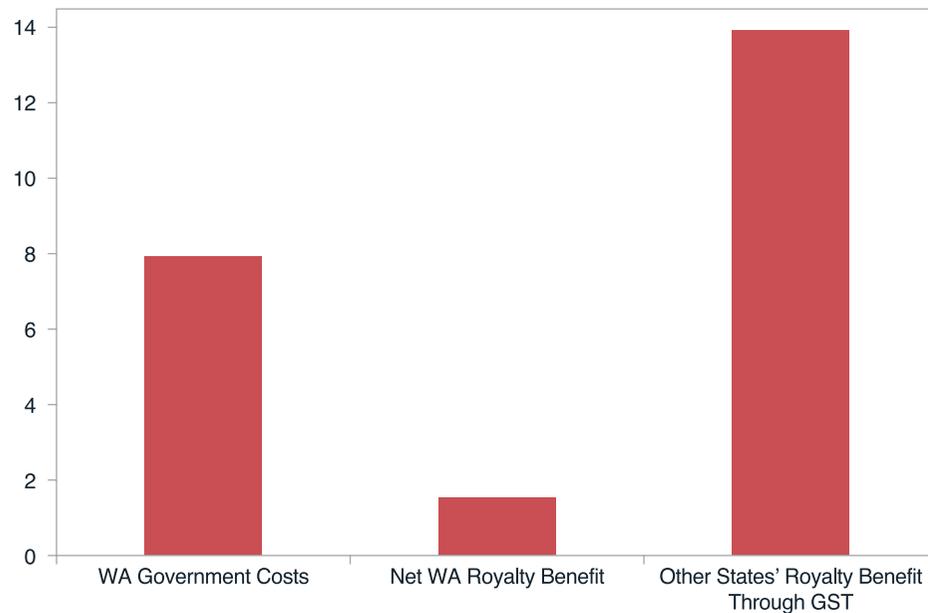


Chart 3 North West Shelf Cost and Royalties to 2015-16

(2010-11 Net Present Value Terms) (\$ billion)



Approach

Treasury’s Intergovernmental Relations team was responsible for drafting the Western Australian Government’s submissions to the PC inquiry. This work was completed alongside the team’s existing responsibilities, including GST forecast updates and its engagement (including separate submissions and meetings) in the Commonwealth Grants Commission’s (CGC’s) review of its methods for calculating how much GST each State and Territory needs (reporting in February 2020).

By the end of June 2017, Treasury had prepared a comprehensive submission to the PC, with original analysis, on the problems with the current HFE system.

During 2017-18, the Intergovernmental Relations team continued to engage with the State Government and PC on this inquiry. Following the release of the PC’s draft report in early October 2017, Treasury prepared a second submission that was lodged in early November 2017. The submission supported the proposal for ‘reasonable’ HFE (e.g. bringing States up to the average of States’ fiscal capacity, or to the fiscal capacity of the second strongest State) rather than the current ‘full’ HFE (i.e. bringing States up to the fiscal capacity of the strongest State). The submission also provided options for reforming the mining revenue assessments to make them more policy neutral, and provided examples of transition paths from the current GST distribution arrangements to reformed arrangements.

Treasury also appeared alongside the Treasurer at a public hearing held by the PC in early November 2017 as part of its inquiry.

The team then prepared a third submission in December 2017 on issues raised during the public hearings in Perth and engaged with the PC on its data requirements for the final report.

Outcome

The Productivity Commission delivered a final report to the Commonwealth Government on 15 May 2018, which was publicly released on 5 July 2018.

The final report argues that the HFE objective should be changed to aim for reasonable rather than full equalisation of States' fiscal capacities. Specifically, it suggests that HFE should bring States up to the average of States' fiscal capacities (rather than the current approach of bringing States up to the fiscal capacity of the strongest State).

The final report also finds that the current HFE process has the scope to discourage major State tax reforms and desirable mining and energy policies. It finds that the current HFE system does not systematically allow States to retain dividends from their policy efforts and is very poorly understood. It therefore recommends the CGC be directed without delay to pursue simpler and more policy neutral assessments.

In its interim response, the Commonwealth Government accepted all of the recommendations in the PC report except that, instead of bringing States up to the average fiscal capacity, it proposes to bring States up to the capacity of the strongest of either New South Wales or Victoria. This is similar to one of the 'reasonable equalisation' options considered by the PC. The Commonwealth intends to phase in the new approach to HFE over the six years from 2021-22.

The Commonwealth Government also announced its intention that no State's GST grant would fall below 70% of its population share, rising to 75% in 2024-25. The Commonwealth will fund the cost of the 70% floor up to 2021-22. The Commonwealth will also provide top-ups to the GST pool from 2021-22 with the aim of ensuring no State is worse off under the reforms.

The Commonwealth's interim response forecast that Western Australia would be \$4.7 billion better off over the period 2019-20 to 2026-27 (but the actual benefit will depend on future GST relativities, which are increasingly difficult to forecast in later years).

The Commonwealth's proposal is a pragmatic response that will significantly reduce the 'HFE tax' placed on Western Australia when it seeks to grow its economy or undertake reform. It will also help insure Western Australia against a future plunge in its GST share.

Treasury (and the State Government more generally) is continuing to actively engage with the Commonwealth and other States, with the aim of securing agreement to the proposed new GST distribution system by the end of 2018.

Actual Results versus Budget Targets

Treasury Financial Targets

Financial Targets	2017-18 Target ⁽¹⁾	2017-18 Actual	Variation ⁽²⁾
	(\$000)	(\$000)	(\$000)
Total cost of services (expense limit) (sourced from Statement of Comprehensive Income)	74,435	59,219	(15,216)
Net cost of services (sourced from Statement of Comprehensive Income)	73,941	58,952	(14,989)
Total equity (sourced from Statement of Financial Position)	25,437	16,986	(8,451)
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(8,787)	(8,938)	(151)
Approved salary expense limit	37,327	32,328	(4,999)
Number of approved full-time equivalent (FTE) staff level	294	257	(37)

⁽¹⁾ As specified in the 2017-18 Budget Statements.

⁽²⁾ Further explanations are contained in Notes 2.2, 2.3, 3.1, 7.1 and 9.10.

Total cost of services

Treasury commenced 2017-18 with an initial expense limit of \$74.4 million. During the year this reduced to a final approved expense limit of \$63.9 million. This movement was predominantly due to a realignment of expenditure from 2017-18 across the forward estimate years, in line with anticipated resourcing requirements and key deliverables for energy policy and reform programs, the Activity Based Costing Model project and the Target 120 project.

The actual 2017-18 expense limit result of \$59.2 million was below the final approved target of \$63.9 million, mainly reflecting delays in existing energy policy and reform programs.

Net cost of services

The actual 2017-18 net cost of services of \$59 million was \$15 million less than the target. This variance was mostly due to the repositioning of expenditure from 2017-18 to the forward estimate years, to reflect the timing of energy policy and reform programs.

Cash held

Working Cash Targets	2017-18 Agreed Limit	2017-18 Target / Actual	Variation
	(\$000)	(\$000)	(\$000)
Agreed Working Cash Limit (at Budget)	3,276	3,276	N/A
Agreed Working Cash Limit (at Actuals)	2,735	14,985	12,250

Cash held at the end of the year was \$12.2 million above the agreed working cash limit of \$2.7 million. This result was mainly driven by a delay in paying a \$3.1 million State Underground Power Program grant to Western Power, as well as the timing of payments associated with energy policy and reform programs.

Approved salary expense level

The actual salary expense level was \$5 million less than the approved salary expense level, as during the year resources were repositioned from 2017-18 to the forward estimate years to reflect the timing of energy policy and reform programs.

Full time equivalents

Actual FTEs of 257 were lower than the original estimates as a result of a Voluntary Targeted Separation Scheme undertaken during the year, as well as delays in existing energy policy and reform programs.

Our People

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

Treasury Staff Profile ⁽¹⁾	June 2018	June 2017	June 2016
Permanent full-time	192	171	197
Contract full-time	39	56	68
Part-time permanent and contract	41	45	28
Total	272	272	293
Seconded in	8	9	13
Seconded out	10	16	15

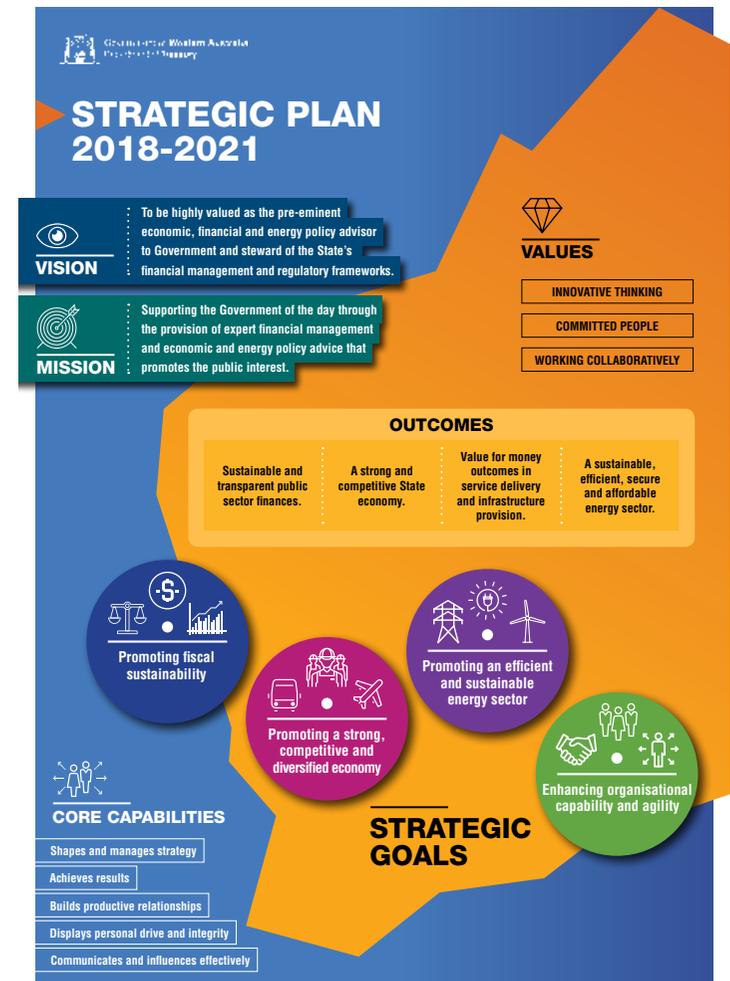
⁽¹⁾ Staff profile is calculated by Headcount.

Strategic Plan Overview

The 2015-18 Strategic Plan documented Treasury's core organisational and strategic goals and work deliverables. To provide staff with insights into how their work contributes to the strategic priorities of the Department the Under Treasurer provides a weekly email to all Treasury staff detailing how our ongoing activities are meeting our Strategic Goals.

Our success against the Strategic Plan is tracked at a business unit level. The Executive, along with 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 8. Importantly, all employees articulate within their Development and Performance Agreement how their work deliverables map to Treasury's Strategic Goals.

This is the last year measuring against the 2015-18 Strategic Plan, with Treasury currently implementing the 2018-21 Strategic Plan. The new plan articulates Treasury's priorities, desired outcomes and how we plan to achieve them.



Strategic Pulse Check and Proactivity Surveys

To inform the strategic planning process and assist with continuous internal business improvements, the Strategic Pulse Check and Proactivity surveys were conducted to collate employee feedback on our performance against our 2015-18 Strategic Goals and gather indicators of Treasury's current work environment.

Pulse Check: The survey was conducted in April 2018 to collate perceptions of Strategic Goal attainment. The main findings included:

- 'Skilled Flexible and Committed People' – highlighted as an area of strength, specifically around employees' strong work ethic and ownership of their work;
- 'Actively Engages with our Stakeholders' – that employees were actively working across the sector to build strong relationships with stakeholders; and
- 'A Culture of Ideas Generation' – although a lot has been progressed in the last twelve months, further improvement can be made, especially around challenging the status quo and providing constructive feedback on ideas raised by employees.

Proactivity Survey: The survey was released in December 2017, to assess Treasury's proactivity progress since the 2016 survey and to evaluate our strategic goal of 'A Culture of Ideas Generation.' The main findings included:

- individuals involved in proactivity initiatives implemented across Treasury during the year demonstrated statistically significant increases in their reported levels of proactivity; and
- Treasury can continue to improve proactivity through decentralised decision making, leading for proactivity and enriched job design.

GOAL 3

WORKING TOGETHER AS ONE TREASURY

Sharing Knowledge Through Forums

The Learning and Organisational Development team regularly facilitate Coffee Shop Forums aimed at enhancing Treasury employees' knowledge by engaging both internal and external speakers to present on a range of relevant topics.

Topics in 2017-18 were selected to align with the six Strategic Goals of Treasury's 2015-18 Strategic Plan, as well as to address departmental development needs, communicate important changes that occurred through the sector and improve knowledge sharing and transfer across employees.

Several external and internal speakers were invited to present on an array of topics throughout 2017-18, including:

- Women in the Workforce events, which discussed issues including career advancement and career progression. These interagency events were run in conjunction with the Departments of Planning, Lands and Heritage and Transport, and speakers included Gail McGowan, Matthew Darcy, Kaylene Gulich, Michael Eaton and Darlene Gould;
- the internal Treasury Forum provided an update to all staff regarding the State Budget and Treasury's priorities;
- David Orsmond presented on the Reserve Bank of Australia's Financial Stability Review; and
- Lark Doley, Toastmasters International President Elect, along with other Toastmaster members from across Perth, presented on the importance of presentation skills in furthering your career.

Disability Access and Inclusion Plan

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

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

Safety, Health and Wellbeing

We continued our commitment to Occupational Safety and Health (OSH) in the workplace over the past year through ensuring duty-of-care obligations were practiced, and employees were supported in managing their ongoing health and wellbeing. This has been achieved through the implementation of various initiatives including:

- conducting a Resilience workshop where staff were provided with information and strategies to focus on building resilience, adopting life care and self-balance;
- advertising, appointment and training of new First Aid Officers across Treasury;
- offering free Skin Cancer checks to staff with a qualified health practitioner;
- offering free personalised Wellness Assessments (consultation) to staff with a qualified health consultant to assess physical and mental health;
- offering free Flu vaccinations in 2018 to all staff;
- encouraging the participation of employees in internal and external wellness initiatives through regular advertising on our internal Intranet; and
- publishing of regular articles on OSH issues on our Intranet.

We also have actively promoted the use of our Workplace Support Officers to assist in providing internal support to employees. Additional support is also available for employees through our Employee Assistance Program (EAP). Converge International was awarded a new contract in December 2017, following a tender process, and provide free, confidential and professional counselling services to employees on a range of personal and employment related issues.

Any OSH issues in Treasury are reported to the OSH Committee who meet quarterly to ensure continuous improvement in health and safety across the workplace.

Injury Management

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

During 2017-18 there were no Worker's Compensation claims lodged and there are no employees on return to work plans.

Injury Management

Indicator	Actual Results 2017-18	Actual Results 2016-17	Actual Results 2015-16	Target
Number of Fatalities	Nil	Nil	Nil	Nil
Lost time injury/disease incidence rate	Nil	Nil	Nil	Nil or 10% improvement on the previous three years
Lost time injury severity rate	Nil	Nil	Nil	Nil or 10% improvement on the previous three years
Percentage of injured workers returned to work within 13 weeks	n/a	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	Greater than or equal to 80%
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	38%	40%	64%	80% over three years*

* Specific mental health training has been prioritised over general OSH training in recent years.

