



Department of Treasury

Annual Report 2012-13



Achieving value for money outcomes for the people of Western Australia

Statement of compliance For year ended 30 June 2013

HON. T R BUSWELL BEc MLA

TREASURER; MINISTER FOR TRANSPORT; FISHERIES

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 2013.

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



Timothy Marney
UNDER TREASURER

11 September 2013

About this report

Our annual report is divided into seven main areas and is designed to provide useful, easy to read information about the function, structure and performance of the Department of Treasury for the financial year ending 30 June 2013.

The report also presents our audited financial statements and performance indicators for the reporting year 1 July 2012 to 30 June 2013.

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

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

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Message from the Under Treasurer

Over the past 12 months, we continued to play a key role in managing relations with the Commonwealth Government, with particular focus on GST distribution and the development of a National Disability Insurance Scheme.

Treasury also made a number of significant enhancements to its approach to forecasting the exchange rate and iron ore prices. The changes make better use of market information, such as forward contracts, and better reflect market pricing.

A major focus for the Department has been strengthening our cost and demand modelling of major areas of public service delivery. This has led to significant improvements in our analysis and advice to the Government.

This has included working with relevant agencies to develop and refine models to predict: demand for child protection services; the number of adult prisoners in Western Australia; and the level of health services under the Activity Based Funding framework.

In addition, we have developed a long-term model of Western Australia's economy and the State's finances. This generates projections of key budget aggregates over a 10 year period, and is designed to assess the impact of demographic change and other non-demographic cost drivers on Western Australia's budget.

This long-term perspective led to the development of a \$6.8 billion [Fiscal Action Plan](#). The plan addresses the structural imbalances that have emerged in the State's finances in recent years. It seeks to return the State's finances to a sustainable basis over the medium to long-term and we will continue to work with the Government and agencies to implement these reforms.

Some of our other key achievements over 2012-13 are:

- the passage of the [Western Australian Future Fund Act 2012](#) to redistribute a portion of the State's finite mineral resources and royalty revenues to future generations;
- the delivery of the [Eastern Goldfields Regional Prison Project](#) through a Public-Private Partnership;
- the [Queen Elizabeth II Medical Centre \(QEIMC\) Central Energy Plant project](#) – on time and on budget – a critical enabler for the redevelopment of QEIMC; and
- the launch of our new [Development and Performance Framework](#) in July 2012 (recognised by the Public Sector Commission as best practice in their [2012 State of the Sector report](#)).

Despite changing conditions, we realised our vision of achieving value for money outcomes for the people of Western Australia through our inspired people, expert analysis and independent advice.



“I AM PROUD TO LEAD THE PEOPLE AT TREASURY, AND FEEL FORTUNATE TO BE SUPPORTED BY A TEAM THAT HAVE SUCH DEPTH OF KNOWLEDGE, SKILLS AND EXPERIENCE”

I am proud to lead the people of Treasury, and feel fortunate to be supported by a team that have such depth of knowledge, skills and experience. Our capability continues to grow and diversify each year as we welcome graduates, cadets and trainees to our staff.

The investment that we continue to make in our employee’s development, as demonstrated in our Development and Performance case study, will undoubtedly place the Department well in future years and I will continue to champion this for the benefit of Treasury and its people.

I would like to take this opportunity to acknowledge valued members of our team who we have farewelled during the course of the year and have made a significant contribution to the Department.

Firstly, Mark Altus, Director of Revenue and Intergovernmental Relations, retired this year after 30 years of dedicated service. Mark is highly regarded across Australia in his role in Commonwealth-State relations.

His commitment to Treasury over the years has been exemplary, this was evident right up to the moment he left the organisation; where he participated in a succession planning project to transfer his vast knowledge to his team, ensuring that Treasury can successfully continue its work in the highly complex field of Intergovernmental Relations and Revenue Policy.

We also farewelled the Economic Reform Division, that moved to Department of Finance on 1 July 2013 as a result of machinery of government changes. Since its establishment, the Division’s Regulatory Gatekeeping team worked diligently to successfully implement a new program of Regulatory Impact Assessment in Western Australia that has been acclaimed by the Productivity Commission as one of the best in the nation.

Furthermore, the Division’s Regulatory Reform team has undertaken the coordination and management of COAG reforms. I wish them

every success in their future role and look forward to working in close partnership with them in the Department of Finance.

Looking forward, the State’s changing economic circumstances will continue to directly impact the way in which we operate both internally and in the advice provided to the State Government and our stakeholders.

To manage through this period of transition we aim to lead by example, fostering innovation and delivering our strategic priorities within the current budgetary constraints, in order to continue to deliver high quality advice and services for the benefit of the State.

Timothy Marney
UNDER TREASURER

About us

The Department of Treasury (Treasury) was established on 1 July 2011. We serve the public interest by providing the State Government with independent economic and financial advice, and expert asset management.

Treasury was formed from the Treasury and Strategic Projects business units of the former Department of Treasury and Finance.

Our work

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

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

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

Treasury also manages non-residential building projects of major significance to Western Australia.

We pursue quality outcomes and value for money on these high-cost infrastructure projects, including the new [Perth Stadium](#), [Fiona Stanley Hospital](#) and the [Eastern Goldfields Regional Prison](#).

Our vision, mission, values and goals

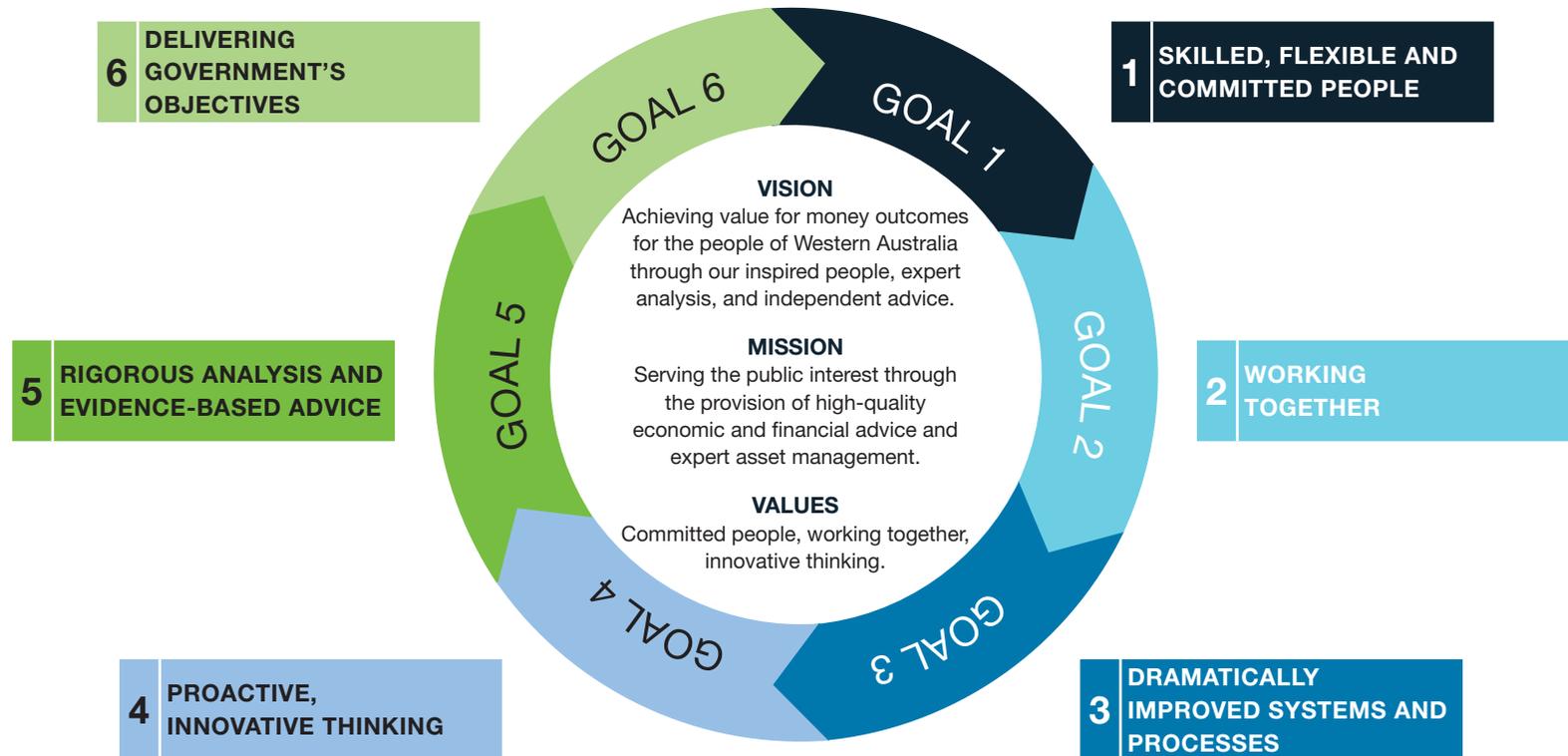
We have firmly established our Strategic Plan which will guide us through to 2015.

Six strategic goals form the basis of our plan, built around our vision, mission and values, as detailed in the following diagram.

To ensure that we remain on track the business completes regular internal strategic plan ‘pulse check’ surveys. The results are used by our Executive group to refocus priorities to meet our goals. This process achieves strong outcomes, through monitoring our performance and defining our priorities, and informing our annual business unit operational planning process and individuals’ Development and Performance plans. Employees are then able to contribute on a daily basis to realising our long-term plan by understanding the linkages to day-to-day activities.

Core to achieving this are the fundamental values that we seek, encourage and develop in Treasury: **committed people, working together and innovative thinking.**

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



Our operational structure

Treasury consists of four business units and two directorates that provide support across the business.

Business units

Economic advises and assists Government with the stewardship of the State's economy and finances, providing advice and analysis on:

- State revenues
- Commonwealth-State relations
- economic and structural reform
- whole-of-government financial management and reporting
- economic and revenue forecasts.

Infrastructure and Finance provides quality advice, systems and operations to support the State's financial management and infrastructure development including Public-Private Partnerships.

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 Health, Education and Police.

Strategic Projects is responsible for the planning and delivery of major projects that are of significant importance to the State.

Projects are assigned to Strategic Projects on the basis of cost, uniqueness, complexity and risk, as directed by the Economic and Expenditure Reform Committee.

Working in accordance with the Western Australian Strategic Asset Management framework, Strategic Projects collaborates with client agencies and focuses on robust project planning and on-target project execution, to ensure successful project outcomes.

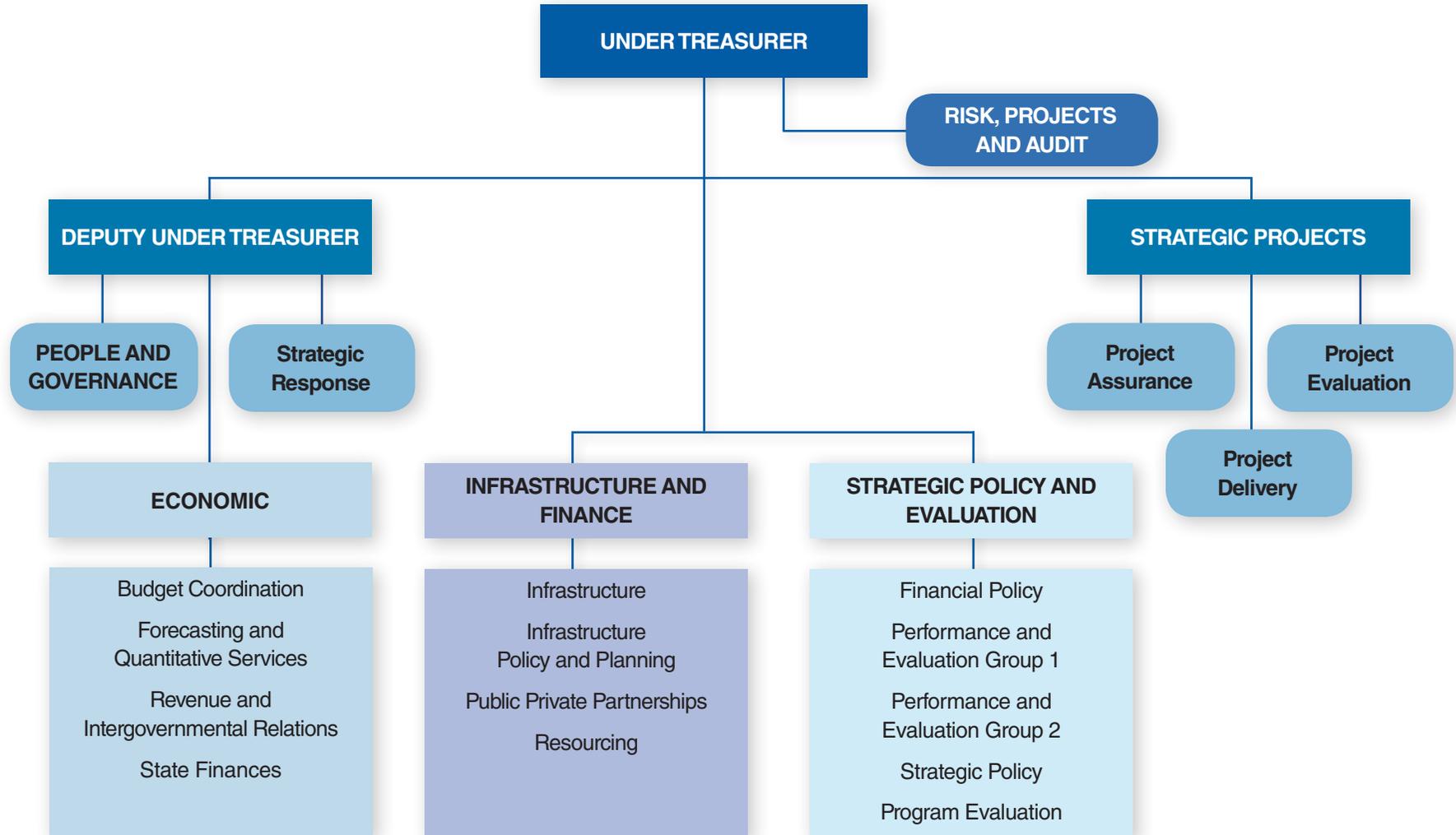
Directorates

People and Governance provides support to our people and the business through the following services:

- organisational development
- learning and development
- workforce strategies
- human resources
- communications
- project and financial management
- strategic information and communication technology
- administration network management.

Risk, Projects and Audit provides advice and guidance to Treasury on best practise to ensure that Treasury complies with the appropriate legislative requirements including Treasurer's Instructions, Premier's Circulars and the *Financial Management Act 2006*.

Our organisational structure



Our executive team



Timothy Marney BEd (Hons) Under Treasurer

Timothy has been Under Treasurer for the State of Western Australia since June 2005 (after a period of acting commencing June 2004). Before this, he held a number of senior positions across the Department of Treasury and Finance. He currently chairs Treasury's [Finance, Risk and Audit](#) and [Budget Management](#) Committees.

Timothy joined Treasury in 1993 after starting his career as a graduate with the Reserve Bank of Australia.

Timothy is the Chair of the [Western Australian Treasury Corporation](#) Board. He is also Deputy Chair of [BeyondBlue](#): the national depression and anxiety initiative.



Michael Barnes BBus (Hons) Deputy Under Treasurer

Michael has been Deputy Under Treasurer since 2008. He assists the Under Treasurer in leading and managing the Treasury business, with a primary focus on whole-of-government budget management and fiscal strategy and other priority strategic issues.

He also chairs Treasury's [People and Communications](#) Committee.

Michael joined Treasury in 1997 after starting his career as a graduate in the Commonwealth Treasury in 1992. He has recently been appointed as Deputy Chair on the [Western Australian Treasury Corporation Board](#).



Michael Court BEd (Hons)
**Executive Director,
Economic**

Michael has been Executive Director of Economic since September 2008 and is responsible for managing advice on economic and revenue forecasts, financial arrangements with the Commonwealth, and the statutory reporting on State finances.

He is Western Australia’s representative on the [Australian Statistics Advisory Council](#).

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



Richard Mann BEng
**Executive Director,
Strategic Projects**

Richard was appointed Executive Director of Strategic Projects in February 2008.

He is responsible for managing the planning and delivery of major projects that are considered to be of significant importance to the State.

Richard is a civil engineer with more than 20 years’ experience managing building and infrastructure projects throughout Western Australia. He is a board member of the [Sustainable Built Environment National Research Centre](#).



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

Alistair joined Treasury in 2008 and was appointed Acting Executive Director of Strategic Policy and Evaluation in June 2012.

He is responsible for managing the provision of advice on the efficiency and effectiveness of service

delivery in key State Government agencies.

Alistair has worked in a variety of roles in the Western Australian public service focussing mainly on Commonwealth-State relations, regulatory and economic reform issues.

He chairs Treasury’s [Information and Communication Technology Committee](#).

Previously, Alistair worked in the Commonwealth public sector, local government and the private sector in a number of policy and communications roles.



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

Kaylene joined Treasury as a graduate in 2002 and was appointed Acting Executive Director of Infrastructure and Finance in April 2013.

She is responsible for the provision of advice, systems and operations to support the State’s financial management

and infrastructure development including Public-Private Partnerships. Kaylene has held a number of senior positions across Treasury and is a member of CPA Australia.

In June 2013, Kaylene was awarded the prestigious [IPAA WA Achievement Award for Public Sector Commission Young Leader of the Year](#).

She chairs the Department’s Women in Leadership working group.