GOAL 2

A CULTURE OF IDEAS GENERATION

Ideas Connect

Ideas Connect was launched in 2017, to align with our strategic goal of developing a 'Culture of Ideas Generation'. The Ideas Connect group launched the Ideas Portal, where staff can communicate their ideas to create efficiencies across Treasury electronically to the broader business. Ideas received ranged from small process changes to save time to whole of government improvements. All ideas are assessed by the Ideas Connect group, and ideas selected to be progressed are implemented with the Idea Owner.

Since the inception of Ideas Connect, staff across Treasury have submitted a total of 39 Ideas. Out of those ideas 12 have already been implemented across the business. Some of the ideas implemented include:

- the addition of Treasury comments in the Cabinet decision folders to provide an analyst with detailed background;
- providing Skype for Business to all employees across Treasury to increase collaboration across areas;
- developing a resource library; and
- circulating the ERC agenda when sending out ERC debrief meeting calendar invites to assist in providing more context for employees.

Ideas Connect is continuing to work with employees to ensure all ideas are heard, responded to and appropriately supported.

Diversity Working Group

Diversity was discussed as a key issue in the Executive Planning Day during September 2017, and it was agreed that the Diversity Committee be reinstated to assist in the promotion, development and support of a diverse culture at Treasury.

Nominations were accepted from employees (from all levels and divisions) who wanted to make a difference across Treasury. Eight successful employees were nominated into the Diversity Committee, and will work towards addressing the following key areas for Treasury:

- identify diversity related barriers in recruitment, retention and career progression;
- advise and advocate on substantive equality in the work environment;
- implement actions to overcome barriers to diversity;
- provide input into, and actively promote, Treasury policy documents and programs, which relate to diversity;
- recommend strategies for consistent application of workforce policies regardless of level, work area, gender, family status, cultural background, age or any other category of diversity; and
- reviewing diversity initiatives in the Treasury Workforce and Diversity Plan, the Treasury Disability Access and Inclusion Plan and all other relevant policies and plans.

GOAL 1

SKILLED, FLEXIBLE AND COMMITTED PEOPLE

Technical Training Working Groups

To address some of the technical skill gaps identified across Treasury, the Executive agreed to the creation of working groups to develop in-house technical training. The four technical skills being addressed include:

- working with data, which covers utilising statistics effectively to inform advice and cost and demand modelling;
- business case analysis, which covers developing skills in business case principles, understanding the roles of an analyst in a business case analysis, as well as evaluation and collaboration with agencies and across the business;
- presenting information with impact, which covers upskilling employees in simplifying complex messages, strategies to effectively communicate, as well as understanding the target audience; and
- accounting and financial skills, which covers improving skills to analyse, interpret and communicate financial data.

All groups have made substantial progress, including establishing a skills matrix framework, which involves understanding what gaps need to be addressed and at what level it needs to be targeted at across Treasury. Some of the working groups listed above have already rolled out pilot training, and explored alternative options such as online training, mentoring and knowledge sharing forums.



Leave Liability

As a result of Machinery of Government changes across the public sector, Treasury's leave liability cap was restated at the 2017-18 Mid-year Review to \$10.7 million.

As at 30 June 2018 our total annual and long service leave hours amounted to 147,264. This is a decrease of 2,418 hours during the financial year. These hours have been valued at \$9.7 million, \$1 million under our leave cap.

Treasury met our leave liability cap for the 2017-18 financial year utilising the following measures:

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

Governance

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



CONTENT



BEST PRACTICE PROJECT MANAGEMENT

Project Management

Treasury is committed to providing our key stakeholder, the Treasurer and Minister for Energy, with informative evidence of our progress against the key deliverables of our business. In this regard, each identified deliverable was established as a project using key parameters of budget, time and scope and using a project management framework.

Our 22 identified deliverables created 30 projects across Treasury during 2017-18. A project management position was created to consolidate, coordinate, monitor and report on each of these 30 projects to Executive and the Treasurer's Office. This includes providing a traffic light report identifying the status of a project, progress towards milestones, and advising on issues/actions upcoming for Government.

You can learn more about some of our current projects in the [significant issues and trends](#) section of the Annual Report including:

- METRONET;
- Wholesale Electricity Reform;
- South West Interconnected System Generation Mix;
- Justice Pipeline Reform;
- Review of Revenue Forecasting;
- Microeconomic Reform;

- Improving Access to Western Power's Network;
- GST Distribution;
- Public Sector Reform; and
- Financial Management Framework Oversight.

Business Continuity Management

Treasury has been working to strengthen its Business Continuity arrangements during this financial year. It has reviewed and revised the Business Continuity Plan and the Crisis Management Plan (both approved in May 2017). A Business Continuity training schedule has been developed and will be implemented in the 2018-19 year.

Internal Audit

Treasury's Internal Audit completed a number of audits as part of the 2017-18 Internal Audit Program. Highlights were the review of governance arrangements over the Public Bank Account, penetration testing undertaken of key Treasury IT systems, and a review of Compliance Management in Treasury. This team also performs biannual reviews of Treasury's Gift Register at the request of the Finance, Risk and Audit Committee. The Finance, Risk and Audit Committee met five times during 2017-18.

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.

An overview of the key Governance Committees is included in the table below:

Committee	Frequency	Chair	Committee Role	Key Outcomes 2017-18
Treasury Monthly Executive (TMEX)	Monthly	Under Treasurer	The purpose of this committee is to make decisions in relation to the management of the Treasury, to establish Treasury's strategic direction, and to monitor Treasury's performance.	<ul style="list-style-type: none"> Treasury Structure changes: to improve our ability to respond to emerging priorities. 2018-21 Strategic Plan and Leadership Group.
Budget Management Committee (BMC)	Weekly	Under Treasurer	The BMC oversees State Budget, Mid-Year Review, Annual Report on State Finances and budget updates throughout the year. It also oversees whole-of-Government financial products and prepares agenda items for the Government's Expenditure Review Committee (ERC) meetings.	<ul style="list-style-type: none"> Framework for the 2017-18 and 2018-19 Budgets. 2017-18 Mid-Year Review structure. Emerging Budget issues. Fiscal outlook updates. Internal Budget management guidance and decision making.
Finance, Risk and Audit Committee (FRAC)	Bimonthly [monthly until Feb 2018]	Under Treasurer	The purpose of this committee is to advise and make recommendations to the Treasury Monthly Executive Group (TMEX) on finance, risk and audit issues within Treasury.	<ul style="list-style-type: none"> Oversaw the implementation of the Digital Transition program. Management of information security risks.
Diversity Committee	Monthly	Nominated by committee members	The purpose of the committee is to advocate and implement actions to overcome barriers and capture the benefits of diversity to the business and the individual.	<ul style="list-style-type: none"> Researched Treasury's gender diversity to inform triennial strategic planning. Began work on ideas to improve managers' ability to confidently work with diverse teams.
Information Communication Technology (ICT)	Bimonthly	Deputy Under Treasurer	The purpose of this committee is ensure strategic governance of ICT within Treasury and to advise, investigate and make recommendations to the Treasury Monthly Executive Group (TMEX) on ICT issues within the Department of Treasury.	<ul style="list-style-type: none"> The ICT Committee was restructured in April 2018. The Terms of Reference was revised, reflecting the Committee's focus on strategic ICT issues including information security and digital transition.

Risk Management

Treasury continues to embed its Risk Management Framework and Policy across the organisation. There is an ongoing focus by the Finance, Risk and Audit Committee on the management of strategic risks facing the Department, and the management of Treasury's information security risk.

Public Sector Standards and Ethical Codes

Consistent with the Public Sector Standards, Treasury has implemented a range of Human Resource related policies, procedures and practices. During 2017-18, the Human Resources team supported Treasury's recruitment activities by providing a range of services, including:

- participating as an active panel member on all recruitment processes;
- providing regular 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 Risk and Audit Manager are our designated Public Interest Disclosure officers.

In 2017-18 we had no public interest disclosures lodged under the Act. Treasury submitted the Public Sector Entity Survey to the Public Sector Commission with no reports for breach of discipline under the *Public Sector Management Act 1994*.

Ethics, Accountability and Integrity

Treasury places great importance on ethics, accountability and integrity. In 2017-18 we completed the initiatives below as part of our compliance program:

- updating our policies, frameworks and guidelines, including our Risk Management Framework, Compliance Framework, Corporate Governance Framework and our Procurement Policy;
- 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
- an ongoing commitment to staff training, including accountable and ethical decision making.

Diversity and Substantive Equality

Treasury encourages and supports diversity in the workplace through building a culture that is inclusive and supportive and through the implementation and management of new and ongoing initiatives that will support our diverse workforce. These include:

- development of a series of Women in the Workforce Q&A workshops in conjunction with a few other public sector agencies;
- incorporation of cultural awareness training and disability awareness training modules into Treasury inductions;
- regular promotion and support of Women in Leadership events;
- regular promotion and support of NAIDOC events; and
- publishing of regular articles on diversity issues on our internal Intranet.

Our current diversity profile is detailed below:

Diversity Statistics	2017-18		2016-17	
	Number	Percentage of Treasury Workforce	Number	Percentage of Treasury Workforce
Total Women	147	51.40%	156	50.65%
Number of women in Leadership Positions (substantive L8 and above)	29	10.14%	26	8.44%
Indigenous Australians	0	0.00%	0	0.00%
People from culturally diverse backgrounds	46	16.08%	52	16.88%
People with disability	5	1.75%	5	1.62%
Mature age workforce (55 years and over)	16	5.59%	40	12.99%
Youth (under 25 years)	1	0.35%	9	2.92%

We regularly review our policies, procedures and practices to ensure we continue to identify any areas of systemic discrimination and remove these from our workplace to ensure that the needs of all Western Australians are met in relation to the services Treasury provides.

Freedom of Information

The *Freedom of Information Act 1992* enables the public to apply for access to documents held by Treasury. Our Information Statement, which contains information about the structure and functions of the agency, is on our website. The table below summarises the Freedom of Information applications finalised during 2017-18. Applications covered topics related to strategic issues such as energy matters, Treasury’s advice provided to the Government, GST distribution, Budget measures and economic queries. More detailed statistical information is provided in the Annual Report of the Office of the Information Commissioner.



Recordkeeping

A new Recordkeeping Plan was submitted and approved by the State Records Commission in December 2017. The next review will be completed within five years in accordance with section 28 of the *State Records Act 2000*.

Our online training module was reviewed in 2017 with all staff required to complete recordkeeping training as part of the Accountable and Ethical Decision Making (AEDM) suite of online training. At this point 78% of staff have completed the AEDM. All new employees are required to complete an online recordkeeping training awareness AEDM module to ensure they are compliant with required standards.

Financial Statements

Certification of Financial Statements

For the reporting period ended 30 June 2018

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 2018 and the financial position as at 30 June 2018.

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



Pauline Burton

CHIEF FINANCE OFFICER
12 September 2018



Michael Barnes

UNDER TREASURER
12 September 2018

Independent Auditor's Report

Independent Auditor's Report



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF TREASURY

Report on the Financial Statements

Opinion

I have audited the financial statements of the Department of Treasury which comprise the Statement of Financial Position as at 30 June 2018, 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 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

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

Responsibility of the Under Treasurer for the Financial Statements

The Under Treasurer is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Under Treasurer 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.

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

Report on Controls

Opinion

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

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

In my opinion, in all material respects, the controls exercised by the Department of Treasury are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2018.

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.

Independent Auditor's Report

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 2018. 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 2018.

The Under Treasurer's Responsibility for the Key Performance Indicators

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

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

Auditor General's Responsibility

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

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

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

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

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

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

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

This auditor's report relates to the financial statements and key performance indicators of the Department of Treasury for the year ended 30 June 2018 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
13 September 2018

Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 (\$000)	2017 (\$000)
COST OF SERVICES			
Expenses			
Employee benefits expense	3.1(a)	35,849	32,759
Supplies and services	3.3	13,398	318,188
Depreciation and amortisation expense	5.1, 5.2	1,000	1,023
Accommodation expenses	3.4	4,491	4,598
Grants and subsidies	3.2	3,744	50
Loss on disposal of non-current assets	3.5	-	4
Other expenses	3.6	737	653
Total cost of services		59,219	357,275
Income			
<i>Revenue</i>			
User charges and fees	4.2	-	306,796
Other revenue	4.3	267	107
Total Revenue		267	306,903
Total income other than income from State Government		267	306,903
NET COST OF SERVICES		(58,952)	(50,372)

	Notes	2018 (\$000)	2017 (\$000)
Income from State Government			
Service appropriation	4.1	55,857	52,306
Services received free of charge	4.1	7,451	8,082
Royalties for Regions Fund	4.1	130	127
Total income from State Government		63,438	60,515
SURPLUS/(DEFICIT) FOR THE PERIOD		4,486	10,143
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,486	10,143

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

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

Statement of Financial Position

As at 30 June 2018

		2018	2017
	Notes	(\$000)	(\$000)
ASSETS			
Current Assets			
Cash and cash equivalents	7.1	14,985	56,716
Receivables	6.1	698	9,368
Amounts receivable for services	6.2	800	-
Other current assets	6.3	19	-
Total Current Assets		16,502	66,084
Non-Current Assets			
Restricted cash and cash equivalents	7.1	231	115
Amounts receivable for services	6.2	11,164	11,174
Plant and equipment	5.1	24	33
Intangible assets	5.2	4,244	5,237
Total Non-Current Assets		15,663	16,559
TOTAL ASSETS		32,165	82,643

		2018	2017
	Notes	(\$000)	(\$000)
LIABILITIES			
Current Liabilities			
Payables	6.4	5,493	39,100
Employee related provisions	3.1(b)	7,391	8,447
Total Current Liabilities		12,884	47,547
Non-Current Liabilities			
Employee related provisions	3.1(b)	2,295	2,002
Total Non-Current Liabilities		2,295	2,002
TOTAL LIABILITIES		15,179	49,549
NET ASSETS		16,986	33,094
EQUITY			
Contributed equity	9.8	(9,631)	10,963
Accumulated surplus		26,617	22,131
TOTAL EQUITY		16,986	33,094

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

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

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Contributed Equity (\$000)	Accumulated Surplus (\$000)	Total Equity (\$000)
Balance at 1 July 2016		10,963	11,988	22,951
Surplus		-	10,143	10,143
Total comprehensive income for the period		10,963	22,131	33,094
Balance at 30 June 2017		10,963	22,131	33,094
Balance at 1 July 2017		10,963	22,131	33,094
Surplus		-	4,486	4,486
Total comprehensive income for the period		10,963	26,617	37,580
Transactions with owners in their capacity as owners:	9.8			
Capital appropriations		10	-	10
Other contributions by Department of Finance		37	-	37
Other distributions to Department of Finance		(2,374)	-	(2,374)
Distributions to owners		(18,267)	-	(18,267)
Total		(20,594)	-	(20,594)
Balance at 30 June 2018		(9,631)	26,617	16,986

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

Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 (\$000)	2017 (\$000)
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		54,845	51,293
Payments to Consolidated Fund		(18,267)	-
Capital appropriations		10	-
Holding account drawdown		222	-
Royalties for Regions Fund		130	127
Net cash provided by State Government		36,940	51,420
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(36,268)	(33,101)
Supplies and services		(5,673)	(310,435)
Accommodation		(4,576)	(4,644)
Grants and subsidies		(210)	(46)
GST payments on purchases		(1,044)	(48,128)
GST payments to taxation authority		-	(148)
Other payments		(703)	(897)

	Notes	2018 (\$000)	2017 (\$000)
Receipts			
User charges and fees		-	277,970
GST receipts on sales		6	27,780
GST receipts from taxation authority		2,343	20,720
Other receipts		247	80
Net cash used in operating activities	7.1.2	(45,878)	(70,849)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		-	-
Net cash provided by/(used in) investing activities		-	-
Net decrease in cash and cash equivalents		(8,938)	(19,429)
Cash balance transferred to the Department of Finance		(32,705)	-
Cash balance transferred from the Department of Finance		28	-
Cash and cash equivalents at the beginning of the period		56,831	76,260
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.1	15,216	56,831

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

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2018

	2018 Estimate	2018 Actual	Variance	2018 Actual	2017 Actual	Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Delivery of services						
Item 41 Net amount appropriated to deliver services	63,936	54,475	(9,461)	54,475	50,948	3,527
Amount authorised by Other Statutes						
- <i>Salaries and Allowances Act 1975</i>	1,382	1,382	-	1,382	1,358	24
Total appropriations provided to deliver services	65,318	55,857	(9,461)	55,857	52,306	3,551
Details of expenses by service						
Financial Management and Reporting	10,203	10,263	60	10,263	11,128	(865)
Economic and Revenue Forecasts and Policy Development	10,459	9,804	(655)	9,804	6,793	3,011
Evaluation and Planning of Government Service Delivery and Infrastructure Provisions	27,179	24,237	(2,942)	24,237	26,618	(2,381)
Development and Implementation of Energy Policy ^(a)	26,594	14,915	(11,679)	14,915	-	14,915
Manage the Government's Asset Sales Program (excluding Land Sales) ^(b)	-	-	-	-	2,976	(2,976)
Leads the Planning and Delivery of New Government Buildings ^(c)	-	-	-	-	309,760	(309,760)
Total Cost of Services	74,435	59,219	(15,216)	59,219	357,275	(298,056)
Less Total income	494	267	(227)	267	306,903	(306,636)
Net Cost of Services	73,941	58,952	(14,989)	58,952	50,372	8,580
Adjustments	(8,623)	(3,095)	5,528	(3,095)	1,934	(5,029)
Total appropriations provided to deliver services	65,318	55,857	(9,461)	55,857	52,306	3,551

^(a) This service was created following the transfer of the Public Utilities Office and Economic Reform from the Department of Finance to the Department of Treasury on 1 July 2017.

^(b) This service ceased from 1 July 2017 and all remaining functions have been transferred to the Evaluation and Planning of Government Service Delivery and Infrastructure Provision service.

^(c) This service ceased following the transfer of Strategic Projects to the Department of Finance on 1 July 2017.

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2018

	2018 Estimate	2018 Actual	Variance	2018 Actual	2017 Actual	Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Administered Transactions						
Recurrent Administered						
Operating subsidy payments						
Item 50 Bunbury Water Corporation	666	703	37	703	703	-
Item 51 Busselton Water Corporation	647	527	(120)	527	552	(25)
Item 52 Electricity Generation and Retail Corporation (Synergy)	249,004	243,091	(5,913)	243,091	380,911	(137,820)
Item 53 Mid West Ports Authority	4,994	4,994	-	4,994	5,445	(451)
Item 54 Public Transport Authority	838,550	812,143	(26,407)	812,143	798,772	13,371
Item 55 Regional Power Corporation (Horizon Power)	20,200	18,989	(1,211)	18,989	48,892	(29,903)
Item 56 Southern Ports Authority	439	238	(201)	238	560	(322)
Item 57 Water Corporation of Western Australia	468,778	408,928	(59,850)	408,928	464,225	(55,297)
Item 58 Western Australian Land Authority	45,305	47,515	2,210	47,515	39,294	8,221
Forest Products Commission	-	-	-	-	1,451	(1,451)
Total operating subsidy payments	1,628,583	1,537,128	(91,455)	1,537,128	1,740,805	(203,677)
Grants, subsidies and transfer payments						
Item 59 Bell Group Administration Wind-up and Associated Costs	1,305	334	(971)	334	-	334
Item 60 Department of Justice	11,509	113	(11,396)	113	22,434	(22,321)
Item 61 Goods and Services Tax (GST) Administration Costs	66,800	65,974	(826)	65,974	73,866	(7,892)
Item 62 Health and Disability Services Complaints Office	2,797	2,871	74	2,871	2,701	170

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2018

	2018 Estimate	2018 Actual	Variance	2018 Actual	2017 Actual	Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Item 63 Metropolitan Redevelopment Authority	37,288	45,009	7,721	45,009	13,195	31,814
Item 64 Provision for Unfunded Liabilities in the Government Insurance Fund	3,246	2,971	(275)	2,971	3,238	(267)
Item 65 Provision for Voluntary Targeted Separation Scheme	300,000	-	(300,000)	-	-	-
Item 66 Refunds of Past Years Revenue Collections - Public Corporations	10,000	5,319	(4,681)	5,319	6,456	(1,137)
Item 67 Royalties for Regions	491,841	473,409	(18,432)	473,409	419,019	54,390
Item 68 Service Priority Review - Provision for Senior Executive Service Compensation Payments	13,000	-	(13,000)	-	-	-
Item 69 State Property - Emergency Services Levy	16,000	17,539	1,539	17,539	16,000	1,539
Item 70 All Other Grants, Subsidies and Transfer Payments, comprising:						
Acts of Grace	300	-	(300)	-	200	(200)
First Home Owners Boost Recoveries	-	-	-	-	14	(14)
Incidentals	240	-	(240)	-	-	-
Interest on Public Monies held in Participating Trust Fund Accounts	5,510	4,293	(1,217)	4,293	4,677	(384)
Administration Costs - National Tax Equivalent Regime Scheme	100	34	(66)	34	-	34
Town of Cambridge	11,750	11,750	-	11,750	-	11,750
Western Australian Treasury Corporation Management Fees	936	866	(70)	866	930	(64)
National Disability Insurance Scheme - Perth Hills Trial Site	-	-	-	-	44,600	(44,600)
Rottneest Island Authority	-	-	-	-	8,652	(8,652)
Total grants, subsidies and transfer payments	972,622	630,482	(342,140)	630,482	615,982	14,500

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2018

	2018 Estimate	2018 Actual	Variance	2018 Actual	2017 Actual	Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Authorised by Other Statutes						
<i>Judges' Salaries and Pensions Act 1950</i>	16,478	14,865	(1,613)	14,865	15,526	(661)
<i>Parliamentary Superannuation Act 1970</i>	10,184	9,844	(340)	9,844	12,891	(3,047)
<i>State Superannuation Act 2000</i>	649,733	616,224	(33,509)	616,224	569,399	46,825
<i>Tobacco Products Control Act 2006</i>	23,614	23,614	-	23,614	23,037	577
<i>Unclaimed Money Act 1990</i>	1,331	1,330	(1)	1,330	1,331	(1)
<i>Loan Acts - Interest</i>	741,000	742,584	1,584	742,584	645,828	96,756
Total amounts authorised by Other Statutes	1,442,340	1,408,461	(33,879)	1,408,461	1,268,012	140,449
TOTAL RECURRENT ADMINISTERED	4,043,545	3,576,071	(467,474)	3,576,071	3,624,799	(48,728)
Administered Capital						
Government equity contributions						
Item 109 Animal Resources Authority	1,320	750	(570)	750	800	(50)
Item 110 Department of Education	51,400	40,400	(11,000)	40,400	-	40,400
Item 111 Department of Finance	1,200	200	(1,000)	200	-	200
Item 112 Department of Justice	25,560	3,086	(22,474)	3,086	4,009	(923)
Item 113 Electricity Networks Corporation (Western Power)	182,684	168,583	(14,101)	168,583	51,628	116,955
Item 114 Independent Market Operator	40	-	(40)	-	-	-
Item 115 Pilbara Ports Authority	53,703	60,735	7,032	60,735	5,112	55,623
Item 116 Regional Power Corporation (Horizon Power)	32,918	32,918	-	32,918	1,638	31,280

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2018

	2018 Estimate	2018 Actual	Variance	2018 Actual	2017 Actual	Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Item 117 Royalties for Regions	403,512	357,589	(45,923)	357,589	329,259	28,330
Item 118 Southern Ports Authority	2,346	1,155	(1,191)	1,155	2,210	(1,055)
Item 119 WA Health	55,616	2,631	(52,985)	2,631	11,279	(8,648)
Other						
Item 120 The New Perth Stadium Account	122,226	127,920	5,694	127,920	370,000	(242,080)
Item 121 Western Australian Future Fund	52,100	52,100	-	52,100	38,400	13,700
Total Government equity contributions	984,625	848,067	(136,558)	848,067	814,335	33,732
Authorised by Other Statutes						
<i>Loan (Co-operative Companies) Act 2004</i>	3,400	10,400	7,000	10,400	13,050	(2,650)
<i>Loan Acts - Repayment of Borrowings</i>	229,654	97,722	(131,932)	97,722	88,599	9,123
Total authorised by Other Statutes	233,054	108,122	(124,932)	108,122	101,649	6,473
Total Administered capital contribution	1,217,679	956,189	(261,490)	956,189	915,984	40,205
GRAND TOTAL	5,261,224	4,532,260	(728,964)	4,532,260	4,540,783	(8,523)

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2018

	2018 Estimate	2018 Actual	Variance	2018 Actual	2017 Actual	Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Details of Administered Income Estimates						
Income						
Commonwealth grants	6,938,305	7,376,033	437,728	7,376,033	6,262,020	1,114,013
Government enterprises:						
Dividends	1,656,058	1,724,257	68,199	1,724,257	838,301	885,956
Income tax equivalent regime	556,568	657,127	100,559	657,127	521,500	135,627
Local Government rates equivalent	20,659	21,747	1,088	21,747	21,668	79
Consolidated account revenue received from agencies	13,376,549	13,265,294	(111,255)	13,265,294	13,245,557	19,737
Gold State superannuation reimbursement	112,773	114,758	1,985	114,758	125,479	(10,721)
Interest income	131,669	118,044	(13,625)	118,044	139,287	(21,243)
Loan guarantee fees	147,004	144,311	(2,693)	144,311	140,841	3,470
Pension recoups	11,208	13,040	1,832	13,040	13,767	(727)
Other revenue	17,425	44,200	26,775	44,200	28,269	15,931
	22,968,218	23,478,811	510,593	23,478,811	21,336,689	2,142,122

Note 10.1 'Disclosure of Administered Income and Expenses by Service' and Note 10.2 'Explanatory Statement for Administered Items' provide details of any significant variations between estimates and actual results for 2018 and between the actual results for 2018 and 2017.

Notes to the Financial Statements

1. Basis of preparation

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

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

These annual financial statements were authorised for issue by the Accountable Authority of the Department on 12 September 2018.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

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

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

Basis of preparation

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

Judgements and estimates

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

Contributed equity

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

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

Notes to the Financial Statements

2. Department outputs

How the Department operates

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

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

2.1 Department objectives

Mission

The Department of Treasury's mission is to support the Government of the day through the provision of expert financial management and economic and energy policy advice that promotes the public interest.

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

Department of Treasury provides the following services:

Service 1: Financial Management and Reporting

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

Service 2: Economic and Revenue Forecasts and Policy Development

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

Service 3: Evaluation and Planning of Government Service Delivery and Infrastructure Provision

This service involves investigating agencies' operations in respect of efficiency and effectiveness and advising Government on the allocation of taxpayers' resources. It includes the analysis, evaluation and planning of government services to ensure value for money outcomes in the key areas of Health, Justice, Education and infrastructure delivery.

Service 4: Development and Implementation of Energy Policy

This service was created following the transfer of the Public Utilities Office from the Department of Finance on 1 July 2017. The service encompasses the delivery of energy policy and programs to meet the State's energy needs.

Notes to the Financial Statements

2.2 Schedule of Income and Expenses by Service

For the year ended 30 June 2018

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Development and Implementation of Energy Policy ^(a)		Manage the Government's Asset Sales Program (excluding land sales) ^(b)		Leads the Planning and Delivery of New Government Buildings ^(c)		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
COST OF SERVICES														
Expenses														
Employee benefits expense	6,518	6,673	6,635	4,563	16,157	18,333	6,539	-	-	1,677	-	1,513	35,849	32,759
Supplies and services	2,525	2,966	1,988	1,351	5,305	4,841	3,580	-	-	1,089	-	307,941	13,398	318,188
Depreciation and amortisation expense	188	235	189	143	446	563	177	-	-	31	-	51	1,000	1,023
Accommodation expenses	847	1,058	852	644	2,003	2,528	789	-	-	138	-	230	4,491	4,598
Grants and subsidies	49	49	-	1	-	-	3,695	-	-	-	-	-	3,744	50
Loss on disposal of non-current assets	-	1	-	1	-	2	-	-	-	-	-	-	-	4
Other expenses	136	146	140	90	326	351	135	-	-	41	-	25	737	653
Total cost of services	10,263	11,128	9,804	6,793	24,237	26,618	14,915	-	-	2,976	-	309,760	59,219	357,275
Income														
User charges and fees	-	-	-	-	-	-	-	-	-	-	-	306,796	-	306,796
Other revenue	9	12	6	5	224	29	28	-	-	43	-	18	267	107
Total income other than income from State Government	9	12	6	5	224	29	28	-	-	43	-	306,814	267	306,903
NET COST OF SERVICES	(10,254)	(11,116)	(9,798)	(6,788)	(24,013)	(26,589)	(14,887)	-	-	(2,933)	-	(2,946)	(58,952)	(50,372)

Notes to the Financial Statements

2.2 Schedule of Income and Expenses by Service

For the year ended 30 June 2018

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Development and Implementation of Energy Policy ^(a)		Manage the Government's Asset Sales Program (excluding land sales) ^(b)		Leads the Planning and Delivery of New Government Buildings ^(c)		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Income from State Government														
Service appropriation	9,144	9,587	8,941	6,208	21,285	24,165	16,487	-	-	9,807	-	2,539	55,857	52,306
Resources received free of charge	1,766	2,161	1,189	988	3,111	3,887	1,385	-	-	469	-	577	7,451	8,082
Royalties for Regions Fund	-	-	-	-	130	127	-	-	-	-	-	-	130	127
Total income from State Government	10,910	11,748	10,130	7,196	24,526	28,179	17,872	-	-	10,276	-	3,116	63,438	60,515
SURPLUS/(DEFICIT) FOR THE PERIOD	656	632	332	408	513	1,590	2,985	-	-	7,343	-	170	4,486	10,143

(a) This service was created following the transfer of the Public Utilities Office and Economic Reform from the Department of Finance to the Department of Treasury on 1 July 2017.

(b) This service ceased from 1 July 2017 and all remaining functions have been transferred to the Evaluation and Planning of Government Service Delivery and Infrastructure Provision service.

(c) This service ceased following the transfer of Strategic Projects to the Department of Finance on 1 July 2017.