- *Supply Acts (various)*
- *The Bank of Adelaide (Merger) Act 1980*
- *The Commercial Bank of Australia Limited (Merger) Act 1982*
- *The Commercial Banking Company of Sydney Limited (Merger) Act 1982*
- *Treasurer's Advance Authorization Acts (various)*
- *Unclaimed Money Act 1990*
- *Unclaimed Money (Superannuation and RSA Providers) Act 2003*
- *WADC and WA Exim Corporation Repeal Act 1998*
- *Western Australian Future Fund Act 2012*
- *Westpac Banking Corporation (Challenge Bank) Act 1996.*

Other key legislation impacting on our activities

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

- *Constitution Act 1889 and the Constitution Acts Amendment Act 1899*
- *Contaminated Sites Act 2003*
- *Disability Services Act 1993*
- *Equal Opportunity Act 1984*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Parliamentary Superannuation Act 1970*

- *Public Sector Management Act 1994*
- *Public Works Act 1902*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*

Achieving government goals

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

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

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

Performance Management Framework

Outcome Based Management Framework

Government Goal: Financial and Economic Responsibility

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

Desired outcomes	Effectiveness indicator	Services provided	Efficiency indicators
Sustainable and transparent public sector finances.	Status of the State’s credit rating Unqualified audit opinion on the <i>Annual Report on State Finances</i>	Financial management and reporting	Percentage of financial reports released as per agreed timeframes
A strong and competitive State economy.	Accuracy of key general government revenue forecasts: – tax revenue – mining revenue Accuracy of key economic forecasts (percentage point difference): – employment level – Real State Final Demand growth	Economic and revenue forecasts and policy development	Percentage of Regulatory Impact Statements assessed within agreed timeframes Number of Ministerials, briefings or reports provided on economic issues

Our Performance



This section provides an overview about the external environment, how we performed and our key achievements for 2012-13.

Government Goal Financial and Economic Responsibility

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

Economic conditions

The Western Australian economy continued to lead the nation over 2012-13, supported by record levels of business investment. The high level of investment was supported by continued work on a number of large liquefied natural gas and iron ore projects. While this flowed through to strong labour demand and population growth in the first part of the financial year, initiation of new projects subsequently eased, resulting in softer labour market conditions in the second half of the year.

A significant challenge was the apparent breakdown of the traditional ‘natural hedge’ between the Australian dollar/United States dollar exchange rate and commodity prices. The Australian dollar remained above parity with the United States dollar for most of the year, while iron ore prices fluctuated over a wide band.

The breakdown in this relationship placed pressure on profitability in some sectors and, together with the evolution of iron ore pricing from annual contracts to index-based and spot sales, presented significant challenges to the forecasting of royalty revenues. We made a number of changes to forecasting methodologies in light of these developments.

Credit rating and Fiscal Action Plan

Largely in response to the increasing volatility of the State’s mining royalty revenue, and particularly iron ore royalties (which represent around 15% of total general government revenue), Standard and Poor’s and Moody’s credit rating agencies placed the State’s triple-A credit rating on ‘negative outlook’ during 2012-13.

Following the State election in March 2013, Treasury provided advice to the Government on both short-term corrective measures (such as advertising and procurement freezes) and more fundamental public sector workforce reforms, which were announced by the Government in June 2013. These measures form part of a broader [Fiscal Action Plan](#) implemented in the [2013-14 Budget](#), which is designed to strengthen the State’s finances and maintain the triple-A credit rating.

Commonwealth-State relations

GST distribution

As well as managing Western Australia’s final submission and other representations to the Commonwealth Government’s [GST Distribution Review](#), we provided analysis and briefings on the Review’s final report. In addition, we also provided input to, and analysis of, the Commonwealth Grants Commission’s annual update of States’ and Territories’ GST shares. We continue to forecast medium and longer-term movements in Western Australia’s GST share under various scenarios.

National Disability Insurance Scheme

The State Government remains committed to the development of a National Disability Insurance Scheme (NDIS), which builds on existing programs and maximises additional funding for the provision of services rather than the administration of a new scheme.

To ensure Western Australia’s input is considered in the scheme’s financial arrangements, we participated in, and contributed to, various inter-jurisdictional forums involved in implementing the NDIS.

We also ensured that the State Government was informed of the financial implications and risks of different governance models and launch options, and implications for existing funded services.

State Election

The Western Australian State Election was held on 9 March 2013. The [Government Financial Responsibility Act 2000](#) requires that the Under Treasurer release a [Pre-election Financial Projections Statement \(PFPS\)](#) within 10 days of the dissolution of the Legislative Assembly. The information presented in the PFPS allowed political parties, the community and other stakeholders to understand the current outlook for the State’s finances and the economy at the beginning of the election period. The PFPS was released on 7 February 2013.

The Caretaker Conventions governing the operation of the Western Australian public sector during an election campaign allow for the Under Treasurer to provide a formal election commitment costing service to the major political parties.

During the Caretaker period the Under Treasurer was requested to assess the cost for the:

- Labor Party election commitment - Metronet
- Aggregated net expenditure of the Labor Party election commitments (detail of the individual commitments underlying the aggregate spending estimates was not provided)
- Liberal Party election commitments announced up to 4 March 2013.

Future Fund

The *Western Australian Future Fund Act 2012* received Royal Assent during the year. Treasury was instrumental in developing and implementing the Future Fund, including development of the legislation and the investment framework (see case study). The Western Australian Treasury Corporation manages investment of the Future Fund on behalf of Treasury, in accordance with the agreed framework.

Review of the *Financial Management Act 2006*

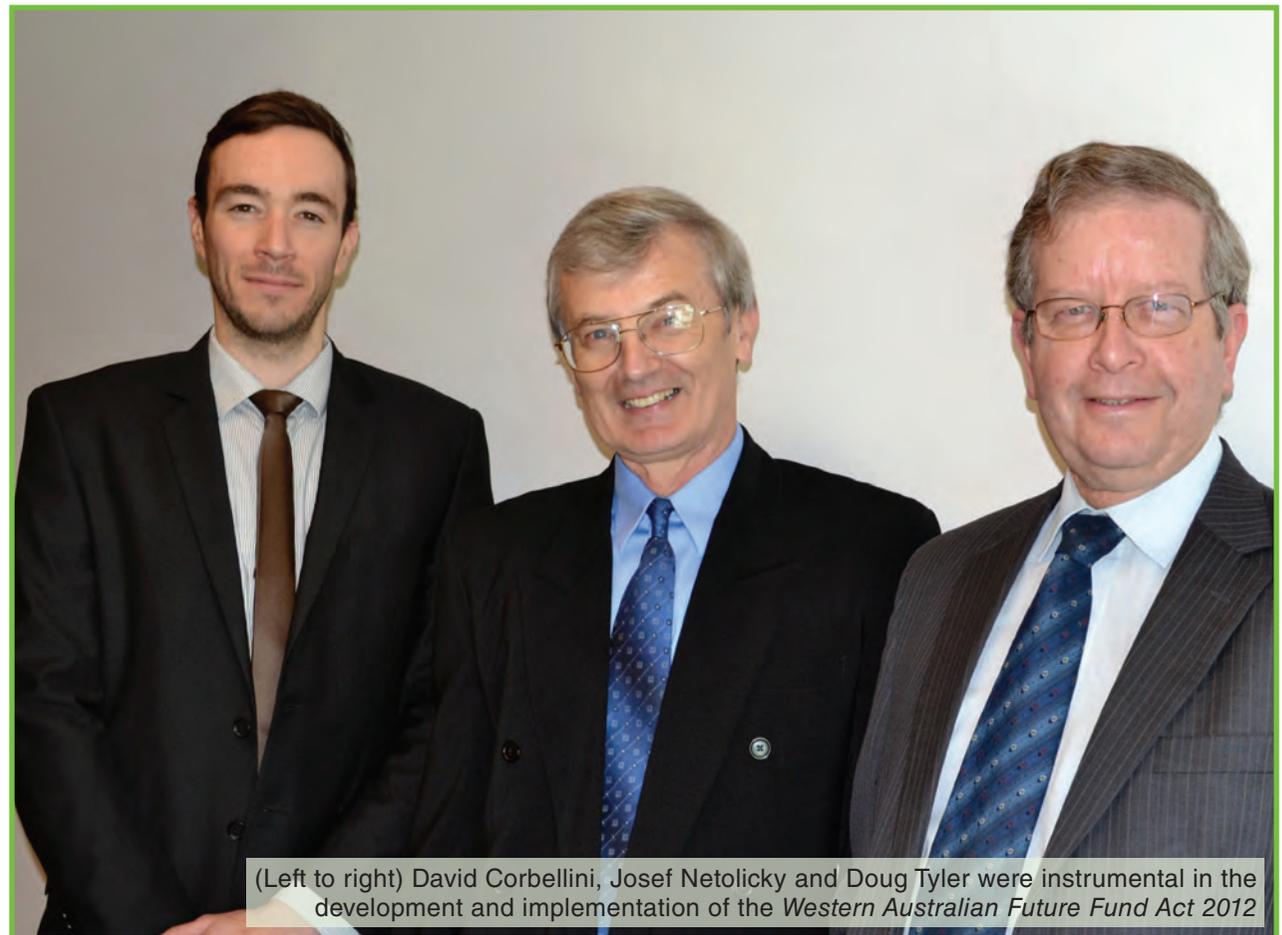
Section 85 of the *Financial Management Act 2006* requires the Treasurer to conduct a review of the Act after the first five years of its operation. In 2012-13, Treasury undertook the significant exercise of reviewing the Act having sought comments from other agencies, the Public Accounts Committee, the Estimates and Financial Operations Committee, the key accounting bodies, and the Clerks of the Legislative Assembly and the Legislative Council. Recommendations arising from this review will be presented to the Government shortly.

Machinery of government – transfer of Economic Reform to the Department of Finance

On 10 April, the Premier announced that Treasury’s Regulatory Gatekeeping Unit would transfer to the Department of Finance (Finance) on 1 July 2013, as part of a series of machinery of government changes. This decision was later extended to include the Regulatory Reform Branch, therefore transferring the entire Economic Reform branch to Finance.

Treasury worked closely with Finance to ensure the smooth and seamless transition of Economic Reform to Finance, taking affect from 1 July 2013.

Economic Reform has been responsible for the successful implementation of a new program of Regulatory Impact Assessment in Western Australia that has been acclaimed by the [Productivity Commission](#), as well as undertaking the coordination and management of COAG reforms and facilitating the completion of competition policy reforms.



(Left to right) David Corbellini, Josef Netolicky and Doug Tyler were instrumental in the development and implementation of the *Western Australian Future Fund Act 2012*



CASE STUDY

The Western Australian Future Fund Act 2012

GOVERNMENT GOAL - Financial and Economic Responsibility

Issue

The Western Australian Future Fund (Future Fund) was announced as part of the 2012-13 Budget, to redistribute a portion of the State’s finite mineral resources and royalty revenues to future generations.

Approach

Treasury was instrumental in developing and implementing the Future Fund. This involved working closely with the:

- Department of Regional Development and Lands in relation to the Royalties for Regions (RfR) ‘seed capital’ of the Future Fund, and related issues;
- Western Australian Treasury Corporation (WATC) in relation to investment of the Future Fund balance; and
- Solicitor General and Parliamentary Counsel’s Office in relation to the legal framework and drafting of legislation.

Treasury also helped facilitate passage of the Bill through Parliament, providing briefings to members of Parliament and assisting the Treasurer and the Minister for Finance throughout consideration in detail of the Bill.

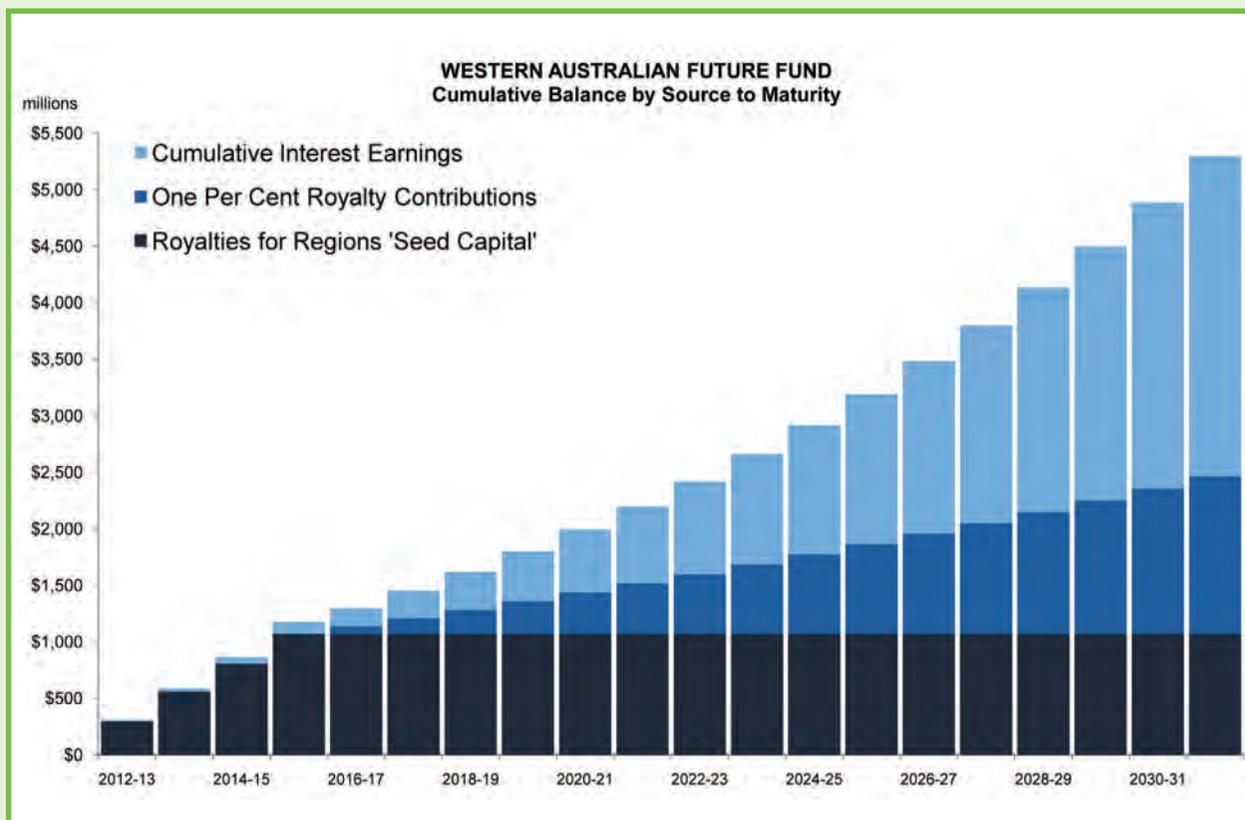
Outcome

- In November 2012, the *Western Australian Future Fund Act 2012* received Royal Assent and received its first deposit of funds – \$298 million – the following day. These funds were then successfully placed in the appropriate asset classes by the WATC in line with the Future Fund Investment Framework.
- An estimated total of \$1,069 million will be paid into the Future Fund from the RfR Fund over the period 2012-13 to 2015-16. In addition, from 2016-17 onwards, a minimum of 1% of the State’s mining royalty revenue will be paid into the Future Fund every year.
- The investment holdings of the Future Fund are published on Treasury’s website (www.treasury.wa.gov.au) and are updated every quarter. Treasury maintains oversight of the Future Fund and chairs the investment

“THE SUCCESSFUL IMPLEMENTATION OF THE FUTURE FUND ALLOWS FOR FUTURE GENERATIONS TO BENEFIT FROM THE CURRENT REVENUE EARNED ON THE STATE’S MINERAL RESOURCES”

governance committee, which comprises senior representatives of Treasury and the WATC.

- The successful implementation of the Future Fund allows for future generations to benefit from the current revenue earned on the State’s mineral resources. It is currently estimated that in 2031-32, the Future Fund will have a balance in the order of \$5.3 billion. This balance will be held in perpetuity, but after 2031-32 the annual interest earnings on this balance – estimated at around \$300 million per year – will be available to be spent on the economic and social infrastructure needed by future generations.



Government Goal Results-Based Service Delivery

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

Full Time Equivalent ceiling

In line with the Full Time Equivalent (FTE) Ceiling Policy, we worked together with the [Public Sector Commission](#) to monitor general government sector FTE levels. This included reporting to the Economic and Expenditure Reform Committee on relevant issues with the aim of improving compliance across the sector.

This focus on FTE management contributed to the growth in general government sector salaries expenditure easing from 8.8% in 2011-12 to 5.3% in 2012-13.

Government Trading Enterprises Efficiency Dividend

Treasury continues to monitor the performance of Government Trading Enterprises (GTEs). A key component of this work is to monitor the implementation of GTE efficiency dividends implemented as part of the 2011-12 and 2012-13 Budget processes. These measures have been critical to reducing the impact of GTEs on the level of public sector net debt.

Wages Policy

Together with the [Department of Commerce](#) and other agencies, we implemented the Government's Wages Policy through Enterprise Bargaining Agreements. Agreements settled during the year included Transit Officers, Education Assistants, the Metropolitan Cemeteries Board and Park Rangers.

Asset Investment Program

The Government has made significant investment in the economic and social infrastructure needed to underpin the rapid growth in the State's economy and population.

In 2012-13, we worked with agencies to ensure that the State's Asset Investment Program (AIP) (\$7.3 billion in 2012-13 and \$26.9 billion over the next four years) is developed and implemented in a way that focuses on delivering value for money and is compliant with the [Strategic Asset Management framework](#).

In preparation for the 2013-14 Budget, we undertook a review of the AIP. This assisted the Government to consider the extent to which the reviewed projects and programs:

- remained a priority or had the potential for deferral, revision of scope, or cessation
- had achievable and realistic timeframes and cashflows.

The review resulted in net debt savings totalling \$1 billion over the period to 2016-17.