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

Notes to the Financial Statements

2.3 Schedule of Assets and Liabilities by Service

As at 30 June 2018

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Development and Implementation of Energy Policy ^(a)		Manage the Government's Asset Sales Program (excluding land sales) ^(b)		Leads the Planning and Delivery of New Government Buildings ^(c)		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Assets														
Current assets	2,440	5,110	1,359	4,622	2,330	6,578	10,373	-	-	4,281	-	45,493	16,502	66,084
Non-current assets	2,587	3,798	2,624	2,147	6,330	8,798	4,122	-	-	991	-	825	15,663	16,559
Total assets	5,027	8,908	3,983	6,769	8,660	15,376	14,495	-	-	5,272	-	46,318	32,165	82,643
Liabilities														
Current liabilities	2,647	2,220	1,945	1,327	5,912	4,992	2,380	-	-	485	-	38,523	12,884	47,547
Non-current liabilities	356	346	481	228	1,017	1,055	441	-	-	85	-	288	2,295	2,002
Total liabilities	3,003	2,566	2,426	1,555	6,929	6,047	2,821	-	-	570	-	38,811	15,179	49,549
NET ASSETS	2,024	6,342	1,557	5,214	1,731	9,329	11,674	-	-	4,702	-	7,507	16,986	33,094

(a) This service was created following the transfer of the Public Utilities Office and Economic Reform from the Department of Finance to the Department of Treasury on 1 July 2017.

(b) This service ceased from 1 July 2017 and all remaining functions have been transferred to the Evaluation and Planning of Government Service Delivery and Infrastructure Provision service.

(c) This service ceased following the transfer of Strategic Projects to the Department of Finance on 1 July 2017.

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

Notes to the Financial Statements

3. Use of our funding

Expenses incurred in the delivery of services

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

	Notes	2018 (\$000)	2017 (\$000)
Employee benefits expense	3.1(a)	35,849	32,759
Employee related provisions	3.1(b)	9,686	10,449
Grants and subsidies	3.2	3,744	50
Supplies and services	3.3	13,398	318,188
Accommodation expenses	3.4	4,491	4,598
Loss on disposal of non-current assets	3.5	-	4
Other expenditure	3.6	737	653

3.1(a) Employee benefits expense

	Notes	2018 (\$000)	2017 (\$000)
Wages and salaries		31,649	27,859
Termination benefits ^(a)		1,036	2,180
Superannuation – defined contribution plans ^(b)		3,164	2,720
		35,849	32,759

(a) In 2017-18, \$1.32 million was paid out in total, of which \$0.284 million was related to leave entitlements paid out of leave provisions.

(b) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds. Includes payments of superannuation to GESB amounting to \$2.744 million.

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

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

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

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

Notes to the Financial Statements

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

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

3.1(b) Employee related provisions

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

	2018 (\$000)	2017 (\$000)
Current		
Employee benefits provisions		
Annual leave ^(a)	3,039	3,351
Long service leave ^(b)	4,339	5,081
	7,378	8,432
Other provisions		
Employment on-costs ^(c)	13	15
Total current employee related provisions	7,391	8,447

	2018 (\$000)	2017 (\$000)
Non-current		
Employee benefits provisions		
Long service leave ^(b)	2,291	1,998
Other provisions		
Employment on-costs ^(c)	4	4
Total non-current employee related provisions	2,295	2,002
Total employee related provisions	9,686	10,449

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

	2018 (\$000)	2017 (\$000)
Within 12 months of the end of the reporting period	2,075	2,375
More than 12 months after the end of the reporting period	964	976
	3,039	3,351

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

Notes to the Financial Statements

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

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

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

	2018 (\$000)	2017 (\$000)
Within 12 months of the end of the reporting period	1,671	2,098
More than 12 months after the end of the reporting period	4,959	4,981
	6,630	7,079

The provision for long service leave liabilities are calculated at present value as the Department does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, Note 3.6 (apart from the unwinding of the discount (finance cost))' and are not included as part of the Department's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	2018 (\$000)	2017 (\$000)
Employment on-costs provision		
Carrying amount at start of period	19	20
Additional provisions recognised	6	2
Payments/other sacrifices of economic benefits	(8)	(3)
Carrying amount at end of period	17	19

Key sources of estimation uncertainty – long service leave

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

Notes to the Financial Statements

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

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

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

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

3.2 Grants and subsidies

	2018 (\$000)	2017 (\$000)
Recurrent		
Contributions to the Australian Accounting Standards Board	49	49
Contributions to the Australian Energy Market Commission	149	-
Contributions to the Council of Australian Governments Energy Council Work Program	432	-
Donations/sponsorships	-	1
Capital		
Contributions to Western Power for the State Underground Power Program	3,114	-
Total grants and subsidies	3,744	50

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

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

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

Notes to the Financial Statements

3.3 Supplies and services

	2018 (\$'000)	2017 (\$'000)
Supplies and services		
Managed contracts	-	306,830
Communications	86	69
Consultants	1,142	263
Contractors	3,210	1,700
Services provided by State government agencies	7,451	8,082
Repairs and maintenance	20	1
Consumables	265	263
Travel	96	91
Legal costs	56	23
Other ^(a)	1,072	866
Total supplies and services expenses	13,398	318,188

(a) Includes payments of insurance cover to Riskcover amounting to \$0.143 million and payments for vehicle operating costs provided by the Department of Finance amounting to \$0.113 million.

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

3.4 Accommodation expenses

	2018 (\$'000)	2017 (\$'000)
Accommodation expenses		
Lease rentals	4,576	4,598
Repairs and maintenance	(85)	-
Total accommodation expenses	4,491	4,598

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

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

3.5 Loss on disposal of non-current assets

	2018 (\$'000)	2017 (\$'000)
Loss on disposal of non-current assets		
Loss on disposal of non-current assets	-	4
Total loss on disposal of non-current assets	-	4

Loss on disposal of non-current assets: The loss on disposal of non-current assets arising from the disposal or retirement of an asset, is determined as the difference between the net disposal proceeds, if any, and the carrying value of the asset.

Notes to the Financial Statements

3.6 Total other expenditure

	2018 (\$000)	2017 (\$000)
Other expenses		
Minor purchases	126	78
Audit fees	565	569
Other	46	6
Total other expenditure	737	653

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

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

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

4. Our funding sources

How we obtain our funding

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

	Notes	2018 (\$000)	2017 (\$000)
Income from State Government	4.1	63,438	60,515
User charges and fees	4.2	-	306,796
Other revenue	4.3	267	107

Notes to the Financial Statements

4.1 Income from State Government

	2018 (\$000)	2017 (\$000)
Appropriation received during the period:		
Service appropriation ^(a)	55,857	52,306
	55,857	52,306
Services received free of charge from other State Government agencies during the period:		
Department of Finance	6,188	7,041
Department of Justice	846	596
Department of the Premier and Cabinet	25	45
Landgate	392	400
Total services received	7,451	8,082
Royalties for Regions Fund:		
Governance of the Royalties for Regions Program	130	127
Total Royalties for Regions Fund	130	127
	63,438	60,515

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

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

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

The receivable (Holding Account – note 6.2) comprises the following:

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

4.2 User charges and fees

	2018 (\$000)	2017 (\$000)
Managed building works	-	306,796
	-	306,796

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

Revenue is recognised by reference to the stage of completion of the transaction for managed building works.

Notes to the Financial Statements

4.3 Other revenue

	2018 (\$000)	2017 (\$000)
Recoups	193	8
Government Vehicle Scheme (GVS)	54	68
Other	20	31
	267	107

5. Key assets

Assets the Department utilises for economic benefit or service potential

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

	Notes	2018 (\$000)	2017 (\$000)
Plant and equipment	5.1	24	33
Intangibles	5.2	4,244	5,237
Total key assets		4,268	5,270

5.1 Plant and equipment

Year ended 30 June 2017

	Office Equipment (\$000)	Computer Equipment (\$000)	Total (\$000)
1 July 2016			
Gross carrying amount	73	89	162
Accumulated depreciation	(25)	(69)	(94)
Accumulated impairment loss	-	-	-
Carrying amount at start of period	48	20	68
Additions	-	-	-
Other disposals	(4)	-	(4)
Impairment losses ^(a)	-	-	-
Impairment losses reversed ^(a)	-	-	-
Depreciation	(12)	(19)	(31)
Carrying amount at 30 June 2017	32	1	33

(a) Impairment losses are recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written-down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written-down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

Notes to the Financial Statements

5.1 Plant and equipment

Year ended 30 June 2018

	Office Equipment	Computer Equipment	Total
1 July 2017	(\$000)	(\$000)	(\$000)
Gross carrying amount	51	83	134
Accumulated depreciation	(19)	(82)	(101)
Accumulated impairment loss	-	-	-
Carrying amount at start of period	32	1	33
Additions			
Transfers (a)	(1)	(1)	(2)
Other disposals	-	-	-
Impairment losses (b)	-	-	-
Impairment losses reversed (b)	-	-	-
Depreciation	(7)	-	(7)
Carrying amount at 30 June 2018	24	-	24
Gross carrying amount	53	62	115
Accumulated depreciation	(29)	(62)	(91)
Accumulated impairment losses	-	-	-

- (a) During the financial year, three items of Office equipment were transferred to the Department of Finance for \$10,339. The Department received two items of Office equipment from the Department of Finance for \$9,405. One item of Computing equipment was transferred to the Department of Finance for \$1,124.
- (b) Recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written-down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written-down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

Initial recognition

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

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

Notes to the Financial Statements

5.1.1 Depreciation and impairment

Charge for the period

	2018 (\$000)	2017 (\$000)
Depreciation		
Office equipment	7	12
Computer equipment	-	19
Total depreciation for the period	7	31

As at 30 June 2018 there were no indications of impairment to plant and equipment.

Finite useful lives

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

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

Asset	Useful life: years
Office equipment	5 years
Computer equipment	3 to 5 years

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

Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written-down to the recoverable amount and an impairment loss is recognised.

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

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

Notes to the Financial Statements

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

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

5.2 Intangible assets

Year ended 30 June 2017

	Computer Software	Website Cost	Total
1 July 2016	(\$000)	(\$000)	(\$000)
Gross carrying amount	9,873	100	9,973
Accumulated amortisation	(3,732)	(12)	(3,744)
Accumulated impairment losses	-	-	-
Carrying amount at start of period	6,141	88	6,229
Additions	-	-	-
Other disposals	-	-	-
Impairment losses	-	-	-
Impairment losses reversed	-	-	-
Amortisation expense	(982)	(10)	(992)
Carrying amount at 30 June 2017	5,159	78	5,237

Year ended 30 June 2018

	Computer Software	Website Cost	Total
1 July 2017	(\$000)	(\$000)	(\$000)
Gross carrying amount	9,873	100	9,973
Accumulated amortisation	(4,714)	(22)	(4,736)
Accumulated impairment losses	-	-	-
Carrying amount at start of period	5,159	78	5,237
Additions	-	-	-
Other disposals	-	-	-
Impairment losses	-	-	-
Impairment losses reversed	-	-	-
Amortisation expense	(983)	(10)	(993)
Carrying amount at 30 June 2018	4,176	68	4,244
Gross carrying amount	9,873	100	9,973
Accumulated amortisation	(5,697)	(32)	(5,729)
Accumulated impairment losses	-	-	-

Notes to the Financial Statements

Initial recognition

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

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

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

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

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

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

Subsequent measurement

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

5.2.1 Amortisation and impairment

Charge for the period

	2018 (\$000)	2017 (\$000)
Computer Software	983	982
Website cost	10	10
Total amortisation for the period	993	992

As at 30 June 2018 there were no indications of impairment to intangible assets. The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

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

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

	Useful life: years
Computer software ^(a)	10 years
Website costs	10 years

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

Notes to the Financial Statements

Impairment of intangible assets

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

The policy in connection with testing for impairment is outlined in note 5.1.1.

6. Other assets and liabilities

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

	Notes	2018 (\$000)	2017 (\$000)
Receivables	6.1	698	9,368
Amounts receivable for services	6.2	11,964	11,174
Other current assets	6.3	19	-
Payables	6.4	5,493	39,100

6.1 Receivables

	2018 (\$000)	2017 (\$000)
Current		
Receivables	189	143
GST receivable	509	4,443
	698	4,586
Underbillings ^(a)	-	4,782
Total current	-	9,368
Total receivables	698	9,368

(a) Contract cost incurred less billings to clients.

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

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

Notes to the Financial Statements

6.2 Amounts receivable for services (Holding Account)

	2018 (\$000)	2017 (\$000)
Current	800	-
Non-current	11,164	11,174
Balance at end of period	11,964	11,174

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

The Department receives funding on an accrual basis. The appropriations 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.

6.3 Other assets

	2018 (\$000)	2017 (\$000)
Current		
Purchase Leave - Debit position	19	-
Total current other assets	19	-

6.4 Payables

	2018 (\$000)	2017 (\$000)
Current		
Trade payables	1,175	399
GST payables	-	-
Other tax payables	53	89
Accrued salaries	111	113
Accrued expenses	4,149	31,985
Other payables	5	2
	5,493	32,588
Overbillings	-	6,512
Total current	-	39,100
Total payables	5,493	39,100

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.

Notes to the Financial Statements

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

The accrued salaries suspense account (See Note 7.1.1 'Restricted cash and cash equivalents') consists of amounts paid annually, from Department appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

7. Financing

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

	Notes
Cash and cash equivalents	7.1
Reconciliation of cash	7.1.1
Reconciliation of operating activities	7.1.2
Commitments	7.2
Non-cancellable operating lease commitments	7.2.1
Other expenditure commitments	7.2.2

7.1 Cash and cash equivalents

7.1.1 Reconciliation of cash

	Notes	2018 (\$000)	2017 (\$000)
Cash and cash equivalents		14,985	56,716
Restricted cash and cash equivalents	8.1		
– Accrued salaries suspense account ^(a)		231	115
Balance at end of period		15,216	56,831

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

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

Notes to the Financial Statements

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

	Notes	2018 (\$000)	2017 (\$000)
Net cost of services		(58,952)	(50,372)
Non-cash items			
Depreciation and amortisation expense	5.1, 5.2	1,000	1,023
Services received free of charge	4.1	7,451	8,082
(Increase)/decrease in assets			
Current receivables ^(a)		(7)	(28,828)
Increase/(decrease) in liabilities			
Current payables ^(a)		3,756	(611)
Accrued salaries		(2)	114
Accrued employee benefits		(429)	(481)
Net GST receipts/payments ^(b)		1,305	224
Net cash provided by/(used in) operating activities		(45,878)	(70,849)

(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.

The mandatory application of AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 imposed disclosure impacts only. The Department is not exposed to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

7.2 Commitments

7.2.1 Non-cancellable operating lease commitments

	2018 (\$000)	2017 (\$000)
Commitments for minimum lease payments are payable as follows:		
Within 1 year	3,272	3,577
Later than 1 year and not later than 5 years	12,889	13,910
Later than 5 years	55,438	63,642
	71,599	81,129

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

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

Notes to the Financial Statements

7.2.2 Other expenditure commitments

	2018 (\$000)	2017 (\$000)
Other expenditure commitments contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	3,199	121
Later than 1 year and not later than 5 years	51	-
Later than 5 years	-	-
	3,250	121

The totals presented for other expenditure commitments are GST inclusive.

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

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

8. Risks and Contingencies

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

	Notes
Financial risk management	8.1
Contingent assets	8.2
Contingent liabilities	8.2

8.1 Financial risk management

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

(a) Summary of risks and risk management

Credit risk

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

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 8.1(c) 'Financial instruments disclosures' and Note 6.1 'Receivables'.

Notes to the Financial Statements

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 from 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

The Department is not subject to market risk.

(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:

	2018 (\$000)	2017 (\$000)
Financial assets		
Cash and cash equivalents	14,985	56,716
Restricted cash and cash equivalents	231	115
Receivables ^(a)	189	4,925
Amounts receivable for services	11,964	11,174
Total financial assets	27,369	72,930
Financial liabilities		
Payables ^(b)	5,493	39,099
Total financial liabilities	5,493	39,099

(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).