General Government efficiency dividend

We led the implementation of the Government’s efficiency dividend across the general government sector. We worked with agencies to evaluate programs and identify savings opportunities, and ensured the efficiency dividend was embedded in agencies’ day-to-day operations. The successful incorporation of the efficiency dividend into agencies’ budgets will secure continued program evaluation, in order to deliver better value for money services to the people of Western Australia.



Members of the Health Team: (left to right) Natasa Spasic, Craig Warner, Adriana Arantes, Daniel Hawkins and Cynthia Chan work with their agency to deliver better value for money services to the people of Western Australia.

Value for Money Reviews

We chaired a joint Value for Money (VfM) Review of the Departments of [Transport](#) and [Planning](#) in 2012-13 to provide recommendations aimed at improving the economy, efficiency and effectiveness of both departments.

The VfM Review recommendations are still subject to consideration by Government.

Whole-of-Government strategic infrastructure

Western Australia’s rapid population growth and strong economy has led to an increase in the demand for new social and economic infrastructure.

We have been working with a number of government agencies on innovative infrastructure procurement including facilitating private funding of new infrastructure. In this regard, facilitating private delivery of infrastructure that would otherwise

be delivered by government allows taxpayer funds to be focused on key service delivery areas such as health, education and justice.

We are currently working with [Horizon Power](#) in procuring its additional energy requirements in the Pilbara through a privately funded and operated facility. In this unprecedented project, the State will be seeking a capacity solution which aggregates [Horizon Power’s](#) energy requirements with the requirements of other large customers in the region. This coordinated approach is expected to create economies of scale and reduce the overall energy footprint in the area.

We are also working with a number of ports on potential privately funded expansions.

Treasury will continue to provide support and advice on strategic infrastructure projects to ensure that they are delivered effectively and in an efficient, value for money manner.

Port Authority charges

We continue to work with the [Department of Transport](#) and port authorities to examine and recommend funding options for future port developments.

During 2012-13 the State Government endorsed recommendations arising out of an independent review aimed at assisting ports in seeking and securing private sector funding. This includes implementation of port access fees that will provide a funding source for major new port infrastructure. An example of this work is the new [Port Hedland Port Authority](#) port access fee to fund multi-user infrastructure which will be implemented during 2013-14.

GTE Umbrella Legislation

To ensure effective governance of Government Trading Enterprises (GTEs) through greater transparency, accountability and performance monitoring, we have continued to work on streamlining and modernising GTEs legislation.

Major achievements include finalisation of the umbrella legislation draft report and the commencement of a targeted consultation process. It is anticipated that this process will enhance the proposed draft legislation that will support improved governance arrangements of GTEs into the future.



Our GTE team: (left to right) Lisa Di Paolo, Monika Vuksan-Cusa, Nicola Eastough and Nigel Parke have worked on streamlining and modernising GTEs legislation.



CASE STUDY

Delivering the Eastern Goldfields Regional Prison Project

GOVERNMENT GOAL – State Building – Major Projects

Issue

- The redevelopment of the Eastern Goldfields Regional Prison (EGRP) was announced in May 2009 as part of the Government’s new custodial infrastructure program to deliver 1,657 additional beds across the correctional system. This included the replacement of the existing 100 bed prison near Kalgoorlie with a new 350 bed facility.
- Representing a new and fresh approach to the State’s strategic asset investment, Cabinet approved the delivery of the EGRP via a Public Private-Partnership (PPP) in 2011 – whereby the private sector would design, build, finance and maintain the new EGRP, with the State retaining responsibility, through the Department of Corrective Services, for the delivery of custodial services.
- The construction phase of the EGRP redevelopment began in August 2013 with the new EGRP expected to be operational in mid 2015.

Background

- Built in 1980, the existing EGRP was designed to house 96 male minimum security prisoners, and has been retrofitted to meet modern custodial needs while becoming increasingly overcrowded and outdated.
- Because the existing EGRP is unable to sufficiently accommodate all the local men and women from the Goldfields region who are incarcerated, a number of these individuals are instead held in prisons in the Perth metropolitan area. The Goldfields Custodial Plan reported that the practice of holding prisoners in the metropolitan region was having negative social impacts on local Aboriginal communities. These communities reported that being unable to visit relatives and friends resulted in a loss of culture, respect and community functioning.

- The PPP approach to the EGRP will provide the State with savings of around \$80 million while still enabling the provision of more beds in the Goldfields region, reconnecting families and communities.

Approach

- In April 2011, the State commenced an open, competitive procurement process to identify a suitable private sector proponent to undertake the EGRP redevelopment project. Proposals were evaluated according to the solution which best met the State’s objectives and delivered the best value for money outcome.
- After evaluating proposals from three bidders, the State appointed the Assure Partners consortium to redevelop the EGRP through a design, build, finance and maintain PPP model. An agreement for the delivery of EGRP was reached on 14 December 2012.

“PROPOSALS WERE EVALUATED ACCORDING TO THE SOLUTION WHICH BEST MET THE STATE’S OBJECTIVES AND DELIVERED THE BEST VALUE FOR MONEY OUTCOME”

Outcome

- Utilising the PPP model, the \$372.3 million contract for Assure Partners to deliver the EGRP will achieve a saving of \$80 million (17.7%) for the State when compared to an estimation of the public sector cost of delivering the project.
- The new EGRP facilities will provide a safe, secure and modern prison that contributes to community safety and is aimed at reducing long-term recidivism. It is expected to reduce overcrowding in metropolitan prisons by providing sufficient beds for local prisoners to remain close to family and in the regional area.
- As part of the PPP model, Assure Partners will be responsible for providing facilities management over a 25 year operating term.
- The new EGRP design is innovative and fit-for-purpose, with some of the notable features including:
 - side-by-side beds that are sensitive to the needs of local Aboriginal prisoners

- accommodation that is adjacent to open spaces granting views of external lands
- a design approach that is sensitive to local climatic conditions
- surveillance lines that make prison operations more efficient
- environmentally sustainable design concepts that are integrated from the inception of the EGRP Project through design, construction, operation and decommissioning, and offer the opportunity to demonstrate whole-of-life benefits for the facility and reduced running costs for the State.
- The new EGRP facilities also include features supporting the personal development of prisoners including:
 - the provision of employment opportunities in a commercial laundry

- educational and training facilities
- additional program facilities to help adjust to prison life and enable a successful transition into the community upon release.

Further information can be found at www.treasury.wa.gov.au.



Government Goal

State Building – Major Projects

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

Major building projects

The capital works projects portfolio

During 2012-13, Strategic Projects managed a portfolio of 18 major non-residential building projects with a combined capital value of more than \$7.5 billion. These projects include:

- [Fiona Stanley Hospital](#) (including the State Rehabilitation Service) – \$1.96 billion
- [New Children’s Hospital](#) – \$1.18 billion
- [Perth Stadium](#) – \$918 million
- [Perth Arena](#) multi-purpose indoor sports and entertainment stadium – \$549 million
- [Old Treasury Buildings and Cathedral Square Redevelopment](#) – \$500 million (private sector finance)
- [Midland Health Campus](#) – \$360 million
- [Department of Agriculture and Food New Metropolitan Administration Redevelopment](#) – \$235 million

- [Eastern Goldfields Regional Prison](#) – \$232 million.

The project portfolio expanded from 17 in 2011–12 with the addition of the Royal Perth Hospital Redevelopment project, which was formally assigned to Strategic Projects in May 2013.

Major building projects

As at June 2013, 14 of the 18 projects within Strategic Project’s current portfolio have progressed to the delivery phase with three projects completed and commencing operations during 2012-13.

Planning for three of the remaining four projects is well advanced, in readiness for tender to meet the Government’s current approved delivery timeframes. Planning for the Royal Perth Hospital Redevelopment will be progressed in 2013-14.

Projects at delivery stage

The Perth Arena indoor entertainment and sports stadium was completed in 2012-13 and staged its opening event in November 2012. The completed facility has already established itself as a unique, world-class venue, evidenced by an impressive event schedule and outstanding attendances.

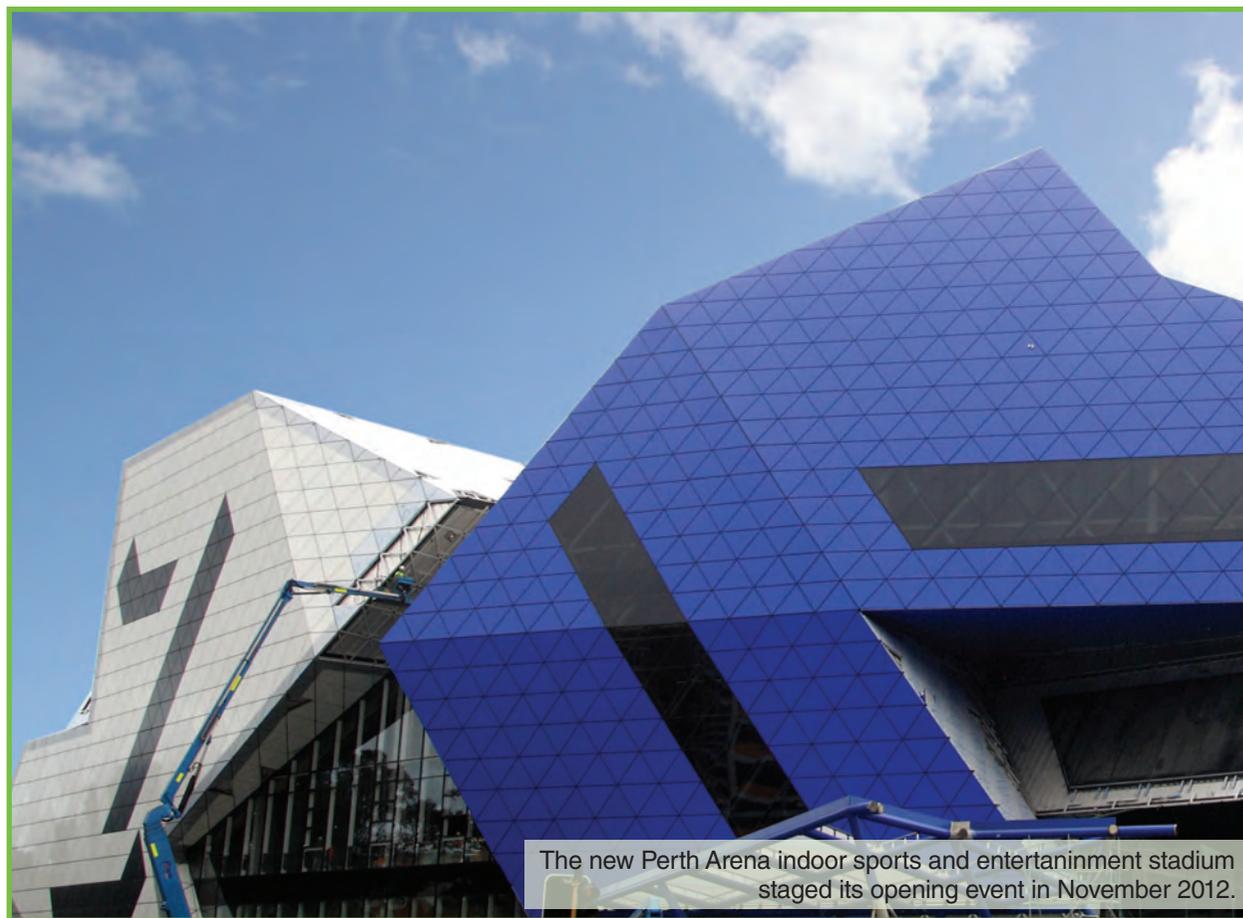
The Queen Elizabeth II Medical Centre (QEII MC) [Central Energy Plant](#), one of the largest facilities of its type in Australasia, commenced operations in September 2012, servicing the entire QEII MC campus. In addition, practical completion of the [Albany Health Campus](#), the State’s largest regional hospital, was achieved in March 2013 with the new hospital becoming fully operational in May 2013.

Construction has now commenced on the Midland Health Campus, [Busselton Health Campus](#), Old Treasury Buildings and Cathedral Square Redevelopment and Acacia Prison Expansion, with construction

of the Eastern Goldfields Regional Prison commencing in August 2013. The new Perth Stadium project has also advanced to delivery stage, with initial ground improvement works commencing in July 2013 and the tender phase for the main Stadium and surrounding sports precinct at Request for Proposals stage.

Work on the State Government’s largest ever building project, the \$1.96 billion Fiona Stanley Hospital (incorporating the State Rehabilitation Service), continues to progress. Commissioning is now well advanced and the project remains on track for completion in late 2013. The [Joondalup Health Campus](#) Redevelopment project will also be completed in 2013-14.

Significant progress was also made on the QEII MC Car Parking project, with more than 2,000 car bays now operational and project completion expected in June 2014, well ahead of schedule.





CASE STUDY

Queen Elizabeth II Medical Centre: Central Energy Plant Project

GOVERNMENT GOAL - State Building – Major Projects

Issue

The Queen Elizabeth II Medical Centre (QEIMC) Central Energy Plant (CEP) project is a critical enabler for the redevelopment of QEIMC into one of the nation’s most significant integrated health campuses.

Replacing the aging, existing QEIMC central energy plant facility, the new CEP provides vital services to the entire QEIMC campus, including medical gases, emergency power and hot and chilled water. The CEP now provides additional capacity for the expanded campus and also frees up land for the [New Children’s Hospital \(NCH\)](#) and Multi-level Car Park projects.

In recognition of the project’s success, the Master Builders Association of Western Australia recently awarded the CEP project its prestigious [Excellence in Construction Award](#) for Best State Government Building. The project was also a competitive finalist in the overall award for 2013 Best Bankwest Project.

Background

The completion date for the CEP project was dictated by the requirement for the existing facility to be demolished and handed over to the NCH Contractor by 25 January 2013. Any delays in delivering the CEP project on time would ultimately delay the NCH project and similarly impact the new Multi-level Car Park project.

Approach

The QEIMC CEP represents a highly technical and complex engineering endeavour, one of the largest of its type in Australasia, complicated by the short timeframe in which to deliver the project.

- An analysis of procurement options determined that a two stage managing contractor model was best suited to deliver the project within the very limited time available.

- Brookfield Multiplex Construction Pty Ltd (BMC) was appointed as Managing Contractor in December 2010. During Stage One of the contract, BMC developed the design of the CEP to a point where subcontract packages could be let for the bulk of the works. Concurrently, early works commenced to enable construction to progress and remain on track to meet critical deadlines.
- The subcontract prices formed the basis of a lump sum Stage Two Offer to complete the remaining design and complete construction. BMC’s Stage Two Offer was accepted in May 2011, allowing construction to proceed in earnest.

In addition to challenges associated with the main plant, BMC was required to build a 504 metre long tunnel through the precinct and commission services into a live and operating hospital. This required a collaborative management approach between the State’s project team, North Metropolitan Health Service, QEIMC Trust and BMC.

“IN RECOGNITION OF THE PROJECT’S SUCCESS, THE MASTER BUILDERS ASSOCIATION OF WESTERN AUSTRALIA RECENTLY AWARDED THE CEP PROJECT ITS PRESTIGIOUS EXCELLENCE IN CONSTRUCTION AWARD FOR BEST STATE GOVERNMENT BUILDING”

Outcome

The new CEP commenced operation in September 2012 with the project successfully achieving practical completion on 25 January 2013 – on time, within its \$225.2 million budget, and with minimal impact on delivery of services on campus.

The success of the project is testimony to the effectiveness of the managing contractor procurement model employed by Strategic Projects and particularly, the collaborative ‘one team approach’ between client, principal and contractor.



(Top row, left to right) Adrian Duca, Steven Luce, (bottom row, left to right) Bryn Wawken, Monika Kompara, who worked together to deliver the award winning Central Energy Plant, on time, on budget.

Actual results versus Budget targets

Financial targets

	2012-13 Target	2012-13 Estimated Actual	2012-13 Actual	Variation from Estimated Actual
	\$000	\$000	\$000	\$000
Total cost of services (expense limit)	76,486	165,286	135,032	30,254
Net cost of services	47,588	50,686	54,067	(3,381)
Total equity	19,713	12,578	13,147	(569)
Net increase/ (decrease) in cash held	(871)	(871)	(14,239)	(13,368)
Approved full time equivalent (FTE) staff level – average over the full year	282	301	290	11

Total cost of services

The Department of Treasury commenced 2012-13 with an initial expense limit of \$76.4 million. This limit was increased during the year mainly due to costs in relation to the delivery of major projects on behalf of agencies, primarily the Perth Arena, the Perth Stadium and Acacia Prison.

The final approved expense limit in 2012-13 was \$165.2 million. The actual result of \$135 million was \$30.2 million below the approved target and mainly reflects lower than budgeted delivery of projects on behalf of agencies.

Net cost of services

The actual net cost of services for 2012-13 was \$54.1 million, approximately \$3.4 million higher than the estimated actual budget.

This was due to the timing of the collection of income from client agencies in relation to the delivery of major projects.

Cash held

The reduction in cash is largely due to a reduction in current payables.

Full Time Equivalent

The FTE numbers increased from the initial budget due to additional major projects staffing requirements. These were not fully recruited to by the end of the financial year and so Treasury remained within its revised FTE level.

Significant Issues and Trends



This section identifies our current and emerging challenges, and future opportunities. The details of our major projects are included, as well as a look ahead at what we plan to deliver in 2013-14.

Government Goal Financial and Economic Responsibility

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

Economic outlook

The Western Australian economy has experienced very strong rates of growth in recent years supported by the \$50 billion Gorgon liquefied natural gas (LNG) project and the \$28 billion Wheatstone LNG project, as well as significant investment in the iron ore sector.

While business investment appears to have peaked, there continues to be a significant amount of work on projects currently under construction which should support continued high levels of activity. However, as the level of investment moderates, domestic economic conditions, including employment and wages growth, are projected to ease.

Over the medium-term, as projects move from construction to production, significant increases in exports mean the external sector will be the main driver of growth.

In addition, developments in the Chinese economy will have significant implications for the State’s commodity exports. While demand is expected to be supported by continued infrastructure and dwelling construction, particularly as China continues to urbanise, the pace of Chinese growth, and therefore demand for commodities, together with increases in global supply of commodities will influence commodity prices.

The recent weakening of the Australian dollar may re-establish a traditionally strong ‘natural hedge’ between the Australian dollar and commodity prices, which would mitigate risks from unanticipated commodity price movements.

Commonwealth-State relations

GST distribution

We will continue to lead the research, analysis and preparation of advice on securing a fairer share of the GST for Western Australia, with the State’s share falling to an all time low of 45% of an equal per capita (EPC) share in 2013-14 (and projected to fall lower).

This will include working with other jurisdictions and the [Commonwealth Grants Commission \(CGC\)](#) to progress certain recommendations and findings of the Commonwealth Government’s [GST Distribution Review](#), including the removal of flaws in the CGC’s current method of ‘equalising’ mining royalties, as an immediate priority, and an EPC share of the GST for all States, as a longer-term objective.

National School Funding Reform

The State Government is engaged in negotiations regarding the [National Education Reform Agreement](#), incorporating the [National Plan for School Improvement](#). We will be ensuring the Government is informed of the financial implications and risks of the Commonwealth’s proposed school funding reforms, including the potential implications for Western Australia’s share of national GST revenue.



Government Goal Results-Based Service Delivery

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

Fiscal Action Plan

The 2013-14 Budget includes a \$6.8 billion Fiscal Action Plan that seeks to address the structural imbalances that have emerged in the State's finances in recent years due to strong growth in the economy and population, and place the State's finances on a sustainable basis over the medium to long-term.

Key components of the Fiscal Action Plan include 1,000 targeted voluntary severances, enhanced redeployment arrangements that may ultimately lead to involuntary severance, a revised public sector wages policy, and a cap on growth in general government agencies' salaries expenditure equal to forecast growth in the Consumer Price Index. Treasury will continue working closely with the Public Sector Commission and line agencies to implement these important reforms during 2013-14.

Program and service evaluation

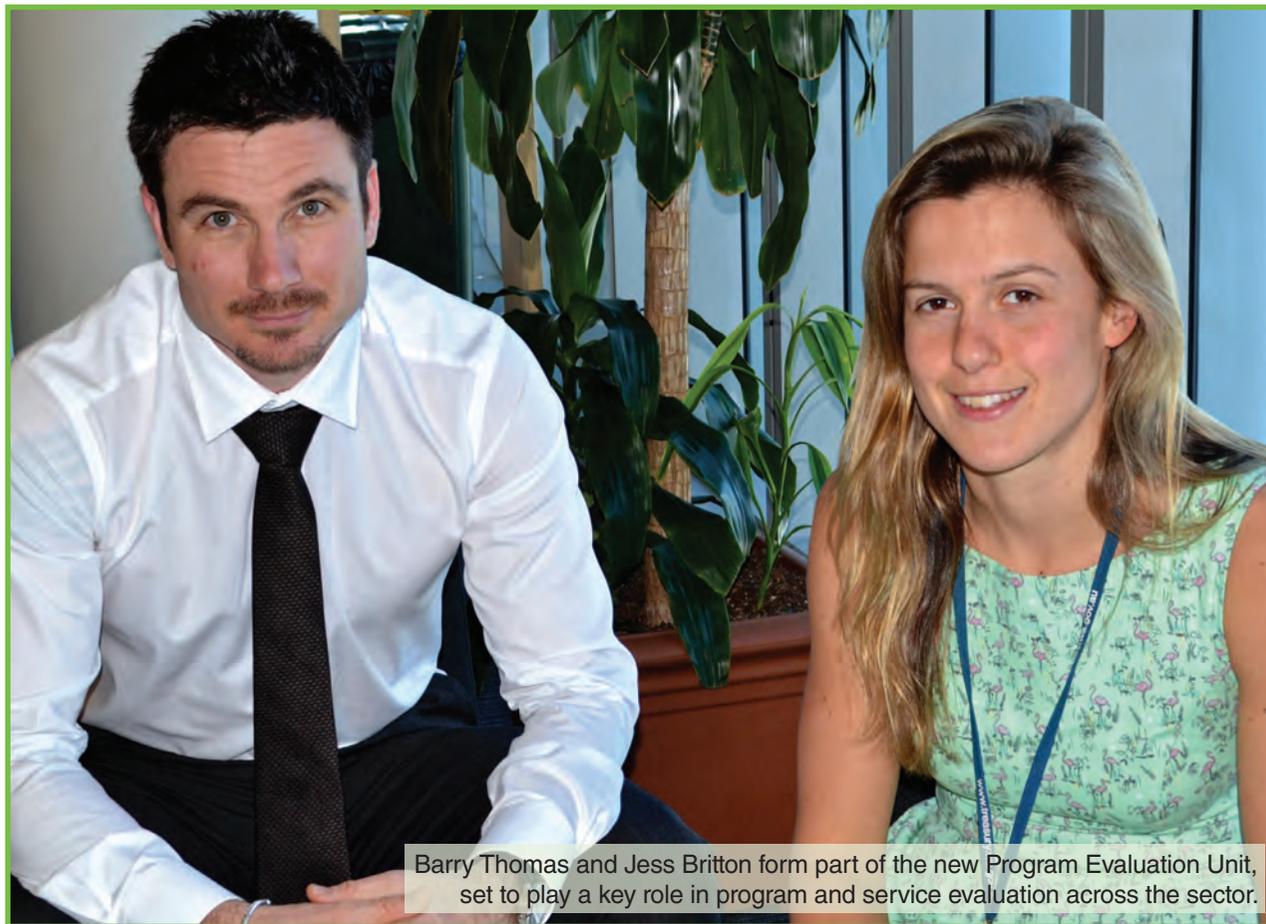
Through the establishment of a Program Evaluation Unit, Treasury will play a key role in identifying opportunities to deliver services across the public sector more efficiently and effectively by determining the ongoing need for services and identifying opportunities for alternative service provision. We will facilitate a coordinated approach to program and service evaluation across the sector, developing evaluation frameworks and guidelines and supporting agencies in the program evaluation process.

We will also lead implementation of the Government's decision to utilise 'sunset clauses' and related evaluations for material new programs and policy initiatives.

Further projects

Project definition plans for the Karratha Health Campus and Department of Agriculture and Food Metropolitan Administration facility were completed in 2012-13, enabling these projects to progress from planning to tender phase.

In addition, the business case for the new Western Australian Museum was approved in December 2012, and its project definition plan will be completed in 2013-14. Development of the business case for Royal Perth Hospital Redevelopment will also be progressed during 2013-14.



Barry Thomas and Jess Britton form part of the new Program Evaluation Unit, set to play a key role in program and service evaluation across the sector.

Machinery of government – transfer of Strategic Projects to the Department of Finance

On 10 April 2013, the Premier announced that Strategic Projects would transfer to the [Department of Finance \(Finance\)](#). This transition has subsequently been delayed until further notice.

Managing this machinery of government change will involve significant work to consolidate the delivery of non-residential building capital works projects through alignment with Finance’s Building Management and Works (BMW) business.

Our People



2012-13 Treasury Staff Profile

Staff Profile	Jun-13	Jun-12
Permanent full time	251	256
Contract full time	24	16
Part time permanent and contract	20	19
Total	295	291
Seconded In	10	11
Seconded Out	8	10

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

Learning and development

Our key focus for 2012-13 has been delivering targeted learning opportunities based on individual and business needs. This has been achieved through offering training solutions identified in our 2012-13 Training Plan, generated from our training needs analysis.

Our four key leadership behaviours have been embedded through the introduction of a Treasury leadership framework. This framework is aimed at improving our internal leadership capacity through assisting employees to review their progress against these behaviours and identify targeted development opportunities.

Effective leadership behaviours have been further promoted through our new Development and Performance (DaP) framework and recruiting people based on their leadership capabilities.

We established an executive shadowing program in 2012 to develop our employees and improve knowledge sharing.

Additionally, we launched an inter-departmental Mentoring Program with the [Departments of Finance](#), and [Training and Workforce Development](#).

We are further improving our succession planning and knowledge management practices, with the launch of a new intranet in April 2013 facilitating the review and management of knowledge across the business. A succession planning pilot was conducted in several areas of the business and tools to support managers in this process are now available.

Looking forward, we plan to:

- improve the transfer of knowledge from training back into the workplace by implementing several strategies including a Learning Transfer Action Plan
- promote the use of on-the-job opportunities and coaching to achieve learning outcomes

- reinforce effective leadership and management practices across Treasury through the introduction of a manager induction for current and future managers
- undertake a review of our overall induction and on-boarding process to successfully transition new employees to the Treasury workforce and improve retention of staff.

Planning and performance

A new strategic plan was developed in 2012 to highlight our key strategic goals for 2012-15. This plan helps to inform deliverables for our business units and individual staff and in doing so, ensures tasks being performed at all levels of the organisation are aligned to our strategic goals, our vision and our values. This also allows all staff to understand how they contribute to Treasury's strategic direction.

To support this, our DaP framework promotes a dialogue between all employees and their direct manager regarding this relationship and helps to identify opportunities to achieve alignment between their tasks and broader operational and strategic objectives.

An upcoming review of the DaP framework will further enhance the process for the 2013-14 cycle and beyond. It is likely that some key outcomes of this review will include inclusion of leave intentions to actively manage Treasury’s leave liability targets; succession plans for teams to assist with knowledge sharing, resource planning and business continuity; and streamlining the DaP form to make it easier to complete over the course of the year.

Systems and processes

Treasury is currently working with the Department of Finance to configure and implement new Finance, Payroll and Human Resources systems in time for our roll out from the Office of Shared Services. A significant amount of work will be undertaken over the next few months to design, build and implement the new systems and ensure appropriate testing and training prior to the December 2013 ‘Go Live’ date.

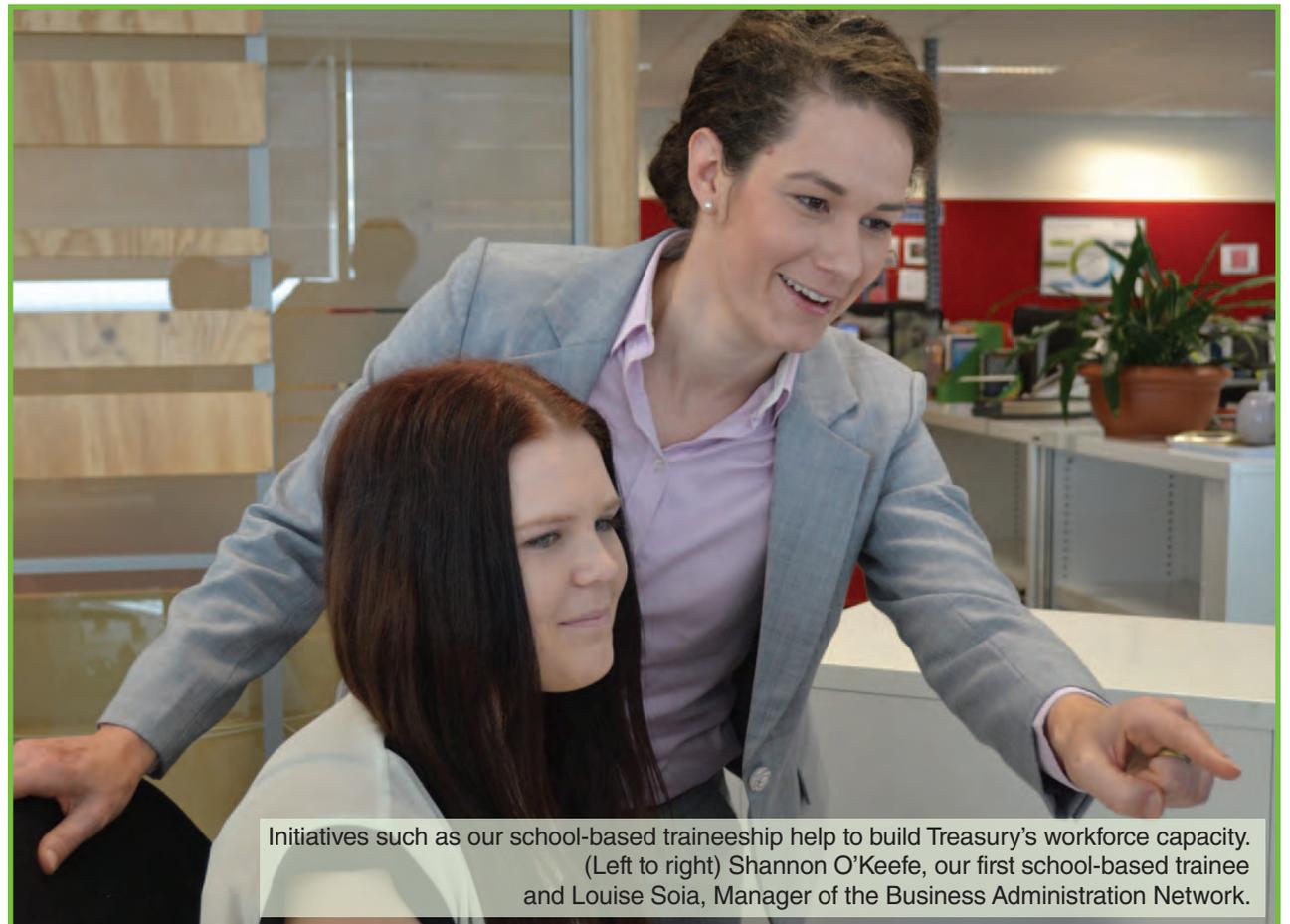


Our 2013 graduates. Treasury’s successful graduate program offers varied work plans supported by ongoing commitment to training in order to develop our future leaders.

Community involvement

We encourage our people to display effective corporate citizenship behaviours through engaging in volunteering activities and community involvement initiatives.

During 2012-13, individuals and teams participated in various activities. One of our teams prepared dinner for families residing at [Ronald McDonald House](#). Other employees volunteer their time to charities across Western Australia, including [Fair Game](#), [Beyond Blue](#) and the [Autism Association of WA](#).



Initiatives such as our school-based traineeship help to build Treasury's workforce capacity. (Left to right) Shannon O'Keefe, our first school-based trainee and Louise Soia, Manager of the Business Administration Network.



CASE STUDY

Development and Performance Framework

Government Goal - Results-Based Service Delivery

Issue

Prior to July 2012, Treasury utilised the Oracle Individual Performance Management (IPM) system to promote individual performance and development. This system was replaced by a new and improved Development and Performance (DaP) framework in July 2012.

The framework requires all employees to develop, review and complete an agreement with their manager that articulates their key development and performance deliverables on an annual basis and:

- provides employees with regular performance feedback
- aligns individual deliverables with Treasury’s vision, values, 4 Key Leadership Behaviours, and work performance standards
- increases clarity of roles and areas of accountability

- improves employee motivation and satisfaction through recognition of their contributions and development needs
- promotes the identification and participation in learning and development opportunities.

Background

In 2012, Treasury’s IPM system was decommissioned, providing an opportunity to review our performance management process in accordance with business needs and identify an alternative system.

An internal review conducted in 2011 revealed that the IPM system was one of the key systems that ‘negatively impact most on (staff’s) ability to effectively perform (their) role’. A working group was established to identify key areas for improvement including the quality of IPM conversations, understanding the link between IPMs and our strategic and operational planning processes, and system improvements (more user-friendly, flexible, and increased quality of reports).

To ensure employees were provided with clear deliverables and structured feedback regarding their development and performance, it was evident that a new performance management process was required.

Approach

Our DaP framework was developed by the People and Governance team, consulting with both internal and external stakeholders. Senior management, the [People and Communications Committee](#) and various staff from across all levels of the business were consulted throughout the development phase to ensure the DaP met their needs. In addition, we worked with external agencies to identify best practice methodologies and lessons learnt from previous performance management system rollouts.

Before the new framework was launched in July 2012, staff and managers attended mandatory training on how to utilise the framework and conduct effective performance management discussions.

Achievements

Some of the safety, health and well-being achievements over the past year include:

- six meetings of the OSH Steering Group since its inception in October 2012
- development of the OSH Committee’s Terms of Reference
- implementation of the First Aiders and Safety Health network across Treasury
- rollout of seven half day Workplace Bullying and Discrimination information sessions for managers, attended by 123 participants
- ergonomic self help kits were provided to 30 new starters within Treasury
- 34 employees were provided with ergonomic assessment assistance as a result of which equipment such as new chairs, document holders, slope boards and footstools were acquired to suit their requirements
- Bronze Membership with 1Life to promote suicide prevention across the workplace
- a free flu vaccination program offered to all of our people, of which a total of 91 people participated
- health and well-being programs, in the form of information sessions offered to all of our people, targeting men’s and women’s health, eye care, and dental care.

Indicator	2011-12	2012-13	Target
Number of fatalities	0	0	Zero (0)
Lost time injury/disease incidence rate	0	0	Zero (0) or 10% improvement on the previous three (3) years.
Lost time injury severity rate	0	0	Zero (0) or 10% improvement on the previous three (3) years.
Percentage of injured workers returned to work within 13 weeks	-	n/a	Greater than or equal to 80%
Percentage of injured workers returned to work within 26 weeks	-	n/a	Greater than or equal to 80%
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	2.65%	2%	80% over three (3) years. A tailored program has been developed to train managers in 2013-14.