Notes to the Financial Statements

(c) 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)
2018								
Cash and cash equivalents	14,985	14,985	-	-	-	-	-	-
Restricted cash and cash equivalents	231	231	-	-	-	-	-	-
Receivables ^(a)	189	154	32	-	3	-	-	-
Amounts receivable for services	11,964	11,964	-	-	-	-	-	-
	27,369	27,334	32	-	3	-	-	-
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	-	-

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

Notes to the Financial Statements

8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

The Department has no contingent assets and liabilities to report for the financial year 2017-18.

9. Other disclosures

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

	Notes
Events occurring after the end of the reporting period	9.1
Future impact of Australian standards issued not yet operative	9.2
Key management personnel	9.3
Services provided free of charge	9.4
Related party transactions	9.5
Related bodies	9.6
Affiliated bodies	9.6
Remuneration of auditors	9.7
Equity	9.8
Supplementary financial information	9.9
Explanatory statement	9.10

9.1 Events occurring after the end of the reporting period

There are no events occurring after the end of the reporting period.

Notes to the Financial Statements

9.2 Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
AASB 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 Department has assessed that recognition of expected credit losses will increase the amount of impairment losses recognised as Other expenses in the Statement of Comprehensive Income but will not have a significant adverse impact on the Department's Surplus/(Deficit) for the period.</p>	1 Jan 2018
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.</p> <p>We have assessed the standard and conclude it is unlikely to affect the Department. The Department's income is mainly derived from appropriations which will be measured under AASB 1058.</p>	1 Jan 2019

Notes to the Financial Statements

		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 commitments for \$71,598,670 worth of non-cancellable operating leases which will mostly be brought onto the Statement of Financial Position. 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 or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by a Department. The Department anticipates that the application will not materially impact appropriation or untied grant revenues.</p>	1 Jan 2019
AASB 1059	<p><i>Service Concession Arrangements: Grantors</i></p> <p>This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector Department by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. The Department has not identified any public private partnerships within scope of the Standard.</p>	1 Jan 2019

Notes to the Financial Statements

		Operative for reporting periods beginning on/after
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. Other than the exposures to AASB 9 noted above, the Department is only insignificantly impacted by the application 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. These changes have no impact as Appendix E has been superseded and the Department was not permitted to early adopt AASB 9.</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 the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

Notes to the Financial Statements

		Operative for reporting periods beginning on/after
AASB 2015-8	<p><i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i></p> <p>This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.</p>	1 Jan 2018
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 licence, and, provides further transitional provisions to AASB 15. The Department has not yet determined the application or the potential impact when the deferred AASB 15 becomes effective from 1 January 2019.</p>	1 Jan 2018
AASB 2016-7	<p><i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i></p> <p>This Standard defers, for not-for-profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this standard.</p>	1 Jan 2018
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

Notes to the Financial Statements

9.3 Key management personnel

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

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

Compensation band (\$)	2018	2017
\$290,001 - 300,000	1	1
\$310,001 - 320,000	1	1
\$330,001 - 340,000	1	1
\$340,001 - 350,000	1	-
\$370,001 - 380,000	1	-
\$380,001 - 390,000	-	2
\$450,001 - 460,000	1	-
\$540,001 - 550,000	-	1

	2018 (\$000)	2017 (\$000)
Short-term employee benefits	1,768	1,857
Post-employment benefits	175	182
Other long-term benefits	178	221
Total compensation of senior officers	2,121	2,260

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

9.4 Services provided free of charge

	2018 (\$000)	2017 (\$000)
During the period the following services were provided to other agencies free of charge for functions outside the normal operations of the Department:		
Department of Finance - Provision of accounting services to the Office of State Revenue	134	140
	134	140

Notes to the Financial Statements

9.5 Related party transactions

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

Related parties of the Department include:

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

Significant transactions with Government-related entities

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

- income from State Government (Note 4.1);
- superannuation payments to GESB (Note 3.1(a));
- services received free of charge from the Department of Finance, the Department of Justice, the Department of the Premier and Cabinet, and Landgate (Note 4.1);
- Royalties for Regions Fund (Note 4.1);
- lease rentals payments to the Department of Finance (Government Office Accommodation) (Note 3.4) and State Fleet (Note 3.3);
- insurance payments to the Insurance Commission and Riskcover fund (Note 3.3);
- commitments for future lease payment to the Department of Finance (Note 7.2.1);
- remuneration for services provided by the Auditor General (Note 9.7);
- transfer of Strategic Projects (excluding Asset Sales) to the Department of Finance (Note 5.1 and Note 9.8); and
- transfer of Public Utilities Office and Economic Reform to the Department of Treasury (Note 5.1 and Note 9.8).

Notes to the Financial Statements

Material transactions with other related parties

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

9.6 Related and affiliated bodies

The Department has no related or affiliated bodies.

9.7 Remuneration of auditors

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

	2018 (\$000)	2017 (\$000)
Auditing the accounts, financial statements, controls, and key performance indicators:		
Department of Treasury	198	219
Annual Report on State Finances	348	345
	546	564

9.8 Equity

	2018 (\$000)	2017 (\$000)
Contributed equity		
Balance at start of period	10,963	10,963
Contributions by owners		
Capital appropriation	10	-
Transfer of net assets from other agencies		
Transfer of Public Utilities Office and Economic Reform from Department of Finance due to Machinery of Government	37	-
Total contributions by owners	11,010	10,963
Distributions to owners		
Transfer of net assets to other agencies:		
Transfer of Strategic Projects to the Department of Finance due to Machinery of Government	(2,374)	-
Net assets transferred to Government:		
Funds returned to Government	(18,267)	-
Total distributions to owners	(20,641)	-
Balance at end of period	(9,631)	10,963

Notes to the Financial Statements

9.9 Supplementary financial information

(a) Write-offs

During the financial year, \$24,709 (2017: \$2,100) was written off the Department's asset register under the authority of:

	2018 (\$000)	2017 (\$000)
The accountable authority	25	2
The Minister	-	-
Executive Council	-	-
	25	2

(b) Act of Grace payment

There was no act of grace payment during the financial year (2017: \$200,000).

	2018 (\$000)	2017 (\$000)
The Minister	-	200
	-	200

9.10 Explanatory statement (Controlled Operations)

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 are shown below. Narratives are provided for selected major variances, which are generally greater than:

- 5% and \$1.489 million for the Statements of Comprehensive Income and Cash Flows; and
- 5% and \$865,000 for the Statement of Financial Position.

Notes to the Financial Statements

9.10.1 Statement of Comprehensive Income variances

	Variance note	Estimate 2018	Actual 2018	Actual 2017	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
COST OF SERVICES						
Expenses						
Employee benefits expense	1,A	42,126	35,849	32,759	(6,277)	3,090
Supplies and services	2,B	21,293	13,398	318,188	(7,895)	(304,790)
Depreciation and amortisation expense		1,012	1,000	1,023	(12)	(23)
Accommodation expenses		5,274	4,491	4,598	(783)	(107)
Grants and subsidies	C	3,434	3,744	50	310	3,694
Loss on disposal of non-current assets		-	-	4	-	(4)
Other expenses		1,296	737	653	(559)	84
Total cost of services		74,435	59,219	357,275	(15,216)	(298,056)

Notes to the Financial Statements

	Variance note	Estimate 2018	Actual 2018	Actual 2017	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Income						
<i>Revenue</i>						
User charges and fees	D	-	-	306,796	-	(306,796)
Other revenue		494	267	107	(227)	160
Total revenue		494	267	306,903	(227)	(306,636)
Total income other than income from State Government		494	267	306,903	(227)	(306,636)
NET COST OF SERVICES		(73,941)	(58,952)	(50,372)	14,989	(8,580)
Income from State Government						
Service appropriation	3,E	65,318	55,857	52,306	(9,461)	3,551
Services received free of charge		8,837	7,451	8,082	(1,386)	(631)
Royalties for Regions Fund		130	130	127	-	3
Total income from State Government		74,285	63,438	60,515	(10,847)	2,923
SURPLUS/(DEFICIT) FOR THE PERIOD		344	4,486	10,143	4,142	(5,657)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		344	4,486	10,143	4,142	(5,657)

Notes to the Financial Statements

Major Estimate and Actual (2018) Variance Narratives

- (1) Variance is predominantly attributable to the repositioning of employee benefits expenditure from 2017-18 to the forward estimate years to reflect the timing of energy policy and reform programs, as well as savings associated with the Voluntary Targeted Separation Scheme.
- (2) Variance is mostly attributable to general underspends in supplies and services, and the repositioning of expenditure from 2017-18 to the forward estimate years, in line with the revised timing of deliverables for key work programs (including energy policy and reform programs, the Activity Based Costing Model project and the Target 120 project). The variance was also influenced by the realignment of expenditure from the recurrent budget in 2017-18 to the capital budget in the forward estimate years, to support the upgrade of Treasury's Strategic Information Management System (SIMS).
- (3) Service appropriations reduced in 2017-18 as a result of the repositioning of employee benefits, supplies and services expenditure from 2017-18 to the forward estimate years (as detailed in (1) and (2) above), as well as savings measures such as the reduction to the Senior Executive Service and the Government Office Accommodation Reform Program.

Major Actual (2018) and Comparative (2017) Variance Narratives

- (A) Variance is primarily attributable to a net increase in employee benefits expenses following the transfer in of the Public Utilities Office and Economic Reform and the transfer out of Strategic Projects, as part of the Machinery of Government changes that took effect on 1 July 2017.
- (B) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (C) Variance is mostly due to contributions made by the Public Utilities Office in 2017-18 (to Western Power, the Australian Energy Market Commission and the Council of Australian Governments Energy Council). Prior to the Machinery of Government changes that took effect on 1 July 2017, these contributions were made by the Department of Finance.
- (D) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (E) Variance is primarily attributable to a net increase in service appropriations following Machinery of Government changes that took effect on 1 July 2017.

Notes to the Financial Statements

9.10.2 Statement of Financial Position Variances

	Variance note	Estimate 2018	Actual 2018	Actual 2017	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
ASSETS						
Current assets						
Cash and cash equivalents	1,A	17,889	14,985	56,716	(2,904)	(41,731)
Receivables	2,B	8,686	698	9,368	(7,988)	(8,670)
Amounts receivable for services		-	800	-	800	800
Other current assets		-	19	-	19	19
Total current assets		26,575	16,502	66,084	(10,073)	(49,582)
Non-current assets						
Restricted cash and cash equivalents		228	231	115	3	116
Amounts receivable for services		12,196	11,164	11,174	(1,032)	(10)
Plant and equipment		24	24	33	-	(9)
Intangible assets	C	4,243	4,244	5,237	1	(993)
Total non-current assets		16,691	15,663	16,559	(1,028)	(896)
TOTAL ASSETS		43,266	32,165	82,643	(11,101)	(50,478)

Notes to the Financial Statements

	Variance note	Estimate 2018	Actual 2018	Actual 2017	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
LIABILITIES						
Current liabilities						
Payables	3,D	7,111	5,493	39,100	(1,618)	(33,607)
Employee related provisions	E	7,437	7,391	8,447	(46)	(1,056)
Total current liabilities		14,548	12,884	47,547	(1,664)	(34,663)
Non-current liabilities						
Employee related provisions	4	3,281	2,295	2,002	(986)	293
Total non-current liabilities		3,281	2,295	2,002	(986)	293
TOTAL LIABILITIES		17,829	15,179	49,549	(2,650)	(34,370)
NET ASSETS		25,437	16,986	33,094	(8,451)	(16,108)
EQUITY						
Contributed equity		54,511	(9,631)	10,963	(64,142)	(20,594)
Accumulated surplus		(29,074)	26,617	22,131	55,691	4,486
TOTAL EQUITY		25,437	16,986	33,094	(8,451)	(16,108)

Notes to the Financial Statements

Major Estimate and Actual (2018) Variance Narratives

- (1) Variance relates to lower than budgeted cash at the end of the financial year mainly due to the timing of payables.
- (2) Variance is mainly due to lower than budgeted GST receivables at year end. GST receivables will be recovered in July 2018.
- (3) Variance relates to lower than budgeted payables at the end of the financial year.
- (4) Variance is attributable to a reduction in the leave liability provision associated with the Voluntary Targeted Separation Scheme.

Major Actual (2018) and Comparative (2017) Variance Narratives

- (A) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (B) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (C) Variance represents the intangible assets amortisation for the 2017-18 financial year.
- (D) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (E) The reduction in 2017-18 is the net result of leave transferred as part of the Machinery of Government changes, leave associated with the Voluntary Targeted Severance Scheme and effective leave management efforts throughout the year.

Notes to the Financial Statements

9.10.3 Statement of Cash Flows Variances

	Variance note	Estimate 2018	Actual 2018	Actual 2017	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	1,A	64,306	54,845	51,293	(9,461)	3,552
Payments to Consolidated Account	2,B	(8,200)	(18,267)	-	(10,067)	(18,267)
Capital appropriation		10	10	-	-	10
Holding Account drawdown		-	222	-	222	222
Royalties for Regions Fund		130	130	127	-	3
Receipts from Treasurer's Advance		-	-	-	-	-
Payments to Treasurer's Advance		-	-	-	-	-
Net cash provided by State Government		56,246	36,940	51,420	(19,306)	(14,480)
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	3,C	(42,126)	(36,268)	(33,101)	5,858	(3,167)
Supplies and services	4,D	(12,363)	(5,673)	(310,435)	6,690	304,762
Accommodation		(5,274)	(4,576)	(4,644)	698	68
Grants and subsidies	5	(3,434)	(210)	(46)	3,224	(164)
GST payments on purchases	E	(343)	(1,044)	(48,128)	(701)	47,084
GST Payments to taxation authority	6	(3,653)	-	(148)	3,653	148
Other payments	7	(2,320)	(703)	(897)	1,617	194

Notes to the Financial Statements

	Variance note	Estimate 2018	Actual 2018	Actual 2017	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Receipts						
User charges and fees	F	-	-	277,970	-	(277,970)
GST receipts on sales	G	-	6	27,780	6	(27,774)
GST receipts from taxation authority	8,H	3,996	2,343	20,720	(1,653)	(18,377)
Other receipts		494	247	80	(247)	167
Net cash used in operating activities		(65,023)	(45,878)	(70,849)	(30)	(323,927)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of non-current assets		(10)	-	-	10	-
Net cash used in investing activities		(10)	-	-	10	-
Net increase/(decrease) in cash and cash equivalents	I	(8,787)	(8,938)	(19,429)	(151)	10,491
Cash balance transferred to the Department of Finance	9,J	-	(32,705)	-	(32,705)	(32,705)
Cash balance transferred from the Department of Finance		-	28	-	28	28
Cash and cash equivalents at the beginning of the period	10,K	26,904	56,831	76,260	29,927	(19,429)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		18,117	15,216	56,831	(2,901)	(41,615)

Notes to the Financial Statements

Major Estimate and Actual (2018) Variance Narratives

- (1) Service appropriations reduced in 2017-18 as a result of the repositioning of employee benefits, supplies and services payments from 2017-18 to the forward estimate years (as detailed in (3) and (4) below), as well as savings measures such as the reduction to the Senior Executive Service and the Government Office Accommodation Reform Program.
- (2) Variance resulted from the return of more than anticipated surplus cash to the Consolidated Account in 2017-18.
- (3) Variance is predominantly attributable to the repositioning of employee benefits payments from 2017-18 to the forward estimate years to reflect the timing of energy policy and reform programs, as well as savings associated with the Voluntary Targeted Separation Scheme.
- (4) Variance is mostly attributable to general underspends in supplies and services, and the repositioning of payments from 2017-18 to the forward estimate years, in line with the revised timing of deliverables for key work programs (including energy policy and reform programs, the Activity Based Costing Model project and the Target 120 project). The variance was also influenced by the realignment of payments from the recurrent budget in 2017-18 to the capital budget in the forward estimate years, to support the upgrade of Treasury's Strategic Information Management System (SIMS).
- (5) Variance is mostly due to a payment made to Western Power for the State Underground Power Program. Although the expenditure was recognised in 2017-18, a delay in processing the payment meant that the cash outflow did not occur until early July 2018.
- (6) Variance is predominantly attributable to lower than budgeted payments to the Australian Taxation Office.
- (7) Variance is predominantly attributable to lower than budgeted other payments.
- (8) Variance is mostly attributable to a delay in the timing of GST receipts.
- (9) Variance is attributable to the Machinery of Government changes that took effect on 1 July 2017 and the subsequent transfer of net assets to the Department of Finance.
- (10) Variance is mostly attributable to the Machinery of Government changes that took effect on 1 July 2017.

Notes to the Financial Statements

Major Actual (2018) and Comparative (2017) Variance Narratives

- (A) Variance is primarily attributable to a net increase in service appropriations following Machinery of Government changes that took effect on 1 July 2017.
- (B) Variance resulted from the return of current year and prior year surplus cash to the Consolidated Account in 2017-18.
- (C) Variance is primarily attributable to a net increase in employee benefits payments following Machinery of Government changes that took effect on 1 July 2017.
- (D) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (E) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (F) Variance is due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (G) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (H) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (I) Variance is predominantly due to the transfer of the Strategic Projects works program to the Department of Finance on 1 July 2017.
- (J) Variance is attributable to the Machinery of Government changes that took effect on 1 July 2017 and the subsequent transfer of net assets to the Department of Finance.
- (K) Variance is mostly attributable to the Machinery of Government changes that took effect on 1 July 2017.

10. Administered disclosures

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

	Notes
Disclosure of administered income and expenses by service	10.1
Explanatory statement for administered items	10.2
Explanatory statement for administered income and expenses	10.2.1
Administered assets and liabilities	10.3
Supplementary funding	10.4
Special purpose accounts	10.5
Special purpose accounts created during the year	10.5.1



Notes to the Financial Statements

10.1. Disclosure of administered income and expenses by service

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Total	
	2018	2017	2018	2017	2018	2017
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
INCOME FROM ADMINISTERED ITEMS						
Income						
Commonwealth grants	-	-	7,376,033	6,262,020	7,376,033	6,262,020
Government enterprises:						
Dividends	-	-	1,724,257	838,301	1,724,257	838,301
Income tax equivalent regime	-	-	657,127	521,500	657,127	521,500
Local Government rates equivalent	-	-	21,747	21,668	21,747	21,668
Consolidated Account revenue received from agencies	13,265,294	13,245,557	-	-	13,265,294	13,245,557
Gold State superannuation reimbursement	114,758	125,479	-	-	114,758	125,479
Interest	118,044	139,287	-	-	118,044	139,287
Loan guarantee fees	144,311	140,841	-	-	144,311	140,841
Pension recoups	13,040	13,767	-	-	13,040	13,767
Other revenue	44,200	28,269	-	-	44,200	28,269
Total administered income	13,699,647	13,693,200	9,779,164	7,643,489	23,478,811	21,336,689

Notes to the Financial Statements

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Total	
	2018	2017	2018	2017	2018	2017
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Expenses						
Superannuation	125,682	(300,038)	-	-	125,682	(300,038)
Interest	820,383	729,510	-	-	820,383	729,510
Appropriations for:						
Operating subsidies	1,537,961	1,740,805	-	-	1,537,961	1,740,805
Services	16,293,222	16,044,808	-	-	16,293,222	16,044,808
Salaries and allowances	104,064	110,340	-	-	104,064	110,340
Other appropriations	2,104,085	2,188,607	-	-	2,104,085	2,188,607
Commonwealth grants on-passed to agencies	2,166,741	2,063,975	-	-	2,166,741	2,063,975
Local Government financial assistance grants	168,774	261,901	-	-	168,774	261,901
Local Government road funding	113,416	163,171	-	-	113,416	163,171
Non-government schools	1,250,034	1,187,830	-	-	1,250,034	1,187,830
Royalties for Regions ^(a)	449,175	436,570	-	-	449,175	436,570
Other expenses	543	515	-	-	543	515
Total administered expenses	25,134,080	24,627,994	-	-	25,134,080	24,627,994

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

Notes to the Financial Statements

10.2. Explanatory statement for administered items

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 are shown below. Narratives are provided for selected major variances, which are generally greater than 5% and \$25 million.

	Variance note	Estimate 2018	Actual 2018	Actual 2017	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
INCOME FROM ADMINISTERED ITEMS						
Income						
Commonwealth grants	7,G	6,938,305	7,376,033	6,262,020	437,728	1,114,013
Government enterprises:						
Dividends	H	1,656,058	1,724,257	838,301	68,199	885,956
Income tax equivalent regime	8,I	556,568	657,127	521,500	100,559	135,627
Local government rates equivalent		20,659	21,747	21,668	1,088	79
Consolidated Account revenue received from agencies		13,376,549	13,265,294	13,245,557	(111,255)	19,737
Gold State superannuation reimbursement		112,773	114,758	125,479	1,985	(10,721)
Interest		131,669	118,044	139,287	(13,625)	(21,243)
Loan guarantee fees		147,004	144,311	140,841	(2,693)	3,470
Pension recoups		11,208	13,040	13,767	1,832	(727)
Other revenue	9	17,425	44,200	28,269	26,775	15,931
Total administered income		22,968,218	23,478,811	21,336,689	510,593	2,142,122

Notes to the Financial Statements

	Variance note	Estimate 2018	Actual 2018	Actual 2017	Variance between estimate and actual	Variance between actual results for 2018 and 2017
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Expenses						
Superannuation	1,A	489,662	125,682	(300,038)	(363,980)	425,720
Interest expense	B	834,710	820,383	729,510	(14,327)	90,873
Appropriations for:						
Operating subsidies	2,C	1,630,476	1,537,961	1,740,805	(92,515)	(202,844)
Services		16,567,638	16,293,222	16,044,808	(274,416)	248,414
Salaries and allowances		107,102	104,064	110,340	(3,038)	(6,276)
Other appropriations		2,149,335	2,104,085	2,188,607	(45,250)	(84,522)
Commonwealth grants on-passed to agencies	3	2,725,510	2,166,741	2,063,975	(558,769)	102,766
Local Government financial assistance grants	4,D	89,693	168,774	261,901	79,081	(93,127)
Local Government road funding	5,E	55,617	113,416	163,171	57,799	(49,755)
Non-government schools	F	1,250,918	1,250,034	1,187,830	(884)	62,204
Royalties for Regions	6	521,186	449,175	436,570	(72,011)	12,605
Other expenses		-	543	515	543	28
Total administered expenses		26,421,847	25,134,080	24,627,994	(1,287,767)	506,086

Notes to the Financial Statements

Major Estimate and Actual (2018) Variance Narratives

Expenses

1. Superannuation

The decrease largely reflects the combined impact on the whole-of-government superannuation liability of:

- a lower than expected discount rate of 2.6% in 2017-18, down 0.2 percentage points compared to the forecast at Budget time of 2.8%;
- changes in the actuary's short term salary growth assumptions used in assessing the future value of entitlements;
- higher market values of defined benefit plan assets (determined by the actuary); and
- lower than expected actuarial valuation of residual unfunded West State Super scheme liabilities.

2. Appropriations for: Operating Subsidies

The decrease largely reflects reductions in the following two agencies:

- Water Corporation (down \$59.9 million), due to the finalisation of the 2016-17 operating subsidy at a lower than forecast level (which is a part of the subsidy paid in 2017-18) the impact of reclassification of some infrastructure work from the country to the metropolitan program, and deferral of some planned subsidised works to beyond 2017-18; and
- Public Transport Authority (down \$26.4 million), primarily reflecting lower than expected debt servicing and RiskCover insurance costs.

3. Commonwealth Grants On-passed to Agencies¹

The decrease is due mainly to:

- lower grants for transport infrastructure (down \$273.3 million), largely due to the retiming of road project funding from 2017-18 to later years (reflecting updated project schedules for NorthLink WA, Great Northern Highway – Muchea to Wubin and projects funded under the Northern Australia Roads and Beef Roads programs);
- lower grants for disability services (down \$142.9 million), reflecting the impact of the NDIS Bilateral Agreement, finalised in December 2017 under which Western Australia will join the nationally-delivered NDIS; and
- lower remote housing grants (down \$130.3 million), due to delays in reaching agreement with the Commonwealth on timeframes for the delivery of remote housing milestones. Agreement was reached in late June 2018 and this funding is now expected to be received and on-passed in 2018-19.

4. Local Government Financial Assistance Grants

Commonwealth local government financial assistance grants are on-passed through the State.

The increase mainly reflects the Commonwealth Government's decision to bring forward part of the 2018-19 allocation to 2017-18 as part of its 2018-19 Budget (released on 8 May 2018).

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

Notes to the Financial Statements

5. Local Government Road Funding

Commonwealth local government road grants are on-passed through the State.

The increase mainly reflects the Commonwealth Government's decision to bring forward part of the 2018-19 allocation to 2017-18 as part of its 2018-19 Budget.

6. Royalties for Regions

The decrease in Royalties for Regions (RfR) expenses (that is, drawdowns from the RfR Fund for recurrent purposes) reflects the deferral of a \$50 million contribution to the Royalties for Regions Regional Reform Special Purpose Account and higher utilisation of RfR cash balances held by government agencies during the year to 30 June 2018.

Income

7. Commonwealth Grants

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

- higher transport infrastructure grants (up \$240 million), primarily reflecting the impact of an additional \$513.3 million grant for METRONET projects under development received in 2017-18, partly offset by lower grants for other projects (down \$273.3 million), mainly due to the retiming of road project funding from 2017-18 to later years (discussed earlier in note 3);
- an additional grant of \$188.9 million to support hospital infrastructure, announced in the 2018-19 Budget;
- higher North-West Shelf grants (up \$156.5 million), largely due to higher than forecast oil prices (\$US63.7 barrel relative to \$US51.6 barrel at the time of the Budget forecast) and to a lesser extent, a lower \$US/\$A exchange rate (US77.5 cents relative to a forecast US79.0 cents). Higher oil prices directly impact prices for condensate (a light oil extracted as a result of gas production) and flow through to higher Liquefied Natural Gas prices with a lag of around four months relative to the Brent oil benchmark; and
- lower remote housing grants (down \$130.3 million), reflecting delays in reaching agreement on the timeframes for the delivery of milestones (discussed earlier in note 3).

Notes to the Financial Statements

8. Government Enterprises: Income Tax Equivalent Regime

The increase mainly reflects the net impact of:

- Western Power (up \$81.1 million), due to a higher than forecast taxable income (as a result of lower operating expenditure, interest and depreciation) and lower tax deductions for depreciation and capitalised repairs and maintenance in 2017-18;
- Insurance Commission of Western Australia (up \$68.7 million), mainly reflecting realised taxable gains from the sale of Westralia Square and higher than expected investment returns in 2017-18; and
- Water Corporation (down \$46.7 million), mainly a result of lower than forecast customer revenue due to reduced levels of water consumption, lower operating subsidy revenue reflecting a reduction in the Corporation's cost of service in country regions, as a result of asset reclassifications and deferrals, and reduced developer contribution collections due to a decline in developer activity.

9. Other Revenue

The increase is largely due to the return of \$21.6 million of Royalties for Regions funds provided to recipients in previous years that were no longer required for their original purpose. These items were not included in the 2017-18 Budget estimates.

Major Actual (2018) and Comparative (2017) Variance Narratives

Expenses

A. Superannuation

The increase reflects the impact on the whole-of-government superannuation liability of:

- the impact in the 2016-17 outturn of a 0.6 percentage point increase (from 2.0% to 2.6%) in the discount rate used by the actuary to value unfunded superannuation entitlements (resulting in a significant decrease in the resulting expense in that year); and
- changes in concurrent and superannuation interest costs in 2017-18 due to higher rates of employee separation, as a result of the Voluntary Targeted Separation Scheme, and the rate of change in the profile of unfunded superannuation liability balances through the year.

B. Interest

The increase is primarily due to higher Consolidated Account borrowings (which increased by a net \$4.2 billion during 2017-18, in line with Budget expectations), partly offset by the impact of lower average interest rates (with an average 3.14% in 2016-17 declining to an average 3.02% in 2017-18).

Notes to the Financial Statements

C. Appropriations for: Operating Subsidies

The decrease is mainly attributable to material reductions across the following agencies:

- Synergy (down \$137.8 million), due to a reduction in the Tariff Adjustment Payment following increases to regulated electricity tariffs in 2017-18 (as part of the transition towards full cost reflectivity), partly offset by increases in energy related rebates and concessions; and
- Water Corporation (down \$55.3 million), mainly due to the finalisation of the 2016-17 operating subsidy outcome which reduced the 2017-18 subsidy payment, together with the reclassification and deferral of some infrastructure works discussed earlier (see note 2).

D. Local Government Financial Assistance Grants

The decrease mainly reflects changes in the timing of payments (including Commonwealth decisions to bring forward a portion of grants from 2017-18 to 2016-17 and also from 2018-19 to 2017-18).

E. Local Government Road Funding

The decrease mainly reflects changes in the timing of payments (including Commonwealth decisions to bring forward a portion of grants from 2017-18 to 2016-17 and also from 2018-19 to 2017-18).

F. Non-government Schools

The Commonwealth provides assistance for non-government schools (NGS) with grants that are on-passed through the State.

The increase reflects NGS student enrolments growth of 0.2% and the Commonwealth's cost indexation of 3.56% in 2018. The grants also include the impact of the Commonwealth's six-year transition to increase its funding to Western Australian NGS from an estimated 74% of the benchmark Schooling Resource Standard in 2017 to 80% by 2023.

Income

G. Commonwealth Grants

The increase largely reflects:

- higher transport infrastructure grants (up \$564.3 million), primarily due to an additional \$513.3 million grant for METRONET projects under development received in 2017-18;
- higher GST grants (up \$304.6 million), due to an increase in the national GST pool and Western Australia receiving a larger share of the national GST pool in 2017-18 (3.5%) compared to 2016-17 (3.3%); and
- an additional \$188.9 million hospital infrastructure package grant received in 2017-18.

Notes to the Financial Statements

H. Government Enterprises: Dividends

The increase largely reflects:

- Western Power (up \$317 million), Pilbara Ports Authority (up \$207.6 million) and Fremantle Port Authority (up \$52.6 million), primarily reflecting the Government's decision to defer the 2016-17 interim dividend to 2017-18 as part of the 2017-18 Budget;
- Synergy (up \$148 million), due to special dividends paid in 2017-18, including \$100 million to reflect a Government Trading Enterprise efficiency measure implemented in the 2017-18 Budget, and \$48 million to reflect the net proceeds from the sale of Synergy's share in the Mumbida Wind Farm. No dividends were received in relation to 2016-17 as Synergy reported a net loss of \$12.6 million in that year; and
- Water Corporation (up \$44.7 million), due largely to increased regulated revenue associated with the approved water tariff increases that occurred in 2017-18.