Disability access and inclusion

Our new [2012-2017 Disability Access and Inclusion Plan \(DAIP\)](#) was developed in 2012-13 to guide further improvements to access and inclusion within our business, and was created in consultation with both internal stakeholders and the public.

The DAIP provides a framework with a range of implementation strategies, enabling us to achieve the desired seven Government outcomes. This will ensure people with disability:

- have the same opportunities as other people to access our services, and any events organised by us
- have the same opportunities as other people to access our buildings and other facilities
- can access information from us in a format that will enable them to access the information as readily as other people are able to
- receive the same quality of service from us as other people would receive
- have the same opportunities as other people to make complaints to us
- have the same opportunities as other people to participate in any public consultation
- have the same opportunities as other people to obtain and maintain employment with Treasury.

In 2012-13, strategies to support these outcomes included:

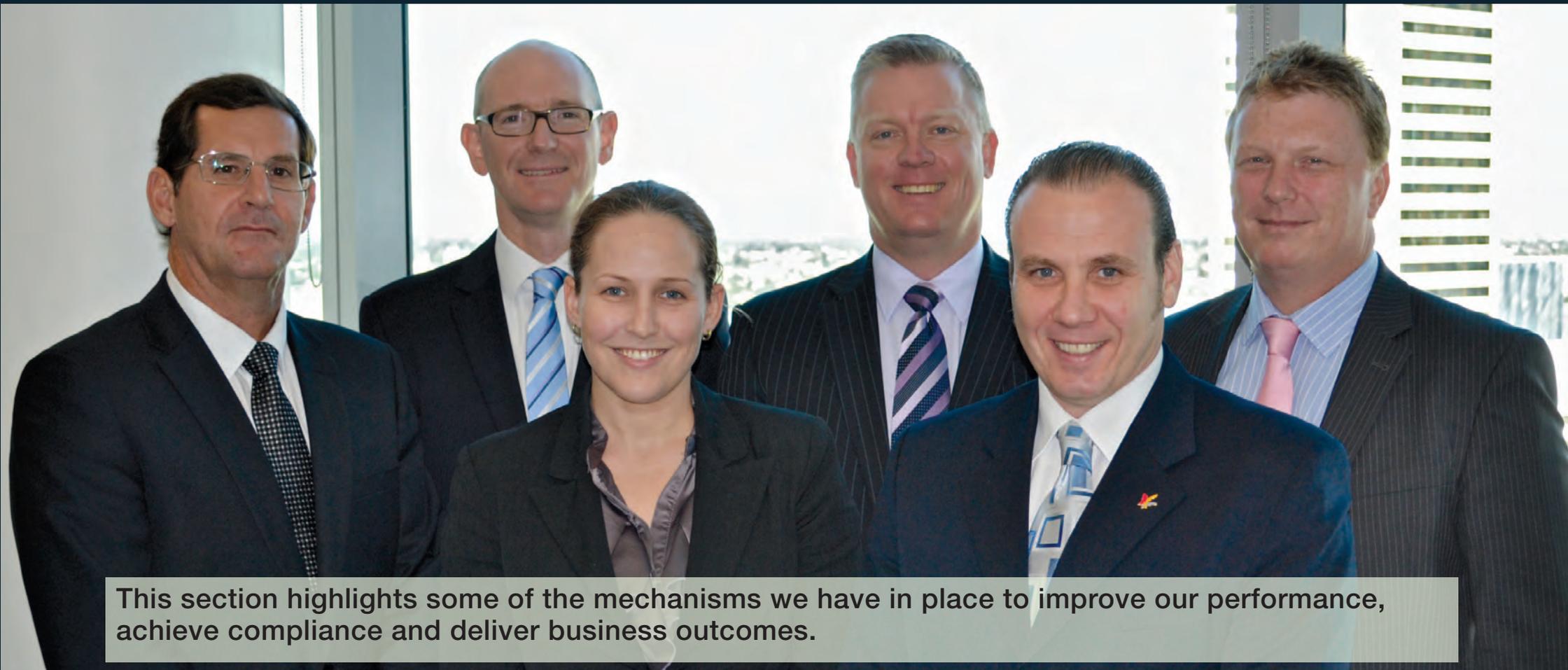
- an ongoing commitment to making our publications web accessible and working towards meeting WACG 2.0 compliance by December 2013
- providing advice at 140 William Street tenants group meetings regarding ways to improve access and inclusion
- streamlining recruitment practices to ensure they are inclusive and accessible to people with a disability.

In 2013-14, our People and Governance directorate will monitor the implementation of the strategies outlined in the DAIP.



The Occupational Safety and Health (OSH) Steering Group was instigated in order to ensure that Treasury OSH issues are addressed. (Left to right) Damien Douglas, Stacey Kannis, Mick Doyle, Josephine Clifton, Aleisha Ventris and Michael Eaton.

Governance



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

Governance Committees

In 2012, five governance committees were established to provide support to the Executive group. As part of a recommendation from our Risk, Projects and Audit area each committee has appointed members that are renewed annually. Working alongside permanent representatives, this ensures a refreshed approach each year and provides an opportunity to involve our people in key decision making processes which have a direct impact on Treasury operations.

Budget Management Committee

Chaired by the [Under Treasurer](#), this committee is the forum for internal decision making and information sharing during the annual budget cycle. It oversees the preparation and implementation of the annual Budget and Mid-year Review, and agenda items for consideration by the Economic and Expenditure Reform Committee (EERC).

The committee’s primary objectives are to:

- make decisions that are well-informed and evidence-based, to facilitate the annual budget cycle
- communicate decisions and important information to key internal stakeholders
- facilitate the smooth preparation and delivery of Treasury’s contributions to the annual budget cycle (such as the Budget Papers).

Key achievements over 2012-13 included:

- a review of all agency requests for funding proposals prior to submission to the EERC
- providing direction on the [2012-13 Mid-year Review](#), and the [2013-14 Budget](#).

Finance, Risk and Audit Committee

The committee’s primary objectives are to advise on, coordinate, review and oversee areas of:

- timely, forward-looking and value-adding financial reporting
- proactive and value-adding risk management of, and for, Treasury
- audit assurance in accordance with our Executive priorities and risk led auditing.

Key achievements over 2012-13 included the:

- oversight and implementation of a project to enhance the classification and security of data within Treasury
- progression of the risk management program, encompassing strategic and operational level risk
- oversight of the Occupational Safety and Health (OSH) and Business Continuity programs and mandating enhancements to financial reporting.

This committee is chaired by the [Under Treasurer](#).

People and Communications Committee

This committee focuses on issues related to:

- strategic communications
- culture
- strategic recruitment
- strategic planning
- women in leadership
- development and performance of our people.

Key achievements over 2012-13 included the:

- creation and implementation of a new [Development and Performance framework](#)
- new intranet that enables greater communication and collaboration with intuitive navigation and up-to-date business focused content
- implementation of strategies to empower staff and reduce re-work
- development of an integrated knowledge

- sharing calendar which focuses on topics based on the Training Needs Analysis
- development of a calendar of events to promote Women in Leadership events and knowledge sharing forums.

This committee is chaired by the [Deputy Under Treasurer](#).

Program Management Committee

This committee ensures robust project reporting across Treasury. The main areas of focus for this committee are to:

- monitor performance against approved budget, time and quality for capital works projects within the Strategic Projects business unit
- capture progress of business development projects within Treasury business units
- report on resourcing requirements for projects

- address any other program and project management matters referred to the committee.

Key achievements over 2012-13 included the:

- implementation of standardised reporting for all Treasury business development projects
- further refinement of reporting for capital works projects.

Since the announcement of machinery of government changes in April 2013, this committee has been dissolved. The responsibility for oversight of business development projects has been designated to other governance committees on a best-fit basis, coordinated by the Finance, Risk and Audit Committee.

Up until its dissolution this committee was chaired by the [Executive Director, Strategic Projects](#).



Ethics, accountability and integrity

Our Code of Conduct sets out our ethical standards, expected behaviours and values required of all of our people. As part of our induction, our new starters are informed of our expectation of high ethical behaviour, declarations of conflict and the responsibility to report suspected misconduct to ensure they are dealt with promptly and fairly.

During the year, we reviewed and enhanced the content and format of our internal code of conduct with additional emphasis on ethics, accountability and integrity. We continue to ensure our compliance with the [Western Australian Public Sector Code of Ethics](#) via targeted internal audits.

All of our policies and procedures relating to ethical standards, integrity and accountability are available on our intranet.

Substantive equality

We are committed to providing services to meet the needs of Western Australia’s diverse community.

In 2012-13, we conducted Unconscious Bias training to raise awareness of our employees on where biases in recruitment and day-to-day work may exist.

During 2013-14, we plan to review our existing substantive equality policy in consultation with the [Equal Opportunity Commission](#) and develop a communication strategy to inform and educate our people.

Freedom of Information (FOI)

The *Freedom of Information Act 1992* enables the public to apply for access to documents held by Treasury. For further guidance on how to apply for and obtain information, please refer to the information statement which is available on Treasury’s website (www.treasury.wa.gov.au).

This statement was produced in accordance with the requirements of the Act and also provides guidance on obtaining information outside of the FOI process.

As detailed in the table below, during 2012-13, the department saw a 12% increase in the number of FOI applications received: 19 applications compared to 17 in the past financial year. The majority of applications were received from Members of Parliament and the media.

FOI applications

Year	2011-12	2012-13
Received	17	19
Internal reviews	1	Nil
External reviews	Nil	Nil

Throughout 2012-13, the following FOI initiatives have been successfully implemented in Treasury:

- the publishing of new Freedom of Information: Process and Document Search Guidelines to streamline the internal FOI process and assist staff when dealing with FOIs
- an FOI training session, facilitated by the [State Solicitor's Office](#), to refresh employees awareness and understanding of FOI legislation and application. Attendance levels were high and positive feedback was received
- both Treasury's FOI Policy and Information Statement were updated to reflect current practices.

Recordkeeping

In conjunction with the [Department of Finance](#), we continue our commitment of compliance with the [State Records Act 2000](#), contributing to a Recordkeeping Plan approved by the State Records Office in 2012. A revised draft of Treasury's Recordkeeping Plan is scheduled for August 2013 to address organisational changes proposed within Treasury.

Records awareness training remains a critical component of every new employee's induction, and is complemented with record keeping systems training and online awareness training.

We have dedicated trainers who provide training on good practices for records management. These courses are included in our learning management system and highlighted on our intranet. Feedback obtained from these sessions is used to refine online training guides and enhance future training programs.

Financial Statements and Notes

Certification of Financial Statements

For the year ended 30 June 2013

The accompanying financial statements of the Department of Treasury have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2013 and the financial position as at 30 June 2013.

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

Liam Carren
CHIEF FINANCE OFFICER

11 September 2013

Timothy Marney
UNDER TREASURER

11 September 2013



Our Finance Team: (clockwise from top) Helen Millett, Liam Carren and Deborah Dronfield.

Opinion of the Auditor General



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF TREASURY

Report on the Financial Statements

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

The financial statements comprise the Statement of Financial Position as at 30 June 2013, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

Under Treasurer's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of Treasury at 30 June 2013 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Page 1 of 3

7th Floor Albert Quay House 498 Wellington Street Perth MAIL TO Perth BC PO Box 6489 Perth WA 6004 TEL 08 9557 7500 FAX 08 9557 7066

Report on Controls

I have audited the controls exercised by the Department of Treasury during the year ended 30 June 2013.

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

Under Treasurer's Responsibility for Controls

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the controls exercised by the Department of Treasury are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2013.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Department of Treasury for the year ended 30 June 2013.

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

Under Treasurer's Responsibility for the Key Performance Indicators

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

Auditor's Responsibility

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

Page 2 of 3

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

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

Opinion

In my opinion, the key performance indicators of the Department of Treasury are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2013.

Independence

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

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

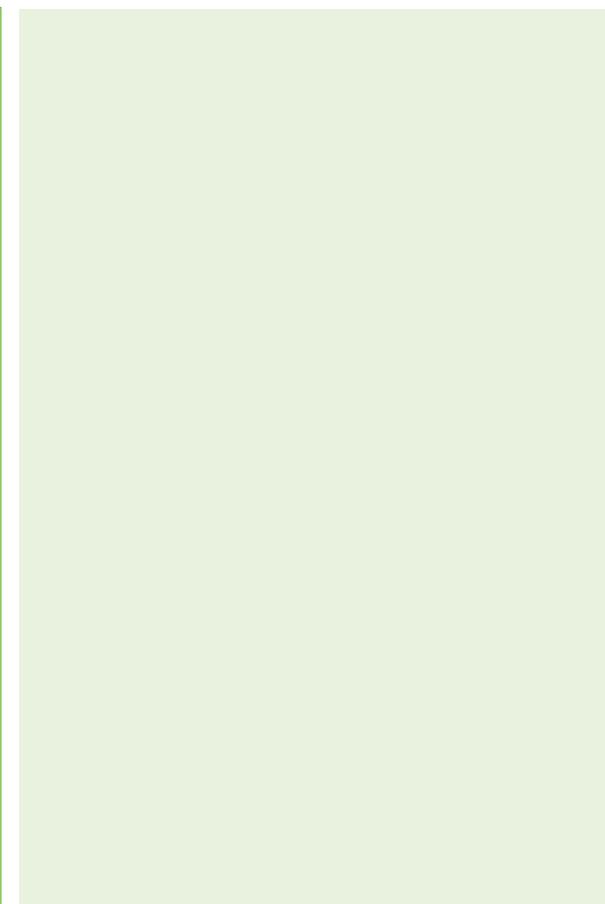
This auditor's report relates to the financial statements and key performance indicators of the Department of Treasury for the year ended 30 June 2013 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.


COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
13 September 2013

Statement of comprehensive income

For the year ended 30 June 2013

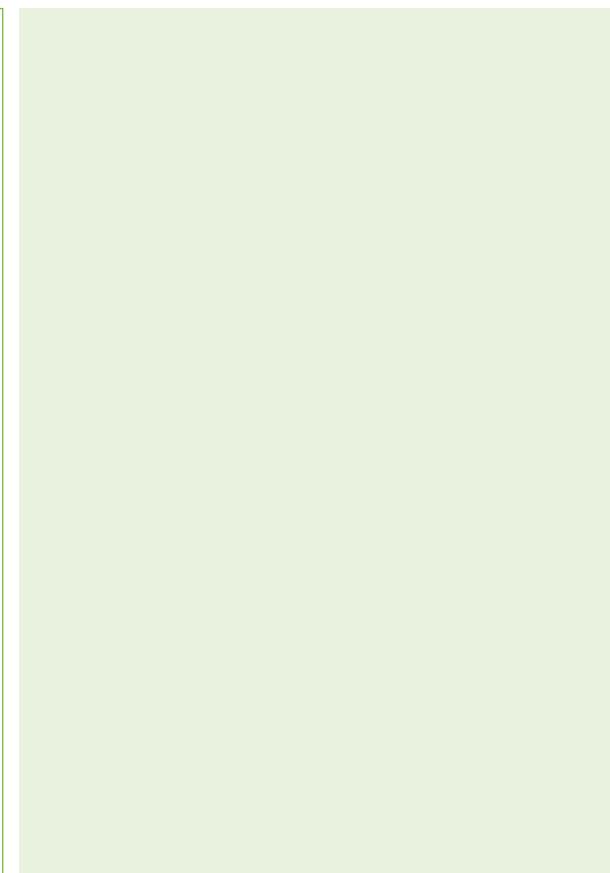
	Note	2013	2012
		\$000	\$000
COST OF SERVICES			
Expenses			
Employee benefits expense	7	31,319	30,779
Supplies and services	8	101,521	145,391
Depreciation and amortisation expense	9	746	478
Accommodation expenses	10	373	274
Grants and subsidies	11	398	606
Other expenses	12	675	204
Loss on disposal of non-current assets	15	-	1
Total cost of services		135,032	177,733
Income			
Revenue	13		
User charges and fees		80,864	133,590
Other revenue		101	438
Total revenue		80,965	134,028
Total income other than income from State Government		80,965	134,028
NET COST OF SERVICES		(54,067)	(43,705)



Statement of financial position

As at 30 June 2013

	Note	2013	2012
		\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	16	6,084	20,477
Receivables ^(a)	18	13,965	13,075
Amounts receivable for services	19	1,363	385
Total current assets		21,412	33,937
Non-current assets			
Restricted cash and cash equivalents	17	1,000	846
Amounts receivable for services	19	5,519	6,112
Plant and equipment	20	44	14
Intangible assets	21	9,089	8,590
Total non-current assets		15,652	15,562
TOTAL ASSETS		37,064	49,499
LIABILITIES			
Current liabilities			
Payables ^(a)	23	12,630	25,350
Provisions	24	9,072	9,067
Total current liabilities		21,702	34,417



Statement of changes in equity

For the year ended 30 June 2013

	Note	Contributed equity \$000	Accumulated surplus \$000	Total equity \$000
Balance at 1 July 2011 (formally the Department of Treasury and Finance)	25	854,482	-	854,482
Total comprehensive income for the period		-	4,338	4,338
Transactions with owners in their capacity as owners:				
Capital appropriations		276	-	276
Distribution to owners - Department of Finance		(846,120)	-	(846,120)
Balance at 30 June 2012		8,638	4,338	12,976
Balance at 1 July 2012		8,638	4,338	12,976
Total comprehensive income for the period		-	(2,171)	(2,171)
Transactions with owners in their capacity as owners:				
Contribution from owners - Department of Finance		2,342	-	2,342
Balance at 30 June 2013		10,980	2,167	13,147

The Statement of changes in equity should be read in conjunction with the accompanying notes.

Schedule of income and expenses by service

For the year ended 30 June 2013

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES										
Expenses										
Employee benefits expense	5,301	4,886	5,733	5,809	17,836	17,379	2,449	2,705	31,319	30,779
Supplies and services	2,991	2,186	3,439	2,599	9,307	7,774	85,784	132,832	101,521	145,391
Depreciation and amortisation expense	1	78	1	93	736	278	8	29	746	478
Accommodation expenses	-	1	-	1	-	3	373	269	373	274
Grants and subsidies	50	18	2	22	73	66	273	500	398	606
Other expenses	39	15	44	17	135	52	457	120	675	204
Loss on disposal of non-current assets	-	1	-	-	-	-	-	-	-	1
Total cost of services	8,382	7,185	9,219	8,541	28,087	25,552	89,344	136,456	135,032	177,733
Income										
User charges and fees	-	-	-	-	-	-	80,864	133,590	80,864	133,590
Other revenue	17	-	16	-	52	423	16	15	101	438
Total income other than income from State Government	17	-	16	-	52	423	80,880	133,605	80,965	134,028
NET COST OF SERVICES	(8,365)	(7,185)	(9,203)	(8,541)	(28,035)	(25,129)	(8,464)	(2,851)	(54,067)	(43,705)

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Income from State Government										
Service appropriation	8,414	8,114	10,004	9,647	18,759	18,089	2,068	1,996	39,245	37,846
Resources received free of charge	-	-	-	-	11,310	9,113	1,341	1,084	12,651	10,197
Total income from State Government	8,414	8,114	10,004	9,647	30,069	27,202	3,409	3,080	51,896	48,043
SURPLUS FOR THE PERIOD	49	929	801	1,106	2,034	2,073	(5,055)	229	(2,171)	4,338

The Schedule of income and expenses by service should be read in conjunction with the accompanying notes.

Schedule of assets and liabilities by service

As at 30 June 2013

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Evaluation and Planning of Government Service Delivery and Infrastructure Provision		Leads the Planning and Delivery of New Government Buildings		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets										
Current assets	1,959	1,988	2,123	2,364	4,277	7,071	13,053	22,514	21,412	33,937
Non-current assets	2,710	2,696	3,223	3,207	9,639	9,591	80	68	15,652	15,562
Total assets	4,669	4,684	5,346	5,571	13,916	16,662	13,133	22,582	37,064	49,499
Liabilities										
Current liabilities	2,691	2,396	3,040	2,850	6,444	8,549	9,527	20,623	21,702	34,417
Non-current liabilities	586	328	537	391	848	1,141	244	246	2,215	2,106
Total liabilities	3,277	2,724	3,577	3,241	7,292	9,690	9,771	20,869	23,917	36,523
NET ASSETS	1,392	1,960	1,769	2,330	6,624	6,972	3,362	1,713	13,147	12,976

The Schedule of assets and liabilities by service should be read in conjunction with the accompanying notes.

	2013 Estimate	2013 Actual	Variance	2013 Actual	2012 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
ADMINISTERED TRANSACTIONS						
RECURRENT ADMINISTERED						
Operating subsidy payments						
Item 30 Electricity Retail Corporation (Synergy)	437,409	427,998	(9,411)	427,998	425,443	2,555
Item 31 Regional Power Corporation (Horizon Power)	57,037	55,594	(1,443)	55,594	32,347	23,247
Item 32 Public Transport Authority	662,378	648,793	(13,585)	648,793	-	648,793
Item 33 Water Corporation of Western Australia	442,818	436,702	(6,116)	436,702	450,383	(13,681)
Item 34 Western Australian Land Authority	40,515	34,858	(5,657)	34,858	62,576	(27,718)
Total operating subsidy payments	1,640,157	1,603,945	(36,212)	1,603,945	970,749	633,196
Grants, subsidies and transfer payments						
Item 35 Broome Port Authority	324	324	-	324	342	(18)
Item 36 Department of Corrective Services	10,022	658	(9,364)	658	2,006	(1,348)
Item 37 Department of Finance ^(a)	26,214	-	(26,214)	-	-	-
Item 38 Goods and Services Tax (GST) Administration Costs	74,800	76,440	1,640	76,440	70,694	5,746
Item 39 Health and Disability Services Complaints Office	2,426	2,426	-	2,426	2,121	305
Item 40 Metropolitan Redevelopment Authority	2,994	1,332	(1,662)	1,332	-	1,332
Item 41 Provision for Unfunded Liabilities in the Government Insurance Fund	2,910	2,575	(335)	2,575	3,576	(1,001)
Item 42 Refunds of Past Years Revenue Collections – Public Corporations	10,000	7,741	(2,259)	7,741	14,603	(6,862)
Item 43 Rottnest Island Authority	4,800	4,800	-	4,800	3,200	1,600
Item 44 Royalties for Regions	654,767	654,767	-	654,767	687,625	(32,858)
Item 45 State Property – Emergency Services Levy	16,000	14,661	(1,339)	14,661	13,341	1,320

FINANCIAL
STATEMENTS AND NOTES

	2013 Estimate	2013 Actual	Variance	2013 Actual	2012 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Item 46 All Other grants, subsidies and transfer payments, comprising:	15,911	11,627	(4,284)	11,627	8,749	2,878
• Acts of Grace	10	-	(10)	-	-	-
• ANZAC Day Trust	300	300	-	300	300	-
• FHOB Recovery payments	-	294	294	294	-	294
• HIH Insurance Rescue Package	5	2	(3)	2	80	(78)
• Incidentals	310	5	(305)	5	2	3
• Interest on Public Moneys held in Participating Trust Fund Accounts	5,215	5,115	(100)	5,115	5,648	(533)
• Shire of Broome	1,600	-	(1,600)	-	-	-
• Superannuation Reforms – Payments to Government Employees Superannuation Board	2,701	1,503	(1,198)	1,503	2,099	(596)
• Margaret River Bushfire Financial Assistance	5,000	3,614	(1,386)	3,614	-	3,614
• Water Corporation of WA – Part reimbursement of land sales	200	-	(200)	-	-	-
• Western Australian Treasury Corporation Management Fees	570	794	224	794	620	174
Shark Hazard Response	-	-	-	-	2,921	(2,921)
Armadale Redevelopment Authority	-	-	-	-	915	(915)
Total grants, subsidies and transfer payments	821,168	777,351	(43,817)	777,351	810,093	(32,742)
Authorised by Other Statutes						
Gold Corporation Act 1987	3	2	(1)	2	1	1
Judges' Salaries and Pensions Act 1950	13,668	12,778	(890)	12,778	12,294	484
Parliamentary Superannuation Act 1970	11,696	9,167	(2,529)	9,167	7,027	2,140
State Superannuation Act 2000	613,700	583,081	(30,619)	583,081	564,255	18,826
Tobacco Products Control Act 2006	21,240	21,420	180	21,420	20,674	746
Unclaimed Money Act 1990	750	899	149	899	819	80
Unclaimed Money (Superannuation and RSA Providers) Act 2003	220	20	(200)	20	-	20

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

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

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

(c) Reporting entity

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

Mission

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

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

The financial statements encompass all funds through which the Department controls resources to carry out its functions.

In the process of reporting on the Department as a single entity, all intra-entity transactions and balances have been eliminated.

The Insurance Commission of Western Australia has been appointed to administer the RiskCover Managed Fund on behalf of government under the supervision of the Department. Details of the transactions of the RiskCover Managed Fund are disclosed in the financial statements of the Commission.

Services

The Department of Treasury provides the following services:

Service 1: Financial Management and Reporting

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

Service 2: Economic and Revenue Forecasts and Policy Development

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

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

This service aims at investigating agencies' operations in respect of efficiency and effectiveness and to advise government on the allocation of taxpayers' resources to achieve government desired outcomes. It includes the analysis, evaluation and planning of government services to ensure value for money outcomes in the key areas of Health, Law and Order, Education and Infrastructure Delivery.

Service 4: Leads the Planning and Delivery of New Government Buildings

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

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at [note 39](#) 'Administered income and expenses' and [note 41](#) 'Administered assets and liabilities'.

(d) Contributed equity

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

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

(e) Income

Revenue recognition

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

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Provision of services

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

Administered

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

Service Appropriations

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

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination specified in the 2012-2013 Budget Statements, the Department retained \$80.965 million in 2013 (\$134.028 million in 2012) from the following:

- proceeds from fees, charges and sale of goods;
- Commonwealth specific purpose grants and contributions;
- one-off gains with a value of less than \$10,000 derived from the sale of property other than real property;
- other departmental revenue.

Grants, donations, gifts and other non-reciprocal contributions

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

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

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

Gains

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

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

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

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

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

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

(j) Leases

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

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

(k) Financial instruments

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

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

Financial instruments have been disaggregated into the following classes:

- Financial Assets:
 - Cash and cash equivalents;
 - Restricted cash and cash equivalents;

Purchased leave

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

Superannuation

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

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

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

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

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

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

Provisions – other

Employment on-costs

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

Note 5. Key sources of estimation uncertainty

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

Long Service Leave

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

Note 6. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2012 that impacted on the Department.

AASB 2011-9

Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). There is no financial impact.

Voluntary changes in accounting policy

There are no voluntary changes in Accounting Policies during the year.

Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
AASB 128	<p><i>Investments in Associates and Joint Ventures</i></p> <p>This Standard supersedes AASB 128 <i>Investments in Associates</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by one year for not-for-profit entities by AASB 2012-10. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards</i></p> <p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.</p>	1 Jul 2013
AASB 1055	<p><i>Budgetary Reporting</i></p> <p>This Standard specifies the nature of budgetary disclosures, the circumstances in which they are to be included in the general purpose financial statements of not-for-profit entities within the GGS. The Department will be required to disclose additional budgetary information and explanations, of major variances between actual and budgeted amounts, though there is no financial impact.</p>	1 Jul 2014
AASB 2010-2	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]</i></p> <p>This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.</p>	1 Jul 2013

		Operative for reporting periods beginning on/after
AASB 2011-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i></p> <p>This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.</p>	1 Jan 2013
AASB 2011-10	<p><i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]</i></p> <p>This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. There is limited financial impact.</p>	1 Jan 2013
AASB 2011-11	<p><i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i></p> <p>This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.</p>	1 Jul 2013
AASB 2012-1	<p><i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, 7, 13, 140 & 141].</i></p> <p>This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.</p>	1 Jul 2013

		Operative for reporting periods beginning on/after
AASB 2012-2	<p><i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]</i></p> <p>This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. There is no financial impact.</p>	1 Jan 2013
AASB 2012-3	<p><i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i></p> <p>This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact.</p>	1 Jan 2014
AASB 2012-5	<p><i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]</i></p> <p>This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.</p>	1 Jan 2013
AASB 2012-6	<p><i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]</i></p> <p>This Standard amends the mandatory effective date of AASB 9 <i>Financial Instruments</i> to 1 January 2015. Further amendments are also made to consequential amendments arising from AASB 9 that will now apply from 1 January 2015 and to consequential amendments arising out of the Standards that will still apply from 1 January 2013. There is no financial impact.</p>	1 Jan 2013

		Operative for reporting periods beginning on/after
AASB 2012-7	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, 12, 101 & 127]</i></p> <p>This Standard adds to or amends the Australian Accounting Standards to provide further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general financial statement. There is no financial impact.</p>	1 Jul 2013
AASB 2012-10	<p><i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049, & 2011-7 and Int 12]</i></p> <p>This Standard makes amendments to AASB 10 and related Standards to revise the transition guidance relevant to the initial application of those Standards, and to clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The Standard was issued in December 2012. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2012-11	<p><i>Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, 2, 8, 10, 107, 128, 133, 134 & 2011-4]</i></p> <p>This Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). These corrections ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements.</p> <p>This Standard also extends the relief from consolidation and the equity method (in the new Consolidation and Joint Arrangements Standards) to entities complying with Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.</p>	1 Jul 2013

Changes in accounting estimates

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

Note 7. Employee benefits expense

	2013	2012
	\$000	\$000
Wages and salaries	21,930	20,769
Superannuation-defined contribution plans ^(a)	3,130	2,764
Long service leave ^(b)	1,615	2,300
Annual leave ^(b)	4,010	4,201
Other related expenses ^(c)	634	745
	31,319	30,779

^(a) Defined contribution plans include West State, Gold State, GESB and other eligible funds.

^(b) Includes a superannuation contribution component.

^(c) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

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

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

Note 8. Supplies and services

	2013	2012
	\$000	\$000
Managed contracts	82,887	132,160
Communications	84	58
Consultants and contractors	17,289	12,091
Consumables	182	205
Repairs and maintenance	4	25
Travel	31	191
Legal costs	421	137
Other	623	524
	101,521	145,391

Note 11. Grants and subsidies

	2013	2012
	\$000	\$000
Grants – Recurrent	398	606
	398	606

Note 12. Other expenses

	2013	2012
	\$000	\$000
Minor purchases	187	104
Employment on-costs ^(a)	-	13
Other	488	87
	675	204

^(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at [note 24](#) 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs. Refer also to [note 7](#) 'Employee benefits expense'.

Note 19. Amounts receivable for services (Holding Account)

	2013	2012
	\$000	\$000
Current	1,363	385
Non-current	5,519	6,112
	6,882	6,497

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

Refer to [note 2\(n\)](#) 'Amounts receivable for services (Holding Account)'.

Note 20. Plant and equipment

	2013	2012
	\$000	\$000
Office equipment		
At cost	46	24
Accumulated depreciation	(21)	(12)
	25	11
Computer equipment		
At cost	32	11
Accumulated depreciation	(13)	(9)
	19	3
Total		
At cost	78	35
Accumulated depreciation	(34)	(21)
	44	14

Refer also to [note 2\(f\)](#) 'Plant and equipment'.

Note 24. Provisions

	2013	2012
	\$000	\$000
Current		
<i>Employee benefits provision</i>		
Annual leave ^(a)	3,114	3,656
Long service leave ^(b)	5,066	4,557
Deferred salary scheme ^(c)	48	27
	<u>8,228</u>	<u>8,240</u>
<i>Other provisions</i>		
Employment on-costs ^(d)	844	827
	<u>844</u>	<u>827</u>
Total current	<u>9,072</u>	<u>9,067</u>
Non-current		
<i>Employee benefits provision</i>		
Long service leave ^(b)	1,992	1,916
	<u>1,992</u>	<u>1,916</u>
<i>Other provisions</i>		
Employment on-costs ^(d)	223	190
	<u>223</u>	<u>190</u>
Total non-current	<u>2,215</u>	<u>2,106</u>
^(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	1,955	1,973
More than 12 months after the reporting period	1,159	1,683
	<u>3,114</u>	<u>3,656</u>

Note 32. Remuneration of senior officers

	2013	2012
	\$000	\$000
The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:		
\$		
190,001 - 200,000	-	1
230,001 - 240,000	1	-
250,001 - 260,000	2	-
260,001 - 270,000	-	1
270,001 - 280,000	-	1
290,001 - 300,000	1	1
330,001 - 340,000	1	-
360,001 - 370,000	-	1
510,001 - 520,000	-	1
540,001 - 550,000	1	-
Cash remuneration received for the year	1,630	1,562
Annual leave and long service leave accruals	(27)	2
Other benefits	312	331
Total remuneration of senior officers ^(a)	1,915	1,895
The total remuneration includes the superannuation expense incurred by the Department in respect of senior officers.		
^(a) The prior year figures have been restated to correct a prior period error.		

(c) Financial instrument disclosures

Credit risk

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

Ageing analysis of financial assets

Past due but not impaired

	Carrying Amount	Not Past Due and Not Impaired	Up to 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years	Impaired Financial Assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2013								
Cash and cash equivalents	6,084	6,084	-	-	-	-	-	-
Restricted cash and cash equivalents	1,000	1,000	-	-	-	-	-	-
Receivables ^(a)	12,455	11,664	225	18	315	233	-	-
Amounts receivable for services	6,882	6,882	-	-	-	-	-	-
	26,421	25,630	225	18	315	233	-	-
2012								
Cash and cash equivalents	20,477	20,477	-	-	-	-	-	-
Restricted cash and cash equivalents	846	846	-	-	-	-	-	-
Receivables ^(a)	9,783	7,887	1,048	440	350	58	-	-
Amounts receivable for services	6,497	6,497	-	-	-	-	-	-
	37,603	35,707	1,048	440	350	58	-	-

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

Liquidity risk and interest rate exposure

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

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

	Interest rate exposure					Maturity dates					
	Weighted Average Effective Interest Rate	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing	Nominal Amount	Up to 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2013											
Financial Assets											
Cash and cash equivalents		6,084	-	-	6,084	6,084	6,084	-	-	-	-
Restricted cash and cash equivalents		1,000	-	-	1,000	1,000	-	-	1,000	-	-
Receivables ^(a)		12,455	-	-	12,455	12,455	12,455	-	-	-	-
Amounts receivable for services		6,882	-	-	6,882	6,882	-	-	1,363	5,519	-
		26,421	-	-	26,421	26,421	18,539	-	1,363	6,519	-
Financial Liabilities											
Payables		11,251	-	-	11,251	11,251	11,251	-	-	-	-
		11,251	-	-	11,251	11,251	11,251	-	-	-	-
2012											
Financial Assets											
Cash and cash equivalents		20,477	-	-	20,477	20,477	20,477	-	-	-	-
Restricted cash and cash equivalents		846	-	-	846	846	-	-	846	-	-
Receivables ^(a)		9,783	-	-	9,783	9,783	9,783	-	-	-	-
Amounts receivable for services		6,497	-	-	6,497	6,497	-	-	385	6,112	-
		37,603	-	-	37,603	37,603	30,260	-	385	6,958	-
Financial Liabilities											
Payables		23,802	-	-	23,802	23,802	23,802	-	-	-	-
		23,802	-	-	23,802	23,802	23,802	-	-	-	-

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

Fair values: All financial assets and liabilities recognised in the Statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

Significant variances between actual results for 2013 and 2012

	2013 Actual	2012 Actual	Variance
	\$000	\$000	\$000
Appropriation provided to deliver services			
Item 29 – Net Amount appropriated to deliver services	37,238	75,119	(37,881)
Section 25 Transfer of Human Resources and Organisational Development from Department of Finance	343	-	343
Section 25 Transfer of corporate resources to Department of Finance	-	(38,672)	38,672
Salaries and Allowances Tribunal Determination 2012-13	161	-	161
Repayment of Salaries and Allowances Act funding	(138)	-	(138)
Carryover of Superannuation Administration Outsourcing Project	(600)	-	(600)
Additional Funding for Analysis of Commonwealth Tax Arrangements	800	-	800
- <i>Salaries and Allowances Act 1975</i>	1,441	1,399	42
Total appropriations provided to deliver services	39,245	37,846	1,399

Service Expenditure

Significant variances between estimate and actual for 2013

	2013 Estimate	2013 Actual	Variance
	\$000	\$000	\$000
Service 1 - Financial Management and Reporting ^(a)	6,256	8,382	2,126
Service 2 - Economic and Revenue Forecasts and Policy Development ^(b)	8,262	9,219	957
Service 3 - Evaluation and Planning of Government Service Delivery and Infrastructure Provision	26,600	28,087	1,487
Service 4 - Leads the Planning and Delivery of New Government Buildings ^(c)	35,368	89,344	53,976
	76,486	135,032	58,546

^(a) There was an increase in actual costs due to additional resources received free of charge. In addition, there was an increase in Corporate Services costs applied from Department of Finance, and a change to the allocation of support services costs within the Department of Treasury.