I. Government Enterprises: Income Tax Equivalent Regime

The increase is mainly due to:

- Western Power (up \$72.6 million), reflecting lower tax deductions for depreciation and capitalised repairs and maintenance, and no tax losses carried forward from previous years; and
- Insurance Commission of Western Australia (up \$61.3 million), largely due to realised taxable gains from the sale of Westralia Square and higher investment returns in 2017-18.

10.2.1 Explanatory statement for administered items

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 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

Notes to the Financial Statements

	2018 Estimate	2018 Actual	Variance	2018 Actual	2017 Actual	Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Administered Transactions						
Recurrent Administered						
Operating subsidy payments						
Item 52 Electricity Generation and Retail Corporation (Synergy)	249,004	243,091	(5,913)	243,091	380,911	(137,820)
Item 55 Regional Power Corporation (Horizon Power)	20,200	18,989	(1,211)	18,989	48,892	(29,903)
Item 57 Water Corporation of Western Australia	468,778	408,928	(59,850)	408,928	464,225	(55,297)
Grants, subsidies and transfer payments						
Item 63 Metropolitan Redevelopment Authority	37,288	45,009	7,721	45,009	13,195	31,814
Item 65 Provision for Voluntary Targeted Separation Scheme	300,000	-	(300,000)	-	-	-
Item 67 Royalties for Regions	491,841	473,409	(18,432)	473,409	419,019	54,390
National Disability Insurance Scheme - Perth Hills Trial Site	-	-	-	-	44,600	(44,600)
Authorised by Other Statutes						
<i>State Superannuation Act 2000</i>	649,733	616,224	(33,509)	616,224	569,399	46,825
<i>Loan Acts - Interest</i>	741,000	742,584	1,584	742,584	645,828	96,756

Notes to the Financial Statements

	2018 Estimate	2018 Actual	Variance	2018 Actual	2017 Actual	Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Administered Capital						
Government equity contributions						
Item 110 Department of Education	51,400	40,400	(11,000)	40,400	-	40,400
Item 113 Electricity Networks Corporation (Western Power)	182,684	168,583	(14,101)	168,583	51,628	116,955
Item 115 Pilbara Ports Authority	53,703	60,735	7,032	60,735	5,112	55,623
Item 116 Regional Power Corporation (Horizon Power)	32,918	32,918	-	32,918	1,638	31,280
Item 117 Royalties for Regions	403,512	357,589	(45,923)	357,589	329,259	28,330
Item 119 WA Health	55,616	2,631	(52,985)	2,631	11,279	(8,648)
Other						
Item 120 The New Perth Stadium Account	122,226	127,920	5,694	127,920	370,000	(242,080)
Authorised by Other Statutes						
<i>Loan Acts - Repayments of Borrowings</i>	229,654	97,722	(131,932)	97,722	88,599	9,123

Notes to the Financial Statements

Major Estimate and Actual (2018) Variance Narratives

Recurrent Administered

Operating subsidy payments

Item 57 – Water Corporation of Western Australia

The lower than expected outcome was due to the finalisation of the 2016-17 operating subsidy at a lower than forecast level (resulting in the 2017-18 subsidy being amended), the impact of reclassification of some infrastructure work from the country to metropolitan program, and deferral of some planned subsidised works to beyond 2017-18.

Grants, subsidies and transfer payments

Item 65 – Provision for Voluntary Targeted Separation Scheme

This item was established to fund the estimated cost of voluntary separation offers associated with the Voluntary Targeted Separations Scheme. The drawdowns to centrally-funded separations under the scheme were transferred to agency service appropriations (and totalled \$191.4 million to 30 June 2018). Transfers to agency appropriations are in accordance with section 25 of the *Financial Management Act 2006*.

Authorised by Other Statutes

State Superannuation Act 2000

The lower than expected outcome primarily reflects actual Gold State Superannuation benefit payments (down \$29.5 million on the Budget-time forecast). This outcome reflects numbers of retirements (which were boosted in previous years by successive rounds of separation schemes).

Administered Capital

Government equity contributions

Item 117 – Royalties for Regions

The decrease is largely due to the higher utilisation of previously unspent Royalties for Regions (RfR) cash balances held by government agencies (following project delays or lower than expected program costs in previous years), and higher than expected refunds of previous years' RfR funding (no longer required for its original purpose) in 2017-18. These outcomes impact the timing of balances held in the RfR Fund (which are capped by the underlying Act) and which in turn reduced the required appropriation draw downs to support the 2017-18 program.

Item 119 – WA Health

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

The lower than forecast outturn is largely due to project delays (\$45 million), including pending tender outcomes for the Replacement of Medical Imaging System (\$19.8 million) and deferral of the final decision on the Reconfiguring of the Western Australian Spinal Cord Injury Service (\$17.7 million). A further \$8 million of uncommitted funds was redirected to fund other higher priority capital infrastructure needs that are to be implemented from 2018-19.

Notes to the Financial Statements

Authorised by Other Statutes

Loans Acts – Repayment of Borrowings

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

The higher than forecast outcome reflects changes in the timing of receipts from windfall tax revenue from a large, one-off duty assessment which is currently subject to appeal by the taxpayer. This was partially offset by a higher than expected return of surplus funds from RiskCover (up \$37.5 million), which the Government has directed to the repayment of central borrowings.

Major Actual (2018) and Comparative (2017) Variance Narratives

Recurrent Administered

Operating subsidy payments

Item 52 – Electricity Generation and Retail Corporation (Synergy)

The decrease in annual subsidy payments was mainly due to a reduction in the Tariff Adjustment Payment following increases to regulated electricity tariffs in 2017-18 (as part of the transition towards full cost reflectivity). This was partly offset by the flow-on impact of tariff increases to energy-related rebates and concessions for eligible recipients.

Item 55 – Regional Power Corporation (Horizon Power)

The decrease mainly reflects a reduction in the Tariff Adjustment Payment, which covers the gap between regulated tariffs and the efficient costs of electricity supply in the South West Interconnected System, as electricity tariffs move closer to cost reflectivity.

Item 57 – Water Corporation of Western Australia

The decrease reflects the finalisation of the 2016-17 operating subsidy outcome which reduced the 2017-18 subsidy requirement, the impact of reclassification of some infrastructure work from the country to metropolitan program, and the deferral of some planned subsidised works to beyond 2017-18.

Notes to the Financial Statements

Grants, Subsidies and Transfer Payments

Item 63 – Metropolitan Redevelopment Authority

This item provides funding for specific redevelopment projects across the Perth metropolitan region, including those in Perth City, Scarborough Beach and Midland.

The increase in annual spending was mainly due to the Scarborough Beach Redevelopment (up \$30.7 million in 2017-18), following increased scheduled works in 2017-18, as the project nears completion.

Item 67 – Royalties for Regions

The increase is mainly due to an underspend in the 2016-17 RfR program, as a result of project delays in that year, together with the impact of a larger recurrent program in 2017-18. This was partially offset by higher utilisation of RfR cash balances held by government agencies following underspending in previous years.

National Disability Insurance Scheme – Perth Hills Trial Sites

Funding for National Disability Insurance Scheme (NDIS) trials ceased in 2016-17. Western Australia is transitioning to the Commonwealth-run NDIS starting from 1 July 2018, with the State's funding contributions now the responsibility of the Department of Communities.

Authorised by Other Statutes

State Superannuation Act 2000

The increase was mainly due to higher Gold State Super benefit payments (up \$56.7 million or 18%), largely resulting from the State's Voluntary Targeted Separation Scheme. This was partially offset by lower Pension Scheme payments (down \$9.6 million or 5%), reflecting a reduction in the number of pensioners as the scheme (which was closed in 1986) continues to gradually wind down.

Loan Acts - Interest

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

The increase in annual interest costs was primarily due to budgeted increases in central borrowings. This impact was partially offset by lower average interest rates through 2017-18 (declining from an average 3.14% in 2016-17 to an average 3.02% in 2017-18).

Notes to the Financial Statements

Administered Capital

Government equity contributions

Item 110 – Department of Education

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

The increase reflects \$20.4 million provisioned in 2017-18 for land procurement and construction works for North Butler Senior High School and construction works at Shenton College, and \$20 million carried over from 2016-17 to 2017-18 (which reduced the 2016-17 outcome to zero). To reflect timing changes in project cash flows, a further \$1.5 million has been carried over from 2017-18 to 2019-20 and 2021-22 for Margaret River Senior High School (\$500,000) and Balcatta Senior High school (\$1 million).

Item 113 – Electricity Networks Corporation (Western Power)

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

The increase mainly reflects the deferral of the 2016-17 interim equity contribution to 2017-18 to align with the deferral of the 2016-17 interim dividend to 2017-18 as part of the 2017-18 Budget.

Item 115 – 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 increase was mainly due to deferral of the 2016-17 interim equity contribution to 2017-18 to align with the deferral of the 2016-17 interim dividend to 2017-18 as part of the 2017-18 Budget.

Item 116 – Regional Power Corporation (Horizon Power)

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

The increase was largely due to the receipt of a \$31.8 million equity injection in 2017-18 to offset a tax equivalent liability incurred by the Corporation as a result of the receipt of external funds for the construction of the Onslow Power Station.

Item 117 – Royalties for Regions

The increase in spending in 2017-18 mainly reflects to an underspend in the 2016-17 RfR program (as a result of project delays) and the larger size of the capital program in 2017-18. This was partially offset by higher utilisation of RfR cash balances held by government agencies in 2017-18.

Other

Item 120 - 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, and the associated transport infrastructure). The stadium commenced operations in January 2018 and the Matagarup footbridge was opened mid July 2018.

The decrease in spending in 2017-18 reflects lower levels of scheduled works as the project neared completion.

Notes to the Financial Statements

10.3 Administered assets and liabilities

	2018 (\$000)	2017 (\$000)
Current Assets		
Cash and cash equivalent	6,043,439	4,618,478
Treasurer's Advances	45,437	9,658
Government enterprises:		
Dividends receivable	1,505	1,505
Tax equivalent receivable	187,851	69,465
Recoverable advances	9,715	9,462
Other receivables	142,992	127,826
Total administered current assets	6,430,939	4,836,394
Non-Current Assets		
Investments	3,102	3,645
Recoverable advances	8,231	15,032
Other receivables	7,815	7,615
Total administered non-current assets	19,148	26,292
TOTAL ADMINISTERED ASSETS	6,450,087	4,862,686

	2018 (\$000)	2017 (\$000)
Current Liabilities		
Superannuation	74,063	69,355
Interest payable ^(a)	177,057	154,870
Appropriations payable	260,607	250,001
Special purpose account liabilities ^(b)	5,293,397	4,874,109
Other payables	83,477	275,308
Total administered current liabilities	5,888,601	5,623,643
Non-Current Liabilities		
Borrowings	26,402,775	22,250,497
Superannuation	6,428,648	6,948,607
Appropriations payable	11,701,490	10,632,211
Other payables	26,608	20,806
Total administered non-current liabilities	44,559,521	39,852,121
TOTAL ADMINISTERED LIABILITIES	50,448,122	45,475,764

^(a) Interest Payable for the year ended 30 June 2017 has been restated to exclude interest earned for the Treasurer's Special Purpose Accounts.

^(b) Agency Special Purpose Accounts balances for the year ended 30 June 2017 have been restated to exclude some of the Treasurer's Special Purpose Accounts.

Notes to the Financial Statements

10.4. Supplementary funding

Supplementary funding approved and expended during 2017-18 was as follows:

	2018 Amount Approved	2018 Amount Expended
	(\$000)	(\$000)
Item 50 Bunbury Water Corporation	37	37
	37	37

Approval was granted for \$37,000 of additional operating subsidy payments to Bunbury Water Corporation to meet higher than expected customer rebates incurred in 2016-17, which were not known until final accounts for that financial year were available. This funding was fully drawn in 2017-18.

Item 52 Electricity Generation and Retail Corporation (Synergy)	2,188	-
	2,188	-

An increase in Synergy's operating subsidy of \$2.188 million, for electricity rebates and concessions Synergy provides on behalf of the State Government, was approved in 2017-18. This reflects higher than expected eligible recipient numbers, partly offset by a decrease in Synergy's Tariff Adjustment Payment operating subsidy as the 2016-17 final outcome was lower than forecast (due to lower than anticipated demand for energy from residential and small business customers). The funds were not drawn in 2017-18 due to the timing of actual receipts and payments funded by the operating subsidy.

	2018 Amount Approved	2018 Amount Expended
	(\$000)	(\$000)
Item 58 Western Australian Land Authority	7,510	2,210
	7,510	2,210

Additional funding of \$7.51 million was approved for the Authority, following the 2017-18 Mid year Review decision to bring forward funding for the Hope Valley Wattleup project from 2018-19 into 2017-18 for resolution of the most critical hardship cases in the Latitude 32 precinct. Of this total, only \$2.210 million was drawn in 2017-18 due to the availability of unspent funds following lower than expected payments for the Australian Marine Complex Common User Valve Replacement project (reflecting delays with performance milestones).

Notes to the Financial Statements

	2018 Amount Approved	2018 Amount Expended
	(\$000)	(\$000)
Item 59 Bell Group Administration Wind-up and Associated Costs	1,570	-
	1,570	-

An additional \$1.57 million was approved to fund outstanding litigation costs associated with the Bell Group High Court of Australia proceedings, examination summons proceedings and the Western Australian Bell Companies Administrator's legal costs in 2017-18. These funds were not drawn due to delays in the finalisation of outstanding legal costs between the various parties related to the High Court proceedings.

Item 63 Metropolitan Redevelopment Authority	10,981	7,721
	10,981	7,721

Additional funding of \$10.981 million was approved in 2017-18 to meet higher than expected costs associated with the Scarborough Beach Redevelopment Area (\$10.843 million) and the opening of Yagan Square (\$500,000), partially offset by the reflow of Subiaco East Redevelopment Area costs from 2017-18 to 2018-19 (\$250,000) and reduced Scarborough Relief Package costs (\$112,000). Of the total approved funding, only \$7.721 million was drawn in 2017-18, reflecting the transfer of responsibility and budget for the development works at the Kitchener Park site to the Department of Education (\$2.6 million) and delays with commencing the Subiaco East project (\$0.5 million).

	2018 Amount Approved	2018 Amount Expended
	(\$000)	(\$000)
Item 69 State Property-Emergency Services Levy	1,539	1,539
	1,539	1,539

This item is to meet the State's Emergency Services Levy obligations in respect of State government properties. An additional \$1.539 million was approved and fully drawn in 2017-18 to meet higher than forecast payments, reflecting higher than anticipated property valuations (as determined by Landgate).

Item 109 Animal Resources Authority	550	-
	550	-

A \$550,000 equity injection to meet the Authority's operating commitments was approved as part of the 2017-18 Mid-year Review. The additional funds were not drawn, with the Authority using available funds following tender delays for its autoclave replacement project.

Notes to the Financial Statements

	2018 Amount Approved	2018 Amount Expended
	(\$000)	(\$000)
Item 115 Pilbara Ports Authority	7,032	7,032
	7,032	7,032

An equity injection is made to the Pilbara Ports Authority (PPA) for the return to the port of dividends associated with revenue collected under the Port Improvement Rate (PIR) at the Port Hedland facility. Supplementary funding of \$7.032 million was approved to return additional dividends to the Authority that resulted from the Government's 2017-18 Mid-year Review decision to increase the PPA's dividend payout ratio from 75% to 85% of net profit after tax for 2017-18 onwards. These funds were fully drawn by 30 June 2018.