^(b) There was an increase in actual costs in 2013 due to additional contract work on Commonwealth tax arrangements. In addition, there was an increase in Corporate Services costs applied from Department of Finance, increase in resources received free of charge and a change to the allocation of support service costs within the Department of Treasury.

^(c) The actual cost increased due to the approval of the New Perth Stadium. Perth Arena and Acacia Prison projects also deferred cashflows.

Significant variances between actual results for 2013 and 2012

	2013 Actual	2012 Actual	Variance
	\$000	\$000	\$000
Service 1 - Financial Management and Reporting ^(a)	8,382	7,185	1,197
Service 2 - Economic and Revenue Forecasts and Policy Development	9,219	8,541	678
Service 3 - Evaluation and Planning of Government Service Delivery and Infrastructure Provision	28,087	25,552	2,535
Service 4 - Leads the Planning and Delivery of New Government Buildings ^(b)	89,344	136,456	(47,112)
	135,032	177,733	(42,701)

^(a) The increase in costs was due to an increase in Corporate Services costs applied from the Department of Finance, an increase in resources received free of charge, and a change to the allocation of support service costs within the Department of Treasury.

^(b) Actual cash flows may vary from initial estimates for a number of reasons, such as changes in the scheduling of specific parcels of works and inclusion of additional projects and costs that would have been unknown at the time of setting estimates (i.e. new projects). Further, actual expenditures in consecutive years are to a large extent, mutually exclusive and cannot be readily compared for these same reasons.

Note 35. Explanatory statement – administered items

The summary of Administered Items discloses appropriations and other statutes expenditure, the actual expenditures made and the revenue estimates and revenue earned. The following table compares budget estimates and actual results for 2013 of items having significant variations, and explanations for the variations are given below. A significant variation is one that is in excess of 10% of the principal figure and \$10 million.

	2013 Estimate	2013 Actual	Variance	2013 Actual	2012 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
ADMINISTERED TRANSACTIONS						
RECURRENT ADMINISTERED						
Operating subsidy payments						
Item 31 Regional Power Corporation (Horizon Power)	57,037	55,594	(1,443)	55,594	32,347	23,247
Item 32 Public Transport Authority	662,378	648,793	(13,585)	648,793	-	648,793
Item 34 Western Australian Land Authority	40,515	34,858	(5,657)	34,858	62,576	(27,718)
Grants, subsidies and transfer payments						
Item 37 Department of Finance	26,214	-	(26,214)	-	-	-
Authorised by Other Statutes						
Western Australian Treasury Corporation Act 1986 – Interest	361,000	354,147	(6,853)	354,147	253,798	100,349

	2013 Estimate	2013 Actual	Variance	2013 Actual	2012 Actual	2013 Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Other revenue						
Superannuation	-	332,537	332,537	332,537	-	332,537
Interest	208,628	224,170	15,542	224,170	293,003	(68,833)
Loan Guarantee Fees	109,027	109,211	184	109,211	27,090	82,121
Other Revenue	6,115	32,506	26,391	32,506	38,383	(5,877)

Item 31 – Regional Power Corporation (Horizon Power)

Higher payments (up \$23.2 million) relative to 2011-12 largely reflect increases to the Tariff Migration subsidy and the Tariff Adjustment Payment. These subsidies are paid to Horizon Power for the difference between the cost of electricity supply and the prices that are paid by consumers. The increase is mainly due to changes to Horizon Power’s demand and energy profile and amendments to the cost of supplying electricity in the South West Interconnected System as a result of the Economic Regulation Authority’s (ERA) inquiry into the efficiency of Synergy’s Costs and Electricity Tariffs in July 2012 and the ERA’s determination of Western Power’s Third Party Access Arrangement.

Item 32 Public Transport Authority

Until 2011-12, the Public Transport Authority received a service appropriation rather than an operating subsidy administered by Treasury.

Item 34 Western Australian Land Authority

Lower payments (down \$27.7 million) relative to 2011-12 mainly reflect the completion of funding for several projects such as Collie Shotts Industrial Park, Bunbury Timber Jetty, Halls Creek Residential Land and Kalgoorlie North West Sector.

Item 37 Department of Finance

This item quarantines central funds to assist Office of Shared Services (OSS) client agencies to re-establish corporate service functions following the Government’s December 2011 decision to decommission the OSS. The funds were transferred to agencies under section 25 of the *Financial Management Act 2006* upon approval of business cases by the Department of Finance during 2012-13.

Western Australian Treasury Corporation Act 1986 – Interest

These items provide for the debt servicing costs of Consolidated Account borrowings raised from the Western Australian Treasury Corporation. Interest is payable on borrowings raised under the *Western Australian Treasury Corporation Act 1986*. Higher interest payments relative to 2011-12 largely reflect increasing Consolidated Account borrowings (which fund the provision of infrastructure spending by State government agencies). The impact of higher levels of borrowing through 2012-13 were partly offset by lower than anticipated interest rates during the year.

Item 117 Department of Corrective Services

The \$64.1 million decrease relative to budget reflects a change in accounting treatment for the new Eastern Goldfields Regional Prison. The prison will now be procured as a Design, Build, Finance and Maintain Public-Private Partnership under finance leasing arrangements rather than using the traditional public sector procurement methods assumed in the budget, which included equity contributions from the Consolidated Account provided through this item. The \$26.9 million increase relative to 2011-12 relate to payments for the expansion of the Acacia Prison, which commenced in 2012-13.

Item 118 Department of Education

This item quarantines capital funding approved to enable the Department of Education to fund infrastructure works at various secondary schools identified as requiring additional student accommodation and facilities to cater for the first intake of Year 7 students in 2015. No funds have been spent to date as the required Project Definition Plan is still to be submitted to the Government for final approval.

Item 119 Department of Finance

This item quarantines central funds to assist Office of Shared Services (OSS) client agencies to re-establish corporate service functions following the decision to decommission the OSS. All funds were transferred to agencies' appropriations under section 25 of the *Financial Management Act 2006* upon approval of business cases by the Department of Finance.

Item 121 Forest Products Commission

An equity contribution provided to the Commission in 2011-12 was made to retire the agency's debt in full. No equivalent contribution was required in 2012-13.

Item 122 Fremantle Port Authority

The \$20.0 million increase relative to 2011-12 is largely due to a \$13.8 million payment towards the significant upgrade of facilities at Fremantle Port's Kwinana Bulk Terminal. This payment mitigates the impact of the income tax equivalent payment assessable on customer contributions towards the project. Higher equity injections to the Authority in 2012-13 also included the impact of:

- \$3.5 million for a reimbursement of tax relating to proceeds from the termination of HISmelt Services Agreement and Unloader and Jetty Works Agreement;
- \$1.7 million to reimburse tax relating to insurance proceeds for the replacement of conveyor and tunnel plant and equipment due to fire damage; and
- \$1.5 million for spending on the North Quay Rail Terminal Stage 2.

Item 123 Metropolitan Redevelopment Authority

The \$90.3 million decrease relative to 2012-13 Budget mainly relates to the deferral of funding for the Elizabeth Quay project due to delays in the appointment of contractors and the commencement of development works. Development works for the Wungong Urban Water project were also delayed due to the current slow demand for housing in the area. Works in Gilwell Avenue, Kelmscott have also been put on hold pending further consultation with stakeholders. Relative to prior years, the Authority was established on 31 December 2011 with new funding under this item commencing in 2012-13 (hence no funding was recognised in 2011-12). Funding for 2011-12 was appropriated for the predecessor agencies, the former Armadale, East Perth, Midland and Subiaco Redevelopment Authorities.

Item 124 Regional Power Corporation (Horizon Power)

The \$11.9 million decrease from budget is due to timing changes for a range of capital expenditure projects, with the largest relating to the Aboriginal Remote Communities Power Supply (\$6.1 million) and the Murchison Radio astronomy Observatory (\$5.5 million). The delay in spending on works in 2012-13 reflects issues such as slower than anticipated project construction due to contract negotiations and revisions to the scope of works for each project.

Item 125 Royalties for Regions

The \$52.1 million increase from 2011-12 actual to 2012-13 primarily reflects the change in the mix of recurrent and capital appropriations for the Royalties for Regions program, which is driven by the program approved by the Government for that year. Higher budgeted royalties paid into the Fund for 2012-13 (up \$19 million relative to 2011-12) also impact the overall size of spending programs between years.

Item 126 WA Health

The budget quarantines funding for a range of broad health reform initiatives as part of WA Health's infrastructure program in this item. WA Health are required to submit business cases and planning details for government approval to access these funds through the year. Given the preliminary nature of the funding allocation, timing changes can occur for projects between the time the budget is finalised (and initial project estimates are available), and when business cases are finally approved. The \$48.4 million decrease from budget includes a range of projects subject to these arrangements, such as the Health Services Development Fund (\$3.8 million), Princess Margaret Hospital Interim Works (\$3.5 million), Country Transport Initiatives (\$2.5 million), and Harvey Hospital (\$1.5 million), and a range of smaller works. A further \$26.2 million contribution to the lower than budget outcome reflects transfer of appropriation of Midland Public Hospital project to the Department of Health capital contribution.

Item 128 Fiona Stanley Hospital Construction Account

This item provides funding to a Special Purpose Account for the construction of the Fiona Stanley Hospital. This variation from 2011-12 reflects a \$125 million top up payment for the Account in 2012-13, largely to cover lower than expected interest earnings on the Account (reflecting lower than anticipated official cash rates which were on average around 140 basis points lower than the average earning rate for 2011-12) and changes to the timing of construction payments.

Item 129 New Children's Hospital Account

This item provides funding to a Special Purpose Account for the construction of the New Children's Hospital development. An initial \$505 million contribution to establish this account were completed by November 2011 through monies sourced from the 2009-10 general government operating surplus (\$100 million), royalty back-payment for the Mesa J mine (\$55 million), and special payments from BHP Billiton and Rio Tinto (totalling \$350 million) for changes to State Agreement Acts. A further appropriation of \$70 million was made in 2012-13 to the Account, sourced from the higher than expected 2010-11 Consolidated Account cash surplus reflected in the 2010-11 *Annual Report on State Finances*.

Item 131 Perth's New Major Stadium Construction Account

A Special Purpose Account was established for the New Perth Stadium development, including the construction of the Stadium and the surrounding Sports Precinct, the associated Transport Infrastructure, and the Project Management. An initial \$100 million appropriation was made in 2012-13 to establish this new Account with the funding sourced from the higher than expected 2010-11 Consolidated Account cash surplus reported in the 2010-11 *Annual Report on State Finances*.

Compensation for Crude Oil Exercise Condensate

The Commonwealth pays a grant to compensate Western Australia for the loss of royalty revenue resulting from the removal of the exemption of condensate from national crude oil excise arrangements. Estimates at the time of the budget were based on a fixed share of the Department of Mines and Petroleum's forecasts of all State revenue from North West Shelf projects. The final outturn for 2012-13 represents the State's share of the Commonwealth's actual excise collections which on a year to year basis is sensitive to variations in production, exchange rate and commodity price movements. Other variations in North-West Shelf revenue is discussed separately (see North West Shelf Grants).

GST Grants

GST grants were \$518.3 million lower than recorded in 2011-12, largely due to a sharp decline in Western Australia's share of the national GST pool, from 7.5% in 2011-12 to 6.1% in 2012-13. This change in the State's share reflects the Commonwealth Grants Commission's recommendations for the distribution of the pool of national collections.

North-West Shelf Grants

North-West Shelf grants were \$105.7 million higher in 2012-13 relative to 2011-12 due to:

- the average \$US/\$A exchange rate in 2012-13 (102.7 cents) was 0.5 cents lower than in 2011-12 (103.2 cents);
- the average price^(a) of Liquid Natural Gas (LNG) was slightly higher in 2012-13 relative to 2011-12; and
- the volume ^(a) of LNG and crude oil sales were higher in 2012-13 relative to 2011-12.

^(a) The exact realised price and sales volume from the North-West Shelf are confidential.

Other

Other Commonwealth grants were \$1.8 billion lower than in 2011-12, primarily reflecting the cessation of the National Healthcare Specific Purpose Payment Agreement on 30 June 2012 (\$1.3 billion), with health reform funding now received directly by the Department of Health. Other material reductions relative to 2011-12 include lower National Partnership payments for the Health and Hospital Fund (down \$179 million), roads under the Nation Building Program (down \$121 million), Remote Indigenous Housing (down \$84 million) largely reflecting early payment of these grants by the Commonwealth. The cessation of the National Partnership payment for the Productivity Places program (down \$50 million) also contributed to the lower outcome. The \$306.1 million difference between the 2012-13 actual to budget reflects lower:

- recurrent and capital health grants (down \$173 million), largely due to the early payment of the Commonwealth's contribution to the Midland Health Campus (\$68 million), along with lower Commonwealth grants passing through Treasury which are instead paid directly to WA Health;
- capital grants for roads (down \$119 million), due to the early payment (in 2011-12) of some grants (\$44 million), faster than anticipated work on Kooyong Rd to Tonkin Highway, with part of the 2012-13 allocation being completed in 2011-12 (\$42 million), as well as a number of other delays reducing works (and subsequent Commonwealth contributions) in 2012-13; and
- capital grants for housing (down \$50 million) mainly due to an early Commonwealth payment (in 2011-12) of the 2012-13 allocation for Remote Indigenous Housing.

Government Enterprises - Dividends

Higher dividends compared to the previous year were driven by both positive and negative variations across a number of agencies. Material variations compared to the previous year include:

- Western Australian Land Authority (up \$63 million), largely reflecting a one-off \$62 million dividend payment in 2012-13 following the implementation of savings initiatives;
- Horizon Power (up \$41 million), reflecting a combined dividend payment in 2012-13 of its 2011-12 dividend (\$19.5 million – due to the timing of the dividend payment being made in the 2012-13 financial year) and the 2012-13 dividend (\$21.6 million);
- Verve (down \$44 million) reflecting lower net profit after tax, due mainly to asset impairment charges for the Greenough River Solar Farm and higher gas charges (a result of the valuation of gas taken under long term gas swap contracts);
- Water Corporation (down \$31 million) reflecting lower customer revenue due to a reduction in water consumption and a reduction in growth;
- Port Hedland Port Authority (up \$19 million), is mainly due to the impact on the 2012-13 dividend of operations in 2011-12, including higher profit from the first full year of operation of the Utah Point Bulk Handling facility, higher port throughput, revised pricing and stronger cost management; and
- Western Power (up \$18 million), due to higher profit in 2011-12 (impacting the dividend paid in 2012-13) in turn, reflecting higher network tariff revenue in that year.

Income Tax - Tax Equivalent Regime

Lower tax equivalent revenue relative to the 2012-13 Budget was driven by both positive and negative variations across a number of agencies. The largest of these movements were:

- Western Power (down \$60 million) due to lower than budgeted profit and an increase in tax deductible asset investment (namely a significant increase in pole replacement);
- Insurance Commission of Western Australia (down \$30 million) reflecting deferred tax credits following significant investment losses in 2011-12; and
- Synergy (down \$23 million) due to lower than anticipated profitability levels reflecting reduced demand, increased competition in the contestable electricity market and revised tariff recovery rates as a result of the Economic Regulatory Authority's Inquiry into the Efficiency of Synergy Cost and Electricity Tariffs that was completed in July 2012.

Superannuation

The value of unfunded superannuation liabilities declined significantly over the 12 months to 30 June 2013. This reflects the impact of an increase in the superannuation discount rate used by the actuary (based on the ten year Commonwealth bond rate) which increased from 3.25% for the valuation of unfunded superannuation liabilities at 30 June 2012 to 3.8% for the year ending 30 June 2013. Together with gross expenses for concurrent employee costs and superannuation interest, the overall decline in the liability is recorded as net revenue in the administered income statement for 2012-13.

Interest

Interest revenue in 2012-13 was \$68.8 million lower than 2011-12. This reduction reflects lower average investment earning rates for the year and a lower investment pool balance through the year. The lower Public Bank Account investment pool in 2012-13 includes the use of cash balances held centrally by agencies, including the drawdown of funds from the Fiona Stanley Hospital Construction Account and the New Children’s Hospital Account as works on these hospitals proceeds. These reductions are partially offset by the establishment of the Western Australian Future Fund in 2012-13, including \$298 million in initial ‘seed capital’, transferred from the Royalties for Regions Fund.

Loan Guarantee Fees

The \$82.1 million increase relative to last year reflects an increase in the Loan Guarantee Fee from 20 basis points to 70 basis points on existing and new borrowings for a range of Government Trading Enterprises which applied from 1 July 2012. This increase was announced as part of a range of measures in the 2012-13 Budget.

Other Revenue

Other revenue actual in 2013 was \$26.4 million higher than the estimate due to the refund of Royalties for Regions payments and the winding up of the Toodyay Bushfire Financial Assistance Fund.

Note 36. Supplementary financial information

Write-Offs

There are no write-offs for the reporting period.

Note 37. Special Purpose Accounts

Special purpose account section 10 of the *Financial Management Act 2006*

	2013	2012
	\$000	\$000
Accrued salaries		
The purpose of the special purpose account is to hold funds in accordance with section 26(2) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the year	176,092	113,996
Receipts	51,940	62,112
Payments	302	16
Balance at the end of the year	227,730	176,092

	2013	2012
	\$000	\$000
Fiona Stanley Hospital Construction Account		
The purpose of the special purpose account is to hold funds appropriated from the Consolidated Account for the construction and establishment of the Fiona Stanley Hospital in accordance with the provisions of the Fiona Stanley Hospital Construction Account 2007		
Balance at the start of the year	309,237	808,496
Receipts	133,903	32,763
Payments	338,751	532,022
Balance at the end of the year	104,389	309,237
Independent Schools – General Building Grants		
The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the <i>State Grants (Schools Assistance) Act 2008</i> pending payment to independent schools.		
Balance at the start of the year	-	-
Receipts	27,873	40,495
Payments	27,873	40,495
Balance at the end of the year	-	-
Independent Schools – Recurrent Grants Schools Assistance Acts		
The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the <i>State Grants (Schools Assistance) Act 2008</i> pending payment to independent schools.		
Balance at the start of the year	-	-
Receipts	848,579	803,317
Payments	848,579	803,317
Balance at the end of the year	-	-

	2013	2012
	\$000	\$000
Non-government Schools – Other recurrent grants		
The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent grants to non-government schools in accordance with the <i>State Grants (Schools Assistance) Act 2008</i> pending payments to non-government schools.		
Balance at the start of the year	-	-
Receipts	24,909	27,830
Payments	24,909	27,830
Balance at the end of the year	<u>-</u>	<u>-</u>
Perry Lakes Maintenance Account		
The purpose of the special purpose account is to contribute to the costs of maintaining, operating and managing the athletics facilities at the AK Reserve.		
Balance at the start of the year	5,589	5,320
Receipts	210	269
Payments	-	-
Balance at the end of the year	<u>5,799</u>	<u>5,589</u>
Perth's New Major Stadium Construction Account		
The purpose of the special purpose account is to hold moneys for the construction of the New Major Stadium.		
Balance at the start of the year	-	-
Receipts	105,100	-
Payments	9,721	-
Balance at the end of the year	<u>95,379</u>	<u>-</u>

	2013	2012
	\$000	\$000
Tariff Equalisation Fund		
The purpose of the special purpose account is to allow the transparent transfer of appropriate funds from the Electricity Networks Corporation (Western Power) to the Regional Power Corporation (Horizon Power) to enable it to maintain uniform tariff protection in its areas of operation in accordance with the provisions of the <i>Electricity Industry Act 2004</i> .		
Balance at the start of the year	-	-
Receipts	154,000	181,200
Payments	154,000	181,200
Balance at the end of the year	<u>-</u>	<u>-</u>
Toodyay Fire Victims Fund Account		
The purpose of the special purpose account is to hold funds pending distribution to residents directly affected by the Toodyay bushfire on 29 December 2009 and to meet associated costs.		
Balance at the start of the year	3,057	3,172
Receipts	-	-
Payments	3,057	115
Balance at the end of the year	<u>-</u>	<u>3,057</u>
Western Australian Future Fund (note 38)		
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 year	-	-
Receipts	305,932	-
Payments	-	-
Balance at the end of the year	<u>305,932</u>	<u>-</u>

Note 38. Special Purpose Account created during the year.

The Future Fund Special Purpose Account (SPA) was created during the year, in accordance with section 5(2) of the *Western Australian Future Fund Act 2012*. The SPA provides for the accumulation of a portion of the revenue from the State's mineral resources and other money, for the benefit of future generations.

Note 39. Administered income and expenses

	2013	2012
	\$000	\$000
Expenses		
Superannuation ^(a)	-	2,211,327
Borrowing costs	446,141	407,454
Appropriations	17,247,056	18,161,803
Capital contributions	2,114,486	2,929,436
Grants, subsidies and transfers	3,098,582	3,527,330
Transfer payments	154,000	181,200
Other expenses	377,048	859,095
Total administered expenses	23,437,313	28,277,645
Incomes		
Commonwealth grants	7,272,743	9,449,287
Superannuation ^(a)	332,537	-
Government enterprises:		
Dividends	799,121	703,116
Tax equivalent receipts	390,694	378,719
Interest	224,170	293,003
Pension recoups	14,681	15,180
Loan guarantee fees	109,211	27,090
Gold State superannuation reimbursement	159,923	159,765

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	2013 \$000	2012 \$000
Revenue for transfers	154,000	181,200
Other revenue	39,567	44,588
Community funding	151,188	140,469
Total administered revenues	9,647,835	11,392,417

The item 'Consolidated Account Revenue received from agencies', identified in the Budget Papers (2013 \$12.36 billion) as Treasury Administered, has not been included in this schedule as the collection of those revenues is administered by other agencies and disclosed as administered revenues in the financial statements of the relevant agencies.

^(a) The value of unfunded superannuation liabilities declined significantly over the 12 months to 30 June 2013. This reflects the impact of an increase in the superannuation discount rate used by the actuary (based on the 10 year Commonwealth bond rate) which increased from 3.25% for the valuation of unfunded superannuation liabilities at 30 June 2012 to 3.8% for the year ending 30 June 2013. Together with gross expenses for concurrent employee costs and superannuation interest, the overall decline in the liability is recorded as a net revenue in the Administered income statement for 2012-13.

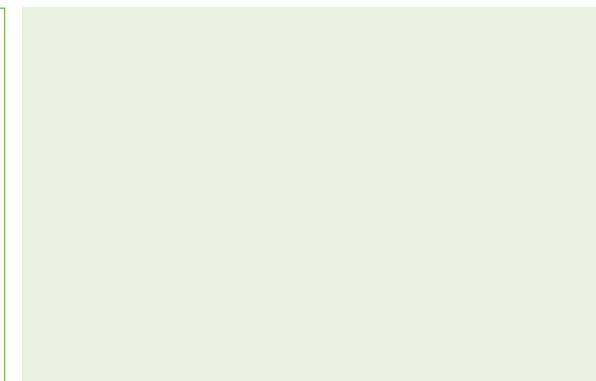
Note 40. Disclosure of administered income and expenses by service

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy		Total	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000
COST OF SERVICES						
Expenses						
Superannuation	-	2,211,327	-	-	-	2,211,327
Borrowing Costs	446,141	407,454	-	-	446,141	407,454
Appropriations	17,247,056	18,161,803	-	-	17,247,056	18,161,803
Capital contributions	2,114,486	2,929,436	-	-	2,114,486	2,929,436
Grants, subsidies and transfers	3,098,582	3,527,330	-	-	3,098,582	3,527,330
Transfer payments	154,000	181,200	-	-	154,000	181,200
Other expenses	377,048	859,095	-	-	377,048	859,095
Total administered expenses	23,437,313	28,277,645	-	-	23,437,313	28,277,645

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	Financial Management and Reporting		Economic and Revenue Forecasts and Policy		Total	
	2013	2012	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000	\$000
Income						
Commonwealth grants	-	-	7,272,743	9,449,287	7,272,743	9,449,287
Superannuation	332,537	-	-	-	332,537	-
Government enterprises:						
Dividends	-	-	799,121	703,116	799,121	703,116
Tax equivalent receipts	-	-	390,694	378,719	390,694	378,719
Interest	224,170	293,003	-	-	224,170	293,003
Pension recoups	14,681	15,180	-	-	14,681	15,180
Loan guarantee fees	109,211	27,090	-	-	109,211	27,090
Gold State Superannuation Reimbursement	159,923	159,765	-	-	159,923	159,765
Revenue for transfers	154,000	181,200	-	-	154,000	181,200
Other revenue	39,567	44,588	-	-	39,567	44,588
Community funding	151,188	140,469	-	-	151,188	140,469
Total administered income	1,185,277	861,295	8,462,558	10,531,122	9,647,835	11,392,417

	2013	2012
	\$000	\$000
Non-Current Liabilities		
Borrowings	10,139,097	7,985,767
Superannuation	7,925,339	8,867,583
Appropriation payable	6,941,921	6,188,453
Other payables	19,859	23,807
Total administered non-current liabilities	25,026,216	23,065,610
TOTAL ADMINISTERED LIABILITIES	29,791,385	27,044,519



Note 42. Supplementary funding

Supplementary funding approved and expended during 2012-13 was as follows:

	2013	2013
	\$000	\$000
	Amount Approved	Amount Expended
Item 119 Department of Finance	14,490	9,911
	14,490	9,911
<p>This item provides central funds to assist Office of Shared Services (OSS) client agencies to re-establish corporate service functions following the decision to decommission the OSS. Relative to the \$11.7 million budget forecast for client agency costs in 2012-13, an additional \$14.5 million was approved to meet higher than expected agency purchasing and systems implementation costs offset by an equivalent amount in recurrent funding.</p>		
Item 38 Goods and Services Tax Administration Costs	1,640	1,640
	1,640	1,640
<p>This funding reflects Western Australia's contribution to the Australian Taxation Office (ATO) for administration costs for 2012-13 relating to the GST. A \$1.64 million supplementary funding requirement resulted from revision of the amount payable under the terms of the Intergovernmental Agreement on Federal Financial Relations. The original budgeted amount of \$74.8 million was consistent with the estimated agreed administration costs at the June 2012 Ministerial Council Meeting. These administration costs were revised upwards for the Standing Council of Federal Financial Relations in April 2013, reflecting higher costs that the ATO reported will be incurred to administer the GST in 2012-13 (which includes services like compliance activity costs, debt collections and general administration costs).</p>		

Key Performance Indicators

Certification of Key Performance Indicators

For the year ended 30 June 2013

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 2013.



Timothy Marney
UNDER TREASURER

11 September 2013



Glen Colling and Deb Hird from the People and Governance Directorate provide the quarterly internal key performance indicator dashboard reports for review and action by Treasury's Executive.

Performance Assessment

Outcomes

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

- 1. Sustainable and transparent public sector finances**
Service 1: Financial management and reporting
- 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. Value-for-money from the management of the Government's non-residential buildings and public works**
Service 4: Leads the planning and delivery of new Government buildings

Measuring Our Performance

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

Key Effectiveness Indicators

Treasury Business

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.

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

Key indicators of effectiveness	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual
Status of the State’s credit rating ^(a)	triple-A	triple-A	triple-A	triple-A	triple-A
Unqualified audit opinion on the <i>Annual Report on State Finances</i>	Yes	Yes	Yes	Yes	Yes

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

The State’s triple-A credit rating was confirmed by both Moody’s and Standard and Poor’s during 2012-13. Both agencies moved Western Australia’s triple-A credit rating from a ‘stable’ to ‘negative’ outlook during 2012-13, with a one in three chance of the rating being downgraded.

The *2011-12 Annual Report on State Finances*, which was released in September 2012 and details whole-of-government outcomes for the Western Australian public sector, was also given an unqualified audit opinion by the Auditor General.

Outcome 2: A strong and competitive State economy

Accurate forecasting of Western Australia’s economic and fiscal outlook is a major factor in the maintenance of the State’s triple-A 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	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual
Accuracy of key general government revenue forecasts:					
- tax revenue	9.5%	2.1%	3.0%	+/-5.0%	7.8%
- mining revenue ^(a)	-7.8%	22.4%	-8.8%	+/-5.0%	-6.1%
Accuracy of key economic forecasts (percentage point difference):					
- employment growth ^(b)	1.8	1.6	1.4	+/-0.5%	0.9
- Real State Final Demand (SFD) growth ^(c)	6.0	-0.7	7.0	+/-2.0%	2.8

^(a) Any changes to actual figures from previous reporting are due to the change in the measure of mining revenue. It now includes not only royalty incomes (the previous measure) but also lease rentals, North-West Shelf grants and compensations for Commonwealth crude oil excise arrangements.

^(b) Any changes to actual figures from previous reporting are due to the revision of the historical series from Australian Bureau of Statistics.

^(c) The actual for 2012-13 used to calculate the KPI is the annual average to the March quarter 2013.

The preliminary actual for total tax in 2012-13 is higher than the Budget forecast by 7.8%. This is largely due to the higher than expected total transfer duty and payroll tax.

The estimate for mining revenue for 2012-13 is lower than forecast at the 2012-13 Budget due to a stronger than expected \$US/\$AUS exchange rate and lower than expected iron ore prices.

The employment deviation reflects stronger-than-expected employment growth in mid 2012 and into the first half of 2012-13.

The real state final demand deviation reflects strong business investment and household consumption growth in the year to March 2013.

Strategic Projects Business

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

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

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

Key indicators of effectiveness	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual
Percentage of significant projects in the New Buildings program delivered within approved:					
- budget	N/A	N/A	88%	100%	82%
- timeframe	N/A	N/A	82%	100%	82%

The 2012-13 Actual Budget indicator is below the 2012-13 Target Budget indicator due to:

- The anticipated final cost of the Queen Elizabeth II Medical Centre Car Park being over budget by \$10.5 million (109% of the current approved budget of \$9.6 million)
- The anticipated final cost of the Busselton Health Campus being over budget by \$1 million (0.8% of the current approved budget of \$120.4 million)
- The anticipated final cost of the Albany Health Campus being overbudget by \$0.8 million (0.5% of the current approved budget of \$170.5 million).

The 2012-13 Timeframe indicator is below the 2012-13 target due to the:

- Albany Health Campus scheduled completion date of March 2013, being four months later than the current approved completion date of December 2012
- Karratha Health Campus scheduled completion date of December 2017, being six months later than the current approved completion date of June 2017
- Perth Arena scheduled completion date of November 2012, being one month later than the approved completion date of October 2012.

Key Efficiency Indicators

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

Treasury Business

Service 1: Financial management and reporting

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

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

Key indicators of efficiency	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual
Percentage of financial reports released as per agreed timeframes	100%	100%	100%	100%	100%

Treasury publishes a number of publications under the statutory reporting requirements of the *Government Financial Responsibility Act 2000*. This includes the budget projections, *Quarterly Financial Results Reports*, the *Government Mid-year Financial Projections Statement* and the *Annual Report on State Finances* and for 2012-13 the *Pre-election Financial Projections Statement*. Treasury has met all statutory reporting deadlines under the Act for these publications in the past and expects to continue to do so throughout 2013-14.

Service 2: Economic and revenue forecasts and policy development

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

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

Key indicators of efficiency	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual
Percentage of regulatory impact statements assessed within agreed timeframes	100%	95%	97%	90%	100%
Number of Ministerials, briefings or reports provided on economic issues ^(a)	N/A	N/A	N/A	447	145

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

The percentage of regulatory impact statements assessed within agreed timeframes exceeded the target, with 31 out of 31 assessed within the agreed timeframe of ten business days for 2012-13.

A reduction in the number of Ministerials, briefing notes and reports in 2012-13 compared to the target is due to:

- the transfer in February 2012 of the Superannuation Branch from the Economic business unit to Infrastructure and Finance business unit
- a slowing in the volume and demand for material during the recent caretaker period
- an increase in the number of ad hoc email requests not formally captured in the record keeping system.

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

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

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

Key indicators of efficiency	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual
Number of Economic and Expenditure Review Committee papers on service delivery and infrastructure advice ^(a)	N/A	N/A	N/A	98	108

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

The number of Economic and Expenditure Review Committee papers on service delivery and infrastructure advice exceeded the 2012-13 target by 10, representing a 9% increase.

Strategic Projects Business

Service 4: Leads the planning and delivery of new Government buildings

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

Key indicators of efficiency	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual
Cost as a percentage of the total annual value of the planning and delivery of capital works projects ^(a)	N/A	N/A	0.3%	0.7%	0.6%

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

The 2012-13 Actual Cost indicator is less than the 2012-13 Target Cost indicator, as a result of lower than expected operational costs associated with the program and a more accurate allocation of costs to individual projects. No comparison is applicable to 2010-11 due to the split of the Department of Treasury and Finance.

Ministerial directives

No ministerial directives were received during the 2012-13 financial year.

Other disclosures

Senior officers

In accordance with Treasurer's Instruction 903 (14(ii)), senior officers of the Department are required to disclose the particulars of any shares, held as a nominee or held beneficially, in any subsidiary body of the agency.

In 2012-13, no senior officers held shares in any subsidiary body of the agency as a nominee or beneficially.

In accordance with Treasurer's Instruction 903 (14(iii)), senior officers are also required to disclose particulars, other than normal contracts of employment of service, of any interest in any existing or proposed contract which:

- a senior officer
- a firm of which a senior officer is a member or
- an entity in which a senior officer has a substantial financial interest

has made with the agency or any subsidiary body, related body or affiliated body of the agency.

For 2012-13, other than normal contracts of employment of service, no senior officers, firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the department or any subsidiary body, related body or affiliated body of the agency.