Item 120 Perth Stadium	5,694	5,694
	5,694	5,694

Additional capital funding of \$5.694 million was approved and fully drawn in 2017-18 for the Optus Stadium Transport Infrastructure Project, to meet a range of unavoidable costs including upgrading Goongoongup Bridge balustrades, the cost of additional facilities to layover and turn buses, further costs associated with the Nelson Avenue Special Event Bus Stands, installing hostile vehicle bollards and upgrading pathways between Optus Stadium and Crown Perth.

	2018 Amount Approved	2018 Amount Expended
	(\$000)	(\$000)
Forest Products Commission (Recurrent)	833	833
	833	833

An operating subsidy payment of \$833,000 was approved in 2017-18 to compensate the Commission for additional haulage and thinning costs associated with harvesting from alternative sites, following the reduction of harvesting in the Gnangara, Pinjar and Yanchep pine plantations to minimise impacts on the Carnaby's cockatoo. All of the approved funds were drawn by 30 June 2018.

Forest Products Commission (Capital)	1,300	1,300
	1,300	1,300

An equity injection of \$1.3 million was approved and fully drawn in 2017-18 to acquire replacement land for the McLarty Plantation, which was destroyed in the Waroona bushfire in January 2016 and repurposed to sand mining and agriculture projects.

Notes to the Financial Statements

	2018 Amount Approved	2018 Amount Expended
	(\$000)	(\$000)
Kimberley Ports Authority (Capital)	375	375
	375	375

An equity injection of \$375,000 was approved and fully drawn by the Authority in 2017-18, to fund 50% of the construction of a gangway for cruise liners in Broome as part of the Tourism Demand-Driver Infrastructure Agreement with the Commonwealth.

WA Land Authority	192	192
	192	192

An equity injection of \$192,000 was approved in 2017-18 to progress project approvals in relation to the development of the Ocean Reef Marina. All of the funds were drawn by 30 June 2018.

Note 10.5. Special purpose accounts

	2018 (\$000)	2017 (\$000)
Special Purpose Account Section 10 of the Financial Management Act 2006		
<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	44,627	-
Receipts	41,630	44,627
Payments	-	-
Balance at the end of the period	86,257	44,627
<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	3,645	4,160
Receipts	1,391	1,365
Payments	(1,934)	(1,880)
Balance at the end of the period	3,102	3,645

Notes to the Financial Statements

	2018 (\$000)	2017 (\$000)
<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	254,360	43,231
Receipts	2,871,596	2,064,679
Payments	(3,067,040)	(1,853,550)
Balance at the end of the period	58,916	254,360
<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	20,049	21,809
Receipts	65,286	66,478
Payments	(63,748)	(68,238)
Balance at the end of the period	21,587	20,049

	2018 (\$000)	2017 (\$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	20,455	20,035
Receipts	18,166	420
Payments	-	-
Balance at the end of the period	38,621	20,455
<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	16,690	15,913
Payments	(16,690)	(15,913)
Balance at the end of the period	-	-

Notes to the Financial Statements

	2018 (\$000)	2017 (\$000)
<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	1,228,805	1,164,938
Payments	(1,228,805)	(1,164,938)
Balance at the end of the period	-	-
<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	10,502	10,286
Receipts	204	216
Payments	-	-
Balance at the end of the period	10,706	10,502

	2018 (\$000)	2017 (\$000)
<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	282,190	425,072
Payments	(282,190)	(425,072)
Balance at the end of the period	-	-
<i>Mortgage Monies 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	88	86
Receipts	2	2
Payments	-	-
Balance at the end of the period	90	88

Notes to the Financial Statements

	2018 (\$000)	2017 (\$000)
<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	39,714	122,125
Receipts	-	-
Payments	(27,000)	(82,411)
Balance at the end of the period	12,714	39,714
<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	4,539	6,979
Payments	(4,539)	(6,979)
Balance at the end of the period	-	-

	2018 (\$000)	2017 (\$000)
<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	5,531	5,417
Receipts	108	114
Payments	-	-
Balance at the end of the period	5,639	5,531
<i>Perth's New Major Stadium Construction Account</i>		
The purpose of the special purpose account is to hold monies for the construction of the New Major Stadium.		
Balance at the start of the period	95,602	36,397
Receipts	127,920	370,000
Payments	(210,214)	(310,795)
Balance at the end of the period	13,308	95,602

Notes to the Financial Statements

	2018 (\$000)	2017 (\$000)
<i>Public Bank Account Interest Earned Account^(a)</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	33,546	23,011
Receipts	129,576	150,344
Payments	(122,353)	(139,809)
Balance at the end of the period	40,769	33,546
<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	1,000,000	869,779
Receipts	871,242	809,071
Payments	(871,242)	(678,850)
Balance at the end of the period	1,000,000	1,000,000

^(a) The balances for the year ended 30 June 2017 were restated to exclude interest earned for the Western Australian Future Fund.

	2018 (\$000)	2017 (\$000)
<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	521	4,914
Receipts	805	7
Payments	(400)	(4,400)
Balance at the end of the period	926	521
<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	167,000	150,000
Payments	(167,000)	(150,000)
Balance at the end of the period	-	-

Notes to the Financial Statements

	2018 (\$000)	2017 (\$000)
<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	1,125,583	1,043,836
Receipts	89,767	81,747
Payments	-	-
Balance at the end of the period	1,215,350	1,125,583
<i>Debt Repayment Account</i>		
The purpose of the special purpose account is to apply approved appropriation funds to the repayment of Western Australian State borrowings (as borrowed by the Treasurer under various Loan Acts from the Western Australian Treasury Corporation or elsewhere, as applicable).		
Balance at the start of the period	-	-
Receipts	97,722	-
Payments	(97,722)	-
Balance at the end of the period	-	-

Note 10.5.1 Special purpose accounts created during the year

The Debt Repayment Account was established and maintained during the year as a Treasurer's Special Purpose Account (SPA) pursuant to section 10(a) of the *Financial Management Act 2006* by the Department of Treasury.

The SPA was created to apply approved appropriation funds to the repayment of Western Australian State borrowings (as borrowed by the Treasurer under various Loan Acts from the Western Australian Treasury Corporation or elsewhere, as applicable).

Key Performance Indicators

Certification of Key Performance Indicators

For the year ended 30 June 2018

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 2018.



Pauline Burton
CHIEF FINANCIAL OFFICER
12 September 2018



Michael Barnes
UNDER TREASURER
12 September 2018

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

2. A strong and competitive State economy

Service 2: Economic and revenue forecasts and policy development

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

Service 3: Evaluation and planning of government service delivery and infrastructure provision

4. A sustainable, efficient, secure and affordable energy sector

Service 4: Development and implementation of energy policy

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

Government goal: Responsible financial management and better service delivery

Outcome 1: Sustainable and transparent public sector finances

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

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

Key indicators of effectiveness	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Notes
Status of the State's credit rating ^(a)	Aa1 ^(b)	Aa2 ^(b)	Aa2 ^(b)	Aa2 ^(b)	Aa2 ^(b)	1
	AA+ ^(c)					
Unqualified audit opinion on the Annual Report on State Finances	Yes	Yes	Yes	Yes	Yes	2

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

(b) Moody's.

(c) S&P Global.

Notes:

- Moody's reaffirmed Western Australia's Aa2 (with a 'stable' outlook) credit rating assessment on 3 November 2017. S&P Global reaffirmed the State's AA+ ('negative' outlook) on 31 October 2017. These credit rating assessments (which are both one notch below the highest triple-A rating) are still high by international standards. Western Australia's economy is starting to show signs of improvement, with the State's revenue collections beginning to recover from recent contractions. Stabilising revenue, together with continuing tight expense growth across the general government sector, is helping to put the State's finances back on track to achieving an operating surplus which will in turn reduce pressure on the State's net debt position, which has been a key factor in Western Australia's credit rating assessments.
- The 2016-17 Annual Report on State Finances was released on 22 September 2017, before the 90 day statutory reporting deadline for the report. The Annual Report received an unqualified audit opinion from the Auditor General.

Key Effectiveness Indicators

Outcome 2: A strong and competitive State economy

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

Key indicators of effectiveness	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Notes
Accuracy of key general government revenue forecasts:						
- tax revenue ^{(a) (b) (c)}	-6.0%	-6.7%	-3.6%	+/-5.0%	0.1%	1
- mining revenue ^{(d) (e)}	-24.0%	7.6%	36.1%	+/-5.0%	4.1%	2
Accuracy of key economic forecasts (percentage point difference):						
- employment growth ^(f)	-0.5	-2.2	-1.2	+/-0.5	0.8	3
- real State Final Demand (SFD) growth ^(g)	-2.2	-3.5	-3.5	+/-2.0	1.7	4

(a) The actual used to calculate the KPI for 2017-18 is the 2017-18 estimated actual as at 31 August 2018.

(b) For consistency with the scope of relevant Budget taxation forecasts, the actual outcome for 2014-15 has 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 Building and Construction Industry Training Fund Levy is a compulsory levy and has been reclassified as taxation revenue, on advice from the Australian Bureau of Statistics. This revenue was previously classified as sales of goods and services. The amount for the 2017-18 Budget estimate has been rebased for comparative purposes.

(d) The actual used to calculate the KPI for 2017-18 is the 2017-18 estimated actual as at 31 August 2018. The final figure is likely to change following the receipt of June quarter royalty accruals data. Revisions to the 2016-17 figure reported in the 2016-17 Annual Report (from 36.2% to 36.1%) reflects the difference between the 2016-17 estimated actual in July 2017 and the final audited outcome.

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

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

(g) The actual used to calculate the KPI for 2017-18 is the 2017-18 estimated actual based on the annual average growth to March quarter 2018. Any changes to actual figures from previous reporting are due to the revision of the historical series from the ABS.

Key Effectiveness Indicators

Notes:

1. Accuracy of taxation revenue forecasts was within target in 2017-18.
2. Accuracy of mining revenue forecasts was within target in 2017-18.
3. Employment growth was stronger than expected in 2017-18, coinciding with a stronger than anticipated recovery in full-time employment, particularly during the first half of the year.
4. Accuracy of real SFD growth forecasts was within target in 2017-18.



Key Effectiveness Indicators

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	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Notes
Percentage of the Department's material resource allocation recommendations complying with the Service Provision Analysis Framework	100%	100%	100%	100%	100%	1
Percentage of highest value agencies ^(a) complying with the Strategic Asset Management Framework or equivalent accredited mechanism	47%	85%	8%	100%	5%	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.

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 2017-18.
2. The requirement to provide Minister-endorsed Strategic Asset Plans (SAPs) to Treasury has proved challenging to meet for agencies subject to Machinery of Government changes. As at 30 June 2018, draft or Ministerially endorsed SAPs were provided to Treasury by 81% of agencies that are subject to this Key Performance Indicator.

Key Effectiveness Indicators

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

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

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

Key indicators of effectiveness	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Notes
The extent to which policy and program development objectives for the year are achieved ^(a) ^(b)	95%	92%	83%	100%	77%	1

(a) The Department of Treasury commenced reporting this indicator in 2017-18, following the transfer of the Public Utilities Office from the Department of Finance on 1 July 2017. The 2014-15, 2015-16 and 2016-17 actual results have been derived from the Department of Finance 2016-17 Annual Report.

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

Notes:

1. The percentage completed has been impacted by a significant change in Government priorities including the announcement of the Wholesale Electricity Market reform program.

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.

Government goal: Responsible financial management and better service delivery

Service 1: Financial management and reporting

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

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

Key indicators of efficiency	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 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 2017-18 and all were released in line with the statutory deadlines: the 2016-17 Annual Report on State Finances; the September 2017, December 2017 and March 2018 Quarterly Financial Results Reports; and the 2017-18 Government Mid-year Financial Projections Statement. Compliance with statutory reporting requirements is expected to continue throughout 2018-19.

Key Efficiency Indicators

Service 2: Economic and revenue forecasts and policy development

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

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

Key indicators of efficiency	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Notes
Number of Ministerials, briefings or reports provided on economic issues	315	597	314	350	297	1
Percentage of Regulatory Impact Statements assessed within agreed timeframes ^(a) ^(b)	100%	100%	95.8%	90%	100%	2

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

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

Notes:

1. A number of issues that would previously have attracted multiple Ministerials, briefings or reports have been combined into one item of correspondence, resulting in a lower number of Ministerials, briefings or reports provided on economic issues for the 2017-18 Actual when compared to the 2017-18 Target.
2. An ongoing focus on customer service has enable 100% achievement of this indicator in 2017-18.

Key Efficiency Indicators

Service 3: Evaluation and planning of government service delivery and infrastructure provision

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

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

Key indicators of efficiency	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Notes
Number of Expenditure Review Committee papers on service delivery and infrastructure advice	102	67	65	100	54	1

Notes:

1. The number of papers submitted to the Expenditure Review Committee (ERC) is closely related to the number of ERC submissions that Treasury receives from agencies. The lower than targeted result in 2017-18 reflects the consolidation of several agencies on 1 July 2017 (as a result of Machinery of Government changes) and an associated reduction in the number of ERC submissions received from agencies.

Key Efficiency Indicators

Service 4: Development and implementation of energy policy

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

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

Key indicators of efficiency	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Notes
Average cost of policy/project development ^(a) ^(b)	n/a	\$27,675	\$20,831	\$33,043	\$21,100	1

(a) The Department of Treasury commenced reporting this indicator in 2017-18, following the transfer of the Public Utilities Office from the Department of Finance on 1 July 2017. The 2015-16 and 2016-17 actual results have been derived from the Department of Finance 2016-17 Annual Report. No result for 2014-15 is shown as the indicator was introduced for the 2016-17 financial year, with a 2015-16 result calculated for comparative purposes.

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

Notes:

1. A high number of projects were in the early stages of development which reduced the initial cost across the Public Utilities Office work program, driving down the average cost of project activities for the 2017-18 Actual.

Statutory Disclosures

Ministerial Directions

No Ministerial directives were received during the 2017-18 financial year.

Other Financial Disclosures

(a) Employment and Industrial Relations

Treasury Staff Profile ⁽¹⁾	June 2018	June 2017
Permanent full-time	192	171
Contract full-time	39	56
Part-time permanent and contract	41	45
Total	272	272
Seconded in	8	9
Seconded out	10	16

⁽¹⁾ Staff profile is calculated by Headcount.

(b) Staff Development

Treasury is committed to the ongoing development of staff. During 2017-18, our employees received over 2,100 hours training, with approximately 10% online. Seminars and conferences were part of our training and development to ensure learning and breadth of knowledge with current and upcoming issues both within the sector and across the State.

(c) Workers Compensation

During 2017-18 there were no Worker's Compensation claims lodged and there are no employees on return to work plans.

Governance Disclosures

(a) Contracts with senior officers

At the date of reporting, no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the agency other than normal contracts of employment of service.

(b) Unauthorised Use of Credit Cards

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

	2018 \$
Aggregate amount of personal use expenditure for the reporting period	281
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	281
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	-
Aggregate amount of personal use expenditure outstanding at balance date	-

Advertising

In accordance with section 175ZE of the Electoral Act 1907, the Department incurred the following expenditure for advertising, market research, polling, direct mail and media advertising. Total expenditure for 2017-18 was \$20,989.

	\$
Advertising agencies	
Adcorp Australia	20,379
Linkedin	609
Market research organisations	-
Polling organisations	-
Direct mail organisations	-
Media advertising organisations	-
Total Expenditure	20,989

Contact Us

A full copy of this document, and previous years' Annual Reports, are available from our website at www.treasury.wa.gov.au.

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

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